



SAF Tehnika Yearbook 2009/10

Customized Microwave Solutions





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Registration No.:	LV40003474109
Financial Year:	1st July, 2009 – 30th June, 2010



SAF Tehnika overview



SAF Tehnika Overview

Mission

We deliver customized microwave radio equipment designed and produced in Europe.

Vision

SAF Tehnika is the first choice of the customer looking for a specific microwave solution at a competitive price and good quality.

SAF Tehnika in Brief

Know-how in modern wireless data transmission technologies, creativity in solutions, accuracy in design, precision in production and logistics make SAF Tehnika a unique designer and manufacturer of point-to-point microwave data transmission equipment. Located in Northern Europe, SAF Tehnika managed to acquire and consolidate valuable locally available intellectual resources of the microelectronics industry and spread its presence to almost 100 countries, covering all relevant market segments worldwide within just a decade.

Flexibility and customer-oriented business philosophy are the core concepts of SAF Tehnika research and business development. Our specialists are always following up-to-date industry trends to successfully integrate cutting-edge technologies in our all-inclusive portfolio of modular split-mount and full outdoor systems. Standard to high capacity TDM, Hybrid TDM&Ethernet and 4G/LTE networks-ready Native Ethernet/IP data transmission equipment for licensed and licence-free frequencies provides hundreds of supported, customer-tailored product variations, all linked together by a fully featured SAF Network Management System.

Affordable broadband connectivity and mobile communications have become the backbone of the modern world as well as an important business tool providing decisive impact on competitiveness of our customers. In response to these trends we are constantly striving to promote mobility and openness as the defining features of our company. SAF Tehnika has proved time and that it can swiftly adapt to the challenges of the changing environment and the ever-increasing pace of technological innovations.

The slogan *Customized microwave solutions™* incorporates our commitment to an industry-rare capability to design and implement specific, user-adapted application techniques and features for our products to ensure that they are fit for planned expansion or fine-tuning of existing 3G/HSPA backhaul, complex carrier-grade LTE network migration, deployment of advanced future-proof wireless infrastructure in underserved markets or a redundancy solution in last-mile connections.

Mobile and alternative operators, PTT/fixed operators, broadband access providers, ISPs, government, utility companies and many others across the world have already chosen to work with SAF Tehnika as a company of reliable and energy efficient products, unparalleled delivery terms and worldwide warranty service, as well as extremely effective and direct management-level communication. Because broad expertise for a fair price is our proposal for time&money-sensitive customers that value investments in high class service and sustainable solutions to stay fit for the emerging age of green and smart economies.

SAF Tehnika team of direct sales representatives in Europe, North and South America, Africa, South and East Asia, together with a broad worldwide network of authorized partners are always ready to assist and provide up-to-date information on the available product options and solutions.



Key Milestones:

- 1999 Company foundation (10 employees)
- 2000 Introduction of PDH (CFM) product line
- 2003 ISO 9001 certification
- 2004 Acquisition of *Viking Microwave AB*, Sweden – *SAF Tehnika Sweden AB* foundation
IPO - Initial Public Offering
- 2006 SDH (CFQ) product line launch in the market
- 2007 Implementation of a new automated modern manufacturing line
- 2008 Launch of 108Mbps radio - *SAF CFIP* product line
Buy-out of the capital shares of *SAF Tehnika Sweden AB* by its management
- 2009 *SAF Tehnika* 10 year anniversary
Launch of CFIP Lumina Full Outdoor radio (366Mbps)
Launch of CFIP Phoenix Hybrid Split Mount System (366Mbps)
- 2010 Sales growth up to 98 markets

www.saftehnika.com



SAF Tehnika Management Board



Normunds Bergs

Chairman, owns 9.74% of shares

Normunds Bergs, born in 1963, is Chairman of the Board and Chief Executive Officer of SAF Tehnika. N. Bergs was one of the founders of Ltd. Fortech (co-founders SAF Tehnika JSC) and during the periods from 1990 to 1992 and 1999 to 2000 he acted as Managing Director and General Director, respectively. Following Ltd. Fortech's merger with JSC Microlink in 2000, N. Bergs became Chief Executive Officer of SAF Tehnika JSC and Member of the Management Board of JSC Microlink. From 1992 to 1999 N. Bergs worked at World Trade Center Riga, where he held the position of General Director and became Member of the Board of Directors in 1998. N. Bergs has graduated Riga Technical University with a degree in radio engineering in 1986.



Didzis Liepkalns

Vice Chairman, owns 17.05% of shares

Didzis Liepkalns, born in 1962, is Vice-Chairman of the Board and Technical Director of SAF Tehnika. D. Liepkalns founded a private enterprise SAF in 1995 and co-founded the company SAF Tehnika JSC in 1999. From 1985 to 1990 he worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. D. Liepkalns has graduated Riga Technical University with a degree in radio engineering in 1985.



Aira Loite

Member, owns 0.2% of shares

Aira Loite, born in 1965, Member of the Board and Chief Financial Officer of SAF Tehnika. Prior to joining the company in November, 2007, she worked for Ltd. Lattelecom (2006-2007) initially as a Business Performance Director and later as a Director of Business Information and Control division. From 2000 to 2006 she held the position of the Head of Finances and Administration of Ltd. Microlink Latvia being Board Member as well. From 2004 to 2005 she was Chief Financial Officer of Microlink Group. A. Loite has graduated University of Latvia with a degree in applied mathematics in 1988. She holds the degree of Master of Business Administration by the University of Salford (UK) (graduated in 2009).



Janis Ennitis

Member, owns 0.66% of shares

Janis Ennitis, born in 1970, is Member of the Board and he holds the position of Vice-President Sales and Marketing in the Company. Prior to joining the Company in July 2006, Janis Ennitis was employed by information technology and electronics distribution company GNT Latvia (now ALSO) as Sales and Marketing Director. J. Ennitis holds a Master degree of Microelectronics acquired in Riga Technical University which he graduated in 1996. Post graduate studies during 1996/1997 were held at the Technical University of Lausanne in Switzerland.



SAF Tehnika Supervisory Council



Vents Lacars

Chairman, owns 6.08% of shares

Vents Lacars, born in 1968, is Chairman of the Supervisory Council and Vice-President Business Development of SAF Tehnika. Before co-founding the Company, from 1992 to 1999, he worked for Ltd. Fortech, where throughout his career he held positions of programmer, lead programmer, manager and project manager in the networking department. From 1990 to 1992 V. Lacars worked as a programmer at state electric utility company Latvenergo. V. Lacars has studied in Faculty of Physics and Mathematics, University of Latvia.



Andrejs Grisans

Member, owns 10.03% of shares

Andrejs Grisans, born in 1957, is Member of the Supervisory Council and Production Department Manager. A. Grisans is one of the co-founders of SAF Tehnika JSC. Prior to joining the Company, he owned and managed a private company specializing in electronic equipment engineering, production and distribution. From 1992 to 1999 A. Grisans was involved in entrepreneurial activities in the field of radio engineering. He worked as an engineer-constructor at the Institute of Polymer Mechanics from 1984 to 1992 and in the construction bureau Orbita from 1980 to 1984. A. Grisans has graduated Riga Technical University in 1980 with a degree in radio engineering.



Juris Ziema

Vice-Chairman, owns 8.71% of shares

Juris Ziema, born in 1964, co-founder of the Company, is Vice-Chairman of the Supervisory Council and Production Department Director. From 1998 to 1999 he worked as an engineer at Didzis Liepkalns' private enterprise SAF. From 1987 to 1999 J. Ziema worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. J. Ziema has graduated Riga Technical University with a degree in radio engineering in 1987.



Ivars Senbergs

Member, owns 0.09% of shares

Ivars Senbergs, born in 1962, Member of the Supervisory Council, also Chairman of the Board of Ltd. Juridiskais Audits, Latnek Ipasumi and Ltd. Namipasumu parvalde, Member of the Supervisory Council of JSC MFS bookkeeping and Member of the Board of Ltd. Hipno. From 1999 till 2000 he worked as Finance and Administrative Director at Ltd. Fortech. I. Senbergs has graduated Faculty of Law, University of Latvia.



Janis Bergs

Member till July 11, 2010

Janis Bergs, born in 1970, Member of the Supervisory Council till July 11, 2010, also Chairman of the Board of Ltd. FMS. J.Bergs is a former Chairman of the Board of Ltd. Fortech, later Chairman of the Board of Microlink Group. In 2004 J. Bergs was elected in the Management Board of the Latvian Information Technology and Telecommunications Association. J. Bergs has graduated Riga Technical University in 1993 with a degree in radio engineering. In 2000 he graduated Riga Business School with an MBA degree.



Juris Imaks

Member since July 12, 2010

Juris Imaks, born in 1971, worked for Latvijas Hipotēku un zemes banka from 1997 up to 2002 as the Head of the Securities trading department. J.Imaks held the office of the Member of the Supervisory Council in the Regulator of public services of the Riga municipality (2005-2007), Ltd. Rīgas nami (2005-2009), RSK (2007-2009), but in Ltd. Latvijas Garantiju aģentūra he held the office of the Chairman of the Supervisory Council (2008-2009). J.Imaks has graduated University of Latvia, Faculty of Economics and Management in 1994 as the Engineer-Economist, but since 2004 he holds the Master's degree in Business Management in University of Latvia.



Interest of members of the Management and Supervisory Council in other companies

Normunds Bergs

Chairman of the Management Board of
Latvian Electrical Engineering and
Electronics Industry Association (LEtERA)
Member of the Management Board of
SIA "Namipasumu parvalde",
Member of the Supervisory Board of
"LEO pētījumu centrs" SIA
Shareholder of SIA "CityCredit",
Owns 40.00% of the shares
Shareholder of SIA "FMS Group",
Owns 27.50 of the shares
Shareholder of SIA "TCon",
Owns 26.00% of the shares
Shareholder of UAB "Fortek IT",
Owns 26.00% of the shares
Shareholder of SIA "Energijas centrs",
Owns 25.00% of the shares
Shareholder of SIA "P3B Holdings",
Owns 18.00% of the shares
Shareholder of SIA "Real Sound Lab",
Owns 10.00% of the shares

Janis Ennitis

Shareholder of SIA "REED Production",
Owns 35.00% of the shares
Shareholder of SIA "Pakards",
Owns 33.33% of the shares
Shareholder of SIA "Auto Mikss",
Owns 25.00% of the shares

Janis Bergs

Chairman of the Management Board of
consortium "Latvian IT Cluster"
Chairman of the Management Board of SIA "FMS"
Shareholder of SIA "FMS Group",
Owns 27.50% of the shares
Shareholder of UAB "Fortek IT",
Owns 29.00% of the shares
Shareholder of UAB BKA,
Owns 33.00% of the shares
Shareholder of SIA "CityCredit",
Owns 30.00% of the shares
Shareholder of SIA "TCon",
Owns 26.00% of the shares
Shareholder of SIA "Energijas centrs",
Owns 25.00% of the shares
Shareholder of SIA "P3B Holdings",
Owns 18.00% of the shares

Ivars Senbergs

Chairman of the Management Board of
SIA "Latnek Ipasumi",
Owns 60.00% of the shares
Chairman of the Management Board of
SIA "Juridiskais Audits",
Owns 58.62% of the shares
Chairman of the Management Board of
SIA "Namipasumu parvalde",
Owns 30.00% of the shares
Member of the Supervisory Council of
AS "MFS bookkeeping",
Shareholder of SIA "Namservisa Agentura",
Owns 33.30% of the shares
Shareholder of SIA "Arhitekta K.Rukuta Birojs",
Owns 5.12% of the shares
Chairman of the Management Board of
SIA "Synergy Consulting",
Owns 100.00% of the shares
Chairman of the Management Board of
SIA "Dzirnavu centrs",
Owns 100.00% of the shares
Chairman of the Management Board of
SIA "Vertibu arhitektura",
Owns 100.00% of the shares
Chairman of the Management Board of
SIA "Mildavu dikis",
Owns 100.00% of the shares
Shareholder of SIA "LAPPA",
Owns 100.00% of the shares

Vents Lacars

Member of the Management Board of
Latvian Multihall Association



Report of the Board



Report of the Board

Type of activity

SAF Tehnika JSC (the "Company") is a designer, producer and distributor of digital microwave data transmission equipment. The Company offers comprehensive, cost-effective PDH, SDH and IP broadband wireless connectivity solutions for digital voice and data transmission to fixed and cellular network operators, data service providers, governments and private enterprises as an alternative to cable communications channels.

Activity of the Group in the reporting year

The Company's net sales for the financial year 2009/2010 were LVL 10.23 million (EUR 14.55 million) representing a 16% increase compared with the previous financial year's net sales. The best sales results were achieved in the Asia Pacific, Africa and Middle East region where 88% y-o-y growth was reached, amounting to LVL 5.96 million (EUR 8.48 million) in the 12 months of FY 2009/10 and represented the largest part of the turnover (58%). Sales volumes in the Americas have increased by 33% and formed 18% of total sales. Sales in Europe and the CIS region represented 24% of financial year's sales and were substantially (by 42%) lower than in the previous financial year. This was mostly impacted by very low sales in the CIS in the calendar year 2009 which were re-commenced in 2010.

The number of countries where the Company has delivered its products in 2009/10 amounted to 79 in total. Five out of 79 are new markets. The recent customer survey lists product price, quality and customer support as the key features for choosing SAF Tehnika as partner.

The Company's aggregate export sales for the reporting period slightly increased and were LVL 10.03 million (EUR 14.27 million) comprising 98.08% from total net sales.

The net profit of the Company for the financial year 2009/2010 is LVL 1.487 million (EUR 2.116 million). This is an excellent result and proves that the Company's strategy towards development of a new CFIP product line, expansion of direct sales, investments into product marketing, cost savings into production and operations was right and has provided SAF Tehnika a more stable position with positive perspectives. The invaluable work and loyalty of the Company's employees also has to be mentioned as a key to success.

The Company's net cash flow for the 12 month period of the financial year was a positive LVL 66 thousand LVL (EUR 95 thousand). Moreover LVL 1.66 million (EUR 2.36 million) were kept in bank deposits (deposit period more than 90 days). This explains the negative cash flow from investing activities. The cash flow in financing activities was negative due to the payment of dividends of LVL 0.23 (twenty three santims) per share or, LVL 683 thousand in December 2009. This was on account of surplus funds and favourable taxation conditions at the time.

During the reporting year the Company invested LVL 99 thousand (EUR 141 thousand) in product certification, development and production software, production equipment and IT.

So as to strengthen SAF's brand, meet current and potential customers and exhibit the latest products - CFIP Lumina FODU and CFIP Phoenix Split Mount system the Company participated in several IT&T events; among them the most significant were the AfricaCom 2009 in Cape Town, South Africa, CeBIT in Hannover, Germany at SviazExpo Comm 2010, Moscow, Russia. Participation was co-funded by the European Regional Development fund and Latvian state.

Research and development

SAF Tehnika's R&D is as busy as ever with many notable development projects. The main direction was and is a further development of radios from the Company's flagship CFIP product line. A lot of work has to be invested in deliver for somewhat conflicting demands from the market:

- for low to medium capacity and affordable, but highly spectrally efficient entry level systems to developing regions and
- for feature rich high capacity premium grade radio systems to regions with already developed telecommunication infrastructure.

Developments to maintain CFQ and CFM product lines are ongoing in order to continue production, decrease product costs.



Future prospects

SAF Tehnika continues to pursue its established course, taking into account its stable financial position, control over the production process and CFIP product development. There will be ongoing attention to the reduction of production expenses by means of more efficient product design and improvement of internal processes. The core focus is the full introduction of an extensive CFIP product line and development of customer-tailored solutions. The main target for the Company in the coming years is to achieve steady growth, maintaining high production quality and customer satisfaction levels. As uncertainty in the global telecommunication market continues, the Board of the Company cannot provide certain prognosis for sales figures despite positive results of the reporting financial year.

Distribution of profit proposed by the Board

The Board is proposing to retain 54% of current year's profits in order to preserve the Company's financial stability and to pay out remaining 46% as dividends.

Normunds Bergs
Chairman of the Board

Didzis Liepkalns
Deputy Chairman of the Board

Aira Loite
Board Member

Janis Enntis
Board Member

Riga, 5th October 2010



Statement of the Board's responsibilities

The Board of SAF Tehnika JSC (hereinafter – the Company) is responsible for preparing the financial statements of the Company.

The financial statements set out on pages 28 to 64 are prepared in accordance with the source documents and present fairly the financial position of the Company as at 30 June 2010 and the results of its financial performance and cash flows for the year then ended.

The above mentioned financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgements and estimates have been made by the management in the preparation of the financial statements.

The Board of SAF Tehnika JSC 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 the compliance with the Latvian state laws.

Normunds Bergs
Chairman of the Board

Didzis Liepkalns
Deputy Chairman of the Board

Aira Loite
Board Member

Janis Enntis
Board Member

Riga, 5th October 2010



Supervisory Council report

JSC "SAF Tehnika" (hereinafter - company) during the financial year 2009/2010 continued its operations according to its chosen business strategy - maintaining high production quality for a reasonable price and it turned out to be successful.

The way chosen by company developing the new CFIP product line, expanding the channels of direct sales, investing in the marketing of the new products and optimizing the costs of production and operative processes was apparently accurate and provides company a much more stable position with a good perspective in the future. Definition of the optimal structure of supplies and significant reduction of the terms for deliveries of supplies, taking into account the increasing amount of sales, but providing optimal delivery terms for clients, will also be the challenges for Management Board in financial year 2010/2011.

Supervisory Board considers that the Management Board of the company during financial year 2010/2011 shall continue to develop the CFIP product line, work on creation of new products on the basis of the CFIP product line, as well as expand the channels of direct sales

During financial year 2009/2010 Supervisory Board exercised also the functions of Revision Committee according to the laws in force and after completion of all the tasks can come to following conclusions:

- Preparation of the financial statement was performed in accordance with the present International Financial Reporting Standards and International Accounting Standards;
- Systems of internal control and risk management operate as well as business operations of the Company require it;
- Examination of annual report was made in accordance with the present Auditing Standards. Correction of drawbacks established during the examination were performed accordingly;
- Supervisory Council has not established any fact which would give a ground to doubt the impartiality of the auditor selected for the examination of annual report from FY 2009/2010.

Vents Lācars
Chairman of the Supervisory Council
Riga, 7th October 2010



Personnel



Personnel

The Company is defined by its employees. At SAF Tehnika all efforts are invested into providing the employees with a wealth of opportunities to reach their full potential. Professional employees at the Company who apply their knowledge and skills to reach the set targets represent the key to success.

The global economic crisis has also had an impact on SAF Tehnika to some extent, and the Company had to make certain optimization activities that affected almost all employees. The workload of manufacturing department was decreased in November, 2009, instead of firing employees and without negative effect on the Company's highly skilled employees. Due to this decision the loyalty of employees was stimulated and the Company was able to resume the full-time work instantly with the financial results improvement in April 2010.

At the beginning of the financial year 143 employees worked for SAF Tehnika. At the end of the year the number reached 150 employees, which indicates that the Company managed to surmount the crisis and was able to successfully continue growth and development of business.

This development is achievable eminently by the presence of the strong Company core which is formed by specialists and highly qualified personnel.

SAF Tehnika is particularly interested in attracting people with innovative and productive ideas, and it constantly seeks for new professionals to boost production capacity and quality. In order to attract young and talented students as potential employees, SAF Tehnika cooperates with professional schools and universities offering internship for the students. By the end of the internship period, the candidates who have demonstrated good results are offered a permanent job at the Company. The experience shows that the most effective method for providing proper education and training to required specialists is by performing these activities directly within the Company and working environment.

The business philosophy of SAF Tehnika is closely linked with the corporate values stimulating the development of the Company, enhancing its competitiveness and cultivating the internal corporate culture.

Corporate Values:

Social Responsibility

A business cannot be successful unless it creates prosperity and opportunity for others. SAF Tehnika is dedicated to being a socially and environmentally responsible corporate member in every community it operates around the globe. Ethical approach is the foundation of the Company's business. Every decision SAF Tehnika takes is guided by a moral compass that ensures fairness, respect for all stakeholders and complete transparency.

Quality

Every action performed at SAF Tehnika is driven by an unyielding passion for excellence and strong commitment to develop the best products and services on the market.

The doctrine of SAF Tehnika implicates the idea that each department is an integral element of the entire operations chain, thus each employee makes fundamental contribution to overall performance of the Company. Promoting the satisfaction level of its employees SAF Tehnika is continually seeking for new progressive methods of personnel motivation.

Employment Policy

SAF Tehnika grants favourable working conditions, which correspond to all work safety requirements and provide modern technical support. Considering the future of the Company's development, SAF Tehnika enhances the possibilities of career and personal growth of its employees.

Social Policy

The Company implements an employment policy with social responsibility to its employees by providing social guarantees, benefits and health insurance.



Salary Policy

SAF Tehnika offers a salary corresponding with the demands on the labour market and with the position occupied by an employee. Additionally, the Company practices a competitive bonus system and awards project bonuses.

Employee Training and Raising of Qualifications

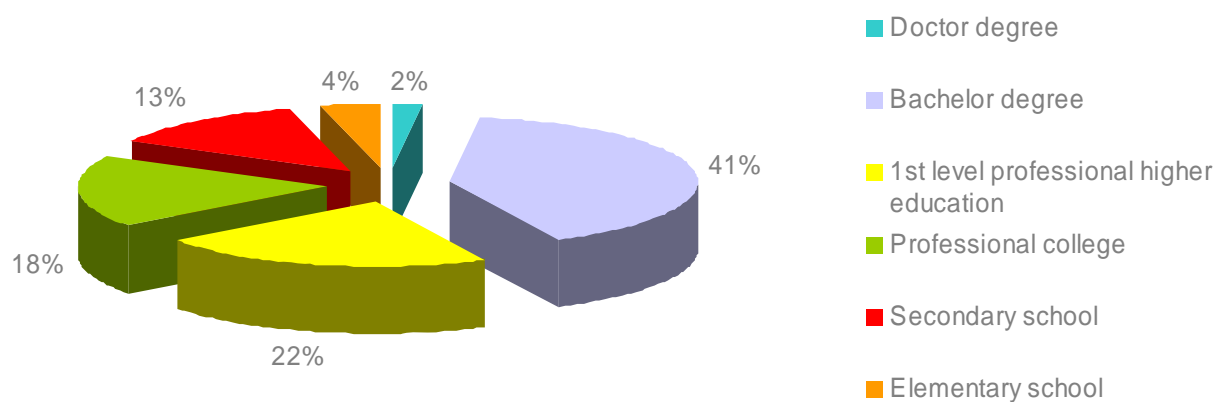
Keeping up with the development of the changing market conditions, SAF Tehnika devotes even more attention to personnel education and development of their skills and qualifications. The Company encourages its employees to raise their qualification. First, definite educational needs of individual employees are determined, after which necessary competence is developed by organizing, coordinating and monitoring the process of internal as well as external training.

Cultural and Social Activities

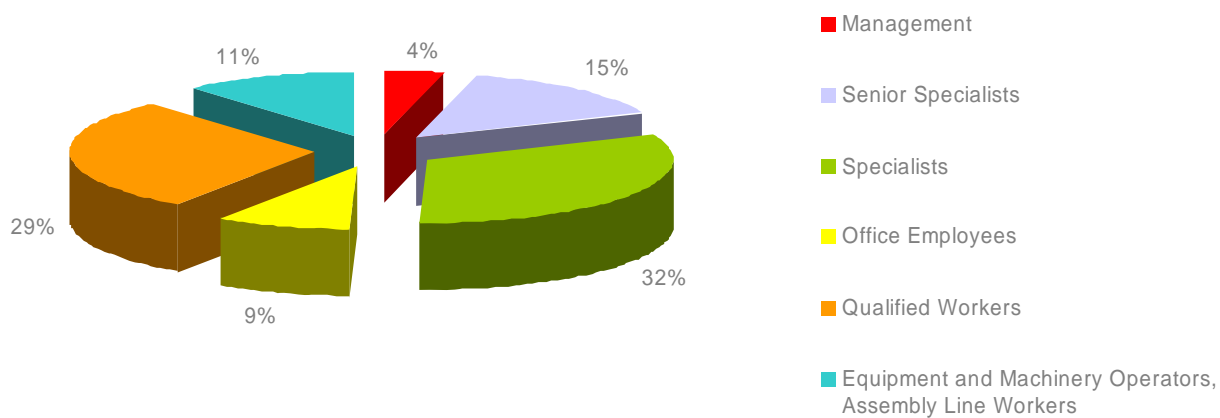
The Company practices organization of annual corporate activities, such as sport games, New Year's festivity and other socializing events. These activities have proved to be the perfect means for building team spirit and unity of the employees, as well as stimulating loyalty to the Company.

The reputation of SAF Tehnika as of a good employer is improving every year, which is evidenced by the low personnel turnover, increasing proportion of highly qualified personnel, as well as the high demand for internships at the Company.

Division of employees by education 2009/10



Division of employees by job category 2009/10





Corporate Social Responsibility

Contribution to Society

SAF Tehnika is a socially responsible company taking various actions in order to support programs intended for the benefit of the whole society. During the financial year 2009/10 the Company has reasonably invested in different charity and sponsorship projects.

The Company believes that education should be an ultimate value to build the future of Latvian society. Therefore SAF Tehnika continued to provide financial support for the educational program "Mission Possible" that recruits young and talented graduates for work in Latvian schools.

SAF Tehnika also continues active participation in the projects for promotion of engineer careers and development of engineering by providing internship for students coming from several educational institutions, inter alia Riga Technical University, Riga Technical College and Ogre Vocational School.

SAF Tehnika is involved in different educational and research projects organized by LETERA*. The Company considers the best way to encourage growth and development of the industry is to promote technical education to youth. Therefore SAF Tehnika supports young engineers and participates in funding of young engineers' activities.

The Company also provided financial support for the study-camp "Alfa" where young talented students had an opportunity to learn and work together in different projects to improve their knowledge within different realms of science.

Within LETERA* members of SAF Tehnika Management Board consult Latvian government and administrative body regarding the implementation of European Union framework legislation using most effective and practical methods, as well as express propositions for supplementation of electrical engineering and electronics and related industries legislation.

Environmental Protection

Environmental protection has become an everyday concern all around the world. Every employee of SAF Tehnika is involved in implementation of the Company's common environmental policy. In order to minimize our environmental impact the Company is keen on reducing the consumption of water, energy, raw materials and packaging, as well as organizing effective waste handling. SAF Tehnika avoids the use of harmful substances and participates in programs of recycling packing materials.

SAF Tehnika also participates in the program for waste disposal of electrical and electronic equipment and complies with the provisions of Directive 2002/96/EC on waste of electrical and electronic equipment (WEEE).

The Company has organized the production in a way to comply with Directive 2002/95/EC on the restriction of use of certain hazardous substances in electrical and electronic equipment. Produced equipment is also RoHS compliant.

SAF Tehnika celebrated its 10th anniversary by working shoulder to shoulder and doing useful work – in the morning of 21st August 2009 SAF Tehnika employees gathered at the "Forest House" in Kemerī National park to clean up Kanieris castle mound's trail, which is considered one of the most fabulous natural tourist trails in this national park. Thereafter SAF Tehnika administration had decided to organize such activities every year so that the Company's employees can contribute to maintain our environment clean.

* Latvian Electrical Engineering and Electronics Industry association

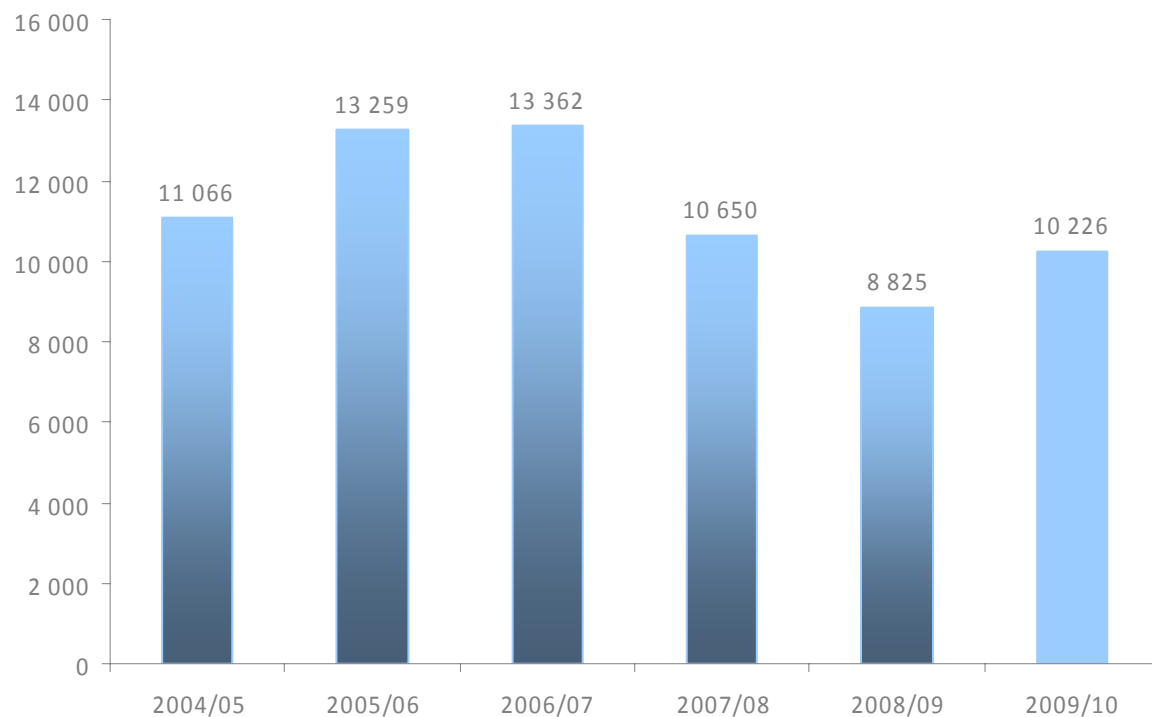


Financial Highlights

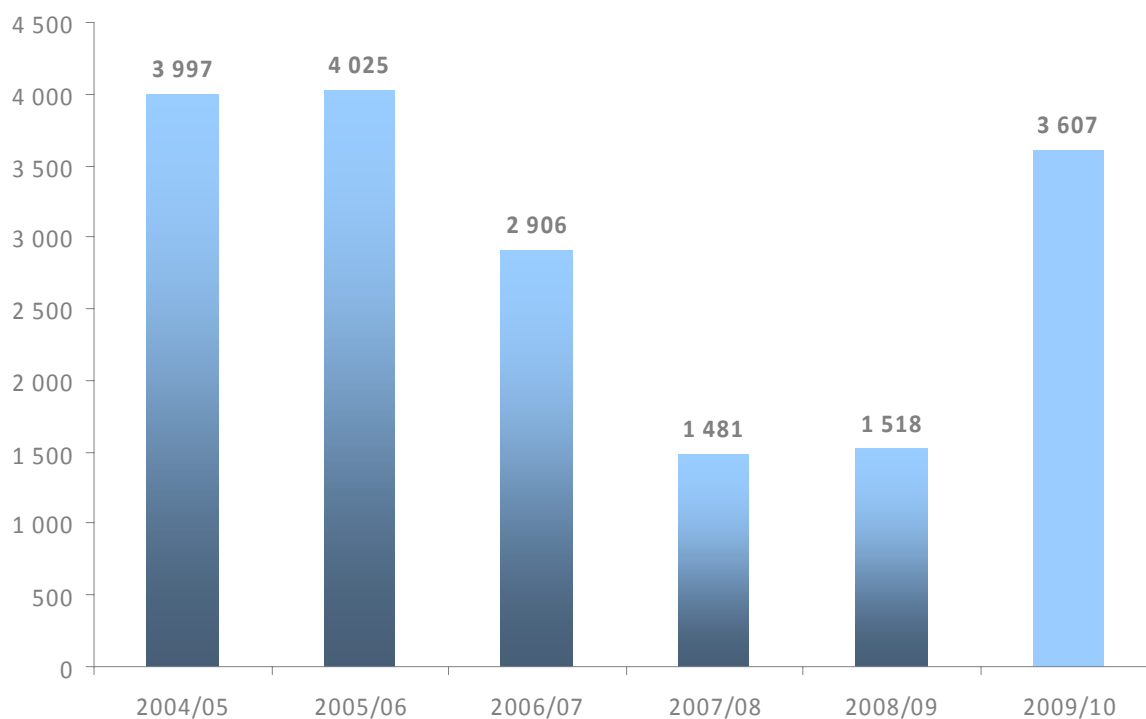


Financial highlights*

Net Sales (thousand LVL)



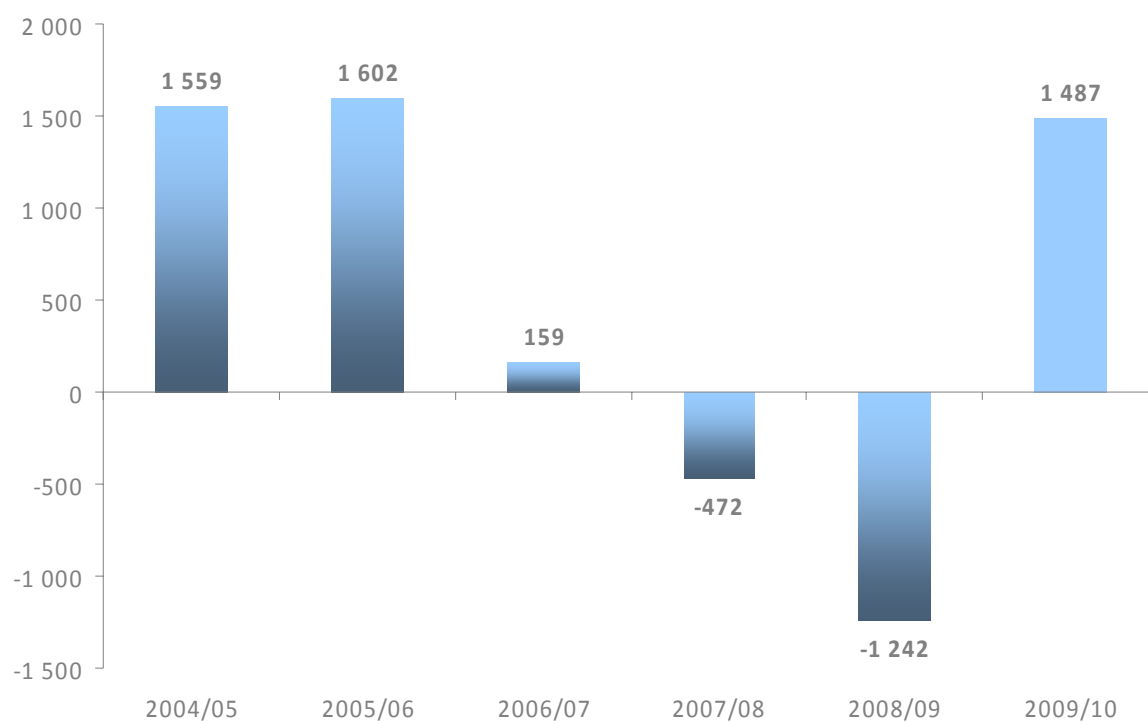
Gross profit (thousand LVL)



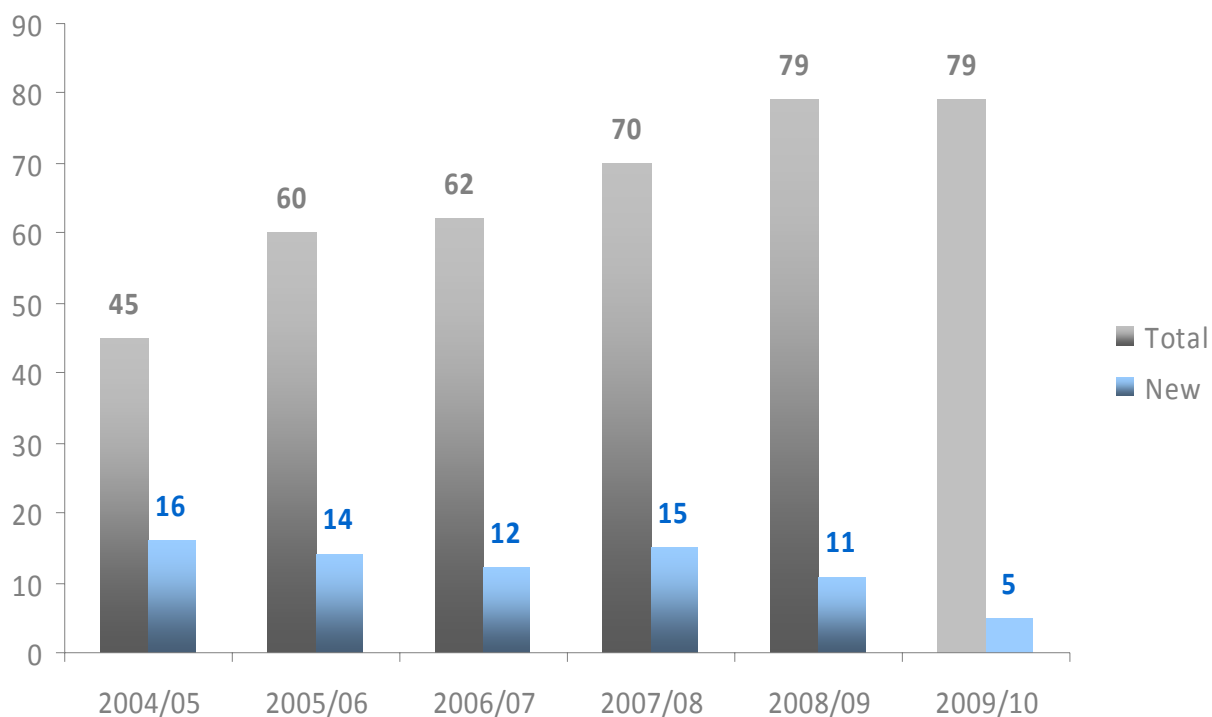
*Until FY 2008/09 the consolidated data of SAF Tehnika Group is provided as till November 2008 the Company owned 100% subsidiary SAF Tehnika Sweden AB



Net Profit (thousand LVL)



Number of active markets





Key figures describing economic development*

	2009/10	2008/09	2007/08	2006/07	2005/06	2004/05
Turnover	10 226 905	8 825 628	10 650 128	13 362 094	13 259 709	11 066 391
Earnings before interest, taxes and depreciation (EBITDA)	1 618 579	-867 922	244 248	1 107 147	2 361 819	2 512 645
share of the turnover %	16%	-10%	2%	8%	18%	23%
Profit/loss before interest and taxes (EBIT)	1 340 016	-1 323 922	-411 026	322 059	1 666 216	1 959 205
share of the turnover %	13%	-14%	-4%	2%	13%	18%
Net Profit	1 487 474	-1 241 746	-472 492	159 582	1 602 131	1 559 327
share of the turnover %	15%	-14%	-4%	1%	12%	14%
Return on equity (ROE) %	21%	-17%	-6%	2%	20%	22%
Return on assets (ROA) %	17%	-15%	-5%	1%	17%	19%
Liquidity ratio						
Quick ratio %	89%	234%	141%	12%	54%	14%
Current ratio %	261%	421%	331%	116%	201%	260%
Average number of employees	140	152	172	182	136	124

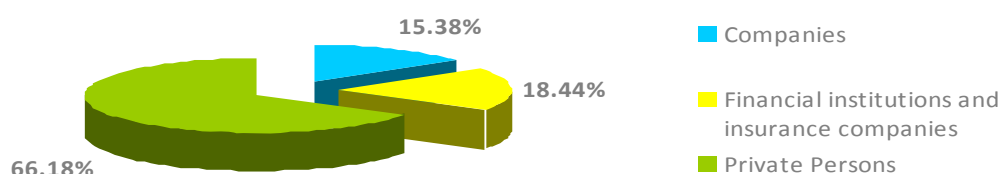
*Until FY 2008/09 the consolidated data of SAF Tehnika Group is provided as till November 2008 the Company owned 100% subsidiary SAF Tehnika Sweden AB

Holdings and shares

SAF Tehnika shareholders (over 5%) as of 02.07.2010

Name	Ownership interest (%)
Didzis Liepkalns	17.05%
Maleks S, SIA	10.85%
Andrejs Grisans	10.03%
SKANDINAVISKA ENSKILDA BANKEN	9.98%
Normunds Bergs	9.74%
Juris Ziema	8.71%
SWEDBANK AS CLIENTS ACCOUNT (FORMERLY AS HANSAPANK)	6.92%
Vents Lacars	6.08%

Shareholders structure



Share price development

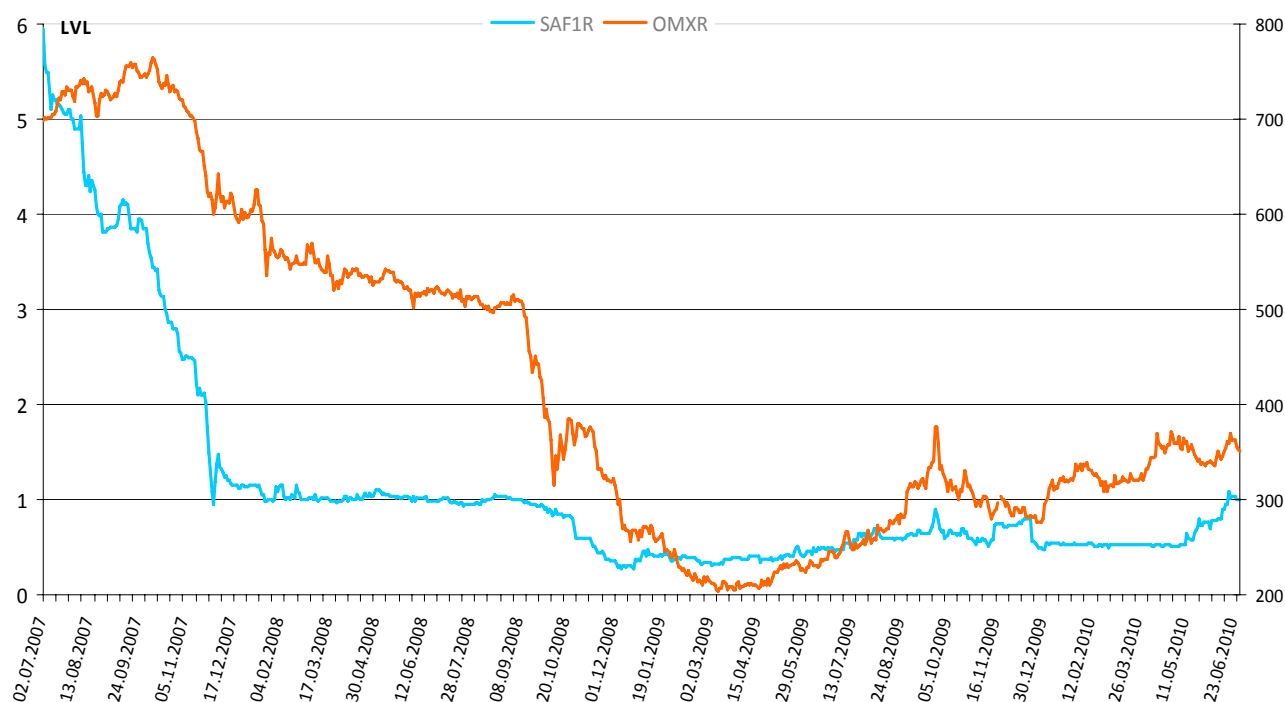
Share and dividend related information

	2009/10	2008/09
Share price (last) for the end of period (LVL)	1	0.48
Market value of share capital	2 970 180	1 425 686
Earnings per share (EPS)	0.50	-0.42
Dividend per share (for the previous reporting period)	0.23	-
Dividend / net profit (for the previous reporting period)	-0.55	-
P/E ratio	2.00	-1.15

The lowest, the highest and medium (average) share price for the reporting period

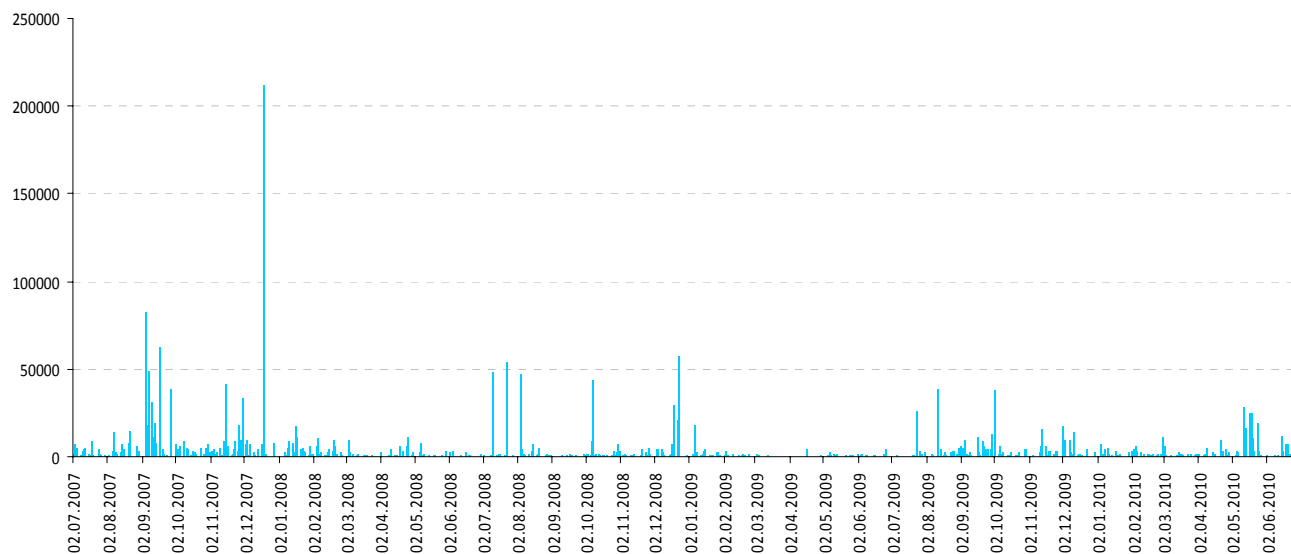
	2009/10	2008/09
Lowest	0.48	0.27
Highest	1.08	1.05
Medium	0.62	0.43

Share price development (LVL)





Share turnover (million LVL)



Basic information about trading

ISIN	LV0000101129
Name	SAF1R
List	Baltic main list
Stock Exchange	NASDAQ OMX Group, Riga Stock Exchange
Inclusion in indexes*	OMX Riga GI, OMX Baltic Benchmark GI, OMX Baltic Benchmark PI, OMX Baltic Benchmark Cap GI, OMX Baltic Benchmark Cap PI, OMX Baltic GI, OMX Baltic PI, OMX Baltic IT GI, OMX Baltic IT PI,
Nominal value	1.00 LVL
Total number of securities	2,970,180
Number of listed securities	2,970,180
Listing date	26.05.04

* Information on 06.10.2010.



Corporate governance

In the accounting period *SAF Tehnika JSC* has followed the principles of good corporate governance
Selected principles from SAF Tehnika Corporate Governance report

Shareholders' meetings

Shareholders exercise their right to participate in the management of *SAF Tehnika JSC* at Shareholders' meetings. According to the laws in force, *SAF Tehnika JSC* calls the annual Shareholders' meeting at least once a year. Extraordinary Shareholders' meetings are called per necessity. All shareholders have equal rights to participate in the management of *SAF Tehnika JSC*. They are entitled to participate at Shareholders' meetings and to receive information that shareholders need in order to make decisions. Only Shareholders' meeting can amend the Articles of association.

Selection methods of Management Board and Supervisory Council

According to the Commercial law of Latvia and the Articles of association of *SAF Tehnika JSC* its Supervisory Council consists from five members and it is elected by Shareholders' meeting for the term of three years. For its part, Management Board consists from four members and it is elected by Supervisory Council for a term of three years. Management Board members must meet the criteria approved by Supervisory Council. Chairman of the Management Board is nominated by Supervisory Council. Supervisory Council can recall a member of the Management Board if there is a significant ground for that. Member of the Management Board can also leave the post voluntarily at any time.

Powers of the Management Board

Powers of the Management Board are set in the Articles of association of *SAF Tehnika JSC* which is available on *SAF* website www.saftehnika.com. Management Board represents and manages *SAF Tehnika JSC*. Members of the Management Board can represent *SAF Tehnika* each separately. Shareholders' meeting of *SAF Tehnika JSC* can not decide upon issues which fall within the competence of Management Board.

Dividend policy

SAF Tehnika has not adopted a written dividend policy but the Company has always paid 15% to 50% of net profit in dividends.

Other contractual agreements with auditors

SAF Tehnika JSC does not have any other contractual agreement with auditors - only auditing agreement.

The Corporate Governance report document can be found on *SAF* webpage www.saftehnika.com.

Independent Auditors' report

Report on the Financial Statements

We have audited the accompanying financial statements on pages 28 to 64 of JSC SAF TEHNIKA which comprise the balance sheet as of 30 June 2010 and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for 12 months period then ended and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of the International Financial Reporting Standards as adopted by the European Union. This responsibility includes: designing, implementing and maintaining 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 appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing as adopted by the Latvian Association of certified auditors. 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 judgment, 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 entity's 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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. In our opinion, the accompanying financial statements give a true and fair view of the financial position of JSC SAF TEHNIKA as of 30 June 2010, and of its financial performance and its cash flows for the 12 month period then ended in accordance with the requirements of the International Financial Reporting Standards as adopted by the European Union.

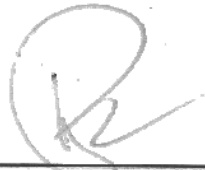
Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of JSC SAF TEHNIKA as of 30 June 2010, and of its financial performance and its cash flows for the 12 month period then ended in accordance with the requirements of the International Financial Reporting Standards as adopted by the European Union.

Report on the Management Report

We have read the Management Report set out on pages 11 to 12 and did not identify material inconsistencies between the financial information contained in the Management Report and that contained in the financial statements for 12 months period ended 30 June 2010.

On behalf of
SIA Potapoviča un Andersone,
Certified Auditors Company
licence No. 99




Kristīne Potapoviča

Responsible Certified Auditor
Certificate No. 99
Member of the Board
5th October, 2010
Riga, Latvia

Consolidated balance sheet

		30 June		30 June	
	Notes	2010 LVL	2009 LVL	2010 EUR	2009 EUR
ASSETS					
Non-current assets					
Property, plant and equipment	6	550 000	717 950	782 580	1 021 551
Intangible assets	6	56 251	67 273	80 038	95 721
Non-current financial assets		-	590	-	839
Long-term receivables	9	182 776	-	260 067	-
Deferred tax assets	13	57 179	51 025	81 358	72 602
		846 206	836 838	1 204 043	1 190 713
Current assets					
Inventories	8	2 217 855	2 552 910	3 155 723	3 632 464
Corporate income tax	25	-	20 297	-	28 880
Receivables	9	2 788 006	1 746 412	3 966 975	2 484 920
Other receivables	10	175 428	124 742	249 612	177 492
Prepaid expense		52 642	24 837	74 903	35 340
Short-term investments	11	1 659 889	-	2 361 809	-
Cash and cash equivalents	12	2 413 687	2 346 818	3 434 367	3 339 221
		9 307 507	6 816 016	13 243 389	9 698 317
Total assets		10 153 713	7 652 854	14 447 432	10 889 030
EQUITY					
Share capital	14	2 970 180	2 970 180	4 226 185	4 226 185
Share premium		2 004 204	2 004 204	2 851 725	2 851 725
Retained earnings		2 480 781	1 676 448	3 529 833	2 385 371
Total equity		7 455 165	6 650 832	10 607 743	9 463 281
LIABILITIES					
Current liabilities					
Payables	15	2 679 804	955 609	3 813 018	1 359 709
Borrowings	16	6 181	1 896	8 795	2 698
Deferred income		12 563	44 517	17 876	63 342
Total liabilities		2 698 548	1 002 022	3 839 689	1 425 749
Total equity and liabilities		10 153 713	7 652 854	14 447 432	10 889 030


Normunds Bergs
Chairman of the Board


Didzis Liepkalns
Deputy Chairman of the Board


Aira Loite
Board Member


Janis Enntis
Board Member

Riga, 5th October 2010

Income statement

	Notes	Year ended 30 June		Year ended 30 June	
		2010 LVL	2009 LVL	2010 EUR	2009 EUR
Sales	17	10 226 905	8 811 499	14 551 575	12 537 634
Cost of sales	18	(6 620 002)	(7 407 996)	(9 419 414)	(10 540 629)
Gross profit		3 606 903	1 403 503	5 132 161	1 997 005
Selling and marketing costs	19	(2 173 718)	(1 612 378)	(3 092 922)	(2 294 207)
Administrative expense	20	(495 818)	(815 795)	(705 486)	(1 160 772)
Other income	21	212 331	56 542	302 121	80 452
Financial revenue	22	349 743	101 779	497 638	144 818
Financial expense	23	(2 133)	(4 163)	(3 035)	(5 923)
Loss on sale of long-term investment	7	-	(249 354)	-	(354 799)
Profit /(loss) before taxes		1 497 308	(1 119 866)	2 130 477	(1 593 426)
Corporate income tax	24	(9 834)	2 865	(13 993)	4 077
Profit/(loss) for the year		1 487 474	(1 117 001)	2 116 484	(1 589 349)
Attributable to:					
Shareholders of the Company		1 487 474	(1 117 001)	2 116 484	(1 589 349)

Statement of Comprehensive Income

	Year ended 30 June		Year ended 30 June	
	2010 LVL	2009 LVL	2010 EUR	2009 EUR
Profit/(loss) for the year	1 487 474	(1 117 001)	2 116 484	(1 589 349)
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	1 487 474	(1 117 001)	2 116 484	(1 589 349)

Earnings per share attributable to the shareholders of the Company (LVL/ EUR per share)

- basic	26	0.501	-0.376	0.713	-0.535
- diluted	26	0.501	-0.376	0.713	-0.535

The accompanying notes on pages 33 to 64 are an integral part of these financial statements.

Normunds Bergs
Chairman of the Board

Didzis Liepkalns
Deputy Chairman of the Board

Aira Loite
Board Member

Janis Enntis
Board Member

Riga, 5th October 2010



Statement of changes in equity

	Share capital	Share premium	Retained earnings	Total
	LVL	LVL	LVL	LVL
Balance as at 30 June 2008	2 970 180	2 004 204	2 793 449	7 767 833
Loss for the period	-	-	(1 117 001)	(1 117 001)
Balance as at 30 June 2009	2 970 180	2 004 204	1 676 448	6 650 832
Dividends for 2008/2009	-	-	(683 141)	(683 141)
Profit for the period	-	-	1 487 474	1 487 474
Balance as at 30 June 2010	2 970 180	2 004 204	2 480 781	7 455 165

	Share capital	Share premium	Retained earnings	Total
	EUR	EUR	EUR	EUR
Balance as at 30 June 2008	4 226 185	2 851 725	3 974 720	11 052 630
Loss for the period	-	-	(1 584 349)	(1 589 349)
Balance as at 30 June 2009	4 226 185	2 851 725	2 385 371	9 463 281
Dividends for 2008/2009	-	-	(972 022)	(972 022)
Profit for the period	-	-	2 116 484	2 116 484
Balance as at 30 June 2010	4 226 185	2 851 725	3 529 833	10 607 743

The accompanying notes on pages 33 to 64 are an integral part of these financial statements.

The financial statements on pages 28 to 64 were approved by the Board.

Cash flow statement

	Notes	Year ended 30 June		Year ended 30 June	
		2010 LVL	2009 LVL	2010 EUR	2009 EUR
Profit/(Loss) before tax		1 497 308	(1 119 866)	2 130 477	(1 593 426)
<u>Adjustments for:</u>					
- depreciation	6	235 082	342 278	334 492	487 019
- amortization	6	43 481	88 628	61 868	126 105
- changes in provisions for slow-moving inventories	8	3 358	34 029	4 777	48 419
- changes in accruals for guarantees		-	14 022	-	19 952
- changes in accruals for unused annual leave	15	(4 344)	(6 088)	(6 181)	(8 662)
- changes in allowances for bad debtors	9	(198 784)	256 536	(282 844)	365 018
- interest income		(159 425)	(83 481)	(226 841)	(118 783)
- interest expense	23	2 133	4 163	3 035	5 923
- foreign exchange gains		(12 166)	-	(17 311)	-
- loss from revaluation of derivative financial instruments		-	61	-	87
- receipt of government grant	21	(150 758)	(50 730)	(214 509)	(72 182)
- (gain)/loss from sale of PPE		(19 573)	334	(27 850)	475
- loss on sale of long term investment		-	249 354	-	354 799
Cash (used in) operations before changes in working capital		1 236 312	(270 760)	1 759 113	(385 256)
Inventories decrease/ (increase)		331 697	298 222	471 962	424 332
Receivables decrease/ (increase)		(1 044 076)	566 092	(1 485 586)	805 476
Payables increase/ (decrease)		1 712 551	(102 789)	2 436 741	(146 256)
Cash generated from operating activities		2 236 484	490 765	3 182 230	698 296
Receipt of government grant		89 476	64 984	127 312	92 464
Interest paid		(2 133)	(4 163)	(3 035)	(5 923)
Income tax received		20 289	75 113	28 869	106 875
Net cash generated from operating activities		2 344 116	626 699	3 335 376	891 712
Cash flows from (to) investing activities					
Purchases of property, plant and equipment		(67 186)	(73 855)	(95 597)	(105 086)
Proceeds from sale of PPE		19 627	529	27 927	753
Purchases of intangible assets		(32 459)	(28 843)	(46 185)	(41 040)
Interest received		129 350	75 978	184 048	108 107
Proceeds from sale of long term investment		-	74 481	-	105 977
Short-term investments		(1 659 889)	-	(2 361 809)	-
Net cash (used in)/generated from investing activities		(1 610 557)	48 290	(2 291 616)	68 711
Cash flows from (to) financing activities					
Proceeds from (repayment of) borrowings		4 285	(3 263)	6 097	(4 643)
Dividends paid to Company's shareholders		(683 141)	-	(972 022)	-
Net cash (used in)/generated from financing activities		(678 856)	(3 263)	(965 925)	(4 643)
Effect of exchange rate changes		12 166	3 914	17 311	5 570
Net increase in cash and cash equivalents		66 869	675 640	95 146	961 350
Cash and cash equivalents at the beginning of the year		2 346 818	1 671 178	3 339 221	2 377 871
Cash and cash equivalents at the end of the year	12	2 413 687	2 346 818	3 434 367	3 339 221

The accompanying notes on pages 33 to 65 are an integral part of these financial statements.

The financial statements on pages 29 to 65 were approved by the Board.



Notes To Financial Statements



Notes to the financial statements

1. General information

The core business activity of SAF Tehnika JSC (hereinafter – the Company) comprises the design, production and distribution of microwave radio data transmission equipment offering an alternative to cable channels. The Company offers approximately 200 products to mobile network operators, data service providers (such as Internet service providers and telecommunications companies), as well as state and private companies.

The Company owned 100% subsidiary “SAF Tehnika Sweden” AB until November 2008 when it was sold to “SAF Tehnika Sweden” AB management.

A joint company in the Russian Federation under the name of "SAF Tehnika RUS" Ltd (САФ Техника РУС ООО) with a Russian company named "Мобильные технологии" (Mobile Technology) ООО as its co-founder was established in the November 2008. "SAF Tehnika" A/S owned 51% of the shares of "SAF Tehnika RUS" Ltd. The decision to withdraw from a joint company in the Russian Federation was made as the subsidiary had not started its planned operations. The decision of the Board was approved by the Council on July 21, 2010.

The Company is a public joint stock company incorporated under the laws of the Republic of Latvia. The address of its registered office is Ganību dambis 24a, Riga, Latvia.

The shares of the Company are listed on NASDAQ OMX Riga Stock Exchange, Latvia.

These financial statements were approved by the Board on 5 October 2010.

2. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

A Basis of preparation

The financial statements of the Company have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS as adopted by the EU). Due to the European Union's endorsement procedure, the standards and interpretations not approved for use in the European Union are presented in this note as they may have impact on financial statements of the Company in the following periods if endorsed.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on Management's best knowledge of current events and actions, actual results ultimately may differ from those. Significant accounting estimates are described in the relevant notes to the financial statements.

Certain IFRSs became effective for the Company from 1 July 2009. Listed below are those or amended standards or interpretations which are relevant to the preparation of the Company's financial statements.



Notes to the financial statements

2. Summary of significant accounting policies

A Basis of preparation

IAS 1, Presentation of Financial Statements, revised in September 2007

The main change in IAS 1 is the replacement of the income statement by a statement of comprehensive income which includes all non-owner changes in equity, such as the revaluation of available-for-sale financial assets. Alternatively, entities are allowed to present two statements: a separate income statement and a statement of comprehensive income. The Company has elected to present a separate income statement and a statement of comprehensive income. The revised IAS 1 also introduces a requirement to present a statement of financial position (balance sheet) at the beginning of the earliest comparative period whenever the entity restates comparatives due to reclassifications, changes in accounting policies, or corrections of errors. The revised IAS 1 had an impact on the presentation of the Company's financial statements but had no impact on the recognition or measurement of specific transactions and balances.

IAS 23, Borrowing Costs, revised in March 2007

The main change is the removal of the option of immediately recognizing as an expense borrowing costs that relate to assets that take a substantial period of time to get ready for use or sale. Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that is not carried at fair value and that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) form part of the cost of that asset, if the commencement date for capitalization is on or after 1 January 2009. Other borrowing costs are recognised as an expense using the effective interest method. The amendment did not have an impact on these financial statements.

IFRS 8, Operating Segments

The standard applies to entities whose debt or equity instruments are traded in a public market or that file, or are in the process of filing, their financial statements with a regulatory organization for the purpose of issuing any class of instruments in a public market. IFRS 8 requires an entity to report financial and descriptive information about its operating segments, with segment information presented on a similar basis to that used for internal reporting purposes. The adoption of IFRS 8 has not resulted in change of the number of reportable segments presented.

The following new and amended IFRSs and interpretations became effective on 1 July 2009 or later, but are not relevant for the Company's operations and did not have an impact on these financial statements

Puttable Financial Instruments and Obligations Arising on Liquidation, IAS 32 and IAS 1 Amendment

The amendment requires classification as equity of some financial instruments that meet the definition of financial liabilities.

Vesting Conditions and Cancellations - Amendment to IFRS 2, Share-based Payment.

The amendment clarified that only service conditions and performance conditions are vesting conditions. Other features of a share-based payment are not vesting conditions. The amendment specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.



Notes to the financial statements

2. Summary of significant accounting policies

A Basis of preparation

Improving Disclosures about Financial Instruments - Amendment to IFRS 7, Financial Instruments: Disclosures, issued in March 2009.

The amendment requires enhanced disclosures about fair value measurements and liquidity risk. The entity is required to disclose an analysis of financial instruments using a three-level fair value measurement hierarchy. The amendment (a) clarifies that the maturity analysis of liabilities should include issued financial guarantee contracts at the maximum amount of the guarantee in the earliest period in which the guarantee could be called; and (b) requires disclosure of remaining contractual maturities of financial derivatives if the contractual maturities are essential for an understanding of the timing of the cash flows. An entity will further have to disclose a maturity analysis of financial assets it holds for managing liquidity risk, if that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk.

Embedded Derivatives - Amendments to IFRIC 9 and IAS 39, issued in March 2009

The amendments clarify that on reclassification of a financial asset out of the 'at fair value through profit or loss' category, all embedded derivatives have to be assessed and, if necessary, separately accounted for.

IFRIC 13, Customer Loyalty Programms (effective July 2008, but EU endorsed for use 1 January 2009)

IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values.

IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective for annual periods beginning on or after 1 January 2008, but EU endorsed for use 1 January 2009).

This interpretation provides guidance on assessing the limit in IAS 19, 'Employee benefits', on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement.

IFRIC 18, Transfers of Assets from Customers (effective for annual periods beginning on or after 1 July 2009, EU endorsed from annual periods beginning on or after 31 October 2009).

The interpretation clarifies the accounting for transfers of assets from customers, namely, the circumstances in which the definition of an asset is met; the recognition of the asset and the measurement of its cost on initial recognition; the identification of the separately identifiable services (one or more services in exchange for the transferred asset); the recognition of revenue, and the accounting for transfers of cash from customers.

IAS 27, Consolidated and Separate Financial Statements (revised January 2008; effective for annual periods beginning on or after 1 July 2009).

The revised IAS 27 will require an entity to attribute total comprehensive income to the owners of the parent and to the non-controlling interests (previously "minority interests") even if this results in the non-controlling interests having a deficit balance (the current standard requires the excess losses to be allocated to the owners of the parent in most cases). The revised standard specifies that changes in a parent's ownership interest in a subsidiary that do not result in the loss of control must be accounted for as equity transactions. It also specifies how an entity should measure any gain or loss arising on the loss of control of a subsidiary. At the date when control is lost, any investment retained in the former subsidiary will have to be measured at its fair value.



Notes to the financial statements

2. Summary of significant accounting policies

A Basis of preparation

Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate—IFRS 1 and IAS 27 Amendment, issued in May 2008 (issued in May 2008, effective from periods beginning on or after 1 July 2009).

The amendment allows first-time adopters of IFRS to measure investments in subsidiaries, jointly controlled entities or associates at fair value or at previous GAAP carrying value as deemed cost in the separate financial statements. The amendment also requires distributions from pre-acquisition net assets of investees to be recognised in profit or loss for the year rather than as a recovery of the investment.

Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009).

The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.

IFRS 3, Business Combinations (revised January 2008; effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009).

The revised IFRS 3 will allow entities to choose to measure non-controlling interests using the existing IFRS 3 method (proportionate share of the acquiree's identifiable net assets) or at fair value. The revised IFRS 3 is more detailed in providing guidance on the application of the purchase method to business combinations. The requirement to measure at fair value every asset and liability at each step in a step acquisition for the purposes of calculating a portion of goodwill has been removed. Instead, in a business combination achieved in stages, the acquirer will have to remeasure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss for the year. Acquisition-related costs will be accounted for separately from the business combination and therefore recognised as expenses rather than included in goodwill. An acquirer will have to recognize at the acquisition date a liability for any contingent purchase consideration. Changes in the value of that liability after the acquisition date will be recognised in accordance with other applicable IFRSs, as appropriate, rather than by adjusting goodwill. The revised IFRS 3 brings into its scope business combinations involving only mutual entities and business combinations achieved by contract alone.

IFRIC 12, 'Service concession arrangements' (effective for annual periods beginning on or after 1 January 2008. Effective for annual periods beginning on or after 30 March 2009 for companies that prepare financial statements based on the IFRS as adopted by the EU).

This interpretation applies to contractual arrangements whereby a private sector operator participates in the development financing, operation and maintenance of infrastructure for public sector services, for example, under private finance initiative contracts (PFI) contracts. Under these arrangements, assets are assessed as either intangible assets or finance receivables.

IFRIC 17, Distributions of Non-Cash Assets to Owners (effective for annual periods beginning on or after 1 July 2009).

The interpretation clarifies when and how distribution of non-cash assets as dividends to the owners should be recognised. An entity should measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. A gain or loss on disposal of the distributed non-cash assets will be recognised in profit or loss for the year when the entity settles the dividend payable.



Notes to the financial statements

2. Summary of significant accounting policies

A Basis of preparation

Improvements to International Financial Reporting Standards (issued in May 2008).

In 2008, the International Accounting Standards Board decided to initiate an annual improvements project as a method of making necessary, but non-urgent, amendments to IFRS. The amendments consist of a mixture of substantive changes, clarifications, and changes in terminology in various standards. The substantive changes relate to the following areas: classification as held for sale under IFRS 5 in case of a loss of control over a subsidiary; possibility of presentation of financial instruments held for trading as non-current under IAS 1; accounting for sale of IAS 16 assets which were previously held for rental and classification of the related cash flows under IAS 7 as cash flows from operating activities; clarification of definition of a curtailment under IAS 19; accounting for below market interest rate government loans in accordance with IAS 20; making the definition of borrowing costs in IAS 23 consistent with the effective interest method; clarification of accounting for subsidiaries held for sale under IAS 27 and IFRS 5; reduction in the disclosure requirements relating to associates and joint ventures under IAS 28 and IAS 31; enhancement of disclosures required by IAS 36; clarification of accounting for advertising costs under IAS 38; amending the definition of the fair value through profit or loss category to be consistent with hedge accounting under IAS 39; introduction of accounting for investment properties under construction in accordance with IAS 40; and reduction in restrictions over manner of determining fair value of biological assets under IAS 41. Further amendments made to IAS 8, 10, 18, 20, 29, 34, 40, 41 and to IFRS 7 represent terminology or editorial changes only, which the IASB believes have no or minimal effect on accounting.

Improvements to International Financial Reporting Standards (issued in April 2009; amendments to IFRS 2, IAS 38, IFRIC 9 and IFRIC 16 are effective for annual periods beginning on or after 1 July 2009).

The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations:

- clarification that contributions of businesses in common control transactions and formation of joint ventures are not within the scope of IFRS 2;
- operating segment before aggregation; supplementing IAS 38 regarding measurement of fair value of intangible assets acquired in a business combination;
- amending IFRIC 9 to state that embedded derivatives in contracts acquired in common control transactions and
- formation of joint ventures are not within its scope; and removing the restriction in IFRIC 16 that hedging instruments may not be held by the foreign operation that itself is being hedged.

Certain new standards and interpretations have been published that are mandatory for the Company's accounting periods beginning after 1 July 2009 or later periods and which the Company has not chosen for early adoption.

Improvements to International Financial Reporting Standards (amendments to IFRS 5, IFRS 8, IAS 1, IAS 7, IAS 17, IAS 36 and IAS 39 are effective for annual periods beginning on or after 1 January 2010, EU endorsed from annual periods beginning on or after March 2010).

The improvements consist of a mixture of substantive changes and clarifications in the following standards and interpretations:

- clarification of disclosure requirements set by IFRS 5 and other standards for non-current assets (or disposal groups) classified as held for sale or discontinued operations;
- requiring to report a measure of total assets and liabilities for each reportable segment under IFRS 8 only if such amounts are regularly provided to the chief operating decision maker; amending IAS 1 to allow classification of certain liabilities settled by entity's own equity instruments as non-current;



Notes to the financial statements

2. Summary of significant accounting policies

A Basis of preparation

Improvements to International Financial Reporting Standards

- changing IAS 7 such that only expenditures that result in a recognised asset are eligible for classification as investing activities;
- allowing classification of certain long-term land leases as finance leases under IAS 17 even without transfer of ownership of the land at the end of the lease; providing additional guidance in IAS 18 for determining whether an entity acts as a principal or an agent;
- clarification in IAS 36 that a cash generating unit shall not be larger than an operating segment before aggregation;
- amending IAS 39 (i) to include in its scope option contracts that could result in business combinations, (ii) to clarify the period of reclassifying gains or losses on cash flow hedging instruments from equity to profit or loss for the year and (iii) to state that a prepayment option is closely related to the host contract if upon exercise the borrower reimburses economic loss of the lender;

Certain new standards and interpretations have been published that become effective for this accounting periods beginning after 1 July 2009 or later periods which are not relevant to the Company or are not yet endorsed by EU.

Group Cash-settled Share-based Payment Transactions - Amendments to IFRS 2, Share-based Payment (effective for annual periods beginning on or after 1 January 2010, EU endorsed from annual periods beginning on or after March 2010).

The amendments provide a clear basis to determine the classification of share-based payment awards in both consolidated and separate financial statements. The amendments incorporate into the standard the guidance in IFRIC 8 and IFRIC 11, which are withdrawn.

Eligible Hedged Items—Amendment to IAS 39, Financial Instruments: Recognition and Measurement (effective with retrospective application for annual periods beginning on or after 1 July 2009).

The amendment clarifies how the principles that determine whether a hedged risk or portion of cash flows is eligible for designation should be applied in particular situations.

Amendment to IAS 24, Related Party Disclosures (issued in November 2009 and effective for annual periods beginning on or after 1 January 2011).

IAS 24 was revised in 2009 by: (a) simplifying the definition of a related party, clarifying its intended meaning and eliminating inconsistencies; and by (b) providing a partial exemption from the disclosure requirements for government-related entities.

Classification of Rights Issues - Amendment to IAS 32 (issued 8 October 2009; effective for annual periods beginning on or after 1 February 2010).

The amendment exempts certain rights issues of shares with proceeds denominated in foreign currencies from classification as financial derivatives. The Company is currently assessing what impact this interpretation will have on the financial statements.

IFRS 9, Financial Instruments Part 1: Classification and Measurement IFRS 9 was issued in November 2009 and replaces those parts of IAS 39 relating to the classification and measurement of financial assets.

The standard requires that financial assets are classified into two measurement categories: those to be measured at fair value, and those to be measured at amortised cost. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. While adoption of IFRS 9 is mandatory from 1 January 2013, earlier adoption is permitted.

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Notes to the financial statements

2. Summary of significant accounting policies

A Basis of preparation

IFRIC 15, *Agreements for the Construction of Real Estate* (effective 1 January 2009, but EU endorsed for use 1 January 2010).

The interpretation applies to the accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors, and provides guidance for determining whether agreements for the construction of real estate are within the scope of IAS 11 or IAS 18. It also provides criteria for determining when entities should recognise revenue on such transactions.

IFRIC 16, *Hedges of a Net Investment in a Foreign Operation* (effective 1 October 2008, but EU endorsed for use periods beginning or after 1 July 2010).

The interpretation explains which currency risk exposures are eligible for hedge accounting and states that translation from the functional currency to the presentation currency does not create an exposure to which hedge accounting could be applied. The IFRIC allows the hedging instrument to be held by any entity or entities within a group except the foreign operation that itself is being hedged. The interpretation also clarifies how the currency translation gain or loss reclassified from other comprehensive income to profit or loss is calculated on disposal of the hedged foreign operation. Reporting entities apply IAS 39 to discontinue hedge accounting prospectively when their hedges do not meet the criteria for hedge accounting in IFRIC 16.

Amendment to IFRIC 14, *'Payments of a minimum funding requirement'* (effective for annual periods beginning on or after 1 January 2011).

This amendment will have a limited impact as it applies only to companies that are required to make minimum funding contributions to a defined benefit pension plan.

IFRIC 19, *Extinguishing financial liabilities with equity instruments* (effective for annual periods beginning on or after 1 July 2010).

This interpretation clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished through the debtor issuing its own equity instruments to the creditor. A gain or loss is recognised in the profit and loss account based on the fair value of the equity instruments compared to the carrying amount of the debt.

Additional Exemptions for First-time Adopters - Amendments to IFRS 1, *First-time Adoption of IFRS* (not yet endorsed by EU). The amendments exempt entities using the full cost method from retrospective application of IFRSs for oil and gas assets and also exempt entities with existing leasing contracts from reassessing the classification of those contracts in accordance with IFRIC 4, 'Determining Whether an Arrangement Contains a Lease' when the application of their national accounting requirements produced the same result.

The International Financial Reporting Standard for Small and Medium-sized Entities (issued in July 2009) is a self-contained standard, tailored to the needs and capabilities of smaller businesses.

Many of the principles of full IFRS for recognising and measuring assets, liabilities, income and expense have been simplified, and the number of required disclosures have been simplified and significantly reduced.

The adoption of the above Standards and Interpretations did not have an impact on the financial statements of the Company.

Notes to the financial statements

2. Summary of significant accounting policies

B Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The financial statements are presented in lats (LVL), which is the Company's functional and presentation currency. According to the requirements of Riga Stock Exchange, all balances are also stated in euros (EUR). For disclosure purposes, the currency translation has been performed by applying the official currency exchange rate determined by the Bank of Latvia (BOL), i.e. EUR 1 = LVL 0.702804.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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 income statement. The following BOL Exchange rates were effective as at balance sheet dates:

	30.06.2010.	30.06.2009.
	LVL	LVL
1 USD	0.573000	0.501000
1 EUR	0.702804	0.702804

C Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. Such cost includes the cost of replacing part of such plant and equipment if the asset recognition criteria are met.

Subsequent costs are included in the asset's carrying amount or recognised as a 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.

Current repairs are charged to the income statement during the financial period in which they are incurred.

Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets to allocate their cost less the estimated residual values by applying the following depreciation rates:

	% per annum
Mobile phones	50
Technological equipment	33.33
Transport vehicles	20
Other fixtures and fittings	25

Leasehold improvements are amortized on a straight-line basis over the shorter of the estimated useful life of leasehold improvement and the term of lease.

The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year-end. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount (see Note F).

Gains and losses on disposals are determined by comparing proceeds with the respective carrying amount and included in the income statement.



Notes to the financial statements

2. Summary of significant accounting policies

D Intangible assets other than goodwill

(a) Trademarks and licenses

Trademarks and licenses have a definite useful life and are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation is calculated on a straight-line basis to allocate the costs of trademarks and licenses over their estimated useful life, which usually is 3 years.

(b) Software

Acquired computer software licenses are capitalised on the basis of the purchase and installation costs. These costs are amortised over their estimated useful lives of three years.

E Research and development

Research costs are expensed as incurred. An intangible asset arising from the development expenditure on an individual project is recognized only when the Company can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intentions to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditure during the development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and any accumulated impairment losses. Any expenditure capitalized is amortized over the period of the expected future sales from the related project.

F Impairment of assets

Intangible assets that are not put in use or have an indefinite useful life are not subject to amortisation and are reviewed for impairment on an annual basis. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units).

G Segments

A geographical segment provides products or services within a particular economic environment that is subject to risks and benefits different from those of components operating in other economic environments. A business segment is a group of assets and operations providing products or services that are subject to risks and benefits different from those of other business segments.

H Government grants

Government grants are recognized where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the income statement over the expected useful life of the relevant asset by equal annual instalments.



Notes to the financial statements

2. Summary of significant accounting policies

I Inventories

Inventories are valued at the lower of cost and net realizable value. Cost is stated on a first-in, first-out (FIFO) basis. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Costs of finished goods and work-in-progress include cost of materials.

J Receivables

Receivables are initially recognised at fair value and subsequently measured at amortized cost using the effective interest method. Allowance for impairment of receivables is established when there is objective evidence that the Company will not be able to collect the full amount due according to the original terms. The amount of the allowance is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. Change in allowance is recognised in the income statement.

K Cash and cash equivalent

Cash and cash equivalents comprise current bank accounts balances and deposits, and short-term highly liquid investments with an original maturity of three months or less.

L Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are charged against the share premium account.

M Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as current liabilities unless the Company is entitled to postpone the settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognized as an expense when incurred.

N Deferred tax

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business acquisition that at the time of the transaction affects neither accounting, nor taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilized.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.



Notes to the financial statements

2. Summary of significant accounting policies

O Employee benefits

The Company makes social insurance contributions under the State's health, retirement benefit and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. The Company will have no legal or constructive obligations to pay further contributions if the statutory fund cannot settle their liabilities towards the employees. The cost of these payments is included into the income statement in the same period as the related salary cost.

P Revenue recognition

Revenue comprises the fair value of the goods and services sold, net of value-added tax and discounts. Revenue is recognised as follows:

(a) Sale of goods

Sale of goods is recognised when a Company entity has passed the significant risks and rewards of ownership of the goods to the customer, i.e. delivered products to the customer and the customer has accepted the products in accordance with the contract terms, and it is probable that the economic benefits associated with the transaction will flow to the Company

(b) Rendering of services

Revenue is recognised in the period when the services are rendered.

R Leases

Leases of property, plant and equipment in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the lease period.

S Dividend payment

Dividends payable to the Company's shareholders are recognised as a liability in the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

T Consolidation

The Company does not prepare consolidate accounts for the year ended 30 June 2010, as its subsidiary is dormant. There have been no actual investments in the operations of the subsidiary and the Board of the Company has taken the decision to dispose of the investment (See Note 7). The last set of consolidated accounts was prepared for the year ended 30 June 2009, which was the period when disposal of the subsidiary SAF Tehnika Sweden AB was completed.

U Standards and Interpretations in issue

At the date of authorization of these financial statements the following Standards and Interpretations were in issue but not yet effective:

- IAS 23 (Revised) Borrowing Costs (effective for accounting periods beginning on or after 1 January 2009). According to this amendment borrowing costs, that are directly attributable to the acquisition, construction and production of a qualifying asset, should form part of the cost of that asset;



Notes to the financial statements

2. Summary of significant accounting policies

U Standards and Interpretations in issue not yet adopted

- IAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period;
- IFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The standard deals with vesting conditions and cancellations;
- IAS 32 (Amendment), 'Financial instruments: Presentation', and IAS 1 (Amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009);
- IAS 27 'Consolidated and separate financial statements' (effective from 1 January 2009). The standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost.
- IFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009), (not yet endorsed by EU). The standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice to measure the non – controlling interest either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition related costs should be expensed;
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption') (effective from 1 July 2009), (not yet endorsed by EU). The standard clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control.
- IFRS 8 Operating Segments (effective for accounting periods beginning on or after 1 January 2009); The standard sets out requirements for disclosure of information about an entity's operating segments and also about the entity's products and services, the geographical areas in which it operates, and its major customers;
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement' and IFRS 7 "Reclassification of Financial Assets (effective from 1 January 2009). The standard clarifies that it is possible for movements into and out of fair value through profit and loss category where derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge. The standard also clarifies that a financial asset or liability that is part of portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit making is included in such portfolio on initial recognition. The standard also clarifies the application of hedge accounting at segmental level and effective interest rate to be applied when remeasuring the carrying amount of a debt instrument on cessation of fair value accounting.



Notes to the financial statements

2. Summary of significant accounting policies

U Standards and Interpretations in issue not yet adopted

The Company anticipates that adoptions of the above Standards and Interpretations will have no material impact on the financial statements of the Company in the period of initial application.

3. Financial risk management

(1) Financial risk factors

The Company's activities expose it to a variety of financial risks:

- (a) Foreign currency risk;
- (b) Credit risk;
- (c) Liquidity risk.
- (d) Cash flow interest rate risk

The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise its potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures.

The responsibility for risk management lies with the Finance Department. The Finance Department identifies and evaluates risks and seeks for solutions to avoid financial risks in close co-operation with other operating units of the Company.

(a) Foreign currency risk

The Company operates internationally and is exposed to foreign currency risk mainly arising from U.S. dollar fluctuations.

Foreign currency risk primarily arises from future commercial transactions and recognised assets – cash and trade receivables and liabilities – accounts payables and borrowings. To manage the foreign currency risk arising from future commercial transactions and recognised assets and liabilities, the Company uses forward foreign currency contracts. The foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency different from the entity's functional currency. The Finance Department analyses the net open position in each foreign currency. The Company might decide to enter to forward foreign currency contracts or to maintain borrowings (in form of credit line) in appropriate currency and amount.

The following schedule summarizes net open positions for currencies other than LVL as at balance sheet date:

	30/06/2010 USD expressed in LVL	30/06/2009 USD expressed in LVL	30/06/2010 EUR expressed in LVL	30/06/2009 EUR expressed in LVL
Receivables	1 228 279	687 221	1 736 221	1 455 206
Short-term investments	-	-	989 889	-
Cash and cash equivalents	367 685	84 655	1 654 288	1 881 884
Payables	(379 367)	(98 894)	(389 193)	(186 779)
Other creditors	(138 685)	(95 319)	(209 322)	(76 883)
Borrowings	(2 000)	(1 526)	(1 818)	-
Net open position	1 075 912	576 137	3 780 065	3 073 428

Notes to the financial statements

3. Financial risk management

(b) Credit risk

The Company has significant exposure of credit risk with its customers. The Company's policy is to ensure that wholesale of products is carried out with customers having appropriate credit history. If the customers are residing in countries with high credit risk, then Letters of Credit issued by reputable credit institutions are used as credit risk management instruments. In situations where no Letters of Credit can be obtained from reputable credit institutions, the prepayments from the customers are requested. Customers' financial position is monitored on regular bases and assigned credit limits has been changed based on credit history and customer's paying behaviour.

As at 30 June 2010, the Company's credit risk exposure to a single customer amounted to 15.11 % of the total short and long-term receivables (30.06.2009: 17.00%). With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents and derivatives, the Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company's maximum credit risk exposure amounts to LVL 7 272 428 or 71.62% to total assets (30.06.2009: LVL 4 263 696 or 55.71% to total assets).

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through short-term borrowings secured by the Letters of Credit terms. Due to the dynamic nature of the core operations, the Finance Department aims to maintain flexibility in funding by obtaining available credit lines. During the reporting period 1 million EUR multi-currency credit line was assigned by Nordea bank Finland plc Latvia branch. The assigned credit line facility has not been used for last 2 years. Evaluating available funds, current and future cash flow it was decided not to prolong credit line agreement starting from April, 2010. (see Note 16 Borrowings).

(d) Cash flow interest rate risk

As the Company does not have significant interest bearing assets, the Company's income and cash flows are largely independent of changes in market interest rates. The Company's cash flows from interest bearing liabilities are dependent on current market interest rates.

(2) Accounting for derivative financial instruments

The Company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which derivative contract is entered to and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

Any gains or losses arising from changes in fair value of derivatives that do not qualify as hedge accounting are taken directly to profit or loss for the year.

The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

(3) Fair value

The carrying amounts of all financial assets and liabilities approximate their fair value.



Notes to the financial statements

4. Management of the capital structure

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance.

The capital structure of the Company consists of debt, which includes the borrowings disclosed in note 16, cash and cash equivalents and equity, comprising issued capital, retained earnings and share premium. The gearing ratio at the year-end was as follows:

	30/06/2010 LVL	30/06/2009 LVL	30/06/2010 EUR	30/06/2009 EUR
Debt	2 698 548	1 002 022	3 839 688	1 425 749
Cash and cash in bank	(2 413 687)	(2 346 818)	(3 434 367)	(3 339 221)
Net debt (debt-cash)	284 861	(1 344 796)	405 321	(1 913 472)
Equity	7 455 165	6 650 832	10 607 743	9 463 281
Debt to equity ratio	36%	15%	36%	15%
Net debt to equity ratio	4%	-20%	4%	-20%

5. Key estimates and assumptions

International Financial Reporting Standards as adopted by the EU and the legislation of the Republic of Latvia require that in preparing the financial statements, the management of the Company make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of off-balance sheet assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

The following are the critical judgements and key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year:

- the Company reviews the estimated useful lives of property, plant and equipment at the end of each annual reporting period. The management of the Company uses their judgment in estimating useful lives of property, plant and equipment. Their assumptions may change and new amounts calculated;
- the Company reviews property, plant and equipment and intangible assets recoverability whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less selling costs and value in use. The Company does not believe that any material adjustments due to impairment of the Company's assets are needed at the balance sheet date considering the planned production and sales levels;
- Upon valuation of inventories, the management relies on its best knowledge taking into consideration historical experience, general background information and potential assumptions and conditions of future events. In determining the impairment of inventories, the sales potential as well as the net realisable value of inventory is taken into consideration;
- the Company estimates allowance for impairment of receivables. The Company believes that impairment allowances recorded in the financial statements correctly reflects net present value of expected future cash flows from these receivables and estimate is made based on the best available information.



Notes to the financial statements

6. Property, plant, equipment and intangible assets

	Intangible assets	Leasehold improvements	Equipment and machinery	Other assets	Prepayments for assets	Total
	LVL	LVL	LVL	LVL	LVL	LVL
Year ended 30/06/2009						
Opening net carrying amount	114 685	527 550	293 744	142 326	35 989	1 114 294
Additions	28 843	-	71 087	2 768	-	102 698
Reclassified	12 707	-	23 282	-	(35 989)	-
Depreciation charge	(88 628)	(68 807)	(221 866)	(51 605)	-	(430 906)
Disposals	(334)	-	(529)	-	-	(863)
Closing net carrying amount	67 273	458 743	165 718	93 489	-	785 223
Year ended 30/06/2010						
Opening net carrying amount	67 273	458 743	165 718	93 489	-	785 223
Additions	32 459	-	65 679	1 507	-	99 645
Depreciation charge	(43 481)	(68 813)	(121 199)	(45 070)	-	(278 563)
Disposals	-	-	(54)	-	-	(54)
Closing net carrying amount	56 251	389 930	110 144	49 926	-	606 251
As at 30/06/2008						
Cost	588 039	759 837	1 928 710	407 858	35 989	3 720 433
Accumulated depreciation	(473 354)	(232 287)	(1 634 966)	(265 532)	-	(2 606 139)
Net carrying amount	114 685	527 550	293 744	142 326	35 989	1 114 294
As at 30/06/2009						
Cost	568 693	759 837	1 997 086	408 306	-	3 733 922
Accumulated depreciation	(501 420)	(301 094)	(1 831 368)	(314 817)	-	(2 948 699)
Net carrying amount	67 273	458 743	165 718	93 489	-	785 223
As at 30/06/2010						
Cost	552 910	759 837	2 027 517	389 188	-	3 729 452
Accumulated depreciation	(496 659)	(369 907)	(1 917 373)	(339 262)	-	(3 123 201)
Net carrying amount	56 251	389 930	110 144	49 926	-	606 251

During the reporting year, the Company did not enter into any operating or finance lease agreements.

Depreciation of LVL 173 347 (2008/2009: LVL 264 364) is included in the income statement caption *Cost of sales*; depreciation of LVL 66 454 (2008/2009: Ls 113 702) – in *Selling and marketing costs*; and depreciation of LVL 37 433 (2008/2009: LVL 51 067) – in *Administrative expense*, and depreciation of LVL 1 329 (2008/2009: LVL 1 773) – in *Other administration expense*.

The acquisition cost of fully depreciated property, plant and equipment that is still in use at the end of financial year amounted to LVL 2 489 068 (2008/2009: LVL 1 868 304).

The *Equipment and machinery* group includes items bought with EU co-financing and according to agreement with EU have restrictions in their usage in operations. It total such items amounts to LVL 258 373 (2008/2009: LVL 258 373), the residual value on June, 30, 2010 is LVL 18 731 (2008/2009: LVL 28 947). Restrictions are in force till August, 2012.

Notes to the financial statements

6. Property, plant, equipment and intangible assets

	Intangible assets	Leasehold improvements	Equipment and machinery	Other assets	Prepayments for assets	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Year ended 30/06/2009						
Opening net carrying amount	163 182	750 636	417 961	205 512	51 208	1 585 499
Additions	41 039	-	101 147	3 939	-	146 125
Reclassified	18 080	-	33 128	-	(51 208)	-
Depreciation charge	(126 105)	(97 903)	(315 688)	(73 428)	-	(613 124)
Disposals	(475)	-	(753)	-	-	(1 228)
Closing net carrying amount	95 721	652 733	235 795	133 023	-	1 117 272
Year ended 30/06/2010						
Opening net carrying amount	95 721	652 733	235 795	133 023	-	1 117 272
Additions	46 185	-	93 452	2 145	-	141 782
Depreciation charge	(61 868)	(97 912)	(172 450)	(64 130)	-	(396 360)
Disposals	-	-	(76)	-	-	(76)
Closing net carrying amount	80 038	554 821	156 721	71 038	-	862 618
As at 30/06/2008						
Cost	836 704	1 081 151	2 744 307	580 330	51 208	5 293 700
Accumulated depreciation	(673 522)	(330 515)	(2 326 346)	(377 818)	-	(3 708 201)
Net carrying amount	163 182	750 636	417 961	202 512	51 208	1 585 499
As at 30/06/2009						
Cost	809 177	1 081 151	2 841 597	580 967	-	5 312 892
Accumulated depreciation	(713 456)	(428 418)	(2 605 802)	(447 944)	-	(4 195 620)
Net carrying amount	95 721	652 733	235 795	133 023	-	1 117 272
As at 30/06/2010						
Cost	786 720	1 081 151	2 884 897	553 764	-	5 306 532
Accumulated depreciation	(706 682)	(526 330)	(2 728 176)	(482 726)	-	(4 443 914)
Net carrying amount	80 038	554 821	156 721	71 038	-	862 618

During the reporting year, the Company did not enter into any operating or finance lease agreements.

Depreciation of EUR 246 651 (2008/2009: EUR 376 156) is included in the income statement caption *Cost of sales*; depreciation of EUR 94 556 (2008/2009: EUR 161 783) – in *Selling and marketing costs*; and depreciation of EUR 53 262 (2008/2009: EUR 72 662) – in *Administrative expense* and depreciation of EUR 1 891 (2008/2009: EUR 2 521) – in *Other administration expense*.

The acquisition cost of fully depreciated property, plant and equipment that is still in use at the end of financial year amounted to EUR 3 541 625 (2008/2009: EUR 2 658 357).

The *Equipment and machinery* group includes items bought with EU co-financing and according to agreement with EU have restrictions in their usage in operations. It total such items amounts to EUR 367 362 (2008/2009: EUR 367 362), the residual value on June, 30, 2010 is EUR 26 652 (2008/2009: EUR 41 188). Restrictions are in force till August, 2012.



Notes to the financial statements

7. Investments in related companies

(a) Investment in subsidiaries

Name	30/06/2010 %	Equity share 30/06/2009 %
SAF Tehnika RUS Ltd	51	-

A joint venture in the Russian Federation under the name of "SAF Tehnika RUS" Ltd (САФ Техника РУС ООО) with a Russian company named "Мобильные технологии" (Mobile Technologies) ООО as its co-founder was established in November 2008. "SAF Tehnika" JSC owns 51% of the shares of "SAF Tehnika RUS" Ltd. There were no financial investments made. The decision to withdraw from a joint venture in the Russian Federation was made as the subsidiary has not started its planned operations. The decision of the Board was approved by the Council on July 21, 2010.

(b) Information about subsidiaries

Name	Address	Equity		Profit for the reporting year	
		30/06/2010 LVL	30/06/2009 LVL	2009/2010 LVL	2008/2009 LVL
SAF Tehnika RUS Ltd	Verkhnyaya Krasnoselskaya str. 34, Moscow, Russia	-	-	-	-

Name	Address	Equity		Profit for the reporting year	
		30/06/2010 EUR	30/06/2009 EUR	2009/2010 EUR	2008/2009 EUR
SAF Tehnika RUS Ltd	Verkhnyaya Krasnoselskaya str. 34, Moscow, Russia	-	-	-	-

8. Inventories

	30/06/2010 LVL	30/06/2009 LVL	30/06/2010 EUR	30/06/2009 EUR
Raw materials	918 849	540 075	1 307 404	768 457
Work in progress	754 827	1 566 727	1 074 023	2 229 252
Finished goods	725 171	623 742	1 031 825	887 505
Allowance for slow-moving items	(180 992)	(177 634)	(257 529)	(252 750)
	2 217 855	2 552 910	3 155 723	3 632 464

During the reporting year, an increase in provisions for slow-moving items of LVL 3 358 (EUR 4 779) (2008/2009: decrease of LVL 34 029 (EUR 48 419)) were established and included in cost of sales.

An equipment delivered to customers on *Sales or return* bases and as *Advance replacement* are held by customers on balance date and are included in *Finished goods* row and amounts to LVL 223 263 (EUR 317 675) (2008/2009: LVL 111 153 (EUR 158 156)).

Notes to the financial statements

9. Receivables

	30/06/2010 LVL	30/06/2009 LVL	30/06/2010 EUR	30/06/2009 EUR
Long-term trade receivables	182 776	-	260 067	-
Trade receivables	2 991 339	2 148 529	4 256 292	3 057 081
Allowances for bad and doubtful trade receivables	(203 333)	(402 117)	(289 317)	(572 161)
Short-term trade receivables, net	2 788 006	1 746 412	3 966 975	2 484 920
Total trade receivables, net	2 970 782	1 746 412	4 227 042	2 484 920

Trade receivables include 2 Letters of Credit with original payment term up to 180 days for amount of LVL 489 727 (EUR 696 819) (2008/2009: LVL 516 458 (EUR 734 854)). As at 30 June 2010, the fair value of receivables approximated their carrying amount.

In the reporting year, the net increase of allowances for bad and doubtful trade receivables was included in the income statement caption as administrative expense in amount of LVL 68 683 (EUR 97 727) (2008/2009 – increase of LVL 318 995 (EUR 453 889)) (*see Note 20*). Receivables amounting to LVL 267 467 (EUR 380 571) were written-off as irretrievable.

Split of Trade receivables by currencies expressed in LVL

	30/06/2010 LVL	30/06/2010 %	30/06/2009 LVL	30/06/2009 %
LVL	26 839	0.85	6 102	0.28
USD	1 411 055	44.45	687 221	31.99
EUR	1 736 221	54.70	1 455 206	67.73
Total trade receivables	3 174 115	100%	2 148 529	100%

Aging analysis of Trade receivables

	30/06/2010 LVL	30/06/2009 LVL	30/06/2010 EUR	30/06/2009 EUR
Not due	2 323 177	1 327 843	3 305 583	1 889 350
Overdue 0 – 89	667 782	465 941	950 168	662 974
Overdue 90 and more	183 156	354 745	260 608	504 757
Total trade receivables	3 174 115	2 148 529	4 516 359	3 057 081

Allowances for bad and doubtful trade receivables

	LVL	EUR
Allowances for bad and doubtful trade receivables as of 30 June 2009	402 117	572 161
Written-off	(267 467)	(380 571)
Increase	102 359	145 644
Decrease	(33 676)	(47 917)
Allowances for bad and doubtful trade receivables at 30 June 2010	203 333	289 317

Notes to the financial statements

10. Other receivables

	30/06/2010 LVL	30/06/2009 LVL	30/06/2010 EUR	30/06/2009 EUR
Government grant *	65 373	40 003	93 017	56 919
VAT receivable (see Note 25)	22 021	34 274	31 332	48 768
Other receivables	57 015	24 651	81 127	35 075
Prepayments to suppliers	31 019	25 814	44 136	36 730
	175 428	124 742	249 612	177 492

* - Government grants relate to projects on participation in international exhibitions and support for new product research and development.

11. Short-term investments

	30/06/2010 LVL	30/06/2009 LVL	30/06/2010 EUR	30/06/2009 EUR
Deposits	1 659 889	-	2 361 809	-
	1 659 889	-	2 361 809	-

Deposits with maturity more than 90 days counting from balance date June, 30, 2010 have been recorded as short-term investments. The average annual interest rate on deposits with maturity more than 90 days in lats is 6.58% and other currencies - 4.84%.

Split of Deposits by currencies expressed in LVL

	30/06/2010 LVL	30/06/2010 %	30/06/2009 LVL	30/06/2009 %
LVL	670 000	40.36	-	-
EUR	989 889	59.64	-	-
Deposits	1 659 889	100%	-	-

Split of Deposits by banks

	30/06/2010 LVL	30/06/2009 LVL	30/06/2010 EUR	30/06/2009 EUR
Trasta Komercbanka AS	1 188 487	-	1 691 065	-
Citadele Banka AS	471 402	-	670 744	-
Deposits	1 659 889	-	2 361 809	-



Notes to the financial statements

12. Cash and cash equivalents

	30/06/2010 LVL	30/06/2009 LVL	30/06/2010 EUR	30/06/2009 EUR
Cash at bank	695 851	654 691	990 106	931 541
Short-term bank deposits	1 717 836	1 692 127	2 444 261	2 407 680
	2 413 687	2 346 818	3 434 367	3 339 221

As at 30 June 2010 free cash resources were deposited in short term deposits (with maturity up to 90 days). The average annual interest rate on short term deposits in lats 9.13% (June 30 2009: 27.67%) and other currencies 4.99% (June 30 2009: 4.53%).

Split of Cash and cash equivalents by currencies expressed in LVL

	30/06/2010 LVL	30/06/2010 %	30/06/2009 LVL	30/06/2009 %
LVL	391 713	16.23	380 275	16.20
USD	367 686	15.23	84 655	3.61
EUR	1 654 288	68.54	1 881 884	80.19
SEK	-	-	4	-
Cash at bank and deposits	2 413 687	100%	2 346 818	100%

Split of Cash and cash equivalents by banks

	30/06/2010 LVL	30/06/2009 LVL	30/06/2010 EUR	30/06/2009 EUR
Trasta Komerbanka AS	286 178	141 416	407 195	201 217
Citadele Banka AS	1 314 990	-	1 871 061	-
Latvijas Hipotēku un Zemes banka AS	120 016	1 047 758	170 768	1 490 824
Swedbank AS	238 178	351 407	338 897	500 007
Nordea bank Finland Plc Latvian branch	452 149	804 837	643 350	1 145 181
DnB Nord Banka AS	2 176	1 400	3 096	1 992
Cash at bank and deposits	2 413 687	2 346 818	3 434 367	3 339 221

13. Deferred corporate income tax (asset)/ liability

	Year ended 30/06/2010 LVL	Year ended 30/06/2009 LVL	Year ended 30/06/2010 EUR	Year ended 30/06/2009 EUR
Deferred tax (asset) at the beginning of the year	(51 025)	(48 160)	(72 602)	(68 525)
Change in deferred tax asset during the reporting year (see Note 24)	(6 154)	(2 865)	(8 756)	(4 077)
Deferred tax (asset) at the end of the year	(57 179)	(51 025)	(81 358)	(72 602)

Deferred tax has been calculated from the following temporary differences between assets and liabilities values for financial accounting and tax purposes:



Notes to the financial statements

13. Deferred corporate income tax (asset)/ liability

	30/06/2010 LVL	30/06/2009 LVL	30/06/2010 EUR	30/06/2009 EUR
Temporary difference on fixed asset depreciation and intangible asset amortization	(11 033)	(4 731)	(15 698)	(6 732)
Temporary difference on vacation pay accrual	(16 894)	(17 546)	(24 038)	(24 966)
Temporary difference on provisions for slow-moving and obsolete inventories	(27 149)	(26 645)	(38 630)	(37 912)
Temporary difference on provisions for guarantees	(2 103)	(2 103)	(2 992)	(2 992)
Deferred tax (asset), net	(57 179)	(51 025)	(81 358)	(72 602)

Deferred income tax asset for the Company is recognised to the extent that the realization of the related tax benefit through the future taxable profits is probable.

14. Share capital

As at 30 June 2010, the registered, issued and paid-up share capital is LVL 2 970 180 (EUR 4 226 185) and consists of 2 970 180 ordinary bearer shares with unlimited voting rights (2008/2009: 2 970 180 shares).

15. Payables

	30/06/2010 LVL	30/06/2009 LVL	30/06/2010 EUR	30/06/2009 EUR
Trade payables	916 425	365 925	1 303 955	520 664
Vacation pay accrual	112 627	116 971	160 254	166 435
Advances from customers	1 006 217	148 606	1 431 718	211 447
Taxes and social insurance contributions (see Note 24)	80 888	54 385	115 094	77 383
Other payables	563 647	269 722	801 997	383 780
	2 679 804	955 609	3 813 018	1 359 709

During the reporting period decrease in unused vacation pay is included in Income Statement amounted to LVL 4 344 (EUR 6 181) (2008/2009: LVL 6 088 (EUR 8 662)).

Split of Trade payables by currencies expressed in LVL

	30/06/2010 LVL	30/06/2010 %	30/06/2009 LVL	30/06/2009 %
LVL	147 104	16.05	79 842	21.82
USD	379 367	41.40	98 894	27.03
EUR	389 193	42.47	186 779	51.04
GBP	-	-	410	0.11
HUF	761	0.08	-	-
Trade payables	916 425	100%	365 925	100%



Notes to the financial statements

15. Payables

Aging analysis of Trade payables

	30/06/2010 LVL	30/06/2009 LVL	30/06/2010 EUR	30/06/2009 EUR
Not due	844 175	362 256	1 201 152	515 444
Overdue 0 – 30	72 250	3 669	102 803	5 220
	916 425	365 925	1 303 955	520 664

16. Borrowings

	30/06/2010 LVL	30/06/2009 LVL	30/06/2010 EUR	30/06/2009 EUR
Bank overdrafts and credit cards	6 181	1 896	8 795	2 698

During the reporting period LVL 702 804 (EUR 1 000 000) multi-currency credit line was available assigned by Nordea bank Finland plc Latvia branch. The assigned credit line facility has not been used and evaluating available funds, current and future cash flow it was decided not to prolong credit line agreement starting from April, 2010. The Company continues to use company credit cards.

17. Segment information and sales

a) The Company's operations may be divided into two major structural units by product lines – CFM (Hybrid/ PDH radio) and CF IP (Hybrid/ super PDH system) as the first structural unit and CFQ (SDH) as the second unit. These structural units are used as a basis for providing information about the primary segments of the Company, i.e. business segments. Production, as well as research and development are organized and managed for each structural units (CFM, CFIP and CFQ) separately.

CFM microwave radio product line has been the main type of radio SAF has been supplying to the market over many years, yet it is still demanded and popular as ever. Such medium capacity, simple yet extremely reliable and feature rich radio forms the basis of many new deployments in the areas of rapid development of telecom networks.

CFIP - a new and growing product line is represented by 3 notable models,

- a split mount Phoenix hybrid radio system with Gigabit Ethernet + 20 E1 interfaces;
- Lumina high capacity Full Outdoor all-in-one radio with Gigabit Ethernet traffic interface;
- CFIP-108 entry level radio - perfect for upgrade of E1 networks into packet data networks.

All CFIP radios are offered in most widely used frequency bands from 6 to 38 GHz, thus enabling the use of CFIP radios all across the globe,

Phoenix radio represents the type of microwave radio which is taking the commanding role on the market at present, Full Outdoor units of Lumina and 108 modifications are of growing and developing radio type 'all-in-one' which has biggest potential as part of future data/packet networks.

SAF Tehnika was one of the first companies offering Full Outdoor radios from 2003, thus is well positioned to use the past experience for development of next generation product.

Even though mentioned CFIP products are set to carry SAF Tehnika's fortunes into the future, SAF is still offering a popular CFQ radio, still widely used due to an ability to reconfigure the terminal to provide widest range of interfaces in any SAF system.



Notes to the financial statements

17. Segment information and sales

	CFQ		CFM; CFIP		Other		Total	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
	LVL	LVL	LVL	LVL	LVL	LVL	LVL	LVL
Assets								
Segment assets	1 513 834	1 385 792	3 589 216	3 223 325	749 075	439 315	5 852 125	5 048 432
Unallocated assets							4 301 588	2 604 422
Total assets							10 153 713	7 652 854
Segment liabilities	541 310	214 237	1 503 886	520 346	386 650	116 625	2 431 846	851 208
Unallocated liabilities							266 702	150 814
Total liabilities							2 698 548	1 002 022
Income	2 187 568	2 246 436	6 509 182	5 233 455	1 530 155	1 331 608	10 226 905	8 811 499
Segment results	820 279	305 974	2 072 363	712 493	560 474	269 613	3 453 116	1 288 080
Unallocated expense							(2 515 746)	(2 312 750)
Profit/ (loss) from operations							937 370	(1 024 670)
Other income							212 332	56 542
Financial income								
(expense), net							347 606	97 616
Loss on sale of long- term investment							-	(249 354)
Profit/ (loss) before taxes							1 497 308	(1 119 866)
Corporate income tax							(9 834)	2 865
Profit/(loss) for the year							1 487 474	(1 117 001)
Other information								
Additions of property plant and equipment and intangible assets	5 944	23 955	77 701	65 683	-	-	83 645	89 638
Unallocated additions of property plant and equipment and intangible assets							16 000	49 049
Total additions of property plant and equipment and intangible assets							99 645	138 687
Depreciation and amortization	13 600	24 785	159 741	238 255	10	1 292	173 351	264 332
Unallocated depreciation and amortization							105 212	166 574
Total depreciation and amortization							278 563	430 906



Notes to the financial statements

17. Segment information and sales

	CFQ		CFM; CFIP		Other		Total	
	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09	2009/10	2008/09
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Assets								
Segment assets	2 153 992	1 971 804	5 106 994	4 586 378	1 065 838	625 088	8 326 824	7 183 270
Unallocated assets							6 120 608	3 705 760
Total assets							14 447 432	10 889 030
Segment liabilities	770 215	304 832	2 139 837	740 386	550 153	165 942	3 460 205	1 211 160
Unallocated liabilities							379 484	214 589
Total liabilities							3 839 689	1 425 749
Income	3 112 629	3 196 390	9 261 732	7 446 537	2 177 214	1 894 707	14 551 575	12 537 634
Segment results	1 167 152	435 362	2 948 707	1 013 786	797 483	383 625	4 913 342	1 832 773
Unallocated expense							(3 579 584)	(3 290 746)
Profit/(loss) from operations							1 333 758	(1 457 974)
Other income							302 121	80 453
Financial income							494 599	138 895
(expense), net								
Loss on sale of long-term investment							-	(354 799)
Profit/ (loss) before taxes							2 130 477	(1 593 426)
Corporate income tax							(13 993)	4 077
Profit/(loss) for the year							2 116 484	(1 589 349)
Other information								
Additions of property plant and equipment and intangible assets	8 458	34 085	110 558	93 458	-	-	119 016	127 543
Unallocated additions of property plant and equipment and intangible assets							22 766	69 790
Total additions of property plant and equipment and intangible assets							141 782	197 333
Depreciation and amortization	19 351	35 266	227 291	339 007	14	1 838	246 656	376 111
Unallocated depreciation and amortization							149 704	237 013
Total depreciation and amortization							396 360	613 124



Notes to the financial statements

17. Segment information and sales

b) This note provides information about division of the Company's turnover and assets by geographical segments (customer location).

	Net sales		Assets	
	2009/2010	2008/2009	30/06/2010	30/06/2009
	LVL	LVL	LVL	LVL
America	1 787 390	1 339 548	470 417	337 145
Europe, CIS	2 475 325	4 300 178	751 536	751 112
Asia, Africa, Middle East	5 964 190	3 171 773	1 566 053	658 155
	10 226 905	8 811 499	2 788 006	1 746 412
Unallocated assets	-	-	7 365 707	5 906 442
	10 226 905	8 811 499	10 153 713	7 652 854

	Net sales		Assets	
	2009/2010	2008/2009	30/06/2010	30/06/2009
	EUR	EUR	EUR	EUR
America	2 543 227	1 906 005	669 343	479 714
Europe, CIS	3 522 070	6 118 602	1 069 339	1 068 736
Asia, Africa, Middle East	8 486 278	4 513 027	2 228 293	936 470
	14 551 575	12 537 634	3 966 975	2 484 920
Unallocated assets	-	-	10 480 457	8 404 110
	14 551 575	12 537 634	14 447 432	10 889 030

18. Cost of sales

	Year ended 30/06/2010 LVL	Year ended 30/06/2009 LVL	Year ended 30/06/2010 EUR	Year ended 30/06/2009 EUR
Purchases of components and subcontractors services	5 200 730	5 806 978	7 399 972	8 262 585
Salary expenses (including accruals for vacation pay)	816 197	859 837	1 161 344	1 223 438
Depreciation and amortization (see Note 6)	173 347	264 364	246 651	376 156
Social insurance (including accruals for vacation pay)	195 027	204 839	277 498	291 460
Rent of premises	81 508	82 375	115 975	117 209
Public utilities costs	70 935	89 867	100 931	127 869
Car expenses	20 167	24 428	28 695	34 758
Communication expenses	12 322	19 521	17 533	27 776
Travel expenses	3 406	7 211	4 846	10 260
Low value inventory	1 670	2 149	2 376	3 058
Other production costs	44 693	46 427	63 593	66 060
	6 620 002	7 407 996	9 419 414	10 540 629

Research and development related expenses of LVL 1 026 838 (EUR 1 461 059) (2008/2009: LVL 1 279 189 (EUR 1 820 122)) are included in the income statement caption cost of sales.

Notes to the financial statements

19. Selling and marketing costs

	Year ended 30/06/2010 LVL	Year ended 30/06/2009 LVL	Year ended 30/06/2010 EUR	Year ended 30/06/2009 EUR
Advertising and marketing costs	1 135 282	633 605	1 615 361	901 539
Wages and salaries (incl. vacation pay reserve)	429 265	404 379	610 789	575 379
Business trips	197 866	153 800	281 538	218 838
Depreciation and amortization (see Note 6)	66 454	113 702	94 556	161 783
Delivery costs	153 790	115 423	218 823	164 232
Social insurance contributions (incl. vacation pay reserve)	103 463	96 468	147 215	137 262
Other selling and distribution costs	87 598	95 001	124 640	135 174
	2 173 718	1 612 378	3 092 922	2 294 207

20. Administrative expense

	Year ended 30/06/2010 LVL	Year ended 30/06/2009 LVL	Year ended 30/06/2010 EUR	Year ended 30/06/2009 EUR
Wages and salaries (incl. vacation pay reserve)	162 413	189 742	231 093	269 978
Depreciation and amortization (see Note 6)	37 433	51 067	53 262	72 662
Social insurance contributions (incl. vacation pay reserve)	39 264	41 333	55 868	58 812
IT services	23 622	34 613	33 611	49 250
Bank charges	16 305	21 473	23 200	30 553
Representation expenses	23 854	14 545	33 942	20 696
Training expenses	8 755	18 348	12 457	26 107
Public utilities costs	9 692	11 107	13 790	15 804
Business trips	163	934	232	1 329
Rent of premises	9 883	9 620	14 062	13 688
Insurance expenses	9 179	7 592	13 061	10 802
Office maintenance costs	2 570	3 713	3 657	5 283
Sponsorship	3 000	4 050	4 269	5 763
Communications expenses	3 524	5 561	5 014	7 913
Allowance for bad and doubtful receivables	68 683	318 995	97 727	453 889
Other administration expense	77 478	83 102	110 241	118 243
	495 818	815 795	705 486	1 160 772

* Other administration expense includes annual audit fee in the amount of LVL 5 060 (year ended 30/06/2009 – LVL 11 948). During the year the Company has not received any other services from the Auditor.



Notes to the financial statements

21. Other income

	Year ended 30/06/2010 LVL	Year ended 30/06/2009 LVL	Year ended 30/06/2010 EUR	Year ended 30/06/2009 EUR
Government grant	150 758	50 730	214 509	72 182
Other income	61 573	5 812	87 612	8 270
	212 331	56 542	302 121	80 452

The Company has received cash payment amounting to LVL 89 476 (EUR 127 313) (2008/2009 – LVL 10 727 (EUR 15 263)) of the government grant.

22. Financial revenue

	Year ended 30/06/2010 LVL	Year ended 30/06/2009 LVL	Year ended 30/06/2010 EUR	Year ended 30/06/2009 EUR
Interest Income	159 425	83 481	226 841	118 782
Currency exchange gain, net	190 318	18 298	270 797	26 036
	349 743	101 779	497 638	144 818

23. Financial expense

	Year ended 30/06/2010 LVL	Year ended 30/06/2009 LVL	Year ended 30/06/2010 EUR	Year ended 30/06/2009 EUR
Interest expense	2 133	4 163	3 035	5 923
	2 133	4 163	3 035	5 923

24. Corporate income tax

	Year ended 30/06/2010 LVL	Year ended 30/06/2009 LVL	Year ended 30/06/2010 EUR	Year ended 30/06/2009 EUR
Change in deferred tax asset (see Note 13)	(6 154)	(2 865)	(8 756)	(4 077)
Corporate income tax charge for the current reporting year	15 988	-	22 749	-
	9 834	(2 865)	13 993	(4 077)

Corporate income tax differs from the theoretically calculated tax amount that would arise applying the statutory 15% rate to the Company's profit before taxation:

Notes to the financial statements

24. Corporate income tax

	Year ended 30/06/2010 LVL	Year ended 30/06/2009 LVL	Year ended 30/06/2010 EUR	Year ended 30/06/2009 EUR
Profit/(Loss) before taxes	1 497 308	(1 119 866)	2 130 477	(1 593 426)
Tax rate	15%	15%	15%	15%
Theoretically calculated tax	224 596	(167 980)	319 572	(239 014)
Expenses not deductible for tax purposes	4 352	53 895	6 192	76 686
Non- recognised deferred tax asset of tax loss	(219 114)	111 220	(311 771)	158 251
Tax charge	9 834	(2 865)	13 993	(4 077)

The State Revenue Service may inspect the Company's books and records for the last 3 years and impose additional tax charges with penalty interest and penalties. The Company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect. (The State Revenue Service had not performed all-inclusive tax audit at the balance sheet date).

25. Tax payable

	VAT	Social insurance contributions	Personal income tax	Corporate income tax	Unemployment risk duty	With- holding tax	Total
	LVL	LVL	LVL	LVL	LVL	LVL	LVL
Payable as at 30.06.2009.	-	35 300	19 049	-	36	-	54 385
(Receivable) as at 30.06.2009.	(34 274)	-	-	(20 297)	-	-	(54 571)
Calculated for the period	(370 692)	434 637	270 724	15 988	418	4 114	355 189
Transferred to/from other taxes	310 965	(310 653)	(20 289)	20 297	(312)	(8)	-
Repaid by SRS	71 980	-	-	-	-	-	71 980
Paid in the period	-	(120 182)	(243 723)	-	(105)	(4 106)	(368 116)
Payable as at 30.06.2010.	-	39 102	25 761	15 988	37	-	80 888
(Receivable) as at 30.06.2010.	(22 021)	-	-	-	-	-	(22 021)

Notes to the financial statements

25. Tax payable

	VAT	Social insurance contributions	Personal income tax	Corporate income tax	Unemployment risk duty	With-holding tax	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Payable as at 30.06.2009.	-	50 227	27 104	-	51	-	77 382
(Receivable) as at 30.06.2009.	(48 768)	-	-	(28 880)	-	-	(77 648)
Calculated for the period	(527 447)	618 434	385 206	22 749	595	5 853	505 390
Transferred to/from other taxes	442 463	(442 019)	(28 869)	28 880	(444)	(11)	-
Repaid by SRS	102 420	-	-	-	-	-	102 420
Paid in the period	-	(171 004)	(346 787)	-	(149)	(5 842)	(523 782)
Payable as at 30.06.2010.	-	55 638	36 654	22 749	53	-	115 094
(Receivable) as at 30.06.2010.	(31 332)	-	-	-	-	-	(31 332)

26. Earnings per share

Basic and diluted earnings per share are calculated by dividing the profit by the weighted average number of shares during the year.

	Year ended 30/06/2010 LVL	Year ended 30/06/2009 LVL	Year ended 30/06/2010 EUR	Year ended 30/06/2009 EUR
Profit (loss) for the reporting year (a)	1 487 474	(1 117 001)	2 116 484	(1 589 349)
Ordinary shares as at 1 July (b)	2 970 180	2 970 180	2 970 180	2 970 180
Basic and diluted earnings per share for the reporting year (a/b)	0.501	-0.376	0.713	-0.535

27. Management remuneration

Remuneration to the Board and the Council

	Year ended 30/06/2010 LVL	Year ended 30/06/2009 LVL	Year ended 30/06/2010 EUR	Year ended 30/06/2009 EUR
Remuneration to the Board Members				
· salaries	113 499	130 850	161 494	186 183
· social insurance contributions	27 433	27 292	39 034	38 833
Remuneration to the Council Members				
· salaries	69 473	76 795	98 851	109 269
· social insurance contributions	16 718	18 500	23 788	26 323
Total	227 123	253 437	323 167	360 608

Notes to the financial statements

28. Related party transactions

During the period from 1 July 2009 until 30 June 2010, the Company sold its products to related parties in the total amount of LVL 42 394 (EUR 60 321) and provided services – LVL 7 733 (EUR 11 003).

During the period from 1 July 2009 until 30 June 2010, the Company bought goods from related parties for the total amount of LVL 18 069 (EUR 25 710), bought tangible assets – LVL 3 056 (EUR 4 348) and received services – LVL 19 155 (EUR 27 255).

As at 30 June 2010, the Company has related party creditors in the total amount of LVL 2 300 (EUR 3 273).

29. Personnel expense

	Year ended 30/06/2010 LVL	Year ended 30/06/2009 LVL	Year ended 30/06/2010 EUR	Year ended 30/06/2009 EUR
Wages and salaries	1 407 875	1 453 958	2 003 226	2 068 796
Social insurance contributions	337 754	342 640	480 581	487 533
Total	1 745 629	1 796 598	2 483 807	2 556 329

30. Average number of employees

	Year ended 30/06/2010	Year ended 30/06/2009
Average number of personnel employed during the reporting year:	140	148

31. Operating lease

Lease agreement No. S-116/02, dated 10 December 2002, was signed with Dambis JSC. According to the agreement, the lessor commissions and SAF Tehnika JSC accepts premises in the total area of 5 851 m² for consideration till 16.09.2009. Since 17.09.2009 total leased area was decreased to 5 672m². The premises are located at Ganību dambis 24a. The agreement expires on 1 March 2016.

According to the signed agreements, the Company has the following lease payment commitments as at 30 June 2010.

	LVL	EUR
1 year	131 733	187 439
2 – 5 years	672 500	956 881
More than 5 years	136 872	194 751
	941 105	1 339 071



Notes to the financial statements

32. Contingent liabilities

The Company has given guarantees in the ordinary course of business amounting to LVL 21 728 (EUR 30 916) (2008/2009: LVL 59 716 (EUR 84 968)) to the third parties.

33. Going concern

The Company closed the reporting year with positive operating cash flow of LVL 2 356 thousand (EUR 3 353 thousand), (2008/2009: LVL 627 thousand (EUR 892 thousand)), its cash position amounts to LVL 2 414 thousand (EUR 3 434 thousand), but liquidity ratio was 3.4 at the end of financial year.

Net profit for the reporting period amounted to LVL 1 487 thousand (EUR 2 116 thousand).

SAF Tehnika will continue to pursue its established course, taking into account its stable financial position, control over the production process and CFIP product development.

34. Events after balance sheet date

As of the last day of the reporting year until the date of signing these financial statements there have been no events which would have any material impact on the financial position of the Company as at 30 June 2010 or its financial performance and cash flows for the year then ended.