

A/S „SAF Tehnika”

**Consolidated financial statements and
separate financial statements**

for the year ended
30 June 2018

(Translation from Latvian)

**A/S „SAF TEHNIKA”
CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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A/S „SAF TEHNIKA”
CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

General information

Information on the Parent company:

Name of the Company	A/S „SAF Tehnika”
Legal status of the Company	Joint Stock Company
Number, place and date of registration	40003474109 Riga, Latvia, 27 December 1999 Registered with the Commercial Register on 10 March 2004
Address	Ganību dambis 24a Riga, LV-1005 Latvia
Names of shareholders	Didzis Liepkalns (17.05%) Andrejs Grišāns (10.03%) Normunds Bergs (9.74%) Juris Zieme (8.71%) Koka Zirgs SIA (8.84%) Vents Lācars/ inheritors (6.08%) Other shareholders (39.55%)
Names of the Council members, their positions	Vents Lācars – Chairman of the Council (6.08% or 180 546 shares) – till 10.05.2018 Juris Zieme – Deputy Chairman of the Council (8.71% or 258 762 shares) Andrejs Grišāns – Member of the Council (10.03% or 297 888 shares) Ivars Šenbergs – Member of the Council (0.00% or 2 shares) Aivis Olšteins – Member of the Council (no A/S „SAF Tehnika” shareholder)
Names of the Board members, their positions	Normunds Bergs – Chairman of the Board (9.74% or 289 377 shares) Didzis Liepkalns – Member of the Board (17.05% or 506 460 shares) Zane Jozepa – Member of the Board (no A/S SAF Tehnika shareholder) Jānis Bergs – Member of the Board (no A/S SAF Tehnika shareholder)
Responsible person for accounting	Dace Langada – Chief accountant
Reporting period	1 July 2017 – 30 June 2018
Previous reporting year	1 July 2016 – 30 June 2017
Auditor and address	Potapoviča un Andersone SIA Licence No. 99 Ūdens iela 12-45 Riga, LV-1007, Latvia Anna Temerova - Allena Responsible certified auditor Certificate No.154

Information on subsidiaries:

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

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Management Report

Business Activity

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

In the financial year (FY) 2017/2018, the Group's net turnover was 13.41 million euros, which is by 3.63 million euros, or 21.3% less than in the previous financial year 2016/2017. The net turnover of the Parent company was 11.17 million euros in FY 2017/2018, which is 3.46 million euros less than last FY 2016/2017.

In the American region, where we keep accounting records of sales in the countries of both North, South, and Central Americas, the turnover made up to 57% of the Group's annual turnover and was 7.66 million euros, which is 22% less than last year. The US subsidiary company “SAF North America” LLC ensures marketing and sales of the Group's products in USA and Canada as well as product warehousing and logistics services. Sales in the European and CIS region decreased by 19%. Last year's successful results in the region were related to the development of a data transmission solution tailored to customer-specific needs. During the reporting year, there was a decline of turnover in the AMEA (Asia, Middle East, Africa) region, where the competition in the market of wireless data transmission equipment is still highly intense. Fluctuations in turnover for all regions are affected by variable proportion of projects, replacement of equipment generations, and product audits, especially in the segments of standard equipment.

In the reporting year, in order to minimize fluctuations in turnover, the Group continued its effort to research and identify by developing and improving the niche product offerings, increasingly focusing on the diversification of its product portfolio. The life cycle of products in the sector lasts for about 5 years when the obsolete products are replaced with the equipment of newer generations. This applies to the Group's basic products – microwave wireless data transmission equipment. Therefore, prototypes for the next generation equipment have been made and will be marketed during the next financial year. The technology transition process is gradual and will happen over several years.

The Group further developed specific functionalities for A/S “SAF Tehnika” products demanded by customers.

There is still an increase in demand on the market for radio systems that provide enhanced data transmission rate and can be enhanced or updated in order to increase data transmission capacity. Consequently, the Group continues to study market demand and problematic issues in order to offer necessary product modifications.

Exports made 98.85% of the Group's (98.62% of the Parent company's) turnover and amounted to 13.41 million euros (11.17 million euros, accordingly). During the reporting year, the Group exported its products to 76 countries worldwide.

In order to promote SAF brand recognition and introduce SAF products, solutions and new generations of the devices to the existing and potential customers, the Group continued to actively participate in the most significant trade shows across Europe, America, and Asia.

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

In the reporting year, CFIP series products were in the highest demand, and the best-selling ones were *Integra*, *FreeMile*, *Lumina*, and *Marathon*. There is an increasing demand for products in the Spectrum Compact line – measuring equipment for data network engineers.

At the end of the year, the Group's (Parent company's) net cash funds balance was 3.12 million euros (3.01 million euros, accordingly). The Group's net cash flow was negative in the reporting year – 3.38 million euros (accordingly, the Parent company's net cash flow was negative – 2.14 million euros).

During the reporting year, the Group invested 344 thousand euros into the purchase of IT infrastructure, production and research equipment, software and licenses, as well as product certification.

The Group (Parent company) closed the financial year 2017/2018 with loss of 219 thousand euros (199 thousand euros, accordingly). The last fiscal year's result was profit of 1.74 million euros (1.67 million euros, accordingly). A significant difference is related to the successful implementation of customer-tailored niche projects in the past fiscal year, as well as to the stages of the product life cycle, investments in the development of new products and modifications for existing products.

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Management Report (continued)

Research and Development

The prerequisite of the Group's long-term existence and a success factor is its ability to ensure continuous product development. In the reporting year, the Group continued to improve the INTEGRA product line, as well as solutions were found to enhance the functionality, improve performance, and reduce production costs. The Group continued to design and develop the functionality of a new IoT (Internet of Things) environmental monitoring solution – Aranet. Aranet is an industrial-grade wireless environmental monitoring solution that allows monitoring temperature, humidity, and CO2 level. Spectrum Compact and Spectrum Generator are regularly updated with new functionalities and accessories. Groundwork and prototypes of new products have been created and are expected to enter the market next financial year. Technologically, the products are interconnected. Development and existence of such products broadens the range of business offerings. In the reporting period, the Group's product development projects received co-financing from the Latvian electrical and optical equipment industry competence center “LEO Pētījumu centrs” SIA in the amount of 339 thousand euros.

Future Prospects

A/S „SAF Tehnika” is the company with long-term experience and competence in development and production of microwave radios. The company is capable of delivering excellent, high-quality products for the general market as well as succeeding in development of niche solutions. The Group's task is to proceed with development of next generation data transmission equipment, continue its work on manufacturing high-quality products for the microwave data communication market, providing not only standardized solutions, but also product modifications in order to meet customers' special needs. The goal of the Company is to stabilize sales levels to ensure a positive net result in the long term.

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

The Group looks positively to projections for future operational periods, however, retains caution, and the Board of the Parent company refrains from expressing any statements about future sales volumes and financial results.

Subsequent Events

During a period of time between the year-end date and the date on which these financial statements are signed, there were no events that would materially affect the financial position of the Group and/or the Parent company as on 30 June 2018, and/or financial results and cash flows during the relevant reporting year.

Profit Allocation Proposal by the Board

The Board of the Parent company proposes to cover the loss from undistributed profits of previous years.

Also, the Corporate Governance Report for 2017/2018 has been submitted to “Nasdaq Riga” AS together with this separate and consolidated annual financial report 2017/2018 by A/S “SAF Tehnika”.

On behalf of the Board,

Normunds Bergs
Chairman of the Board

Riga, 17 October 2018

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STATEMENT OF THE BOARD’S RESPONSIBILITY

The Board of A/S “SAF Tehnika” is responsible for preparing separate and consolidated financial statements of A/S “SAF Tehnika”.

The separate and consolidated financial statements set out on pages 11 to 43 and are prepared in accordance with the source documents and present fairly the A/S “SAF Tehnika” (Parent company’s) and A/S “SAF Tehnika” and its subsidiaries (the Group) financial position as at 30 June 2018 and the results of financial performance and cash flows for the year then ended on 30 June 2018.

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

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Riga, 17 October 2018

Independent Auditor's Report
(Translation from Latvian)

To the shareholders of AS "SAF Tehnika"

Our Opinion on the Separate and Consolidated Financial Statements of AS "SAF Tehnika"

We have audited the accompanying separate financial statements and consolidated financial statements of AS "SAF Tehnika" ("the Company") and its subsidiaries ("the Group") set out on pages 11 to 43 of the accompanying consolidated annual report, which comprise:

- the separate and consolidated statement of financial position as at 30 June 2018,
- the separate and consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the separate and consolidated statement of changes in equity for the year then ended,
- the separate and consolidated statement of cash flows for the year then ended, and
- the notes to the separate and consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of AS "SAF Tehnika" and its subsidiaries as at 30 June 2018, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Basis for Opinion

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

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the separate and consolidated financial statements of the current period. These matters were addressed in the context of our audit of the separate and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report:

Audit matter

Audit procedures performed

Completeness of income and periodization

Net sales of goods and related services presented in the separate financial statements of the Parent company amount to EUR 11 174 255. The relevant income positions of the Group amount to EUR 13 411 294 respectively.

Detailed information on the relevant income items is presented in Note 17 to the financial statements (financial information) and section (p) of the accounting policies (income recognition principles description).

The Group is developer, manufacturer and distributor of digital microwave communication equipment in more than 70 countries around the world, that requires

Our audit procedures, amidst others, included the following:

- meeting with the financial management of the Parent company in order to discuss the specifics of the current market situation, income structure of the Group, changes in the reporting period and chief material risks for ensurance of income recognition completeness;
- obtaining understanding of the adequacy of the accounting methods and control procedures applied;
- performance of detailed analytical procedures, by evaluating level of recognized income comparing to the previous year and monthly fluctuations, in cases of

Audit matter

implementation and maintenance of adequate and consistent income accounting and control procedures, that provides precise periodization and completeness of income recognition, that is why income recognition and control matters are considered to be one of the key audit matters.

Existence and net realisable value of stock

The value of stock in the balance sheet presented in the separate financial statements of Parent company amounts to EUR 4 821 370, that consists of gross value of stock in amount of EUR 5 301 332 and provisions for slow moving items in the amount of EUR 479 962. Net realisable value of stock in the Group's financial statements amounts to EUR 5 057 877.

Detailed information on goods for sale is included in Note 8 to the financial statements (financial information) and section (j) of the accounting policies (accounting principles).

Considering the rapid development of the technology industry and the volume of stock in the Parent company's separate financial statements and Group's consolidated financial statements, it is essential to determine the net realisable value of stock, therefore we consider this to be one of the key audit matters.

Transactions with related parties

Parent company of the Group undertakes transactions also with its subsidiary. In Parent company's separate financial statements Net sales of goods and related services amounts to EUR 4 106 649, while the amount of services received amount to EUR 68 998.

Detailed information on goods for sale is included in Note 28 to the financial statements (financial information), as well as in Notes 9, 10, 14 and 17.

We consider this a key audit matter, since IFRS compliant disclosure on related party transactions is important in proper understanding of the financial performance and financial position of the Parent Company and the Group.

The subsidiary of the Parent Company

The parent company of the Group has a subsidiary, SAF North America LLC, registered in the United States of America.

The subsidiary SAF North America LLC has made significant contributions to marketing and sales of the Group's products in the United States, providing product warehousing and logistics services and

Audit procedures performed

significant fluctuations, performed substantive tests of supporting documentation and accounting records;

- evaluating the dynamics of receivables repayment after the end of the reporting year, performed detailed substantive tests of supporting documentation and accounting records;
- performing reconciliation procedures with third parties, confirming turnover during the reporting year and balance as at the end of the reporting year;
- in cases of material transactions, performed substantive tests of supporting documentation and accounting records.

Our audit procedures, amidst others, included the following:

- evaluating of the results of operations of the internal control structures in stock-count performance and other control procedures performed;
- reviewing the results of the stock-counts;
- participation in the year end stock counts, observing the stock-count procedures and performance;
- on a random selection basis testing the adequacy of costing of specific goods items;
- performing detailed analytical procedures reconciling the profit ratios on the sale of goods to the sales policies as developed by the management of the Group;
- review of the ageing analysis of goods for sale and evaluation of the adequacy of provisions made in accordance with the provisioning policies as developed by the management of the Group.

Our audit procedures, amidst others, included the following:

- performing procedures on related party identification and related party transactions undertaken by the Company during the reporting year, including identification of related parties from the public information sources and reconciling this information to the data provided by the management of the Company;
- meeting the management of the Parent Company's to discuss main principles of related party transactions;
- on a sample basis testing terms of related party transactions and ensuring their proper disclosure in the financial statements;
- testing that the related party disclosure included in the financial statements complies to IFRS requirements and reconciles to the Company's accounting data.

Our audit procedures, amidst others, included the following:

- meeting the management of the Parent company to discuss the operations and key operating risks of the subsidiary SAF North America LLC;
- obtaining understanding of the adequacy of the internal supervision and control procedures implemented by the

Audit matter

delivering goods and services to the United States. The Group's annual turnover in the United States amounts to 57% of the total sales, therefore we consider this issue to be significant in the context of auditing.

Detailed information on this matter is disclosed in Note 28 to the financial statements (financial information), as well as Notes 9, 10, 14 and 17 (explanatory notes on financial position items).

According to the relevant US law, the SAF North America LLC Financial Report is not subject to statutory audit in the United States, therefore the audit procedures necessary to express an opinion on the Group's consolidated financial statements are performed by the Auditor of the Parent company of the Group. As the Group's subsidiary is important in the context of the consolidated financial statements of the Group, we consider this issue a significant audit matter.

Audit procedures performed

subsidiary, such as the internal audit function, the advice of local tax experts and others, and we have assessed their compliance with the identified risks;

- performance of detailed analytical procedures, by evaluating level of recognized income comparing to the previous year and monthly fluctuations, in cases of significant fluctuations, performed substantive tests of supporting documentation and accounting records;
- evaluating the dynamics of receivables repayment after the end of the reporting year, performed detailed substantive tests of supporting documentation and accounting records;
- performing reconciliation procedures with third parties, confirming turnover during the reporting year and balance as at the end of the reporting year.

Other Matter

Reporting on Other Information

The Group management is responsible for the other information. The other information comprises:

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

Our opinion on the separate and consolidated financial statements does not cover the other information included in the separate and consolidated annual report, and we do not express any form of assurance conclusion thereon, except as described in the *Other reporting responsibilities in accordance with the legislation of the Republic of Latvia* section of our report.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed and in light of the knowledge and understanding of the Group and its environment obtained in the course of our audit, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Other reporting responsibilities in accordance with the legislation of the Republic of Latvia

In addition, in accordance with the Law on Audit Services of the Republic of Latvia with respect to the Management Report, our responsibility is to consider whether the Management Report is prepared in accordance with the requirements of the 'Law On the Annual Reports and Consolidated Annual Reports' of the Republic of Latvia.

Based solely on the work required to be undertaken in the course of our audit, in our opinion:

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

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

In our opinion, the Statement of Corporate Governance includes the information required in section 56.1, first paragraph, clause 3, 4, 6, 8 and 9, as well as section 56.2, second paragraph, clause 5, and third paragraph of the Financial Instruments Market Law and it includes the information stipulated in section 56.2 second paragraph, clause 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

Responsibilities of Management and Those Charged with Governance for the Separate and Consolidated Financial Statements

Management is responsible for the preparation of the separate and consolidated financial statements that give a true and fair view in accordance with IFRS and for such internal control as management determines is necessary to enable

the preparation of the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's separate and Group's consolidated financial reporting process.

Auditor's Responsibility for the Audit of the Separate and Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

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


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

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


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

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

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



Kristīne Potapoviča
Chairperson of the Board



Anna Temerova-Allena
Responsible Certified Auditor
Certificate No. 154
Member of the Board

Riga, 17 October 2018

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CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Statement of financial position

	Note	Group As at 30 June		Parent company As at 30 June	
		2018 EUR	2017 EUR	2018 EUR	2017 EUR
Long-term investments					
Fixed assets	6	657 339	733 303	637 573	703 346
Intangible assets	6	142 665	117 907	142 472	117 407
Investments in subsidiaries	7	-	-	32 893	32 893
Investments in other companies	7	8 106	2 148	8 106	2 148
Long-term trade receivables	9	1 905	2 993	1 905	2 993
Deferred tax asset	12	-	27 374	-	27 374
Total long-term investments		810 015	883 725	822 949	886 161
Current assets					
Stock	8	5 057 877	5 535 525	4 821 370	5 299 401
Corporate income tax receivable	25	172 136	-	144 033	-
Trade receivables	9	1 616 947	1 706 914	866 777	778 647
Due from related parties	9	-	-	991 247	1 226 485
Other receivables	10	313 073	274 614	304 940	263 685
Short-term loans	27b	215 025	-	-	-
Prepaid expenses		167 048	132 808	120 785	104 152
Cash and cash equivalents	11	3 124 000	6 508 388	3 015 110	5 159 737
Total current assets		10 666 106	14 158 249	10 264 262	12 832 107
Total assets		11 476 121	15 041 974	11 087 211	13 718 268
SHAREHOLDERS' EQUITY					
Share capital	13	4 158 252	4 158 252	4 158 252	4 158 252
Share premium		2 851 726	2 851 726	2 851 726	2 851 726
Other reserves		8 530	8 530	8 530	8 530
Translation reserve		2 012	5 207	-	-
Retained earnings		2 855 657	5 065 006	2 738 484	4 927 983
Total shareholders' equity		9 876 177	12 088 721	9 756 992	11 946 491
LIABILITIES					
Current liabilities					
Trade and other payables	14	694 823	738 528	647 806	686 268
Provisions	14	11 184	6 294	11 184	6 294
Other liabilities	14	785 347	1 982 095	524 409	845 799
Due to related parties		-	-	138 932	62 130
Corporate income tax	25	-	163 738	-	136 225
Loans	15	113	10 397	113	10 397
Deferred income	16	108 477	52 201	7 775	24 664
Total liabilities		1 599 944	2 953 253	1 330 219	1 771 777
Total equity and liabilities		11 476 121	15 041 974	11 087 211	13 718 268

The accompanying notes on pages 15 to 43 form an integral part of these financial statements.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Dace Langada
Chief accountant

Riga, 17 October 2018

A/S „SAF TEHNIKA”
CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS
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Statement of profit or loss and other comprehensive income

	Note	Group For the year ended 30 June		Parent company For the year ended 30 June	
		2018 EUR	2017 EUR	2018 EUR	2017 EUR
Net sales	17	13 411 294	17 042 574	11 174 255	14 635 022
Cost of goods sold	18	<u>(8 855 229)</u>	<u>(9 780 241)</u>	<u>(8 687 923)</u>	<u>(9 614 161)</u>
Gross profit		4 556 065	7 262 333	2 486 332	5 020 861
Sales and marketing expenses	19	(3 998 631)	(4 197 117)	(1 982 939)	(2 244 374)
Administrative expenses	20	<u>(850 019)</u>	<u>(1 219 930)</u>	<u>(774 130)</u>	<u>(1 106 821)</u>
Profit/ (loss) from operating activities		(292 585)	1 845 286	(270 737)	1 669 666
Other income	21	331 632	402 133	325 760	399 919
Financial income	22	21 401	11 247	20 814	11 209
Financial expenses	23	<u>(191 981)</u>	<u>(204 454)</u>	<u>(193 796)</u>	<u>(135 776)</u>
Profit/ (loss) before tax		(131 533)	2 054 212	(117 959)	1 945 018
Corporate income tax	24	<u>(87 795)</u>	<u>(307 146)</u>	<u>(81 519)</u>	<u>(270 301)</u>
Profit/ (loss) of the reporting year		(219 328)	1 747 066	(199 478)	1 674 717
Other comprehensive income/ (loss)					
Foreign currency recalculation differences for foreign operations		(3 195)	(5 289)	-	-
Total comprehensive income/ (loss)		(222 523)	1 741 777	(199 478)	1 674 717
Profit/ (loss) attributable to:					
Shareholders of the Parent		(219 328)	1 747 066	-	-
Total comprehensive income/ (loss) attributable to:					
Shareholders of the Parent		(222 523)	1 741 777	-	-
Profit/ (loss) per share attributable to the shareholders of the Company (EUR per share):					
Basic and diluted earnings/ (loss) per share	26	(0.074)	0.588	(0.067)	0.564

The accompanying notes on pages 15 to 43 form an integral part of these financial statements.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Dace Langada
Chief accountant

Riga, 17 October 2018

A/S „SAF TEHNIKA”
CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS
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Statement of changes in the shareholders' equity of the Group

	Share capital	Share premium	Other reserves	Foreign currency revaluation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 30 June 2016	4 158 252	2 851 725	8 530	10 496	4 327 801	11 356 804
Transactions with owners of the Company, recognised in equity						
Dividends	-	-	-	-	(1 009 861)	(1 009 861)
Total comprehensive income	-	1	-	(5 289)	1 747 066	1 741 778
Profit of the reporting year	-	-	-	-	1 747 066	1 747 066
Other comprehensive income/ (loss)	-	1	-	(5 289)	-	(5 288)
Balance as at 30 June 2017	4 158 252	2 851 726	8 530	5 207	5 065 006	12 088 721
Transactions with owners of the Company, recognised in equity						
Dividends	-	-	-	-	(1 990 021)	(1 990 021)
Total comprehensive income	-	-	-	(3 195)	(219 328)	(222 523)
Loss of the reporting year	-	-	-	-	(219 328)	(219 328)
Other comprehensive income/ (loss)	-	-	-	(3 195)	-	(3 195)
Balance as at 30 June 2018	4 158 252	2 851 726	8 530	2 012	2 855 657	9 876 177

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

	Share capital EUR	Share premium EUR	Other reserves EUR	Retained earnings EUR	Total EUR
Balance as at 30 June 2016	4 158 252	2 851 725	8 530	4 263 127	11 281 634
Transactions with owners of the Company, recognised in equity					
Dividends	-	-	-	(1 009 861)	(1 009 861)
Total comprehensive income	-	1	-	1 674 717	1 674 718
Profit for the reporting year	-	-	-	1 674 717	1 674 717
Other comprehensive income	-	1	-	-	1
Balance as at 30 June 2017	4 158 252	2 851 726	8 530	4 927 983	11 946 491
Transactions with owners of the Company, recognised in equity					
Dividends	-	-	-	(1 990 021)	(1 990 021)
Total comprehensive income	-	-	-	(199 478)	(199 478)
Loss for the reporting year	-	-	-	(199 478)	(199 478)
Other comprehensive income	-	-	-	-	-
Balance as at 30 June 2018	4 158 252	2 851 726	8 530	2 738 484	9 756 992

The accompanying notes on pages 15 to 43 form an integral part of these financial statements.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Dace Langada
Chief accountant

Riga, 17 October 2018

A/S „SAF TEHNIKA”
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Statement of cash flows

	Note	Group For the year ended 30 June		Parent company For the year ended 30 June	
		2018 EUR	2017 EUR	2018 EUR	2017 EUR
Profit before taxes		(131 533)	2 054 212	(117 959)	1 945 018
<u>Adjustments for:</u>					
- depreciation	6	316 919	300 412	292 700	281 879
- amortization	6	72 913	65 928	72 616	65 811
- changes in adjustments to stock	8	(17 373)	(32 650)	(17 373)	(32 650)
- changes in provisions for guarantees	14	4 890	(9 465)	4 890	(9 465)
- changes in provisions for unused vacations	14	(19 224)	35 104	(19 224)	35 104
- changes in doubtful debt allowances	9	(17 492)	28 447	(23 189)	29 076
- interest income	22	(21 381)	(11 209)	(20 814)	(11 209)
- government grants	21	(319 520)	(375 938)	(319 520)	(375 938)
- (profit)/loss on disposal of fixed assets		1 927	(15 796)	1 927	(15 796)
Operating profit before changes in working capital		(129 874)	2 039 045	(145 946)	1 911 830
(Increase)/decrease of stock		495 021	(1 208 759)	495 404	(1 168 777)
(Increase)/decrease in receivables		(82)	5 647	4 403	(158 686)
Increase/(decrease) in payables		(1 221 240)	911 584	(263 826)	12 793
Cash flows generated by operating activities		(856 175)	1 747 517	90 035	597 160
Government grants	21	401 565	303 453	401 565	303 453
Corporate income tax paid	25	(395 861)	(94 876)	(334 403)	(85 680)
Net cash flows from operating activities		(850 471)	1 956 094	157 197	814 933
Cash flows from investing activities					
Purchase of fixed assets	6	(246 599)	(314 994)	(231 937)	(290 752)
Income from the disposal of fixed assets		3 083	15 950	3 083	15 950
Purchase of intangible assets	6	(97 681)	(52 818)	(97 681)	(52 309)
Loans issued	27.b	(214 445)	-	-	-
Interest income		20 815	11 209	20 815	11 209
Security deposit received	10	10 159	-	10 159	-
Participation in the capital of other companies	7	(5 958)	-	(5 958)	-
Net cash flows from investing activities		(530 626)	(340 653)	(301 519)	(315 902)
Cash flows used in financing activities					
Loans repaid		(10 284)	(1 698)	(10 284)	(1 698)
Dividends paid		(1 990 021)	(1 009 861)	(1 990 021)	(1 009 861)
Net cash flows used in financing activities		(2 000 305)	(1 011 559)	(2 000 305)	(1 011 559)
Result of fluctuations in the foreign exchange rates		(2 986)	(6 353)	-	-
Net increase of cash and cash equivalents		(3 384 388)	597 529	(2 144 627)	(512 528)
Cash and cash equivalents at the beginning of the year		6 508 388	5 910 859	5 159 737	5 672 265
Cash and cash equivalents at the end of the year	11	3 124 000	6 508 388	3 015 110	5 159 737

The accompanying notes on pages 15 to 43 form an integral part of these financial statements.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Dace Langada
Chief accountant

Riga, 17 October 2018

A/S „SAF TEHNIKA”
CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS
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Notes to the financial statements

1. General information

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

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

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

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

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

These separate financial statements of A/S “SAF Tehnika” and consolidated financial statements of A/S “SAF Tehnika” and its subsidiaries (hereinafter – financial statements) were approved by the Parent company’s Board on 17 October 2018. The financial statements will be presented for approval to the shareholders’ meeting. The shareholders have the power to reject the financial statements prepared and issued by management and the right to request that new financial statements be issued.

2. Summary of accounting principles used

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

The previous financial statements were prepared for the financial year ended 30 June 2017 and are available at the Parent company’s headquarters on Ganību dambis 24a, Riga, Republic of Latvia and at the Parent company’s website: www.saftehnika.com.

A Accounting principles

These financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

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

New Standards and interpretations

Standards, amendments to standards and interpretations that for the first time are applicable to financial statements for year ended 30 June 2018.

Amendments to IAS 12 “Income taxes” – recognition of Deferred Tax Assets for Unrealised Losses (effective for annual periods beginning on or after 1 January 2017).

Amendments to IAS 7 “Statement of Cash Flows” – Disclosure initiative (effective for annual periods beginning on or after 1 January 2017).

Certain new standards and interpretations have been published that become effective for the accounting periods beginning on 1 January 2018 or later periods or are not yet endorsed by the EU:

IFRS 9 “Financial instruments” (effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

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

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Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

A Accounting principles (continued)

New Standards and Interpretations (continued)

- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements of IAS 39 regarding the classification and valuation of financial liabilities remained unchanged in IFRS 9. The main change is that the Company will have to report on the effect of changes in its credit risk on financial liabilities that are valued at fair value through profit or loss account.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

The Company has assessed that applying IFRS 9 "Financial instruments" will not cause significant fluctuations to Company's financial results and recognised financial situation as historically there has not been a significant impairment of Company's assets.

IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018). The new standard introduces the core principle that revenue must be recognised when the goods or services are transferred to the customer, at the transaction price. Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements. When the consideration varies for any reason, minimum amounts must be recognised if they are not at significant risk of reversal. Costs incurred to secure contracts with customers have to be capitalised and amortised over the period when the benefits of the contract are consumed.

The Company's management expects no significant impact to Company's financial results and financial situation adopting the IFRS 15 "Revenue from Contracts with Customers".

Amendments to IFRS 10 "Consolidated financial statements", IAS 28 "Investments in associates and joint ventures" – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective date to be determined by the IASB, not yet endorsed in the EU).

IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise:

- assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value;
- depreciation of lease assets separately from interest on lease liabilities in the income statement.

Amendments to IFRS 16 "Leases" does not require significant changes in accounting of the Company, accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

A/S „SAF TEHNIKA”
CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

A Accounting principles (continued)

New Standards and Interpretations (continued)

Applying IFRS SFPS 16, the management of the Company will make estimates in relation to concluded operating lease agreements. At the end of the reporting period the management of the Company has not yet made assessment, but the Company's management expects no significant impact to Company's financial results and financial situation adopting the IFRS 16 "Leases". See Note 31.

Amendments to IFRS 2 "Share-based Payment" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

Amendments to IFRS 4 "Insurance Contracts" – Applying IFRS 9 "Financial instruments" with IFRS 4 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2018).

Annual improvements to IFRS's 2016. The amendments include changes that affect 3 standards:

- IFRS 12 "Disclosure of Interests in Other Entities" (effective for annual periods beginning on or after 1 January 2017, not yet endorsed in the EU),
- IFRS 1 "First-time Adoption of International Financial Reporting Standards" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU), and
- IAS 28 "Investments in Associates and Joint Ventures" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

IFRIC 22 "Foreign Currency Transactions and Advance Consideration" (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

IFRS 17 "Insurance contracts" (effective for annual periods beginning on or after 1 January 2021, not yet endorsed in the EU).

IFRIC 23 "Uncertainty over Income Tax Treatments" (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU).

Amendments to IAS 40 "Investment Property" – Transfers of investment property (effective for annual periods beginning on or after 1 January 2018, not yet endorsed in the EU).

Amendments to IFRS 9 "Financial instruments" – Prepayment Features with Negative Compensation (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU).

Amendments to IAS 28 "Investments in Associates and Joint Ventures" – Long-term Interests in Associates and Joint Ventures (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU).

Annual improvements to IFRS's 2017 (effective for annual periods beginning on or after 1 January 2019, not yet endorsed in the EU). The amendments include changes that affect 4 standards:

- IFRS 3 - "Business Combinations",
- IFRS 11 - "Joint Arrangements"
- IAS 12 - "Income taxes"
- IAS 23 - "Borrowing costs".

Board of the Parent company and Group decided not to initiate new standards and interpretations before endorsing them in EU. Management of the Company believes that new standards and interpretations listed above does not have significant impact on Company's and Group's financial statements.

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

A/S „SAF TEHNIKA”
CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

B Consolidation

(a) Subsidiaries

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

(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 additional shares in 2015. 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:

Name	Country of residence	Participation %	Subsidiary and joint venture's equity		Subsidiary and joint venture's (profit/ loss)	
			30.06.2018 EUR	30.06.2017 EUR	2017/2018 EUR	2016/2017 EUR
„SAF North America” LLC	United States of America	100%	152 934	176 091	(19 441)	70 068
„SAF Services” LLC	United States of America	100%	(2 535)	(1 825)	(855)	(968)

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

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

(c) Transactions eliminated on consolidation

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

C Foreign currency revaluation

(a) Functional and reporting currency

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

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

(b) Transactions and balances

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

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

	30.06.2018.	30.06.2017.
1 USD	1.16580	1.14120
1 GBP	0.88605	0.87933

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CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

C Foreign currency revaluation (continued)

(c) Group companies

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

- (i) Assets and liabilities are converted according to exchange rate as at the date of statement of financial position;
- (ii) Transactions of the statement of profit and loss and other comprehensive income are revalued according to exchange rate as at the date of transaction; and
- (iii) All currency exchange differences are recognized as a separate item of equity.

D Fixed assets

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

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

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

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

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

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

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

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

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

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

E Intangible assets

(a) Trademarks and licences

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

(b) Software

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

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Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

F Cost of research and development activities

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

G Impairment of long term investments

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

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

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

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

All Group's (Parent company's) assets are allocated to two cash generating units that are identified as Group's (Parent company's) operating segments (see Note 17). No impairment indicators have been noted.

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

H Segments

Information on the Group's (Parent company's) operating segments is disclosed in Note 17. Segment results that are reported to the Chief Executive Officer of the Group (Parent company) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's (Parent company's) headquarters), head office expenses, and tax assets and liabilities.

I Government grants

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

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FOR THE YEAR ENDED 30 JUNE 2018

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

I Government grants (continued)

Within the framework of the contract signed between A/S “SAF Tehnika” and “LEO Pētījumu centrs” SIA a cooperation project “Support for development of new products and technologies within the competence centers” are implemented from June 2016 till May 2018, regarding which “LEO Pētījumu centrs” SIA had signed a contract with “The Central Finance and Contracting Agency”, in order to obtain financing from the European Regional Development Fund as part of the above project. A/S “SAF Tehnika” conducts individual research activities to develop new products within the framework of the above-mentioned project. For the implementation of this project activity co-financing to cover remuneration of project staff and other costs related to this project are provided. Co-financing received relates to expense items recognized in Statement of Profit or Loss and Other Comprehensive Income and thus was recognized as income in order to compensate the costs incurred.

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

J Stock

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

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

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

K Financial Instruments

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

Loans, receivables and other debts

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

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

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Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

K Financial Instruments (continued)

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 of the reporting year.

Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with requirements of tax legislation of each company of the Group.

Deferred tax assets/liabilities are written off in the profit and loss account of the reporting period based on the legislative changes resulting in a change in deferred tax base.

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

O Employee benefits

The Group (Parent company) makes social insurance contributions under the State's health, retirement benefit and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. The Group (Parent company) will have no legal or constructive obligations to pay further contributions if the statutory fund cannot settle their liabilities towards the employees. Social insurance and pension plan contributions are included in the expenditures in the same period as the related salary cost.

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

(b) Provision of services

Revenue is recognized in the period when services are provided.

(c) Provision of extended warranty service

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

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Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

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

S Financial income and expenses

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

3. Financial risk management

(1) Financial risk factors

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

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

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

(a) Foreign currency risk

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

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

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

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

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Notes to the financial statements (continued)

3. Financial risk management (continued)

(1) Financial risk factors (continued)

(a) *Foreign currency risk*

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

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

The following schedule summarises net open positions for currencies expressed in EUR as at 30 June 2017:

Group	EUR	USD	Other currencies	Total
Financial assets				
Gross trade receivables	482 914	1 260 845	-	1 743 759
Cash and cash equivalents	985 556	5 521 754	1 078	6 508 388
Total	1 468 470	6 782 599	1 078	8 252 147
Financial liabilities				
Liabilities	(257 554)	(480 482)	(492)	(738 528)
Other liabilities	(9 756)	-	-	(9 756)
Loans	(10 397)	-	-	(10 397)
Total	(277 707)	(480 482)	(492)	(758 681)
Net open positions	1 190 763	6 302 117	586	7 493 466

Parent company	EUR	USD	Other currencies	Total
Financial assets				
Gross trade receivables	482 914	1 559 063	-	2 041 977
Cash and cash equivalents	985 556	4 173 103	1 078	5 159 737
Total	1 468 470	5 732 166	1 078	7 201 714
Financial liabilities				
Liabilities	(257 554)	(428 222)	(492)	(686 268)
Other liabilities	(9 756)	-	-	(9 756)
Loans	(10 397)	-	-	(10 397)
Total	(277 707)	(428 222)	(492)	(706 421)
Net open positions	1 190 763	5 303 944	586	6 495 293

Sensitivity analysis

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

	Group		Parent company	
	2017/2018	2016/2017	2017/2018	2016/2017
	effect in EUR	effect in EUR	effect in EUR	effect in EUR
USD	272 128	630 212	267 976	530 394
	272 128	630 212	267 976	530 394

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Notes to the financial statements (continued)

3. Financial risk management (continued)

(1) Financial risk factors (continued)

(b) Credit risk

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

As at 30 June 2018, the Group's credit risk exposure to a single customer amounted to 27.262% of the total short and long-term receivables and 16.70% from total net sales (30.06.2017.: 36.82% and 24.32% accordingly), and Parent company's credit risk exposure to a single customer amounted to – 21.37% and 2.42% from total net sales (30.06.2017.: 7.29% and 2.75% 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 5 618 240 or 48.96% of total assets (30.06.2017.: EUR 8 627 865 or 57.36% of total assets), and Parent company's maximum credit risk exposure amounts to EUR 5 442 262 or 49.09% of total assets (30.06.2017.: EUR 7 533 874 or 54.92% of total assets. For more information on the Group's and Parent company's exposure to credit risk please refer to Note 9.

(c) Liquidity risk

The Group follows a prudent liquidity risk management and hence maintain a sufficient quantity of liquid funds. The Group's current liquidity ratio is 6.67 (30.06.2017: 4.79 quick liquidity ratio is: 3.51 (30.06.2017: 2.92), and Parent company's current liquidity ratio is 7.72 (30.06.2017: 7.24), quick liquidity ratio is: 4.09 (30.05.2017: 4.25).

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

(2) Accounting for derivative financial instruments

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

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

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

(3) Fair value

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

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

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

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

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Notes to the financial statements (continued)

3. Financial risk management (continued)

(3) Fair value (continued)

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

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

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

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

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:

	Group		Parent company	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	EUR	EUR	EUR	EUR
Liabilities	1 599 944	2 953 253	1 330 219	1 771 777
Cash	<u>(3 124 000)</u>	<u>(6 508 388)</u>	<u>(3 015 110)</u>	<u>(5 159 737)</u>
Net debt	<u>(1 524 056)</u>	<u>(3 555 135)</u>	<u>(1 684 891)</u>	<u>(3 387 960)</u>
Shareholders' equity	<u>9 876 177</u>	<u>12 088 721</u>	<u>9 756 992</u>	<u>11 946 491</u>
Debt to equity ratio	<u>16%</u>	<u>24%</u>	<u>14%</u>	<u>15%</u>
Net debt to equity ratio	<u>-15%</u>	<u>-29%</u>	<u>-17%</u>	<u>-28%</u>

5. Key estimates and assumptions

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

Recoverable amount and impairment of non-current assets

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

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

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

Useful lives of fixed assets

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

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Notes to the financial statements (continued)

5. Key estimates and assumptions (continued)

Impairment of loans and receivables

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

Net sales value of the inventory

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

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 2018 and the average remuneration during the last six months of the reporting year. These liabilities are shown as short-term accrued liabilities.

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Notes to the financial statements (continued)

6. Fixed and intangible assets

Group	Software and licenses	Leasehold improvements	Equipment and machinery	Other fixed assets	Total
	EUR	EUR	EUR	EUR	EUR
Reporting year ended 30 June 2017					
Opening balance	131 016	2 063	505 768	212 617	851 464
Acquisitions	52 818	8 994	200 915	105 085	367 812
Disposals	-	-	(1 735)	(154)	(1 889)
Result of fluctuations in the foreign exchange rates	1	-	182	(20)	163
Charge for the period	<u>(65 928)</u>	<u>(2 180)</u>	<u>(200 554)</u>	<u>(97 678)</u>	<u>(366 340)</u>
Closing balance	<u>117 907</u>	<u>8 877</u>	<u>504 576</u>	<u>219 850</u>	<u>851 210</u>
Reporting year ended 30 June 2018					
Opening balance	117 907	8 877	504 576	219 850	851 210
Acquisitions	97 681	7 948	200 798	37 852	344 279
Disposals	-	-	(1 741)	(3 269)	(5 010)
Result of fluctuations in the foreign exchange rates	(10)	-	(347)	(286)	(643)
Charge for the period	<u>(72 913)</u>	<u>(5 465)</u>	<u>(218 750)</u>	<u>(92 704)</u>	<u>(389 832)</u>
Closing balance	<u>142 665</u>	<u>11 360</u>	<u>484 536</u>	<u>161 443</u>	<u>800 004</u>
30 June 2016					
Historical cost	852 205	1 071 704	3 753 968	836 267	6 514 144
Accumulated depreciation	<u>(721 189)</u>	<u>(1 069 641)</u>	<u>(3 248 200)</u>	<u>(623 650)</u>	<u>(5 662 680)</u>
Carrying amount	<u>131 016</u>	<u>2 063</u>	<u>505 768</u>	<u>212 617</u>	<u>851 464</u>
30 June 2017					
Historical cost	900 513	1 080 698	3 900 609	878 008	6 759 828
Accumulated depreciation	<u>(782 606)</u>	<u>(1 071 821)</u>	<u>(3 396 033)</u>	<u>(658 158)</u>	<u>(5 908 618)</u>
Carrying amount	<u>117 907</u>	<u>8 877</u>	<u>504 576</u>	<u>219 850</u>	<u>851 210</u>
30 June 2018					
Historical cost	943 221	1 088 646	4 040 908	869 354	6 942 129
Accumulated depreciation	<u>(800 556)</u>	<u>(1 077 286)</u>	<u>(3 556 372)</u>	<u>(707 911)</u>	<u>(6 142 125)</u>
Carrying amount	<u>142 665</u>	<u>11 360</u>	<u>484 536</u>	<u>161 443</u>	<u>800 004</u>

During the reporting year, the Group did not enter into any operating or finance lease agreements (see Note 31).

Historical cost of disposals for the reporting year ended 30 June 2018 is EUR 109 860 and accumulated depreciation is EUR 104 850 (2016/2017: EUR 84 690 and EUR 82 801).

Depreciation of EUR 216 257 is included in the profit or loss statement item *Cost of sales* (2016/2017: EUR 196 674); depreciation of EUR 121 441 in *Sales and marketing costs* (2016/2017: EUR 116 082); depreciation of EUR 51 568 in *Administrative expenses* (2016/2017: EUR 53 583), including depreciation of EUR 227 under *Other administrative expenses* (2016/2017: EUR 187).

The acquisition costs of fully depreciated fixed assets that is still in use at the reporting date amounted to EUR 5 069 084 (30.06.2017.: EUR 4 836 527).

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Notes to the financial statements (continued)

6. Fixed and intangible assets (continued)

Parent company	Software and licenses	Leasehold improvements	Equipment and machinery	Other fixed assets	Total
	EUR	EUR	EUR	EUR	EUR
Reporting year ended 30 June 2017					
Opening balance	130 909	2 063	497 932	196 367	827 271
Acquisitions	52 309	8 994	183 399	98 359	343 061
Disposals	-	-	(1 735)	(154)	(1 889)
Charge for the period	(65 811)	(2 180)	(191 469)	(88 230)	(347 690)
Closing balance	117 407	8 877	488 127	206 342	820 753
Reporting year ended 30 June 2018					
Opening balance	117 407	8 877	488 127	206 342	820 753
Acquisitions	97 681	7 948	195 879	28 110	329 618
Disposals	-	-	(1 741)	(3 269)	(5 010)
Charge for the period	(72 616)	(5 465)	(205 970)	(81 265)	(365 316)
Closing balance	142 472	11 360	476 295	149 918	780 045
30 June 2016					
Historical cost	852 093	1 071 704	3 734 519	800 328	6 458 644
Accumulated depreciation	(721 184)	(1 069 641)	(3 236 587)	(603 961)	(5 631 373)
Carrying amount	130 909	2 063	497 932	196 367	827 271
30 June 2017					
Historical cost	899 895	1 080 698	3 864 174	836 436	6 681 203
Accumulated depreciation	(782 488)	(1 071 821)	(3 376 047)	(630 094)	(5 860 450)
Carrying amount	117 407	8 877	488 127	206 342	820 753
30 June 2018					
Historical cost	942 616	1 088 646	4 001 290	821 952	6 854 504
Accumulated depreciation	(800 144)	(1 077 286)	(3 524 995)	(672 034)	(6 074 459)
Carrying amount	142 472	11 360	476 295	149 918	780 045

During the reporting year, the Parent company did not enter into any operating or finance lease agreements (see Note 31).

Historical cost of disposals for the reporting year ended 30 June 2018 is EUR 109 860 and accumulated depreciation is EUR 104 850 (2016/2017: accordingly, EUR 84 690 and EUR 82 801).

Depreciation of EUR 216 257 is included in the profit or loss statement item Cost of sales (2016/2017: EUR 196 674); depreciation of EUR 97 490 in Sales and marketing costs (2016/2017: EUR 97 433); depreciation of EUR 51 568 in Administrative expenses (2016/2017: EUR 53 583), including depreciation of EUR 227 under Other administrative expenses (2016/2017: EUR 187).

The acquisition costs of fully depreciated fixed assets that is still in use at the reporting date amounted to EUR 5 069 084 (30.06.2017.: EUR 4 810 025).

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

Name	Investment in equity		Carrying value of the investment	
	%			
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	%	%	EUR	EUR
„SAF North America” LLC	100	100	32 893	32 893
„SAF Seviles” LLC	100	100	65 552	65 552
Impairment			(65 552)	(65 552)
Investments in subsidiaries			32 893	32 893
„Zinātnes parks” SIA	24	24	960	960
„LEITC” SIA	17.98	16.75	6 435	477
„LEO Pētījumu centrs” SIA	10	10	711	711
Investments in other companies			8 106	2 148
Total investments in subsidiaries and other companies			40 999	35 041

„SAF North America” LLC is a 100% subsidiary of the Parent company that operates in Aurora, Colorado State in USA, that started active operations in the spring of 2012 and promotes the Group's products and services, performs marketing, market research, attraction of new clients and provides technical support in North America. Since 1 October 2014 the subsidiary is engaged in the distribution of goods in the North American region. As at 30 June 2018 the share capital of the subsidiary amounted to EUR 32 893 (30.06.2017.: EUR 32 893). 100% participation ensures absolute control of the subsidiary's assets and liabilities.

In August 2012, a joint of the Parent company, “SAF Services” LLC began operations in North America and the Company invested in it EUR 65 420 which was a 50% holding. The objective of establishing “SAF Services” LLC was to provide local clients with services connected with the creation, long-term maintenance and management of data transmission networks. Joint control was established through equal voting rights and contractual arrangement. The test network set up by “SAF Services” LLC using the equipment of SAF Tehnika AS was a success and the client recognised it to be compliant with the defined requirements but no cooperation agreement was signed and “SAF Services” LLC was unable to generate any income from its investments. Consequently, any further development of this business in the USA was suspended and the founder, holder of 50% shares, “STREAMNET” OU, discontinued cooperation. In April 2015 the Parent company became the sole owner of “SAF Services” LLC. During 2014/2015 the Parent company's investment in “SAF Services” LLC share capital was increased by EUR 132 and as at 30 June 2018 its gross value amounted to EUR 65 552 (30.06.2017.: EUR 65 552). 100% participation ensures absolute control of the subsidiary's assets and liabilities. As at 30 June 2018 “SAF Services” LLC equity is negative, therefore the Parent company has made 100% provision for residual value impairment.

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

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

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

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8. Stock

	Group		Parent company	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	EUR	EUR	EUR	EUR
Raw materials	1 569 153	2 238 871	1 569 153	2 238 871
Work in progress	1 826 421	1 962 771	1 826 421	1 962 771
Finished goods	1 662 303	1 333 883	1 425 796	1 097 759
	5 057 877	5 535 525	4 821 370	5 299 401

The Group makes provisions for impairment of net realizable value of stock. As at 30 June 2018 total amount of respective provisions amounted to EUR 479 962 (30.06.2017.: EUR 497 335). During the reporting year impairment of net realizable value of stock was decreased by EUR 17 373 (2016/2017: decrease of EUR 32 650) and respective cost was recognised and included in *Cost of sales*.

The item *Finished goods* within Stock include equipment sent to clients for trial with an option to buy or return the equipment and the equipment sent to substitute damaged equipment. As at 30 June 2017 the value of equipment sent due to the above reasons amounted to EUR 87 058 (30.06.2017.: EUR 74 307) for Group and EUR 34 945 (30.06.2017.: EUR 48 606) for Parent company.

Under stock items *Work in Progress* and *Finished goods* are included overhead costs of production (salary expenses and social insurance of production units' employees, depreciation and amortization expenses of equipment, lease, service and other costs of production process) in amount of EUR 205 873 (30.06.2017.: EUR 170 985).

9. Trade receivables

	Group		Parent company	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	EUR	EUR	EUR	EUR
Long-term trade receivables	1 905	2 993	1 905	2 993
Receivables from related companies	-	-	991 247	1 226 485
Trade receivables	1 633 307	1 740 766	877 440	812 499
Allowances for bad and doubtful trade receivables	(16 360)	(33 852)	(10 663)	(33 852)
Short-term trade receivables	1 616 947	1 706 914	1 858 024	2 005 132
Total trade receivables	1 618 852	1 709 907	1 859 929	2 008 125

Long-term receivables mature on 31 March 2022.

As at 30 June 2018 and 30 June 2017 the fair value of receivables approximated their carrying amount.

Movement in allowances for bad and doubtful trade receivables:

	Group	Parent company
	EUR	EUR
As at 30 June 2016	5 405	4 775
Written-off	(6 964)	(61)
Additional allowances	36 270	9 409
Debts recovered	(859)	19 729
As at 30 June 2017	33 852	33 852
Written-off	(24)	(24)
Additional allowances	13 367	7 670
Debts recovered	(30 835)	(30 835)
As at 30 June 2018	16 360	10 663

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

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9. Trade receivables (continued)

Split of Gross Trade receivables by currencies expressed in EUR

Group	30/06/2018	30/06/2018	30/06/2017	30/06/2017
	EUR	%	EUR	%
USD	1 135 975	69.47	1 260 845	73.91
EUR	499 237	30.53	482 914	26.09
Total trade receivables	1 635 212	100%	1 743 759	100%

Parent company	30/06/2018	30/06/2018	30/06/2017	30/06/2017
	EUR	%	EUR	%
USD	1 371 355	73.31	1 559 063	76.35
EUR	499 237	26.69	482 914	23.65
Total trade receivables	1 870 592	100%	2 041 977	100%

Ageing analysis of Trade receivables

Group	30/06/2018	30/06/2018	30/06/2017	30/06/2017
	Gross EUR	Allowance EUR	Gross EUR	Allowance EUR
Not overdue	1 468 626	-	1 523 427	-
Overdue by 0 – 89 days	155 923	(5 697)	195 890	(9 410)
Overdue by 90 and more days	10 663	(10 663)	24 442	(24 442)
Total trade receivables	1 635 212	(16 360)	1 743 759	(33 852)

Parent company	30/06/2018	30/06/2018	30/06/2017	30/06/2017
	Gross EUR	Allowance EUR	Gross EUR	Allowance EUR
Not overdue	1 727 440	-	1 868 015	-
Overdue by 0 – 89 days	132 489	-	149 520	(9 410)
Overdue by 90 and more days	10 663	(10 663)	24 442	(24 442)
Total trade receivables	1 870 592	(10 663)	2 041 977	(33 852)

10. Other receivables

	Group		Parent company	
	30/06/2018 EUR	30/06/2017 EUR	30/06/2018 EUR	30/06/2017 EUR
Government grants*	52 421	134 467	52 421	134 467
Overpaid value added tax (see Note 25)	31 392	49 766	31 392	49 766
Advance payments to suppliers	194 702	35 523	190 775	38 229
Other receivables	34 558	44 699	27 817	29 239
Other receivables of subsidiaries (see Note 28)	-	-	2 535	1 825
Security deposit	-	10 159	-	10 159
	313 073	274 614	304 940	263 685

* The government grants related to the employee training project and the development project, which are implemented with the “LEO Pētījumu centrs” SIA.

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11. Cash and cash equivalents

	Group		Parent company	
	30/06/2018 EUR	30/06/2017 EUR	30/06/2018 EUR	30/06/2017 EUR
Cash in bank	3 124 000	6 508 388	3 015 110	5 159 737
	3 124 000	6 508 388	3 015 110	5 159 737

Split of cash and cash equivalents by currencies expressed in EUR

Group	30/06/2018 EUR	30/06/2018 %	30/06/2017 EUR	30/06/2017 %
	USD	1 702 400	54.49	5 521 754
EUR	1 421 600	45.51	985 556	15.14
GBP	-	-	1 078	0.02
Cash and cash equivalents	3 124 000	100%	6 508 388	100%

Parent company	30/06/2018 EUR	30/06/2018 %	30/06/2017 EUR	30/06/2017 %
	USD	1 593 510	52.85	4 173 103
EUR	1 421 600	47.15	985 556	19.10
GBP	-	-	1 078	0.02
Cash and cash equivalents	3 015 110	100%	5 159 737	100%

Split of cash and cash equivalents by banks

	Group		Parent company	
	30/06/2018 EUR	30/06/2017 EUR	30/06/2018 EUR	30/06/2017 EUR
Swedbank AS	520 651	1 068 565	520 651	1 068 565
LUMINOR Bank AS (Nordea)	1 519 492	2 812 948	1 519 492	2 812 948
LUMINOR Bank AS (DNB)	970 263	1 273 207	970 263	1 273 207
SEB Banka AS	4 704	4 998	4 704	4 998
US Bank	98 481	1 348 652	-	-
Other banks	10 409	18	-	19
	3 124 000	6 508 388	3 015 110	5 159 737

12. Deferred tax (assets)/liabilities

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

	Recognized in profit or loss 2016/ 2017 EUR	Balance as at 30/06/2017 EUR	Recognized in profit or loss 2017/ 2018 EUR	Balance as at 30/06/2018 EUR
<i>Temporary difference on:</i>				
fixed asset depreciation and intangible asset amortisation	5 860	48 170	(48 170)	-
accrued liabilities for unused vacations	36 217	-	-	-
adjustment of valuation of stock	4 898	(74 600)	74 600	-
provisions for guarantees	1 420	(944)	944	-
provisions on doubtful debts	-	-	-	-
Unrecognized temporary differences (related to foreign trade receivables recoverability)	-	-	-	-
Deferred tax (asset), net	48 395	(27 374)	27 374	-

Deferred tax is no longer calculated and is not recognized in the balance sheet due to the deferred tax base change.

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13. Share capital

As at 30 June 2018, the registered and paid-up share capital of the Parent company is EUR 4 158 252 (30.06.2017.: EUR 4 158 252) and consists of 2 970 180 ordinary bearer shares (30.06.2017.: 2 970 180 shares) with unlimited voting rights. Nominal value per share is EUR 1,4.

14. Payables, provisions and other liabilities

	Group		Parent company	
	30/06/2018 EUR	30/06/2017 EUR	30/06/2018 EUR	30/06/2017 EUR
Trade accounts payable	689 631	728 772	642 614	676 512
Other accounts payable	5 192	9 756	5 192	9 756
Trade and other payables	694 823	738 528	647 806	686 268
Provisions for guarantees	11 184	6 294	11 184	6 294
Provisions	11 184	6 294	11 184	6 294
Accrued liabilities for unused vacations	257 327	276 551	257 327	276 551
Customer advances	104 350	705 865	85 884	54 069
Taxes except CIT (See Note 25)	95 168	94 028	95 168	94 028
Other liabilities	328 502	905 651	86 030	421 151
Other liabilities	785 347	1 982 095	524 409	845 799
Total	1 491 354	2 726 917	1 183 399	1 538 361

During the reporting period the decrease in accrued liabilities for unused vacation pay included in profit or loss statement amounted to EUR 19 224 (2016/2017: increase of EUR 35 104).

	Group		Parent company	
	Warranties EUR	Total EUR	Warranties EUR	Total EUR
Balance at 30.06.2016	15 759	15 759	15 759	15 759
Provisions used during the year	(9 465)	(9 465)	(9 465)	(9 465)
Balance at 30.06.2017	6 294	6 294	6 294	6 294
Provisions made	4 890	4 890	4 890	4 890
Balance at 30.06.2018	11 184	11 184	11 184	11 184

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

Ageing analysis of trade payables and other payables

	Group		Parent company	
	30/06/2018 EUR	30/06/2017 EUR	30/06/2018 EUR	30/06/2017 EUR
Not overdue	679 245	723 853	632 227	671 593
Overdue by 0 – 30 days	15 579	14 675	15 579	14 675
Trade and other payables	694 823	738 528	647 806	686 268

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

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

Group	30/06/2018 EUR	30/06/2018 %	30/06/2017 EUR	30/06/2017 %
	USD	332 118	47.80	480 482
EUR	357 803	51.50	257 554	34.87
GBP	4 902	0.70	492	0.07
Trade and other payables	694 823	100%	738 528	100%
Parent company	30/06/2018 EUR	30/06/2018 %	30/06/2017 EUR	30/06/2017 %
USD	285 101	44.01	428 222	62.40
EUR	357 803	55.23	257 554	37.53
GBP	4 902	0.76	492	0.07
Trade and other payables	647 806	100%	686 268	100%

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15. Loans

	Group		Parent company	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	EUR	EUR	EUR	EUR
Credit cards	113	10 397	113	10 397

16. Deferred income

	Group		Parent company	
	30/06/2018	30/06/2017	30/06/2018	30/06/2017
	EUR	EUR	EUR	EUR
Other deferred income	108 477	52 201	7 775	24 664

17. Segment information and sales

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

- SAF branded equipment designed and produced in-house - as one of the structural units containing CFIP and FreeMile (Ethernet/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 4x E1 interfaces - perfect for upgrade of E1 networks into packet data networks;

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

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

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

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

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

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17. Segment information and sales (continued)

Group	CFIP; FreeMile, Integra, Spectrum Compact		Other		Total	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	EUR	EUR	EUR	EUR	EUR	EUR
Segment assets	6 424 281	7 086 826	1 255 526	1 234 519	7 679 807	8 321 345
Unallocated assets					3 796 314	6 720 629
Total assets					11 476 121	15 041 974
Segment liabilities	957 656	1 587 837	63 091	59 881	1 020 747	1 647 718
Unallocated liabilities					579 197	1 305 535
Total liabilities					1 599 944	2 953 253
Income	12 607 910	15 972 955	803 384	1 069 619	13 411 294	17 042 574
Segment result	4 280 809	6 522 131	457 202	977 021	4 738 011	7 499 152
Unallocated expenses					(5 030 596)	(5 653 866)
Profit/ (loss) from operating activities					(292 585)	1 845 286
Other income					331 632	402 133
Financial income					21 401	11 247
Financial expenses					(191 981)	(204 454)
Profit/ (loss) before taxes					(131 533)	2 054 212
Corporate income tax					(87 795)	(307 146)
Profit/ (loss) after tax					(219 328)	1 747 066
Foreign currency fluctuations					(3 195)	(5 289)
Profit/ (loss) of the reporting year					(222 523)	1 741 777
Other information of segment:						
Additions of fixed and intangible assets	161 388	120 120	-	-	161 388	120 120
Unallocated additions of fixed and intangible assets					182 891	247 692
Total additions of fixed and intangible assets					344 279	367 812
Depreciation and amortization	216 257	152 529	-	609	216 257	153 138
Unallocated depreciation and amortization					173 016	213 202
Total depreciation and amortisation					389 273	366 340

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Notes to the financial statements (continued)

17. Segment information and sales (continued)

Parent company	CFIP; FreeMile, Integra, Spectrum Compact		Other		Total	
	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17
	EUR	EUR	EUR	EUR	EUR	EUR
Segment assets	6 505 528	7 255 019	1 100 557	1 093 294	7 606 085	8 348 313
Unallocated assets					3 481 126	5 369 955
Total assets					11 087 211	13 718 268
Segment liabilities	933 376	941 105	66 784	64 688	1 000 160	1 005 793
Unallocated liabilities					330 059	765 984
Total liabilities					1 330 219	1 771 777
Income	10 218 152	13 095 709	956 103	1 539 313	11 174 255	14 635 022
Segment result	2 211 882	4 155 642	456 398	968 835	2 668 280	5 124 477
Unallocated expenses					(2 939 017)	(3 454 811)
Profit/ (loss) from operating activities					(270 737)	1 669 666
Other income					325 760	399 919
Financial income					20 814	11 209
Financial expenses					(193 796)	(135 776)
Profit/ (loss) before taxes					(117 959)	1 945 018
Corporate income tax					(81 519)	(270 301)
Profit of the reporting year					(199 478)	1 674 717

Other information of segment:

Additions of fixed and intangible assets	161 389	120 120	-	-	161 389	120 120
Unallocated additions of fixed and intangible assets					168 228	222 941
Total additions of fixed and intangible assets					329 617	343 061
Depreciation and amortization	216 257	208 851	-	609	216 257	209 460
Unallocated depreciation and amortization					149 058	138 230
Total depreciation and amortisation					365 315	347 690

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17. Segment information and sales (continued)

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

Group	Net sales		Assets	
	2017/ 2018	2016/ 2017	30/06/2018	30/06/2017
	EUR	EUR	EUR	EUR
North and South America	7 659 267	9 830 112	1 277 977	1 160 660
Europe, CIS	4 532 061	5 605 141	280 376	308 680
Asia, Africa, Middle East	1 219 966	1 607 321	60 499	240 567
	13 411 294	17 042 574	1 618 852	1 709 907
Unallocated assets	-	-	9 857 269	13 332 067
	13 411 294	17 042 574	11 476 121	15 041 974

Parent company	Net sales		Assets	
	2017/ 2018	2016/ 2017	30/06/2018	30/06/2017
	EUR	EUR	EUR	EUR
North and South America	5 422 227	7 422 560	1 519 054	1 458 878
Europe, CIS	4 532 061	5 605 141	280 376	308 680
Asia, Africa, Middle East	1 219 967	1 607 321	60 499	240 567
	11 174 255	14 635 022	1 859 929	2 008 125
Unallocated assets	-	-	9 227 282	11 710 143
	11 174 255	14 635 022	11 087 211	13 718 268

18. Cost of goods sold

	Group		Parent company	
	01.07.2017- 30.06.2018	01.07.2016- 30.06.2017	01.07.2017- 30.06.2018	01.07.2016- 30.06.2017
	EUR	EUR	EUR	EUR
Purchases of components and subcontractors' services	5 530 220	6 668 782	5 362 914	6 502 702
Salary expenses*	2 130 825	1 991 079	2 130 825	1 991 079
Depreciation and amortization (See Note 6)	216 257	196 674	216 257	196 674
Social insurance *	503 924	464 701	503 924	464 701
Rent of premises	210 560	205 062	210 560	205 062
Public utilities	107 249	101 525	107 249	101 525
Transport	30 781	25 524	30 781	25 524
Communication expenses	10 092	10 199	10 092	10 199
Business trip expenses	2 444	7 162	2 444	7 162
Low value articles	2 786	6 737	2 786	6 737
Other production costs	110 091	102 796	110 091	102 796
	8 855 229	9 780 241	8 687 923	9 614 161

* Including accrued liabilities for unused vacations.

Research and development related expenses of EUR 1 645 900 (2016/ 2017: EUR 1 376 762) are included in the profit or loss statement caption Purchases of components and subcontractors services.

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19. Sales and marketing expenses

	Group		Parent company	
	01.07.2017- 30.06.2018	01.07.2016- 30.06.2017	01.07.2017- 30.06.2018	01.07.2016- 30.06.2017
	EUR	EUR	EUR	EUR
Salary expenses *	2 299 927	2 409 789	998 441	1 118 658
Delivery costs	315 357	396 838	201 331	268 900
Business trip expenses	295 572	347 553	134 867	191 707
Social insurance *	335 182	346 286	239 321	264 291
Depreciation and amortization (See Note 6)	121 441	116 082	97 490	97 433
Advertisement and marketing expenses	311 510	285 358	216 498	207 491
Other selling and distribution costs	319 642	295 211	94 991	95 894
	3 998 631	4 197 117	1 982 939	2 244 374

* Including accrued liabilities for unused vacations.

20. Administrative expenses

	Group		Parent company	
	01.07.2017- 30.06.2018	01.07.2016- 30.06.2017	01.07.2017- 30.06.2018	01.07.2016- 30.06.2017
	EUR	EUR	EUR	EUR
Salary expenses *	265 917	521 286	265 917	521 286
Social insurance *	63 499	122 718	63 499	122 718
Depreciation and amortization (See Note 6)	51 341	53 396	51 341	53 396
IT services	42 558	33 423	42 558	33 423
Public utilities	31 360	29 676	31 360	29 676
Representation expenses	31 944	41 988	17 115	17 378
Training	62 447	88 434	61 498	68 805
Rent of premises	25 115	25 046	25 115	25 046
Insurance	24 692	20 401	24 692	20 401
Expenses on cash turnover	17 253	20 658	10 433	12 602
Business trip expenses	2 659	2 837	2 659	2 837
Communication expenses	2 847	3 574	2 847	3 574
Office maintenance	6 506	5 104	6 506	5 104
Sponsorship	64 665	56 243	62 150	55 500
Allowances for doubtful trade receivables	(17 621)	29 795	(23 188)	30 437
Other administrative expense **	174 837	165 351	129 628	104 638
	850 019	1 219 930	774 130	1 106 821

* Including accrued liabilities for unused vacations.

** Other administrative expenses include the annual statutory audit fee.

21. Other income

	Group		Parent company	
	01.07.2017- 30.06.2018	01.07.2016- 30.06.2017	01.07.2017- 30.06.2018	01.07.2016- 30.06.2017
	EUR	EUR	EUR	EUR
Government grants*	319 520	375 938	319 520	375 938
Other income	12 112	26 195	6 240	23 981
	331 632	402 133	325 760	399 919

* Government grants are received from LIAA and LETERA, and they relate to development project realized in cooperation with “LEO Pētījumu centrs” SIA.

During the reporting year the Group (Parent company) has received a government grants of EUR 401 565 (2016/ 2017: EUR 303 453). Government grants that are approved by the end of the reporting year, but not yet received, are included in Other receivables (see Note 10).

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22. Financial income

	Group		Parent company	
	01.07.2017- 30.06.2018 EUR	01.07.2016- 30.06.2017 EUR	01.07.2017- 30.06.2018 EUR	01.07.2016- 30.06.2017 EUR
Interest income	21 381	11 209	20 814	11 209
Result of currency exchange fluctuations, net	20	38	-	-
	21 401	11 247	20 814	11 209

23. Financial expenses

	Group		Parent company	
	01.07.2017- 30.06.2018 EUR	01.07.2016- 30.06.2017 EUR	01.07.2017- 30.06.2018 EUR	01.07.2016- 30.06.2017 EUR
Interest expenses	32	235	-	-
Result of currency exchange fluctuations, net	191 949	204 219	193 796	135 776
	191 981	204 454	193 796	135 776

24. Corporate income tax

	Group		Parent company	
	01.07.2017- 30.06.2018 EUR	01.07.2016- 30.06.2017 EUR	01.07.2017- 30.06.2018 EUR	01.07.2016- 30.06.2017 EUR
Changes in deferred tax asset (see Note 12)	27 374	48 395	27 374	48 395
Corporate income tax for the period from 01.07.2017 till 31.12.2017	54 145	258 751	54 145	221 906
Corporate income tax for the period from 01.01.2018 till 30.06.2018	6 276	-	-	-
	87 795	307 146	81 519	270 301

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

	Group		Parent company	
	01.07.2017- 30.06.2018 EUR	01.07.2016- 30.06.2017 EUR	01.07.2017- 30.06.2018 EUR	01.07.2016- 30.06.2017 EUR
Profit/ (loss) before taxes	(131 533)	2 054 212	(117 959)	1 945 018
Tax rate	15%-21%	15%-39%	15%	15%
Tax calculated theoretically	(20 002)	319 358	(17 694)	291 753
Effect of foreign tax rates	2 728	6 735	-	-
Effect of non-deductible expenses	35 574	28 228	29 717	25 723
Effect of changes in unrecognized temporary differences	-	-	-	-
Effect of tax reliefs	(13 536)	(47 175)	(13 536)	(47 175)
Deferred tax asset written off	34 454	-	34 454	-
Impact of legislative changes	48 577	-	48 577	-
Corporate income tax	87 795	307 146	81 519	270 301

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

The State Revenue Service may inspect the Group's and Parent company's books and records for the last 3 years and impose additional tax charges with interest and penalties. The Group's and Parent company's management is not aware of any circumstances, which may give rise to a potential material liability in this respect. The State Revenue Service had not performed complex tax review at the financial position date.

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25. Taxes and compulsory state social security contributions

Group	VAT	Social contributions	Personal income tax	Corporate income tax	Business risk duty	CIT for services provided by non-residents	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
30.06.2017.							
Liabilities	-	93 965	-	163 856	63	-	257 884
(Overpaid)	(49 766)	-	-	-	-	(118)	(49 884)
In the reporting period:							
Calculated	(201 708)	1 265 165	776 503	60 568	776	-	1 901 304
Transferred	64	-	-	-	(64)	-	-
SRS repayment	220 018	-	-	-	-	-	220 018
Paid	-	(1 264 025)	(776 503)	(395 861)	(712)	-	(2 437 101)
Foreign currency difference	-	-	-	(581)	-	-	(581)
30.06.2018.							
Liabilities	-	95 105	-	-	63	-	95 168
(Overpaid)	(31 392)	-	-	(172 018)	-	(118)	(203 528)

Parent company	VAT	Social contributions	Personal income tax	Corporate income tax	Business risk duty	CIT for services provided by non-residents	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
30.06.2017.							
Liabilities	-	93 965	-	136 343	63	-	230 371
(Overpaid)	(49 766)	-	-	-	-	(118)	(49 884)
In the reporting period:							
Calculated	(201 708)	1 265 165	776 503	54 145	776	-	1 894 881
Transferred	64	-	-	-	(64)	-	-
SRS repayment	220 018	-	-	-	-	-	220 018
Paid	-	(1 264 025)	(776 503)	(334 403)	(712)	-	(2 375 643)
30.06.2018.							
Liabilities	-	95 105	-	-	63	-	95 168
(Overpaid)	(31 392)	-	-	(143 915)	-	(118)	(175 425)

26. Earnings per share

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

	Group		Parent company	
	01.07.2017-30.06.2018	01.07.2016-30.06.2017	01.07.2017-30.06.2018	01.07.2016-30.06.2017
	EUR	EUR	EUR	EUR
Profit of the reporting year (a)	(219 328)	1 747 066	(199 478)	1 674 717
Ordinary shares as at 1 July (b)	2 970 180	2 970 180	2 970 180	2 970 180
Basic and diluted earnings per share for the reporting year (a/b)	(0.074)	0.588	(0.067)	0.564

27.a Remuneration to management

	Group		Parent company	
	01.07.2017-30.06.2018	01.07.2016-30.06.2017	01.07.2017-30.06.2018	01.07.2016-30.06.2017
	EUR	EUR	EUR	EUR
Remuneration of the Board members:				
· salary	504 435	448 529	196 459	213 651
· social contributions	57 911	60 667	46 860	50 400
Remuneration of the Council members:				
· salary	140 442	162 170	140 442	162 170
· social contributions	33 410	38 256	33 410	38 256
Total	736 198	709 622	417 171	464 477

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27.b Loans issued to management

In the reporting year there was issued a loan to the management in amount of USD 250 thousand. The outstanding loan balance at the end of the reporting year is EUR 215 025 (including accrued interest of EUR 580).

28. Related party transactions

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

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

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

Parent company	Transactions for the year ended 30 June		Balance as at 30 June	
	2018 EUR	2017 EUR	2018 EUR	2017 EUR
Sale of goods and services				
Subsidiaries	4 106 649	5 424 555	991 247	1 226 485
Purchase of goods and services				
Subsidiaries	68 998	74 883	138 932	62 130
Other subsidiaries receivables	-	-	2 535	1 825

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

29. Personnel costs

	Group		Parent company	
	01.07.2017- 30.06.2018 EUR	01.07.2016- 30.06.2017 EUR	01.07.2017- 30.06.2018 EUR	01.07.2016- 30.06.2017 EUR
Remuneration to staff	4 696 669	4 922 154	3 395 183	3 631 023
Social contributions	902 605	933 705	806 744	851 710
Total	5 599 274	5 855 859	4 201 927	4 482 733

30. Average number of employees

	Group		Parent company	
	01.07.2017- 30.06.2018	01.07.2016- 30.06.2017	01.07.2017- 30.06.2018	01.07.2016- 30.06.2017
The average number of staff in the reporting year:	193	190	180	180

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31. Operating lease

On 10 December 2002 A/S “SAF Tehnika” signed the rent agreement No. S-116/02 with A/S “Dambis” on the rent of premises with the total area of 5,851 m² until 16 September 2009. Starting 17 September 2009 the total leased area reduced to 5,672 m². Starting from 1 September 2017 additional premises of 173 m² are leased and the total area of the premises is 5 845 m². The premises are located at 24a Ganību dambis. In the beginning of 2014 agreement amendments were concluded on the extension of the agreement term till 1 March 2020.

On 24 June 2013 rent agreement No. SAFNA-2013-003 with “THE REALTY ASSOCIATES FUND VIII, L., L.” was signed regarding lease of premises by “SAF North America” LLC with total area 3,286 sq. feet. The premises are located at 10500 E.54th Avenue, Unite D, Denver, USA. The agreement matured on 31 August 2016. The contract was not extended for future periods. As of January 2015 the premises are leased to subtenant “Metro Copier Services”, Inc. On 9 January 2015 a new rent agreement No. SAFNA-2015-001 with “FIRST INDUSTRIAL”, L.P. was signed regarding lease of premises by “SAF North America” LLC with total area 7,800 sq. feet. The premises are located at 3250 Quentin Street, Unite 128, Aurora, Colorado 80011, USA. The agreement matures on 31 March 2020.

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

	Group		Parent company	
	30.06.2018	30.06.2017	30.06.2018	30.06.2017
	EUR	EUR	EUR	EUR
1 year	318 061	316 429	274 247	272 894
2 – 5 years	216 333	536 193	182 581	456 829
	534 394	852 622	456 828	729 723

32. Contingent liabilities

As part of its primary activities, the Group (Parent company) has not issued performance guarantees to third parties in amount (30.06.2017.: not issued).

33. Subsequent events

No significant subsequent events have occurred in the period from the year-end to the date of these consolidated financial statements that would have a material impact on the Group's and/or Parent company's financial position as at 30 June 2018 or its performance and cash flows for the year then ended.

On behalf of the Board:

Normunds Bergs
 Chairman of the Board

Dace Langada
 Chief accountant

Riga, 17 October 2018