A/S „SAF Tehnika”

Consolidated annual report and separate annual report

for the year ended
30 June 2023

(Translation from Latvian)

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Management Report

Business activity

SAF Tehnika JSC and its subsidiaries (hereinafter referred to as the Group) design, manufacture, and distribute digital microwave transmission equipment. The Group’s activities can be divided into three categories:

- Digital microwave radio equipment for voice and data transmission;
- Microwave spectrum analyzers and signal generators;
- Wireless sensor network solutions for environmental monitoring (IoT – Internet of Things segments)

The Group’s accumulated experience and knowledge has allowed to develop a range of innovative products, including launching and developing a series of the world’s smallest microwave spectrum analyzers Spectrum Compact, as well as creating the Aranet brand of wireless sensor network solutions.

The Group offers comprehensive and cost-effective solutions in both public and private sectors.

In the financial year (FY) 2022/2023, the Group’s net turnover amounted to EUR 37.26 million, which is EUR 3.3 million or 9.7% more than in the previous financial year 2021/2022. The net turnover of the Parent company in FY 2022/2023 was EUR 32.04 million, which is EUR 2.91 million or 10% more than in the previous FY 2021/2022.

The turnover of the American region, which accounts for sales in both North, South and Central Americas, represented 72% of the Group’s annual turnover and amounted to EUR 26.75 million, which is by 43.4% more than last year. Marketing, sales, product warehousing and logistics services of the Group’s products in the US and Canada were provided by the US-based subsidiary – SAF North America LLC. Sales in the European and CIS region were EUR 3.5 million lower than in the previous year. The decline is also observed in the AMEA (Asia, Middle East, Africa) region.

In the reporting year, a subsidiary in Singapore was established with the aim of increasing presence and promoting business development (especially in the IoT segment) in the Asia-Pacific region. Its mission is to provide customers in the Asia-Pacific region with custom-designed and efficient wireless data transmission and sensor solutions. Products and services are intended for both private and public enterprises that need to provide high-quality wireless data transmission both in telecommunications projects and in many industry segments where the IoT ecosystem could be applied.

During the reporting year, development of new products continued, as well as work is underway on new faster product implementations. On average, the product life cycle for microwave wireless data transmission equipment in the industry is estimated at about 5 years, when the products of the previous generation are replaced by newer and more modern devices. Transition between technologies is a gradual process and will happen over several years.

Also, the Group offered product-related services and continued to develop specific and individual customer-requested functionality for SAF Tehnika JSC products.

Despite the modernization of the Telecommunications market in the direction of fiber-optic communications, there is still demand in the market for radio systems that provide enhanced data rates. Consequently, the Group continues to actively explore the market and problematic issues in order to be able to offer the necessary product modifications and create prototypes for next generation technologies. At the same time, the Group also develops IoT segment solutions in business and consumer segments to diversify, to create higher added value for SAF Tehnika product offering, as well as to increase the Group’s revenue.

The Group’s sales revenue in countries outside Latvia accounted for 99.09% (98.94% for the Parent company, respectively) of the total turnover and amounted to EUR 36.92 million (EUR 31.7 million for the Parent company). In the reporting year, the Group sold its products in 85 countries around the world.

The Group’s cash balance at the end of the year was EUR 3.46 million (EUR 1.54 million for the Parent company, respectively), which is EUR 683 thousand (EUR 376 thousand for the Parent company, respectively) more than at the end of the previous reporting year. To ensure liquidity, in August of the reporting year, the Parent company entered into a Credit Line Agreement with Luminor Bank AS for the total amount of EUR 4.95 million. At the end of the reporting period, the use of the credit line was EUR 1.2 million.

In the reporting year, the Group paid dividends in the amount of EUR 2.02 million.

During the reporting year, the Group invested EUR 1.76 million in the acquisition of IT infrastructure, production and research equipment, software and licenses, product certification, as well as in the renovation of premises.

Management Report (continued)

The Group's operations were long affected by the global shortage of various electronic components. By regularly reviewing procurement volumes and deadlines, the company accumulated material reserves (inventories) to be able to fulfil most of the orders within normal lead times. Following the precautionary principle and the Group's policy on slow-moving stocks – the stocks that over the period of 12, 9 or 6 months, respectively, have moved by less than 30% of their amount at the beginning of the period are recognized as slow-moving inventory. Total provisions for slow-moving inventory (compared to the volume at the end of the fourth quarter of the previous financial year) increased by EUR 2.2 million.

The Group completed the financial year 2022/2023 with a profit of EUR 3.53 million (the Parent company with EUR 3.12 million, respectively). The result of the Group's activities for the previous financial year was a profit of EUR 6.09 million (EUR 5.75 million for the Parent company, respectively).

Research and development

A success factor and a prerequisite for the Group's long-term existence is its ability to ensure continuous product development. During the reporting year, the development and improvement of the microwave wireless data transmission product line continued. Solutions were found to improve functionality and quality indicators, and to reduce production costs. The Group continued to design and develop the Aranet functionality within the IoT environmental monitoring solution, as well as kept working on the development of the Aranet Cloud service. Aranet is an industrial-grade wireless environmental monitoring solution that allows taking measurements of various environmental parameters over a wide area, including monitoring of temperature, humidity, and CO2. Spectrum Compact metering products are regularly supplemented with new functionalities and accessories. There are developments both for the release of new products, and for the improvement and refinement of existing ones. Technologically, SAF Tehnika products are interconnected. The development and existence of such products provides a wider range of the Group's offerings. During the reporting period, the Group's product development projects received co-financing in the amount of EUR 99 thousand from the Latvian electrical and optical equipment industry competence center "LEO Pētījumu centrs" SIA.

Future prospects

SAF Tehnika JSC has an extensive experience and long-standing expertise in the development and production of microwave transmission equipment. The Group is able to supply excellent, high-quality products to the general market, as well as to successfully develop niche solutions. The Group's task is to further develop the next generation of data transmission equipment, continue to produce high-quality products for the microwave data communication market, looking for innovative ideas for microwave data transmission applications. It is planned to continue to offer not only standardized solutions, but also product modifications to meet specific customer needs. The goal is to stabilize the level of turnover, which provides a positive net result in the long term.

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

Although the direct impact on the Group's activities has been relatively limited after the outbreak of hostilities in Ukraine by Russia, the general uncertainty in the business environment remains. The Group continues to monitor forecasts of possible cost increases and assess potential risks. The company regularly reviews procurement volumes and deadlines, and continues to provide material reserves in order to be able to fulfil most of the orders within normal lead times. This applies to all SAF product families – microwave links, Spectrum Compact and Aranet.

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

Subsequent events

During the period between the last day of the reporting year and the date of signing of these financial statements, there have been no events that would significantly affect the financial situation of the Group and/or the Parent company as of June 30, 2023, and/or financial results and cash flows for the relevant reporting year.

Board's proposal for distribution of profit

The Board of the Parent company proposes to keep the profit for the reporting year as retained earnings.

The Corporate Governance Report for 2022/2023 has also been submitted to Nasdaq Riga AS together with this separate and consolidated Annual Financial Report 2022/2023 by SAF Tehnika JSC.

On behalf of the Board,

/digitally signed/

Normunds Bergs
Chairman of the Board

STATEMENT OF THE BOARD'S RESPONSIBILITY

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

The separate and consolidated annual reports set out on pages 6 to 38 and are prepared in accordance with the source documents and present fairly the financial position of SAF Tehnika A/S (Parent company) and SAF Tehnika A/S and its subsidiaries (the Group) as at 30 June 2023 and their results of financial performance and cash flows for the year ended on 30 June 2023.

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

The Board of SAF Tehnika A/S is responsible for the maintenance of proper accounting records, the safeguarding of the Group's 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 legal acts of the countries where Group companies and the Parent company operate.

On behalf of the Board,

/digitally signed/

Normunds Bergs
Chairman of the Board

Statement of financial position

		Group		Parent company	
		As at 30 June		As at 30 June	
	Note	2023	2022	2023	2022
ASSETS		EUR	EUR	EUR	EUR
Long-term investments					
Property, plant and equipment	5	2 870 045	2 006 940	2 844 855	1 976 692
Intangible assets	5	514 431	411 679	514 431	411 678
Right-to-use assets	5	1 976 768	2 371 668	1 890 175	2 229 318
Investments in subsidiaries	6	-	-	53 905	32 893
Investments in other companies	6	209 328	7 146	209 328	7 146
Deferred tax asset		137 237		-	-
Total long-term investments		**5 707 809**	**4 797 433**	**5 512 694**	**4 657 727**
Current assets					
Inventories	7	17 455 447	16 334 594	16 897 971	16 054 124
Trade receivables	8	1 289 346	2 742 892	596 340	688 667
Due from related parties	8, 26	-	-	63 805	264 976
Other debtors	9	339 040	633 527	338 952	606 142
Corporate income tax		16 160	192 552	-	-
Deferred expenses		235 603	151 785	136 503	118 278
Cash and cash equivalents	10	3 464 439	2 781 167	1 538 058	1 162 474
Total current assets		**22 800 035**	**22 836 517**	**19 571 629**	**18 894 661**
Total assets		**28 507 844**	**27 633 950**	**25 084 323**	**23 552 388**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	11	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
Foreign currency translation reserve		76 791	145 805	-	-
Retained earnings		11 748 240	10 233 237	10 305 359	9 207 677
Total shareholders’ equity		**18 843 539**	**17 397 550**	**17 323 867**	**16 226 185**
LIABILITIES					
Long-term liabilities					
Lease liabilities	13	1 665 029	2 013 978	1 623 885	1 918 656
Contract liabilities	14	712 952	638 925	11 291	20 410
Total long-term liabilities		**2 377 981**	**2 652 903**	**1 635 176**	**1 939 066**
Current liabilities					
Trade and other payables	12	4 601 401	5 163 614	3 778 326	4 041 398
Contract liabilities	14	1 088 325	2 028 976	703 699	925 447
Short-term loans	15	1 207 973	-	1 207 973	-
Due to related parties	26	-	-	96 139	81 149
Lease liabilities	13	388 625	390 907	339 143	339 143
Total current liabilities		**7 286 324**	**7 583 497**	**6 125 280**	**5 387 137**
Total liabilities		**9 664 305**	**10 236 400**	**7 760 456**	**7 326 203**
Total equity and liabilities		**28 507 844**	**27 633 950**	**25 084 323**	**23 552 388**

The accompanying notes on pages 10 to 38 form an integral part of these financial statements.

On behalf of the Board,

/digitally signed/

Normunds Bergs
Chairman of the Board

/digitally signed/

Dace Langada
Chief accountant

Statement of profit or loss and other comprehensive income

		Group		Parent company	
		For the year ended 30 June		For the year ended 30 June	
	Note	2023	2022	2023	2022
		EUR	EUR	EUR	EUR
Revenue from contracts with customers	16	37 263 890	33 968 171	32 040 313	29 135 280
Cost of goods sold	17	(22 323 838)	(19 565 848)	(21 531 985)	(18 576 123)
Gross profit		**14 940 052**	**14 402 323**	**10 508 328**	**10 559 157**
Sales and marketing expenses	18	(7 864 063)	(6 473 416)	(4 149 351)	(3 390 224)
Administrative expenses	19	(3 185 917)	(2 215 927)	(2 780 803)	(1 876 917)
Profit from operating activities		**3 890 072**	**5 712 980**	**3 578 174**	**5 292 016**
Other income	20	257 382	390 565	202 387	385 865
Financial income	21	2 503	214 134	-	170 363
Financial expenses	22	(128 416)	(49 374)	(158 226)	(44 908)
Profit before tax		**4 021 541**	**6 268 305**	**3 622 335**	**5 803 336**
Corporate income tax	23	(486 816)	(178 325)	(504 931)	(49 097)
Profit of the reporting year		**3 534 725**	**6 089 980**	**3 117 404**	**5 754 239**
Other comprehensive income					
Other comprehensive income that will be reclassified subsequently to profit or loss:					
Foreign operations - currency translation differences		(69 014)	135 481	-	-
Total comprehensive income		**3 465 711**	**6 225 461**	**3 117 404**	**5 754 239**
Basic and diluted profit per share (EUR per share):	24	1.190	2 .050	1.050	1 .937

The accompanying notes on pages 10 to 38 form an integral part of these financial statements.

On behalf of the Board,

/digitally signed/

Normunds Bergs
Chairman of the Board

/digitally signed/

Dace Langada
Chief accountant

Statement of changes in the shareholders' equity - the Group

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 30 June 2021	**4 158 252**	**2 851 726**	**8 530**	**10 324**	**6 133 278**	**13 162 110**
Transactions with shareholders recognized in the equity	**-**	**-**	**-**	**-**	**(1 990 021)**	**(1 990 021)**
Dividends	-	-	-	-	(1 990 021)	(1 990 021)
Total comprehensive income	**-**	**-**	**-**	**135 481**	**6 089 980**	**6 225 461**
Profit for the reporting year	-	-	-	-	6 089 980	6 089 980
Other comprehensive income	-	-	-	135 481	-	135 481
Balance as at 30 June 2022	**4 158 252**	**2 851 726**	**8 530**	**145 805**	**10 233 237**	**17 397 550**
Balance as at 1 July 2022	**4 158 252**	**2 851 726**	**8 530**	**145 805**	**10 233 237**	**17 397 550**
Transactions with shareholders recognized in the equity	**-**	**-**	**-**	**-**	**(2 019 722)**	**(2 019 722)**
Dividends	-	-	-	-	(2 019 722)	(2 019 722)
Total comprehensive income	**-**	**-**	**-**	**(69 014)**	**3 534 725**	**3 465 711**
Profit for the reporting year	-	-	-	-	3 534 725	3 534 725
Other comprehensive income	-	-	-	(69 014)	-	(69 014)
Balance as at 30 June 2023	**4 158 252**	**2 851 726**	**8 530**	**76 791**	**11 748 240**	**18 843 539**

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

	Share capital EUR	Share premium EUR	Other reserves EUR	Retained earnings EUR	Total EUR
Balance as at 30 June 2021	**4 158 252**	**2 851 726**	**8 530**	**5 443 459**	**12 461 967**
Transactions with shareholders recognized in the equity	**-**	**-**	**-**	**(1 990 021)**	**(1 990 021)**
Dividends	-	-	-	(1 990 021)	(1 990 021)
Total comprehensive income	**-**	**-**	**-**	**5 754 239**	**5 754 239**
Profit for the reporting year	-	-	-	5 754 239	5 754 239
Balance as at 30 June 2022	**4 158 252**	**2 851 726**	**8 530**	**9 207 677**	**16 226 185**
Balance as at 1 July 2022	**4 158 252**	**2 851 726**	**8 530**	**9 207 677**	**16 226 185**
Transactions with shareholders recognized in the equity	**-**	**-**	**-**	**(2 019 722)**	**(2 019 722)**
Dividends	-	-	-	(2 019 722)	(2 019 722)
Total comprehensive income	**-**	**-**	**-**	**3 117 404**	**3 117 404**
Profit for the reporting year	-	-	-	3 117 404	3 117 404
Balance as at 30 June 2023	**4 158 252**	**2 851 726**	**8 530**	**10 305 359**	**17 323 867**

The accompanying notes on pages 10 to 38 form an integral part of these financial statements.

On behalf of the Board,

/digitally signed/

Normunds Bergs
Chairman of the Board

/digitally signed/

Dace Langada
Chief accountant

Statement of cash flows

	Note	Group For the year ended 30 June 2023 EUR	Group For the year ended 30 June 2022 EUR	Parent company For the year ended 30 June 2023 EUR	Parent company For the year ended 30 June 2022 EUR
Cash flows from operating activities					
Profit before taxes		4 021 541	6 268 305	3 622 335	5 803 336
Adjustments for:					
- depreciation of fixed assets	5	637 952	377 001	615 955	365 827
- amortization of intangible assets	5	153 673	121 093	153 672	121 028
- amortization of right-to-use assets	5	390 508	366 311	339 143	314 547
- change in valuation allowance for inventories	7	(2 192 572)	(31 420)	(2 192 572)	(31 420)
- change in provisions for guarantees	12	10 022	-	10 022	-
- change in provisions for unused vacations	12	140 428	119 218	82 023	119 217
- change in provision for expected credit losses	8	(3 826)	(202 592)	4 937	(191 733)
- interest income	21	(413)	(432)	-	-
- interest expenses on lease liabilities	22	107 950	49 355	102 916	44 889
- cash exchange rate fluctuations		134 666	(378 867)	63 310	(207 110)
- government grants	20	(196 842)	(321 444)	(196 842)	(321 444)
- gain on disposal of fixed assets		(158 056)	(50 720)	(158 056)	(50 720)
Operating profit before changes in working capital		**3 045 031**	**6 315 808**	**2 446 843**	**5 966 417**
(Increase)/ decrease in inventories		1 072 111	(7 746 490)	1 349 118	(7 746 380)
(Increase)/ decrease in receivables		1 973 010	(744 599)	702 602	(97 746)
Increase/ (decrease) in payables		(1 695 447)	1 341 906	(574 784)	276 347
Cash generated by/(used in) operating activities		**4 394 705**	**(833 375)**	**3 923 779**	**(1 601 362)**
Government grants	20	35 556	276 195	35 556	276 195
Corporate income tax paid		(458 323)	(747 698)	(504 931)	(71 669)
Net cash from operating activities		**3 971 938**	**(1 304 878)**	**3 454 404**	**(1 396 836)**
Cash flows from investing activities					
Acquisition of property, plant and equipment	5	(1 503 819)	(1 692 699)	(1 486 209)	(1 660 358)
Proceeds from sale of property, plant and equipment		163 469	51 788	163 321	51 649
Acquisition of intangible assets	5	(259 991)	(216 122)	(259 991)	(216 122)
Sale of investment in other companies	6	(202 182)	-	(202 182)	-
Investments in subsidiaries	6	-	-	(21 012)	-
Interest received		412	432	-	-
Net cash used in investing activities		**(1 802 111)**	**(1 856 601)**	**(1 806 073)**	**(1 824 831)**
Cash flows from financing activities					
Loans received	15	1 207 973	-	1 207 973	-
Payment of lease liabilities	13	(351 230)	(311 775)	(294 771)	(286 063)
Interest paid on lease liabilities	22	(107 950)	(49 355)	(102 916)	(44 889)
Dividends		(2 019 722)	(1 990 021)	(2 019 722)	(1 990 021)
Net cash used in financing activities		**(1 270 929)**	**(2 351 151)**	**(1 209 436)**	**(2 320 973)**
Net change in cash and cash equivalents		**898 898**	**(5 512 630)**	**438 895**	**(5 542 640)**
Cash and cash equivalents at the beginning of the year		2 781 167	7 689 748	1 162 474	6 498 004
Effect of movements in exchange rates on cash held		(215 626)	604 049	(63 311)	207 110
Cash and cash equivalents at the end of the year	10	**3 464 439**	**2 781 167**	**1 538 058**	**1 162 474**

The accompanying notes on pages 10 to 38 form an integral part of these financial statements.

On behalf of the Board,

/digitally signed/

Normunds Bergs
Chairman of the Board

/digitally signed/

Dace Langada
Chief accountant

This is translation of the Company's separate financial statements and Group's consolidated financial statements in pdf-format without European Single Electronic Format (ESEF) markups, from the digitally signed original, which was prepared in Latvian and submitted in machine-readable .xhtml format to the Nasdaq Riga Stock Exchange (link: https://nasdaqbaltic.com/).

Notes to the financial statements

1. General information

A/S „SAF Tehnika" (hereinafter referred to as the Parent Company) was registered in Riga, Latvia, on 27 December 1999 with the registration number 40003474109. Registration in the Commercial Register was performed on 10 March 2004. The legal address is Ganību dambis 24a, Riga, Latvia. The Parent company is a public joint stock company, the shares of the Parent company are listed on the main list of A/S "Nasdaq Riga" Stock Exchange, Latvia.

The core business activity of 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, and these activities in the East Asia and Oceania region are provided by its 100% owned subsidiary company "SAF Tehnika Asia" Pte. Ltd registered in Singapore.

These separate financial statements of A/S "SAF Tehnika" and consolidated financial statements of A/S "SAF Tehnika" and its subsidiaries (together – the Group) (hereinafter – financial statements) were approved by the Parent company's Board on 30 October 2023. 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 are issued. Dace Langada, the Chief Accountant of A/S "SAF Tehnika", is in charge of the bookkeeping.

The auditor of the Group is SIA "Potapoviča un Andersone", License No. 99 and the responsible certified auditor is Lolita Čapkeviča, Certificate No. 120.

2. Summary of applied key accounting principles

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.

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.

The financial statements are presented in euros (EUR). The financial statements cover the period from 1 July 2022 to 30 June 2023.

Implementation of new international financial reporting standards (IFRS), amendments and interpretations

The Group (the Parent company) has applied the following new and amended standards and interpretations effective for annual periods beginning on or after January 1, 2022.

Proceeds before intended use, Onerous contracts – cost of fulfilling a contract, Reference to the Conceptual Framework – narrow scope amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS9, IFRS16 and IAS 41 (effective for annual periods beginning on or after 1 January 2022).

The amendment to IAS 37 clarifies the meaning of 'costs to fulfil a contract'. The amendment explains that the direct cost of fulfilling a contract comprises the incremental costs of fulfilling that contract; and an allocation of other costs that relate directly to fulfilling. The amendment also clarifies that, before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets used in fulfilling the contract, rather than on assets dedicated to that contract.

The amendment to IFRS 9 addresses which fees should be included in the 10% test for derecognition of financial liabilities. Costs or fees could be paid to either third parties or the lender. Under the amendment, costs or fees paid to third parties will not be included in the 10% test.

Illustrative Example 13 that accompanies IFRS 16 was amended to remove the illustration of payments from the lessor relating to leasehold improvements. The reason for the amendment is to remove any potential confusion about the treatment of lease incentives.

Covid-19-Related Rent Concessions – Amendments to IFRS 16 (effective for annual periods beginning on or after 1 April 2021). In May 2020 an amendment to IFRS 16 was issued that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19, resulting in a reduction in lease payments due on or before 30 June 2021, was a lease modification. An amendment issued on 31 March 2021 extended the date of the practical expedient from 30 June 2021 to 30 June 2022.

Notes to the financial statements (continued)

A Accounting principles (continued)

2. Summary of applied key accounting principles (continued)

Adopted new or revised standards and interpretations that have been introduced during the reporting year have not had or have had an insignificant impact on the Group's (the Parent company's) financial position, results, cash flows or disclosures.

New accounting pronouncements entering into force on or after 1 January 2023

The International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) have issued the following standards, amendments to standards and interpretations that apply in or after 1 January 2023. The Group (the Parent company) has not applied the following amendments in the financial statements before.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023).

IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Amendments to IAS 8: Definition of Accounting Estimates (effective for annual periods beginning on or after 1 January 2023). The amendment to IAS 8 clarified how companies should distinguish changes in accounting policies from changes in accounting estimates.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU).

The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

Classification of liabilities as current or non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU).

These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. 'Settlement' is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

The Group (the Parent company) is currently assessing the impact of the amendments listed above on its financial statements.

Other changes in IFRS
Other new or amended IFRSs or interpretations issued and not yet adopted are not expected to have a significant impact on the Group's (the Parent company's) financial position, results, cash flows or disclosures.

At the time of signing this report there are no new or revised standards or interpretations that are not yet effective that are expected to have a material impact on the Parent company or the Group.

Notes to the financial statements (continued)

2. Summary of applied key accounting principles (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. Subsidiaries of the Group were established by the parent company, therefore business combinations and resulting acquisition accounting does not apply to the Group.

Subsidiaries controlled by the Parent company:

Name	Country of residence	Share-holding	Equity of subsidiaries		Profit/ (loss) of subsidiaries	
			30.06.2023 EUR	30.06.2022 EUR	2022/2023 EUR	2021/2022 EUR
„SAF North America” LLC	United States of America	100%	1 552 521	1 204 258	401 349	364 584
SAF Tehnika Asia Pte. Ltd. (founded 03.11.2022.)	Singapore	100%	21 038	-	674	-

The financial statements of the Group's subsidiaries have been prepared for the same reporting period as the parent company's financial statements, applying the same accounting policies. The accounting policies of subsidiaries are adjusted when necessary in order to ensure consistency with those of the Group.

(b) Transactions eliminated on consolidation

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

C Parent company’s investment in subsidiaries

In the separate financial statements of the Parent company investments in subsidiaries are accounted for using the cost method under IAS 27 “Separate Financial Statements”. Subsequent to initial recognition, investments in subsidiaries are carried at cost less any accumulated impairment losses. At the end of each reporting year it is assessed whether there are indication that the investment may be impaired. If any such indication exists, the impairment test is performed. The parent calculates the impairment as the difference between the recoverable amount of the subsidiary and the carrying amount of the investment, recognising the loss in the statement of comprehensive income.

Dividends received from subsidiaries are recognised in the statement of comprehensive income in the period in which the right to receive the dividends arises.

D Foreign currency revaluation

(a) Functional and reporting currency

The functional currency of the Group and the Parent company and the reporting currency is the official currency of the Republic of Latvia - euro (EUR).

((b) Transactions and balances in foreign currencies

Transactions in foreign currencies are translated into functional currency (EUR) of the Group (Parent company) at the reference exchange rate set by the European Central Bank as at the transaction date. Foreign monetary asset and liability items are revalued to functional currency of the Group (Parent company) according to closing rate published on the official website of the European Central Bank on the reporting date. The effects of changes in foreign exchange rates are recognized in the statement of profit or loss.

	30.06.2023	30.06.2022
1 USD	1.08660	1.03870
1 GBP	0.85828	0.85820
1 SGD	1.47320	1.44830

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

D Foreign currency revaluation (continued)

(c) Financial statements of foreign entities

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 resulting exchange differences are initially recognized in other comprehensive income and subsequently reclassified from equity to profit or loss when the Group disposes of the respective foreign operation.

E Property, plant and equipment

Property, plant and equipment (PPE) are carried at cost less accumulated depreciation and impairment losses. Cost includes expenses directly related to acquisition of PPE. Such cost includes the cost of replacing part of such PPE item if the asset recognition criteria are met.

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

PPE consisting of significant items with different useful lives are treated as different items of PPE for which depreciation is calculated separately.

The cost of replacing part of an item of PPE 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 PPE is recognised in the profit or loss as incurred.

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

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

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

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 H).

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

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

F 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, usually of 4 years.

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

G Research and development costs

Research costs are recognized in statement of profit or loss 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. An assessment is made at each reporting date to determine whether there is any indication that such an asset may be impaired.

H Impairment of long-term non-financial assets

All non-financial assets of the Group and the Parent Company have a definite useful life. The Group (Parent Company) assesses at each reporting date whether there is any indication that an item of property, plant and equipment, intangible assets, right-to-use assets and other non-current assets may be impaired. If any such indication exists, the asset's recoverable amount is estimated. Intangible assets that are not put into operation are not amortized and are reviewed annually.

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

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

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

In respect of non-current assets (excluding goodwill), 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.

I Segments

Segments reportable in financial statements are business segments or aggregations of business segments that meet certain criteria and for which separate financial information is available that is regularly evaluated by the chief operating decision maker in making decisions about the allocation of resources and performance evaluation. 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. Information on the Group’s (Parent company’s) operating segments is disclosed in Note 16.

J Government grants

Government and international organisations 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 non-current asset, the fair value is initially credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset. Grants that are not intended to provide an incentive to incur specific expenses are recognized as income when the Group (Parent Company) becomes eligible for the grant.

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

J Government grants (continued)

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

Since April 2019, the cooperation project “Competence Center of Latvian Electrical and Optical Equipment Industry” is being implemented within the framework of an agreement signed between A/S “SAF Tehnika” and “LEO Pētījumu centrs” SIA., regarding which SIA “LEO Pētījumu centrs” had signed a contract with “Centrālo finanšu un līgumu aģentūra”, 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.

K Inventories

Inventories are 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, labour 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 whose movement in 12, 9 or 6-month period respectively has been less than 30% comparing with the amount at the beginning of period. Provisions for slow-moving inventory are made according to the following rates:

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

L Financial Instruments

Classification
The Group (the Parent company) classifies its financial assets in the following measurement categories:
- those subsequently measured at fair value (with revaluation in either profit or loss or other comprehensive income), and
- those to be measured at amortized cost.

The classification and subsequent measurement depend on the Group’s (Parent company’s) business model for managing the related assets portfolio and the cash flow characteristics of the asset.

Recognition and derecognition

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

Measurement

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

Debt instruments
Subsequent measurement of debt instruments depends on the entity’s business model for managing the asset and the cash flow characteristics of the asset. All debt instruments of the Group (the Parent company) are classified in an amortised cost valuation category.

Amortized cost
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included financial income based on effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/ (losses) together with impairment losses and foreign exchange gains and losses. On 1 July 2022 and 30 June 2023, the Group’s (the Parent company’s) financial assets measured at amortized cost comprise: trade receivables and cash and cash equivalents.

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

L Financial Instruments (continued)

Equity instruments

The Groups (the Parent company's) investments in equity instruments are insignificant.

Loans

Loans are recognized initially at the proceeds received net of transaction costs incurred. Afterwards loans are recognized at historic cost which is diminished by the amounts of principal repayment made. The difference between the cash proceeds received net of transactions costs incurred and the net amount of loan principal repayable is released to the statement of profit or loss over the term of loan repayment using the effective interest rate of the loan. This difference is recognized as part of the financial costs.

Derivative financial instruments

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

Impairment

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

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

The Group (the Parent company) applies simplified approach to trade receivables and accrued income without significant financing component as allowed by IFRS 9, which requires accrual of lifetime expected credit losses for all trade receivables grouped on the basis of common credit characteristics and overdue payments. The rates of expected credit loss are based on the dynamics of payments (for sales) during the last 3 years, as well as historical credit losses in the respective historic period. The amount of historical loss is adjusted to reflect current and future information.

M 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.

N 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.

O Corporate income tax

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. With respect to the Group's parent company in Latvia, corporate income tax is calculated on distributed profit (20/80 of the net amount payable to shareholders) as well as on conditionally distributed profit (20/80 of the calculated taxable base). Corporate tax on distributed profit is recognized when the Company's shareholders approve the distribution of profit.

The Company also calculates and pays corporate income tax on conditionally distributed profit, including statutory taxable items, such as non-operating expenses, amounts of other transactions if they meet the criteria set out in the Corporate Income Tax Law, as well as other expenses in excess of statutory deduction thresholds. Such tax is not an income tax in the context of IAS 12 because it is calculated on a gross rather than a net basis and is therefore recognized in the statement of profit or loss as other operating expense.

Deferred income tax within the Group is calculated for those subsidiaries of the Group that are not located in Latvia. Deferred income tax is calculated on all significant temporary differences between the tax bases of assets and liabilities and their carrying amounts. Deferred tax assets are recognized in the Group's statement of financial position if their realization in the future is probable.

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

P Employee benefits and vacation reserve

Salary liabilities, including non-monetary benefits, bonus plans, annual leave, are recognized for employee services until the end of the reporting period and measured at the amounts expected to be paid to settle the liability. The Group (Parent company) makes social insurance contributions under the State's health, retirement benefit and unemployment schemes at the statutory rates in force during the year, based on gross salary payments. The Group (Parent company) will have no legal or constructive obligations to pay further contributions if the statutory fund cannot settle their liabilities towards the employees. Social insurance and pension plan contributions are included in the expenditures in the same period as the related salary cost. Provisions for unused annual leaves are estimated by multiplying the average daily earnings of employees for the last six months of the reporting year by the number of unused vacation days accrued at the end of the reporting year. These liabilities are shown as short-term accrued liabilities.

Q Revenue recognition

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

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

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

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

Extended warranties
Sales transaction can comprise certain future services, for instance, extended warranties. In this case transaction price of the goods and services granted is allocated on a stand-alone selling price basis of such components. In order to determine stand-alone selling prices observable prices are used, but when such are not available, “cost plus” method is applied. Extended warranties are initially recognised as contract liabilities in the balance sheet and are transferred to statement of profit or loss on a linear basis over the period of extended warranty. (See Note 14.)

R Lease

At inception of a contract, the Group (the Parent company) assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group (the Parent company) has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.
The Group (the Parent company) recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

R Lease (continued)

certain to exercise that option. Lease terms mostly range from 2 to 7 years for offices and warehouse but there may also be lease agreements concluded for a shorter term, for example 1 year.

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

The Group (the Parent Company) reassess the lease liabilities (and adjusts the related right-of-use asset accordingly) whenever:

- the lease term has changed or a significant event or change in circumstances has occurred, resulting in a change in the measurement of the call option, in which case the lease liabilities are remeasured by discounting the revised lease payments using the revised discount rate;
- the lease payments change due to a change in an index or rate, or expected payments change due to a guaranteed residual value; in such cases, the lease liability is remeasured by discounting the revised lease payments at a initial discount rate (unless the lease payments change due to a change in a variable interest rate, in which case a revised discount rate is used) the lease contract is changed and the change is not accounted for as a separate lease, in which case the lease liability is remeasured based on the term of the modified lease, discounting the revised lease payments by using the revised discount rate at the effective date of the modification.

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

S 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.

T Financial income and expenses

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

U Related parties

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

- 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;
- 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.

Notes to the financial statements (continued)

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;
(e) geopolitical 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 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. As at 30 June 2023 and 30 June 2022 the Group (including Parent company) had no open forward exchange contracts.

The following schedule summarises net open positions for currencies expressed in EUR as at 30 June 2023:

Group	**EUR**	**USD**	**Other currencies**	**Total**
Financial assets				
Trade receivables, gross	439 407	856 676	10 889	1 306 972
Cash and cash equivalents	297 225	3 151 036	16 178	3 464 439
Total	**736 632**	**4 007 712**	**27 067**	**4 771 411**
Financial liabilities				
Liabilities	(756 510)	(931 712)	(364)	(1 688 586)
Loans	(1 207 973)	-	-	(1 207 973)
Total	**(1 964 483)**	**(931 712)**	**(364)**	**(2 896 559)**
Net open positions	**(1 227 851)**	**3 076 000**	**26 703**	**1 874 852**

Parent company	**EUR**	**USD**	**Other currencies**	**Total**
Financial assets				
Trade receivables, gross	478 604	174 916	12 612	666 132
Cash and cash equivalents	258 840	1 275 308	3 910	1 538 058
Total	**737 444**	**1 450 224**	**16 522**	**2 204 190**
Financial liabilities				
Liabilities	(756 510)	(870 046)	(362)	(1 626 918)
Loans	(1 207 973)	-	-	(1 207 973)
Total	**(1 964 483)**	**(870 046)**	**(362)**	**(2 834 891)**
Net open positions	**(1 227 039)**	**580 178**	**16 160**	**(630 701)**

The following schedule summarises net open positions for currencies expressed in EUR as at 30 June 2022:

Group	**EUR**	**USD**	**Other currencies**	**Total**
Financial assets				
Trade receivables, gross	604 663	2 159 217	463	2 764 343
Cash and cash equivalents	807 173	1 962 921	11 073	2 781 167
Total	**1 411 836**	**4 122 138**	**11 536**	**5 545 510**
Financial liabilities				
Liabilities				
Total	(1 246 751)	(677 341)	(1 972)	(1 926 064)
Net open positions	**(1 246 751)**	**(677 341)**	**(1 972)**	**(1 926 064)**
	165 085	**3 444 797**	**9 564**	**3 619 446**

Notes to the financial statements (continued)

3. Financial risk management (continued)

(1) Financial risk factors (continued)

(a) Foreign currency risk (continued)

Parent company	**EUR**	**USD**	**Other currencies**	**Total**
Financial assets				
Trade receivables, gross	604 663	349 567	463	954 693
Cash and cash equivalents	807 173	344 228	11 073	1 162 474
Total	**1 411 836**	**693 795**	**11 536**	**2 117 167**
Financial liabilities				
Liabilities	(1 246 751)	(472 473)	(1 972)	(1 721 196)
Total	**(1 246 751)**	**(472 473)**	**(1 972)**	**(1 721 196)**
Net open positions	**165 085**	**221 322**	**9 564**	**395 971**

Sensitivity analysis

The Group and the Parent company have assessed the impact on profit before tax of reasonably possible changes in the exchange rate of the US dollar against the euro, assuming that other variables, mainly interest rates, remain unchanged.

Change in the USD exchange rate	**Group Effect as at 30 June**		**Parent company Effect as at 30 June**	
	2022/2023	**2021/2022**	**2022/2023**	**2021/2022**
	EUR	**EUR**	**EUR**	**EUR**
-10%	307 600	344 480	58 018	22 132
- 5%	153 800	172 240	29 009	11 066
+5%	(153 800)	(172 240)	(29 009)	(11 066)
+10%	(307 600)	(344 480)	(58 018)	(22 132)

(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 customer's credit history and customer's paying behaviour.

As at 30 June 2023, the Group's largest customer's receivable balance accounted for approximately 37% of the total carrying amount of trade receivables, and the sales revenue from this largest customer (located in the United States) accounted for approximately 14% of the Group's revenues (at 30 June 2022: 41% and for 2021/2022 – 4%, respectively), as well as another receivable balance accounted for 13% of total trade receivables. In 2022/2023 income from the above-mentioned largest clients in the US 100% applies to CFIP, Integra, Spectrum Compact, Aranet segment (2021/2022 - 100% applies to CFIP, Integra, Spectrum Compact, Aranet segment). Trade receivable balances of the Group's other customers did not reach at least 10% of the total receivables. The Parent company's balance sheet as at 30 June 2023 included three trade receivables with the balance above 10% of the total of trade receivables, including receivables from related companies (30.06.2022: three debts). In the reporting year, the Parent company generated approximately 53% of the revenues from sales to subsidiary in the United States (2021/2022 - 40%). In 2022/2023 as well as in 2021/2022 income from sales to the US subsidiary relate to the CFIP, Integra, Spectrum Compact, Aranet segment in the amount of 95% and the other segment 5%.

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 as at 30.06.2023 amounts to EUR 5 691 153 or 19.96% of total assets (30.06.2022.: EUR 6 509 071 or 23.55% of total assets), and Parent company's maximum credit risk exposure as at 30.06.2023 amounts to – EUR 2 936 892 or 11.71% of total assets (30.06.2022: EUR 2 840 536 or 12.06% of total assets. For more information on the Group's and Parent company's exposure to credit risk please also refer to Note 8.

(c) Liquidity risk

The Group follows a prudent liquidity risk management and hence maintain a sufficient quantity of liquid funds. The Group's current liquidity ratio (ratio between the current assets and total liabilities) is 2.36 (30.06.2022: 2.23), quick liquidity ratio (ratio between the current assets less inventory and total liabilities) is: 0.55 (30.06.2022: 0.64), and Parent company's current liquidity ratio is 2.51 (30.06.2022: 2.58), quick liquidity ratio is: 0.33 (30.06.2022: 0.39).

Notes to the financial statements (continued)

3. Financial risk management (continued)

(1) Financial risk factors (continued)

(c) Liquidity risk (continued)

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, refer to Note 12, Note 14 and Note 15.

The maturity structure of financial liabilities based on contractual undiscounted payments is as follows:

Group 30/06/2023	**Up to 3 months EUR**	**3 to 12 months EUR**	**2-5 years EUR**	**Total EUR**	**Balance sheet value EUR**
Lease liabilities	100 400	301 201	1 874 636	2 276 237	2 053 654
Loans	1 218 597	-	-	1 218 597	1 207 973
Trade payables, other liabilities, accruals	3 948 608	652 793	-	4 601 401	4 601 401
Total	**5 267 605**	**953 994**	**1 874 636**	**8 096 235**	**7 863 028**
30/06/2022					
Lease liabilities	100 971	302 913	2 282 512	2 686 396	2 404 885
Trade payables, other liabilities, accruals	4 557 509	606 104	-	5 163 613	5 163 613
Total	**4 658 480**	**909 017**	**2 282 512**	**7 850 009**	**7 568 498**

Parent company 30/06/2023	**Up to 3 months EUR**	**3 to 12 months EUR**	**2-5 years EUR**	**Total EUR**	**Balance sheet value EUR**
Lease liabilities	88 030	264 089	1 788 043	2 140 162	1 963 028
Loans	1 218 597	-	-	1 218 597	1 207 973
Trade payables, other liabilities, accruals	3 183 937	594 388	-	3 778 325	3 778 325
Total	**4 490 564**	**858 477**	**1 788 043**	**7 137 084**	**6 949 326**
30/06/2022					
Lease liabilities	88 030	264 089	2 140 162	2 492 281	2 257 799
Trade payables, other liabilities, accruals	3 435 294	606 104	-	4 041 398	4 041 398
Total	**3 523 324**	**870 193**	**2 140 162**	**6 533 679**	**6 299 197**

(d) Interest rate risk

The Group's cash flows from interest bearing liabilities are dependent on current market interest rates. As the Group does not have significant interest-generating assets or interest-bearing liabilities (please see credit line amount as at the balance sheet date), thus the Group's cash flows and net results are largely independent of changes in market interest rates (Euribor). However, as the Group and Parent company mainly has short-term interest-bearing liabilities, the exposure is not significant.

(e) Geopolitical risk

Part of the Group's and the Parent company's revenue is derived from the sale of products outside the European Union, which creates exposure to geopolitical risk. The global electronics services market is primarily affected by the US-China "trade war", but it does not currently pose a threat to the Group's sales. Import duties on microwave equipment imported from the European Union remain unchanged. It is more likely that, in the event of sanctions being imposed on Chinese competitors, additional sales opportunities may appear on the US market.

Since the start of military actions by Russia in Ukraine, the overall uncertainty of the business environment has increased. Although the direct impact on the Group's operations is relatively limited, the Group carefully evaluates potential cost increase forecasts and potential risks.

(2) 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.

Notes to the financial statements (continued)

3. Financial risk management (continued)

(2) Fair value (continued)

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

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

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

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

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

The Group and the Parent Company have no significant assets as at 30 June 2023 and 30 June 2022 that are to be measured at fair value.

The Group's and Parent company's financial assets and liabilities (trade receivables, other receivables, other financial assets, trade and other payables, lease liabilities and other financial liabilities) correspond to Level 3, except for cash and cash equivalents, which correspond to Level 2. These Group's financial assets and liabilities, except lease liabilities, generally have a maturity of up to six months, therefore the Group believes that the fair value of these financial assets and liabilities corresponds to their initial nominal value and carrying amount at any subsequent date. The majority of the lease liability in the previous year (2021/2022) were calculated at amortized cost as a result of lease modifications using a revised discount rate equal to the market interest rate for similar borrowings. Although the market interest rates have increased during the reporting year, the Group believes that the accounting value of lease liabilities is also approximately similar to their fair value on 30 June 2023, taking into account the remaining amount of lease liabilities.

(3) Management of the capital structure

The Group and the Parent company manages its capital to ensure that the Group and the Parent company will be able to continue as a going concern while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group and the Parent company control the capital using the gearing ratio. This ratio is calculated by applying the total amount of liabilities less cash and cash equivalents to total equity.

The gearing ratios at the year-end was as follows:

	Group		**Parent company**	
	30/06/2023	**30/06/2022**	**30/06/2023**	**30/06/2022**
	EUR	**EUR**	**EUR**	**EUR**
Liabilities	9 664 306	10 236 400	7 760 457	7 326 203
Cash and cash equivalents	(3 464 439)	(2 781 167)	(1 538 058)	(1 162 474)
Net debt/(assets)	**6 199 867**	**7 455 233**	**6 222 399**	**6 163 729**
Shareholders' equity	**18 843 539**	**17 397 550**	**17 323 867**	**16 226 185**
Debt to equity ratio	51%	59%	45%	45%
Net debt/(net asset) to equity ratio	33%	43%	36%	38%

The ratios characterizing the capital management at the Group level have improved in the reporting year, with a decrease in the total amount of liabilities and an increase in the cash balance, as well as an increase in the amount of equity due to the profit of the reporting year, while in the case of the Parent company, the coefficients have not changed significantly.

4. Key estimates and accounting 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. Management has assessed the situation at the end of the reporting period and after the end of the reporting year and has determined that military actions in Ukraine did not have a material adverse effect on the Group's and Parent company's operations and financial results, given the specifics of the products produced by the Group. The Group's operations were not significantly disrupted and management does not anticipate any significant disruptions in the future.

Notes to the financial statements (continued)

4. Key estimates and accounting assumptions (continued)

Recoverable amount and impairment of PPE, intangible assets and right-to-use assets

When the events and circumstances indicate a potential impairment, the Group performs impairment tests for items of PPE, intangible assets and right-to-use assets. Based 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. In view of the above considerations about impact of hostilities in Ukraine, management has not identified any circumstances that could indicate that the Group's and the Parent company's long-term non-financial assets could be impaired. See also Note 2H.

The Group and the Parent company have closed the reporting year with a profit and a positive cash flow from operating activities. 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 PPE and intangible assets

Management estimates the useful lives of individual PPE items in proportion to the expected duration of use of the asset based on historical experience with similar fixed assets and future plans. See also Note 2E and Note 2F.

Expected credit losses on loans and receivables

The Group recognizes allowances for expected credit losses from loans and receivables. In order to determine the unrecoverable amount of receivables, management applies estimates as explained in Note 2L.

Net realisable value of the inventory

The Group (Parent company) makes provisions in for slow-moving inventories. Inventories at net realizable value are reported by reducing the cost of inventories by the amount of the established provisions in accordance with the principles described in the Note 2 K.

Provisions and accruals

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

Due to the specifics of the operations, provisions for potential warranty expenses are recognized based on the management's assessment of the risk of expected warranty repairs relating to the concluded contracts. The standard warranty period is one to five years depending on product.

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

Leases

The application of IFRS 16 Leases requires significant management assumptions regarding the identification of the lease, the determination of the lease term and the discount rate applied in calculations. The estimation of the right-to-use asset and respective lease liability value in respect of production, sale and administration premises is based on the assumption that the lease of premises will be used for the next 6 years (after 30.06.2023) at a fixed monthly rental rate; discount rate of 2,54% (30.06.2022: 2,54%) was applied based on available data from the Bureau of Statistics for similar loans.

Notes to the financial statements (continued)

5. Property, plant and equipment, intangible assets and right-to-use assets

Group	Software and licenses	Leasehold Improve-ments	Technological equipment and devices	Other PPE	Under construc-tion	Right-to-use assets (premises)	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Reporting year ended 30 June 2022							
Opening balance	316 640	17 030	579 932	94 580	-	1 316 804	2 324 986
Acquisitions at cost	216 122	254 716	936 330	271 006	230 647	1 396 722	3 305 543
Disposals at net book value	-	-	(1 352)	(99)	-	-	(1 451)
Result of fluctuations in the foreign exchange rates	4	-	257	12	-	20 358	20 631
Depreciation and amortisation charge for the period	(121 087)	(18 414)	(295 554)	(62 151)	-	(362 216)	(859 422)
Closing balance	**411 679**	**253 332**	**1 219 613**	**303 348**	**230 647**	**2 371 668**	**4 790 287**
Reporting year ended 30 June 2023							
Opening balance	411 679	253 332	1 219 613	303 348	230 647	2 371 668	4 790 287
Acquisitions at cost	259 991	810 156	671 329	153 303	(130 969)	-	1 763 810
Disposals at net book value	(3 566)	-	(1 543)	(696)	-	-	(5 805)
Result of fluctuations in the foreign exchange rates	(2)	-	(258)	(264)	-	(4 392)	(4 916)
Depreciation and amortisation charge for the period	(153 671)	(63 746)	(474 203)	(100 004)	-	(390 508)	(1 182 132)
Closing balance	**514 431**	**999 742**	**1 414 938**	**355 687**	**99 678**	**1 976 768**	**5 361 244**
As at 30 June 2022:							
Historical cost	1 303 549	1 370 668	4 946 475	984 822	230 647	3 444 375	12 280 536
Accumulated depreciation and amortisation	(891 870)	(1 117 336)	(3 726 862)	(681 474)	-	(1 072 707)	(7 490 249)
Carrying amount	**411 679**	**253 332**	**1 219 613**	**303 348**	**230 647**	**2 371 668**	**4 790 287**
As at 30 June 2023:							
Historical cost	1 324 594	2 180 824	5 137 983	1 047 884	99 678	3 432 661	13 223 624
Accumulated depreciation and amortisation	(810 163)	(1 181 082)	(3 723 045)	(692 197)	-	(1 455 893)	(7 862 380)
Carrying amount	**514 431**	**999 742**	**1 414 938**	**355 687**	**99 678**	**1 976 768**	**5 361 244**

Historical cost of disposals for the reporting year ended 30 June 2023 is EUR 802 409 and disposed accumulated depreciation is EUR 796 604 (2021/2022: EUR 798 400 and EUR 796 949, respectively).

Depreciation of EUR 687 052 is included in the statement of profit or loss within *Cost of sales* (2021/2022: EUR 505 558); depreciation of EUR 279 319 is included within *Sales and marketing costs* (2021/2022: EUR 220 094); depreciation of EUR 215 761 is included within *Administrative expenses* (2021/2022: EUR 133 770), including depreciation of EUR 6 967 under *Other administrative expenses* (2021/2022: EUR 6 145).

Cost of short-term lease in the amount of EUR 36 087 is included in the statement of profit or loss within A*dministrative expenses* (statement of profit and loss within *Cost of goods sold 2021*/2022: EUR 23 011).

The acquisition costs of fully depreciated fixed assets that are still in use at the reporting date amounted to EUR 4 959 433 (30.06.2022.: EUR 5 405 516).

Notes to the financial statements (continued)

5. Property, plant and equipment, intangible assets and right-to-use assets (continued)

Parent company	**Software and licenses**	**Leasehold improvements**	**Technological equipment and devices**	**Other fixed assets**	**Under construction**	**Right-to-use assets (premises)**	**Total**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Reporting year ended 30 June 2022							
Opening balance	316 584	17 030	573 617	92 839	-	1 147 143	2 147 213
Acquisitions at cost	216 122	254 716	917 457	257 539	230 647	1 396 722	3 273 203
Disposals at net book value	-	-	(1 225)	(99)	-	-	(1 324)
Depreciation and amortisation charge for the period	(121 028)	(18 414)	(288 047)	(59 368)	-	(314 547)	(801 404)
Closing balance	**411 678**	**253 332**	**1 201 802**	**290 911**	**230 647**	**2 229 318**	**4 617 688**
Reporting year ended 30 June 2023							
Opening balance	411 678	253 332	1 201 802	290 911	230 647	2 229 318	4 617 688
Acquisitions at cost	259 990	810 157	659 582	147 440	(130 969)	-	1 746 200
Disposals at net book value	(3 566)	-	(1 543)	(548)	-	-	(5 657)
Depreciation and amortisation charge for the period	(153 671)	(63 747)	(459 575)	(92 634)	-	(339 143)	(1 108 770)
Closing balance	**514 431**	**999 742**	**1 400 266**	**345 169**	**99 678**	**1 890 175**	**5 249 461**
As at 30 June 2022:							
Historical cost	1 300 726	1 370 668	4 863 123	915 237	230 647	3 178 630	11 859 031
Accumulated depreciation and amortisation	(889 048)	(1 117 336)	(3 661 321)	(624 326)	-	(949 312)	(7 241 343)
Carrying amount	**411 678**	**253 332**	**1 201 802**	**290 911**	**230 647**	**2 229 318**	**4 617 688**
As at 30 June 2023:							
Historical cost	1 321 771	2 180 825	5 048 775	977 097	99 678	3 178 630	12 806 776
Accumulated depreciation and amortisation	(807 340)	(1 181 083)	(3 648 509)	(631 928)	-	(1 288455)	(7 557 315)
Carrying amount	**514 431**	**999 742**	**1 400 266**	**345 169**	**99 678**	**1 890 175**	**5 249 461**

Historical cost of disposals for the reporting year ended 30 June 2023 is EUR 798 455 and disposed accumulated depreciation is EUR 792 798 (2021/2022: EUR 791 502 and EUR 790 178, accordingly).

Depreciation of EUR 687 052 is included in the statement of profit or loss within *Cost of sales* (2021/2022: EUR 505 558); depreciation of EUR 205 957 is included within *Sales and marketing costs* (2021/2022: EUR 162 076); depreciation of EUR 215 761 is included within *Administrative expenses* (2021/2022: EUR 133 770), including depreciation of EUR 6 967 under *Other administrative expenses* (2021/2022: EUR 6 145).

Cost of short-term lease in the amount of EUR 36 087 is included in the statement of profit or loss within *Administrative expenses* (statement of profit and loss within *Cost of goods sold* 2021/2022: EUR 23 011).

The acquisition costs of fully depreciated fixed assets that are still in use at the reporting date amounted to EUR 4 844 820 (30.06.2022.: EUR 5 286 725).

Notes to the financial statements (continued)

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

Name	Investment in equity %		Carrying value of the investment	
	30/06/2023	30/06/2021	30/06/2022	30/06/2021
Parent company:	**%**	**%**	**EUR**	**EUR**
„SAF North America” LLC	100	100	32 893	32 893
SAF Tehnika Asia Pte. Ltd.	100	-	21 012	-
Investments in subsidiaries			**53 905**	**32 893**
Other investments:				
„LEITC” SIA	17.98	17.98	6 435	6 435
„LEO Pētījumu centrs” SIA	15.57	10	995	711
TRYM Inc.	< 3%	-	201 898	-
Investments in other companies			**209 328**	**7 146**
Total investments in subsidiaries and other companies			**263 233**	**40 039**

„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 2023 the equity of the subsidiary amounted to EUR 1 552 521 (30.06.2022.: EUR 1 204 258). 100% participation ensures absolute control of the subsidiary's assets and liabilities.

At the end of 2022 the Parent company's subsidiary SAF Tehnika Asia Pte.Ltd started its operations in Singapore. The purpose of its creation was to provide promotion, marketing, market research, attraction of new customers and technical support for the products and services offered by the Group in the Asia region. On 30 June 2023, the equity of the subsidiary was EUR 21 038. 100% participation ensures absolute control over the assets and liabilities of the subsidiary.

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. At the end of 2022 were purchased 284 shares, investing 284 EUR in the share capital, thus the Company's share increased to 15.57%

In September 2022 the Parent company purchased shares of TRYM Inc., which is a company based in the state of Delaware, USA. TRYM INC is a software development company that develops solutions for the medical marijuana growing industry and mainly performs the integration of various systems and equipment designed to support Cannabis growers - growth optimization, regulator reports, automation of daily process management.

Notes to the financial statements (continued)

7. Inventories

	Group		Parent company	
	30/06/2023 EUR	30/06/2022 EUR	30/06/2023 EUR	30/06/2022 EUR
Raw materials	6 517 219	6 921 845	6 517 219	6 921 845
Work in progress	2 984 021	3 253 116	2 984 021	3 253 116
Finished goods	7 954 207	6 159 633	7 396 731	5 879 163
	17 455 447	**16 334 594**	**16 897 971**	**16 054 124**

In order to value inventories at the lower of cost and net realizable value, the Group makes provisions for impairment of inventories. As at 30 June 2023 total amount of respective provisions (the Group and the Parent company) amounted to EUR 3 255 541 (30.06.2022: EUR 1 060 515). During the reporting year provision was increased by EUR 2 195 025 (2021/2022: increase by EUR 43 335) and respective change was included in *Cost of sales*.

Finished goods 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 2023 the value of equipment sent due to the above reasons amounted to EUR 400 384 (30.06.2022.: EUR 341 217) for Group and EUR 187 171 (30.06.2022.: EUR 101 392) for Parent company.

Work in Progress and *Finished goods* include production overhead costs (salary expenses and social insurance of production units' employees, depreciation and amortization, amortization of right-to-use assets, expenses of equipment, lease, service and other costs of production process) in amount of EUR 537 683 (30.06.2022.: EUR 645 646).

The Group maintains a certain level of raw materials and consumables, in order to be able to supply all the products currently included in the product portfolio of the Group within a competitive deadline. The market continues to display a tendency of increasing material production and delivery times and to continue to provide competitive and adequate production times the inventories raw materials are purchased with a reserve.

8. Trade receivables

	Group		Parent company	
	30/06/2023 EUR	30/06/2022 EUR	30/06/2023 EUR	30/06/2022 EUR
Receivables from related companies	-	-	63 805	264 976
Trade receivables	1 306 972	2 764 343	602 327	689 717
Allowances for expected credit losses	(17 626)	(21 451)	(5 987)	(5 987)
Total trade receivables	**1 289 346**	**2 742 892**	**660 145**	**660 145**

Trade receivables are not secured with collateral.

Ageing analysis of trade receivables

Group	30/06/2023 Gross EUR	30/06/2023 Allowance EUR	30/06/2022 Gross EUR	30/06/2022 Allowance EUR
Not overdue	1 013 839	-	2 420 831	-
Overdue by 1 – 90 days	282 343	(6 836)	322 061	-
Overdue by 90 and more days	10 790	(10 790)	21 451	(21 451)
Total trade receivables	**1 306 972**	**(17 626)**	**2 764 343**	**(21 451)**

Parent company	30/06/2023 Gross EUR	30/06/2023 Allowance EUR	30/06/2022 Gross EUR	30/06/2022 Allowance EUR
Not overdue	492 049	-	770 166	-
Overdue by 1 – 90 days	174 083	(5 987)	183 477	-
Overdue by 90 and more days	-	-	1 050	(1 050)
Total trade receivables	**666 132**	**(5 987)**	**954 693**	**(1 050)**

Notes to the financial statements (continued)

8. Trade receivables (continued)

Movement in allowance for expected credit losses from trade receivables:

	Group EUR	Parent company EUR
As at 30 June 2021	**224 043**	**192 783**
Written-off	(4 213)	-
Additional allowances for expected credit losses	183	-
Debts recovered	(198 562)	(191 733)
As at 30 June 2022	**21 451**	**1 050**
Written-off	67 725	6 232
Additional allowances for expected credit losses	**(71 725)**	**(1 295)**
Debts recovered	175	-
As at 30 June 2023	**17 626**	**5 987**

Changes in allowances for expected credit losses are recognized in Statement of profit or loss within administration costs.

Breakdown of gross trade receivables by currency, expressed in EUR

Group	**30/06/2023 EUR**	**30/06/2023 %**	**30/06/2022 EUR**	**30/06/2022 %**
USD	856 676	65.55	2 159 216	78.11
EUR	439 407	33.62	604 663	21.87
GBP	394	0.03	464	0.02
SGD	10 495	0.80	-	-
Total trade receivables, gross	**1 306 972**	**100%**	**2 764 343**	**100%**

Parent company	**30/06/2023 EUR**	**30/06/2023 %**	**30/06/2022 EUR**	**30/06/2022 %**
USD	174 916	26 26	349 566	36.61
EUR	478 604	71.85	604 663	63.33
GBP	394	0.06	464	0.06
SGD	12 218	1.83	-	-
Total trade receivables, gross	**666 132**	**100%**	**954 693**	**100%**

9. Other receivables

	Group		**Parent company**	
	30/06/2023 EUR	**30/06/2022 EUR**	**30/06/2023 EUR**	**30/06/2022 EUR**
Government grants*	43 464	112 443	43 464	112 443
Overpaid value added tax	48 965	104 278	48 965	104 278
Advance payments to suppliers	201 372	127 196	201 372	109 751
Other receivables	45 239	289 610	45 151	279 670
	339 040	**633 527**	**338 952**	**606 142**

* The government grants related to the employee training project, exhibition project and the development project, which are implemented with the “LEO Pētījumu centrs” SIA. Government grants in the amount of EUR 35 556 were received after the end of the financial year.

10. Cash and cash equivalents

	Group		**Parent company**	
	30/06/2023 EUR	**30/06/2022 EUR**	**30/06/2023 EUR**	**30/06/2022 EUR**
Cash in banks	3 464 439	2 781 167	1 538 058	1 162 474
	3 464 439	**2 781 167**	**1 538 058**	**1 162 474**

Notes to the financial statements (continued)

10. Cash and cash equivalents (continued)

Breakdown of cash and cash equivalents by currency, expressed in EUR

Group	30/06/2023 EUR	30/06/2023 %	30/06/2022 EUR	30/06/2022 %
USD	3 151 035	90.95	1 962 922	70.58
EUR	297 225	8.58	807 173	29.02
GBP	3 910	0.11	11 072	0.40
	12 269	0.36	-	-
Cash and cash equivalents	**3 464 439**	**100%**	**2 781 167**	**100%**

Parent company	30/06/2023 EUR	30/06/2023 %	30/06/2022 EUR	30/06/2022 %
USD	1 275 308	82.92	344 228	29.61
EUR	258 840	16.83	807 174	69.44
GBP	3 910	0.25	11 072	0.95
Cash and cash equivalents	**1 538 058**	**100%**	**1 162 474**	**100%**

Breakdown of cash and cash equivalents by bank

	Moody's credit rating (short-term/ long-term)	Group		Parent company	
		30/06/2023 EUR	30/06/2022 EUR	30/06/2023 EUR	30/06/2022 EUR
Swedbank AS	P-1 / Aa3	124 500	124 165	124 500	124 165
LUMINOR Bank AS	P-1 / Baa3	1 191 650	887 841	1 191 650	887 841
SEB Banka AS	P-1 / Aa2	67 267	31 757	67 267	31 757
US Bank	P-1 / A1	1 863 325	1 618 693	-	-
OCBC bank	P-1 / Aa1	24 670	-	-	-
Other banks	n/a	193 027	118 711	154 641	118 711
		3 464 439	**2 781 167**	**1 538 058**	**1 162 474**

The Group's and the Parent company's estimated credit losses on cash held with banks are immaterial and have not been recognized based on Moody's rating information that was publicly available in 2023 and up to the date of these financial statements.

11. Share capital, shareholders and dividends

As at 30 June 2023, the registered and paid-up share capital of the Parent company is EUR 4 158 252 (30.06.2022.: EUR 4 158 252) and consists of 2 970 180 ordinary bearer shares (30.06.2022.: 2 970 180 shares) with unlimited voting rights. Nominal value per share is EUR 1,4.

The structure of the Company's shareholders is as follows (incl. shareholders holding more than 5% of the voting shares):

Shareholder	Shares owned, % 30/06/2023	Shares owned, % 30/06/2022
Didzis Liepkalns	17.05%	17.05%
Koka Zirgs SIA	11.59%	11.59%
Andrejs Grišāns	10.03%	10.03%
Normunds Bergs	9.74%	9.74%
Juris Ziema	8.71%	8.71%
Other shareholders	42.88%	42.88%

During the reporting year

In the reporting year, dividends in amount of EUR 2 019 722 or EUR 0.68 per 1 share were calculated and paid out (01.07.2021-30.06.2022 – respectively EUR 1 990 021 or EUR 0.67 per 1 share).

Notes to the financial statements (continued)

12. Payables, provisions and other liabilities

	Group		Parent company	
	30/06/2023 EUR	30/06/2022 EUR	30/06/2023 EUR	30/06/2022 EUR
Trade accounts payable	1 688 586	1 926 064	1 626 918	1 721 196
Trade and other payables	**1 688 586**	**1 926 064**	**1 626 918**	**1 721 196**
Accrued liabilities for unused vacations	835 033	694 605	776 628	694 605
Accrued liability for premiums	929 377	1 443 410	388 358	665 727
Salary	501 787	439 678	416 224	350 865
Other taxes	374 761	515 218	325 381	478 439
Provisions for guarantees	55 658	45 636	55 658	45 636
Other liabilities	216 199	99 003	189 159	84 930
Other liabilities	**2 912 815**	**3 237 550**	**2 151 408**	**2 320 202**
Total	**4 601 401**	**5 163 614**	**3 778 326**	**4 041 398**

During the reporting period the increase in accrued liabilities for unused vacation pay included in the statement of profit or loss amounted to 140 428 (2021/2022: increase of EUR 119 217).

Movement in provisions:	Group		Parent company	
	Warranties EUR	Total EUR	Warranties EUR	Total EUR
Balance at 30.06.2021	**45 636**	**45 636**	**45 636**	**45 636**
Provisions made	-	-	-	-
Balance at 30.06.2022	**45 636**	**45 636**	**45 636**	**45 636**
Provisions made	10 022	10 022	10 022	10 022
Balance at 30.06.2023	**55 658**	**55 658**	**55 658**	**55 658**

Breakdown of trade payables and other payables by currency, expressed in EUR:

Group	30/06/2023 EUR	30/06/2023 %	30/06/2022 EUR	30/06/2022 %
USD	931 712	55.18	677 340	35.17
EUR	756 510	44.80	1 246 752	64.73
GBP	362	0.02	1 972	0.10
SGD	2	0.00	-	-
Trade and other payables	**1 688 586**	**100%**	**1 926 064**	**100%**

Parent company	30/06/2023 EUR	30/06/2023 %	30/06/2022 EUR	30/06/2022 %
USD	870 046	53.48	472 473	27.45
EUR	756 510	46.50	1 246 751	72.44
GBP	362	0.02	1 972	0.11
Trade and other payables	**1 626 918**	**100%**	**1 721 196**	**100%**

13. Lease liabilities and borrowings

	Group		Parent company	
	01.07.2022-30.06.2023 EUR	01.07.2021-30.06.2022 EUR	01.07.2022-30.06.2023 EUR	01.07.2021-30.06.2022 EUR
At the beginning of the year	**2 404 885**	**1 319 940**	**2 257 799**	**1 147 141**
incl. long term	2 013 978	1 004 539	1 918 656	876 985
short term	390 907	315 401	339 143	270 156
Interest expense on lease liabilities	62 160	49 355	57 348	44 889
Interest payments	(62 160)	(49 355)	(57 348)	(44 889)
Lease payments	(344 746)	(334 551)	(294 771)	(283 936)
Increase in lease liabilities	-	1 394 594	-	1 394 594
Fluctuations in foreign exchange rates	(6 484)	24 902	-	-
At the end of the year	**2 053 655**	**2 404 885**	**1 963 028**	**2 257 799**
incl. long term	1 665 030	2 013 978	1 623 885	1 918 656
short term	388 625	390 907	339 143	339 143

Notes to the financial statements (continued)

14. Contract liabilities

The production of the Group's products is material-intensive, for the purchase of which customers often make prepayments. Advances paid by customers are settled when the products are sold, and this usually takes place within 1 year. There are also customers who, together with the goods, also purchase extended warranties, which are recognized in revenue over the warranty period (up to 5 years).

	Group		Parent company	
	30/06/2023 EUR	**30/06/2022 EUR**	**30/06/2023 EUR**	**30/06/2022 EUR**
Advances from customers	667 082	1 677 390	518 995	888 574
Advances from related companies	-	-	134 921	-
Extended warranties	1 134 195	990 511	61 074	57 283
Total	**1 801 277**	**2 667 901**	**714 990**	**945 857**
incl. long term liabilities	712 952	638 925	11 291	20 410
short term liabilities	1 088 325	2 028 976	703 699	925 447

Movement of contract liabilities:	Group		Parent company	
	01.07.2022-30.06.2023 EUR	**01.07.2021-30.06.2022 EUR**	**01.07.2022-30.06.2023 EUR**	**01.07.2021-30.06.2022 EUR**
At the beginning of the year	2 667 901	2 225 246	945 857	1 289 751
Received during the year	18 470 131	17 537 867	13 178 381	12 075 117
Recognised in revenue	(19 412 667)	(17 539 244)	(13 409 248)	(12 419 011)
Foreign exchange differences	75 912	444 032	-	-
At the end of the year	**1 801 277**	**2 667 901**	**714 990**	**945 857**

15. Loans

	Group		Parent company	
	30/06/2023 EUR	**30/06/2022 EUR**	**30/06/2023 EUR**	**30/06/2022 EUR**
Loans from credit institutions	1 207 973	-	1 207 973	-
Total	**1 207 973**	**-**	**1 207 973**	**-**

On August 10, 2022, in order to ensure liquidity, the Parent company of the Group concluded a credit line agreement with AS Luminor Bank with a total limit of EUR 4 950 000. The annual interest rate 3-month Euribor plus the added rate is applied to the credit line. The initial repayment period was set untill 30 August 2023. After the end of the reporting year, the repayment term of the credit line was extended until 30 August 2024.

As a collateral is pledged the property of the Parent company as a community of things and its future components, as well as all existing and future claims (rights of claim) against all debtors, regardless of the basis of their origin, with all rights belonging to these claims. The maximum claim amount is EUR 6 435 000.

16. Segment information and revenue

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, Integra (Integrated carrier-grade Ethernet microwave radio), Spectrum Compact (measurement tools for radio engineers) and Aranet (environmental monitoring solutions).

  CFIP product line is represented by::
  - Phoenix, a split mount (IDU+ODU) PhoeniX hybrid radio system with Gigabit Ethernet and E1 or ASI interfaces;
  - Lumina, Full Outdoor all-in-one radio with Gigabit Ethernet traffic interface;
  - 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.
  Integra – is a next generation radio system employing latest modem technology on the market as well as radio technology with a frequency from 6GHz to 86 GHz. Some integras models provide a data transmission speed of up to 10 Gbs.
  Spectrum Compact – it is a measurement tool for field engineers for telecom, broadcasting and other industries using radio technologies. It comprises of a number of units covering several frequency bands and proving various functionality.

Notes to the financial statements (continued)

16. Segment information and revenue (continued)

Aranet - the latest SAF product line for environmental monitoring, consisting of various wireless sensors, base stations and Aranet cloud solution for data collection, aggregation and analysis.

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

	CFIP, Integra, Spectrum Compact, Aranet		**Other**		**Total**	
Group	**2022/2023 EUR**	**2021/2022 EUR**	**2022/2023 EUR**	**2021/2022 EUR**	**2022/2023 EUR**	**2021/2022 EUR**
Segment assets	21 550 175	20 118 730	1 629 292	1 154 249	23 179 467	21 272 979
Unallocated assets					5 328 377	6 360 971
Total assets					**28 507 844**	**27 633 950**
Segment liabilities	3 023 755	4 384 691	75 981	69 754	3 099 736	4 454 445
Unallocated liabilities					6 564 569	5 781 955
Total liabilities					**9 664 305**	**10 236 400**
Revenue	35 459 480	31 963 722	1 804 410	2 004 449	37 263 890	33 968 171
Segment result	**12 094 969**	**13 535 408**	**2 845 083**	**866 916**	**14 940 052**	**14 402 324**
Unallocated expenses					(11 049 980)	(8 689 344)
Profit from operating activities					**3 890 072**	**5 712 980**
Other income					257 382	390 565
Financial income					2 503	214 134
Financial expenses					(128 416)	(49 374)
Profit before taxes					**4 021 541**	**6 268 305**
Corporate income tax					(486 816)	(178 325)
Profit after tax					**3 534 725**	**6 089 980**
Foreign currency fluctuations					(69 014)	135 481
Profit of the reporting year					**3 465 711**	**6 225 461**

Other information of segment:

	CFIP, Integra, Spectrum Compact, Aranet		**Other**		**Total**	
Group	**2022/2023 EUR**	**2021/2022 EUR**	**2022/2023 EUR**	**2021/2022 EUR**	**2022/2023 EUR**	**2021/2022 EUR**
Additions of fixed and intangible assets	318 884	577 423	-	-	314 884	577 423
Unallocated additions of fixed and intangible assets incl. initial recognition of leasehold rights					1 448 926	2 728 120
Total additions of fixed and intangible assets and leasehold rights recognized					**1 763 810**	**3 305 543**
Depreciation and amortization	687 052	625 945	-	-	687 052	625 945
Unallocated depreciation and amortization					495 080	233 477
Total depreciation and amortisation					**1 182 132**	**859 422**

Notes to the financial statements (continued)

16. Segment information and revenue (continued)

	CFIP, Integra, Spectrum Compact, Aranet		Other		Total	
Parent company	**2022/2023**	**2021/2022**	**2022/2023**	**2021/2022**	**2022/2023**	**2021/2022**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Segment assets	20 803 627	18 289 884	1 073 812	879 867	21 877 439	19 169 751
Unallocated assets					3 206 884	4 382 637
Total assets					**25 084 323**	**23 552 388**
Segment liabilities	3 037 825	3 470 291	83 214	71 618	3 121 039	3 541 909
Unallocated liabilities					4 639 417	3 784 294
Total liabilities					**7 760 456**	**7 326 203**
Revenue	30 775 913	27 778 345	1 264 400	1 356 935	32 040 313	29 135 280
Segment result	**9 544 227**	**9 700 271**	**964 101**	**858 887**	**10 508 328**	**10 559 158**
Unallocated expenses					(6 930 154)	(5 267 142)
Profit from operating activities					**3 578 174**	**5 292 016**
Other income					202 387	385 865
Financial income					-	170 363
Financial expenses					(158 226)	(44 908)
Profit before taxes					**3 622 335**	**5 803 336**
Corporate income tax					(504 931)	(49 097)
Profit of the reporting year					**3 117 404**	**5 754 239**

Other information of segment:

	CFIP, Integra, Spectrum Compact, Aranet		Other		Total	
Parent company	**2022/2023**	**2021/2022**	**2022/2023**	**2021/2022**	**2022/2023**	**2021/2022**
	EUR	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
Additions of fixed and intangible assets	314 884	577 423	-	-	314 884	577 423
Unallocated additions of fixed and intangible assets incl. initial recognition of leasehold rights					1 431 316	2 695 780
Total additions of fixed and intangible assets and leasehold rights recognized					**1 746 200**	**3 273 203**
Depreciation and amortization	687 052	625 945	-	-	687 052	625 945
Unallocated depreciation and amortization					421 718	175 459
Total depreciation and amortisation					**1 108 770**	**801 404**

As at 30.06.2023. PPE, intangible assets and right of use assets located in Latvia with the total balance sheet value in the amount of EUR 5 249 461 (30.06.2022. – EUR 4 617 688) make up 98% (30.06.2022. – 96%) of the Group's total assets. The rest of these assets are located in the United States.

b) This note provides information on division of the Group’s and Parent company’s revenue 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). All revenue is derived from the contracts with customers.

Notes to the financial statements (continued)

16. Segment information and revenue (continued)

Group	Revenue		Assets	
	2022/ 2023	**2021/ 2022**	**2022/ 2023**	**2021/ 2022**
	EUR	**EUR**	**EUR**	**EUR**
Latvia	340 675	478 477	1 287	20 052
Other regions:				
North and South America	26 750 640	18 659 097	850 342	2 138 822
Europe (excluding Latvia), CIS	7 713 648	11 224 121	366 590	379 006
Asia, Africa, Middle East	2 458 927	3 606 476	71 127	205 012
	37 263 890	**33 968 171**	**1 289 346**	**2 742 892**
Unallocated assets	**-**	**-**	27 218 498	24 891 058
	37 263 890	**33 968 171**	**28 507 844**	**27 633 950**

Parent company	Revenue		Assets	
	2022/ 2023	**2021/ 2022**	**2022/ 2023**	**2021/ 2022**
	EUR	**EUR**	**EUR**	**EUR**
Latvia	340 675	478 477	1 287	20 052
Other regions:				
North and South America	21 527 063	13 826 206	167 831	349 572
Europe (excluding Latvia), CIS	7 713 648	11 224 121	366 590	379 006
Asia, Africa, Middle East	2 458 927	3 606 476	124 437	205 012
	32 040 313	**29 135 280**	**660 145**	**953 642**
Unallocated assets	-	-	24 424 178	22 598 746
	32 040 313	**29 135 280**	**25 084 323**	**23 552 388**

Income of the Group and Parent company by main geographical markets and segments:

Group:

	CFIP, Integra, Spectrum Compact, Aranet		**Other**		**Total**	
	2022/2023	**2021/ 2022**	**2022/2023**	**2021/ 2022**	**2022/2023**	**2021/ 2022**
Region	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
North and South America	24 767 354	17 271 309	1 983 286	1 387 788	26 750 640	18 659 097
Europe (including Latvia), CIS	7 580 370	11 241 805	473 953	460 793	8 054 323	11 702 598
Asia, Africa, Middle East	2 160 466	3 450 608	298 461	155 868	2 458 927	3 606 476
	34 508 190	**31 963 722**	**2 755 700**	**2 004 449**	**37 263 890**	**33 968 171**

Parent company:

	CFIP, Integra, Spectrum Compact, Aranet		**Other**		**Total**	
	2022/2023	**2021/ 2022**	**2022/2023**	**2021/ 2022**	**2022/2023**	**2021/ 2022**
Region	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
North and South America	19 543 777	13 085 932	1 983 286	740 274	21 527 063	13 826 206
Europe (including Latvia), CIS	7 580 370	11 241 805	473 953	460 793	8 054 323	11 702 598
Asia, Africa, Middle East	2 160 466	3 450 608	298 461	155 868	2 458 927	3 606 476
	29 284 613	**27 778 345**	**2 755 700**	**1 356 935**	**32 040 313**	**29 135 280**

Notes to the financial statements (continued)

17. Cost of goods sold

	Group		Parent company	
	01.07.2022-30.06.2023 EUR	**01.07.2021-30.06.2022 EUR**	**01.07.2022-30.06.2023 EUR**	**01.07.2021-30.06.2022 EUR**
Purchases of components and subcontractors' services	15 165 370	13 132 365	14 373 518	12 142 640
Salary expenses*	4 737 210	4 425 268	4 737 210	4 425 268
Social insurance expenses*	1 104 941	1 031 890	1 104 941	1 031 890
Depreciation and amortization (See Note 5)	687 052	505 558	687 052	505 558
Public utilities	288 577	187 927	288 577	187 927
Transportation	39 736	37 030	39 736	37 030
Business trip expenses	3 625	4 291	3 625	4 291
Communication expenses	15 176	7 333	15 176	7 333
Low value articles	6 060	6 977	6 060	6 977
Other production costs	276 091	227 209	276 090	227 209
	22 323 838	**19 565 848**	**21 531 985**	**18 576 123**

* Including accrued liabilities for unused vacations.

Research and development related expenses of EUR 3 532 831 (2021/ 2022: EUR 3 428 971) are included in the statement of profit or loss within Purchases of components and subcontractors' services.

18. Sales and marketing expenses

	Group		Parent company	
	01.07.2022-30.06.2023 EUR	**01.07.2021-30.06.2022 EUR**	**01.07.2022-30.06.2023 EUR**	**01.07.2021-30.06.2022 EUR**
Salary expenses *	4 975 764	4 140 046	2 322 571	1 856 996
Delivery costs	669 421	662 918	418 508	482 907
Social insurance expenses *	702 346	573 395	534 149	435 184
Advertisement and marketing expenses	572 293	414 360	338 916	295 619
Depreciation and amortization(See Note 5)	279 319	220 094	205 957	162 076
Business trip expenses	408 342	191 089	188 971	79 881
Other selling and distribution costs	256 578	271 514	140 279	77 561
	7 864 063	**6 473 416**	**4 149 351**	**3 390 224**

* Including accrued liabilities for unused vacations.

19. Administrative expenses

	Group		Parent company	
	01.07.2022-30.06.2023 EUR	**01.07.2021-30.06.2022 EUR**	**01.07.2022-30.06.2023 EUR**	**01.07.2021-30.06.2022 EUR**
Salary expenses*	1 394 673	862 201	1 394 673	862 201
Social insurance expenses*	330 668	203 231	330 668	203 231
Depreciation and amortization (See Note 5)	208 794	127 625	208 794	127 625
Insurance	267 265	216 276	57 939	38 625
Bank fees	126 133	51 877	65 113	26 902
Public utilities	94 198	109 092	94 198	109 092
Training	73 282	171 540	62 441	86 459
IT services	81 019	71 803	81 019	71 803
Rent of premises	36 087	-	36 087	-
Representation expenses	33 492	16 267	11 585	5 379
Sponsorship	33 106	117 164	26 896	111 500
Office maintenance	11 622	13 891	11 622	13 891
Business trip expenses	1 470	17 566	1 470	17 566
Communication expenses	5 981	9 254	5 981	9 254
Allowances for doubtful trade receivables	4 771	(201 670)	12 934	(187 520)
Other administrative expenses**	483 356	429 810	379 383	380 909
	3 185 917	**2 215 927**	**2 780 803**	**1 876 917**

* Including accrued liabilities for unused vacations.

Notes to the financial statements (continued)

19. Administrative expenses (continued)

** Other administration costs include remuneration to the certified auditor company for the audit of the annual report in the amount of EUR 12 900 (2021/2022 - EUR 10 835). The certified audit company has not provided other services to the Group and the Parent Company.

20. Other income

	Group		Parent company	
	01.07.2022-30.06.2023 EUR	01.07.2021-30.06.2022 EUR	01.07.2022-30.06.2023 EUR	01.07.2021-30.06.2022 EUR
Government grants*	196 842	321 444	196 842	321 444
Other income	60 540	69 121	5 545	64 421
	257 382	**390 565**	**202 387**	**385 865**

* 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 grant of EUR 35 556 (2021/ 2022: EUR 276 195). Government grants that are approved by the end of the reporting year, but not yet received, are included in Other receivables (see Note 9).

21. Financial income

	Group		Parent company	
	01.07.2022-30.06.2023 EUR	01.07.2021-30.06.2022 EUR	01.07.2022-30.06.2023 EUR	01.07.2021-30.06.2022 EUR
Interest income, calculated using the effective interest method	2 503	763	-	-
Net foreign exchange gain	-	213 371	-	170 363
	2 503	**214 134**	**-**	**170 363**

22. Financial expenses

	Group		Parent company	
	01.07.2022-30.06.2023 EUR	01.07.2021-30.06.2022 EUR	01.07.2022-30.06.2023 EUR	01.07.2021-30.06.2022 EUR
Interest expenses on credit line, calculated using the effective interest method	45 568	-	45 568	-
Interest expenses on lease liabilities, calculated using the effective interest method	62 160	49 374	57 348	44 908
Net foreign exchange loss	20 688	-	55 310	-
	128 416	**49 374**	**158 226**	**44 908**

23. Corporate income tax

	Group		Parent company	
	01.07.2022-30.06.2023 EUR	01.07.2021-30.06.2022 EUR	01.07.2022-30.06.2023 EUR	01.07.2021-30.06.2022 EUR
Corporate income tax for reporting period	624 053	178 325	504 931	49 097
Increase in deferred tax asset	(137 237)	-	-	-
	486 816	**178 325**	**504 931**	**49 097**

Notes to the financial statements (continued)

24. Earnings per share

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

	Group		**Parent company**	
	01.07.2022-30.06.2023 EUR	**01.07.2021-30.06.2022 EUR**	**01.07.2022-30.06.2023 EUR**	**01.07.2021-30.06.2022 EUR**
Profit of the reporting year (a)	3 534 725	6 089 980	3 117 404	5 754 239
Weighted average number of shares outstanding during the year (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)	**1.190**	**2.050**	**1.050**	**1.937**

25. The management and management remuneration

Council of the Parent company

The Council of the Parent company consisting of 5 members is elected in a shareholders meeting for a term of 3 years. The Council is a supervisory body of the Group, which represents shareholder interests in meetings and supervises the Board in accordance with statutes of the Group. Decisions of the Council are made by a simple majority of members present. Only a meeting of shareholders has the right to make decisions on statute amendments of the Group, issue and conversion of securities, remuneration to the members of the Council. During the reporting year and the previous reporting year, the composition of neither the Board nor the Council members has changed.

Council members of the Parent company during the reporting year were:

Juris Ziema – Chairman of the Council (own 8.71% or 258 762 shares)
Andrejs Grišāns – Deputy chairman of the Council (own 10.03% or 297 888 shares)
Ivars Šenbergs – Member of the Council (own 0.00% or 2 shares)
Aira Loite – Member of the Council (own 0.27% or 8 000 shares)
Sanda Šalma – Member of the Council (owns no shares)

Board of the Parent company

The Council appoints the Board consisting of 4 members for a term of 3 years. All members of the Board have the right of representation. The members of the Board represent the Company separately. Decisions of the Board are made by a simple majority of members present.

Board members of the Parent company during the reporting year were:

Normunds Bergs – Chairman of the Board (owns 9.74% or 289 377 shares)
Didzis Liepkalns – Member of the Board (owns 17.05% or 506 460 shares)
Zane Jozepa – Member of the Board (owns no shares)
Jānis Bergs – Member of the Board (owns 0.01% or 387 shares)

Management remuneration

	Group		**Parent company**	
	01.07.2022-30.06.2023 EUR	**01.07.2021-30.06.2022 EUR**	**01.07.2022-30.06.2023 EUR**	**01.07.2021-30.06.2022 EUR**
Remuneration of the Board members:				
· salary	759 775	892 789	275 715	246 911
· social insurance contributions	80 423	77 337	65 087	58 247
Remuneration of the Council members:				
· salary	220 755	192 758	220 755	192 758
· social insurance contributions	50 371	43 570	50 371	43 570
Total	**1 111 324**	**1 206 454**	**611 928**	**541 486**

Notes to the financial statements (continued)

26. Related party transactions

Parent company	**Transactions for the year ended 30 June**		**Balance as at 30 June**	
	2023	**2022**	**2023**	**2022**
	EUR	**EUR**	**EUR**	**EUR**
Sale of goods and services				
Subsidiaries	17 138 810	11 610 150	63 805	264 976
Purchase of goods and services				
Subsidiaries	365 458	270 768	231 060	81 149

In the consolidated financial statements of the Group the intercompany transactions and balances between Parent company and subsidiaries have been eliminated.

27. Personnel costs

	Group		**Parent company**	
	01.07.2022-30.06.2023	**01.07.2021-30.06.2022**	**01.07.2022-30.06.2023**	**01.07.2021-30.06.2022**
	EUR	**EUR**	**EUR**	**EUR**
Remuneration to staff	11 107 647	9 427 515	8 454 454	7 144 465
Social insurance contributions	2 137 955	1 808 516	1 969 757	1 670 305
Total	**13 245 602**	**11 236 031**	**10 424 211**	**814 770**

28. Average number of employees

	Group		**Parent company**	
	01.07.2022-30.06.2023	**01.07.2021-30.06.2022**	**01.07.2022-30.06.2023**	**01.07.2021-30.06.2022**
The average number of employees in the reporting year:	**265**	**241**	**248**	**226**

29. Contingent liabilities

As a result of regular operational activity the Group (Parent company) has not issued performance guarantees to third parties (30.06.2022: 1 669).

Contingent liabilities related to corporate income tax on distributable non-taxed profits of the Parent Company

As at 30 June 2023 the net profit of the Parent company, which arose after 31 December 2017, is EUR 10 305 359. The potential corporate income tax liability that will arise if the entire amount of the above profit is distributed as dividends is EUR 2 576 340 (20/80 of the net amount distributed to shareholders).

30. Subsequent events

No significant subsequent events have occurred in the period from the year-end to the date of these financial statements that would have a material impact on the Group's and/or Parent company`s financial position as at 30 June 2023 or their performance and cash flows for the year then ended.

On behalf of the Board,

Normunds Bergs
Chairman of the Board

Dace Langada
Chief accountant

The Annual Report is approved in the Board meeting on 30 October 2023 and the Board has authorised the Chairman of the Board to sign it on behalf of the Board.

Electronic signature of the Chairman of the Board relates to the Annual Report as a single document on pages 1 to 38. Electronic signature of the chief accountant Dace Langada relates to the financial statements on pages 10 to 38.

POTAPOVIČA
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Independent Auditor's Report

To the shareholders of AS "SAF Tehnika"

<u>Report on the audit of the separate and consolidated financial statements</u>

Our Opinion

We have audited accompanying separate financial statements of AS "SAF Tehnika" ("the Company") and consolidated financial statements of AS "SAF Tehnika" and its subsidiaries (together - "the Group") contained in the digital file 48510000F6NVA4T63P67-2023-06-30-lv.zip (SHA-256-checksum: C5588F8F726CEB2F284A263B83A6768F6408BC66B9769543AAE957775671A197).

Accompanying separate financial statements and consolidated financial statements (together – "Financial statements") comprise:

- the separate and consolidated statement of financial position as at 30 June 2023,
- 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 financial position of the Company and consolidated financial position of the Group as at 30 June 2023, 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).

Our opinion is consistent with our additional report to the Council (body equivalent to the Audit Committee) dated 30 October 2023.

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 Financial Statements* section of our report.

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

We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants International Code of Ethics for Professional Accountants (including International Independence Standards) and independence requirements included in the Law on Audit Services of the Republic of Latvia that are relevant to our audit of the financial statements in the Republic of Latvia. We have also fulfilled our other professional ethics responsibilities and objectivity requirements in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) and Law on Audit Services of the Republic of Latvia.

To the best of our knowledge and belief, we declare that we have not provided to the Company or its subsidiaries any non-audit services prohibited in accordance with Article 37.[6] of the Law on Audit Services of the Republic of Latvia.

Key Audit Matters

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

Translation note:
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This independent auditor's report (translation of the Latvian original) should only be used with the original document submitted to the Riga Stock Exchange in machine-readable .xhtml format (https://nasdaqbaltic.com).

Key audit matter	*How our audit addressed the key audit matter*
<u>*Valuation of inventory*</u> Refer to Note 2 “Summary of accounting principles used” section K “Inventories” and Note 7 “Inventories” to the financial statements We focused on this area because inventories represent a significant part of the Company’s and Group’s assets. The volume of inventories during the last two years as compared to previous periods has significantly increased, as the Company and the Group are creating reserves of raw materials and finished products in order to be able to successfully fulfil the orders received from customers and ensure the continuity of production. Given these factors as well as the rapid development of the technology industry, the valuation of inventories is of significant importance, including the determination of the obsolescence and net realizable value of inventories, which includes subjective estimates and may have a material effect on the Company's and the Group's financial performance. In accordance with our professional judgment, based on our understanding and accumulated audit experience about the Company's and the Group's inventory valuation processes and internal control procedures, we did not identify inventory valuation as area of a significant risk in our audit. However, the audit of inventory area requires a significant amount of time and resources from the auditors, given its importance and magnitude. Thus, this area is considered a key audit matter. As disclosed in Note 7 to the Financial statements, the balance sheet value of inventories as at 30 June 2023 amount to EUR 16 897 971 (the Company) and EUR 17 455 447 (the Group). As at 30 June 2023 the estimated inventory impairment allowance constituted EUR 3 255 541 with regard to both the Company and the Group. The process of determining the cost of inventories involves the use of certain management estimates for the allocation of overheads. For each age category of inventories, a provision is made in accordance with the Group's provisioning policy for slow-moving inventories, by grouping the inventories according to the period during which they have not moved, and applying a percentage set by the management to determine the impairment allowance.	Our audit procedures, amidst others, included the following: • we inquired the management of the Company and the Group, the employees in charge, in order to gain an understanding of the policy applied by the Company and the Group for the purchasing of materials, taking into account the significant challenges existing in the global markets of raw materials needed for the production process; • we assessed whether the accounting policies in relation to valuation of inventories comply with IFRS. • we evaluated the results of operations of the internal control structures in inventory-count performance and other control procedures performed; • we participated in the year end stock counts, observing the stock-count procedures and performance and reviewing the results of the inventory-counts; • we tested, on a random selection basis, the adequacy of costing of inventory items; • we performed detailed analytical procedures by reconciling the profit ratios on the sale of goods to the sales policies as developed by the management; • we reviewed the inventory turnover ratios and checked the ageing analysis of inventory and evaluated the adequacy of provisions made against the provisioning policies developed by the management; • we selected, on a random basis, finished goods items and compared their carrying amount with the selling price after the end of the reporting year to determine whether there have been instances where the selling price has been lower than the carrying amount of inventories. • we tested the disclosures in the financial statements in respect of inventory valuation.

Reporting on Other Information

Management is responsible for the other information. The other information comprises:

- the Management report, as set out on pages 3 to 4 of the accompanying annual report,
- the Statement of Board’s Responsibility, as set out on page 5 of the accompanying annual report,
- the Statement of Corporate Governance, set out in separate document prepared by the Group’s management and available on the Company’s website http://www.saftehnika.com/;
- the Remuneration Report, set out in separate document prepared by the Group’s management and available on the Company’s website http://www.saftehnika.com/.

Our opinion on the financial statements does not cover the other information included in the Annual Report as described above, 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 entity 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.

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

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with IFRS as adopted by the European Union and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and 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 Company or 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 and Group's financial reporting process.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 financial statements.

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

- Identify and assess the risks of material misstatement of the 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 Company's and 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 Company's and 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 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 Company or Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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.

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 financial statements are prepared is consistent with the 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 referred to in Article 56.[1], section 1, clauses 3, 4, 6, 8 and 9, as well as Article 56.[2], section 2, clause 5 of the Financial Instruments Market Law and whether it includes the information stipulated in Article 56.[2], section 2, clauses 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In our opinion, the Statement of Corporate Governance includes, in all material aspects, the information required in accordance with Article 56.[1], section 1, clauses 3, 4, 6, 8 and 9, as well as Article 56.[2], section 2, clause 5 of the Financial Instruments Market Law and includes the information stipulated in Article 56.[2], section 2, clauses 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

In accordance with the Law on Audit Services of the Republic of Latvia, our responsibility is to consider whether the Remuneration Report includes the information referred to in Article 59.[4] of the Financial Instruments Market Law.

In our opinion, the Remuneration Report includes, in all material aspects, the information referred to in Article 59.[4] of the Financial Instruments Market Law.

Report on Other Legal and Regulatory Requirements

Report on the Auditors Examination of the European Single Electronic Format (ESEF) Report

Based on our agreement we have been engaged by the management of the Group's parent company to conduct a reasonable assurance engagement for the verification of compliance of the Consolidated financial statements for the year ended 30 June 2023 contained in the digital file 48510000F6NVA4T63P67-2023-06-30-lv.zip (SHA-256-checksum: C5588F8F726CEB2F284A263B83A6768F6408BC66B9769543AAE957775671A197) with the applicable requirements of the European Single Electronic Reporting format (thereafter – ESEF).

Description of a subject and applicable criteria

The Single Electronic Reporting Format of the Consolidated financial statements has been applied by the management to comply with the requirements of art. 3 and 4 of the Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 supplementing Directive 2004/109/EC of the European Parliament and of the Council with regard to regulatory technical standards on the specification of a Single Electronic Reporting Format (thereafter - the ESEF Regulation). The applicable requirements regarding the Single Electronic Reporting Format of the Consolidated financial statements are contained in the ESEF Regulation.

The requirements described in the preceding paragraph determine the basis for application of the Single Electronic Reporting Format of the Consolidated financial statements and, in our view, these requirements constitute appropriate criteria to form a reasonable assurance conclusion.

Responsibilities of management and those charged with governance

Management is responsible for the application of the Single Electronic Reporting Format of the Consolidated financial statements that complies with the requirements of the ESEF Regulation. This responsibility includes the selection and application of appropriate markups in iXBRL using ESEF taxonomy and designing, implementing and maintaining internal controls relevant for the preparation of the Single Electronic Reporting Format of the Consolidated financial statements which is free from material non-compliance with the requirements of the ESEF Regulation.

Those charged with governance are responsible for overseeing the financial reporting process, which should also be understood as the preparation of Consolidated financial statements in accordance with the format resulting from the ESEF Regulation.

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Auditor’s responsibility

Our objective is to obtain reasonable assurance in order to express a conclusion on whether the Consolidated financial statements prepared in the Single Electronic Reporting Format comply with the ESEF regulation.

We conducted our engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements other than Audits and Reviews of Historical Financial Information” (thereafter - the ISAE 3000 (R)). This standard requires that we comply with ethical requirements, plan and perform procedures to obtain reasonable assurance whether the Single Electronic Reporting Format of the Consolidated financial statements is prepared, in all material aspects, in accordance with the applicable requirements.

Reasonable assurance is a high level of assurance, but it does not guarantee that the service performed in accordance ISAE 3000 (R) will always detect the existing material misstatement (significant noncompliance with the requirements).

Quality control requirements

We apply the provisions of the International Standard on Quality Control 1 (IAASB) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We comply with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Summary of the work performed

Our planned and performed procedures were aimed at obtaining reasonable assurance that the Single Electronic Reporting Format of the Consolidated financial statements was applied, in all material aspects, in accordance with the applicable requirements and such application is free from material errors or omissions.

Our procedures include in particular:

- obtaining an understanding of the internal control system and processes relevant to the application of the Single Electronic Reporting Format of the Consolidated financial statements, including the preparation of the XHTML format and marking up the Consolidated financial statements;
- verification whether the XHTML format was applied properly;
- evaluating the completeness of marking up the Consolidated financial statements using the iXBRL markup language according to the requirements of the implementation of Single Electronic Reporting Format as described in the ESEF Regulation;
- evaluating the appropriateness of the Group’s' use of iXBRL markups selected from the ESEF taxonomy and the creation of extension markups where no suitable element in the ESEF taxonomy has been identified; and
- evaluating the appropriateness of anchoring of the extension elements to the ESEF taxonomy.

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

Conclusion

In our opinion, the Single Electronic Reporting Format of the Consolidated financial statements for the year ended 30 June 2023 complies, in all material respects, with the ESEF Regulation.

Appointment

We were first appointed as auditors for the Company’s and Group’s financial statements for the year ended 30 June 2016. This is the eighth consecutive year of our appointment as auditors. Our appointment for the year ended 30 June 2023 was by resolution of general meeting of shareholders dated 6 December 2022.

The certified auditor-in-charge of the audit resulting in this independent auditor’s report is Lolita Čapkeviča.

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

/digitally signed/

Lolita Čapkeviča
Certified Auditor-in-charge
Certificate No. 120
Member of the Board

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