A/S SAF Tehnika
Annual Report
for the year ended
30 June 2015

Content

Information on the 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
Names of shareholders	Didzis Liepkalns (17.05%) Andrejs Grišāns (10.03%) Normunds Bergs (9.74%) Juris Ziema (8.71%) Vents Lācars (6.08%) Koka Zirgs SIA (5.27%) Other shareholders (43.12%)
Names of the Council members, their positions 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 (until 11.06.2015) Zane Jozepa – Member of the Board (from 11.06.2015) Jānis Bergs – Member of the Board (from 29.04.2015)
Reporting period	01 July 2014 - 30 June 2015
Previous reporting year	01 July 2013 - 30 June 2014
Auditors and address	KPMG Baltics SIA License No 55 Vesetas iela 7 Riga, LV-1013 Latvia Armine Movsisjana Sworn Auditor Certificate No 178

Management Report

Line of business

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

The Company's net turnover in the financial year 2014/2015 was EUR 12.25 million, which is EUR 226 thousand or 1.9% more than in the previous financial year 2013/2014. During the reporting year the Company worked on assessing and identifying the needs of specific customers by developing a niche product offering. Additional revenue was drawn from the development of specific customer required functionality for SAF Tehnika products and from technical consultations provided for network planning and construction. There is a clearly growing demand for radio systems, which ensure increased speed of data transmission and which can be developed or renewed in order to increase their data transmission capacity. Such demand trends increasingly determine the direction of development both for SAF Tehnika and the market in general.

In comparison to the previous financial year, the turnover of European and CIS region had increased by 9%. Sales in the Americas, which includes North, South and Central America, constituted 48% of annual turnover. In comparison to the previous year it was a 9% increase. A notable contribution to the Company's product marketing in the USA and Canada was made by its USA subsidiary SAF North America. As the demand for the products of SAF Tehnika is increasing on the North American market, on 1 October 2014 sales to the North American customers were commenced through a subsidiary (until that date the subsidiary provided warehouse and logistics services, while sales were provided by the parent company throughout the world). Increase in sales in the American, European and CIS markets compensated the 34% decrease in sales in Asia, Middle East and Africa, where the competition in the wireless data transmission equipment market is still tough.

Export accounts for 97.13% of the turnover and constituted EUR 11.9 million. In the reporting period the Company's products were exported to 89 countries worldwide.

To promote the recognition of SAF brand, to introduce the existing and potential customers with SAF products and solutions, the Company continued an active participation in the most significant industry exhibitions in Europe, America and Africa. Particular attention was paid to *Spectrum Compact* product line, as well as the latest product developed by the Company – the world's first pocket size microwave signal generator – a device which is necessary to install and test antennas, to test visibility and analyse various microwave systems and perform measurements.

The Company's export activities were supported by the Investment and Development Agency of Latvia that co-financed participation in some of the industry exhibitions.

In the reporting period, the highest demand existed for CFIP products, of which *Lumina, Integra*, *FreeMile* and *Marathon* were the best selling items. There is a growing demand for the latest products - *Spectrum Compact* product series - measuring equipment for data transmission network engineers.

During the reporting year SAF Tehnika purchased the remaining 50% shares of SAF Services, thus becoming the sole owner of SAF Services. In the future the company plans on using SAF Services to market other new products of SAF Tehnika in the North American market.

The Company's net cash flow as at the year-end (except for interest payments) amounted to EUR 3.76 million. The Company has reserved part of the free cash funds in the amount of EUR 1.89 million for short-term investments, thus the Company's net cash flows for the 12 months of the financial year were negative and amounted to EUR 316 thousand.

During the reporting year the Company invested EUR 422 thousand to purchase IT infrastructure, production and development equipment, software and licences, as well as to certify products.

The Company's financial result for the reporting year 2014/2015 was a profit of EUR 1 223 thousand.

Management Report (continued)

Research and development

In a long term, the Company's precondition and key to success is its ability to constantly develop its products. In the reporting year, development of the INTEGRA product line was continued by expanding the offer in various frequency bands, and solutions were found to improve functionality and quality indicators and to reduce manufacturing costs. Understanding the customers' wish to reduce the time and money spent on installation of data transmission equipment, and identifying the lack of easily-usable auxiliary equipment in the market, the Company continued working on the development of new versions of the spectrum analyzer *Spectrum Compact. Also*, development of new products is underway. In the reporting period, the Company's product development efforts were co-funded by LEO Pētījumu centrs in the amount of EUR 404 thousand.

Future perspectives

SAF Tehnika is a company that has been able to gain long-term experience and knowledge in microwave radio. In response to customer demands, the Company is able to provide excellent quality products to a wide range market, and successfully develop niche solutions. The Company is financially stable and able to function in the current economic conditions. The Company's task is to continue to develop next generation data transmission equipment, focusing on advancement of functionality, reduction of production costs, customer satisfaction, efficient production and improving of internal processes. The objective is to stabilize sales to achieve positive net results in the long term.

The Company remains financially stable and has a positive outlook for the next financial year; however the Board of SAF Tehnika refrains from making any announcements on future sales and financial results.

The Board's suggestion regarding profit distribution

The Board of the Company suggests that dividends in the amount of EUR 1 million be distributed to shareholders, and EUR 223 thousand be retained undistributed.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Riga, 29 October 2015

STATEMENT OF THE BOARD'S RESPONSIBILITIES

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

The financial statements set out on pages 9 to 42 are prepared in accordance with the source documents and present fairly the financial position of the Company as at 30 June 2015 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 Company's assets and the prevention and detection of fraud and other irregularities in the Company. The Board is also responsible for the compliance with the Latvian state laws.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Riga, 29 October 2015

KPMG Baltics SIA
Vesetas iela 7
Riga LV 1013
Latvia

Phone +371 670 380 00
Fax +371 670 380 02
Internet: www.kpmg.lv

Independent Auditors' Report

To the shareholders of A/S SAF Tehnika

Report on the Financial Statements

We have audited the accompanying financial statements of A/S SAF Tehnika ("the Company"), which comprise the statement of financial position as at 30 June 2015, the statements of profit and loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes, comprising a summary of significant accounting policies and other explanatory notes, as set out on pages 9 to 42.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 30 June 2015, and of its financial performance and its 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 Management Report, as set out on pages 4 to 5, the preparation of which is the responsibility of management, is consistent with the financial statements. Our work with respect to the Management Report was limited to the aforementioned scope and did not include a review of any information other than drawn from the financial statements of the Company. In our opinion, the management report is consistent with the financial statements.

KPMG Baltics SIA
License No 55

Armine Movsisjana
Member of the Board
Sworn Auditor
Certificate No 178
Riga, Latvia
29 October 2015

Statement of Financial Position

	Note	30 June 2015 EUR	30 June 2014 EUR
ASSETS			
Non-current assets			
Fixed assets	6	594 408	520 822
Intangible assets	6	186 092	208 171
Investments in subsidiaries and joint ventures	7	32 893	61 745
Investments in other companies	7	2 148	1 188
Long term trade receivables	9	18 303	53 526
Deferred tax asset	13	78 266	98 684
Total long term investments		**912 110**	**944 136**
Current assets			
Stock	8	4 470 897	4 498 753
Corporate income tax receivable	26	118	69 194
Trade receivables	9	952 143	1 890 122
Due from related parties	9	862 014	44 393
Other receivables	10	348 047	261 620
Prepaid expenses		71 413	108 822
Loans	29	-	180 581
Placements with banks	11	1 893 735	-
Cash and cash equivalents	12	3 762 995	4 078 828
Total current assets		**12 361 362**	**11 132 313**
Total assets		**13 273 472**	**12 076 449**
SHAREHOLDERS' EQUITY			
Share capital	14	4 158 252	4 226 185
Share premium		2 851 725	2 851 725
Other reserves		8 530	-
Retained earnings		4 384 016	3 279 953
Total shareholders' equity		**11 402 523**	**10 357 863**
LIABILITIES			
Current liabilities			
Trade and other payables	15	624 386	880 883
Provisions	15	18 211	14 643
Other liabilities	15	934 486	684 961
Due to related parties		4 311	25 908
Corporate income tax	26	134 433	-
Loans	16	8 375	6 781
Deferred income	17	146 747	105 410
Total liabilities		**1 870 949**	**1 718 586**
Total equity and liabilities		**13 273 472**	**12 076 449**

The accompanying notes on pages 14 to 42 form an integral part of these financial statements.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Riga, 29 October 2015

Statement of Profit or Loss and Other Comprehensive Income

		For the year ended 30 June	
	Note	**2015 EUR**	**2014 EUR**
Net sales	18	12 252 138	12 025 751
Cost of goods sold	19	(8 571 032)	(9 272 062)
Gross profit		**3 681 106**	**2 753 689**
Sales and marketing expenses	20	(1 891 458)	(1 982 730)
Administrative expenses	21	(1 040 517)	(795 836)
Profit/(loss) from operating activities		**749 131**	**(24 877)**
Other income	22	471 173	330 149
Impairment of long term investment	7	(43 984)	(36 568)
Financial income	23	237 461	19 411
Financial expenses	24	-	(144 680)
Net financial income/(expenses)		**237 461**	**(125 269)**
Profit before tax		**1 413 781**	**143 435**
Corporate income tax	25	(190 911)	(24 510)
Profit for the reporting year		**1 222 870**	**118 925**
Other comprehensive income		-	-
Total comprehensive income		**1 222 870**	**118 925**
Profit per share attributable to the shareholders of the Company (EUR per share)			
– basic and diluted profit per share	27	0.412	0.040

The accompanying notes on pages 14 to 42 form an integral part of these financial statements.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Riga, 29 October 2015

Statement of Changes to the Shareholders' Equity

	Share capital EUR	Share premium EUR	Other reserves EUR	Retained earnings EUR	Total EUR
Balance as at 30 June 2013	**4 226 185**	**2 851 725**	**-**	**3 161 028**	**10 238 938**
Transactions with owners of the Company, recognised in Equity	**-**	**-**	**-**	**-**	**-**
Total comprehensive income	**-**	**-**	**-**	**118 925**	**118 925**
Profit for the reporting year	-	-	-	118 925	118 925
Other comprehensive income	-	-	-	-	-
Balance as at 30 June 2014	**4 226 185**	**2 851 725**	**-**	**3 279 953**	**10 357 863**
Transactions with owners of the Company, recognised in Equity	**(67 933)**	**-**	**8 530**	**(118 807)**	**(178 210)**
Dividends for 2013/2014	**-**	**-**	**-**	(118 807)	(118 807)
Denomination of shares	(67 933)	-	8 530	-	(59 403)
Total comprehensive income	**-**	**-**	**-**	**1 222 870**	**1 222 870**
Profit for the reporting year	**-**	**-**	**-**	1 222 870	1 222 870
Other comprehensive income	**-**	**-**	**-**	-	-
Balance as at 30 June 2015	**4 158 252**	**2 851 725**	**8 530**	**4 384 016**	**11 402 523**

The accompanying notes on pages 14 to 42 form an integral part of these financial statements.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Riga, 29 October 2015

Statement of Cash Flows

	Note	For the year ended 30 June 2015 EUR	2014 EUR
Profit/(loss) before taxes		1 413 781	143 435
Adjustments for:			
- depreciation	6	290 664	323 756
- amortization	6	79 572	84 085
- changes in adjustments to stock	8	20 473	(147 159)
- changes in provisions for guarantees	15	3 568	(2 049)
- changes in accrued liabilities for unused vacations	15	27 009	3 179
- changes in provisions for bonuses		-	(71 144)
- changes in doubtful debt allowances	21	(51 950)	(24 707)
- interest income	23	(734)	(19 411)
- government grants	22	(432 130)	(297 609)
- (profit)/loss on disposal of fixed assets		(7 237)	6 005
- - loss from long term investment revaluation		43 984	36 568
Operating profit/(loss) before changes in current assets		**1 387 000**	**34 949**
(Increase)/decrease in stock		7 383	(99 799)
(Increase)/decrease in receivables		184 000	933 169
Increase/(decrease) in payables		54 953	(108 382)
Cash from operating activities		**1 633 336**	**759 937**
Government grants	22	406 643	111 957
Corporate income tax paid	26	(1 598)	(69 194)
Corporate income tax paid abroad	25	(34 580)	-
Net cash flows from operating activities		**2 003 801**	**802 700**
Cash flows from investing activities			
Purchase of fixed assets		(364 480)	(155 456)
Proceeds of disposal of fixed assets		7 467	48
Purchase of intangible assets		(57 493)	(86 168)
Interest income		1 315	24 345
Investments in other companies		(960)	-
Investments in subsidiaries		(15 132)	(29 851)
Loans issued		-	-
Loans repayment received		180 000	180 000
Net deposits received from placements with banks/ (placed with banks)		(1 893 735)	590 581
Net cash flows from investing activities		**(2 143 018)**	**523 499**

The accompanying notes on pages 14 to 42 form an integral part of these financial statements.

Statement of Cash Flows (continued)

	Notes	For the year ended 30 June 2015 EUR	2014 EUR
Cash flows used in financing activities			
Loans received / (repaid)		1 594	(7 300)
Dividends paid		(118 807)	-
Paid as a result of denomination of shares		(59 403)	-
Net cash flows used in financing activities		**(176 616)**	**(7 300)**
Net increase of cash and cash equivalents		**(315 833)**	**1 318 899**
Cash and cash equivalents at the beginning of the year		4 078 828	2 759 929
Cash and cash equivalents at the end of the year	12	**3 762 995**	**4 078 828**

The accompanying notes on pages 14 to 42 form an integral part of these financial statements.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Riga, 29 October 2015

Notes to the financial statements

1. General information

The core business activity of SAF Tehnika A/S (hereinafter – the Company) is the design, production and distribution of microwave radio data transmission equipment offering an alternative to cable channels. The Company 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 Company's products and services, marketing, market research, attraction of new clients and technical support in North America is provided by a 100% subsidiary SAF North America LLC.

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

The Company is a public joint stock company incorporated under the laws of the Republic of Latvia. Its legal address is Ganību dambis 24a, Riga, LV-1005.

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

These financial statements were approved by the Company's Board on 29 October 2015. The financial statements will be presented for approval to the shareholders' meeting. The shareholders have the power to reject the financial statements prepared and issued by management and the right to request that new financial statements be issued.

2. Summary of accounting principles used

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

These are the Company's separate financial statements reflecting the investments in subsidiaries and joint ventures at their cost less impairment. The consolidated financial statements of the Company will be prepared separately. The previous sets of separate and consolidated financial statements were prepared for the financial year ended 30 June 2014 and are available at the Company's headquarters on Ganību dambis 24a, Riga, Republic of Latvia and at the Company's website: www.saftehnika.com.

A Accounting principles

These financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union.
The financial statements have been prepared under the historical cost convention less impairment (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 that for the first time are applicable to financial statements for year ended 30 June 2015:

(i) 10. IFRS 10 "Consolidated financial statements" (2011)

IFRS 10 (2011) introduces a new control model that focuses on whether the Company has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

In accordance with the transitional provisions of IFRS 10 (2011), the Company reassessed the control conclusion for its investees at 1 January 2014. The Company concluded that there were no changes in control assessment as a consequence of the new rules introduced by IFRS 10 (2011).

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

(ii) 11. IFRS 11 Joint Arrangements

Under IFRS 11, the structure of the joint arrangement, although still an important consideration, is no longer the main factor in determining the type of joint arrangement and therefore the subsequent accounting.

- The Company's interest is a joint operation, which is an arrangement in which the parties have rights to the assets and obligations for the liabilities, will be accounted for on the basis of the Company's interest in those assets and liabilities.
- The Company's interest in a joint venture, which is an arrangement in which the parties have rights to the net assets, will be equity-accounted.

As at 30 June 2015 the Company is not a party to any joint venture.

(iii) 12. IFRS 12 "Disclosure of interests in other entities"

IFRS 12 brings together into a single standard all the disclosure requirements about an entity's interest in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In accordance with IFRS 12 the Company is required to provide extended disclosures on its investments in subsidiaries (Note 7).

(iv) 21. IFRIC 21 Levies (effective for annual periods beginning on or after 17 June 2014).

The Interpretation provides guidance as to the identification of the obligating event giving rise to a liability, and to the timing of recognising a liability to pay a levy imposed by government. In accordance with the Interpretation, the obligating event is the activity that triggers the payment of that levy, as identified in the relevant legislation and as a consequence, the liability for paying the levy is recognised when this event occurs. The liability to pay a levy is recognised progressively if the obligating event occurs over a period of time. If the obligating event is the reaching of a minimum activity threshold, the corresponding liability is recognised when that minimum activity threshold is reached. The Interpretation sets out that an entity cannot have a constructive obligation to pay a levy that will be triggered by operating in a future period as a result of the entity being economically compelled to continue to operate in that future period. This interpretation does not have a material impact on the Company's financial statements.

(v) Other amendments to standards

The following amendments to standards with effective dates from 1 January 2014 did not have any impact on these consolidated financial statements:

- Amendments to IAS 32 on Offsetting Financial Assets and Financial Liabilities
- Amendments to IAS 36 on Recoverable Amount Disclosures for Non-Financial Assets
- Amendments to IAS 39 on Novation of Derivatives and Continuation of Hedge Accounting.

B 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 Company's functional currency, was replaced by the euro. As a result, the Company converted its financial accounting to euros as from 1 January 2014 and the financial statements for subsequent years will be prepared and presented in euros.

(b) Transactions and balances

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

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

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

	30.06.2015	**30.06.2014**
1 USD	1.118900	1.365800
1 GBP	0.711400	0.801500

C Fixed assets

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

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

Where an item of fixed asset has different useful live as the other items of the same fixed asset, they are accounted for as separate items of fixed assets.

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

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
Vehicles	20
Other equipment and machinery	20 - 50

Capital repair costs on leased fixed assets are written off on a straight line basis during the shortest of the useful lifetime of the capital repairs and the period of lease.
The assets residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount exceeds its estimated recoverable amount (see Note F).

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

D Intangible assets

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

(b) Software
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.

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

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

F Impairment of long term investments

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 Company's fixed 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, then 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 Company's assets are allocated to two cash generating units that are identified as Company's operating segments (see Note 18). 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.

G Operating segments

Information on the Company's operating segments is disclosed in Note 18. 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 Company's headquarters), head office expenses, and tax assets and liabilities.

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

H Government grants

Government grants are recognized where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants are systematically recognized as income in the respective periods in order to balance them with compensated expenses thus recognizing receivables. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss statement over the expected useful life of the relevant asset by equal annual instalments.

Within the framework of the contract signed between SAF Tehnika AS and LEO Pētījumu centrs SIA a cooperation project on a competence centre for the Latvian industry of manufacturing electrical and optical devices is being implemented, regarding which LEO Pētījumu centrs SIA has signed a contract with State Agency Latvian Investment and Development Agency in order to obtain financing from the European Regional Development Fund As part of the above project, SAF Tehnika AS is conducting three 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. The projects will be implemented in a year's 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 in order to compensate the costs incurred. In case the co-financing is granted, however the cash is not yet received, respective receivables are recognized in Statement of Financial Position under Other receivables.

I Stock

Stock is stated at the lower of cost or net realizable value. Cost is measured 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.

J Financial instruments

The Company's financial instruments consist of trade receivables, investments in subsidiaries and joint ventures, investments in other companies' equity, other receivables, cash and cash equivalents, borrowings, trade payables and other payables and derivatives. Investments in other companies' equity are classified as available for sale. All other financial assets except for investments in subsidiaries, joint ventures and derivatives are classified as loans and receivables but liabilities – as liabilities at amortised cost.

Financial instruments except for derivatives are initially recognised on the date that they are originated 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 Company has transferred substantially all risks and rewards of ownership. Financial liabilities are derecognized if the Company'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 Company estimates future cash flows considering all contractual terms of the financial instruments. An allowance for impairment of loans and receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

J Financial instruments (continued)

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 provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of the asset is reduced and the amount of the loss is recognised in the profit or loss statement. When a loan, receivables and other debts are uncollectible, it is written off.

Available for sale financial investments

Financial investments available-for-sale are acquired to be held for an indefinite period of time. Financial investments, whose market value is not determined in an active market and whose fair value cannot be reliably measured, are carried at acquisition cost less impairment. All other financial investments available-for-sale are carried at fair value.

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.

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

K 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.

L Share capital

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

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

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

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

N Employee benefits

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

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

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

(c) Provision of extended warranty service
The Company 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.

P Leases

Leases of fixed assets 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.

Q Payment of dividends

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

R 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 and expense are recognized in profit or loss as they accrue, taking into account the effective interest rate of the asset/liability. The interest expenses of finance lease payments are recognized in profit or loss using the effective interest rate method.

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

New Standards and Interpretations not yet adopted

The following new Standards and Interpretations are not yet effective for the year ended 30 June 2015 and have not been applied in preparing these financial statements:

(i) IAS 19 Employee Benefits (effective for annual periods beginning on or after 01 February 2015)
The amendments are relevant only to defined benefit plans that involve contributions from employees or third parties meeting certain criteria. When these criteria are met, a company is permitted (but not required) to recognise them as a reduction of the service cost in the period in which the related service is rendered.
The Company does not expect the amendment to have any impact on the financial statements since it does not have any defined benefit plans that involve contributions from employees or third parties.

(ii) Annual amendments to IFRS.

The annual amendments to standards include 11 amendments to 9 standards which give rise to amendments to other standards and interpretations. Most of these amendments are applicable to reporting periods beginning or after 1 February 2015, earlier application of these standards is permitted. Four amendments to four standards are applicable to reporting periods beginning or after 1 January 2015, earlier application of these standards is permitted.

These standards and interpretations are not expected to have a material impact on the Company's financial statements.

3. Financial risk management

(1) Financial risk factors

The Company's activities expose it to a variety of financial risks:
(a) foreign currency risk;
(b) credit risk;
(c) liquidity risk;
(d) interest rate risk.

The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise its potential adverse effects on the Company's financial performance. The Company uses derivative financial instruments to hedge certain risk exposures. The responsibility for risk management lies with the Finance Department. The Finance Department identifies and evaluates risks and seeks for solutions to avoid financial risks in close co-operation with other operating units of the Company. Financial risks are managed both on Company and consolidated level.

(a) Foreign currency risk
The Company 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 Company 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 entity's functional currency. The Finance Department analyses the net open position in each foreign currency. The Company might decide to enter to forward foreign currency contracts or to maintain borrowings (in form of credit line) in appropriate currency and amount.

Notes to the financial statements (continued)

3. Financial risk management (continued)

(1) Financial risk factors (continued)

The following schedule summarises net open positions for currencies expressed in EUR as at 30 June 2015:

	EUR	USD	Other currencies	Total
Financial assets				
Gross trade receivables	690 447	1 152 663	-	1 843 110
Placements with banks	1 000 000	893 735	-	1 893 735
Cash and cash equivalents	2 757 249	1 005 746	-	3 762 995
Total	**4 447 696**	**3 052 144**	**-**	**7 499 840**
Financial liabilities				
Liabilities	(320 330)	(289 034)	(259)	(609 623)
Other payables	(14 763)	-	-	(14 763)
Loans	(8 375)	-	-	(8 375)
Total	**(343 468)**	**(289 034)**	**(259)**	**(632 761)**
Net open positions	**4 104 228**	**2 763 110**	**(259)**	**6 867 079**

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	1 153 288	4 223	4 078 828
Total	**3 967 913**	**2 464 021**	**4 223**	**6 436 157**
Financial liabilities				
Liabilities	(406 666)	(216 863)	-	(623 529)
Other payables	(253 892)	(3 462)	-	(257 354)
Loans	(1 977)	(4 804)	-	(6 781)
Total	**(662 535)**	**(225 129)**	**-**	**(887 664)**
Net open positions	**3 305 378**	**2 238 892**	**4 223**	**5 548 493**
Financial assets				

Sensitivity analysis

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

	2014/2015 effect in EUR	2013/2014 effect in EUR
USD	276 311	223 889
	276 311	**223 889**

Notes to the financial statements (continued)

3. Financial risk management (continued)

(1) Financial risk factors (continued)

(b) Credit risk

The Company has significant exposure of credit risk with its customers. The Company's policy is to ensure that wholesale of products is carried out with customers having appropriate credit history. If the customers are residing in countries with high credit risk, then Letters of Credit issued by reputable credit institutions are used as credit risk management instruments. In situations where no Letters of Credit can be obtained from reputable credit institutions, the prepayments from the customers are requested 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 2015, the Company's credit risk exposure to a single customer amounted to 9.18% of the total short and long-term receivables and 5.91% from total net sales (30.06.2014: 11.01% and 2.7 % accordingly). With respect to credit risk arising from the other financial assets of the Company, which comprise cash and cash equivalents, the Company's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company's maximum credit risk exposure amounts to EUR 7 943 809 or 59.85% of total assets (30 June 2014: EUR 6 750 019 or 55.89% of total assets).

For more information on the Company's exposure to credit risk please refer to Note 9.

(c) Liquidity risk

The company follows a prudent liquidity risk management and hence maintain a sufficient quantity of money. The Company current liquidity ratio is 6.6 (30.06.2014: 6.5), quick liquidity ratio is 4.2 (30.06.2014: 3.9). The Company's management monitors liquidity reserves for the operational forecasting, based on estimated net cash flows. Most of the Company's liabilities are short term.

Management believes that the Company will have sufficient liquidity to be generated from operating activities and does not see significant exposure to liquidity risk.
For more information on the Company's exposure to liquidity risk please refer to Note 15.

(d) Interest rate risk

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

(2) Accounting for derivative financial instruments

The Company uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which derivative contract is entered to and are subsequently re-measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.
Any 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 2015 and 30 June 2014 the Company did not have any open derivative financial instruments agreements.

Notes to the financial statements (continued)

3. Financial risk management (continued)

(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 Company has access at that date. The fair value of liabilities represent default risk.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. Fair value is classified in various levels in the fair value hierarchy according to data used in measurement methods:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

Level 1 includes cash and its equivalents. Cash and cash equivalents are financial assets with maturities below 3 months. The Company believes that the fair value of these financial assets correspond to their face value on the date of recognition and carrying amount at any of the subsequent dates.

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

Level 3 include trade receivables, due from related parties, other debts, other financial assets, trade payables and other payables, due to related parties, loans and other financial liabilities. These financial assets and liabilities usually mature in six months, therefore the Company believes that the fair value of these financial assets corresponds to their face value on the date of recognition and carrying amount at any of the subsequent dates.

Notes to the financial statements (continued)

4. Management of the capital structure

The Company manages its capital to ensure that the Company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The capital structure indicator of the Company consists of debt, which includes the borrowings disclosed in Note 16, cash and cash equivalents and equity, comprising issued capital, retained earnings and share premium. The gearing ratio at the year-end was as follows:

	30/06/2015 EUR	30/06/2014 EUR
Debt	1 870 949	1 718 586
Cash	(3 762 995)	(4 078 828)
Net debt	**(1 892 046)**	**(2 360 242)**
Shareholders' equity	**11 402 523**	**10 357 863**
Debt to equity ratio	16%	17%
Net debt* to equity ratio	-17%	-23%

* 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 Company performs impairment tests for items of fixed and intangible assets. According to these tests assets are written down to their recoverable amounts, if necessary. When carrying out impairment tests management uses various estimates for the cash flows arising from the use of the assets, sales, maintenance, and repairs of the assets, as well as in respect of the inflation and growth rates. If the situation changes in the future, either additional impairment could be recognised, or the previously recognised impairment could be partially or fully reversed. See also Note 2F.
As at the reporting date there are no indications of impairment of fixed and intangible assets. The Company's cash flows from operating activities in the reporting year amount to EUR 1 989 thousand (2013/2014: EUR 803 thousand). SAF Tehnika will continue pursuing its strategy to develop competitive wireless data transmission products and solutions for new export markets, and maintain the current sound financial position and control over the production process with the aim to increase sales and profitability.

Impairment of loans and receivables
The Company 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 2J.

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

Notes to the financial statements (continued)

5. Key estimates and assumptions (continued)

Provisions and accruals

Provisions are recognized when the Company 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 Company to settle the obligation, and the amount of obligation can be measured reasonably. If the Company 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 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 2015 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 amounts are reduced to the extent that it is no longer probable that the related tax benefit will be realised. See also Note 2M.

Notes to the financial statements (continued)

6. Fixed and intangible assets

	Software and licenses	Leasehold improvements in leased fixed assets	Equipment and machinery	Other fixed assets	Total
	EUR	EUR	EUR	EUR	EUR
Reporting year ended 30 June 2014					
Opening balance	201 639	283 184	197 167	219 273	901 263
Acquisitions	90 617	-	131 090	19 917	241 624
Disposals	-	-	(1 166)	(4 887)	(6 053)
Charge for the period	(84 085)	(119 400)	(141 459)	(62 897)	(407 841)
Closing balance	**208 171**	**163 784**	**185 632**	**171 406**	**728 993**
Reporting year ended 30 June 2015					
Opening balance	208 171	163 784	185 632	171 406	728 993
Acquisitions	57 493	-	269 438	95 042	421 973
Disposals	-	-	(226)	(4)	(230)
Charge for the period	(79 572)	(96 665)	(125 230)	(68 769)	(370 236)
Closing balance	**186 092**	**67 119**	**329 614**	**197 675**	**780 500**
30 June 2013					
Historical cost	1 052 632	1 113 869	3 251 299	740 600	6 158 400
Accumulated depreciation	(850 993)	(830 685)	(3 054 132)	(521 327)	(5 257 137)
Carrying amount	**201 639**	**283 184**	**197 167**	**219 273**	**901 263**
30 June 2014					
Historical cost	1 140 750	1 113 869	3 277 359	752 964	6 284 942
Accumulated depreciation	(932 579)	(950 085)	(3 091 727)	(581 558)	(5 555 949)
Carrying amount	**208 171**	**163 784**	**185 632**	**171 406**	**728 993**
30 June 2015					
Historical cost	874 480	1 113 869	3 501 305	755 302	6 244 956
Accumulated depreciation	(688 388)	(1 046 750)	(3 171 691)	(557 627)	(5 464 456)
Carrying amount	**186 092**	**67 119**	**329 614**	**197 675**	**780 500**

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

Historical cost of disposals for the reporting year ended 30 June 2015 is EUR 542 040 and accumulated depreciation EUR 541 810 (2013/2014: EUR 115 081 and EUR 109 027 accordingly).

Depreciation of EUR 169 741 is included in the profit or loss statement item *Cost of sales* (2013/2014: EUR 171 344); depreciation of EUR 120 295 in *Sales and marketing costs* (2013/2014: EUR 160 842); and depreciation of EUR 80 200 in *Administrative expenses* (2013/2014: EUR 75 655), including depreciation of EUR 210 under O*ther administrative expenses* (2013/2014: EUR 188).

The acquisition costs of fully depreciated fixed assets that is still in use at the reporting date amounted to EUR 3 671 091 (2013/2014: EUR 4 082 178).

In the reporting year ending 30 June 2015, the *Equipment and machinery* group includes items bought with EU co-financing and have restrictions in their usage in operations for the total amount of EUR 64 983 (2013/2014: EUR 64 983). As at 30 June 2015 fixed assets are fully amortized. The restrictions apply until December 2014.

Notes to the financial statements (continued)

7. Investments in companies

Name		Investment in equity
	30/06/2015	30/06/2014
	%	%
LEO Pētījumu centrs SIA	10	10
SAF North America LLC	100	100
SAF Sevices LLC	100	50
LEITC SIA	16.75	16.75
Zinātnes parks SIA	24	-

	EUR
Balance at 30.06.2013	**69 650**
Acquired during 2013/2014	29 851
Impairment in 2013/2014	(36 568)
Balance at 30.06.2014	**62 933**
Acquired during 2014/2015	1 092
Acquired during 2014/2015	15 000
Impairment in 2014/2015	(43 984)
Balance at 30.06.2015	**35 041**

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

SAF North America LLC is a 100% subsidiary of the Company that operates in Denver, USA, that started active operations in the spring of 2012 and promotes the Company's products and services, performs marketing, market research, attraction of new clients and provides technical support in North America. Since 1 October 2014 the subsidiary is engaged in the distribution of goods in the North American region. As at 30 June 2015 the share capital of the subsidiary amounted to EUR 32 893 (2013/2014: EUR 32 893). 100% participation ensures absolute control of the subsidiary's assets and liabilities.

In August 2012, a joint of the Company, SAF Services LLC began operations in North America and the Company invested in it EUR 65 552 which was a 50% holding. The objective of establishing SAF Services LLC was to provide local clients with services connected with the creation, long-term maintenance and management of data transmission networks. Joint control is established through equal voting rights and contractual arrangement. In April 2015 the Company became the sole owner of SAF Services LLC. During 2014/2015 the Company's investment in SAF Services LLC share capital was increased by EUR 132 and as at 30 June 2015 its gross value amounted to EUR 65 552 (2013/2014: EUR 65 420). 100% participation ensures absolute control of the subsidiary's assets and liabilities.

In September 2012, the Company acquired the shares of LEITC SIA (Latvijas Elektronikas iekārtu testēšanas centrs) and became the owner of 16.75% shares through an investment of EUR 477. The mission of LEITC is to support research of electromagnetic compatibility (EMC) and educational projects that aim to expand the knowledge base, the range of equipment and to set up a group of specialists capable of addressing today's and future EMC issues.

Zinātnes parks is a limited liability company founded in April 2015 by the leading companies of electronics, telecommunications and optics industry. The aim of *Zinātnes parks* is to commence creating infrastructure for the next decade research, innovations and knowledge economics in cooperation with the industry's association and competence centres. The Company has invested EUR 960 in its share capital and has become the owner of 24% of its shares.

Notes to the financial statements (continued)

8. Stock

	30/06/2015 EUR	30/06/2014 EUR
Raw materials	1 620 899	1 396 275
Work in progress	1 844 853	1 620 329
Finished goods	1 005 145	1 482 149
	4 470 897	**4 498 753**

During the reporting year, write-down for the increase of net realizable value of EUR 20 473 (2013/2014: reversal of EUR 147 159) was recognised and included in cost of sales.

The item *Finished goods* within Stock include fixed assets 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 2015 the value of equipment sent due to the above reasons amounted to EUR 60 057 (2013/2014: EUR 186 559).

Included under stock items “Work in Progress” and “Finished goods” are Salary expenses (including accruals for vacation pay) in amount of EUR 11 545 (2013/2014: EUR 21 599), Social insurance (including accruals for vacation pay) in amount of EUR 2 853 (2013/2014: EUR 5 197) and depreciation and amortization expenses in amount of EUR 2 788 (2013/2014: EUR 3 870).

9. Trade receivables

	30/06/2015 EUR	30/06/2014 EUR
Long term trade receivables	**18 303**	**53 526**
Trade receivables	962 793	2 259 410
Due from related parties	862 014	44 393
Allowances for bad and doubtful trade receivables	(10 650)	(369 288)
Short-term trade receivables, net	**1 814 157**	**1 934 515**
Total trade receivables, net	**1 832 460**	**1 988 041**

As at 30 June 2015, 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 51 950 (2013/ 2014: decrease EUR 24 707).

Long-term receivables mature on 31 March 2022.

Movement in allowances for bad and doubtful trade receivables

	EUR
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**
Written-off	(306 688)
Additional allowances	4 094
Recovered debts	(56 044)
Allowances for bad and doubtful trade receivables as at 30 June 2015	**10 650**

Notes to the financial statements (continued)

9. Trade receivables (continued)

Split of Trade receivables by currencies expressed in EUR

	30/06/2015 EUR	30/06/2015 %	30/06/2014 EUR	30/06/2014 %
USD	1 152 663	62.54	1 310 733	55.60
EUR	690 447	37.46	1 046 596	44.40
Total trade receivables	**1 843 110**	**100%**	**2 357 329**	**100%**

Ageing analysis of Trade receivables

	30/06/2015 Gross EUR	30/06/2015 Allowance EUR	30/06/2014 Gross EUR	30/06/2014 Allowance EUR
Not overdue	682 249	-	1 521 868	-
Overdue by 0 – 89 days	1 151 417	(1 205)	468 365	(2 192)
Overdue by 90 and more days	9 444	(9 445)	367 096	(367 096)
Total trade receivables	**1 843 110**	**(10 650)**	**2 357 329**	**(369 288)**

10. Other receivables

	30/06/2015 EUR	30/06/2014 EUR
Government grants*	251 707	226 220
Overpaid value added tax (see Note 26)	26 037	-
Advance payment to suppliers	45 028	26 626
Other receivables	25 275	8 774
	348 047	**261 620**

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

11. Placements with banks

	30/06/2015 EUR	30/06/2014 EUR
Deposits	1 893 735	-
	1 893 735	**-**

As at 30 June 2015 free cash resources were deposited in short term deposits with maturity exceeding 90 days. The average maturity of deposits as at 30 June 2015 is 6 months. The average annual interest rate for short-term placements in euros is 0.2% and in other currencies – 0.7%. As at 30 June 2014 free cash resources with the initial maturity exceeding 90 days were not deposited.

Notes to the financial statements (continued)

11. Placements with banks (continued)

Split of Deposits by currencies expressed in EUR

	30/06/2015 EUR	30/06/2015 %	30/06/2014 EUR	30/06/2014 %
EUR	1 000 000	52.81	-	-
USD	893 735	47.19	-	-
Deposits	**1 893 735**	**100%**	**-**	**-**

Split of Deposits by banks

	30/06/2015 EUR	30/06/2014 EUR
DNB Banka AS	1 893 735	-
Deposits	**1 893 735**	**-**

12. Cash and cash equivalents

	30/06/2015 EUR	30/06/2014 EUR
Cash in bank	3 762 995	4 078 828
	3 762 995	**4 078 828**

Split of cash and cash equivalents by currencies expressed in EUR

	30/06/2015 EUR	30/06/2015 %	30/06/2014 EUR	30/06/2014 %
USD	1 005 746	26.73	1 153 288	28.28
EUR	2 757 249	73.27	2 921 317	71.62
GBP	-	-	4 223	0.10
Cash and cash equivalents	**3 762 995**	**100%**	**4 078 828**	**100%**

Split of cash and cash equivalents by banks

	30/06/2015 EUR	30/06/2014 EUR
Swedbank AS	591 937	1 013 185
Nordea Bank AB Latvia branch	3 168 749	2 396 746
JP Morgan Chase bank	-	302 776
DNB Banka AS	1 428	366 117
SEB Banka AS	881	-
Other banks	-	4
	3 762 995	**4 078 828**

Notes to the financial statements (continued)

13. 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 30/06/2013 EUR	Recognized in profit or loss 2013/2014 EUR	Balance at 30/06/2014 EUR	Recognized in profit or loss 2014/2015 EUR	Balance at 30/06/2015 EUR
Temporary difference on fixed asset depreciation and intangible asset amortisation	19 842	7 324	27 166	12 685	39 851
Tax losses carried forward	-	(13 154)	(13 154)	13 154	-
Temporary difference in the accrued liabilities for unused vacations	(28 375)	(477)	(28 852)	(4 052)	(32 904)
Temporary difference on adjustment of valuation of inventories	(101 485)	22 075	(79 410)	(3 071)	(82 481)
Temporary difference on provisions for guarantees	(2 504)	308	(2 196)	(536)	(2 732)
Temporary difference in the provision for returned goods	-	(2 238)	(2 238)	2 238	-
Temporary difference on provisions for bonuses	(10 672)	10 672	-	-	-
Temporary difference for provisions on doubtful debts	(75 988)	20 595	(55 393)	51 951	(3 442)
Unrecognized temporary differences related to foreign trade receivables recoverability	75 988	(20 595)	55 393	(51 951)	3 442
Deferred tax (asset), net	**(123 194)**	**24 510**	**(98 684)**	**20 418**	**(78 266)**

Notes to the financial statements (continued)

14. Share capital

In December 2014, the Company denominated its shares from lats to euros and determined that the share capital after denomination consisted of 2 970 180 shares with the nominal value of EUR 1.40 per share. The denomination resulted in a positive difference of EUR 8 530 which is recognized in the Company's reserves and EUR 59 403 paid to the shareholders with EUR 0.02 per each share.

As at 30 June 2015, the registered and paid-up share capital is EUR 4 158 252 and consists of 2 970 180 ordinary bearer shares with unlimited voting rights (2013/ 2014: 2 970 180 shares).

15. Payables, provisions and other liabilities

	30/06/2015 EUR	30/06/2014 EUR
Trade accounts payable	609 623	623 529
Other accounts payable	14 763	257 354
Trade and other payables	**624 386**	**880 883**
Provisions for guarantees	18 211	14 643
Provisions	**18 211**	**14 643**
Accrued liabilities for unused vacations	219 358	192 349
Customer advances	303 675	216 086
Taxes and social security payments (See Note 26)	87 581	116 155
Other liabilities	323 872	160 371
Other liabilities	**934 486**	**684 961**
Total Trade payables, provisions and other liabilities	**1 577 083**	**1 580 487**

During the reporting period the increase in accrued liabilities for unused vacation pay included in profit or loss amounted to EUR 27 009 (2013/2014: increase of EUR 3 179).

Movement in provisions

	Warranties EUR	Bonuses EUR	Total EUR
Balance at 30.06.2013	**16 692**	**71 144**	**87 836**
Provisions used during the year	(2 049)	(71 144)	(73 193)
Balance at 30.06.2014	**14 643**	**-**	**14 643**
Provisions made during the year	3 568	-	3 568
Balance at 30.06.2015	**18 211**	**-**	**18 211**

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

Notes to the financial statements (continued)

15. Payables, provisions and other liabilities (continued)

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

	30/06/2015 EUR	30/06/2015 %	30/06/2014 EUR	30/06/2014 %
USD	289 034	46.29	220 325	25.01
EUR	335 093	53.67	660 558	74.99
GBP	259	0.04	-	-
Trade and other payables	**624 386**	**100%**	**880 883**	**100%**

Ageing analysis of trade payables and other payables

	30/06/2015 EUR	30/06/2014 EUR
Not overdue	621 901	878 455
Overdue by 0 – 30 days	2 485	2 428
Trade and other payables	**624 386**	**880 883**

The carrying amounts of the Company's financial liabilities do not significantly differ from the fair value.

16. Loans

	30/06/2015 EUR	30/06/2014 EUR
Credit cards	**8 375**	**6 781**

17. Deferred income

	30/06/2015 EUR	30/06/2014 EUR
Deferred income for goods not delivered	84 118	85 948
Other deferred income	62 629	19 462
	146 747	**105 410**

Notes to the financial statements (continued)

18. Segment information and sales

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

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

CFIP –product line is represented by:

- a split mount (IDU+ODU) PhoeniX hybrid radio system with Gigabit Ethernet and 20E1 interfaces;
- Lumina high capacity Full Outdoor all-in-one radio with Gigabit Ethernet traffic interface;
- CFIP-108 entry level radio system with Ethernet and 4xE1 interfaces - perfect for upgrade of E1 networks into packet data networks;
- Marathon FIDU low frequency low capacity system for industrial applications and rural telecom use.

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

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

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

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

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

Notes to the financial statements (continued)

18. Segment information and sales (continued)

	CFIP; FreeMile, Integra, Spectrum Compact		Other		Total	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	EUR	EUR	EUR	EUR	EUR	EUR
Assets						
Reportable segment assets	5 752 926	5 821 207	1 537 636	1 634 109	7 290 562	7 455 316
Unallocated assets					5 982 910	4 621 133
Total assets					**13 273 472**	**12 076 449**
Segment liabilities	928 475	1 100 284	202 069	283 091	1 130 544	1 383 375
Unallocated liabilities					740 405	335 211
Total liabilities					**1 870 949**	**1 718 586**
Net sales	8 709 069	9 469 940	3 543 069	2 555 811	12 252 138	12 025 751
Segment result	**1 370 880**	**2 380 703**	**2 374 983**	**1 007 888**	**3 745 863**	**3 388 591**
Unallocated expenses					(2 996 732)	(3 413 468)
Profit/(loss) from operating activities					**749 131**	**(24 877)**
Other income					471 173	330 149
Financial expenses, net					237 461	(125 269)
Impairment of long term investment					(43 984)	(36 568)
Profit/(loss) before taxes					**1 413 781**	**143 435**
Corporate income tax					(190 911)	(24 510)
Profit/(loss) of the reporting year					**1 222 870**	**118 925**
Other information						
Additions of fixed and intangible assets	174 748	113 955	-	-	174 748	113 955
Unallocated additions of fixed and intangible assets					247 225	127 669
Total additions of fixed and intangible assets					**421 973**	**241 624**
Depreciation and amortization	218 185	142 509	93	1 119	218 278	143 628
Unallocated depreciation and amortization					151 958	264 213
Total depreciation and amortisation					**370 236**	**407 841**

Notes to the financial statements (continued)

18. Segment information and sales (continued)

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

	Net sales		Assets	
	2014/2015	**2013/2014**	**30/06/2015**	**30/06/2014**
	EUR	**EUR**	**EUR**	**EUR**
North and South America	5 834 625	5 337 085	1 061 777	818 659
Europe, CIS	5 048 413	4 617 586	597 017	942 404
Asia, Africa, Middle East	1 369 100	2 071 080	173 666	226 978
	12 252 138	**12 025 751**	**1 832 460**	**1 988 041**
Unallocated assets	**-**	**-**	11 441 012	10 088 408
	12 252 138	**12 025 751**	**13 273 472**	**12 076 449**

For the description of dependence on individual customers See Note 3 (1b).

19. Cost of goods sold

	01.07.2014-30.06.2015	**01.07.2013-30.06.2014**
	EUR	**EUR**
Purchases of components and subcontractors services	6 046 721	6 897 391
Salary expenses (including accruals for vacation pay)	1 586 672	1 457 196
Depreciation and amortization (See Note 6)	169 741	171 344
Social insurance (including accruals for vacation pay)	369 896	344 253
Lease of premises	197 083	196 740
Public utilities	86 022	92 734
Transport	26 157	27 455
Communication expenses	9 734	10 448
Business trip expenses	2 332	11 457
Low value articles	5 441	2 275
Other production costs	71 233	60 769
	8 571 032	**9 272 062**

Research and development related expenses of EUR 1 062 369 (2013/2014: EUR 1 003 445) are included in the profit or loss statement caption Purchases of components and subcontractors services.

Notes to the financial statements (continued)

20. Sales and marketing expenses

	01.07.2014-30.06.2015 EUR	01.07.2013-30.06.2014 EUR
Salary expenses (including accruals for vacation pay)	817 318	734 928
Delivery costs	284 657	337 859
Social contributions (including accruals for vacation pay)	189 773	174 915
Advertisement and marketing expenses	179 849	111 151
Business trip expenses	171 985	225 428
Depreciation and amortization (See Note 6)	120 295	160 842
Other selling and distribution costs	127 581	237 607
	1 891 458	**1 982 730**

21. Administrative expenses

	01.07.2014-30.06.2015 EUR	01.07.2013-30.06.2014 EUR
Salary expenses (including accruals for vacation pay)	567 617	360 090
Social insurance (including accruals for vacation pay)	117 346	85 811
Depreciation and amortization (See Note 6)	79 990	75 467
IT services	39 105	52 359
Public utilities	38 241	14 242
Lease of premises	24 859	23 931
Training	26 601	11 525
Insurance	17 464	23 715
Business trip expenses	11 759	1 097
Representation expenses	10 941	23 555
Expenses on cash turnover	9 859	14 080
Communication expenses	3 841	4 717
Office maintenance	3 692	6 060
Sponsorship	40 500	10 114
Allowances for bad and doubtful trade receivables as at	(51 950)	(24 707)
Other administrative expenses	100 652	113 780
	1 040 517	**795 836**

Other administrative expenses include the annual statutory audit fee. During the year the Company received tax consulting services from the auditor.

22. Other income

	01.07.2014-30.06.2015 EUR	01.07.2013-30.06.2014 EUR
Government grants*	432 130	297 609
Other income	39 043	32 540
	471 173	**330 149**

* Government grants receivable from LIAA and LETERA, as well as those related to development project realized in cooperation with LEO Pētījumu centrs SIA.

During the reporting year, the Company received a government grants of EUR 406 643 (2013/2014: EUR 111 957).

Notes to the financial statements (continued)

23. Financial income

	01.07.2014-30.06.2015 EUR	01.07.2013-30.06.2014 EUR
Interest income	734	19 411
Net result of currency exchange fluctuations	236 727	-
	237 461	**19 411**

24. Financial expenses

	01.07.2014-30.06.2015 EUR	01.07.2013-30.06.2014 EUR
Net result of currency exchange fluctuations	-	144 680
	-	**144 680**

25. Corporate income tax

	01.07.2014-30.06.2015 EUR	01.07.2013-30.06.2014 EUR
Changes in deferred tax asset (see Note 13)	20 418	24 510
Corporate income tax for the reporting year	135 913	-
Corporate income tax paid abroad	34 580	-
	190 911	**24 510**

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

	01.07.2014-30.06.2015 EUR	01.07.2013-30.06.2014 EUR
Profit before taxes	**1 413 781**	**143 435**
Tax rate	15%	15%
Tax calculated theoretically	212 067	21 515
Effect of non-deductible expenses	21 062	16 007
Effect of changes in unrecognized temporary differences	(7 793)	(3 706)
Impact of tax benefit	(34 425)	(9 306)
Corporate income tax	**190 911**	**24 510**

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

Notes to the financial statements (continued)

26. Taxes and compulsory state social security contributions

	VAT EUR	Social contributions EUR	Personal income tax EUR	Corporate income tax EUR	Corporate income tax paid abroad	Business risk duty EUR	CIT for services provided by non-residents EUR	Total EUR
Payable as at 30.06.2014	**5 971**	**70 871**	**39 253**	**-**	**-**	**60**	**-**	**116 155**
(Overpaid) as at 30.06.2014	**-**	**-**	**-**	**(69 076)**	**-**	**-**	**(118)**	**(69 194)**
Calculated in the reporting period	(223 054)	911 218	530 639	135 913	34 580	721	-	1 390 017
Refund from the SRS	178 203	(2 019)	-	-	-	-	-	176 184
Transferred to/from other taxes	22 084	(91 278)	-	69 194	-	-	-	-
Paid in the reporting period	(9 241)	(801 273)	(569 892)	(1 598)	(34 580)	(719)	-	(1 417 303)
Payable as at 30.06.2015	**-**	**87 519**	**-**	**134 433**	**-**	**62**	**-**	**222 014**
(Overpaid) as at 30.06.2015	**(26 037)**	**-**	**-**	**-**	**-**	**-**	**(118)**	**(26 155)**

27. Earnings per share

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

	01.07.2014-30.06.2015 EUR	01.07.2013-30.06.2014 EUR
Profit of the reporting year (a)	1 222 870	118 925
Ordinary shares as at 1 June (b)	2 970 180	2 970 180
Basic and diluted earnings per share for the reporting year (a/b)	**0.412**	**0.040**

28. Remuneration to management

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

	01.07.2014-30.06.2015 EUR	01.07.2013-30.06.2014 EUR
Remuneration of the Board members		
salary	220 105	192 963
- social contributions	37 492	45 949
Remuneration of the Council members		
salary	145 499	112 780
- social contributions	34 275	26 841
Total	**437 371**	**378 533**

Notes to the financial statements (continued)

29. Related party transactions

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

a) A person or a close member of that person's family is related to a reporting entity if that person:
   i. has control or joint control over the reporting entity;
   ii. has a significant influence over the reporting entity; or
   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

b) An entity is related to a reporting entity if any of the following conditions applies:
   i. the entity and the reporting 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 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 price is charged.

	Transactions for the year ended 30 June		**Balance as at 30 June**	
	2015	**2014**	**2015**	**2014**
	EUR	**EUR**	**EUR**	**EUR**
Sale of goods and services				
Subsidiaries	2 829 767	35 833	862 014	-
Joint ventures	-	-	-	44 393
Purchase of goods and services				
Subsidiaries	153 191	464 867	4 311	25 908
Loans issued and related interest income				
Other related parties	-	-	-	180 581

On 18 June 2012 the Company signed a loan agreement with the related party 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. As at 30 June 2014 the loan debt amounted to EUR 180 581, including the principal repayment of EUR 180 000 and an invoice for unpaid interest of EUR 581. In July 2014 the remaining part of the loan principal in the amount of EUR 180 000 was received, as well as the invoice for unpaid interest of EUR 581 was settled. The annual interest rate of the loan was 3.5%. The loan matured on 31 July 2014.

All the due from related parties is determined based on market prices and they must be paid in cash. None of these debts are secured, except the loan. 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.

Notes to the financial statements (continued)

30. Personnel costs

	01.07.2014-30.06.2015 EUR	01.07.2013-30.06.2014 EUR
Staff remuneration	2 971 607	2 552 214
Social contributions	677 015	604 979
Total	**3 648 622**	**3 157 193**

31. Average number of employees

	01.07.2014-30.06.2015	01.07.2013-30.06.2014
Average number of employees during the reporting year	168	165

32. Operating lease

On 10 December 2002 the Company signed the rent agreement No. S-116/02 with AS Dambis on the rent of premises with the total area of 5,851 m^2 until 16 September 2009. Starting 17 September 2009 the total leased area reduced to 5,672 m^2. The premises are located at 24a Ganību dambis. In the beginning of 2014 agreement amendments were concluded on the extension of the agreement term till 1 March 2020. According to the signed agreements, the Company has the following lease payment commitments at the end of the reporting period:

	30.06.2015 EUR	30.06.2014 EUR
1 year	266 130	266 130
2 – 5 years	975 568	1 064 521
Over 5 years	-	178 899
Total	**1 241 698**	**1 509 550**

33. Contingent liabilities

As part of its primary activities, the Company has not issued performance guarantees to third parties (2013/2014: EUR 1 770).

34. Subsequent events

No significant subsequent events have occurred in the period from the year-end to the date of these financial statements that would have a material impact on the Company's financial position as at 30 June 2015 or its performance and cash flows for the year then ended.