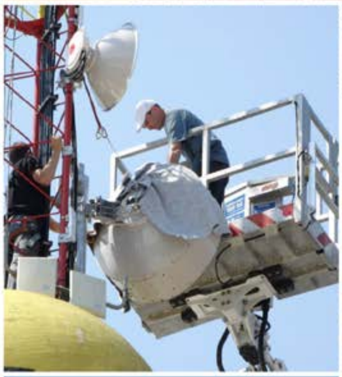
Yearbook
2013/2014



SAF Tehnika, JSC
Legal address:
24a Ganibu dambis, Riga, LV-1005, Latvia
Phone: +371 67046840
Fax: +371 67046809
Registration No.: LV40003474109
Financial Year:
1st July, 2013 – 30th June, 2014

Contents

Overview

The microwave data transmission business has been more like a rollercoaster ride for at least a decade now. It had its ups and downs, success stories and fails.
In this business there is no room for companies with weak portfolio, average product quality, questionable reputation or long-term price-dumping business strategy.

On the other hand, the prices are always a little bit higher for those who really invest into innovation and superior quality. But these tend to be predictable one-time expenses that usually turn out to be lower in the long-term.

And that is where SAF Tehnika really stands out! We have been in the market since 1999 and over those decades SAF has expanded its global reach within more than 130 countries all over the globe. While most of the competition struggles to keep their business afloat, SAF Tehnika has been steadily expanding. Being European company, we now have our network of offices, partners and representatives in the Northern and Southern America, Europe, Asia, Africa and Australia. Our business is based on personal relations with customers and ability to provide customized solutions depending on client's needs and expectations.

SAF Tehnika is among the world's top microwave carrier-class point-to-point data transmission equipment manufacturers and distributors.

Company's product portfolio covers most licenced and licence-free frequency bands within the range of 300MHz-42GHz with capacities up to 1Gigabit full-duplex. SAF Tehnika has also created the world's first handheld spectrum analyzer, Spectrum Compact and industry-unique microwave signal generator SG Compact.

SAF Tehnika is committed toward providing strong focus on both the production and delivery of customer-adapted wireless solutions at a competitive price while delivering the highest quality standards.

We have heavily invested in innovation, creating many industry-shaping products and solutions. For example, SAF developed the world's first full-outdoor unit (FODU) back in 2003; one of the world's first hybrid IP/TDM full-outdoor system in 2008 (SAF CFIP series); world's first pocket-sized microwave spectrum analyzer in 2013 (Spectrum Compact); Antenna + radio combination within our next generation microwave radio platform Integra in 2013; and finally we have developed one of the world's first microwave signal generators (SG Compact). All of SAF products correspond to the highest industry's quality standards and have the lowest product failure-rates among competitors.

Our customers value our individual approach and the exceptional technical support that is ready to assist in any problem solving 24/7.

Mobile and alternative operators, PPT/fixed operators, broadband access providers, ISPs, government, utility companies and many others across the world are already working with SAF Tehnika – the supplier of reliable and energy-efficient products, ensuring unparalleled delivery terms and worldwide warranty service, as well as extremely effective and direct management-level communication. Broad expertise for a fair price is our proposal for time & money –sensitive customers who value investments in high class service and sustainable solutions to benefit from the emerging age of green and smart economies.

SAF's team of direct sales representatives in Europe, North and South America, Africa, South and East Asia, together with a broad worldwide network of authorized partners are always ready to assist and provide up-to-date information on the available product options and solutions. Visit www.saftehnika.com to learn more about our products and reach the headquarters directly to join the ever-growing number of satisfied SAF customers.

And finally, SAF Tehnika shares are being traded in NASDAQ OMX Riga stock exchange so that our customers and business partners always can be aware of what's going on and be able to keep track on our financial results.

SAF Mission

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

SAF Vision

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

Key Company Milestones

Company foundation (10 employees)

- **2000** Introduction of PDH (CFM) product line
- **2003** ISO 9001 certification
- **2004** Acquisition of *Viking Microwave AB*, Sweden - *SAF Tehnika Sweden AB* foundation IPO - Initial Public Offering
- **2006** SDH (CFQ) product line launch in the market. Number of *SAF Tehnika* employees reaches 160
- **2007** Implementation of a new automated modern manufacturing line
- **2008** Introduction of CFIP product line – CFIP-108 Mbps FODU
  Buy-out of the capital shares of *SAF Tehnika Sweden AB* by its management
- **2009** SAF Tehnika 10 year anniversary
  Release of CFIP Lumina Full Outdoor radio (366Mbps)
  CFIP PhoeniX Hybrid Split Mount System (366Mbps) launch
- **2010** Release of licence-free SAF FreeMile radio
- **2011** Launch of first long-haul microwave system for industrial applications - CFIP Marathon
  Introduction of CFIP PhoeniX Modular Split Mount System for Telecoms
- **2012** CFIP Low Latency Active Repeater highly competitive 6GHz+35ns radio unit for use in low latency networks
- **2013** Launch of Spectrum Compact – world's first hand-held powerful FR spectrum monitoring tool.
  Launch of Integra unique next generation full outdoor radio.
- **2014** Release of a new Integra series radios (Integra-W; Integra S; Integra SV);
  Launch of microwave signal generator - SG Compact

Information on the Parent company

Name of the Company	A/S "SAF Tehnika"
Legal status	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
Name of shareholders	Didzis Liepkalns (17.05%) Andrejs Grišāns (10.03%) Normunds Bergs (9.74%) Juris Ziema (8.71%) Vents Lācars (6.08%) Ivars Šenbergs (5.27%) (līdz 04.09.2013) Koka Zirgs SIA (5.27%) (no 04.09.2013) Swedbank AS clients (5.02%) Other shareholders (48.10%)
Names of the Council members, their positions	Vents Lācars - Chairman of the Council Juris Ziema - Member of the Council Andrejs Grišāns - Member of the Council Ivars Šenbergs - Member of the Council Aivis Olšteins - Member of the Council
Names of the Board members, their positions	Normunds Bergs - Chairman of the Board Didzis Liepkalns – Member of the Board Aira Loite – Member of the Board
Reporting period	01 July 2013 - 30 June 2014
Previous reporting period	01 July 2012 – 30 June 2013
Subsidiary	100% - SAF North America LLC 10500 E.54th Avenue, Unit D Denver, Colorado 80239, USA
Joint venture	50% - SAF Services LLC 10500 E.54th Avenue, Unit D Denver, Colorado 80239, USA
Auditors and address	KPMG Baltics SIA Licence nr. 55 Vesetas iela 7 Rīga, LV-1013 Latvia Armine Movsisjana Sworn Auditor Certificate No. 178

Management Board

Normunds Bergs
CEO

Owns 289 377 shares (9.74%)
Normunds Bergs, born in 1963, is Chairman of the Board and Chief Executive Officer of SAF Tehnika. N. Bergs is one of the founders of Fortech (co-founding company of SAF Tehnika) where during the periods from 1990 to 1992 and 1999 to 2000 he acted as Managing Director and General Director, respectively. Following Fortech's merger with Microlink in 2000, and establishment of SAF Tehnika, N. Bergs became CEO of SAF Tehnika and a Member of the Management Board of Microlink. From 1992 to 1999 N. Bergs worked at World Trade Center Riga, where he held the position of General Director and became a Member of the Board of Directors in 1998. He is a long-term president of Latvian Electrical Engineering and Electronics Industry Association. N. Bergs graduated Riga Technical University in 1986 with a degree in radio engineering.

Didzis Liepkalns
CTO, Member of the Board

Owns 506 460 shares (17.05%)
Didzis Liepkalns, born in 1962, is member of the Board and Technical Director of SAF Tehnika. D. Liepkalns founded a private enterprise SAF in 1995 and co-founded the company SAF Tehnika in 1999. From 1985 to 1990 he worked as an engineer at the Institute of Electronic Engineering and Computer Sciences. D. Liepkalns graduated Riga Technical University in 1985 with a degree in radio engineering.

Aira Loite
COO, Member of the Board

Owns 7 700 shares (0.26%)
Aira Loite, born in 1965, is a Member of the Board and COO of SAF Tehnika. Prior to joining the company in November 2007, she worked for Lattelecom, initially as Business Performance Director and later as Director of Business Information and Control division. From 2000 to 2006 she held the position of the Head of Finances and Administration of Microlink Latvia, being a Board member as well. From 2004 to 2005 she was Chief Financial Officer of Microlink Group. A. Loite graduated University of Latvia in 1988 with a degree in applied mathematics. She has been awarded the degree of Master of Business Administration by the University of Salford (UK) in 2009.

Council

Vents Lacars
Chairman of the Council

Owns 180 546 shares (6.08%)

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

Juris Ziema
Production Director, Vice-Chairman of the Council

Owns 258 762 shares (8.71%)

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

Andrejs Grisans
Member of the Council

Owns 297 888 shares (10.03%)

Andrejs Grisans, born in 1957, is Member of the Council and Production Department Manager. A.Grisans has 20 years of experience in electronics and is one of the co-founders of SAF Tehnika. Prior to joining the Company, he owned and managed a private company specializing in electronic equipment engineering, production and distribution. From 1992 to 1999 A.Grisans was involved in entrepreneurial activities in the field of radio engineering. He worked as an engineer-constructor at the Institute of Polymer Mechanics from 1984 to 1992 and in the constructing bureau Orbita from 1980 to 1984. A.Grisans has graduated Riga Technical University with a degree in radio engineering in 1980.

Ivars Senbergs
Member of the Council

Owns 2 shares (0%)
Ivars Senbergs born in 1962, Member of the Council, also Chairman of the Board of SIA Juridiskais Audits, SIA Namipasumu parvalde, SIA Synergy Consulting, SIA Dzirnavu centrs, SIA IŠMU, SIA "RK Konsultācijas" and Member of the Supervisory Council of AS MFS bookkeeping. From 1999 until 2000 he worked as Finance and Administrative Director at SIA Fortech. I. Senbergs has graduated Faculty of Law, University of Latvia in 1986.

Aivis Olsteins
Member of the Council

Owns 0 shares
Aivis Olsteins, born in 1968. A.Olsteins has 20 years of experience in telecommunications. He is CEO of a company “DataTechLabs” since year 2000. The company provides software development and support services for telecommunication operators. From 1992 till 1999 he worked in Baltcom TV, initially as a system engineer in Cable TV operations department, from 1994 till June 1996 as a CTO, but from July 1996 till the end of 1999 as technical advisor to General Manager. A. Olsteins is studying in University of Latvia in Faculty of Physics and Mathematics, bachelor of Physics program.

Interest of members of management and council members in other companies

As of 30/06/2014

Normunds Bergs
CEO

Part of the Management Board in other companies
- President of the Board of Latvian Electrical Engineering and electronics industry Association (LEtERA)
- Member of the Management Board of SIA "Namīpašumu pārvalde"
- Chairman of the Board of SIA "LEO Pētījumu centrs"
- Member of the Management Board of SIA "Real Sound Lab"
- Member of the Management Board of Society "Connect Latvia"
- Member of the Management Board of SIA "LEITC"
- Member of the Management Board of SIA "Stream Networks"
- Member of the Management Board of Latvian Chamber of Commerce and Industry (LCCI)
- Chairman of the Management Board of SIA "Koka zirgs"

Equity participation in other companies
- SIA "Namīpašumu pārvalde", 40%
- SIA "CityCredit", 40%
- SIA "Koka zirgs" 48.73%
- SIA "TCon", 26%
- UAB "Fortek IT", 26%
- SIA "CPS", 18%
- "Complete Payment systems", 18%
- SIA "Ecommerce Accelerator"; 22.5%
- SIA "Ūbeļu īpašumi", 21.21%
- SIA "Real Sound Lab", 8%
- Baltijos kompiuterių akademijos, 33%
- Cherry Media OÜ (70 shares)

Aivis Olšteins
Member of the Board

Part of the Management Board in other companies
- CEO of "DataTechLabs"

Didzis Liepkalns
Member of the Board

Equity participation in other companies
- SIA "Koka zirgs", 20.87%

Ivars Šenbergs
Member of the Board

Part of the Management Board in other companies
- Chairman of the Board of SIA "Juridiskais Audits"
- Chairman of the Board of SIA "Namīpašumu pārvalde"
- Member of the Council of AS "MFS bookkeeping"
- Chairman of the Board of SIA "Synergy Consulting"
- Chairman of the Board of SIA "Dzirnavu centrs"
- Chairman of the Board of SIA "IŠMU"
- Chairman of the Board SIA "RK Konsultācijas"
- Chairman of the Board SIA "Jurikons"
- Chairman of the Board SIA "Green Line Services"

Equity participation in other companies
- SIA "Juridiskais Audits", 58.62%
- SIA "Namipasumu parvalde 30%
- SIA "Synergy Consulting", 100%
- SIA "Dzirnavu centrs", 85.71%
- SIA "IŠMU", 100%
- SIA "RK Konsultācijas"; 100%
- SIA "Namservisa Agentura", 49%
- SIA "Arhitekta K.Rukuta Birojs", 5.12%
- SIA "Green Line Services ", 100%
- SIA „Citikon", 0,1%
- SIA „IAP", 97,50%
- SIA „IAP", 97,50%
- SIA "Whitenet", 65%
- SIA "Ūbeļu īpašumi", 2,12%
- SIA „PRO 1 Service", 100%
- SIA „PRO 1 Stage", 100%

Vents Lācars
Chairman of the Council

Part of the Management Board in other companies
- Member of the Management Board of Latvian Multihall Association

Equity participation in other companies
- SIA "Koka zirgs", 7.47%

Andrejs Grišans
Member of the Council

Equity participation in other companies
- SIA "Koka zirgs", 12.27%

Juris Ziema
Member of the Council

Equity participation in other companies
- SIA "Koka zirgs", 10.67%

Line of business

SAF Tehnika (hereinafter –the Group) is a developer, manufacturer and distributor of digital microwave equipment. The Group provides comprehensive and cost effective wireless broadband connectivity solutions for digital voice and data transmissions to fixed and mobile network operators and data transmission service providers in public and private sectors as an alternative to cable networks.

Group's net turnover in financial year 2013/ 2014 was 12.03 million EUR, 1.3 million or 9.9 % less than in the previous financial year (2012/ 2013). Considering the decline in demand in microwave radio market worldwide and the fierce competition, in the reporting year the Group performed its historically wide sales market assessment, focusing consequently on markets with strategically greater potential and decreasing resource involvement in less perspective regions. Also, Group's assessment and identification of the needs of specific customers was aimed to develop niche product supply. Additional revenue was drawn from the development of specific customer required functionality of SAF Tehnika products and from technical consultations provided for network planning and construction.

In comparison to the previous financial year, the turnover of European and CIS region had increased by 2%, however, this increase did not make up for the 34% decrease in turnover for Asia, Middle East and Africa countries a fierce competition still dominates the market where wireless data transmission equipment is sold, and suppliers are challenged to price wars. Sales on the America's region include countries of North, South and Central America, constituted 44% of annual turnover. In comparison to the previous year there was a 6% decrease. A notable contribution was made to the Group's product marketing in the USA and Canada by its USA group company 'SAF North America'. Besides, the Group Company provided product warehouse and logistic services in the reporting year.

Export accounts for 97.2% of the turnover and was 11.69 million EUR. In the reporting period Group's production was exported to 79 countries worldwide.

SAF Services, Group joint venture, was established with the aim to provide network construction and management services in the USA had built successfully it's the first trial network, but was not able to get return from this investment.

To promote the recognition of SAF brand, introduce existent as well as potential customers with SAF products and solutions, the Group continued an active participation in the most significant industry exhibitions in Europe, America and Africa. Group's export activities were supported by Investment and Development Agency of Latvia that co-financing the participation in some of industry exhibitions. An approval in assessment was given by customers to the new SAF Tehnika webpage that was launched on October 2013. To this point, comprehensively, detailed information about products and video materials on their application are available on the webpage.

In the reporting period, CFIP products were on the highest demand, and *FreeMile*, *Lumina* and *Marathon* were the best selling items. In a growing demand were the newest serial products that were given in the production in the course of the reporting year. These products were *Spectrum Compact* - measurement equipment for field engineers and *Integra* next generation radio systems that employing latest modem processing and radio technologies.

To increase its competitiveness, the Group was searching for a possible object as to reduce product, manufacturing and other costs. In result, Group's operational costs in the reporting year did not exceed budget levels, and, compared to the previous year, decreased for 10%.

SAF Tehnika has secured its financial stability. Group's net cash flow was positive regarding the 12 month period and constituted 1.27 million EUR. In March 2014, in compliance with warranty contract of export credit, the Group received compensation in the amount of 520 thousand USD by Latvian Guarantee Agency due to the unpaid deliveries made to the Brazilian partner on December 2012 in order to execute the project of Brazilian television broadcasting network.

In the reporting period, the Group invested 242 thousand EUR into IT infrastructure, production and research equipment, software, licenses and product certification purchases.

The Group finalized financial year 2013/ 2014 with a profit of 127 thousand EUR.

Research and development

In a long term, Group's precondition and key to success is its ability to constantly develop its products. In the reporting year, an *Integra* product line development expanding the proposal in different frequency bands continued, and solutions were drawn regarding the improvement of functionality and quality meters and reduction of product's manufacturing costs. Understanding the desire of customers to lessen the time and money spent on commissioning of data transmission equipment, and, moreover, identifying the lack of easily-usable auxiliary equipment in the market, Group not only continued working on the spectrum analyzer *Spectrum Compact's* newest versions, but also created a new device –spectrum generator. Also new additions are made to existing products. In the reporting period, Group's product development project has gained a co-finance from 'LEO Petijumu centrs" in the amount of 253 thousand EUR.

Future perspectives

Group has been able to gain long-term experience and knowledge in the microwave radio field and is able to provide excellent quality products to a wide range market, proposing unique offer and developments that are based on customer wishes and demands. Group is financially stable and able to withstand in these economically difficult times when other rivaling companies are not successful. The task of the Group is to continue the work on next generation data transmission equipment development, putting a focus on advancement of functionality, reduction of production costs, the customer satisfaction, effective production and progress of inner procedures. The aim is to restore revenue levels to provide long-term positive net results.

Group remains financially stable and with positive outlook for the next financial year; however the Board of SAF Tehnika A/S refrains from any forward-looking sales and financial results announcements.

Normunds Bergs Chairman of the Boards	Didzis Liepkalns Member of the Board	Aira Loite Member of the Board

Riga, 17 October 2014

Statement of the Board's responsibilities

The Board of SAF Tehnika A/S (hereinafter –the Parent company) is responsible for preparing the consolidated financial statements of the Company and its subsidiaries (hereinafter Group).

The financial statements set out on pages 19 to 43 are prepared in accordance with the source documents and present fairly the consolidated financial position of the Group as at 30 June 2014 and the results of its financial performance and cash flows for the year then ended.

The above mentioned financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the 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 financial statements.

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

On behalf of the Board:

Normunds Bergs
Chairman of the Boards

Didzis Liepkalns
Member of the Board

Aira Loite
Member of the Board

Riga, 17 October 2014

Council report

Supervisory Council of JSC SAF Tehnika (hereinafter Company) is of opinion the Company have performed well during report period, based on results in balance sheet and other metrics. Having said that, Supervisory Board would like to encourage putting much more effort to go further to:

- Increase the share of Integra range radios in Company's product mix delivered;
- Build on top of presently achieved results selling SC series measurement tools, as potential is clearly present globally;
- Grow more in all exciting and new niches, catering for specific customer segments and industries.

During financial year 2013/2014 Supervisory Council exercised the functions of Revision Committee according to the laws in force and after completion of all the tasks can come to following conclusions:

- Preparation of the financial statement was performed in accordance with the present International Financial Reporting Standards and International Accounting Standards;
- Systems of internal control and risk management operate as well as business operations of the Company require it;
- Examination of annual report was made in accordance with the present Auditing Standards. Corrections of drawbacks established during the examination were performed accordingly;
- Supervisory Council has not established any fact which would give a ground to doubt the impartiality of the auditor selected for the examination of annual report from FY 2013/2014.

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Vents Lācars
Chairman of the Council

Riga, 17 October 2014

Corporate Social responsibility

Corporate social responsibility is one of the cornerstones of SAF Tehnika. Our company operates in such a way as to provide products and services that ensure added value not only for our clients, but society in general. High standards of quality in every aspect of the company's activity, a responsible attitude towards the environment, keeping promises made to employees, shareholders, buyers, suppliers, society and the State – these are the principles that govern our everyday work. We know that this is vital for the successful long-term development of SAF Tehnika.

Responsible manufacturer

We are a responsible business that cares about reducing and balancing the impact of the company's economic activity on the environment. We have set high standards for corporate management and manage our company in accordance with the Principles of Corporate Management confirmed by the JSC NASDAQ OMX Riga.

Our equipment is designed to be as compact as possible, with power consumption levels that allow it to be powered by alternative energy sources.

SAF Tehnika is environmentally conscious and strives to maximally localise all of the production processes. This helps to decrease the pollution created by transporting the production materials, and to ensure that no harm is done to the surrounding environment through the creation of these materials. As a significant part of the components and raw materials necessary for our production process are not made here in Latvia we take care in choosing only responsible and trusted suppliers with established environmental policies. In order to reduce our carbon footprint even more, SAF Tehnika aims at hiring local suppliers as much as possible. This way we can follow and control every step in the creation of our distinguished products – from the smallest parts to fully functional microwave radios.

SAF Tehnika has introduced and maintained a system of quality control in accordance with the LVS EN ISO 9001:2008 Standard that encompasses all aspects of the company's activity, allowing us to constantly control and enhance our production process, ensure uninterrupted activity, develop and manufacture products of the highest quality, and provide the most efficient service for our clients.

The Quality Management System is audited on an annual basis. A recertification of the company's Quality Management System takes place every three years. The audit conducted in September 2013 by the certification organisation Bureau Veritas confirmed that the company's conformity to the demands outlined in the ISO 9001:2008 Standard. The company's Quality Management System has been audited and regarded as successfully introduced and maintained by auditors from certification companies representing the interests of specific clients or regions – these include audits conducted during the most recent period of inspection by representatives from Russia, Kazakhstan and Ukraine.

We carry out a customer satisfaction survey every year. This is an important tool both for receiving feedback from clients about their desires, the company, our products and services, and planning future undertakings.

Modern technologies, the systems of company management we employ, as well the way we organise our internal affairs have allowed for a significant decrease in the amount of paper we use, but it has not allowed us to do away with the use of paper altogether. We collect our discarded paper and deliver it to the paper recycling factory in Līgatne.

It should be noted that we at SAF Tehnika, in cooperation with "Latvijas Zaļais elektrons" un "Zaļais punkts", recycle part of our waste, refuse and electrical equipment in an ecologically friendly manner.

There is time for professional work, well-deserved rest and also time for good deeds. Our employees take pleasure in all three, which is evidenced by numerous activities.

For Society

On May 16, in cooperation with "Rīgas Meži" SAF employees took part in a charity event aimed at collecting refuse and cleaning the historical defensive bunkers in Mangaļsala. These bunkers have been preserved since the time of the first Republic of Latvia, the Russian Empire and the USSR, but have been poorly maintained. As part of the event on May 16 we cleared the area of rubber tires, glass bottles, tin cans and old shoes, among other things. On the very same day we renovated the old site of a pioneer camp, which, in its current refurbished and more appealing state, is used for sports events and summer camps for children. This was a gift from the employees of SAF Tehnika to the city of Riga and its inhabitants.

We spent July 2013 gathering the products necessary for the maintenance of the animal shelter "Ulubele". We collected waste paper and gave the proceeds to the animal shelter.

We also endeavour to limit the impact of car emissions on the environment by encouraging our employees to come to work on their bicycles. To do this we provide them with a safe place to leave their bikes, as well showers and changing rooms.

In support of the donor movement we organised a blood drive on the premises of SAF Tehnika in October 2013 and July 2014. This was done in cooperation with The National Blood Service of Latvia.

We are a company whose employees enjoy doing good deeds!

For education

The development and competitive potential of any society is determined by the level of education of its members, especially their knowledge of the natural sciences. Stimulating interest of young people in physics, mathematics and information technology is the foundation for the development of new telecommunications and wireless technology. We support the initiative to devote more time and attention to teaching mathematics and physics in school and engineering sciences in technical colleges and universities. We encourage student participation in after-school activities devoted to these subjects.

In cooperation with Latvian Electrical Engineering and Electronics Industry Association (LETERA) and Latvian Chamber of Commerce and Industry (LTRK) we are engaged in numerous activities with the ultimate aim of making the centralised exam in physics mandatory for students graduating high school. We are confident that this is an effective way of improving the knowledge of physics in the country and fostering the development of creative personalities.

We financially support the education initiative "Iespējamā Misija", which promotes the value of education by encouraging creative university graduates to become teachers and introduce positive changes in education process in schools. We take pride in the fact that our support has brought many inspiring physics teachers to schools.

We also support the summer camp "ALFA" where students who have achieved excellent results at various state level competitions can deepen and improve their knowledge of physics, mathematics, informatics, the humanities and social sciences.

We happily accommodate visits by groups of high school and university students. SAF Tehnika gives them a chance to see the practical uses and applications of the exact sciences. During the visit we share the history of SAF Tehnika, explain the production process, introduce them to our products and describe the skills and competences we expect to see in our future colleagues, so that our team can always be reinforced with smart, motivated and capable individuals.

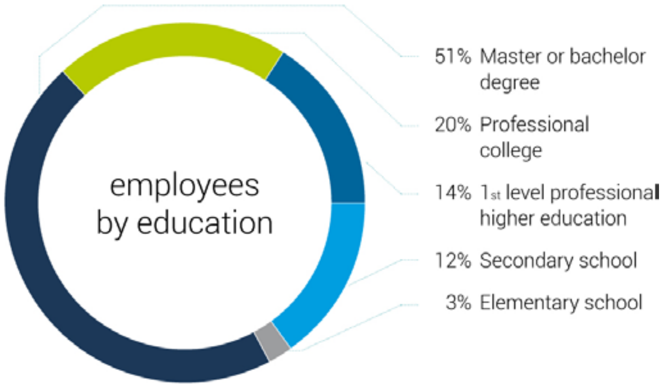
SAF Tehnika is one of small number Latvian companies that actively support the development of science and education. We happily accept interns from the technical faculties of local universities and technical colleges. A number of our most competent employees take part in the evaluation of undergraduate, postgraduate and technical college projects. This year, in addition to our regular partners Ogre State Technical College, Riga Technical University (RTU), Riga Technical College (RTC) and Latvia University of Agriculture, we also started working with the Transport and Telecommunication Institute.

To stimulate student interest in the company we take part in career days and job fairs at universities and technical colleges. Of special note is our collaboration with Development Fund of Riga Technical University through which we organise competitions for paid internships at the company. This year five of our interns have become full-time employees of SAF Tehnika. We gladly offer summer work to students who fill in for full-time employees on holiday leave.

Employees

Our employees are our greatest asset and the main prerequisite for reaching our goals. We strive for development. The company does everything in its power to ensure a position that helps the employee develop her skills in an open and inspiring environment. SAF Tehnika has an "open door" policy rooted in the principle of equality that serves as the basis for a productive exchange of opinion, and encourages growth and development. SAF Tehnika is an enterprise that cares about motivating its employees, keeping the working environment safe and preserving the company's culture.

In this fiscal year, the average number of employees was 169. Although the circulation of employees was higher than in previous years, this did not have a negative impact on the company's operation because it was able to attract a number of highly qualified professionals, as well as talented students who are likely to become future specialists in this domain. The company welcomes people who want to develop themselves, fulfil their potential and grow together with SAF Tehnika.



Employee development

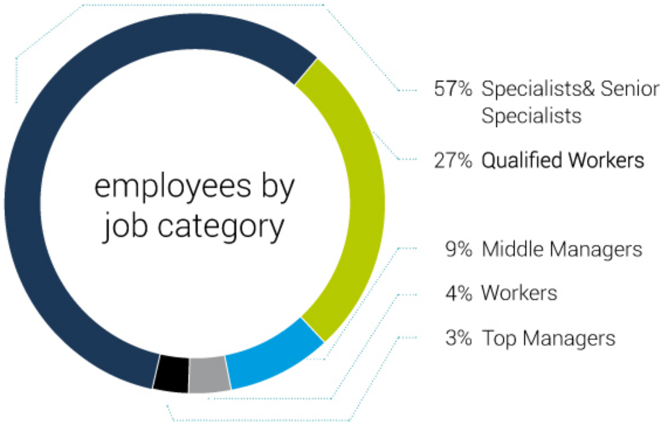
Since we regard the constant development and self-fulfilment as one of our priorities, SAF Tehnika offers its employees the possibility to improve their proficiency at various seminars and training programs. We organise corporate training sessions and participate in educational events both in Latvia and abroad. For the last four years we have been cooperating with the Latvian Electrical Engineering and Electronics Industry Association (LETERA) and the Latvian Chamber of Commerce and Industry (LTRK), and taken part in a project aimed at enhancing the education and productivity of employees which is co-funded by the European Social Fund. This year, however, we have participated to a lesser degree, since we were very active in previous years. The employees of SAF have improved their English, as well as their knowledge about motivation, leadership, marketing, occupational safety and sales communication.

Employees from various departments regularly take part in exhibitions abroad, where they have the opportunity to learn from their associates, the competition and the foremost professionals in the field.

Employees who are still studying have the opportunity to work part-time and take paid vacation periods for studying.
We welcome initiative and support the personal growth of each and every one of our employees!

Health protection and occupational safety

SAF Tehnika ensures a safe environment and risk-free working conditions for its employees. Each employee is included in the workplace safety system. Employees in potentially hazardous positions are provided with the necessary means of protection. The safety of the working environment is vigilantly maintained, and employees are regularly instructed on matters of occupational health and safety. All regulations specified in normative acts and the employment law are strictly followed.
The company also organises compulsory health checks on a regular basis, as well as eye tests and vaccination (to prevent influenza, encephalitis and other diseases). All employees have health insurance.



Payment and benefits

SAF Tehnika is a socially responsible company that strictly follows the regulations set out in the employment law. In addition to their fixed salaries SAF employees benefit from a bonus system based on the individual achievements of each employee, as well as the overall performance of the company.

In important moments – such as the birth of a child – each employee receives both moral and financial support from the company. We also provide financial support for those employees who have lost a member of their family. Employees with children who have just started school can take a paid day off on September 1st. Employees who have worked in the company for more than five years can take an additional day off each year.

Every year the company organises various events for its employees, such as the New Year's Ball, the summer solstice celebration, yearly meetings etc. The theme of the most recent New Year's part was " Back to the Fifties/Sixties or HAPPY BIRTHDAY, ELVIS!". Employees had the opportunity to travel back in time to the 50s and 60s and dress up as various celebrities, such as Elvis Presley, Marilyn Monroe and Audrey Hepburn.

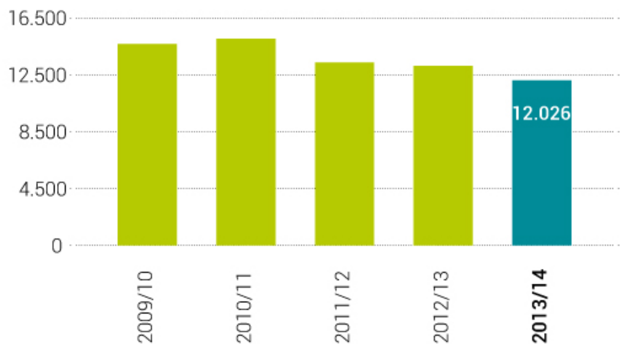
In May a team of twenty SAF employees participated in the annual Nordea Riga Marathon, with representatives in all the groups (5, 10, 21 and 42 km).

Our employees gladly participate in events organised by the company, as well as those organised by individual departments, such as bicycle or boat trips. This provides a wonderful opportunity to bond with colleagues and increase staff loyalty towards the company.

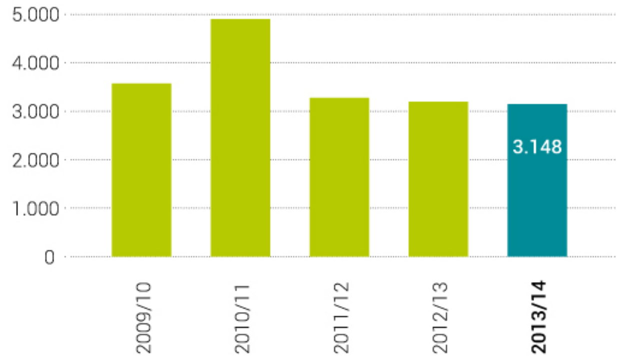
We are proud that SAF Tehnika constantly strives to strengthen its reputation as an employer, which is reflected in the ever increasing level of education and proficiency of our employees, as well as the large number of applications to job openings and internships.

Financial Highlights

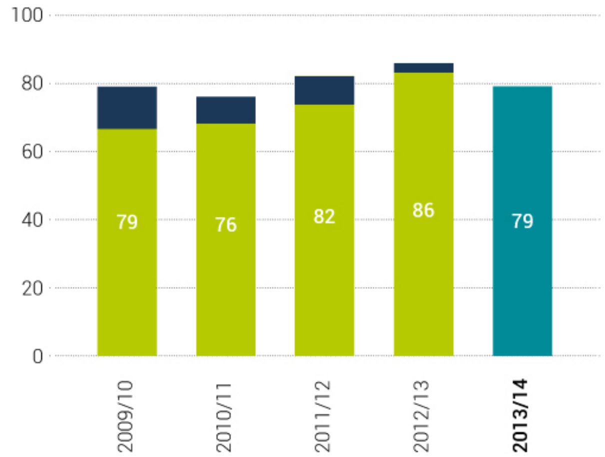
Net Sales
MILLIONS EUR



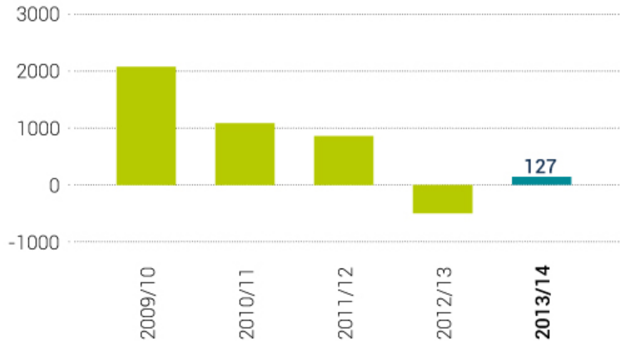
Gross Profit
MILLIONS EUR



Number of active markets
NEW OUT OF THEM



Net Profit
THOUSAND EUR



Key figures describing economic development

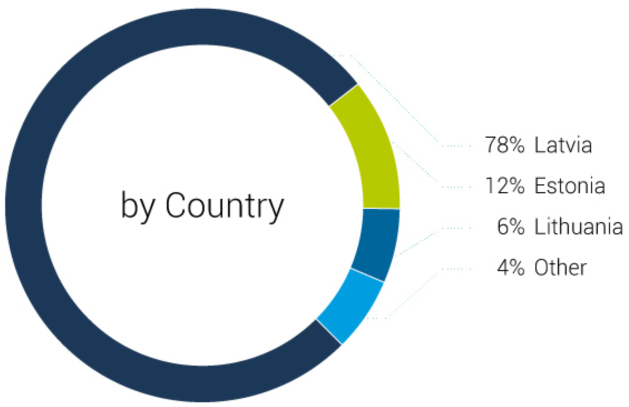
	2013/14	2012/13	2011/12	2010/11	2009/10
Turnover	**12 025 751**	13 341 172	13 714 932	15 503 712	14 551 575
Earnings before interest, taxes and depreciation (EBITDA)	**547 517**	325 202	1 246 726	1 545 939	2 303 030
share of the turnover %	**5%**	2%	9%	10%	16%
Profit/loss before interest and taxes (EBIT)	**131 636**	-83 180	894 860	1 261 995	1 906 671
share of the turnover %	**1%**	-1%	7%	8%	13%
Net Profit	**126 537**	-42 116	864 940	1 139 483	2 116 485
share of the turnover %	**1,1%**	-0,3%	6%	7%	15%
Return on equity (ROE) %	**1,2%**	-0,6%	11%	15%	30%
Return on assets (ROA) %	**1,0%**	-0,5%	9%	11%	24%
Liquidity ratio					
Quick ratio %	**238%**	133%	115%	55%	89%
Current ratio %	**366%**	299%	410%	262%	261%
Average number of employees	**169**	169	165	163	140

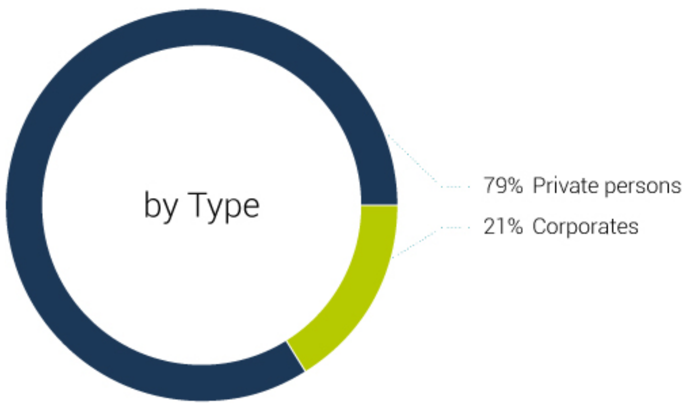
Holdings and shares

SAF Tehnika shareholders (over 5%) as of 07.04.2014.

Name	Ownership interest (%)
Didzis Liepkalns	17,05%
Andrejs Grisans	10,03%
Normunds Bergs	9,74%
Juris Ziema	8,71%
Vents Lacars	6,08%
“Koka zirgs” SIA	5,27%
SWEDBANK AS clients account	5,02%

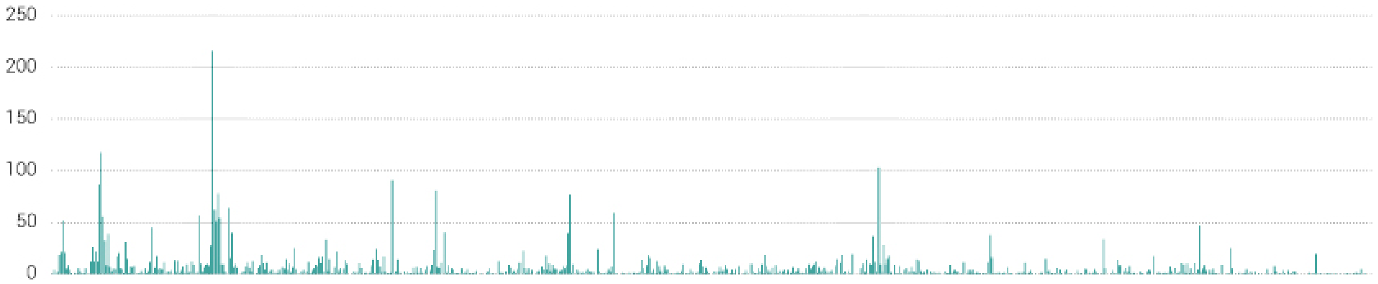
Shareholders structure





Share price development

Share turnover



Basic information about trading

ISIN	LV0000101129
Name	SAF1R
List	Baltic main list
Stock Exchange	NASDAQ OMX Group, Riga Stock Exchange
Inclusion in indexes	- B9000GI (OMX Baltic Technology GI) - B9000PI (OMX Baltic Technology PI) - B9500GI (OMX Baltic Technology GI) - B9500PI (OMX Baltic Technology PI) - OMXBBCAPGI (OMX Baltic Benchmark Cap GI) - OMXBBCAPPI (OMX Baltic Benchmark Cap PI) - OMXBBGI (OMX Baltic Benchmark GI) - OMXBBPI (OMX Baltic Benchmark PI) - OMXBGI (OMX Baltic GI) - OMXBPI (OMX Baltic PI) - OMXRGI (OMX Riga GI)
Nominal value	1.42 EUR
Total number of securities	2,970,180
Number of listed securities	2,970,180
Listing date	26.05.2004

Share and dividend related information

	2013/14	2012/13
Share price (last) for the end of period	1,62	2
Market value of share capital	4 811 692	5 940 360
Earnings per share (EPS)	0,04	-0,01
Dividend per share (for the previous reporting period)	0	0,14
Dividend / net profit (for the previous reporting period)	0	0,49
P/E ratio	38,03	-141,05

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

	2013/14	2012/13
Lowest	1,41	1,42
Highest	2,41	2,48
Average	2,03	1,93

Corporate governance

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

Shareholders' meetings

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

Selection methods of Management Board and Supervisory Council

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

Powers of the Management Board

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

Dividend policy

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

Other contractual agreements with auditors

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

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Riga LV 1013
Latvia

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Fax +371 670 380 02
Internet: www.kpmg.lv

Independent Auditors' Report

To the shareholders of A/S „SAF Tehnika"

Report on the Consolidated Financial Statements

We have audited the accompanying consolidated financial statements of A/S „SAF Tehnika" and its subsidiaries ("the Group"), which comprise the consolidated statement of financial position as at 30 June 2014, the consolidated statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 19 to 43.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and for such internal controls as management determines are necessary to enable the preparation of these financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with relevant ethical requirements and plan and perform the audit to obtain reasonable assurance whether these financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of these financial statements, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the Group's preparation and fair presentation of these financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal controls. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of accounting estimates made by the Group management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the A/S „SAF Tehnika" and its subsidiaries as at 30 June 2014, and of its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

In addition, our responsibility is to assess whether the accounting information included in the Consolidated Management Report, as set out on pages 7 to 8, the preparation of which is the responsibility of management, is consistent with the consolidated financial statements. Our work with respect to the Consolidated Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the consolidated financial statements of the entity. In our opinion, the Consolidated Management Report is consistent with the consolidated financial statements.

KPMG Baltics SIA
License No 55

Armine Movsisjana
Member of the Board
Sworn Auditor
Certificate No 178
Riga, Latvia
17 October 2014

Consolidated statement of financial position

Year ended 30 June	Note	2014 EUR	2013 EUR
ASSETS			
Non-current assets			
Property, plant and equipment	6	533 616	700 359
Intangible assets	6	208 171	201 639
Equity-accounted investees	29	13 910	14 380
Investments in other companies		1 188	1 188
Long term trade receivables	8	53 526	64 404
Deferred tax asset	12	98 684	123 194
Total non-current assets		**909 095**	**1 105 164**
Current assets			
Inventories	7	4 498 753	4 251 795
Corporate income tax receivable	25	69 194	163 791
Trade receivables	8	1 934 515	2 680 444
Other receivables	9	261 620	220 716
Prepaid expenses		109 354	125 379
Loans	28	180 581	361 050
Placements with banks	10	-	590 581
Cash and cash equivalents	11	4 082 555	2 809 297
Total current assets		**11 136 572**	**11 203 053**
Total assets		**12 045 667**	**12 308 217**
SHAREHOLDERS' EQUITY			
Share capital	13	4 226 185	4 226 185
Share premium		2 851 725	2 851 725
Translation reserve		(562)	(50)
Retained earnings		3 252 648	3 125 599
Total shareholders' equity		**10 329 996**	**10 203 459**
LIABILITIES			
Current liabilities			
Trade and other payables	14	903 846	1 310 317
Provisions	14	14 643	87 836
Other liabilities	14	684 991	429 880
Loans	15	6 781	14 081
Deferred income	16	105 410	262 644
Total liabilities		**1 715 671**	**2 104 758**
Total equity and liabilities		**12 045 667**	**12 308 217**

The accompanying notes on pages 23 to 43 form an integral part of these consolidated financial statements.

Normunds Bergs
Chairman of the Boards

Didzis Liepkalns
Member of the Board

Aira Loite
Member of the Board

Riga, 17 October 2014

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 30 June	Note	2014 EUR	2013 EUR
Net sales	17	12 025 751	13 341 172
Cost of goods sold	18	(8 877 754)	(10 091 135)
Gross profit		**3 147 997**	**3 250 037**
Sales and marketing expenses	19	(2 357 373)	(2 450 742)
Administrative expenses	20	(816 473)	(855 277)
Loss from operating activities		**(25 849)**	**(55 982)**
Other income	21	330 149	84 665
Financial income	22	19 411	55 778
Financial expenses	23	(144 777)	(88 289)
Net financial expenses		**(125 366)**	**(32 511)**
Share of profit/ (loss) of equity-accounted investees, net of tax	29	(27 375)	(23 451)
Profit/ (loss) before taxes		**151 559**	**(27 279)**
Corporate income tax	24	(24 510)	(14 714)
Current year's profit/ (loss)		**127 049**	**(41 993)**
Other comprehensive income			
Foreign currency recalculation differences for foreign operations		(512)	(123)
Total comprehensive income		**126 537**	**(42 116)**
Profit/ (loss) attributable to:			
Shareholders of the Parent		**127 049**	**(41 993)**
Total comprehensive income attributable to:			
Shareholders of the Parent		**126 537**	**(42 116)**
Earnings per share attributable to the shareholders of the Parent (EUR per share)			
Basic and diluted earnings/ (loss) per share	26	0.043	(0.014)

The accompanying notes on pages 23 to 43 form an integral part of these consolidated financial statements.

Normunds Bergs
Chairman of the Boards

Didzis Liepkalns
Member of the Board

Aira Loite
Member of the Board

Riga, 17 October 2014

Consolidated Statement of Changes to Shareholders' Equity

	Share capital EUR	Share premium EUR	Translation reserve EUR	Retained earnings EUR	Total EUR
Balance as at 30 June 2012	**4 226 185**	**2 851 725**	**73**	**3 590 211**	**10 668 194**
Transactions with owners of the Parent company, recognised directly in Equity	**-**	**-**	**-**	**(422 619)**	**(422 619)**
Dividends for 2011 / 2012	-	-	-	(422 619)	(422 619)
Total comprehensive income	**-**	**-**	**(123)**	**(41 993)**	**(42 116)**
Loss for the year	-	-	-	(41 993)	(41 993)
Other comprehensive income	-	-	(123)	-	(123)
Balance as at 30 June 2013	**4 226 185**	**2 851 725**	**(50)**	**3 125 599**	**10 203 459**
Transactions with owners of the Parent company, recognised directly in Equity	-	-	-	-	-
Total comprehensive income	**-**	**-**	**(512)**	**127 049**	**126 537**
Profit for the year	-	-	-	127 049	127 049
Other comprehensive income	-	-	(512)	-	(512)
Balance as at 30 June 2014	**4 226 185**	**2 851 725**	**(562)**	**3 252 648**	**10 329 996**

The accompanying notes on pages 23 to 43 form an integral part of these consolidated financial statements.

Normunds Bergs
Chairman of the Boards

Didzis Liepkalns
Member of the Board

Aira Loite
Member of the Board

Riga, 17 October 2014

Consolidated Cash Flows Statement

Year ended 30 June	Note	2014 EUR	2013 EUR
Profit/(loss) before taxes		151 559	(27 279)
Adjustments for:			
depreciation	6	331 796	324 212
amortisation	6	84 085	84 169
changes in write-down to net realizable value	7	(147 159)	(99 837)
changes in provision for guarantees	14	(2 049)	(5 132)
changes in provisions for unused vacations	14	3 179	19 678
changes in bonuses	14	(71 144)	71 144
changes in doubtful debt allowances	8	(24 707)	123 998
interest income	22	(19 411)	(55 778)
share of profit/ (loss) of equity-accounted investees, net of tax		27 375	23 451
government grants	21	(297 609)	(63 372)
(profit)/ loss on disposal of property, plant and equipment		6 005	(1 555)
Operating profit/ (loss) before changes in current assets		**41 920**	**393 699**
(Increase)/ decrease in stock		(99 799)	81 513
(Increase)/ decrease in receivables		932 636	(886 253)
Increase/ (decrease) in payables		(142 796)	450 988
Cash from operating activities		**731 961**	**39 947**
Government grants	21	111 957	70 183
Corporate income tax recovered / (paid)	25	(69 194)	(44 232)
Other payments related to corporate income tax	25	-	(3 927)
Net cash flows from operating activities		**774 724**	**61 971**
Cash flows from investing activities			
Purchase of property, plant and equipment	6	(175 555)	(439 706)
Proceeds from sales of property, plant and equipment		48	1 636
Purchase of intangible assets	6	(86 168)	(47 544)
Interest income		24 345	68 267
Investments in other companies		-	(477)
Investment in equity-accounted investees	29	(26 905)	(37 831)
Loans issued		-	(400 000)
Loans repayment received		180 000	75 103
Net cash received from placements with banks/ (placed with banks)		590 581	2 053 674
Net cash flows from investing activities		**506 346**	**1 273 122**
Cash flows from financing activities			
(Repaid)/ received loans		(7 300)	6 276
Dividends paid		-	(422 618)
Net cash flows from financing activities		**(7 300)**	**(416 342)**
Effect of exchange rate fluctuations		(512)	(123)
Net increase of cash and cash equivalents		**1 273 258**	**918 628**
Cash and cash equivalents at the beginning of the year		2 809 297	1 890 669
Cash and cash equivalents at the end of the year	11	**4 082 555**	**2 809 297**

The accompanying notes on pages 23 to 43 form an integral part of these consolidated financial statements.

Normunds Bergs
Chairman of the Boards

Didzis Liepkalns
Member of the Board

Aira Loite
Member of the Board

Riga, 17 October 2014

1. General information

The core business activity of SAF Tehnika A/S (hereinafter – the Parent company) and its subsidiary (together hereinafter referred to as Group) is the design, production and distribution of microwave radio data transmission equipment 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'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.

In August 2012 another company began operations in North America - SAF Services LLC in which the Parent company holds 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. Both of these companies are registered in the USA and operate in Denver, Colorado.

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

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

These consolidated financial statements (hereinafter – financial statements) were approved by the Parent company's Board on 17 October 2014. 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 consolidated 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 set of consolidated financial statements was prepared for the financial year ended 30 June 2013 and are available at the Parent company's headquarter on Ganibu dambis 24a, Riga, Republic of Latvia and at the Parent company's website: www.saftehnika.com.

A Basis for preparation

These financial statements have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union (IFRSs). The financial statements have been prepared under the historical cost convention (including financial instruments available-for-sale as it is impracticable to determine their fair value).

New standards and interpretations

Standards, amendments to standards and interpretations for the first time are applicable to financial statements for year ended on 30 June 2014:

- Amendments to IFRS 7 Disclosures (effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively) contain new disclosure requirements for financial assets and liabilities that are offset in the statement of financial position or subject to master netting arrangements or similar agreements. Amendments have no impact on the financial statements as financial asset and liabilities offsetting is not performed by the Group.

- IFRS 13 Fair Value Measurement (effective prospectively for annual periods beginning on or after 1 January 2013). IFRS 13 replaces the fair value measurement guidance contained in individual IFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. IFRS 13 explains 'how' to measure fair value when it is required or permitted by other IFRSs. Amendments have no impact on the financial statements since management considers the methods and assumptions currently used to measure the fair value of assets to be consistent with IFRS 13.

- Amendments to IAS 12: Deferred Tax: Recovery of Underlying Assets (effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively). The amendments introduce a rebuttable presumption that the carrying value of investment property measured using the fair value model would be recovered entirely by sale. Management's intention would not be relevant unless the investment property is depreciable and held within a business model whose objective is to consume substantially all of the asset's economic benefits over the life of the asset. This is the only instance in which the presumption can be rebutted. No investment property held by the Group, therefore amendments have no impact on the financial statements.

- IAS 19 (2011) Employee Benefits (effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively. Transitional provisions apply). The amendment requires actuarial gains and losses to be recognized immediately in other comprehensive income. The amendment removes the corridor method previously applicable to recognizing actuarial gains and losses, and eliminates the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which currently is allowed under the requirements of IAS 19. The amendment also requires the expected return on plan assets recognized in profit or loss to be calculated based on rate used to discount the defined benefit obligation. Amendments have no impact on the financial statements.

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.

(b) Joint ventures
The Group's interests in equity-accounted investees comprise interest in a joint venture.

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in the joint venture are accounted for using the equity method. They are recognized initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of equity-accounted investees, until the date on which joint control ceases.

Subsidiaries and joint ventures controlled by the Parent company:

	Residence country	**Number of shares**	**Subsidiary and joint venture's equity**		**Subsidiary and joint venture's (profit / losses)**	
			30.06.2014	**30.06.2013**	**2013/ 2014**	**2012/2013**
			EUR	EUR	EUR	EUR
„SAF North America" LLC	United States of America	100%	19 966	18 606	7	(6 151)
„SAF Services" LLC	United States of America	50%	1 150	14 103	(54 359)	(46 480)

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

(c) Transactions eliminated on consolidation
Internal transactions, account balances and unrealized gains from transactions between the Group companies are eliminated. Unrealized gains are also eliminated unless objective evidence exists that the asset involved in the transaction has impaired. Unrealized gains arising from transactions with a joint venture are also eliminated.

C Foreign currency revaluation

(a) Functional and reporting currency
On 1 January 2014 the Republic of Latvia joined the euro-zone and the Latvian Lat which was the Group's functional currency, was replaced by the euro. As a result, the Group converted its financial accounting to euros as from 1 January 2014. Prior period comparative information translated into euros using the official exchange rate of LVL 0.702804 to EUR 1.

(b) Transactions and balances
All amounts in these consolidated financial statements are expressed in the Latvian national currency – euro (EUR).

Foreign currency transactions are translated into the Group's functional currency applying the official exchange rate established by the European Central Bank at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

All monetary asset and liability items were revalued to the Group's functional currency according to the exchange rate of the European Central Bank on the last day of the reporting year. Non-monetary items of assets and liabilities, and foreign exchange transactions are revalued to the Group's functional currency in accordance with the exchange rate set by the European Central Bank on the transaction date.

	30.06.2014.	**30.06.2013.**
1 USD	1.365800	1.303904
1 GBP	0.801500	0.849823
1 LVL	-	0.702804

(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.

D Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. Cost includes expenses directly related to acquisition of property, plant and equipment. Such cost includes the cost of replacing part of such plant and equipment if the asset recognition criteria are met.
Leasehold improvements are capitalized and disclosed as property, plant and equipment. 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 property, plant and equipment has different useful live as the other items of the same property, plant and equipment, they are accounted for as separate items of property, plant and equipment.
The cost of replacing part of an item of property, plant and equipment 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 and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment is recognised in the profit or loss statement as incurred.

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

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

	% per year
Equipment	25 (previously – 33.3%)
Vehicles	20
Other equipment and machinery	20 - 50 (previously –25% - 50%)

During the reporting year the management has evaluated and reviewed estimated useful life of tangible assets due to change in the pattern of use (see Note 5).

Capital repair costs on leased Property, plant and equipment 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 F).

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

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 four years. During the reporting year management has evaluated and reviewed estimated useful life of software licences from 3 years to 4 years (see Note 5).

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

G Impairment of non-financial assets

Intangible assets that are not put in use or have an indefinite useful life are not subject to amortisation and are reviewed for impairment on an annual basis.

Moreover, the carrying amounts of the Group's property, plant and equipment 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 recognised in respect of cash-generating units are allocated to reduce the carrying amount of the assets in the unit (group of unit) 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 assets are allocated to two cash generating units that are identified as Group's operating segments (see note 17). There have been no impairment indicators 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. Any impairment loss reversed is only reversed 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 operating segments is disclosed in Note 17. Segment results that are reported to the Chief Executive Officer 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 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. When the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate and accordingly accounts receivable are recognized. 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.

Within the framework of the contract signed between A/S SAF Tehnika and "LEO Petijumu centrs SIA" a cooperation project on a competence center for the Latvian industry of manufacturing electrical and optical devices is being implemented, regarding which "LEO Petijumu centrs SIA" has signed a contract with Investment and Development Agency of Latvia in order to obtain financing from the European Regional Development Fund. As part of the above project A/S SAF Tehnika is conducting two individual research activities to develop new products. In order to implement projects under these activities, co-financing is provided to cover remuneration of project staff and other costs related to the specific projects. Projects planned to be implemented in two years time. Co-financing received relates to expense items recognized in Statement of Profit or Loss and Other Comprehensive Income and thus is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. 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.

J Stock

Stock is stated at the lower of cost or net realizable value. Cost is valued based on the FIFO method. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale. Costs of finished goods and work-in-progress include cost of materials, personnel and depreciation.

K Financial instruments

The Group's financial instruments consist of trade receivables, equity-accounted investees, investments in other companies' equity, other receivables, cash and cash equivalents, borrowings, trade payables and other payables and derivatives. Investments in other companies' equity are classified as available for sale. 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 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 has transferred substantially all risks and rewards of ownership.

Financial liabilities are derecognized if the Group's obligations specified in the contract expire or are discharged or cancelled.

Loans, receivables and other debts

Loans and 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 estimates future cash flows considering all contractual terms of the financial instruments.

An impairment allowance for impairment of loans and receivables is established when there is objective evidence that the Group 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. All other financial investments available-for-sale are carried at fair value. Gains 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.

Please see note 3 (2) for the description of accounting policy for derivatives.

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.

The calculated current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred taxation arising from temporary differences between carrying amounts for accounting purposes and for tax purposes is calculated using the liability method. However, if the deferred tax arises from initial recognition of an asset or liability in a transaction other than a business acquisition that at the time of the transaction affects neither accounting, non- taxable profit or loss, it is not accounted for. Deferred tax is determined using tax rates (and laws) that have been enacted by the financial position date and are expected to apply when the related deferred tax asset is realised or the deferred income tax liability is settled. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Income taxes are recognized through profit or loss unless they relate to items recognized directly in equity.

O Employee benefits

The Group 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 will have no legal or constructive obligations to pay further contributions if the statutory fund cannot settle their liabilities towards the employees. The cost of these payments is included into the profit or loss statement in the same period as the related salary cost.

P Revenue recognition

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

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

(b) Provision of services
Revenue is recognised in the period when the services are rendered.

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

Q Lease

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

R Payment of dividends

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

T New standards and interpretations not yet adopted

The following new Standards and Interpretations are not yet effective for the annual period ended 30 June 2014 and have not been applied in preparing these financial statements:

- Amendments to IAS 32 on Offsetting Financial Assets and Financial Liabilities
  Amendments to IAS 32 (effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively) clarify that an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The Group does not expect the amendments to have any impact on the financial statements since the Group does not apply offsetting to any of their financial assets and financial liabilities and have not entered into master netting arrangements.

- IAS 27 (2011) Separate Financial Statements (effective for annual periods beginning on or after 1 January 2014) introduces minor clarifications. The Standard no longer addresses the principle of control and requirements relating to the preparation of consolidated financial statements, which have been incorporated into IFRS 10, Consolidated Financial Statements. The Group has not yet completed the assessment of the impact of these new standards on the Group's operations.

- IAS 28 (2011) Investments in Associates and Joint Ventures (Amendments effective for annual periods beginning on or after 1 January 2014; to be applied retrospectively). There are limited amendments made to IAS 28 (2008):

  - Associates and joint ventures held for sale. IFRS 5, Non-current Assets Held for Sale and Discontinued Operations applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale. For any retained portion of the investment that has not been classified as held for sale, the equity method is applied until disposal of the portion held for sale. After disposal, any retained interest is accounted for using the equity method if the retained interest continues to be an associate or a joint venture.

  - Changes in interests held in associates and joint ventures. Previously, IAS 28 (2008) and IAS 31 specified that the cessation of significant influence or joint control triggered remeasurement of any retained stake in all cases, even if significant influence was succeeded by joint control. IAS 28 (2011) now requires that in such scenarios the retained interest in the investment is not remeasured.

The Group has not yet completed the assessment of the impact of these new standards on the Group's operations.

- IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities (effective for annual periods beginning on or after 1 January 2013; to be applied retrospectively). IFRS 10 provides a single model to be applied in the control analysis for all investees, including entities that currently are SPEs in the scope of SIC-12. IFRS 10 introduces new requirements to assess control that are different from the existing requirements in IAS 27 (2008).

  Under the new single control model, an investor controls an investee when:

  1) it is exposed or has rights to variable returns from its involvements with the investee;

  2) it has the ability to affect those returns through its power over that investee; and
  3) there is a link between power and returns.

The new IFRS 10 also includes the disclosure requirements and the requirements relating to the preparation of consolidated financial statements.

Under the new IFRS 11, joint arrangements are divided into two types, each having its own accounting model defined as follows:

  - a joint operation is one whereby the jointly controlling parties, known as the joint operators, have rights to the assets, and obligations for the liabilities, relating to the arrangement.

  - A joint venture is one whereby the jointly controlling parties, known as joint ventures, have rights to the net assets of the arrangement.

IFRS 11 effectively carves out from IAS 31 jointly controlled entities those cases in which, although there is a separate vehicle for the joint arrangement, separation is ineffective in certain ways. These arrangements are treated similarly to jointly controlled assets/operations under IAS 31, and are now called joint operations. IFRS 11 eliminates the free choice of equity accounting or proportionate consolidation; the equity method must always be used in financial statements.

IFRS 12 requires additional disclosures relating to significant judgements and assumptions made in determining the nature of interests in an entity or arrangement, interests in subsidiaries, joint arrangements and associates and unconsolidated structured entities.

The Group has not yet completed the assessment of the impact of these new standards on the Group's operations.

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 internationally and is exposed to foreign currency risk arising mainly from fluctuations of the U.S. dollar.

Foreign currency risk arises primarily from future commercial transactions and recognised assets and liabilities. To manage the foreign currency risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward foreign currency contracts. Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency different from the Group's functional currency. 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 2014:

	EUR	USD	Other currencies	Total
Financial assets				
Gross Trade receivables	1 046 596	1 310 733	-	2 357 329
Cash and cash equivalents	2 921 317	1 157 015	4 223	4 082 555
Total	**3 967 913**	**2 467 748**	**4 223**	**6 439 884**
Financial liabilities				
Accounts payables	(406 666)	(237 154)	-	(643 820)
Other payables	(253 892)	(6 134)	-	(260 026)
Loans	(1 977)	(4 804)	-	(6 781)
Total	**(662 535)**	**(248 092)**	**-**	**(910 627)**
Net open positions	**3 305 378**	**2 219 656**	**4 223**	**5 529 257**

The following schedule summarises net open positions for currencies expressed in EUR as at 30 June 2013:

	LVL	EUR	USD	Total
Financial assets				
Gross Trade receivables	3 948	740 349	2 507 140	3 251 437
Placements with banks	-	360 503	230 078	590 581
Cash and cash equivalents	234 205	1 703 577	871 515	2 809 297
Total	**238 153**	**2 804 429**	**3 608 733**	**6 651 315**
Financial libilities				
Accounts payables	(144 655)	(319 037)	(569 340)	(1 033 032)
Other payables	(128 404)	(40 732)	(108 149)	(277 285)
Loans	(1 050)	(6 449)	(6 582)	(14 081)
Total	**(274 109)**	**(366 218)**	**(684 071)**	**(1 324 398)**
Net open positions	**(35 956)**	**2 438 211**	**2 924 662**	**5 326 917**

Sensitivity analysis

A 10 percent weakening of the euro against the USD on 30 June would have increased (decreased) profit or loss and equity by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis for 2012/ 2013 performed based on assumptions – a 10 percent weakening of the lat against the USD and a 1 percent weakening of the lat against the EUR on 30 June would have increased (decreased) profit or loss and equity by the amounts shown below The Latvian lat was pegged to Euro as at 30 June 2013.

	2013/ 2014 effect in EUR	**2012/ 2013** effect in EUR
USD	221 966	292 466
EUR	-	24 382
	221 966	**316 848**

(b) Credit risk

The Group 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 bases and assigned credit limits has been changed based on credit history and customer's paying behaviour.

As at 30 June 2014, the Group's credit risk exposure to a single customer amounted to 11.01% of the total short and long-term receivables and 2.7% from total net sales (30.06.2013: 13.63% and 2.6 % 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 6 706 443 or 55.68% of total assets (30.06.2013: EUR 7 031 230 or 57.13% of total assets).
For more information on the Group's exposure to credit risk please refer to Note 8.

(c) Liquidity risk

The Group follows a prudent liquidity risk management and hence maintain a sufficient quantity of liquid funds. The current ratio of the Group is 6.5 (30.06.2013: 5.3), quick ratio is 3.7 (30.06.2013: 3.3).

The Group's management monitors liquidity reserves for the operational forecasting, based on estimated net 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 exposure to liquidity risk please refer to note 14.

(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 mainly has short-term interest-bearing assets, 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 remeasured at fair value through profit and loss. All derivatives are carried as assets when their fair value is positive and as liabilities when negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

Any gains or losses arising from changes in fair value of derivatives that do not qualify as hedge accounting are taken directly to profit or loss for the year.
As at 30 June 2014 and 30 June 2013 the Group did not have any open derivative financial instruments contracts.

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 a liability reflects its non-performance risk.

When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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 transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred.

Fair value of financial assets and liabilities of the Group is deemed to approximate their face value on initial recognition and carrying value on any subsequent date as the effect of discounting is immaterial. The term of all financial assets and liabilities of the Group is mostly six months. Fair value of the financial instrument available for sale cannot be measured.

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 15, cash and cash equivalents and equity, comprising issued capital, retained earnings and share premium. The gearing ratio at the year-end was as follows:

	30/06/2014 EUR	**30/06/2013** EUR
Debt	1 715 671	2 104 758
Cash	(4 082 555)	(2 809 297)
Net debt	**(2 366 884)**	**(704 539)**
Shareholders' equity	**10 329 996**	**10 203 459**
Debt to equity ratio	17%	21%
Net debt * to equity ratio	-23%	-7%

*Net debt calculated as total debt net of cash and cash equivalents.

5. Key estimates and assumptions

The management 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 property, plant and equipment 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.

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.

As at the reporting date there are no indications of impairment of property, plant and equipment and intangible assets. The Group's cash flows from operating activities in the reporting year amount to EUR 775 thousand (2012/ 2013: EUR 62 thousand), Group will continue pursuing its strategy to develop new competitive wireless data transmission products and solutions for export markets, maintain the current sound financial position and control over the production process with the aim to increase sales and profitability.

Useful lives of property, plant and equipment

Management estimates the expected useful lives of property, plant and equipment in proportion to the expected duration of use of the asset based on historical experience with similar property, plant and equipment and based on future plans. Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Depreciation of property, plant and equipment is calculated over the shortest period – lease term or over the useful life. No depreciation is calculated for land. See also note 2D.
The Group has revised its estimates of the useful lives of property, plant and equipment and intangibles. The effect was applied prospectively.

The effect of change of estimates of depreciation rates for property, plant and equipment and intangibles on profit or loss is as follows:

	2013/ 2014
	effect in EUR
Effect on profit or loss	3 546
	3 546

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 the provision will be partly or fully repaid, for example, within an insurance contract, the recovery of such expenses is recognized as separate assets 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 2014 and the average remuneration during the last six months of the reporting year.

- provision for bonuses is calculated in accordance with the procedures approved by management.

Recognition of deferred tax asset

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. See also note 2N.

6. Property, plant and equipment and intangible assets

	Software and licences	Long term investments in leased fixed assets	Equipment and machinery	Other fixed assets	Total
	EUR	EUR	EUR	EUR	EUR
Reporting year ended 30 June 2013					
Opening balance	131 479	357 118	278 809	55 806	823 212
Acquisitions	154 329	44 086	84 676	204 159	487 250
Disposals	-	-	-	(83)	(83)
Charge for the period	(84 169)	(118 020)	(166 318)	(39 874)	(408 381)
Closing balance	**201 639**	**283 184**	**197 167**	**220 008**	**901 998**
Reporting year ended 30 June 2014					
Opening balance	201 639	283 184	197 167	220 008	901 998
Acquisitions	90 617	-	137 121	33 985	261 723
Disposals	-	-	(1 166)	(4 887)	(6 053)
Charge for the period	(84 085)	(119 400)	(143 003)	(69 393)	(415 881)
Closing balance	**208 171**	**163 784**	**190 119**	**179 713**	**741 787**
30 June 2012					
Historical cost	899 188	1 069 783	3 206 627	558 995	5 734 593
Accumulated depreciation	(767 709)	(712 665)	(2 927 818)	(503 189)	(4 911 381)
Carrying amount	**131 479**	**357 118**	**278 809**	**55 806**	**823 212**
30 June 2013					
Historical cost	1 052 632	1 113 869	3 251 299	741 465	6 159 265
Accumulated depreciation	(850 993)	(830 685)	(3 054 132)	(521 457)	(5 257 267)
Carrying amount	**201 639**	**283 184**	**197 167**	**220 008**	**901 998**
30 June 2014					
Historical cost	1 140 750	1 113 869	3 283 390	767 767	6 305 776
Accumulated depreciation	(932 579)	(950 085)	(3 093 271)	(588 054)	(5 563 989)
Carrying amount	**208 171**	**163 784**	**190 119**	**179 713**	**741 787**

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

Historical cost of disposals for the reporting year ended 30 June 2014 is EUR 7 101 EUR and accumulated depreciation EUR 1 048 (2012/ 2013: EUR 117 and EUR 34 accordingly).

Depreciation of EUR 171 545 is included in the profit or loss statement item *Cost of sales* (2012/ 2013: EUR 192 921); depreciation of EUR 168 648 in *Sales and marketing costs* (2012/ 2013: EUR 158 912); and depreciation of EUR 75 688 in *Administrative expenses* (2012/ 2013: EUR 56 548), including depreciation of EUR 221 under *Other administrative expenses* (2012/ 2013: EUR 1 056).

The acquisition costs of fully depreciated property, plant and equipment that is still in use at the reporting date amounted to EUR 4 082 178 (2012/ 2013: EUR 3 858 633).

The *Equipment and machinery* group includes items bought with EU co-financing and according to the agreement with the EU have restrictions in their usage in operations. In total cost of such items amount to EUR 64 983 (2012/ 2013: EUR 64 983), at 30 June 2014 PPE are fully depreciated (2012/ 2013: EUR 14 816). The restrictions apply until December 2014.

7. Stock

	30/06/2014	30/06/2013
	EUR	EUR
Raw materials	1 396 275	1 214 647
Work in progress	1 620 329	1 751 221
Finished goods	1 482 149	1 285 927
	4 498 753	**4 251 795**

During the reporting year, write-down to net realizable value reversal of EUR 147 159 (2012/ 2013: reversal of EUR 99 837) was recognised and included in cost of sales.

The item *finished goods* within *Stock* include property, plant and 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 2014 the value of equipment sent due to the above reasons amounted to EUR 186 559 (2012/ 2013: EUR 222 254).

Included under stock items "Work in Progress" and "Finished goods" are Salary expenses (including accruals for vacation pay) in amount of EUR 21 599 (2012/ 2013: EUR 23 318), Social insurance (including accruals for vacation pay) in amount of EUR 5 197 (2012/ 2013: EUR 5 603) and depreciation and amortization expenses in amount of EUR 3 870 (2012/ 2013: EUR 4 072).

8. Trade receivables

	30/06/2014	30/06/2013
	EUR	EUR
Long term trade receivables	**53 526**	**64 404**
Due from joint venture	44 393	49 646
Trade receivables	2 259 410	3 137 388
Allowances for bad and doubtful trade receivables	(369 288)	(506 590)
Short term trade receivables, net	**1 934 515**	**2 680 444**
Total trade receivables, net	**1 988 041**	**2 744 848**

As at 30 June 2014, the fair value of receivables approximated their carrying amount.

In the reporting year, included in the profit or loss statement caption Administrative expenses was the net decrease of allowances for bad and doubtful trade receivables in the amount of EUR 24 707 (2012/ 2013: increase EUR 86 585).

The maturity of long-term receivables is 31 March 2022.

Movement in Allowances for bad and doubtful trade receivables

	EUR
Allowances for bad and doubtful trade receivables as at 30 June 2012	**420 005**
Written-off	(37 413)
Additional allowances	165 456
Recovered debts	(41 458)
Allowances for bad and doubtful trade receivables as at 30 June 2013	**506 590**
Written-off	(112 595)
Additional allowances	6 833
Recovered debts	(31 540)
Allowances for bad and doubtful trade receivables as at 30 June 2014	**369 288**

Split of Gross Trade receivables by currencies expressed in EUR

	30/06/2014	30/06/2014	30/06/2013	30/06/2013
	EUR	%	EUR	%
LVL	-	-	3 948	0.12
USD	1 310 733	55.60	2 507 140	77.11
EUR	1 046 596	44.40	740 349	22.77
Total trade receivables	**2 357 329**	**100%**	**3 251 437**	**100%**

Ageing of Trade receivables at the reporting date

	30/06/2014 Gross EUR	30/06/2014 Impairment EUR	30/06/2013 Gross EUR	30/06/2013 Impairment EUR
Not overdue	1 521 868	-	2 200 205	(44 323)
Overdue by 0 – 89 days	468 365	(2 192)	553 637	(1 537)
Overdue by 90 and more days	367 096	(367 096)	497 595	(460 730)
Total trade receivables	**2 357 329**	**(369 288)**	**3 251 437**	**(506 590)**

9. Other receivables

	30/06/2014 EUR	30/06/2013 EUR
Government grants*	226 220	45 754
Overpaid value added tax (refer to Note 25)	-	45 370
Advance payment to suppliers	26 626	24 761
Deposits for participation in LEO Petijumu centrs SIA project	-	102 447
Other receivables	8 774	2 384
	261 620	**220 716**

* Government grants receivable relate to development project realized in cooperation with the Group's associate LEO Petijumu centrs SIA.

10. Placements with banks

	30/06/2014 EUR	30/06/2013 EUR
Deposits	-	590 581
	-	**590 581**

No free cash resources deposited with initial maturity exceeding 90 days as at 30 June 2014. The average maturity of deposits as at 30 June 2014 is 11 months.

Split of Deposits by currencies expressed in EUR

	30/06/2014 EUR	30/06/2014 %	30/06/2013 EUR	30/06/2013 %
EUR	-	-	360 503	61.04
USD	-	-	230 078	38.96
Deposits	**-**	**-**	**590 581**	**100%**

Split of Deposits by banks

	30/06/2014 EUR	30/06/2013 EUR
PrivatBank AS	-	590 581
Deposits	**-**	**590 581**

11. Cash and cash equivalents

	30/06/2014 EUR	30/06/2013 EUR
Cash in bank	4 082 555	2 809 297
	4 082 555	**2 809 297**

Split of cash and cash equivalents by currencies expressed in EUR

	30/06/2014 EUR	30/06/2014 %	30/06/2013 EUR	30/06/2013 %
LVL	-	-	234 205	8.34
USD	1 157 015	28.34	871 515	31.02
EUR	2 921 317	71.56	1 703 577	60.64
GBP	4 223	0.10	-	-
Cash and cash equivalents	**4 082 555**	**100%**	**2 809 297**	**100%**

Split of cash and cash equivalents by banks

	30/06/2014 EUR	30/06/2013 EUR
Swedbank AS	1 013 185	966 376
Nordea bank AB Latvian branch	2 396 746	1 567 435
DNB Bank AS	366 117	-
JP Morgan Chase bank	306 503	258 628
Other	4	16 858
	4 082 555	**2 809 297**

12. Deferred tax (assets) / liabilities

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

	Balance at 30/06/2012 EUR	Recognized in profit or loss 2012/ 2013 EUR	Balance at 30/06/2013 EUR	Recognized in profit or loss 2013/ 2014 EUR	Balance at 30/06/2014 EUR
Temporary difference on Property, plant and equipment depreciation and intangible asset amortisation	13 458	6 384	19 842	7 324	27 166
Tax losses carried forward	-	-	-	(13 154)	(13 154)
Temporary difference in the accrued liabilities for unused vacations	(25 424)	(2 951)	(28 375)	(477)	(28 852)
Temporary difference on inventory write-down to net realizable value	(116 460)	14 975	(101 485)	22 075	(79 410)
Temporary difference on provisions for guarantees	(3 274)	770	(2 504)	308	(2 196)
Temporary difference on provisions for goods returned	-	-	-	(2 238)	(2 238)
Temporary difference on provisions for bonuses	-	(10 672)	(10 672)	10 672	-
Temporary difference on allowance for trade receivables	(63 000)	(12 988)	(75 988)	20 595	(55 393)
Unrecognized temporary differences related to foreign trade receivables recoverability	63 000	12 988	75 988	(20 595)	55 393
Deferred tax (asset), net	**(131 700)**	**8 506**	**(123 194)**	**24 510**	**(98 684)**

Deferred income tax asset for the Group is recognised to the extent that the realisation of the related tax benefit through the future taxable profits is probable. Management believes that there is reasonable assurance that taxable profits in the next taxation periods will be sufficient to recover the recognized deferred tax asset in full; this is also supported by the generation of taxable profits in the current year.

13. Share capital

As at 30 June 2014 the registered and paid-up share capital amounted to EUR 4 226 185, converting registered share capital of LVL 2 970 180 into euros using the official exchange rate of LVL 0.702804 to EUR 1, and consisted of 2 970 180 ordinary bearer shares with equal and unrestricted voting rights (2012/ 2013: 2 970 180 shares). Share capital re-registration into euros has not been completed yet. According to Latvian legislation it has to be completed until 30 June 2016.

14. Payables, provisions and other liabilities

	30/06/2014	30/06/2013
	EUR	EUR
Trade accounts payable	643 820	1 032 419
Due to joint venture	-	613
Other accounts payable	260 026	277 285
Trade and other payables	**903 846**	**1 310 317**
Provisions for warranties	14 643	16 692
Provision for bonuses	-	71 144
Provisions	**14 643**	**87 836**
Accrued liabilities for unused vacations	192 349	189 170
Customer advances	216 085	97 850
Taxes and social security payments (refer to note 25)	116 185	111 323
Other liabilities	160 372	31 537
Other liabilities	**684 991**	**429 880**
Total Payables, provisions and other liabilities	**1 603 480**	**1 828 033**

During the reporting period the increase in accrued liabilities for unused vacation pay included in profit or loss amounted to EUR 3 179 (2012/2013: increase of EUR 19 678).

Movement in provisions

	Warranties	Bonuses	Total
	EUR	EUR	EUR
Balance as at 01.07.2012	**21 824**	**-**	**21 824**
Provisions made during the year	-	71 144	71 144
Provisions used during the year	(2 187)	-	(2 187)
Provisions reversed during the year	(2 945)	-	(2 945)
Balance as at 30.06.2013	**16 692**	**71 144**	**87 836**
Provisions used during the year	(2 049)	(71 144)	(73 193)
Balance as at 30.06.2014	**14 643**	**-**	**14 643**

Movement in provisions in the reporting year included in the profit or loss statement.

Split of trade payables, due to joint venture and other payables by currencies expressed in EUR

	30/06/2014	30/06/2014	30/06/2013	30/06/2013
	EUR	%	EUR	%
LVL	-	-	273 059	20.84
USD	243 289	26.92	677 489	51.70
EUR	660 557	73.08	359 769	27.46
Trade accounts payables, due to joint venture and other payables	**903 846**	**100%**	**1 310 317**	**100%**

Ageing analysis of trade accounts payables, due to joint venture and other payables

	30/06/2014	30/06/2013
	EUR	EUR
Not overdue	901 418	1 141 218
Overdue by 0 – 30 days	2 428	169 099
Trade accounts payables, due to joint venture and other payables	**903 846**	**1 310 317**

The carrying amounts of the Group's financial liabilities do not significantly differ from the gross cash flows, as the influence of the interest payments for short term financial instruments is minor.

15. Loans

	30/06/2014 EUR	30/06/2013 EUR
Credit cards	6 781	14 081

16. Deferred income

	30/06/2014 EUR	30/06/2013 EUR
Deferred income for goods not delivered yet	85 948	233 397
Other deferred income	19 462	24 061
Government grants	-	5 186
	105 410	**262 644**

17. Segment information and sales

a) The Group's operations are divided into two major structural units:

- SAF branded equipment designed and produced in-house - CFIP and Freemile (Etherent/Hybrid/ superPDH systems), *I*ntegra (Integrated carrier-grade Ethernet microwave radio), Spectrum Compact (measurement tools for radio engineers) as the first structural unit and 3rd party products for resale, like Antennas, cables, some OEMed products and accessories as the second unit.

  CFIP –product line is represented by:

  - a split mount PhoeniX hybrid radio system with Gigabit Ethernet + 20 E1 interfaces;
  - Lumina high capacity Full Outdoor all-in-one radio with Gigabit Ethernet traffic interface;
  - CFIP-108 entry level radio - perfect for upgrade of E1 networks into packet data networks;
  - Marathon FIDU low frequency low capacity system for industrial applications and rural telecom use.

  All CFIP radios are offered in most widely used frequency bands from 300MHz to 38 GHz, thus enabling the use of CFIP radios all across the globe. PhoeniX radio represents the type of microwave radio which is still dominating market share point of view.

  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.

	CFM; CFIP; FreeMile		Other		Total	
	2013/14	2012/13	2013/14	2012/13	2013/14	2012/13
	EUR	EUR	EUR	EUR	EUR	EUR
Assets						
Reportable segment assets	5 834 532	5 944 125	1 634 109	2 179 362	7 468 641	8 123 487
Unallocated assets					4 577 026	4 184 730
Total assets					**12 045 667**	**12 308 217**
Segment liabilities	1 100 557	1 114 444	277 201	326 166	1 377 758	1 440 610
Unallocated liabilities					337 913	664 148
Total liabilities					**1 715 671**	**2 104 758**
Net sales	9 469 940	9 861 466	2 555 811	3 479 706	12 025 751	13 341 172
Segment result	**2 380 703**	**2 555 391**	**1 007 888**	**1 393 016**	**3 388 591**	**3 948 407**
Unallocated expenses					(3 414 440)	(4 004 389)
Loss from operating activities					**(25 849)**	**(55 982)**
Other income					330 149	84 665
Financial expenses, net					(125 366)	(32 511)
Impairment of long term investment					(27 375)	(23 451)
Profit/(loss) before taxes					**151 559**	**(27 279)**
Corporate income tax					(24 510)	(14 714)
Current year's profit/ (loss) after taxes					**127 049**	**(41 993)**
Foreign currency fluctuation					(512)	(123)
Current year's profit/ (loss)					**126 537**	**(42 116)**
Other information						
Additions of property plant and equipment and intangible assets	113 955	120 146	-	-	113 955	120 146
Unallocated additions of property plant and equipment and intangible assets					147 768	367 104
Total additions of property plant and equipment and intangible assets					**261 723**	**487 250**
Depreciation and amortization	142 509	191 329	1 119	2 574	143 628	193 903
Unallocated depreciation and amortization					272 253	214 478
Total depreciation and amortization					**415 881**	**408 381**

b) This note provides information on division of the Group's net sales and assets by geographical segments (only trade receivables are allocated to regions based on customer residency, all other assets remain unallocated).

	Net sales		Assets	
	2013/ 2014	2012/ 2013	30/06/2014	30/06/2013
	EUR	EUR	EUR	EUR
USA	5 337 085	5 654 300	818 659	1 301 928
Europa, CIS	4 617 586	4 537 193	942 404	653 008
Asia, Africa, Middle East	2 071 080	3 149 679	226 978	790 963
	12 025 751	**13 341 172**	**1 988 041**	**2 745 899**
Unallocated assets	-	-	10 057 626	9 562 276
	12 025 751	**13 341 172**	**12 045 667**	**12 308 175**

Please also refer to Note 3 (1b) for the description of dependence on individual customers.

18. Cost of goods sold

	01.07.2013-30.06.2014	01.07.2012-30.06.2013
	EUR	EUR
Purchases of components and subcontractors services	6 557 982	7 697 089
Salary expenses (including accrued liabilities for unused vacations)	1 457 196	1 448 091
Depreciation and amortization (refer to Note 6)	171 545	188 849
Social insurance (including accrued liabilities for unused vacations)	344 253	345 863
Rent of premises	141 841	179 706
Public utilities	92 734	106 321
Transport	27 455	26 582
Communication expenses	10 448	14 600
Business trip expenses	11 457	5 756
Low value articles	2 275	3 853
Other production costs	60 568	74 425
	8 877 754	**10 091 135**

Research and development related expenses of EUR 1 003 445 (2012/ 2013: EUR 1 031 696) are included in the profit or loss statement caption Purchases of components and subcontractors services.

19. Sales and marketing expenses

	01.07.2013-30.06.2014	01.07.2012-30.06.2013
	EUR	EUR
Advertisement and marketing expenses	118 575	141 883
Salary expenses (including accrued liabilities for unused vacations)	937 673	892 017
Business trip expenses	319 132	382 051
Depreciation and amortization (refer to Note 6)	168 648	158 912
Delivery costs	337 859	424 650
Social contributions (including accrued liabilities for unused vacations)	192 755	202 456
Other selling and distribution costs	282 731	248 773
	2 357 373	**2 450 742**

20. Administrative expenses

	01.07.2013-30.06.2014 EUR	01.07.2012-30.06.2013 EUR
Salary expenses (including accrued liabilities for unused vacations)	360 090	307 689
Depreciation and amortization (refer to Note 6)	75 467	55 492
Social insurance (including accrued liabilities for unused vacations)	85 811	74 122
IT services	52 359	31 663
Expenses on cash turnover	14 507	15 882
Representation expenses	38 677	51 063
Training	11 525	33 031
Public utilities	14 242	14 068
Business trip expenses	1 097	57
Rent of premises	23 931	22 053
Insurance	23 715	24 012
Office maintenance	6 060	2 755
Sponsorship	10 114	2 718
Communication expenses	4 717	4 351
Allowances for bad and doubtful trade receivables	(24 707)	123 998
Other administrative expenses	118 868	92 323
	816 473	**855 277**

Other administrative expenses include the annual statutory audit fee in the amount of EUR 9 490 (2012/ 2013: EUR 9 700). During the year the Group did not receive any other services from the auditor.

21. Other income

	01.07.2013-30.06.2014 EUR	01.07.2012-30.06.2013 EUR
Government grants*	297 609	63 372
Other income	32 540	21 293
	330 149	**84 665**

* - Government grants receivable relate to development project realized in cooperation with LEO Petijumu centrs SIA.

During the reporting year the Group received a government grant payment of EUR 111 957 (2012/ 2013: EUR 70 183).

22. Financial income

	01.07.2013-30.06.2014 EUR	01.07.2012-30.06.2013 EUR
Interest income	19 411	55 778
	19 411	**55 778**

23. Financial expenses

	01.07.2013-30.06.2014 EUR	01.07.2012-30.06.2013 EUR
Net result of currency exchange fluctuations	144 777	88 289
	144 777	**88 289**

24. Corporate income tax

	01.07.2013-30.06.2014 EUR	01.07.2012-30.06.2013 EUR
Change in deferred tax asset (see Note 12)	24 510	8 506
Corporate income tax for the reporting year	-	2 281
Other charges related to corporate income tax	-	3 927
	24 510	**14 714**

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

	01.07.2013-30.06.2014 EUR	01.07.2012-30.06.2013 EUR
Profit/ (loss) before tax	**151 559**	**(27 279)**
Tax rate	15%	15%
Tax calculated theoretically	22 734	(4 092)
Effect of non-deductible expenses	14 788	17 925
Effect of changes in unrecognized temporary differences	(3 706)	18 600
Impact of tax benefit	(9 306)	(17 719)
Corporate income tax	**24 510**	**14 714**

The State Revenue Service may inspect the Group's books and records for the last 3 years and impose additional tax charges with penalty interest and penalties. The Group'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).

25. Taxes and compulsory state social security contributions

	VAT EUR	Social contributions EUR	Personal income tax EUR	Corporate income tax EUR	Business risk duty EUR	CIT for services provided by non-residents EUR	Total EUR
Payable as at 30.06.2013.	**-**	**72 373**	**38 656**	**-**	**294**	**-**	**111 323**
(Overpaid) as at 30.06.2013.	**(45 370)**	**-**	**-**	**(163 673)**	**-**	**(118)**	**(209 161)**
Calculated during the reporting year	(177 516)	913 850	519 342	-	3 121	239	1 259 036
Repaid by SRS	239 411	-	-	-	-	-	239 411
Transferred to/from other taxes	-	(106 876)	(56 915)	163 791	-	-	-
Paid during the reporting year	(10 554)	(808 381)	(461 756)	(69 194)	(3 316)	(239)	(1 353 440)
Foreign currency fluctuation	-	(95)	(74)	-	(9)	-	(178)
Payable as at 30.06.2014.	**5 971**	**70 871**	**39 253**	**-**	**90**	**-**	**116 185**
(Overpaid) as at 30.06.2014.	**-**	**-**	**-**	**(69 076)**	**-**	**(118)**	**(69 194)**

26. Earnings / loss per share

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

	01.07.2013-30.06.2014 EUR	01.07.2012-30.06.2013 EUR
Profit / (loss) of the reporting year (a)	127 049	(41 993)
Ordinary shares as at 1 July (b)	2 970 180	2 970 180
Basic and diluted earnings / (losses) per share for the reporting year (a/b)	**(0.043)**	**(0.014)**

27. Management remuneration

Information on the remuneration of the members of the Board and Council

	01.07.2013-30.06.2014 EUR	01.07.2012-30.06.2013 EUR
Remuneration of the Board members		
· salary	192 963	211 794
· social contributions	45 949	50 970
Remuneration of the Council members		
· salary	112 780	115 043
· social contributions	26 841	27 713
Total	**378 533**	**405 520**

28. Related party transactions

Related parties represent both legal entities and private individuals related to the Group 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 entity and a related party, regardless of whether a consideration is determined.

	Transaction values for the year ended 30 June		Balance outstanding as at 30 June	
	2014 EUR	2013 EUR	2014 EUR	2013 EUR
Sale of goods and services				
Joint venture	-	49 892	44 393	49 645
Purchase of goods and services				
Joint venture				
Loans issued and related interest	-	2 968	-	613
Other related parties				
Sale of goods and services				
Joint venture	-	412 721	180 581	361 050

On 18 June 2012 the Parent company signed a loan agreement with the related party through management SIA Namīpašumu pārvalde regarding the issuance of a loan of EUR 400 000. The loan has been transferred to borrower's account as at 2 July 2012. In the reporting year, a share of the loan was repaid amounting to EUR 180 000 and the outstanding loan balance as at 30 June 2014 was EUR 180 581, including principal of EUR 180 000 and unpaid interest of EUR 581 (30.06.2013: principal EUR 360 000 and unpaid interest of EUR 1 050). The annual interest rate of the loan is 3.5%. The loan matures on 31 July 2014. The loan is secured with a mortgage of real estate.

All outstanding balances with these related parties are priced on an arm's length basis and are to be settled in cash. None of the balances apart from the loan issued is secured. No expense has been recognized in the current year or prior year for bad or doubtful debts in respect of amounts owed by related parties.

29. Equity-accounted investees

Summary financial information for equity accounted investees is as follows:

EUR	Ownership	Total assets	Total liabilities	Net assets	Income	Expenses	Profit (loss)	Group share of net assets	Carrying amount	Group's share of profit (loss)
2012/2013										
SAF Services	50%	64 731	50 628	14 103	11 196	(57 676)	(46 480)	14 380	14 380	(23 451)
2013/2014										
SAF Services	50%	45 543	44 393	1 150	10 836	(65 195)	(54 359)	13 910	13 910	(27 375)

30. Personnel costs

	01.07.2013-30.06.2014 EUR	01.07.2012-30.06.2013 EUR
Staff remuneration	2 754 959	2 647 797
Social contributions	622 819	622 441
Total	**3 377 778**	**3 270 238**

31. Average number of employees

	01.07.2013-30.06.2014	01.07.2012-30.06.2013
Average number of staff in the reporting year:	**169**	**169**

32. Operating lease

On 10 December 2002 the Parent company signed the rent agreement Nr. S-116/02 with AS 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 5,672 m2. The premises are located at 24a Ganibu dambis. In the beginning of 2014 agreement amendments concluded on term of the agreement extension till 1 March 2020.

On 24 June 2013 rent agreement Nr. SAFNA-2013-003 with "THE REALTY ASSOCIATES FUND VIII, L., L." was signed regarding lease of premises by "SAF North America" with total area 3, 286 m2. The premises are located at 10500 E.54th Avenue, Unite D, Denver, USA.

According to the signed agreements, the Group has the following lease payment commitments as at period end:

	30.06.2014 EUR	30.06.2013 EUR
1 year	287 630	271 599
2 - 5 years	1 090 106	722 399
More than 5 years	178 899	-
Total	**1 556 635**	**993 998**

33. Contingent liabilities

As part of its primary activities, the Parent company has issued performance guarantees to third parties amounting to EUR 1 770 (2012/ 2013: EUR 12 994).

34. Going concern

The Group's cash flows from operating activities in the reporting year amount to EUR 775 thousand (2012/ 2013: EUR 62 thousand), cash position is EUR 4 083 thousand (2012: 2013: EUR 2 809 thousand) and the liquidity ratio at the reporting date is 6 (30.06.2013: 5).

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

35. 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 financial position as at 30 June 2014 or its performance and cash flows for the year then ended.