Yearbook 2014/2015

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, 2014 – 30th June, 2015

Contents

Overview

SAF Tehnika is one of only few companies in microwave data transmission industry that has managed to stay profitable and maintain and increase its business share for more than 15 years.

The business environment has been extremely competitive for the past years and most likely will stay the same in the foreseeable future. It is becoming more and more obvious that there is room for only a few solution providers on the market. The competition will get even tighter until some of the brands will be forced out of the business.

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.

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 license-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 RF 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
- **2015** Release of the Integra 11GHz CFIP PhoeniX VHP radio and first Outdoor Branching Unit

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 (5.31%) Other shareholders (37.81%)
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 (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	1 July 2014 - 30 June 2015
Previous reporting year	1 July 2013 - 30 June 2014
Subsidiary	100% - SAF North America LLC 3250 Quentin Street, Unit 128 Aurora, Colorado 80011, USA 100% - SAF Services LLC (joint venture until April 2015 – 50%) 3250 Quentin Street, Unit 128 Aurora, Colorado 80011, USA
Auditors and address	KPMG Baltics, SIA License No 55 Vesetas iela 7, Riga, 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 (17,5%)

Didzis Liepkalns, born in 1962, is Member of the Board and CTO 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.

Zane Jozepa

CFO, Member of the Board

Owns 0 shares

Zane Jozepa (born in 1982) is Member of the Board and Chief Financial Officer. Prior to her employment with SAF Tehnika, Zane Jozepa has been working in the leading IT and telecommunication services provider in Latvia – SIA Lattelecom, which is a subsidiary company of SIA Citrus Solutions that provides design, construction and maintenance of the engineering and technical systems and infrastructure. Zane has been working as a Business Controller for the first two years. She became Head of Finance in 2008, and a Board Member in 2012. Zane gained her professional experience in finance while working for SIA Coca Cola HBC Latvia during 2001-2006. Zane Jozepa has graduated the BA School of Business and Finance (Banku Augstskola) and has a BA degree in finance management.

Jānis Bergs

Vice President of Sales and Marketing, Member of the Board

Owns 0 shares

Jānis Bergs (born in 1970) is Member of the Board, Vice President of Sales and Marketing, and the President of "SAF North America". From 2000 till 2006 Jānis was a member of the board and later CEO of AS Microlink. When Microlink was sold to the TeliaSonera group in 2006, Jānis became a shareholder and CEO of SIA "FMS", where he worked until January 2015. Jānis Bergs was a Member of AS SAF Tehnika Council from November 2006 till August 2010, and for more than 10 years he has been managing the Latvian IT and Telecommunications Association (LIKTA) and the ICT cluster, as well as giving lectures in business studies in Riga Business School. Jānis Bergs has graduated Riga Technical University as radio engineer and has an MBA degree from Riga Business School.

Council

Vents Lacars

Chairman of 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

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

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 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 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 Council

Owns 0 shares (0%)

Aivis Olsteins, born in 1968. A.Olsteins has 20 years of experience in telecommunications. Since April 2015, Aivis Olšteins is the head and co-owner of "Cliff IT Solutions" (Spain). From 2000 till 2015 he was Head of "DataTechLabs". 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 30/06/2015

Normunds Bergs

CEO

Part of the Management Board in other companies

- President of the Board of Latvian Electrical Engineering and electronics industry Association (LEtERA)
- Chairman of the Council of SIA "LEO Pētījumu centrs"
- Member of the Management Board of SIA "Namīpašumu pārvalde"
- 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 "CityCredit"
- Member of the Management Board of SIA "Robotnest"
- Member of the Council of SIA "LEITC"
- Member of the Council of SIA "Stream Networks"
- Member of the Council 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" 48.75%
- SIA "TCon", 26%
- UAB "Fortek IT", 26%
- SIA "CPS", 33%
- SIA "Complete Payment systems", 33%
- SIA "Ecommerce Accelerator"; 30%
- SIA "Ūbeļu īpašumi", 25%
- SIA "Real Sound Lab", 8%
- Baltijos kompiuterių akademijos, 33%
- SIA "Robotnest", 50%
- SIA "Jurmala residence", 25%

Jānis Bergs

Member of the Board

Part of the Management Board in other companies

- Chairman of the Board of SIA "Jānis Bergs"

Equity participation in other companies

- UAB "Baltijos kompiuteriu akademija" 33.4%
- UAB "Fortek IT", 29.5%
- SIA "Ecommerce Accelerator"; 30%
- SIA "Complete Payment systems", 33%
- SIA "CPS", 33%
- SIA "CityCredit", 30%
- SIA "TCon", 26%
- SIA "Jānis Bergs", 100%

Aivis Olšteins

Member of the Board

Part of the Management Board in other companies

- CEO and co-owner of "Cliff IT Solutions", (Spain)

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"
- 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 copmanies

- SIA "Juridiskais Audits", 100%
- 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 "Whitenet", 65%
- SIA "Ūbeļu īpašumi", 2,5%
- SIA „PRO 1 Service", 100%
- SIA „PRO 1 Stage", 100%
- SIA "Jurmala residence", 2.5%

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%

Management Report

Line of business

SAF Tehnika (hereinafter – the Group) is the developer, producer and distributor of digital microwave transmission 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 providers of data transmission services in public and private sectors as an alternative to cable networks.

The Group's net turnover in the financial year 2014/ 2015 was EUR 12.85 million, which is EUR 827 thousand or 6.9% more than in the previous financial year 2013/ 2014. During the reporting year the Group 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 50% of annual turnover. In comparison to the previous year it was a 21% 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 97.26% of the turnover and constituted EUR 12.5 million. In the reporting period the Group'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 Group 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 Group – 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 Group's export activities were supported by the Investment and Development Agency of Latvia that in cooperation with European Regional Development Fund 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. The latest products - Spectrum Compact product series - measuring equipment for data transmission network engineers were of a growing demand.

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 Group plans on using SAF Services to market other new products of SAF Tehnika in the North American market.

The Group's net cash flow as at the year-end amounted to EUR 4.32 million. The Group has reserved part of the free cash funds in the amount of EUR 1.89 million for short-term investments. The Group's net cash flows for the 12 months of the financial year amounted to EUR 238 thousand.

During the reporting year the Group invested EUR 445 thousand to purchase IT infrastructure, production and development equipment, software and licences, as well as to certify products.

The Group's financial result for the reporting year 2014/2015 was a profit of EUR 1 279 thousand.

Research and development

In a long term, the Group'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 Group 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 Group'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 Group is financially stable and able to function in the current economic conditions. The Group'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 Group remains financially stable and has a positive outlook for the next financial year; however the Board of the parent company refrains from making any announcements on future sales and financial results.

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 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 45 are prepared in accordance with the source documents and present fairly the Group consolidated financial position as at 30 June 2015 and the results of its consolidated 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 BOARD
Riga, 29 October 2015

Council report

Supervisory Council of JSC SAF Tehnika (hereinafter Company) is of opinion the Company has performed very good during report period.
The financial results and overall state of Company is fully satisfactory and hopefully in accordance to expectations of shareholders.
Having said that, Supervisory Board would like suggest to continue developing Company further in following areas:

- To more actively launch the production of new Integra radio modifications, this way assisting the pace of change of radio products sold;
- To continue seeking new market segments for Spectrum Compact measurement tools in other than telecom sectors;
- To expand the project business by offering Company's customized products and services in segments both traditional and new.

During financial year 2014/2015 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 2014/2015.

Vents Lacars
CHAIRMAN OF THE COUNCIL
Riga, 29 October 2015

Corporate Social responsibility

Corporate social responsibility is the fundamental keystone of the activities of SAF Tehnika. The Company works in such a way so that our products and services that we provide give added value to customers and overall benefit to the society at large. In our daily activities we apply the following basic principles: high quality standards in each of the Company's line of business, responsible attitude towards the environment, keeping of our promises when interacting with employees, shareholders, buyers and suppliers, state and society. We acknowledge that these particular principles are essential preconditions for successful activity of SAF Tehnika in the long run.

Responsible manufacturer

In its operations SAF Tehnika fully complies with corporate management standards and organizes company management in accordance with "Corporate Management Policies" and guidelines approved by AS "NASDAQ Riga".

We are focusing on reducing the Company's environmental impact. As responsible manufacturers, we make sure that SAF equipment is manufactured as compact and sustainable as possible. Even now we can provide the functionality of our products by using alternative energy sources only.

SAF Tehnika carefully monitors all production processes. From the smallest components to the fully functioning devices, the Company's production processes are oriented towards reducing environmental impacts of business activities. Whenever possible, the Company chooses local suppliers of components, as well as localizes all production processes at most. However, considering that there is a great deal of raw materials that are not available at the local market, and we cannot produce them either, SAF Tehnika selects suppliers that comply with the same policies of environmental protection in their business activity.

The Company complies with the all-time requirement to maintain the quality management system in accordance with the state standard LVS EN ISO 9001:2008 that provides efficient control and improvement of all processes and lines of business. By fulfilling the standard requirements, the Company can increase the quality of production and ensure its long-term development and growth.

Compliance auditing of the Quality System in SAF Tehnika is performed once a year, and recertification of the Quality System is carried out once every three years. Moreover, in October 2015, the certification organization "Bureau Veritas" performed recertification auditing, which certified the Company's compliance with ISO 9001:2008 requirements.

The Quality System is also regularly audited by inspectors who represent particular customers and/or regions. During the last reported period, such audits were performed by representatives of certification organizations from Belarus and Russia.

Each year, the Company evaluates customer satisfaction by conducting a survey. The purpose is to get feedback from our clients. Customer surveys help us provide excellent services, eradicate deficiencies, and attend to customer requests and desires. They also reveal industry tendencies and provide further insight into customer needs by developing new and improving the current products. In 2015, more than 100 customers participated in the survey giving their overall high appraisal of the Company's products, help desk, and customer support.

We have intensified our efforts to reduce paper document turnover. We have introduced a number of online document flow systems, thus using less printing paper. All the waste paper is carefully collected and delivered to the paper mill in Ligatne for recycling.

Furthermore, we continue our cooperation with such organizations as "Latvijas Zaļais elektrons" ("Latvian Green Electron") and "Zaļais punkts" ("Green Dot") for other waste management, separation and recycling.

For Society

On 17 April 2015, SAF employees together with SIA "Rīgas nami" took part in the mega charity event at Spilve airport. We cleaned the airport's territory, cut the bushes, cut the grass, collected garbage that has accumulated over decades, as well as hundreds of tires and civil defense equipment stored at the brink of the airfield since the Soviet times.

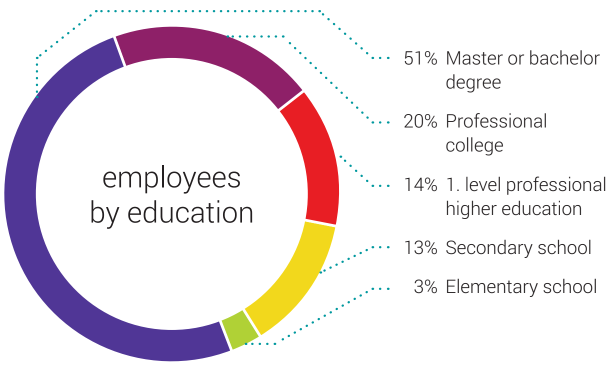
More and more employees commute to work by bicycle, thus contributing to reduction of vehicle emissions. The Company provides secure bike parking spaces, shower and changing facilities.
We are the company with employees who are happy to Do Good!

For education

SAF Tehnika is a unique company on a global scale. We are one of the rare market players in the field of microwave data transmission with more than 15 years of experience and knowledge base.

We are greatly concerned with passing our knowledge and gathered experience to next generations; therefore, whenever possible, we try to motivate young people to study natural sciences.

During the reported period, several our employees visited educational institutions as guest lecturers to share their knowledge and hands-on industry experience.



Over the years, the Company provided both financial support and participated in project activities for the educational programme "Mission Possible" ("Iespējamā misija"). The goal of the programme is to boost students' motivation to become creative and positive teachers at schools. As the result, we can now be proud of having a more exciting learning process and new teachers of natural sciences in a number of educational institutions.

Besides, SAF Tehnika is a longtime supporter of the state summer school "ALFA" for award winners of academic competitions and student workshops. Young people dig in various studies there like mathematics, physics, computer science, chemistry, biology, as well as social sciences and humanities.

Groups of schoolchildren and students are regular visitors in SAF premises – we demonstrate and explain the practical application of lessons learned at school. During the tours, we introduce young people to the Company's history, production processes, field of work, products and their development. The real operating, successful company serves as the motivation element for schoolchildren in choosing their further occupation. By visiting the Company, young people can see the practical application of natural sciences.

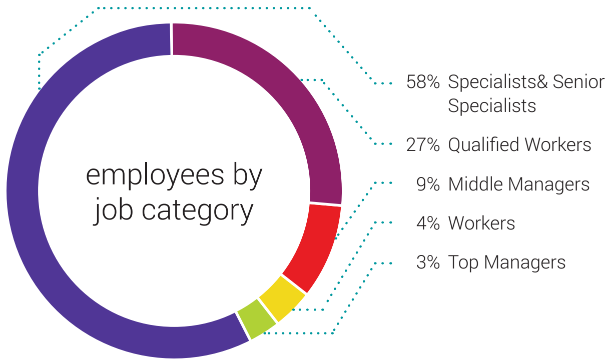
We are happy to welcome interns from various educational institutions. In cooperation with the foundation "Riga Technical University Development Fund" we announce competitions for salaried placements. This year, three interns have become full-time employees of SAF Tehnika. We are happy to employ students during summer while the Company's employees are away on vacation.

Every year we participate in Career Days held at universities and vocational schools. During Career Days in the financial year 2014/2015, we visited Riga Technical University (RTU), Latvian University (LU) and the Transport and Telecommunication Institute (TSI).

The Company's management and employees are frequently asked for assistance and evaluation of graduate thesis (for Bachelor's and Master's degree at universities) and graduation papers of vocational school students. In this field, we have established longstanding and successful cooperation with Ogre State Technical College, Riga Technical College, Riga Technical University (RTU), and Latvian University (LU).

Employees

Undoubtedly, the success of every company is based upon its employees. SAF Tehnika is not an exception. Employees are our greatest asset.



During the reported period, the average number of SAF Tehnika employees totaled 167, which is about the same number as last year. The employee turnover has increased over the last two years, however it had no negative effects on the Company's activity and internal environment. We have been persistent in involving top specialists, as well as talented students and graduates.

Stable and motivating working environment is the cornerstone of SAF Tehnika's successful development. We pursue openness and equality; therefore, the Company makes sure that everyone has an opportunity to unlock their potential, share ideas, and promote their personal growth together with SAF. At the same time, we try to create a sustainable, effective and safe environment.

Employee Growth and Development

SAF Tehnika is oriented towards professional development and personal growth of employees.

SAF Tehnika always invests in the development of its employees and provides opportunities for growth. The higher the qualification of an employee is, the more advanced the Company is. We organize annual corporate trainings in various fields of expertise, as well as participate in local and international training activities, seminars and conferences.

To get new experience, employees from different departments participate in trade shows and events abroad, go on business trips, establish new contacts and maintain relations with the existing cooperation partners. Among SAF Tehnika's long-term cooperation partners are the Latvian Electrical Engineering and Electronics Industry Association (LETERA) and the Latvian Chamber of Commerce and Industry (LCCI).

SAF employees participate in the project to boost employees' education and productivity, which is co-funded by the European Social Fund. This year, as part of the project, our employees have improved their knowledge in the areas of salesmanship and computer science/technology. Besides the ESF-funding, our employees have attended financial and HR seminars/conferences.

For those employees who continue their studies in educational institutions, the Company provides opportunities for a part-time job. Those who receive knowledge in the job-related field have an opportunity to use our paid educational leaves.

Health Care and Occupational Safety

All SAF Tehnika's employees are provided with health insurance policies. The Company provides regular mandatory health checks in the Company's premises, as well as vaccinations against various diseases and a special eyesight test.

It is the Company's responsibility to make sure that each employee is involved in the labor safety system. Employees undergo regular trainings regarding occupational health and work safety issues. We provide non-hazardous and friendly working environment. Employees have ergonomic workplaces; employees, whose job duties may require having the appropriate protective equipment, are provided with all the necessary means.

Remuneration and Benefits

SAF Tehnika honestly and fully complies with labor law requirements; we are the socially responsible company towards both our employees and the state. Employees are motivated by receiving bonuses and extra pays for their individual and corporate achievements in addition to their fixed remuneration. In some departments, where it is possible, a bonus system has been introduced based on personal achievements.

On special occasions like getting married and giving birth to a child, employees receive additional financial support. The Company also provides material aid to those employees who have lost a close family member. Employees who have been working for the Company for 5 and more years get an extra compensated holiday in addition to their annual vacation.

Our employees enjoy relaxing both at company-wide events and team outings with their fellow co-workers cycling or boating. It is a wonderful opportunity to build strong and friendly teams, and to encourage loyal attitude towards the Company.

The Company's employees participate in various leisure activities with great pleasure – both in annual events and activities that have become traditional for the Company – general meetings of employees, a Christmas party, a Midsummer Night's party, etc.

Last year, our Christmas party was held under the slogan "Make love, not war!" bringing us back to hippie times. Employees were excited to give rein to their imagination trying out various outfits, wigs, hairstyles, and accessories.

In May, our team of 16 employees participated in "Lattelecom Riga Marathon", thus representing the Company in several distances (5, 10 and 21 km).

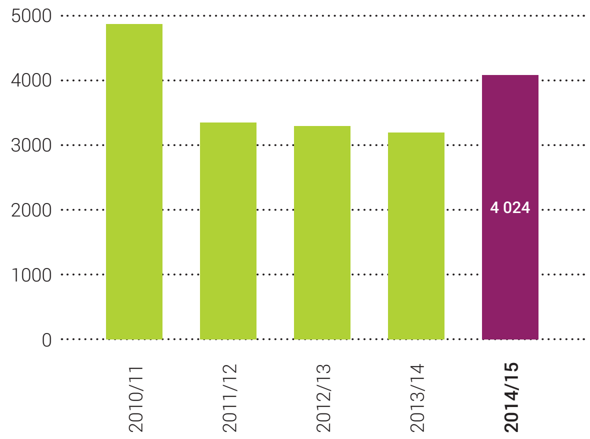
In September, SAF team of 11 cyclists took part in the Unity Ride in Sigulda.

We are pleased that with each year SAF Tehnika becomes more attractive as an employer in the eyes of potential job seekers. It is proved by a higher level of proficiency and operational excellence of our employees, as well as by a persistently large number of applications for the announced vacancies and internships.

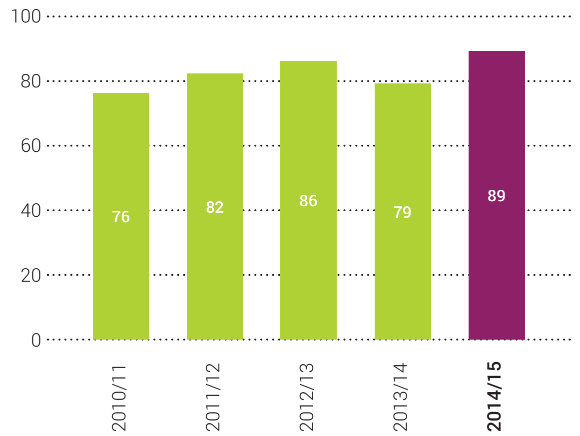
Financial Highlights

Net Sales
THOUSAND EUR

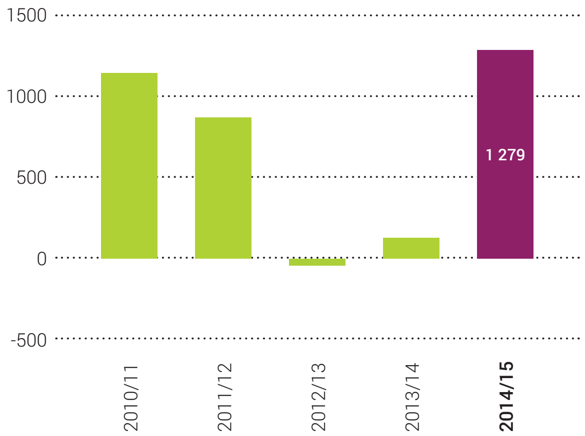
Gross Profit
THOUSAND EUR



Number of active markets



Net Profit
THOUSAND EUR



Key figures describing economic development

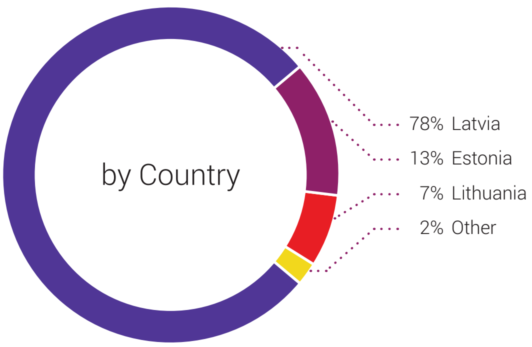
	2014/15	2013/14	2012/13	2011/12	2010/11
Turnover	**12 852 646**	12 025 751	13 341 172	13 714 932	15 503 712
Earnings before interest, taxes and depreciation (EBITDA)	**1 861 373**	547 517	325 202	1 246 726	1 545 939
share of the turnover %	**14%**	5%	2%	9%	10%
Profit/loss before interest and taxes (EBIT)	**1 476 534**	131 636	-83 180	894 860	1 261 995
share of the turnover %	**11%**	1,1%	-0,6%	7%	8%
Net Profit	**1 278 555**	126 537	-42 116	864 940	1 139 483
share of the turnover %	**9,9%**	1,1%	-0,3%	6%	7%
Return on equity (ROE) %	**11,7%**	1,2%	-0,6%	11%	15%
Return on assets (ROA) %	**10,0%**	1,0%	-0,5%	9%	11%
Liquidity ratio					
Quick ratio %	**196%**	238%	133%	115%	55%
Current ratio %	**276%**	366%	299%	410%	262%
Average number of employees	**167**	169	169	165	163

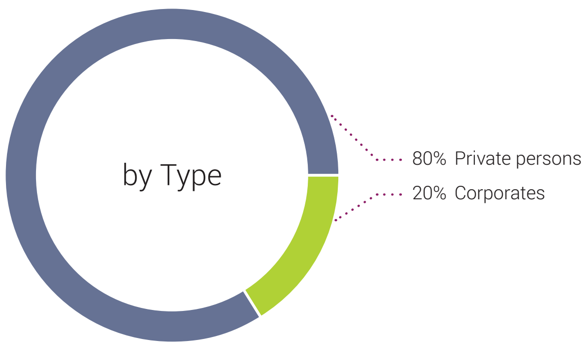
Holdings and shares

SAF tehnika shareholders (over 5%) as of 06.05.2015.

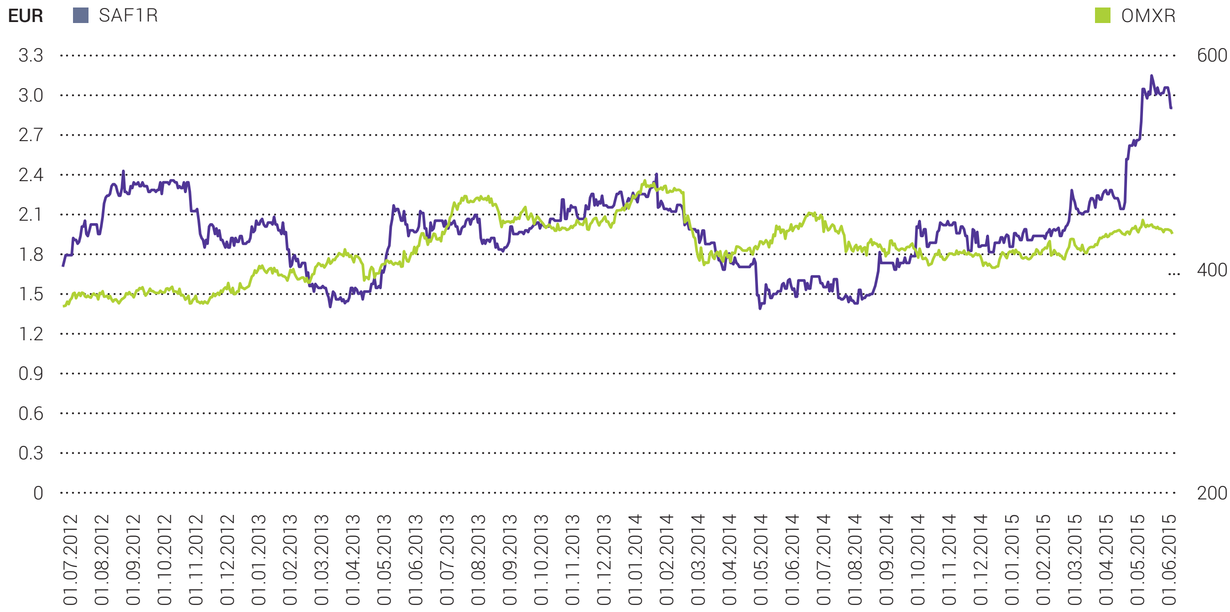
Name	Ownership interest (%)
Didzis Liepkalns	17.05%
Andrejs Grisans	10.03%
Normunds Bergs	9.74%
Juris Ziema	8.71%
Vents Lacars	6.08%
"Koka zirgs" SIA	5.27%
SWEDBANK AS clients account	5.31%

Shareholders structure



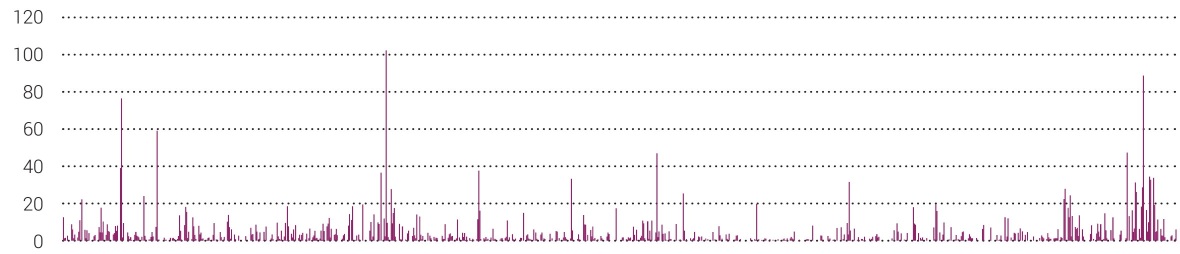


Share price development



Share Turnover

THOUSAND EUR



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

	2014/15	2013/14
Share price (last) for the end of period	2.9	1.62
Market value of share capital	8 613 522	4 811 692
Earnings per share (EPS)	0.43	0.04
Dividend per share (for the previous reporting period)	0.04	0
Dividend / net profit (for the previous reporting period)	0.94	0
P/E ratio	6.74	38.03

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

	2014/15	2013/14
Lowest	1.45	1.41
Highest	3.22	2.41
Average	2.24	2.03

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.

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 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 2015, 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 21 to 45.

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 2015, 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 9 to 10, 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
29 October 2015

Consolidated statement of financial position

Year ended 30 june	Note	2015 EUR	2014 EUR
ASSETS			
Long-term investments			
Fixed assets	6	617 003	533 616
Intangible assets	6	186 092	208 171
Equity-accounted investees	29	-	13 910
Investments in other companies		2 148	1 188
Long-term trade receivables	8	18 303	53 526
Deferred tax asset	12	78 266	98 684
Total long term investments		901 812	909 095
Current assets			
Stock	7	4 674 525	4 498 753
Corporate income tax	25	118	69 194
Trade receivables	8	1 427 011	1 934 515
Other receivables	9	348 047	261 620
Prepaid expenses		81 286	109 354
Loans	28	-	180 581
Deposits with banks	10	1 893 735	-
Cash and cash equivalents	11	4 320 293	4 082 555
Total current assets		12 745 015	11 136 572
Total assets		**13 646 827**	**12 045 667**
SHAREHOLDERS' EQUITY			
Share capital	13	4 158 252	4 226 185
Share premium		2 851 725	2 851 725
Other reserves		8 530	-
Translation reserve		9 236	(562)
Retained earnings		4 412 396	3 252 648
Total shareholders' equity		**11 440 139**	**10 329 996**
LIABILITIES			
Current liabilities			
Trade and other payables	14	719 442	903 846
Provisions	14	18 211	14 643
Other liabilities	14	1 065 320	684 991
Corporate income tax	25	142 720	-
Loans	15	8 375	6 781
Deferred income	16	252 620	105 410
Total liabilities		**2 206 688**	**1 715 671**
Total equity and liabilities		**13 646 827**	**12 045 667**

The accompanying notes on pages 26 to 45 form an integral part of these consolidated financial statements.

On behalf of the Board:

Normunds Bergs

CHAIRMAN OF THE BOARD

Riga, 29 October 2015

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 30 june	Note	2015 EUR	2014 EUR
Net sales	17	12 852 646	12 025 751
Cost of goods sold	18	(8 828 541)	(8 877 754)
Gross profit		**4 024 105**	**3 147 997**
Sales and marketing expenses	19	(2 294 952)	(2 357 373)
Administrative expenses	20	(1 086 890)	(816 473)
Profit / (loss) from operating activities		**642 263**	**(25 849)**
Other income	21	483 486	330 149
Finance income	22	383 244	19 411
Finance expenses	23	(56)	(144 777)
Net finance income/ (expenses)		**383 188**	**(125 366)**
Share of profit/ (loss) of equity-accounted investees, net of tax		(31 184)	(27 375)
Profit/ (loss) before taxes		**1 477 753**	**151 559**
Corporate income tax	24	(199 198)	(24 510)
Current year's profit/ (loss)		**1 278 555**	**127 049**
Other comprehensive income			
Foreign currency recalculation differences for foreign operations		9 798	(512)
Total comprehensive income		**1 288 353**	**126 537**
Profit/ (loss) attributable to:			
Shareholders of the Parent		**1 278 555**	**127 049**
Total comprehensive income attributable to:			
Shareholders of the Parent		**1 288 353**	**126 537**
Profit per share attributable to the shareholders of the Company (EUR per share)			
Basic and diluted earnings/ (loss) per share	26	**0.430**	**0.043**

The accompanying notes on pages 26 to 45 form an integral part of these consolidated financial statements.

On behalf of the Board:

Normunds Bergs
CHAIRMAN OF THE BOARD

Riga, 29 October 2015

Consolidated statement of changes in equity

	Share capital	Share premium	Other reserves	Foreign currency revaluation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
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 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**
Transactions with owners of the Parent 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	-	-	-	9 798	1 278 555	1 288 353
Profit of the reporting year	-	-	-	-	1 278 555	1 278 555
Other comprehensive income	-	-	-	9 798	-	9 798
Balance as at 30 June 2015	**4 158 252**	**2 851 725**	**8 530**	**9 236**	**4 412 396**	**11 440 139**

The accompanying notes on pages 26 to 45 form an integral part of these consolidated financial statements.

On behalf of the Board:

Normunds Bergs

CHAIRMAN OF THE BOARD

Riga, 29 October 2015

Consolidated Statement of Cash Flows

Year ended 30 june	Note	2015 EUR	2014 EUR
Profit/(loss) before taxes		1 477 753	151 559
Adjustments for:			
depreciation	6	305 267	331 796
amortization	6	79 572	84 085
changes in adjustments to stock	7	20 473	(147 159)
changes in provisions for guarantees	14	3 568	(2 049)
changes in provisions for unused vacations	14	27 009	3 179
changes in provisions for bonuses	14	-	(71 144)
changes in doubtful debt allowances	8	(38 112)	(24 707)
interest income	22	(1 275)	(19 411)
share of profit/ (loss) of equity-accounted investees, net of income tax		31 184	27 375
government grants	21	(432 130)	(297 609)
(profit)/loss on disposal of fixed assets		(6 157)	6 005
interest and similar expenses		56	-
Operating profit before changes in working capital		**1 467 208**	**41 920**
(Increase)/ decrease of stock		(196 245)	(99 799)
(Increase)/ decrease in receivables		547 967	932 636
Increase/(decrease) in payables		385 320	(142 796)
Cash flows generated by operating activities		**2 204 250**	**731 961**
Government grants	21	406 643	111 957
Interest payments		(56)	-
Corporate income tax paid	25	(36 178)	(69 194)
Net cash flows from operating activities		**2 574 659**	**774 724**
Cash flows from investing activities			
Purchase of fixed assets	6	(387 086)	(175 555)
Income from the disposal of fixed assets		7 467	48
Purchase of intangible assets	6	(57 493)	(86 168)
Interest income		1 856	24 345
Investments in other companies		(960)	-
Investment in equity-accounted investees		(17 274)	(26 905)
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		**(2 167 225)**	**506 346**

Table continued on next page

Cash flows used in financing activities			
Loans received / (repaid)		1 594	(7 300)
Share capital paid as a result of denomination		(59 403)	-
Dividends paid		(118 807)	-
Net cash flows used in financing activities		**(176 616)**	**(7 300)**
Result of fluctuations in the foreign exchange rates		6 920	(512)
Net increase of cash and cash equivalents		**237 738**	**1 273 258**
Cash and cash equivalents at the beginning of the year		4 082 555	2 809 297
Cash and cash equivalents at the end of the year	11	**4 320 293**	**4 082 555**

The accompanying notes on pages 26 to 45 form an integral part of these consolidated financial statements.

On behalf of the Board:

Normunds Bergs

CHAIRMAN OF THE BOARD

Riga, 29 October 2015

Notes to the consolidated financial statements

1. General information

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

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

In August 2012 another company began operations in North America - SAF Services LLC, in which the 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. 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.

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

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 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 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 consolidated financial statements were prepared for the financial year ended 30 June 2014 and are available at the Company's headquarters on Ganību dambis 241, 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:

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

10. IFRS 10 (2011) introduces a new control model that focuses on whether the Group 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 Group reviewed its control conclusions regarding its investments. The Group concluded that there were no changes in control assessment as a consequence of the new rules introduced by IFRS 10 (2011).

(b) 11. IFRS 11 Joint Arrangements

In accordance with IFRS 11 a joint arrangement is a significant, however not the principal factor under which the type of a joint venture and its accounting is determined.

- 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 Group is not a party to any joint venture.

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

12. IFRS summarize all requirements on disclosure of information regarding the company's investment in subsidiaries, joint structures, associates and unconsolidated structured companies. This standard does not have a material impact on the consolidated financial statements.

(d) 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 consolidated financial statements.

(f) 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.

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) Investment in equity-accounted investees

Investment in equity-accounted investees was an investment in a joint venture, which became a subsidiary after the acquisition of shares during the reporting year. Joint venture is a structure over which the Group has joint control ensuring that the Group is entitled to net assets of this structure rather than has rights with regard to assets and obligations with regard to liabilities.

Investments in joint ventures are accounted for on equity basis. Investments are disclosed at cost including directly attributable transaction costs. The consolidated financial statements include the share of the Group in the profit or loss and other comprehensive income of joint venture until the joint control ends.

Subsidiaries and joint ventures controlled by the Parent company:

	„SAF North America" LLC	„SAF Services" LLC
Residence country	USA	USA
Number of shares	100%	100% (30.06.2015) 50% (30.06.2014)
Subsidiary and joint venture's equity		
30.06.2015 EUR	70 508	722
30.06.2014 EUR	19 966	1 150
Subsidiary and joint venture's losses		
2014/ 2015 EUR	46 136	(2 783)
2013/2014 EUR	7	(54 359)

In April 2015 the Company became the sole owner of SAF Services LLC. At the end of the reporting year SAF Services is a dormant entity.

The accounting policies of subsidiaries are 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

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

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 and the financial statements for subsequent years will be prepared and presented in euros.

(b) Transactions and balances

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

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

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

(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:

1. Assets and liabilities are converted according to exchange rate as at the date of statement of financial position;
2. 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
3. All currency exchange differences are recognized as a separate item of equity.

D Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

E 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.

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

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

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

All Group's 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. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

H Segments

Information on the Group's 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. 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.

J 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.

K Financial instruments

The Group's financial instruments consist of trade receivables, equity-accounted investees, investments in subsidiaries and joint ventures, investments in other companies' equity, other receivables, cash and cash equivalents, borrowings, trade payables and other payables and derivatives. All other financial assets except for equity-accounted investees and derivatives are classified as loans and receivables but liabilities – as liabilities at amortised cost. Financial instruments 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, 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 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 less impairment. All other financial investments available-for-sale are carried at fair value. Profit or losses resulting from the change in fair value of financial investments available-for-sale, except for impairment losses, are recognised in other comprehensive income until the financial asset is derecognised; thereafter, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

Liabilities

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

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

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 balance sheet date, 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. Social insurance and pension plan contributions are included in the expenditures 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 recognized 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 recognized in the period when services are provided.

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

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 year ended 30 June 2015 and have not been applied in preparing these consolidated financial statements:

(a) 19. 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 Group 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.

(b) 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 Group consolidated financial statements.

3. Financial risk management

(1) Financial risk factors

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

- (a) foreign currency risk
- (b) credit risk;
- (c) liquidity risk:
- (d) interest rate risk.

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

(a) Foreign currency risk

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

Foreign currency risk arises 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, 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 2015:

	EUR	USR	Other currencies	Total
Financial assets				
Gross trade receivables	690 447	779 355	-	1 469 802
Deposits with banks	1 000 000	893 735	-	1 893 735
Cash and cash equivalents	2 757 249	1 563 044	-	4 320 293
Total	4 447 696	3 236 134	-	7 683 830
Financial liabilities				
Liabilities	(320 330)	(384 090)	(259)	(704 679)
Other liabilities	(14 763)	-	-	(14 763)
Loans	(8 375)	-	-	(8 375)
Total	(343 468)	(384 090)	(259)	(727 817)
Net open positions	**4 104 228**	**2 852 044**	**(259)**	**6 956 013**

The following schedule summarises net open positions for currencies expressed in EUR as at 30 June 2014:

	EUR	USR	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				
Liabilities	(406 666)	(237 154)	-	(643 820)
Other liabilities	(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**

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	2013/ 2014
	Effect in EUR	Effect in EUR
USD	285 204	221 966
	285 204	**221 966**

(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 basis and assigned credit limits has been changed based on credit history and customer's paying behaviour.

As at 30 June 2015, the Group's credit risk exposure to a single customer amounted to 11.52% of the total short and long-term receivables and 5.64% 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 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 8,090,941 or 59.29% of total assets (30.06.2014: EUR 6 706 443 or 55.68% 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 Company current liquidity ratio is 5.8 (30.06.2014: 6.5), quick liquidity ratio is 3.7 (30.06.2014: 3.9).

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

(2) Accounting for derivative financial instruments

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognized at fair value on the date on which derivative contract is entered to and are subsequently re-measured at fair value through profit or loss. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. The fair value of forward currency contracts is calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

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

As at 30 June 2015 and 30 June 2014 the Group did not have any open derivative financial instruments agreements.

(3) Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date. The fair value of liabilities represent default risk.

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

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

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

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

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

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

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

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

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:

	30/06/2015 EUR	**30/06/2014** EUR
Liabilities	2 206 688	1 715 671
Cash	(4 320 293)	(4 082 555)
Net debt	**(2 113 605)**	**(2 366 884)**
Sharehold-ers' equity	**11 440 139**	**10 329 996**
Debt to equity ratio	19%	17%
Net debt* to equity ratio	-18%	-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 Group performs impairment tests for items of fixed and intangible assets. According to these tests assets are written down to their recoverable amounts, if necessary. When carrying out impairment tests management uses various estimates for the cash flows arising from the use of the assets, sales, maintenance, and repairs of the assets, as well as in respect of the inflation and growth rates. If the situation changes in the future, either additional impairment could be recognised, or the previously recognised impairment could be partially or fully reversed. See also Note 2G.

As at the reporting date there are no indications of impairment of fixed and intangible assets. The Group's cash flows from operating activities in the reporting year amount to EUR 2 575 thousand (2013/ 2014: EUR 775 thousand). The Group will continue pursuing its strategy to develop competitive wireless data transmission products and solutions for new export markets, and maintain the current sound financial position and control over the production process with the aim to increase sales and profitability.

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.

Useful lives of fixed assets

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

Provisions and accruals

Provisions are recognized when the Group has a present legal or constructive obligation as a result of a past event and it is probable that an outflow of economic benefits will be required from the Group to settle the obligation, and the amount of obligation can be measured reasonably. If the Group foresees that the expenses required for recognizing an allowance will be partly or fully repaid, for example, within an insurance contract, the recovery of such expenses is recognized as a separate 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 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 Group management.

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 2N.

6. Fixed and intangible assets

	Software and licenses	Leasehold improvements	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	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**
Reporting year ended 30 June 2015					
Opening balance	208 171	163 784	190 119	179 713	741 787
Acquisitions	57 493	-	273 349	113 737	444 579
Disposals	-	-	(255)	(1 055)	(1 310)
Result of fluctuations in the foreign exchange rates	-	-	989	1 889	2 878
Charge for the period	(79 572)	(96 665)	(129 771)	(78 831)	(384 839)
Closing balance	**186 092**	**67 119**	**334 431**	**215 453**	**803 095**
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**

Table continued on next page

30 June 2015					
Historical cost	874 480	1 113 869	3 512 402	784 136	6 284 887
Accumulated depreciation	(688 388)	(1 046 750)	(3 177 971)	(568 683)	(5 481 792)
Carrying amount	**186 092**	**67 119**	**334 431**	**215 453**	**803 095**

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 2015 is EUR 547 794 and accumulated depreciation EUR 546 484 (2013/ 2014: EUR 115 152 and EUR 109 099 accordingly).

Depreciation of EUR 170 823 is included in the profit or loss statement item *Cost of sales* (2013/2014: EUR 171 545); depreciation of EUR 133 816 in *Sales and marketing costs* (2013/ 2014: EUR 168 648); and depreciation of EUR 80,200 in *Administrative expenses* (2013/ 2014: EUR 75,688), including depreciation of EUR 210 under *Other administrative expenses* (2013/ 2014: EUR 221).

The acquisition costs of fully depreciated fixed assets that is still in use at the reporting date amounted to EUR 3,671,298 (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.

7. 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	1 208 773	1 482 149
	4 674 525	**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 81 679 (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).

8. Trade receivables

	30/06/2015 EUR	30/06/2014 EUR
Long term trade receivables	**18 303**	**53 526**
Due from joint venture	-	44 393
Trade receivables	1 451 499	2 259 410
Allowances for bad and doubtful trade receivables	(24 488)	(369 288)
Short-term trade receivables, net	1 427 011	1 934 515
Total trade receivables, net	**1 445 314**	**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 38 112 (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
Debts recovered	(31 540)
Allowances for bad and doubtful trade receivables as at 30 June 2014	**369 288**
Written-off	(306 688)
Additional allowances	17 932
Debts recovered	(56 044)
Allowances for bad and doubtful trade receivables as at 30 June 2015	**24 488**

Split of Gross Trade receivables by currencies expressed in EUR

	30/06/2015 EUR	30/06/2015 %	30/06/2014 EUR	30/06/2014 %
USD	779 355	53.02	1 310 733	55.60
EUR	690 447	46.98	1 046 596	44.40
Total trade receivables	**1 469 802**	**100%**	**2 357 329**	**100%**

Ageing of Trade receivables at the reporting date

	30/06/2015 Gross EUR	30/06/2015 Allowance EUR	30/06/2014 Gross EUR	30/06/2014 Allowance EUR
Not overdue	1 002 761	-	1 521 868	-
Overdue by 0 – 89 days	443 758	(1 205)	468 365	(2 192)
Overdue by 90 and more days	23 283	(23 283)	367 096	(367 096)
Total trade receivables	**1 469 802**	**(24 488)**	**2 357 329**	**(369 288)**

9. Other receivables

	30/06/2015 EUR	30/06/2014 EUR
Government grants*	251 707	226 220
Overpaid value added tax (refer to Note 25)	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 *LEO Pētījumu centrs* SIA.

10. Deposits with banks

	30/06/2015	30/06/2014
	EUR	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.

Split of Deposits by currencies expressed in EUR

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

Split of Deposits by banks

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

11. Cash and cash equivalents

	30/06/2015	30/06/2014
	EUR	EUR
Cash in bank	4 320 293	4 082 555
	4 320 293	**4 082 555**

Split of cash and cash equivalents by currencies expressed in EUR

	30/06/2015	30/06/2015	30/06/2014	30/06/2014
	EUR	%	EUR	%
USD	1 563 044	36.18	1 157 015	28.34
EUR	2 757 249	63.82	2 921 317	71.56
GBP	-	-	4 223	0.10
Cash and cash equivalents	**4 320 293**	**100%**	**4 082 555**	**100%**

Split of cash and cash equivalents by currencies expressed in EUR

	30/06/2015	30/06/2014
	EUR	EUR
Swedbank AS	591 937	1 013 185
Nordea Bank AB Latvia branch	**3 168 749**	**2 396 746**
DNB Banka AS	**1 428**	**366 117**
JP Morgan Chase bank	**-**	**306 503**
SEB Banka AS	**881**	**-**
US Bank	**557 298**	**-**
Other banks	**-**	**4**
	4 320 293	**4 082 555**

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 30/06/2011 EUR	Recognized in profit or loss 2011/ 2012 EUR	Balance at 30/06/2012 EUR	Recognized in profit or loss 2012/ 2013 EUR	Balance at 30/06/2013 EUR
Temporary difference on fixed asset depreciation and intangible asset amortisation	19 842	7 324	27 166	12 685	39 851
Tax losses brought 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 stock	(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)	51 720	(3 673)
Unrecognized temporary differences related to foreign trade receivables recoverability	75 988	(20 595)	55 393	(51 720)	3 673
Deferred tax (asset), net	**(123 194)**	**24 510**	**(98 684)**	**20 418**	**(78 266)**

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 probability that taxable profits in the next taxation periods will be sufficient to recover the recognized deferred tax asset in full during the taxation periods following the reporting year; this is also supported by the generation of taxable profits in the current year.

13. Share capital

In December 2014, the Parent 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 Parent 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).

14. Payables, provisions and other liabilities

	30/06/2015	30/06/2014
	EUR	EUR
Trade accounts payable	704 679	643 820
Other accounts payable	14 763	260 026
Trade and other payables	**719 442**	**903 846**
Provisions for guarantees	18 211	14 643
Provisions	**18 211**	**14 643**
Accrued liabilities for unused vacations	219 358	192 349
Customer advances	403 056	216 085
Taxes and social security payments (See note 26)	87 581	116 185
Other liabilities	355 325	160 372
Other liabilities	**1 065 320**	**684 991**
Total Payables, provisions and other liabilities	**1 802 973**	**1 603 480**

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

	Guarantees	Bonuses	Total
	EUR	EUR	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.

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

	30/06/2015	30/06/2015	30/06/2014	30/06/2014
	EUR	%	EUR	%
USD	384 090	53.39	243 289	26.92
EUR	335 093	46.58	660 557	73.08
GBP	259	0.03	-	-
Trade and other payables	**719 442**	**100%**	**903 846**	**100%**

Ageing analysis of trade payables and other payables

	30/06/2015	30/06/2014
	EUR	EUR
Not overdue	716 957	901 418
Overdue by 0 – 30 days	2 485	2 428
Trade and other payables	**719 442**	**903 846**

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

15. Loans

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

16. Deferred income

	30/06/2015	30/06/2014
	EUR	EUR
Deferred income for goods not delivered	170 432	85 948
Other	82 188	19 462
	252 620	**105 410**

17. 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.

	CFM / CFIP / FreeMile		Other		Total	
	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14
	EUR	EUR	EUR	EUR	EUR	EUR
Assets						
Segment assets	5 528 604	5 834 532	1 588 313	1 634 109	7 116 917	7 468 641
Unallocated assets					6 529 910	4 577 026
Total assets					**13 646 827**	**12 045 667**
Segment liabilities	1 131 510	1 100 557	203 923	277 201	1 335 433	1 377 758
Unallocated liabilities					871 255	337 913
Total liabilities					**2 206 688**	**1 715 671**
Income	9 477 495	9 469 940	3 375 151	2 555 811	12 852 646	12 025 751
Segment result	**1 881 797**	**2 380 703**	**2 207 065**	**1 007 888**	**4 088 862**	**3 388 591**
Unallocated expenses					(3 446 599)	(3 414 440)
Profit/(loss) from operating activities					**642 263**	**(25 849)**
Other income					483 486	330 149
Financial income/(expenses), net					383 188	(125 366)
Share of profit/ (loss) of equity-accounted investees, net of income tax					(31 184)	(27 375)
Profit/ (loss) before taxes					**1 477 753**	**151 559**
Corporate income tax					(199 198)	(24 510)
Profit after tax					**1 278 555**	**127 049**
Result of fluctuations in the foreign exchange rates					9 798	(512)
Profit/(loss) of the reporting year					**1 288 353**	**126 537**
Other information						
Additions of fixed and intangible assets	174 748	113 955	-	-	174 748	113 955
Unallocated additions of fixed and intangible assets					269 831	147 768
Total additions of fixed and intangible assets					**444 579**	**261 723**
Depreciation and amortization	218 185	142 509	93	1 119	218 278	143 628
Unallocated depreciation and amortization					166 561	272 253
Total depreciation and amortisation					**384 839**	**415 881**

(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	
	2014/2015	2013/2014	2014/2015	2013/2014
	EUR	EUR	EUR	EUR
North and South America	6 435 133	5 337 085	674 632	818 659
Europe, CIS	5 048 413	4 617 586	597 017	942 404
Asia, Africa, Middle East	1 369 100	2 071 080	173 665	226 978
	12 852 646	**12 025 751**	**1 445 314**	**1 988 041**
Unallocated assets	-	-	12 201 513	10 057 626
	12 852 646	**12 025 751**	**13 646 827**	**12 045 667**

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

18. Cost of goods sold

	01.07.2014-30.06.2015 EUR	01.07.2013-30.06.2014 EUR
Purchases of components and subcontractors services	6 304 230	6 557 982
Salary expenses (including accrued liabilities for unused vacations)	1 586 672	1 457 196
Depreciation and amortization (See Note 6)	170 823	171 545
Social insurance (including accruals for vacation pay)	369 896	344 253
Rent of premises	197 083	141 841
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	70 151	60 568
	8 828 541	**8 877 754**

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.

19. Sales and marketing expenses

	01.07.2014-30.06.2015 EUR	01.07.2013-30.06.2014 EUR
Salary expenses (including accrued liabilities for unused vacations)	1 104 324	937 673
Delivery costs	288 216	337 859
Business trip expenses	249 829	319 132
Social contributions (including accrued liabilities for unused vacations)	215 244	192 755
Depreciation and amortization (See Note 6)	133 816	168 648
Advertisement and marketing expenses	114 108	118 575
Other selling and distribution costs	189 415	282 731
	2 294 952	**2 357 373**

20. Administrative expenses

	01.07.2014-30.06.2015	01.07.2013-30.06.2014
	EUR	EUR
Salary expenses (including accrued liabilities for unused vacations)	567 617	360 090
Social insurance (including accrued liabilities for unused vacations)	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
Representation expenses	28 301	38 677
Training	26 601	11 525
Rent of premises	24 859	23 931
Insurance	17 464	23 715
Expenses on cash turnover	12 192	14 507
Business trip expenses	11 759	1 097
Communication expenses	3 841	4 717
Office maintenance	3 692	6 060
Sponsorship	40 500	10 114
Allowances for bad and doubtful trade receivables	(38 112)	(24 707)
Other administrative expense	113 494	118 868
	1 086 890	**816 473**

Other administrative expenses include the annual statutory audit fee. During the year the Group did not receive any other services from the auditor.

21. Other income

	01.07.2014-30.06.2015	01.07.2013-30.06.2014
	EUR	EUR
Government grants*	432 130	297 609
Other income	51 356	32 540
	483 486	**330 149**

* Government grants are received from LIAA and LETERA, and they relate to development project realized in cooperation with LEO Pētījumu centrs SIA. During the reporting year, the Group received a government grants of EUR 406 643 (2013/ 2014: EUR 111 957).

22. Finance income

	01.07.2014-30.06.2015	01.07.2013-30.06.2014
	EUR	EUR
Interest income	1 275	19 411
Result of currency exchange fluctuations, net	381 969	-
	383 244	**19 411**

23. Finance expenses

	01.07.2014-30.06.2015	01.07.2013-30.06.2014
	EUR	EUR
Interest expenses	56	-
Result of currency exchange fluctuations, net	-	144 777
	56	**144 777**

24. Corporate income tax

	01.07.2014-30.06.2015	01.07.2013-30.06.2014
	EUR	EUR
Changes in deferred tax asset (see Note 12)	20 418	24 510
Corporate income tax for the reporting year	178 780	-
	199 198	**24 510**

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:

	01.07.2014-30.06.2015	01.07.2013-30.06.2014
	EUR	EUR
Profit before tax	**1 477 753**	**151 559**
Tax rate	15%	15%
Tax calculated theoretically	221 663	22 734
Effect of foreign tax rates	(1 309)	-
Effect of non-deductible expenses	21 062	14 788
Effect of changes in unrecognized temporary differences	(7 793)	(3 706)
Effect of tax reliefs	(34 425)	(9 306)
Corporate income tax	**199 198**	**24 510**

The State Revenue Service may inspect the Group's books and records for the last 3 years and impose additional tax charges with 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	Social contri-butions	Personal income tax	Corporate income tax	Business risk duty	CIT for services provided by non-residents	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Payable as at 30.06.2014	**5 971**	**70 871**	**39 253**	**-**	**90**	**-**	**116 185**
(Overpaid) 30.06.2014.	**-**	**-**	**-**	**(69 076)**	**-**	**(118)**	**(69 194)**
Calculated in the reporting period	(223 054)	954 946	567 577	178 780	4 277	-	1 482 526
Repaid by 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)	(845 001)	(606 830)	(36 178)	(4 312)	-	(1 501 562)
Foreign currency difference	-	-	-	-	7	-	7
Payable as at 30.06.2015	**-**	**87 519**	**-**	**142 720**	**62**	**-**	**230 301**
(Overpaid) as at 30.06.2015	**(26 037)**	**-**	**-**	**-**	**-**	**(118)**	**(26 155)**

26. 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	01.07.2013-30.06.2014
	EUR	EUR
Profit of the reporting year (a)	1 278 555	127 049
Ordinary shares as at 1 July (b)	2 970 180	2 970 180
Basic and diluted earnings per share for the reporting year (a/b)	**0.430**	**0.043**

27. Remuneration to management

Remuneration of the Board and Council members

	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**

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:

1. has control or joint control over the reporting group entity;
2. has a significant influence over the reporting group entity; or
3. 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:

1. 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);
2. 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):
3. Both entities are joint ventures of the same third party:
4. One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
5. 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.
6. The entity is controlled, or jointly controlled by a person identified in (a).
7. A person identified in (a)(1) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

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

	Transactions for the year ended 30 June		Balance as at 30 June	
	2015 EUR	2014 EUR	2015 EUR	2014 EUR
Sale of goods and services				
Joint venture	-	-	-	44 393
Loans issued and related interest income				
Other related parties	-	-	-	180 581

On 18 June 2012 the Parent 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.

29. Equity-accounted investees

Summary financial information for equity accounted investees is as follows:

EUR	2013/ 2014 SAF Services
Ownership	50%
Total assets	45 543
Total liabilities	44 393
Net assets	1 150
Income	10 836
Expenses	(65 195)
Profit (loss)	(54 359)
Group share of net assets	13 910
Carrying amounts	13 910
Group's share of profit (loss)	(27 375)

During the reporting year SAF Tehnika became the sole owner of SAF Services and as at the end of the reporting year 100% SAF Services are consolidated as a subsidiary.

30. Personnel costs

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 to staff	3 258 613	2 754 959
Social contributions	702 486	622 819
Total	**3 961 099**	**3 377 778**

31. Average number of employees

	01.07.2014-30.06.2015	01.07.2013-30.06.2014
The average number of staff in the reporting year:	172	169

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 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 were concluded on the extension of the agreement term 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 LLC "SAF North America" with total area 3, 286 sq. feet. The premises are located at 10500 E.54th Avenue, Unite D, Denver, USA. The agreement matures on 31 August 2017. As of January 2015 the premises are leased to subtenant Metro Copier Services, Inc.

On 9 January 2015 a new rent agreement Nr. SAFNA-2015-001 with "FIRST INDUSTRIAL, L.P." was signed regarding lease of premises by LLC "SAF North America" with total area 7,800 sq. feet. The premises are located at 3250 Quentin Street, Unite 128, Aurora, Colorado 80011, USA. The agreement matures on 31 March 2020.

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

	30.06.2015 EUR	30.06.2014 EUR
1 year	308 152	287 630
2- 5 years	1 144 318	1 090 106
Over 5 years	-	178 899
	1 452 470	**1 556 635**

33. Contingent liabilities

As part of its primary activities, the Group 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 consolidated financial statements that would have a material impact on the Group's financial position as at 30 June 2015 or its performance and cash flows for the year then ended.