A/S „SAF Tehnika”

Consolidated annual reports and separate annual reports

for the year ended
30 June 2019

(Translation from Latvian)

Content

General information

Information on the Parent company:

Name of the Company	A/S „SAF Tehnika”
Legal status of the Company	Joint Stock Company
Number, place and date of registration	40003474109 Riga, Latvia, 27 December 1999 Registered with the Commercial Register on 10 March 2004
Address	Ganību dambis 24a Riga, LV-1005 Latvia
Names of shareholders	Didzis Liepkalns (17.05%) Koka Zirgs SIA (10.75%) Andrejs Grišāns (10.03%) Normunds Bergs (9.74%) Juris Ziema (8.71%) Pārējie akcionāri (43.72%)
Names of the Council members, their positions	Juris Ziema – Chairman of the Council (8.71% or 258 762 shares) Andrejs Grišāns – Deputy Chairman of the Council (10.03% or 297 888 shares) Ivars Šenbergs – Member of the Council (0.00% or 2 shares) Aira Loite – Member of the Council (0.26% or 7 700 shares) Sanda Šalma - Member of the Council (not A/S „SAF Tehnika” shareholder)
Names of the Board members, their positions	Normunds Bergs – Chairman of the Board (9.74% or 289 377 shares) Didzis Liepkalns – Member of the Board (17.05% or 506 460 shares) Zane Jozepa – Member of the Board (no A/S SAF Tehnika shareholder) Jānis Bergs – Member of the Board (no A/S SAF Tehnika shareholder)
Responsible person for accounting	Dace Langada – Chief accountant
Reporting period	1 July 2018 – 30 June 2019
Previous reporting year	1 July 2017 – 30 June 2018
Auditor and address	Potapoviča un Andersone SIA Licence No. 99 Ūdens iela 12-45 Riga, LV-1007, Latvia Anna Temerova - Allena Responsible certified auditor Certificate No.154

Information on subsidiaries:

Participation share: 100%	SAF North America LLC 3250 Quentin Street, Unit 128 Aurora, Colorado 80011, USA
Participation share: 100%	SAF Services LLC 3250 Quentin Street, Unit 128 Aurora, Colorado 80011, USA

Management Report

Business activity

SAF Tehnika A/S and its subsidiaries (hereinafter referred to as the Group) is the developer, manufacturer and distributor of digital microwave transmission equipment. The Group provides end-to-end and cost-effective wireless backhaul solutions for digital voice and data transmission to fixed and mobile network operators and data service providers in both the public and private sectors as an alternative to cable networks.

In the financial year (FY) 2018/2019, the Group's net turnover amounted to EUR 14.44 million, which is by EUR 1.03 million, or by 7.7% higher than in the previous financial year 2017/2018. The net turnover of the Parent company in FY 2018/2019 was EUR 11.87 million, which is by EUR 0.7 million higher than in the previous FY 2017/2018.

The turnover of the American region, which accounts for sales in both North, South and Central Americas, represented 61% of the Group's annual turnover and amounted to EUR 8.8 million, which is by 14% more than last year. The US subsidiary company "SAF North America" LLC provides marketing and sales of the Group's products in the USA and Canada as well as product warehousing and logistics services. Sales in the European and CIS region exceed the level of the previous year by EUR 89 thousand. During the reporting year, there is a decline in turnover in the AMEA (Asia, Middle East, Africa) region, where there is still very fierce competition and low prices in the wireless data transmission equipment market. Fluctuations in the turnover of all regions are affected by a variable proportion of projects, replacement of equipment generations, and the audit of products, especially in the standard equipment segments.

During the financial year, development of several new products has been completed and the first installations have been implemented for users, while continuing work on innovation and product development. The life cycle of products for microwave wireless data transmission equipment in the industry lasts for about 5 years, when obsolete products are replaced by the equipment of a newer generation. The process of transition between technologies is gradual and will happen over several years.

The Group continued to develop specific customer-requested functionality for SAF Tehnika A/S products.

The market remains in demand for radio systems that provide enhanced data rates and which can be developed or updated to increase data transmission capacity. Consequently, the Group continues to explore the market and problematic issues, and is working on identifying customer needs to be able to offer the necessary product modifications and create prototypes for next generation technologies.

Exports of the Group (the Parent company) accounted for 97.12% (96.49% respectively) of turnover and amounted to EUR 14.02 million (11.45 million respectively). In the reporting year, the Group exported its products to 81 countries worldwide.

In order to promote SAF brand awareness, introduce SAF products, solutions and new generations of devices to the existing and potential customers, the Group continued to actively participate in major industry exhibitions across Europe, America and Asia.

The Group's export activities were supported by the Investment and Development Agency of Latvia (LIAA), which co-funded the Group's participation in some of the industry exhibitions.

In the reporting year, the demand for CFIP product series was highest, with the most sales being for *Integra*, *Phoenix*, *Marathon*, and *Lumina*. There is a growing demand for products in the Spectrum Compact series – measuring equipment for data transmission network engineers.

The net cash balance of the Group (the Parent company) at the end of the year was EUR 2.62 million (2.41 million, respectively). The net cash flow of the Group (the Parent company) in the reporting year was negative – EUR 507 thousand (respectively, the Parent company's net cash flow was negative – EUR 603 thousand).

During the reporting year, the Group invested EUR 460 thousand in the purchase of IT infrastructure, production and research equipment, software and licenses, as well as product certification.

The Group (the Parent company) concluded the financial year 2018/2019 with losses of EUR 414 thousand (321 thousand, respectively), resulting from the investment of funds to promote sales in the new market segments, as well as related to the variable share of specialized projects. In the previous financial year, the result was a loss of EUR 219 thousand (199 thousand, respectively).

Management Report (continued)

Research and development

A prerequisite for the long-term existence of the Group and a success factor is its ability to ensure continuous product development. During the reporting year, the development of the INTEGRA product line continued, solutions were found to improve functionality and quality indicators, and reduce production costs. The Group continued to design and develop the Aranet functionality – the new Internet of Things (IoT) environmental monitoring solution. Aranet is an industrial-grade wireless environmental monitoring solution that allows monitoring temperature, humidity and CO2 levels over a wide area. Metering products Spectrum Compact and Spectrum Generator are regularly supplemented with new functionalities and accessories. There are developments both for the release of new products, and for the improvement and refining of existing ones. Technologically, SAF Tehnika products are interconnected. The development and existence of such products broadens the range of business offerings. During the reporting period, the Group's product development projects received co-financing from the Latvian electrical and optical equipment industry competence center "LEO Pētījumu centrs" SIA in the amount of EUR 79 thousand.

Future prospects

SAF Tehnika A/S is the company with long-term experience and competence in development and production of microwave radios. The company is able to supply excellent, high-quality products to the general market, as well as to successfully develop niche solutions. The Group's task is to further develop the next generation of data transmission equipment, to continue its work on manufacturing high-quality products for the microwave data communication market, in search of innovative ideas for microwave data transmission applications. At the same time, to offer not only standardized solutions, but also product modifications to meet the specific needs of customers. The goal is to stabilize the level of turnover, which provides a positive net result in the long term.

The Group will continue its established market strategy focusing on strategic market niches for both products and regions.

The Group looks positively at projections for future operational periods, however, remains cautious, and the Board of the Parent company refrains from making any statements about future sales and financial results.

Subsequent events

During the period between the year-end date and the date on which these annual reports are signed, there have been no events that would significantly affect the financial situation of the Group and/or the Parent company as on 30 June 2019, and/or financial results and cash flows in the relevant reporting year.

Board proposal to cover losses

The Board of the Parent company proposes to cover losses from retained earnings of previous years.

The Corporate Governance Report for 2018/2019 has also been submitted to "Nasdaq Riga" AS together with this separate and consolidated annual financial report 2018/2019 by SAF Tehnika A/S.

On behalf of the Board,

Normunds Bergs
Chairman of the Board

STATEMENT OF THE BOARD'S RESPONSIBILITY

The Board of SAF Tehnika A/S is responsible for preparing separate and consolidated annual reports of SAF Tehnika A/S.

The separate and consolidated annual reports set out on pages 11 to 45 and are prepared in accordance with the source documents and present fairly the SAF Tehnika A/S (Parent company`s) and SAF Tehnika A/S and its subsidiaries (the Group) financial position as at 30 June 2019 and the results of financial performance and cash flows for the year then ended on 30 June 2019.

The above-mentioned annual reports are prepared in accordance with International Financial Reporting Standards as adopted by the European Union on a going concern basis. Appropriate accounting policies have been applied on a consistent basis. Prudent and reasonable judgments and estimates have been made by the Board in the preparation of the annual reports.

The Board of SAF Tehnika A/S is responsible for the maintenance of proper accounting records, the safeguarding of the Group's and the Parent company's assets and the prevention and detection of fraud and other irregularities in the Group and the Parent company. The Board is also responsible for compliance with requirements of normative acts of the countries where Group companies and the Parent company operate.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

POTAPOVIČA
ANDERSONE

Ūdens iela 12-45, Rīga, LV-1007, Latvija
T. +371 67607902, www.p-a.lv

Independent Auditor's Report
(Translation from Latvian)

To the shareholders of AS "SAF Tehnika"

Our Opinion on the Separate and Consolidated Financial Statements of AS "SAF Tehnika"
We have audited the accompanying separate financial statements and consolidated financial statements of AS "SAF Tehnika" ("the Company") and its subsidiaries ("the Group") set out on pages 11 to 45 of the accompanying consolidated annual report, which comprise:

- the separate and consolidated statement of financial position as at 30 June 2019,
- the separate and consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the separate and consolidated statement of changes in equity for the year then ended,
- the separate and consolidated statement of cash flows for the year then ended, and
- the notes to the separate and consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of AS "SAF Tehnika" and its subsidiaries as at 30 June 2019, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

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

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the separate and consolidated financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the IESBA Code and Law on Audit Services of the Republic of Latvia.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters
Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.
We have determined the matters described below to be the key audit matters to be communicated in our report:

Audit matter	*Audit procedures performed*
<u>*Completeness of income and periodization*</u>	
Net sales of goods and related services presented in the separate financial statements of the Parent company amount to EUR 11 869 072. The relevant income positions of the Group amount to EUR 14 443 237 respectively. Detailed information on the relevant income items is presented in Note 16 to the financial statements (financial information) and section (p) of the accounting policies (income recognition principles description). The Group is developer, manufacturer and distributor of digital microwave communication equipment in more than 70 countries around the world, that requires implementation and maintenance of adequate and consistent income accounting and control procedures,	Our audit procedures, amidst others, included the following: • meeting with the financial management of the Parent company in order to discuss the specifics of the current market situation, income structure of the Group, changes in the reporting period and chief material risks for ensurance of income recognition completeness; • obtaining understanding of the adequacy of the accounting methods and control procedures applied; • performance of detailed analytical procedures, by evaluating level of recognized income comparing to the previous year and monthly fluctuations, in cases of significant fluctuations, performed substantive tests of supporting documentation and accounting records;

Audit matter	*Audit procedures performed*
that provides precise periodization and completeness of income recognition, that is why income recognition and control matters are considered to be one of the key audit matters.	• evaluating the dynamics of receivables repayment after the end of the reporting year, performed detailed substantive tests of supporting documentation and accounting records; • performing reconciliation procedures with third parties, confirming turnover during the reporting year and balance as at the end of the reporting year; • in cases of material transactions, performed substantive tests of supporting documentation and accounting records.
<u>*Existence and net realisable value of stock*</u>	
The value of stock in the balance sheet presented in the separate financial statements of Parent company amounts to EUR 5 846 063, that consists of gross value of stock in amount of EUR 6 510 663 and provisions for slow moving items in the amount of EUR 664 000. Net realisable value of stock in the Group's financial statements amounts to EUR 6 073 371. Detailed information on goods for sale is included in Note 8 to the financial statements (financial information) and section (j) of the accounting policies (accounting principles). Considering the rapid development of the technology industry and the volume of stock in the Parent company' s separate financial statements and Group's consolidated financial statements, it is essential to determine the net realisable value of stock, therefore we consider this to be one of the key audit matters.	Our audit procedures, amidst others, included the following: • evaluating of the results of operations of the internal control structures in stock-count performance and other control procedures performed; • reviewing the results of the stock-counts; • participation in the year end stock counts, observing the stock-count procedures and performance; • on a random selection basis testing the adequacy of costing of specific goods items; • performing detailed analytical procedures reconciling the profit ratios on the sale of goods to the sales policies as developed by the management of the Group; • review of the ageing analysis of goods for sale and evaluation of the adequacy of provisions made in accordance with the provisioning policies as developed by the management of the Group.
<u>*Transactions with related parties*</u>	
Parent company of the Group undertakes transactions also with its subsidiary. In Parent company's separate financial statements Net sales of goods and related services amounts to EUR 4 106 649, while the amount of services received amount to EUR 68 998. Detailed information on goods for sale is included in Note 27 to the financial statements (financial information), as well as in Notes 9, 10, 13 and 16. We consider this a key audit matter, since IFRS compliant disclosure on related party transactions is important in proper understanding of the financial performance and financial position of the Parent Company and the Group.	Our audit procedures, amidst others, included the following: • performing procedures on related party identification and related party transactions undertaken by the Company during the reporting year, including identification of related parties from the public information sources and reconciling this information to the data provided by the management of the Company; • meeting the management of the Parent Company's to discuss main principles of related party transactions; • on a sample basis testing terms of related party transactions and ensuring their proper disclosure in the financial statements; • testing that the related party disclosure included in the financial statements complies to IFRS requirements and reconciles to the Company's accounting data.
<u>*The subsidiary of the Parent Company*</u>	
The parent company of the Group has a subsidiary, SAF North America LLC, registered in the United States of America. The subsidiary SAF North America LLC has made significant contributions to marketing and sales of the Group's products in the United States, providing product warehousing and logistics services and delivering goods and services to the United States. The Group's annual turnover in the United States amounts to 61% of the total sales, therefore we consider this issue to be significant in the context of auditing. Detailed information on this matter is disclosed in Note 28 to the financial statements (financial information), as	Our audit procedures, amidst others, included the following: • meeting the management of the Parent company to discuss the operations and key operating risks of the subsidiary SAF North America LLC; • obtaining understanding of the adequacy of the internal supervision and control procedures implemented by the subsidiary, such as the internal audit function, the advice of local tax experts and others, and we have assessed their compliance with the identified risks; • performance of detailed analytical procedures, by evaluating level of recognized income comparing to the previous year and monthly fluctuations, in cases of

Audit matter	*Audit procedures performed*
well as Notes 9, 10, 13 and 16 (explanatory notes on financial position items). According to the relevant US law, the SAF North America LLC Financial Report is not subject to statutory audit in the United States, therefore the audit procedures necessary to express an opinion on the Group's consolidated financial statements are performed by the Auditor of the Parent company of the Group. As the Group's subsidiary is important in the context of the consolidated financial statements of the Group, we consider this issue a significant audit matter.	significant fluctuations, performed substantive tests of supporting documentation and accounting records; • evaluating the dynamics of receivables repayment after the end of the reporting year, performed detailed substantive tests of supporting documentation and accounting records; • performing reconciliation procedures with third parties, confirming turnover during the reporting year and balance as at the end of the reporting year.

Other Matter

Reporting on Other Information
The Group management is responsible for the other information. The other information comprises:

- the Management Report, as set out on pages 4 to 5 of the accompanying separate and consolidated Annual report,
- the Statement on Management Responsibility, as set out on page 6 of the accompanying separate and consolidated annual report,
- the Statement of Corporate Governance that is filed to "Nasdaq Riga" AS together with the accompanying separate and consolidated annual report.

Our opinion on the separate and consolidated financial statements does not cover the other information included in the separate and consolidated annual report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.
In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed and in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia
In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.
Based solely on the work required to be undertaken in the course of our audit, in our opinion:

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

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

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements
Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with IFRS and for such internal control as management determines is necessary to enable the preparation of the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.
In preparing the separate and consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
Those charged with governance are responsible for overseeing the Company's separate and Group's consolidated financial reporting process.

Auditor's Responsibility for the Audit of the Separate and Consolidated Financial Statements
Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our

opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.
As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the separate and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the separate and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves a fair presentation.

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

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

On 14 January 2016 the persons charged with governance appointed us to perform the audit of the financial statements of AS SAF TEHNIKA for the 12 months ended 30 June 2019. The total uninterrupted period of provision of audit services to the Company amounts to 4 years, commencing with the audit of the financial statements for the 12 months ended 30 June 2016 and ending with period of the 12 months ended 30 June 2019.

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

The responsible certified auditor on the audit resulting in this independent auditors’ report is Anna Temerova-Allena.

On behalf of
SIA Potapoviča un Andersone,
Ūdens street 12-45, Riga, LV-1007
Certified Auditors Company licence No. 99

Kristīne Potapoviča Chairperson of the Board	Anna Temerova-Allena Responsible Certified Auditor, Certificate No. 154 Member of the Board

ELECTRONIC SIGNATURES OF THE AUDITORS RELATE TO THE INDEPENDENT AUDITOR’S REPORT ENCLOSED WITH THE ANNUAL REPORT ON PAGES 7 TO 10.
THE DOCUMENT IS SIGNED WITH SECURE ELECTRONIC SIGNATURES AND CONTAINS A TIME STAMP.

Statement of financial position

		Group		Parent company	
		As at 30 June		As at 30 June	
	Note	2019	2018	2019	2018
ASSETS		EUR	EUR	EUR	EUR
Long-term investments					
Fixed assets	6	731 618	657 339	721 723	637 573
Intangible assets	6	136 822	142 665	135 347	142 472
Right-to-use assets	6	1 342 191	-	1 149 340	-
Investments in subsidiaries	7	-	-	32 893	32 893
Investments in other companies	7	8 106	8 106	8 106	8 106
Long-term trade receivables	9	1 633	1 905	1 633	1 905
Total long-term investments		**2 220 370**	**810 015**	**2 049 042**	**822 949**
Current assets					
Stock	8	6 073 371	5 057 877	5 846 063	4 821 370
Trade receivables	9	1 812 992	1 616 947	707 380	866 777
Due from related parties	9	-	-	914 414	991 247
Other debtors	10	184 643	313 073	175 529	304 940
Corporate income tax receivable	24	11 576	172 136	7 175	144 033
Short-term loans	26.b	101 328	215 025	-	-
Deferred expenses		208 937	167 048	155 727	120 785
Cash and cash equivalents	11	2 616 931	3 124 000	2 412 173	3 015 110
Total current assets		**11 009 779**	**10 666 106**	**10 218 462**	**10 264 262**
Total assets		**13 230 148**	**11 476 121**	**12 267 503**	**11 087 211**
SHAREHOLDERS' EQUITY					
Share capital	12	4 158 252	4 158 252	4 158 252	4 158 252
Share premium		2 851 726	2 851 726	2 851 726	2 851 726
Other reserves		8 530	8 530	8 530	8 530
Translation reserve		6 345	2 012	-	-
Retained earnings		2 441 356	2 855 657	2 417 365	2 738 484
Total shareholders' equity		**9 466 209**	**9 876 177**	**9 435 873**	**9 756 992**
LIABILITIES					
Long-term liabilities					
Long-term lease	14	1 029 837	-	881 573	-
Deferred income	15	288 982	74 688	3 859	1 509
Total long-term liabilities		**1 318 819**	**74 688**	**885 432**	**1 509**
Current liabilities					
Trade and other payables	13	983 393	694 823	903 417	647 806
Other liabilities	13	1 061 868	785 347	764 881	524 409
Due to related parties		-	-	7 112	138 932
Shor-term lease	14	312 538	-	267 767	-
Loans	14	390	113	390	113
Deferred income	15	86 931	33 789	2 631	6 266
Total current liabilities		**2 445 120**	**1 525 256**	**1 946 198**	**1 328 710**
Total liabilities		**3 763 939**	**1 599 944**	**2 831 630**	**1 330 219**
Total equity and liabilities		**13 230 148**	**11 476 121**	**12 267 503**	**11 087 211**

The accompanying notes on pages 15 to 45 form an integral part of these financial statements.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Dace Langada
Chief accountant

Statement of profit or loss and other comprehensive income

	Note	Group For the year ended 30 June 2019 EUR	Group 2018 EUR	Parent company For the year ended 30 June 2019 EUR	Parent company 2018 EUR
Net sales	16	14 443 273	13 411 294	11 869 072	11 174 255
Cost of goods sold	17	(9 762 860)	(8 855 229)	(9 371 497)	(8 687 923)
Gross profit		**4 680 413**	**4 556 065**	**2 497 575**	**2 486 332**
Sales and marketing expenses	18	(4 264 053)	(3 998 631)	(2 037 971)	(1 982 939)
Administrative expenses	19	(1 013 092)	(850 019)	(959 952)	(774 130)
Loss from operating activities		**(596 732)**	**(292 585)**	**(500 348)**	**(270 737)**
Other income	20	90 011	331 632	87 600	325 760
Financial income	21	113 046	21 401	108 423	20 814
Financial expenses	22	(11 008)	(191 981)	(9 431)	(193 796)
Loss before tax		**(404 683)**	**(131 533)**	**(313 756)**	**(117 959)**
Corporate income tax	23	(9 618)	(87 795)	(7 363)	(81 519)
Loss of the reporting year		**(414 301)**	**(219 328)**	**(321 119)**	**(199 478)**
Other comprehensive income/ (loss)					
Foreign currency recalculation differences for foreign operations		4 333	(3 195)	-	-
Total comprehensive loss		**(409 968)**	**(222 523)**	**(321 119)**	**(199 478)**
Profit/ (loss) per share attributable to the shareholders of the Company (EUR per share):					
Basic and diluted loss per share	25	(0.139)	(0.074)	(0.108)	(0.067)

The accompanying notes on pages 15 to 45 form an integral part of these financial statements.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Dace Langada
Chief accountant

Statement of changes in the shareholders' equity of the Group

	Share capital	Share premium	Other reserves	Foreign currency revaluation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 30 June 2017	**4 158 252**	**2 851 726**	**8 530**	**5 207**	**5 065 006**	**12 088 721**
Transactions with owners of the Company, recognised in equity	**-**	**-**	**-**	**-**	**(1 990 021)**	**(1 990 021)**
Dividends	-	-	-	-	(1 990 021)	(1 990 021)
Total comprehensive income	**-**	**-**	**-**	**(3 195)**	**(219 328)**	**(222 523)**
Loss of the reporting year	-	-	-	-	(219 328)	(219 328)
Other comprehensive loss	-	-	-	(3 195)	-	(3 195)
Balance as at 30 June 2018	**4 158 252**	**2 851 726**	**8 530**	**2 012**	**2 855 657**	**9 876 177**
Total comprehensive income	**-**	**-**	**-**	**4 333**	**(414 301)**	**(409 968)**
Loss of the reporting year	-	-	-	-	(414 301)	(414 301)
Other comprehensive income	-	-	-	4 333	-	4 333
Balance as at 30 June 2019	**4 158 252**	**2 851 726**	**8 530**	**6 345**	**2 441 356**	**9 466 209**

Statement of changes in the shareholders' equity of the Parent company

	Share capital EUR	Share premium EUR	Other reserves EUR	Retained earnings EUR	Total EUR
Balance as at 30 June 2017	**4 158 252**	**2 851 726**	**8 530**	**4 927 983**	**11 946 491**
Transactions with owners of the Company, recognised in equity	**-**	**-**	**-**	**(1 990 021)**	**(1 990 021)**
Dividends	-	-	-	(1 990 021)	(1 990 021)
Total comprehensive income	**-**	**-**	**-**	**(199 478)**	**(199 478)**
Loss for the reporting year	-	-	-	(199 478)	(199 478)
Balance as at 30 June 2018	**4 158 252**	**2 851 726**	**8 530**	**2 738 484**	**9 756 992**
Total comprehensive income	**-**	**-**	**-**	**(321 119)**	**(321 119)**
Loss for the reporting year	-	-	-	(321 119)	(321 119)
Balance as at 30 June 2019	**4 158 252**	**2 851 726**	**8 530**	**2 417 365**	**9 435 873**

The accompanying notes on pages 15 to 45 form an integral part of these financial statements.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Dace Langada
Chief accountant

Statement of cash flows

	Note	Group For the year ended 30 June 2019 EUR	Group 2018 EUR	Parent company For the year ended 30 June 2019 EUR	Parent company 2018 EUR
Loss before taxes		(404 683)	(131 533)	(313 756)	(117 959)
Adjustments for:					
- depreciation	6	329 781	316 919	310 869	292 700
- amortization	6	58 887	72 913	58 303	72 616
- amortization of right-to-use assets	6	149 132	-	127 704	-
- changes in adjustments to stock	8	(184 638)	(17 373)	(184 638)	(17 373)
- changes in provisions for guarantees	13	(3 253)	4 890	(3 253)	4 890
- changes in provisions for unused vacations	13	40 821	(19 224)	40 821	(19 224)
- changes in doubtful debt allowances	9	(3 714)	(17 492)	(2 044)	(23 189)
- interest income	21	(31 214)	(21 381)	(26 336)	(20 814)
- interest expenses on lease liabilities	22	11 008	-	9 431	-
- government grants	20	(79 310)	(319 520)	(79 310)	(319 520)
- (profit)/loss on disposal of fixed assets		(2 493)	1 927	(2 493)	1 927
Operating profit before changes in working capital		**(119 676)**	**(129 874)**	**(64 702)**	**(145 946)**
(Increase)/decrease of stock		(829 287)	495 021	(839 513)	495 404
Decrease/(increase) in receivables		148 632	(82)	318 445	4 403
Increase/(decrease) in payables		516 573	(1 221 240)	315 511	(263 826)
Cash flows generated by operating activities		**(283 758)**	**(856 175)**	**(270 259)**	**90 035**
Government grants	20	92 596	401 565	92 596	401 565
Corporate income tax paid	24	151 623	(395 861)	129 495	(334 403)
Net cash flows from operating activities		**(39 539)**	**(850 471)**	**(48 168)**	**157 197**
Cash flows from investing activities					
Purchase of fixed assets	6	(407 472)	(246 599)	(397 877)	(231 937)
Income from the disposal of fixed assets		4 808	3 083	4 808	3 083
Purchase of intangible assets	6	(53 042)	(97 681)	(51 178)	(97 681)
Loans repaid/ (issued)	26.b	118 629	(214 445)	-	-
Interest income		26 336	20 815	26 336	20 815
Security deposit received	10	-	10 159	-	10 159
Participation in the capital of other companies	7	-	(5 958)	-	(5 958)
Net cash flows from investing activities		**(310 741)**	**(530 626)**	**(417 911)**	**(301 519)**
Cash flows used in financing activities					
Loans repaid		277	(10 284)	277	(10 284)
Long term lease liabilities		(149 132)	-	(127 704)	-
Interest paid on lease liabilities		(11 008)	-	(9 431)	-
Dividends paid		-	(1 990 021)	-	(1 990 021)
Net cash flows used in financing activities		**(159 863)**	**(2 000 305)**	**(136 858)**	**(2 000 305)**
Result of fluctuations in the foreign exchange rates		3 074	(2 986)	-	-
Net increase of cash and cash equivalents		**(507 069)**	**(3 384 388)**	**(602 937)**	**(2 144 627)**
Cash and cash equivalents at the beginning of the year		3 124 000	6 508 388	3 015 110	5 159 737
Cash and cash equivalents at the end of the year	11	**2 616 931**	**3 124 000**	**2 412 173**	**3 015 110**

The accompanying notes on pages 15 to 45 form an integral part of these financial statements.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Dace Langada
Chief accountant

Notes to the financial statements

1. General information

The core business activity of A/S “SAF Tehnika” (hereinafter – the Parent company) and its subsidiaries (together hereinafter referred to as the Group) is the design, production and distribution of microwave radio data transmission equipment thus offering an alternative to cable channels. The Group offers products to mobile network operators, data service providers (such as Internet service providers and telecommunications companies), as well as state institutions and private companies.

Promotion of the Parent company’s products and services, marketing, market research, attraction of new clients and technical support in North America is provided by a 100% subsidiary “SAF North America” LLC. The said company is registered in the USA and operates in Aurora, Colorado.

In August 2012 another company began operations in North America – “SAF Services” LLC, in which the Parent company held 50% shares (joint venture arrangement). The objective of establishing “SAF Services” LLC was to provide local clients with services connected with the creation, long-term maintenance and management of data transmission networks. The test network set up by “SAF Services” LLC using the equipment of A/S “SAF Tehnika” was a success and the client recognised it to be compliant with the defined requirements but no cooperation agreement was signed and “SAF Services” LLC was unable to generate any income from its investments. Consequently, any further development of this business in the USA was suspended and the founder and holder of 50% shares, “STREAMNET” OU, discontinued cooperation. In April 2015 the Parent company became the sole owner of “SAF Services” LLC.

The Parent company is a public joint stock company incorporated under the laws of the Republic of Latvia. Its legal address is Ganību dambis 24a, Riga, Latvia.

The shares of the Parent company are listed on A/S “Nasdaq Riga” Stock Exchange, Latvia.

These separate financial statements of A/S “SAF Tehnika” and consolidated financial statements of A/S “SAF Tehnika” and its subsidiaries (hereinafter – financial statements) were approved by the Parent company's Board on 28 October 2019. The financial statements will be presented for approval to the shareholders’ meeting. The shareholders have the power to reject the financial statements prepared and issued by management and the right to request that new financial statements be issued.

2. Summary of accounting principles used

These financial statements are prepared using the accounting policies and valuation principles set out below. These policies have been applied consistently to all the years presented, unless otherwise stated.

The previous financial statements were prepared for the financial year ended 30 June 2018 and are available at the Parent company’s headquarters on Ganību dambis 24a, Riga, Republic of Latvia and at the Parent company’s website: www.saftehnika.com.

A Accounting principles

These financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).
The financial statements have been prepared under the historical cost convention less impairment.

New Standards and interpretations

Standards, amendments to standards and interpretations that are applicable to financial statements for year ended 30 June 2019.

IFRS 9 “Financial Instruments” (effective for annual periods beginning on or after 1 January 2018)

Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).

- Classification for debt instruments is driven by the entity’s business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets’ cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.

- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

A Accounting principles (continued)
New Standards and interpretations (continued)

IFRS 9 "Financial Instruments" (effective for annual periods beginning on or after 1 January 2018) (continued)

• Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.

• IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach, which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.

• Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

IFRS 15 "Revenue from Contracts with Customers"

The new standard introduces the core principle that revenue must be recognized when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognized, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognized if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalized and amortized over the period when the benefits of the contract are consumed.

Amendments IFRS 15 "Revenue from Contracts with Customers"

The amendments do not change the core principles of IFRS 15 however, they clarify some of the more complex aspects of the standard. The amendments comprise clarifications of the guidance on identifying performance obligations and when another party is involved in providing goods or services to a customer, the entity shall determine whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the entity is a principal) or to arrange for those goods or services to be provided by the other party to provide those goods or services (i.e. the entity is an agent).

The amendments introduce two new practical expedients to simplify transition. One expedient allows entities to use hindsight at the beginning of the earliest period presented or the date of initial application to account for contract modifications before that date. The second expedient allows entities applying the full retrospective method to elect not to restate contracts that are completed at the beginning of the earliest period presented.

IFRS 16 "Leases"

The Group (the parent company) has elected to apply IFRS 16 "Leases", for which early application is allowed, starting from 1 January 2019.

The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

Impact of the first application of standards that came into force in respect of the reporting year commenced on July 1 2018 is described in section "Changes in accounting policies". There are no other new or revised standards or interpretations that would qualify for first time application in the financial year beginning on 1 July 2018

New accounting pronouncements

Several new or revised standards and interpretations that are applicable to reporting periods beginning on January 1, 2019 have been issued that are not chosen for early application by the Group (the Parent Company):

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

A Accounting principles (continued)

IFRS Conceptual Framework

On 29 March 2018 IASB issued the revised Conceptual Framework for Financial Reporting (Conceptual Framework) which includes comprehensive information of preparation of financial statements, preparation of standards, guidance to preparers of financial statements on consequent application of accounting policies, assisting in understanding and interpretation of the standards. IASB has also issued an accompanying set of Amendments to References to the Conceptual Framework in IFRS Standards, comprising amendments to the respective standards to align the references. The purpose of this document is to facilitate the application of the revised Conceptual Framework by the companies basing their accounting policies on this framework in cases of absence of applicable existing standards. Those preparers that base their accounting policies on the Conceptual Framework have to apply the revised framework in reporting periods beginning on 1 January 2020 or later.

IFRS 3 Business Combinations

IASB has adopted changes in definition of business (amendments to IFRS 3) in order to eliminate difficulty to distinguish acquisition of a business or a group of assets. The amendments are applicable to business combinations as a result of which business is acquired in the first reporting period beginning on or after 1 January 2020 and to acquisition of assets executed at the beginning of the period or later. Early application is permitted.

Definition of Material – Amendments to IAS 1 and IAS 8

The amendments clarify the definition of materiality and its application, including guidance previously presented in other IFRS-s, explanations to the definition have also been improved and consistency of materiality definitions in all IFRS-s has been aligned. Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments may have effect on the scope of disclosures presented by the Group. The amendments are applicable to reporting periods beginning on 1 January 2020 or later and early application is permitted.

IASB has issued Annual Improvements to IFRS 2015-2017 comprising summary of amendments to IFRS. These amendments are applicable to reporting periods beginning on January 1, 2019 or later and early application is permitted:

- Amendments to IFRS 3 "Business Combinations" and IFRS 11 "Joint Arrangements"
Amendments to IFRS 3 clarify that, when an entity obtains control over a business that is a joint operation, remeasures previously held interests in the joint operation. Amendments to IFRS 11 clarify that when a party obtains joint control of the joint operation that they previously held interests without joint control in, previously held interests in that joint operation are not remeasured.

- Amendments to IAS 12 Income Taxes
The amendments clarify that the income tax on returns from financial instruments classified as equity instruments is recognised according to where originally the transactions or events giving rise to distributable profit where recognised.

- Amendments to IAS 23 Borrowing Costs

The amendments clarify clause 14 in that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset after substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

Except for IFRS 16 "Leases", the Board of the Parent company and Group decided not to implement new standards and interpretations before their endorsement them in the EU. Management of the Parent company believes that new standards and interpretations listed above do not have significant impact on the Parent company's and the Group's financial statements.

There are no other new or revised standards or interpretations that are not yet effective that would be expected to have a material impact on the Parent company or the Group.

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

A Accounting principles (continued)

Changes in accounting policies

This note describes the effects of IFRS 9 "Financial Instruments", IFRS 15 "Revenue from Contracts with Customers" and IFRS 16 "Leases" on the financial statements of the Group (the Parent company).

IFRS 9 "Financial Instruments"

IFRS 9 replaces regulation of IAS 39 in respect of recognition, classification and valuation of financial assets and liabilities, de-recognition of financial instruments, impairment of financial assets and hedge accounting. Implementation of IFRS 9 "Financial Instruments" as from 1 January 2018 caused changes in accounting policies, however no changes were made to the amounts presented in the financial statements. Following the transition rules of the IFRS 9 comparatives were not adjusted. As at 1 July 2018 (the date of initial application) management of the Group (the Parent company) assessed which valuation models are applicable to the financial assets held by the Group (the Parent company) and classified its financial instruments in respective categories. As at the date of initial application on 1 July 2018 neither classification, nor carrying values of financial assets of the Group (and the Parent company) where changed (trade and other debts, cash and cash equivalents at amortised cost).

Impairment of financial assets

The Group (the Parent company) holds the following types of financial assets: trade debts for goods and services delivered and cash and cash equivalents.

The Group (the Parent company) had to reassess the impairment policies of each of the asset groups in accordance with IFRS 9. Changes of impairment policies as at 1 July 2018 did not result in substantial increase of provisions, therefore no adjustments were made to retained profit and equity. Although requirements of IFRS 9 in respect of impairment relates also to cash and its equivalents, the impairment loss was found to be immaterial both on 1 July 2018 and 30 June 2019.

IFRS 15 "Revenue from contracts with customers"

The Group has implemented IFRS 15 "Revenue from Contracts with Customers" starting form 1 July 2018 using the modified retrospective approach with the first application on initial application date. Implementation of the standard did not result in any estimates of material adjustments; therefore, no adjustments were made in the financial statements as at 1 July 2018.

IFRS 16 "Leases"

Effective January 1, 2019, the Group (the Parent company) early adopted IFRS 16, Leases, using the modified retrospective approach and accordingly the information presented for 30 June 2018 has not been restated. It remains as previously reported under IAS 17 and related interpretations. On initial application, the Group (the Parent company) has elected to record right-of-use assets based on the corresponding lease liability. Right-of-use assets and lease obligations of EUR 1 491 323 were recorded in the Group's (the Parent company) balance sheet as of 1 January 2019 (EUR 1 277 044 respectively), with no net impact on retained earnings. When measuring lease liabilities as at 1 January 2019, the Group (the Parent company) discounted lease payments using its estimated incremental borrowing rate of 2.42%, based on public statistic data available. The Group (the Parent company) has elected to apply the practical expedient to account for leases for which the lease term ends within 12 months of the date of initial application as short-term leases.

The Group (the Parent company) has elected to apply the practical expedient to make an exception to the assessment of which transactions are leases on the date of initial application, as previously assessed under IAS 17 and IFRIC 4. The Group (the Parent company) applied the definition of a lease under IFRS 16 to contracts entered into or changed on or after 1 January 2019.

The following table reconciles the Company's operating lease obligations at 30 June 2018, as previously disclosed in the Group's (the Parent company's) consolidated financial statements, to the lease obligations recognized on initial application of IFRS 16 as at 1 January 2019:

	Group EUR	**Parent company EUR**
Operating lease commitments at 1 January 2019	377 324	319 955
Discounted using the incremental borrowing rate at 1 January 2019	374 782	311 341
Extension options reasonably certain to be exercised	1 116 541	965 703
Short-term lease obligations recognized at 1 January 2019	258 348	1 277 044
Long-term lease obligations recognized at 1 January 2019	1 018 696	881 572
Lease obligations recognized at 1 January 2019	**1 491 323**	**1 277 044**

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

B Consolidation

(a) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases. Subsidiary was established; therefore, acquisition accounting was not applied.

Subsidiaries and joint ventures controlled by the Parent company:

Name	**Country of residence**	**Participation %**	**Subsidiary and joint venture's equity**		**Subsidiary and joint venture's (profit/ loss)**	
			30.06.2019 EUR	**30.06.2018 EUR**	**2018/2019 EUR**	**2017/2018 EUR**
„SAF North America" LLC	United States of America	100%	64 126	152 934	(92 545)	(19 441)
„SAF Services" LLC	United States of America	100%	(3 662)	(2 535)	(894)	(855)

At the end of the reporting year “SAF Services” LLC is a dormant entity.

The accounting policies of subsidiaries are changed when necessary in order to ensure consistency with those of the Group.

(b) Transactions eliminated on consolidation

Internal transactions, account balances and unrealized gains from transactions between the Group companies are eliminated. Unrealized loss is also eliminated unless objective evidence exists that the asset involved in the transaction has impaired. Unrealized gain or loss arising from transactions with a joint venture is also eliminated.

C Foreign currency revaluation

(a) Functional and reporting currency

Items included in the financial statements of each structural unit are measured using the currency of the economic environment in which the structural unit operates (the functional currency).

Financial accounting of the Group and the Parent company is carried out in euro and the financial statements are prepared and presented in euro.

(b) Transactions and balances

All amounts in these financial statements are expressed in the Latvian official currency – euro (EUR). Transactions in foreign currencies are translated into euros at the reference exchange rate set by the European Central Bank as at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at the reporting date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement of the respective period.

All monetary asset and liability items were revalued to the functional currency of the Group (Parent company) according to the reference exchange rate of the European Central Bank on the reporting date. Non-monetary items of assets and liabilities are revalued to the functional currency of the Group in accordance with the reference exchange rate set by the European Central Bank on the transaction date.

	30.06.2019.	**30.06.2018.**
1 USD	1.13800	1.16580
1 GBP	0.89655	0.88605

(c) Group companies

The results of operations and the financial position of the Group companies (none of which are operating in hyperinflation economics) that operate with functional currencies other than the reporting currency are translated to the reporting currency as follows:

(i) Assets and liabilities are converted according to exchange rate as at the date of statement of financial position;

(ii) Transactions of the statement of profit and loss and other comprehensive income are revalued according to exchange rate as at the date of transaction; and

(iii) All currency exchange differences are recognized as a separate item of equity.

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

D Fixed assets

Fixed assets are carried at cost less accumulated depreciation and impairment losses. Cost includes expenses directly related to acquisition of fixed assets. Such cost includes the cost of replacing part of such fixed asset if the asset recognition criteria are met.

Leasehold improvements are capitalized and disclosed as fixed assets. Depreciation of these assets is calculated over the shorter of the leasehold period or the estimated useful life on a straight-line basis.

Where an item of fixed assets has different useful lives, they are accounted for as separate items of fixed assets.

The cost of replacing part of an item of fixed assets is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group (Parent company) and its cost can be measured reliably. The costs of the day-to-day servicing of fixed assets is recognised in the profit or loss statement as incurred.

Current maintenance costs of tangible assets are recognized in the profit and loss statement as incurred.

Depreciation is calculated on a straight-line basis over the entire useful lives of the respective fixed asset to write down each asset to its estimated residual value over its estimated useful life using the following rates:

	% per year
Equipment	25
Vehicles	20
Other equipment and machinery	20 – 50

Capital repair costs on leased fixed assets are written off on a straight-line basis during the shortest of the useful lifetime of the capital repairs and the period of lease.

The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each reporting date. 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 G).

Profit and losses on disposals are determined by comparing proceeds with the respective carrying amount and included in the profit or loss statement.

Right-of-use assets and lease obligations of EUR 1 601 328 were recorded in the Group’s (the Parent company) balance sheet as of 1 January 2019 (EUR 1 371 235 respectively), with no net impact on retained earnings.

Effective January 1, 2019, the Group (the Parent company) has applied IFRS 16, Leases, which has resulted in the recognition of a right-of-use assets as a non-current asset. The accounting policy for leases is set out in section Q of the accounting policies.

E Intangible assets

(a) Trademarks and licences

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

The acquired software licenses are capitalised on the basis of the purchase and installation costs. These costs are amortised over their estimated useful lives of 4 years.

F Cost of research and development activities

Research costs are recognized in profit and loss statement as incurred. An intangible asset arising from the development expenditure on an individual project is recognized only when the Group (Parent 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, and when the Group (Parent company) can demonstrate 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 impairment losses. Any expenditure capitalized is amortized over the period of the expected future sales from the related project.

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

G Impairment of long-term investments

Intangible assets that are not put in use nor have an indefinite useful life are not subject to amortisation and are reviewed for impairment on an annual basis.

Moreover, the carrying amounts of the Group's (Parent company's) fixed assets and intangible assets that are subject to amortisation and depreciation and other non-current assets except for inventory and deferred tax asset are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognized in respect of cash-generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset in relation to which the future cash flows have not been adjusted.

All Group's (Parent company's) assets are allocated to two cash generating units that are identified as Group's (Parent company's) operating segments (see Note 16). No impairment indicators have been noted.

In respect of non-current assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

H Segments

Information on the Group's (Parent company's) operating segments is disclosed in Note 16. Segment results that are reported to the Chief Executive Officer of the Group (Parent company) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's (Parent company's) headquarters), head office expenses, and tax assets and liabilities.

I 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. Government grants are systematically recognized as income in the respective periods in order to balance them with compensated expenses thus recognizing receivables. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss statement over the expected useful life of the relevant asset by equal annual instalments.

As of April 2019, the cooperation project "Competence Center of Latvian Electrical and Optical Equipment Industry" is being implemented within the framework of an agreement signed between A/S "SAF Tehnika" and "LEO Pētījumu centrs" SIA., regarding which SIA "LEO Pētījumu centrs" had signed a contract with "Centrālo finanšu un līgumu aģentūru", in order to obtain financing from the European Regional Development Fund as part of the above project. A/S "SAF Tehnika" conducts individual research activities to develop new products within the framework of the above-mentioned project. For the implementation of this project activity co-financing to cover remuneration of project staff and other costs related to this project are provided. Co-financing received relates to expense items recognized in Statement of Profit or Loss and Other Comprehensive Income and thus was recognized as income in order to compensate the costs incurred.

In case the co-financing is granted, however the cash is not yet received, respective receivables are recognized in Statement of Financial Position under Other receivables.

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

J Stock

Stock is stated at the lower of cost or net realizable value. Cost is measured based on the first in – first out (FIFO) method. Costs of finished goods and work-in-progress include cost of materials, personnel and depreciation.

Net realisable value is the estimated selling price in the ordinary course of Group`s (Parent company`s) business, less the estimated costs necessary to make the sale. Estimating the net sales value of inventory, the carrying amount is reduced in relation to the slow-moving inventory. Slow-moving inventory is the inventory which movement in 12, 9 or 6-month period respectively has been less than 30% comparing with the amount at beginning of period. Provisions for slow-moving inventory are made according to the following rates:

The time interval where has not been movement	Provisions rate %
6 to 8 months	20
9 to 11 months	50
12 months and more	100

K Financial Instruments

Financial instruments *(policy since 1 July 2018)*

Classification

The Group (the Parent company) classifies its financial assets in the following measurement categories:

- those at fair value through profit and loss (with revaluation in either profit or loss statement, or other comprehensive income), and

- those to be measured at amortized cost.

The classification and subsequent measurement depends on the Company’s business model for managing the related assets portfolio and the cash flow characteristics of the asset.

Recognition and derecognition

“Regular way” acquisitions and sales of financial assets are recorded at trade date, which is the date when the Group (the Parent company) commits to acquire or deliver a financial asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group (the Parent company) has transferred substantially all the risks and rewards of ownership.

Measurement

At initial recognition, the Group (the Parent company) measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the entity’s business model for managing the asset and the cash flow characteristics of the asset.

All debt instruments of the Group (the Parent company) are classified in an amortised cost valuation category.

Amortized cost

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included financial income based on effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with impairment losses and foreign exchange gains and losses.

On 1 July 2018 and 30 June 2019, the Group’s (the Parent company’s) financial assets measured at amortized cost comprise: trade receivables, cash and cash equivalents.

Equity instruments

The Group (the Parent company) does not hold equity instruments.

Derivative financial instruments

Derivative financial instruments are accounted for at fair values. All financial instruments are recognised as assets when fair value is positive and as liabilities when fair value is negative. Changes in values of derivative financial instruments are included in profit or loss statement. The Group (the Parent company) does not apply hedge accounting.

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

K Financial Instruments (continued)

Impairment

The Group (the Parent company) determines expected credit loss from its debt instruments accounted at amortised cost. Methods used for assessment of impairment depend on whether credit risk has increased significantly.
Expected credit loss is assessed based on:

- objective and potential amount that is assessed through analysis or a range of potential outcomes;
- time value of money;
- all the reasonable and supportable information about past events, current conditions and future forecasts available at the end of each reporting period without undue cost or efforts.

The Group (the Parent company) applies simplified approach to trade receivables and accrued income without significant financing component as allowed by IFRS 9 and determines the loss allowance at an amount equal to lifetime expected credit losses. Since individual assessment of each trade receivable is not possible doe to the extensive numbers of balances, only significant debt balances are assessed separately. Trade receivables not assessed separately are classified in groups based on days overdue to arrive at aggregate amount of impairment.

Financial instruments *(policy till 30 June 2018)*

The Group's (Parent company's) financial instruments consist of trade receivables, equity-accounted investees, investments in subsidiaries and joint ventures, investments in other companies' equity, other receivables, cash and cash equivalents, borrowings, trade payables and other payables and derivatives. All other financial assets except for equity-accounted investees and derivatives are classified as loans and receivables but liabilities – as liabilities at amortised cost. Financial instruments of the Group (Parent company) except for derivatives are initially recognised at fair value plus directly attributable transaction costs. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group (Parent company) has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized if the Group's (Parent company's) obligations specified in the contract expire or are discharged or cancelled.

Loans, receivables and other debts

Loans, receivables and other debts are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than held for trading. Loans and receivables are stated at their amortized cost after deducting allowance for estimated irrecoverable amounts. Amortized cost is determined using the effective interest rate method, less any impairment losses.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset. When calculating the effective interest rate, the Group (Parent company) estimates future cash flows considering all contractual terms of the financial instruments. An allowance for impairment of loans and receivables is established when there is objective evidence that the Group (Parent company) will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the loan or trade receivable is impaired. The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss statement. When a loan, receivables and other debts are uncollectible, it is written off.

Available for sale financial investments

Financial investments available-for-sale are acquired to be held for an indefinite period of time. Financial investments, whose market value is not determined in an active market and whose fair value cannot be reliably measured, are carried at acquisition cost less impairment. All other financial investments available-for-sale are carried at fair value. Profit or losses resulting from the change in fair value of financial investments available-for-sale, except for impairment losses, are recognised in other comprehensive income until the financial asset is derecognised; thereafter, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

Liabilities

Liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For the description of accounting policy for derivatives see Note 3 (2).

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

L Cash and cash equivalents

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.

M 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.

N Corporate income tax and deferred tax

Corporate income tax comprises current and deferred tax of the reporting year.
Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with requirements of tax legislation of each company of the Group.
Income taxes are recognized through profit or loss unless they relate to items recognized directly in equity.

O Employee benefits and vacation reserve

The Group (Parent 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 Group (Parent company) will have no legal or constructive obligations to pay further contributions if the statutory fund cannot settle their liabilities towards the employees. Social insurance and pension plan contributions are included in the expenditures in the same period as the related salary cost.

Provisions for unused annual leaves are estimated by multiplying the average daily earnings of employees for the last six months of the reporting year by the number of unused vacation days accrued at the end of the reporting year. These liabilities are shown as short-term accrued liabilities.

P Revenue recognition

Revenue recognition *(policy since 1 July 2018)*

The Group is a designer, manufacturer and distributor of digital microwave transmission equipment. The Group provides end-to-end and cost-effective wireless backhaul solutions for digital voice and data transmission to mobile and fixed network operators and data service providers both in the public and private sectors as an alternative to cable networks. The Group operates in two separate segments: (1) operations with products developed by the Group and (2) operations with products acquired from other producers, including, sales of antennae, cables, rebranded (OEM-ed) and other side products.

Revenue is income generated on the course of the Group's (the Parent company's) ordinary operations. Revenue is recognised at transaction price. Transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties. The Group (the Parent company) recognises revenue at the moment of transfer of control over the goods or services to the client.

Sale of finished goods, including spare parts and accessories

Revenue is recognised at the moment of delivery of goods to the wholesaler (buyer) together with full freedom of choice in respect of further sale and prices of those goods and a wholesaler (buyer) does not have any claims regarding fulfilment of contract liability that could affect acceptance of goods by the wholesaler (buyer).
Delivery takes place when products are delivered to a specified location, risks of expiry and loss transferred to the wholesaler (buyer) and the Group (the Parent company) has acquired objective proof that criteria for acceptance/transfer have been fulfilled. It is considered that no financing component is present when sales are performed with 30-45-day settlement period what corresponds to usual market practice. Trade receivable is recognised when goods are delivered, since at this point consideration becomes unconditional and the settlement depends only on time. If consideration depends on performance of additional obligations, a contractual asset is recognised. If the Group (the Parent company) receives an advance payment, it recognises contractual liability.

Delivery if services

The Group (the Parent company) provides to customers early product replacement guarantees, as well as warranties, specific product development and configuration services, calibration of equipment and training services. Revenues from services are recognised over the time of delivery of the service.

Extended warranties

Sales transaction can comprise certain future services, for instance, extended warranties. In this case transaction price of the goods and services granted is allocated on a stand-alone selling price basis of such components. In order to determine stand-alone selling prices observable prices are used, but when such are not available, "cost plus" method is applied.

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

P Revenue recognition (continued)

Extended warranties are initially recognised as contractual liabilities in the balance sheet and are transferred to profit or loss statement on a linear basis over the period of extended warranty.

Revenue recognition (policy till 30 June 2018)

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

Sales of goods

Sale of goods is recognised when a Group (Parent company) 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 Group (Parent company).

Provision of services

Revenue is recognized in the period when services are provided.

Provision of extended warranty service

The Group (Parent company) provides extended warranty service of three to five years in addition to standard one to five years period depending on product. Revenue is recognized over the warranty extension period.

Q Lease

Lease *(effective starting 1 January 2019)*

At inception of a contract, the Group (the Parent company) assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group (the Parent company) has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

The Group (the Parent company) recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Lease terms range from 2 to 6 years for offices and warehouse.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's (the Parent company's) incremental borrowing rate. Generally, the Group (the Parent company) uses its incremental borrowing rate as the discount rate.

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's (the Parent company's) estimate of the amount expected to be payable under a residual value guarantee, or if the Group (the Parent company) changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group (the Parent company) has elected to apply the practical expedient not to recognize right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The lease payments associated with these leases is recognized as an expense on a straight-line basis over the lease term.

Lease *(effective till 31 December 2018)*

Leases of fixed assets in which the risks and rewards of ownership are retained by the lessor are classified as operating leases (lease). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss statement on a straight-line basis over the lease period.

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

R Payment of dividends

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

S Financial income and expenses

Financial income and expenses comprise interest payable on borrowings calculated using the effective interest rate method, interest receivable on funds invested and foreign exchange gains and losses. Interest income is recognised in the income statement as it accrues, using the effective interest method. The interest expenses of finance lease payments are recognized in profit or loss using the effective interest rate method.

3. Financial risk management

(1) Financial risk factors

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

(a) foreign currency risk;

(b) credit risk;

(c) liquidity risk:

(d) interest rate risk.

The Group's overall risk management focuses on the unpredictability of financial markets and seeks to minimise its potential adverse effects on the Group's financial performance. The Group 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 Group. Financial risks are managed both on Parent company and consolidated level.

(a) Foreign currency risk

The Group operates in the international market and is subject to foreign currency risk arising primarily from USD fluctuations.

Foreign currency risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency different from the Group's functional currency. To manage the foreign currency risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward foreign currency contracts. The Finance Department analyses the net open position in each foreign currency. The Group 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 summarises net open positions for currencies expressed in EUR as at 30 June 2019:

Group	**EUR**	**USD**	**Other currencies**	**Total**
Financial assets				
Gross trade receivables	579 996	1 247 276	-	1 827 272
Loans	-	101 328	-	101 328
Cash and cash equivalents	978 533	1 638 271	127	2 616 931
Total	**1 558 529**	**2 986 875**	**127**	**4 545 531**
Financial liabilities				
Liabilities	(543 737)	(436 354)	(3 302)	(983 393)
Loans	(390)	-	-	(390)
Total	**(544 127)**	**(436 354)**	**(3 302)**	**(983 783)**
Net open positions	**1 014 402**	**2 550 521**	**(3 175)**	**3 561 748**

Parent company	**EUR**	**USD**	**Other currencies**	**Total**
Financial assets				
Gross trade receivables	579 996	1 052 049	-	1 632 045
Cash and cash equivalents	978 533	1 433 513	127	2 412 173
Total	**1 558 529**	**2 485 562**	**127**	**4 044 218**
Financial liabilities				
Liabilities	(543 737)	(356 378)	(3 302)	(903 417)
Loans	(390)	-	-	(390)
Total	**(544 127)**	**(356 378)**	**(3 302)**	**(903 807)**
Net open positions	**1 014 402**	**2 129 184**	**(3 175)**	**3 140 411**

Notes to the financial statements (continued)

3. Financial risk management (continued)

(1) Financial risk factors (continued)

(a) Foreign currency risk (continued)

The following schedule summarises net open positions for currencies expressed in EUR as at 30 June 2018:

Group	**EUR**	**USD**	**Other currencies**	**Total**
Financial assets				
Gross trade receivables	499 237	1 135 975	-	1 635 212
Cash and cash equivalents	-	215 025	-	215 025
Total	1 421 600	1 702 400	-	3 124 000
	1 920 837	**3 053 400**	**-**	**4 974 237**
Financial liabilities				
Liabilities				
Other liabilities	(357 803)	(332 118)	(4 902)	(694 823)
Loans	(113)	-	-	(113)
Total	**(357 916)**	**(332 118)**	**(4 902)**	**(694 936)**
Net open positions	**1 562 921**	**2 721 282**	**(4 902)**	**4 279 301**

Parent company	**EUR**	**USD**	**Other currencies**	**Total**
Financial assets				
Gross trade receivables	499 237	1 371 355	-	1 870 592
Cash and cash equivalents	1 421 600	1 593 510	-	3 015 110
Total	**1 920 837**	**2 964 865**	**-**	**4 885 702**
Financial liabilities				
Liabilities	(357 803)	(285 101)	(4 902)	(647 806)
Loans	(113)	-	-	(113)
Total	**(357 916)**	**(285 101)**	**(4 902)**	**(647 919)**
Net open positions	**1 562 921**	**2 679 764**	**(4 902)**	**4 237 783**

Sensitivity analysis

A 10 % weakening of the euro against USD on 30 June would increase (decrease) profit or loss and equity of the Group (Parent company) by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group		**Parent company**	
	2018/2019 effect in EUR	**2017/2018 effect in EUR**	**2018/2019 effect in EUR**	**2017/2018 effect in EUR**
USD	255 052	272 128	212 918	267 976
	255 052	**272 128**	**212 918**	**267 976**

(b) Credit risk

The Group (including Parent company) has significant exposure of credit risk with its customers. The Group'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 or State Export Guarantees purchased. Customers' financial position is monitored on regular basis and assigned credit limits has been changed based on credit history and customer's paying behaviour.

As at 30 June 2019, the Group's credit risk exposure to a single customer amounted to 12.85% of the total short and long-term receivables and 2.24% from total net sales (30.06.2018.: 27.262% and 16.70% accordingly), and Parent company's credit risk exposure to a single customer amounted to – 32.70% and 2.73% from total net sales (30.06.2018: 21.37% and 2.42%accordingly). With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group'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 Group's maximum credit risk exposure amounts to EUR 4 946 146 or 37.39% of total assets (30.06.2018.: EUR 5 618 240 or 48.96% of total assets), and Parent company's maximum credit risk exposure amounts to EUR 4 370 368 or 35.63% of total assets (30.06.2018.: EUR 5 442 262 or 49.09% of total assets. For more information on the Group's and Parent company's exposure to credit risk please refer to Note 9.

Notes to the financial statements (continued)

3. Financial risk management (continued)

(1) Financial risk factors (continued)

(c) Liquidity risk

The Group follows a prudent liquidity risk management and hence maintain a sufficient quantity of liquid funds. The Group's current liquidity ratio is 4.03 (30.06.2018: 6.67), quick liquidity ratio is: 1.81 (30.06.2018: 3.51), and Parent company's current liquidity ratio is 3.61 (30.06.2018: 7.72), quick liquidity ratio is: 1.54 (30.06.2018: 4.09).

The Group's management monitors liquidity reserves for the operational forecasting, based on estimated cash flows. Most of the Group's liabilities are short term. Management believes that the Group will have sufficient liquidity to be generated from operating activities and does not see significant exposure to liquidity risk. For more information on the Group's and Parent company's exposure to liquidity risk please refer to note 13.

(d) Interest rate risk

As the Group does not have significant interest-bearing liabilities, thus the Group's cash flows and net results are largely independent of changes in market interest rates. The Group's cash flows from interest bearing assets are dependent on current market interest rates; however, as the Group and Parent company mainly has short- term interest-bearing liabilities, the exposure is not significant.

(2) Accounting for derivative financial instruments

The Group 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 re- measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Any profit 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.

As at 30 June 2018 and 30 June 2017 the Group and parent company did not have any open derivative financial instruments agreements.

(3) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of liabilities represents default risk. When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. Fair value is classified in various levels in the fair value hierarchy according to data used in measurement methods:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or a liability might be categorized in different levels of the fair value hierarchy, the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group recognizes reclassification among fair value hierarchy levels in the end of the reporting period in which the reclassification was performed.

Level 1 includes cash and its equivalents. Cash and cash equivalents are financial assets with maturities below 3 months. The Group believes that the fair value of these financial assets corresponds to their initial nominal value and carrying amount at any of the subsequent dates.

The Group does not have financial assets and liabilities included in Level 2.

Level 3 include trade receivables, other debts, other financial assets, trade payables and other payables, loans and other financial liabilities. These financial assets and liabilities usually mature within 6 months; therefore, the Group believes that the air value of these financial assets correspond to their initial nominal value and carrying amount at any of the subsequent dates.

Notes to the financial statements (continued)

4. Management of the capital structure

The Group manages its capital to ensure that the Group 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 indicator of the Group consists of debt, which includes the borrowings disclosed in Note 14, cash and cash equivalents and equity, comprising issued capital, retained earnings and share premium. The gearing ratio at the year-end was as follows:

	Group		Parent company	
	30/06/2019	30/06/2018	30/06/2019	30/06/2018
	EUR	EUR	EUR	EUR
Liabilities	3 763 939	1 599 944	2 831 629	1 330 219
Cash	(2 616 931)	(3 124 000)	(2 412 173)	(3 015 110)
Net debt	**1 147 008**	**(1 524 056)**	**419 456**	**(1 684 891)**
Shareholders' equity	**9 466 209**	**9 876 177**	**9 435 873**	**9 756 992**
Debt to equity ratio	40%	16%	30%	14%
Net debt to equity ratio	12%	-15%	4%	-17%

Aprēķināto koeficientu izmaiņa galvenokārt skaidrojama ar 16. SFPS, Noma, ieviešanu un iepriekš, saskaņā ar 17. SGS klasificētās, operatīvās nomas saistību atzīšanu Grupas (Mātes sabiedrības) bilancē uz 2019. gada 30. jūniju. Gadījumā, ja Grupa (Mātes sabiedrība) nebūtu ieviesusi 16. SFPS, Noma, minētie koeficienti būtu:

Saistību attiecība pret pašu kapitālu	26%	16%	18%	14%
Neto saistību attiecība pret pašu kapitālu	-2%	-15%	-8%	-17%

Minēto koeficientu izmaiņa skaidrojama ar pieaugušajiem parādiem piegādātājiem, kas korelē ar krājumu atlikumu pieaugumu un pieaugumu nākamo periodu ieņēmumos.

5. Key estimates and assumptions

The management of the Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Recoverable amount and impairment of non-current assets

When the events and circumstances indicate a potential impairment, the Group performs impairment tests for items of fixed and intangible assets. According to these tests assets are written down to their recoverable amounts, if necessary. When carrying out impairment tests management uses various estimates for the cash flows arising from the use of the assets, sales, maintenance, and repairs of the assets, as well as in respect of the inflation and growth rates. If the situation changes in the future, either additional impairment could be recognised, or the previously recognised impairment could be partially or fully reversed. See also Note 2G.

Although the Group has concluded the reporting year with net loss and negative operating cash flow, the Group's management believes that the situation is temporary and accordingly there are no indications of impairment of fixed assets and intangible assets at the end of the reporting year.

The Group will continue pursuing its strategy to develop competitive wireless data transmission products and solutions for new export markets, and maintain the current sound financial position and control over the production process with the aim to increase sales and profitability.

Useful lives of fixed assets

Management estimates the useful lives of individual fixed assets in proportion to the expected duration of use of the asset based on historical experience with similar fixed assets and future plans. Depreciation of fixed assets is charged to the profit or loss statement on a straight-line basis over the estimated useful lives of the individual assets. Depreciation of fixed assets is calculated over the shortest period – lease term or over the useful life. No depreciation is calculated for land. See also Note 2D.

Impairment of loans and receivables

The Group recognizes allowances for doubtful loans and receivables. In order to set unrecoverable amount of receivables, management estimates the basis of which is the historical experience are used. Allowances for doubtful debts are recognized based on an individual management assessment of recoverability of each receivable. See also Note 2K.

Net sales value of the inventory

The Group (Parent company) makes provisions in for slow-moving inventories. Inventories net realizable value are recognized, reducing inventory costs for the total amount of provisions. See also Note 2 J.

Notes to the financial statements (continued)

5. Key estimates and assumptions (continued)

Provisions and accruals

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required from the Group to settle the obligation, and the amount of obligation can be measured reasonably. If the Group foresees that the expenses required for recognizing an allowance will be partly or fully repaid, for example, within an insurance contract, the recovery of such expenses is recognized as a separate asset only when it is certain that such expenses will be recovered. Expenses connected with any provisions are recognized in the profit or loss statement less recovered amounts.

As at the reporting date, the following provisions and accruals were recognized:

- provisions for potential warranty expenses are recognized based on the management assessment of the risk of expected warranty repairs relating to the concluded contracts. The standard warranty period is one to five years depending from product;

- accrued liabilities for unused vacations are calculated in accordance with the number of vacation days unused as at 30 June 2018 and the average remuneration during the last six months of the reporting year. These liabilities are shown as short-term accrued liabilities.

Lease

- Effective 1 January 2019, the Group (the Parent company) has applied IFRS 16, Leases. The application of this standard requires significant management assumptions regarding the identification of the lease, the determination of the lease term and the discount rate applied in calculations. The estimation of the right-to-use asset and respective lease liability value in respect of production, sale and administration premises is based on the assumption that the lease of premises will be used for the next 5 years at a fixed monthly rental rate; discount rate of 2,42% was applied based on available data from the Bureau of Statistics for similar loans.

Notes to the financial statements (continued)

6. Fixed and intangible assets

Group	**Software and licenses**	**Leasehold improvements**	**Technological equipment and devices**	**Other fixed assets**	**Right-to-use assets**	**Total**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Reporting year ended 30 June 2018						
Opening balance	117 907	8 877	504 576	219 850	-	851 210
Acquisitions	97 681	7 948	200 798	37 852	-	344 279
Disposals	-	-	(1 741)	(3 269)	-	(5 010)
Result of fluctuations in the foreign exchange rates	(10)	-	(347)	(286)	-	(643)
Charge for the period	(72 913)	(5 465)	(218 750)	(92 704)	-	(389 832)
Closing balance	**142 665**	**11 360**	**484 536**	**161 443**	**-**	**800 004**
Reporting year ended 30 June 2019						
Opening balance	142 665	11 360	484 536	161 443	-	800 004
Acquisitions	53 042	6 295	254 448	146 728	-	460 513
Initial recognition	-	-	-	-	1 491 323	1 491 323
Disposals	-	-	(3 778)	(117)	-	(3 895)
Result of fluctuations in the foreign exchange rates	2	-	176	255	(60)	373
Charge for the period	(58 887)	(9 750)	(241 838)	(78 140)	(149 073)	(537 688)
Closing balance	**136 822**	**7 905**	**493 544**	**230 169**	**1 342 190**	**2 210 630**
30 June 2017						
Historical cost	900 513	1 080 698	3 900 609	878 008	-	6 759 828
Accumulated depreciation	(782 606)	(1 071 821)	(3 396 033)	(658 158)	-	(5 908 618)
Carrying amount	**117 907**	**8 877**	**504 576**	**219 850**	**-**	**851 210**
30 June 2018						
Historical cost	943 221	1 088 646	4 040 908	869 354	-	6 942 129
Accumulated depreciation	(800 556)	(1 077 286)	(3 556 372)	(707 911)	-	(6 142 125)
Carrying amount	**142 665**	**11 360**	**484 536**	**161 443**	**-**	**800 004**
30 June 2019						
Historical cost	973 499	1 094 941	4 191 678	942 697	1 491 323	8 694 138
Accumulated depreciation	(836 677)	(1 087 036)	(3 698 134)	(712 528)	(149 133)	(6 483 508)
Carrying amount	**136 822**	**7 905**	**493 544**	**230 169**	**1 342 190**	**2 210 630**

As a result of application of IFRS 16, Leases, the Group recognized right-to-use asset arising from long-term lease agreements and included it in Property, plant and equipment and intangible assets as at 1 January 2019. Until 31 December 2018, under IAS 17, operating lease payments (net of any incentives granted by the lessor) were charged to the income statement on a straight-line basis over the lease term.

Historical cost of disposals for the reporting year ended 30 June 2019 is EUR 201 968 and accumulated depreciation is EUR 198 073 (2017/2018: EUR 109 860 and EUR 104 850).

Depreciation of EUR 307 586 is included in the profit or loss statement item *Cost of sales* (2017/2018: EUR 216 257); depreciation of EUR 172 856 in *Sales and marketing costs* (2017/2018: EUR 121 441); depreciation of EUR 57 246 in Administrative expenses (2017/2018: EUR 51 568), including depreciation of EUR 237 under Other administrative expenses (2017/2018: EUR 227).

The acquisition costs of fully depreciated fixed assets that is still in use at the reporting date amounted to EUR 5 366 982 (30.06.2018.: EUR 5 069 084).

Notes to the financial statements (continued)

6. Fixed and intangible assets (continued)

Parent company	**Software and licenses**	**Leasehold improvements**	**Technological equipment and devices**	**Other fixed assets**	**Right-to-use assets**	**Total**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Reporting year ended 30 June 2018						
Opening balance	117 407	8 877	488 127	206 342	-	820 753
Acquisitions	97 681	7 948	195 879	28 110	-	329 618
Disposals	-	-	(1 741)	(3 269)	-	(5 010)
Charge for the period	(72 616)	(5 465)	(205 970)	(81 265)	-	(365 316)
Closing balance	**142 472**	**11 360**	**476 295**	**149 918**	**-**	**780 045**
Reporting year ended 30 June 2019						
Opening balance	142 472	11 360	476 295	149 918	-	780 045
Acquisitions	51 178	6 295	247 079	144 503	-	449 055
Initial recognition	-	-	-	-	1 277 044	1 277 044
Disposals	-	-	(2 741)	(117)	-	(2 858)
Charge for the period	(58 303)	(9 750)	(232 660)	(68 459)	(127 704)	(496 876)
Closing balance	**135 347**	**7 905**	**487 973**	**225 845**	**1 149 340**	**2 006 410**
30 June 2018						
Historical cost	942 616	1 088 646	4 001 290	821 952	-	6 854 504
Accumulated depreciation	(800 144)	(1 077 286)	(3 524 995)	(672 034)	-	(6 074 459)
Carrying amount	**142 472**	**11 360**	**476 295**	**149 918**	**-**	**780 045**
30 June 2019						
Historical cost	971 015	1 094 941	4 146 801	891 911	1 277 044	8 381 712
Accumulated depreciation	(835 668)	(1 087 036)	(3 658 827)	(666 067)	(127 704)	(6 375 302)
Carrying amount	**135 347**	**7 905**	**487 974**	**225 844**	**1 149 340**	**2 006 410**

As a result of application of IFRS 16, Leases, the Parent company recognized right-to-use asset arising from long-term lease agreements and included it in Property, plant and equipment and intangible assets as at 1 January 2019. Until 31 December 2018, under IAS 17, operating lease payments (net of any incentives granted by the lessor) were charged to the income statement on a straight-line basis over the lease term.

Historical cost of disposals for the reporting year ended 30 June 2019 is EUR 198 889 and accumulated depreciation is EUR 196 031 (2017/2018: accordingly, EUR 109 860 and EUR 104 850).

Depreciation of EUR 307 586 is included in the profit or loss statement item Cost of sales (2017/2018: EUR 216 257); depreciation of EUR 132 044 in Sales and marketing costs (2017/2018: EUR 97 490); depreciation of EUR 57 246 in Administrative expenses (2017/2018: EUR 51 568), including depreciation of EUR 237 under Other administrative expenses (2017/2018: EUR 227).

The acquisition costs of fully depreciated fixed assets that is still in use at the reporting date amounted to EUR 5 305 677 (30.06.2018.: EUR 5 069 084).

Notes to the financial statements (continued)

7. Parent company`s investments in subsidiaries and other companies

Name	**Investment in equity %**		**Carrying value of the investment**	
	30/06/2019 %	**30/06/2018 %**	**30/06/2018 EUR**	**30/06/2018 EUR**
„SAF North America” LLC	100	100	32 893	32 893
„SAF Services” LLC	100	100	65 552	65 552
Impairment			(65 552)	(65 552)
Investments in subsidiaries			**32 893**	**32 893**
„Zinātnes parks” SIA	8	24	960	960
„LEITC” SIA	17.98	17.98	6 435	6 435
„LEO Pētījumu centrs” SIA	10	10	711	711
Investments in other companies			**8 106**	**8 106**
Total investments in subsidiaries and other companies			**40 999**	**40 999**

„SAF North America” LLC is a 100% subsidiary of the Parent company that operates in Aurora, Colorado State in USA, that started active operations in the spring of 2012 and promotes the Group`s products and services, performs marketing, market research, attraction of new clients and provides technical support in North America. Since 1 October 2014 the subsidiary is engaged in the distribution of goods in the North American region. As at 30 June 2019 the equity of the subsidiary amounted to EUR 64 126 (30.06.2018.: EUR 152 934). 100% participation ensures absolute control of the subsidiary's assets and liabilities.

In August 2012, a joint of the Parent company, “SAF Services” LLC began operations in North America and the Company invested in it EUR 65 420 which was a 50% holding. The objective of establishing “SAF Services” LLC was to provide local clients with services connected with the creation, long-term maintenance and management of data transmission networks. Joint control was established through equal voting rights and contractual arrangement. The test network set up by “SAF Services” LLC using the equipment of SAF Tehnika AS was a success and the client recognised it to be compliant with the defined requirements but no cooperation agreement was signed and “SAF Services” LLC was unable to generate any income from its investments. Consequently, any further development of this business in the USA was suspended and the founder, holder of 50% shares, “STREAMNET” OU, discontinued cooperation. In April 2015 the Parent company became the sole owner of “SAF Services” LLC. During 2014/2015 the Parent company's investment in “SAF Services” LLC share capital was increased by EUR 132 and as at 30 June 2019 its gross value amounted to EUR 65 552 (30.06.2018.: EUR 65 552). 100% participation ensures absolute control of the subsidiary's assets and liabilities. As at 30 June 2019 “SAF Services” LLC equity is negative, therefore the Parent company has made 100% provision for residual value impairment.

„Zinātnes parks” SIA is a limited liability company founded in April 2015 by the leading companies of electronics, telecommunications and optics industry. The aim of *Zinātnes parks* is to commence creating infrastructure for the next decade research, innovations and knowledge economics in cooperation with the industry's association and competence centres. At the beginning of 2019 a procurement was announced for the construction of a new, energy efficient multifunctional complex based on RES technologies, which will be located at the Riga International Airport. It is planned to create rental premises for the needs of high-tech companies, enabling companies to operate in a technological environment and to promote mutual cooperation. The RIX High Tech City project will promote high-tech products for electronics and optical companies and the development of industrial park infrastructure at the Riga International Airport. The Parent company has invested EUR 960 in its share capital and has become the owner of 8% of its shares.

In September 2012, the Parent company acquired the shares of “LEITC” SIA (Latvijas Elektronikas iekārtu testēšanas centrs) and became the owner of 16.75% shares through an investment of EUR 477. At the end of 2017, another 1.23% of the shares were acquired becoming the owner of 17.98% with an investment of EUR 6 435. The mission of LEITC is to support research of electromagnetic compatibility (EMC) and educational projects that aim to expand the knowledge base, the range of equipment and to set up a group of specialists capable of addressing today's and future EMC issues.

“LEO Pētījumu centrs” is a limited liability company established in 2010 by the members of the Latvian Electrical Engineering and Electronic Industry Association (LETERA) and the company's objective is to attract EU funding for research and development of new products in the sphere of electronics and electrical engineering. The Company has invested EUR 711 in its share capital and has become the owner of 10% of its shares.

Notes to the financial statements (continued)

8. Stock

	Group 30/06/2019 EUR	30/06/2018 EUR	Parent company 30/06/2019 EUR	30/06/2018 EUR
Raw materials	2 338 885	1 569 153	2 338 885	1 569 153
Work in progress	1 828 132	1 826 421	1 828 132	1 826 421
Finished goods	1 906 354	1 662 303	1 679 046	1 425 796
	6 073 371	**5 057 877**	**5 846 063**	**4 821 370**

The Group makes provisions for impairment of net realizable value of stock. As at 30 June 2019 total amount of respective provisions amounted to EUR 664 000 (30.06.2018.: EUR 479 962). During the reporting year impairment of net realizable value of stock was decreased by EUR 184 638 (2017/2018: decrease of EUR 17 373) and respective cost was recognised and included in *Cost of sales*.

The item *Finished goods* within Stock include equipment sent to clients for trial with an option to buy or return the equipment and the equipment sent to substitute damaged equipment. As at 30 June 2019 the value of equipment sent due to the above reasons amounted to EUR 179 797 (30.06.2018.: EUR 87 058) for Group and EUR 68 208 (30.06.2018.: EUR 34 945) for Parent company.

Under stock items *Work in Progress* and *Finished goods* are included overhead costs of production (salary expenses and social insurance of production units' employees, depreciation and amortization expenses of equipment, lease, service and other costs of production process) in amount of EUR 214 238 (30.06.2018.: EUR 205 873). The Group maintains a certain level of raw materials and consumables, in order to be able to supply all the products currently included in the product portfolio of the Group within a competitive deadline.The market continues to display a tendency of increasing material production and delivery times, to continue to provide competitive and adequate production times the inventories of the Group have been increased by EUR 1.02 million by the end of the reporting period.

9. Trade receivables

	Group 30/06/2019 EUR	30/06/2018 EUR	Parent company 30/06/2019 EUR	30/06/2018 EUR
Long-term trade receivables	**1 633**	**1 905**	**1 633**	**1 905**
Receivables from related companies	-	-	914 414	991 247
Trade receivables	1 825 639	1 633 307	715 999	877 440
Allowances for bad and doubtful trade receivables	(12 647)	(16 360)	(8 619)	(10 663)
Short-term trade receivables	**1 812 992**	**1 616 947**	**1 621 794**	**1 858 024**
Total trade receivables	**1 814 625**	**1 618 852**	**1 623 427**	**1 859 929**

Long-term receivables mature on 31 March 2022.

As at 30 June 2019 and 30 June 2018 the fair value of receivables approximated their carrying amount.

Movement in allowances for bad and doubtful trade receivables:

	Group EUR	Parent company EUR
As at 30 June 2017	**33 852**	**33 852**
Written-off	(24)	(24)
Additional allowances	13 367	7 670
Debts recovered	(30 835)	(30 835)
As at 30 June 2018	**16 360**	**10 663**
Written-off	(15 947)	(15 439)
Additional allowances	26 961	22 426
Debts recovered	(14 727)	(9 031)
As at 30 June 2019	**12 647**	**8 619**

Changes in allowances for bad and doubtful trade receivables are recognized in Statement of profit or loss as administration costs.

Notes to the financial statements (continued)

9. Trade receivables (continued)

Split of Gross Trade receivables by currencies expressed in EUR

Group	30/06/2019 EUR	30/06/2019 %	30/06/2018 EUR	30/06/2018 %
USD	1 247 276	68.26	1 135 975	69.47
EUR	579 996	31.74	499 237	30.53
Total trade receivables	**1 827 272**	**100%**	**1 635 212**	**100%**

Parent company	30/06/2019 EUR	30/06/2019 %	30/06/2018 EUR	30/06/2018 %
USD	1 052 048	64.46	1 371 355	73.31
EUR	579 996	35.54	499 237	26.69
Total trade receivables	**1 632 044**	**100%**	**1 870 592**	**100%**

Ageing analysis of Trade receivables

Group	30/06/2019 Gross EUR	30/06/2019 Allowance EUR	30/06/2018 Gross EUR	30/06/2018 Allowance EUR
Not overdue	1 574 879	-	1 468 626	-
Overdue by 0 – 89 days	243 773	(4 028)	155 923	(5 697)
Overdue by 90 and more days	8 619	(8 619)	10 663	(10 663)
Total trade receivables	**1 827 272**	**(12 467)**	**1 635 212**	**(16 360)**

Parent company	30/06/2019 Gross EUR	30/06/2019 Allowance EUR	30/06/2018 Gross EUR	30/06/2018 Allowance EUR
Not overdue	1 379 652	-	1 727 440	-
Overdue by 0 – 89 days	243 774	-	132 489	-
Overdue by 90 and more days	8 619	(8 619)	10 663	(10 663)
Total trade receivables	**1 632 044**	**(8 619)**	**1 870 592**	**(10 663)**

10. Other receivables

	Group		Parent company	
	30/06/2019 EUR	**30/06/2018 EUR**	**30/06/2019 EUR**	**30/06/2018 EUR**
Government grants*	39 135	52 421	39 135	52 421
Overpaid value added tax (see Note 24)	23 574	31 392	23 574	31 392
Advance payments to suppliers	86 847	194 702	82 024	190 775
Other receivables	35 087	34 558	27 134	27 817
Other receivables of subsidiaries (see Note 27)	-	-	3 662	2 535
	184 643	**313 073**	**175 529**	**304 940**

* The government grants related to the employee training project and the development project, which are implemented with the “LEO Pētījumu centrs” SIA. Government grants in the amount of EUR 39 135 were received on October 2019.

Notes to the financial statements (continued)

11. Cash and cash equivalents

	Group		Parent company	
	30/06/2019 EUR	**30/06/2018 EUR**	**30/06/2019 EUR**	**30/06/2018 EUR**
Cash in bank	2 616 931	3 124 000	2 412 173	3 015 110
	2 616 931	**3 124 000**	**2 412 173**	**3 015 110**

Split of cash and cash equivalents by currencies expressed in EUR

Group	**30/06/2019 EUR**	**30/06/2019 %**	**30/06/2018 EUR**	**30/06/2018 %**
USD	1 638 271	62.60	1 702 400	54.49
EUR	978 533	37.39	1 421 600	45.51
GBP	127	0.00	-	-
Cash and cash equivalents	**2 616 931**	**100%**	**3 124 000**	**100%**

Parent company	**30/06/2019 EUR**	**30/06/2019 %**	**30/06/2018 EUR**	**30/06/2018 %**
USD	1 433 513	59.43	1 593 510	52.85
EUR	978 533	40.57	1 421 600	47.15
GBP	127	0.00	-	-
Cash and cash equivalents	**2 412 173**	**100%**	**3 015 110**	**100%**

Split of cash and cash equivalents by banks

	Group		Parent company	
	30/06/2019 EUR	**30/06/2018 EUR**	**30/06/2019 EUR**	**30/06/2018 EUR**
Swedbank AS	527 028	520 651	527 028	520 651
LUMINOR Bank AS (Nordea)	1 616 112	1 519 492	1 616 112	1 519 492
LUMINOR Bank AS (DNB)	263 950	970 263	263 950	970 263
SEB Banka AS	4 666	4 704	4 666	4 704
US Bank	171 128	98 481	-	-
Other banks	34 047	10 409	417	-
	2 616 931	**3 124 000**	**2 412 173**	**3 015 110**

12. Share capital

As at 30 June 2019, the registered and paid-up share capital of the Parent company is EUR 4 158 252 (30.06.2018.: EUR 4 158 252) and consists of 2 970 180 ordinary bearer shares (30.06.2018.: 2 970 180 shares) with unlimited voting rights. Nominal value per share is EUR 1,4.

13. Payables, provisions and other liabilities

	Group		Parent company	
	30/06/2019 EUR	**30/06/2018 EUR**	**30/06/2019 EUR**	**30/06/2018 EUR**
Trade accounts payable	963 380	689 631	883 404	642 614
Other accounts payable	20 013	5 192	20 013	5 192
Trade and other payables	**983 393**	**694 823**	**903 417**	**647 806**
Provisions for guarantees	7 931	11 184	7 931	11 184
Provisions	**7 931**	**11 184**	**7 931**	**11 184**
Accrued liabilities for unused vacations	298 148	257 327	298 148	257 327
Customer advances	188 034	104 350	169 875	85 884
Taxes except CIT (See Note 24)	87 836	95 168	87 836	95 168
Other liabilities	479 920	328 502	201 091	86 030
Other liabilities	**1 053 938**	**785 347**	**756 950**	**524 409**
Total	**2 045 262**	**1 491 354**	**1 668 298**	**1 183 399**

During the reporting period the decrease in accrued liabilities for unused vacation pay included in profit or loss statement amounted to EUR 40 821 (2017/2018: increase of EUR 19 224).

Notes to the financial statements (continued)

13. Payables, provisions and other liabilities (continued)

Movement in provisions	**Group**		**Parent company**	
	Warranties EUR	**Total EUR**	**Warranties EUR**	**Total EUR**
Balance at 30.06.2017	**6 294**	**6 294**	**6 294**	**6 294**
Provisions made	4 890	4 890	4 890	4 890
Balance at 30.06.2018	**11 184**	**11 184**	**11 184**	**11 184**
Provisions made	(3 253)	(3 253)	(3 253)	(3 253)
Balance at 30.06.2019	**7 931**	**7 931**	**7 931**	**7 931**

Movement in provisions in the reporting year included in the profit or loss statement under Cost of goods sold.

The carrying amounts of the Group’s and Parent company’s financial liabilities do not significantly differ from the fair value, as the impact of discounting is not significant for short-term financial instruments.

Split of trade payables and other payables by currencies expressed in EUR

Group	**30/06/2019 EUR**	**30/06/2019 %**	**30/06/2018 EUR**	**30/06/2018 %**
USD	436 354	44.37	332 118	47.80
EUR	543 737	55.29	357 803	51.50
GBP	3 302	0.34	4 902	0.70
Trade and other payables	**983 393**	**100%**	**694 823**	**100%**

Parent company	**30/06/2019 EUR**	**30/06/2019 %**	**30/06/2018 EUR**	**30/06/2018 %**
USD	356 377	39.45	285 101	44.01
EUR	543 737	60.19	357 803	55.23
GBP	3 303	0.37	4 902	0.76
Trade and other payables	**903 417**	**100%**	**647 806**	**100%**

14. Loans

	Group		**Parent company**	
	30/06/2019 EUR	**30/06/2018 EUR**	**30/06/2019 EUR**	**30/06/2018 EUR**
Lease liabilities	1 029 837	-	881 572	-
Long term liabilities	**1 029 837**	-	**881 572**	-
Lease liabilities	312 538	-	267 767	-
Credit cards	390	113	390	113
Short term liabilities	**312 928**	**113**	**268 157**	**113**
Total	**1 342 765**	**113**	**1 149 729**	**113**

As a result of adopting IFRS 16 Leases, the Group (the Parent company) recognized in its balance sheet as at June 30, 2019 current and non-current lease liabilities arising out of IAS 17 according to which respective liabilities were classified as operating leases and reported as off-balance sheet liabilities.

15. Deferred income

	Group		**Parent company**	
	30/06/2019 EUR	**30/06/2018 EUR**	**30/06/2019 EUR**	**30/06/2018 EUR**
Deferred income	288 982	74 688	3 859	1 509
Long term liabilities	**288 982**	**74 688**	**3 859**	**1 509**
Deferred income	86 931	33 789	2 631	6 266
Short term liabilities	**86 931**	**33 789**	**2 631**	**6 266**
Total	**375 913**	**108 477**	**6 490**	**7 775**

Notes to the financial statements (continued)

16. Segment information and sales

a) The Group’s (Parent company’s) operations are divided into two major structural units:

- SAF branded equipment designed and produced in-house - as one of the structural units containing CFIP and FreeMile (Etherent/Hybrid/ superPDH systems), Integra (Integrated carrier-grade Ethernet microwave radio), Spectrum Compact (measurement tools for radio engineers).

  CFIP – product line is represented by:
  - a split mount (IDU+ODU) PhoeniX hybrid radio system with Gigabit Ethernet and 20E1 interfaces;

  - Lumina high capacity Full Outdoor all-in-one radio with Gigabit Ethernet traffic interface;

  - CFIP-108 entry level radio system with Ethernet and 4xE1 interfaces - perfect for upgrade of E1 networks into packet data networks;

  - Marathon FIDU low frequency low capacity system for industrial applications, energy companies and rural telecom use.

  All CFIP radios are offered in most widely used frequency bands from 1.4GHz to 38 GHz, thus enabling the use of CFIP radios all across the globe.

  FreeMile 17/24, an all outdoor hybrid radio system to be used in 17 and 24 GHz unlicensed frequency bands and providing Ethernet/E1 interfaces for user traffic.

  Integra – is a next generation radio system employing latest modem technology on the market as well as radio technology in an innovative packaging.

  Spectrum Compact is the latest product line in SAF’s portfolio, it is a measurement tool for field engineers for telecom, broadcasting and other industries using radio technologies. It comprises of a number of units covering several frequency bands and proving various functionality.

- operations related to sales of products purchased from other suppliers, like antennas, cables, SAF renamed (OEMed) products and different accessories - as the second unit.

	CFIP; FreeMile, Integra, Spectrum Compact		Other		Total	
Group	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Segment assets	8 022 882	6 424 281	1 253 568	1 255 526	9 276 450	7 679 807
Unallocated assets					3 953 698	3 796 314
Total assets					**13 230 148**	**11 476 121**
Segment liabilities	1 383 268	957 656	125 742	63 091	1 509 010	1 020 747
Unallocated liabilities					2 254 929	579 197
Total liabilities					**3 763 939**	**1 599 944**
Income	13 272 540	12 607 910	1 170 733	803 384	14 443 273	13 411 294
Segment result	**4 450 484**	**4 280 809**	**763 356**	**457 202**	**5 213 840**	**4 738 011**
Unallocated expenses					(5 810 572)	(5 030 596)
Profit/ (loss) from operating activities					**(596 732)**	**(292 585)**
Other income					90 011	331 632
Financial income					113 046	21 401
Financial expenses					(11 008)	(191 981)
Profit/ (loss)before taxes					**(404 683)**	**(131 533)**
Corporate income tax					(9 618)	(87 795)
Profit/ (loss) after tax					**(414 301)**	**(219 328)**
Foreign currency fluctuations					4 333	(3 195)
Profit/ (loss) of the reporting year					**(409 968)**	**(222 523)**

Notes to the financial statements (continued)

16. Segment information and sales (continued)

Other information of segment:

	CFIP; FreeMile, Integra, Spectrum Compact		**Other**		**Total**	
Group	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2017/18**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Additions of fixed and intangible assets	137 068	161 388	-	-	137 068	161 388
Unallocated additions of fixed and intangible assets					1 814 768	182 891
Total additions of fixed and intangible assets					**1 951 836**	**344 279**
Depreciation and amortization	307 586	216 257	-	-	307 586	216 257
Unallocated depreciation and amortization					230 102	173 016
Total depreciation and amortisation					**537 688**	**389 273**

	CFIP; FreeMile, Integra, Spectrum Compact		**Other**		**Total**	
Parent company	**2018/19**	**2017/18**	**2018/19**	**2017/18**	**2018/19**	**2016/17**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Segment assets	7 668 926	6 505 528	1 121 395	1 100 557	8 790 321	7 606 085
Unallocated assets					3 477 182	3 481 126
Total assets					**12 267 503**	**11 087 211**
Segment liabilities	1 291 505	933 376	126 482	66 784	1 417 987	1 000 160
Unallocated liabilities					1 413 642	330 059
Total liabilities					**2 831 629**	**1 330 219**
Income	10 432 577	10 218 152	1 436 495	956 103	11 869 072	11 174 255
Segment result	**2 022 806**	**2 211 882**	**763 099**	**456 398**	**2 785 905**	**2 668 280**
Unallocated expenses					(3 286 253)	(2 939 017)
Profit/ (loss) from operating activities					**(500 348)**	**(270 737)**
Other income					87 600	325 760
Financial income					108 423	20 814
Financial expenses					(9 431)	(193 796)
Profit/ (loss) before taxes					**(313 756)**	**(117 959)**
Corporate income tax					(7 363)	(81 519)
Profit of the reporting year					**(321 119)**	**(199 478)**

Other information of segment:

Additions of fixed and intangible assets	137 068	161 389	-	-	137 068	161 389
Unallocated additions of fixed and intangible assets					1 589 031	168 228
Total additions of fixed and intangible assets					**1 726 099**	**329 617**
Depreciation and amortization	307 586	216 257		-	307 586	216 257
Unallocated depreciation and amortization					189 290	149 058
Total depreciation and amortisation					**496 876**	**365 315**

Notes to the financial statements (continued)

16. Segment information and sales (continued)

b) This note provides information on division of the Group's and Parent company's net sales and assets by geographical segments (only trade receivables are allocated to regions based on customer residency, all other assets remain unallocated). Information about credit risk concentration to individual customers see in Note 3 (1b).

	Net sales		Assets	
Group	**2018/ 2019**	**2017/ 2018**	**30/06/2019**	**30/06/2018**
	EUR	**EUR**	**EUR**	**EUR**
North and South America	8 804 788	7 659 267	1 245 938	1 277 977
Europe, CIS	4 621 980	4 532 061	518 087	280 376
Asia, Africa, Middle East	1 016 505	1 219 966	50 599	60 499
	14 443 273	**13 411 294**	**1 814 625**	**1 618 852**
Unallocated assets	-	-	11 415 523	9 857 269
	14 443 273	**13 411 294**	**13 230 148**	**11 476 121**

	Net sales		Assets	
Parent company	**2018/ 2019**	**2017/ 2018**	**30/06/2019**	**30/06/2018**
	EUR	**EUR**	**EUR**	**EUR**
North and South America	6 230 587	5 422 227	1 054 739	1 519 054
Europe, CIS	4 621 980	4 532 061	518 087	280 376
Asia, Africa, Middle East	1 016 505	1 219 967	50 600	60 499
	11 869 072	**11 174 255**	**1 623 426**	**1 859 929**
Unallocated assets	-	-	10 644 077	9 227 282
	11 869 072	**11 174 255**	**12 267 503**	**11 087 211**

17. Cost of goods sold

	Group		Parent company	
	01.07.2018-30.06.2019 EUR	**01.07.2017-30.06.2018 EUR**	**01.07.2018-30.06.2019 EUR**	**01.07.2017-30.06.2018 EUR**
Purchases of components and subcontractors' services	6 524 450	5 530 220	6 133 087	5 362 914
Salary expenses*	2 041 570	2 130 825	2 041 570	2 130 825
Depreciation and amortization (See Note 6)	488 071	503 924	488 071	503 924
Social insurance *	307 586	216 257	307 586	216 257
Rent of premises	115 679	107 249	115 679	107 249
Public utilities	105 524	210 560	105 524	210 560
Transport	34 337	30 781	34 337	30 781
Communication expenses	9 938	10 092	9 938	10 092
Business trip expenses	7 859	2 786	7 859	2 786
Low value articles	3 466	2 444	3 466	2 444
Other production costs	124 380	110 091	124 380	110 091
	9 762 860	**8 855 229**	**9 371 497**	**8 687 923**

* Including accrued liabilities for unused vacations.

Research and development related expenses of EUR 1 612 712 (2017/ 2018: EUR 1 645 900) are included in the profit or loss statement caption Purchases of components and subcontractors' services.

Notes to the financial statements (continued)

18. Sales and marketing expenses

	Group		Parent company	
	01.07.2018-30.06.2019 EUR	**01.07.2017-30.06.2018 EUR**	**01.07.2018-30.06.2019 EUR**	**01.07.2017-30.06.2018 EUR**
Salary expenses *	2 529 227	2 299 927	1 029 498	998 441
Delivery costs	354 246	315 357	226 641	201 331
Social insurance expenses *	351 621	335 182	248 359	239 321
Advertisement and marketing expenses	309 665	311 510	217 542	216 498
Business trip expenses	254 074	295 572	107 134	134 867
Depreciation and amortization (See Note 6)	172 856	121 441	132 044	97 490
Other selling and distribution costs	292 364	319 642	76 753	94 991
	4 264 053	**3 998 631**	**2 037 971**	**1 982 939**

* Including accrued liabilities for unused vacations.

19. Administrative expenses

	Group		Parent company	
	01.07.2018-30.06.2019 EUR	**01.07.2017-30.06.2018 EUR**	**01.07.2018-30.06.2019 EUR**	**01.07.2017-30.06.2018 EUR**
Salary expenses *	473 641	265 917	473 641	265 917
Social insurance *	113 888	63 499	113 888	63 499
Depreciation and amortization (See Note 6)	57 009	51 341	57 009	51 341
IT services	41 224	42 558	41 224	42 558
Public utilities	33 552	31 944	12 347	17 115
Representation expenses	31 321	62 447	30 459	61 498
Training	29 600	31 360	29 600	31 360
Rent of premises	22 747	24 692	22 747	24 692
Insurance	18 926	17 253	11 021	10 433
Expenses on cash turnover	12 903	25 115	12 903	25 115
Business trip expenses	11 592	(17 621)	13 395	(23 188)
Communication expenses	5 191	64 665	3 000	62 150
Office maintenance	5 070	2 659	5 070	2 659
Sponsorship	4 258	6 506	4 258	6 506
Allowances for doubtful trade receivables	2 875	2 847	2 875	2 847
Other administrative expense **	149 295	174 837	126 515	129 628
	1 013 092	**850 019**	**959 952**	**774 130**

* Including accrued liabilities for unused vacations.
** Other administrative expenses include the annual statutory audit fee.

20. Other income

	Group		Parent company	
	01.07.2018-30.06.2019 EUR	**01.07.2017-30.06.2018 EUR**	**01.07.2018-30.06.2019 EUR**	**01.07.2017-30.06.2018 EUR**
Government grants*	79 310	319 520	79 310	319 520
Other income	10 701	12 112	8 290	6 240
	90 011	**331 632**	**87 600**	**325 760**

* Government grants are received from LIAA and LETERA, and they relate to development project realized in cooperation with “LEO Pētījumu centrs” SIA.
During the reporting year the Group (Parent company) has received a government grants of EUR 92 596 (2017/ 2018: EUR 401 565). Government grants that are approved by the end of the reporting year, but not yet received, are included in Other receivables (see Note 10).

Notes to the financial statements (continued)

21. Financial income

	Group		Parent company	
	01.07.2018-30.06.2019 EUR	01.07.2017-30.06.2018 EUR	01.07.2018-30.06.2019 EUR	01.07.2017-30.06.2018 EUR
Interest income	31 214	21 381	26 336	20 814
Result of currency exchange fluctuations, net	81 832	20	82 087	-
	113 046	**21 401**	**108 423**	**20 814**

22. Financial expenses

	Group		Parent company	
	01.07.2018-30.06.2019 EUR	01.07.2017-30.06.2018 EUR	01.07.2018-30.06.2019 EUR	01.07.2017-30.06.2018 EUR
Interest expenses	11 008	32	9 431	-
Result of currency exchange fluctuations, net	-	191 949	-	193 796
	11 008	**191 981**	**9 431**	**193 796**

23. Corporate income tax

Corporate income tax differs from the theoretically calculated tax amount that would arise applying the Parent company`s and Subsidiary's statutory rates to the Group's and Parent company's profit before taxation:

	Group		Parent company	
	01.07.2018-30.06.2019 EUR	01.07.2017-30.06.2018 EUR	01.07.2018-30.06.2019 EUR	01.07.2017-30.06.2018 EUR
Loss before taxes	**(414 301)**	**(131 533)**	**(321 119)**	**(117 959)**
Tax rate	20-21%	15%-21%	0%	15%
Tax calculated theoretically	-	(20 002)	-	(17 694)
Effect of foreign tax rates	2 255	2 728	-	-
Effect of non-deductible expenses	-	35 574	-	29 717
Effect of tax reliefs	-	(13 536)	-	(13 536)
Deferred tax asset written off	-	34 454	-	34 454
Impact of legislative changes	-	48 577	-	48 577
Tax from non-operational activities	4 402	-	4 402	-
Tax recalculated of provision, for which the tax base has been reduced for the period of 01.01.2018. - 30.06.2018.	2 961	-	2 961	-
Corporate income tax	**9 618**	**87 795**	**7 363**	**81 519**

Profit generated by the Parent Company after January 1, 2018 is taxable with corporate income tax on dividend distribution according to the legislation.

The State Revenue Service may inspect the Group's and Parent company's books and records for the last 3 years and impose additional tax charges with interest and penalties. The Group's and Parent 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 complex tax review at the financial position date.

Notes to the financial statements (continued)

24. Taxes and compulsory state social security contributions

Group	VAT	Social contributions	Personal income tax	Corporate income tax	Business risk duty	CIT for services provided by non-residents	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
30.06.2018.							
Liabilities	**-**	**95 105**	**-**	**-**	**63**	**-**	**95 168**
(Overpaid)	**(31 392)**	**-**	**-**	**(172 018)**	**-**	**(118)**	**(203 528)**
In the reporting period:							
Calculated	(205 147)	1 214 785	594 847	9 624	785	-	1 614 894
Transferred	-	(129 495)	-	129 495	-	-	-
SRS repayment	212 965	-	-	24 692	-	-	237 657
Paid	-	(1 092 626)	(594 847)	(2 564)	(782)	-	(1 690 819)
Foreign currency difference	-	-	-	(687)	-	-	(687)
30.06.2019.							
Liabilities	**-**	**87 769**	**-**		**66**	**-**	**87 836**
(Overpaid)	**(23 574)**	**-**	**-**	**(11 458)**	**-**	**(118)**	**(35 150)**

Parent company	VAT	Social contributions	Personal income tax	Corporate income tax	Business risk duty	CIT for services provided by non-residents	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
30.06.2018.							
Liabilities	**-**	**95 105**	**-**	**-**	**63**	**-**	**95 168**
(Overpaid)	**(31 392)**	**-**	**-**	**(143 915)**	**-**	**(118)**	**(175 425)**
In the reporting period:							
Calculated	(205 147)	1 214 785	594 847	7 363	785	-	1 612 633
Transferred	-	(129 495)	-	129 495	-	-	-
SRS repayment	212 965	-	-	-	-	-	212 965
Paid	-	(1 092 626)	(594 847)	-	(782)	-	(1 688 255)
30.06.2019.							
Liabilities	**-**	**87 769**	**-**	**-**	**66**	**-**	**87 836**
(Overpaid)	**(23 574)**	**-**	**-**	**(7 057)**	**-**	**(118)**	**(30 749)**

25. Earnings per share

Earnings per share are calculated by dividing profit by the weighted average number of shares during the year.

	Group		Parent company	
	01.07.2018-30.06.2019 EUR	01.07.2017-30.06.2018 EUR	01.07.2018-30.06.2019 EUR	01.07.2017-30.06.2018 EUR
Profit of the reporting year (a)	(414 301)	(219 328)	(321 119)	(199 478)
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)	**(0.139)**	**(0.074)**	**(0.108)**	**(0.067)**

Notes to the financial statements (continued)

26. Remuneration to management

26.a Remuneration to management

	Group		Parent company	
	01.07.2018-30.06.2019 EUR	01.07.2017-30.06.2018 EUR	01.07.2018-30.06.2019 EUR	01.07.2017-30.06.2018 EUR
Remuneration of the Board members:				
· salary	411 803	504 435	194 055	196 459
· social contributions	56 779	57 911	46 748	46 860
Remuneration of the Council members:				
· salary	87 492	140 442	87 492	140 442
· social contributions	21 077	33 410	21 077	33 410
Total	**577 151**	**736 198**	**349 372**	**417 171**

26.b Loans issued to management

In 2017/2018 reporting year a loan was issued to the management in amount of USD 250 thousand. The outstanding loan balance at the end of the reporting year is EUR 101 328 (including accrued interest of EUR 274).

27. Related party transactions

Related parties represent both legal entities and private individuals related to the Group and Parent company in accordance with the following rules.

a) A person or a close member of that person's family is related to a reporting group entity if that person:

- i. has control or joint control over the reporting group entity;
- ii. has a significant influence over the reporting group entity; or
- iii. is a member of the key management personnel of the reporting group entity or of a parent of the reporting entity;

b) An entity is related to a reporting group entity if any of the following conditions applies:

- i. the entity and the reporting group entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- ii. One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member):
- iii. Both entities are joint ventures of the same third party:
- iv. One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting group entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity.
- vi. The entity is controlled, or jointly controlled by a person identified in (a).
- vii. A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

Related party transaction - a transfer of resources, services or obligations between a reporting group entity and a related party, regardless of whether a price is charged.

Parent company	**Transactions for the year ended 30 June**		**Balance as at 30 June**	
	2019 EUR	**2018 EUR**	**2019 EUR**	**2018 EUR**
Sale of goods and services				
Subsidiaries	4 347 628	4 106 649	914 413	991 247
Purchase of goods and services				
Subsidiaries	169 481	68 998	7 112	138 932
Other subsidiaries receivables	-	-	3 662	2 535

In the Group report the intercompany transactions and balances between Parent company and subsidiaries have been eliminated.

Notes to the financial statements (continued)

28. Personnel costs

	Group		Parent company	
	01.07.2018-30.06.2019 EUR	**01.07.2017-30.06.2018 EUR**	**01.07.2018-30.06.2019 EUR**	**01.07.2017-30.06.2018 EUR**
Remuneration to staff	5 044 438	4 696 669	3 544 709	3 395 183
Social contributions	953 580	902 605	850 318	806 744
Total	**5 998 018**	**5 599 274**	**4 395 027**	**4 201 927**

29. Average number of employees

	Group		Parent company	
	01.07.2018-30.06.2019	**01.07.2017-30.06.2018**	**01.07.2018-30.06.2019**	**01.07.2017-30.06.2018**
The average number of staff in the reporting year:	**194**	**193**	**182**	**180**

30. Operating lease

On 10 December 2002 A/S “SAF Tehnika” signed the rent agreement No. S-116/02 with A/S “Dambis” on the rent of premises with the total area of 5,851 m2 until 16 September 2009. Starting 17 September 2009, the total leased area reduced to 5,851 m2. According to the latest agreement the total area of the premises is 5 845 m2. The premises are located at 24a Ganību dambis. In the beginning of 2014 agreement amendments were concluded on the extension of the agreement term till 1 March 2020.

On 9 January 2015 a new rent agreement No. SAFNA-2015-001 with “FIRST INDUSTRIAL”, L.P. was signed regarding lease of premises by “SAF North America” LLC with total area 7,800 sq. feet. The premises are located at 3250 Quentin Street, Unite 128, Aurora, Colorado 80011, USA. The agreement matures on 31 March 2020.

For the purpose of estimating right-to-use asset, it is assumed that the above agreements will be renewed for another 5 years. See also section “Changes of accounting policies”.

31. Contingent liabilities

As part of its primary activities, the Group (Parent company) has not issued guarantees or pledges to third parties in amount (30.06.2018.: not issued).

32. Subsequent events

No significant subsequent events have occurred in the period from the year-end to the date of these consolidated financial statements that would have a material impact on the Group’s and/or Parent company`s financial position as at 30 June 2019 or its performance and cash flows for the year then ended.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Dace Langada
Chief accountant

The Annual Report is approved in the Board meeting on 28 October 2019 and the Board has authorised the Chairman of the Board to sign it on behalf of the Board.
Electronic signature of the Chairman of the Board relates to the Management Report on pages 4 to 5, Statement of the Board’s Responsibility on page 6 and financial statements on pages 11 to 45. Electronic signature of the accountant relates to financial statements on pages 11 to 45.
THE DOCUMENT IS SIGNED WITH SECURE ELECTRONIC SIGNATURES OF THE PERSONS RESPOSIBLE FOR PREPARATION OF FINANCIAL STATEMENTS AND CONTAINS A TIME STAMP.