

A/S „SAF Tehnika”

**Consolidated financial statements and
Separate financial statements**
for the year ended
30 June 2016

A/S „SAF TEHNIKA”
CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

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A/S „SAF TEHNIKA”
CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

General information

Information on the Parent company:

Name of the Company	A/S SAF Tehnika
Legal status of the Company	Joint Stock Company
Number, place and date of registration	40003474109 Riga, Latvia, 27 December 1999 Registered with the Commercial Register on 10 March 2004
Address	Ganību dambis 24a Riga, LV-1005 Latvia
Names of shareholders	Didzis Liepkalns (17.05%) Andrejs Grišāns (10.03%) Normunds Bergs (9.74%) Juris Zieme (8.71%) Koka Zirgs SIA (8.84%) Vents Lācars (6.08%) Other shareholders (39.55%)
Names of the Council members, their positions	Vents Lācars – Chairman of the Council (6.08% or 180 546 shares) Juris Zieme – Member of the Council (8.71% or 258 762 shares) Andrejs Grišāns – Member of the Council (10.03% or 297 888 shares) Ivars Šenbergs – Member of the Council (0.00% or 2 shares) Aivis Olšteins – Member of the Council (no A/S SAF Tehnika shareholder)
Names of the Board members, their positions	Normunds Bergs – Chairman of the Board (9.74% or 289 377 shares) Didzis Liepkalns – Member of the Board (17.05% or 506 460 shares) Zane Jozepa – Member of the Board (no A/S SAF Tehnika shareholder) Jānis Bergs – Member of the Board (no A/S SAF Tehnika shareholder)
Reporting period	1 July 2015 – 30 June 2016
Previous reporting year	1 July 2014 – 30 June 2015
Auditor and address	Potapoviča un Andersone SIA Licence no. 99 Ūdens iela 12-45 Riga, LV-1007, Latvia Anna Temerova - Allena Responsible certified auditor Certificate No.154

Information on subsidiaries:

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

A/S „SAF TEHNIKA”
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Management Report

Line of business

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

In the financial year (FY) 2015/2016, the Group's net turnover was 13.71 million EUR, which is EUR 854 thousand or 6.6% more as compared to the previous FY 2014/2015. The net turnover of the Parent company was EUR 12.14 million in FY 2015/2016, which is by EUR 115 thousand less than in the previous FY 2014/2015.

In the reporting year, the Group continued to work at the research and identification of customer-specific needs by developing and improving the offer of niche products. Additional revenue was drawn from the development of specific customer required functionality of A/S “SAF Tehnika” products. There remains an increased demand for radio systems that provide enhanced data transmission rate and can be enhanced and updated in order to improve data usage. This tendency increasingly determines the direction of new product development both for A/S “SAF Tehnika” and across the markets.

In the American region, where we keep accounting records of sales in the countries of both North, South, and Central Americas, the turnover was 10% higher than in the previous year and made up to 52% of the annual turnover of the Group. The US subsidiary company “SAF North America” LLC made a significant contribution to the product marketing and sales in USA and Canada. It also provides services of product warehousing and logistics. Sales / Turnover in the European and CIS region dropped by 4% due to structural changes of sales volumes. This, in turn, secured a 29% increase in the AMEA (Asia, Middle East, Africa) region in the reporting year, where the competition in the market of wireless data communication equipment is still highly intense. The turnover increase was related to the development of data transmission solutions and products tailored to specific customer needs.

Exports made 99.14% of the Group's (99.11% of the Parent company's accordingly) turnover and amounted to EUR 13.6 million (EUR 13.02 million, accordingly). During the reporting year, the Group exported its products to 76 countries worldwide.

In order to promote the recognition of SAF brand and to introduce SAF products and solutions to the existing and potential clients, the Group continued to actively participate in the most significant trade shows across Europe, America and Asia, with a special focus on the Spectrum Compact product line and next generation of INTEGRA products.

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

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

At the end of the year, the Group's (Parent company's) net cash funds balance was EUR 5.91 million (EUR 5.67 million accordingly). The Group's (Parent company's) net cash flow was EUR 1 591 thousand (EUR 1 909 thousand accordingly) for the period of 12 months of the reporting year.

During the reporting year, the Group invested EUR 456 thousand into IT infrastructure, production and research equipment, purchase of software and licenses, as well as product certification.

The Group (Parent company) closed the FY 2015/2016 with profit of EUR 926 thousand (EUR 889 thousand accordingly), which is by EUR 353 thousand (EUR 334 thousand accordingly) less than in previous FY. The difference was largely made by lower revenues from currency fluctuations.

Research and Development

The Group's long-term prerequisite for the existence and a success factor is its ability to ensure continuous product development. During the financial year, the Group continued to develop the INTEGRA product line by extending the offer in various frequency ranges, as well as finding solutions to enhance the functionality, improve performance and reduce production costs. The next generation of INTEGRA products was announced. Understanding the customers' desire to reduce installation time and costs for data communication equipment, as well as identifying the shortage of easy-to-use auxiliary devices on the market, the Group continued its work at the development of new versions of its spectrum analyzer – *Spectrum Compact*. A unique pocket-sized e-band microwave spectrum analyzer was put on the market. This device allows adjusting, troubleshooting and monitoring microwave data communication equipment in the frequency band between 70GHz and 87GHz.

Designs of new products are in progress. In the reporting period, the Latvian electrical and optical equipment industry competence center “LEO Pētījumu centrs” SIA provided EUR 345 thousand in co-funding to the Group's product development projects.

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Management Report (continued)

Future prospects

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

The Group is financially stable and looks to the next financial year positively; however, the Board of the Parent company abstains from providing certain prognosis for sales figures and operational results.

Post balance sheet events

During the period between the last day of the financial year and the date of signing of this report there are no subsequent events, which would have a significant effect on the financial position of the Group and/or Parent company as at 30 June 2016 and/or financial results and cash flow during the respective reporting period

Profit allocation proposal by the Board

The Board of the Company proposes to pay dividend of EUR 1 million.

These separate financial statements of A/S “SAF Tehnika” and consolidated financial statements of A/S “SAF Tehnika” and its subsidiaries are submitted to “Nasdaq Riga” AS together with Corporate Governance Report of the FY 2015/2016

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Riga, 26 October 2016

A/S „SAF TEHNIKA”
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FOR THE YEAR ENDED 30 JUNE 2016

STATEMENT OF THE BOARD’S RESPONSIBILITY

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

The separate and consolidated financial statements set out on pages 8 to 40 and are prepared in accordance with the source documents and present fairly the A/S “SAF Tehnika” (Parent company’s) and A/S “SAF Tehnika” and its subsidiaries (the Group) financial position as at 30 June 2016 and the results of financial performance and cash flows for the year then ended.

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

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

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Riga, 26 October 2016

INDEPENDENT AUDITORS' REPORT
Translation from Latvian

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To the Shareholders of AS "SAF Tehnika"

Report on AS "SAF Tehnika" separate financial statements and AS "SAF Tehnika" Group consolidated Financial Statements

We have audited separate financial statements of AS "SAF Tehnika" and consolidated financial statements of AS "SAF Tehnika" and its subsidiaries (further on – the Group) together set out on pages 8 to 40 of the accompanying annual report of AS "SAF Tehnika" for the year ended 30 June 2016. Audited separate financial statements of AS "SAF Tehnika" and consolidated financial statements of AS "SAF Tehnika" Group comprise statements of financial position as of 30 June 2016, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended as well as the summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Separate and Consolidated Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the separate financial statements and the consolidated financial statements give a true and fair view of AS "SAF Tehnika" as a separate entity and AS "SAF Tehnika" as a Group financial position as of 30 June 2016, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

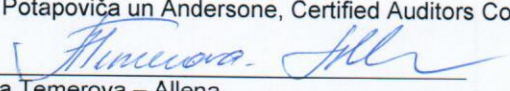
Report on Other Legal and Regulatory Requirements

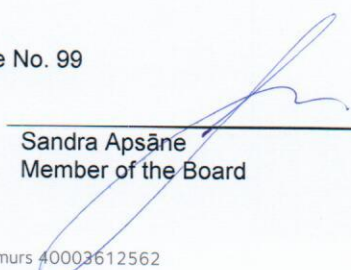
We have reviewed the management report for the year ended 30 June 2016 set out on pages 4 and 5 of the accompanying annual report and have not identified any material inconsistencies between the financial information contained in the management report and that contained in the separate financial statements of AS "SAF Tehnika" and consolidated financial statements of the AS "SAF Tehnika" Group for the year ended 30 June 2016.

We have also obtained and reviewed the Statement of corporate governance for the year ended 30 June 2016 prepared by AS "SAF Tehnika". In our opinion, the Statement contains information required by Article 56.2, third paragraph, clause 1, of the Financial Instrument Market Law.

On behalf of

SIA Potapoviča un Andersone, Certified Auditors Company License No. 99


Anna Temerova – Allena
Responsible Certified Auditor
Certificate No. 154


Sandra Apsāne
Member of the Board

26 October 2016, Riga

A/S „SAF TEHNIKA”
CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Statement of financial position

		Group		Parent company	
		For the year ended 30 June		For the year ended 30 June	
	Note	2016	2015	2016	2015
		EUR	EUR	EUR	EUR
ASSETS					
Long-term investments					
Fixed assets	6	720 448	617 003	696 362	594 408
Intangible assets	6	131 016	186 092	130 909	186 092
Investments in subsidiaries	7	-	-	32 893	32 893
Investments in other companies	7	2 148	2 148	2 148	2 148
Long-term trade receivables	9	3 878	18 303	3 878	18 303
Deferred tax asset	13	75 769	78 266	75 769	78 266
Total long term investments		933 259	901 812	941 959	912 110
Current assets					
Stock	8	4 292 381	4 674 525	4 096 239	4 470 897
Corporate income tax receivable	26	114 629	118	114 629	118
Trade receivables	9	1 794 521	1 309 080	1 082 564	911 476
Due from related parties	9	-	-	833 658	862 014
Other receivables	10	168 689	348 047	159 246	348 047
Prepaid expenses		126 671	81 286	107 461	71 413
Placements with banks	11	-	1 893 735	-	1 893 735
Cash and cash equivalents	12	5 910 859	4 320 293	5 672 265	3 762 995
Total current assets		12 407 750	12 627 084	12 066 062	12 320 695
Total assets		13 341 009	13 528 896	13 008 021	13 232 805
SHAREHOLDERS' EQUITY					
Share capital	14	4 158 252	4 158 252	4 158 252	4 158 252
Share premium		2 851 725	2 851 725	2 851 725	2 851 725
Other reserves		8 530	8 530	8 530	8 530
Translation reserve		10 495	9 236	-	-
Retained earnings		4 327 802	4 412 396	4 263 127	4 384 016
Total shareholders' equity		11 356 804	11 440 139	11 281 634	11 402 523
LIABILITIES					
Current liabilities					
Trade and other payables	15	984 400	719 442	719 896	624 386
Provisions	15	15 759	18 211	15 759	18 211
Other liabilities	15	904 120	1 117 911	878 212	977 937
Due to related parties		-	-	62 821	4 311
Corporate income tax	26	1 538	142 720	-	134 433
Loans	16	12 095	8 375	12 095	8 375
Deferred income	17	66 293	82 098	37 604	62 629
Total liabilities		1 984 205	2 088 757	1 726 387	1 830 282
Total equity and liabilities		13 341 009	13 528 896	13 008 021	13 232 805

The accompanying notes on pages 13 to 40 form an integral part of these financial statements.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Riga, 26 October 2016

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A/S „SAF TEHNIKA”
CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Statement of profit or loss and other comprehensive income

		Group		Parent company	
		For the year ended 30		For the year ended 30	
		June		June	
	Note	2016	2015	2016	2015
		EUR	EUR	EUR	EUR
Net sales	18	13 706 812	12 852 646	12 135 736	12 252 138
Cost of goods sold	19	<u>(9 219 854)</u>	<u>(8 828 541)</u>	<u>(8 945 907)</u>	<u>(8 571 032)</u>
Gross profit		4 486 958	4 024 105	3 189 829	3 681 106
Sales and marketing expenses	20	(3 142 589)	(2 294 952)	(1 958 199)	(1 891 458)
Administrative expenses	21	<u>(712 865)</u>	<u>(1 086 890)</u>	<u>(608 838)</u>	<u>(1 040 517)</u>
Profit from operating activities		631 504	642 263	622 792	749 131
Other income	22	381 419	483 486	348 163	471 173
Impairment of long term investment	7	-	(31 184)	-	(43 984)
Financial income	23	6 807	383 244	6 807	237 461
Financial expenses	24	(24 686)	(56)	(29 560)	-
Profit before tax		995 044	1 477 753	948 202	1 413 781
Corporate income tax	25	<u>(69 777)</u>	<u>(199 198)</u>	<u>(59 229)</u>	<u>(190 911)</u>
Profit of the reporting year		925 267	1 278 555	888 973	1 222 870
Other comprehensive income					
Foreign currency recalculation differences for foreign operations		1 260	9 798	-	-
Total comprehensive income		926 526	1 288 353	888 973	1 222 870
Profit attributable to:					
Shareholders of the Parent		925 267	1 278 555	-	-
Total comprehensive income attributable to:					
Shareholders of the Parent		926 526	1 288 353	-	-
Profit per share attributable to the shareholders of the Company (EUR per share):					
Basic and diluted earnings per share	27	0.312	0.430	0.299	0.412

The accompanying notes on pages 13 to 40 form an integral part of these financial statements.

On behalf of the Board:

Normunds Bergrs
Chairman of the Board

Riga, 26 October 2016

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

	Share capital	Share premium	Other reserves	Foreign currency revaluation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 30 June 2014	4 226 185	2 851 725	-	(562)	3 252 648	10 329 996
Transactions with owners of the Company, recognised in equity	(67 933)	-	8 530	-	(118 807)	(178 210)
Dividends	-	-	-	-	(118 807)	(118 807)
Denomination of shares	(67 933)	-	8 530	-	-	(59 403)
Total comprehensive income	-	-	-	9 798	1 278 555	1 288 353
Profit of the reporting year	-	-	-	-	1 278 555	1 278 555
Other comprehensive income	-	-	-	9 798	-	9 798
Balance as at 30 June 2015	4 158 252	2 851 725	8 530	9 236	4 412 396	11 440 139
Transactions with owners of the Company, recognised in equity	-	-	-	-	(1 009 862)	(1 009 862)
Dividends	-	-	-	-	(1 009 862)	(1 009 862)
Total comprehensive income	-	-	-	1 260	925 267	926 526
Profit of the reporting year	-	-	-	-	925 267	925 267
Other comprehensive income	-	-	-	1 260	-	1 259
Balance as at 30 June 2016	4 158 252	2 851 725	8 530	10 496	4 327 801	11 356 804

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

	Share capital EUR	Share premium EUR	Other reserves EUR	Retained earnings EUR	Total EUR
Balance as at 30 June 2014	4 226 185	2 851 725	-	3 279 953	10 357 863
Transactions with owners of the Company, recognised in equity	(67 933)	-	8 530	(118 807)	(178 210)
Dividends	-	-	-	(118 807)	(118 807)
Denomination of shares	(67 933)	-	8 530	-	(59 403)
Total comprehensive income	-	-	-	1 222 870	1 222 870
Profit for the reporting year	-	-	-	1 222 870	1 222 870
Other comprehensive income	-	-	-	-	-
Balance as at 30 June 2015	4 158 252	2 851 725	8 530	4 384 016	11 402 523
Transactions with owners of the Company, recognised in equity	-	-	-	(1 009 862)	(1 009 862)
Dividends	-	-	-	(1 009 862)	(1 009 862)
Total comprehensive income	-	-	-	888 973	888 973
Profit for the reporting year	-	-	-	888 973	888 973
Other comprehensive income	-	-	-	-	-
Balance as at 30 June 2016	4 158 252	2 851 725	8 530	4 263 127	11 281 634

The accompanying notes on pages 13 to 40 form an integral part of these financial statements.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Riga, 26 October 2016

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A/S „SAF TEHNIKA”
CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS
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Statement of cash flows

	Note	Group For the year ended 30 June		Parent company For the year ended 30 June	
		2016 EUR	2015 EUR	2016 EUR	2015 EUR
Profit before taxes		995 044	1 477 753	948 202	1 413 781
<u>Adjustments for:</u>					
- depreciation	6	329 291	305 267	314 483	290 664
- amortization	6	72 436	79 572	72 431	79 572
- changes in adjustments to stock	8	(19 890)	20 473	(19 890)	20 473
- changes in provisions for guarantees	15	(2 452)	3 568	(2 452)	3 568
- changes in provisions for unused vacations	15	22 089	27 009	22 089	27 009
- changes in doubtful debt allowances	9	(19 083)	(38 112)	(5 875)	(51 950)
- interest income	23	(6 807)	(1 275)	(6 807)	(734)
- long-term financial investment revaluation	7	-	31 184	-	43 984
- government grants	22	(291 807)	(432 130)	(291 807)	(432 130)
- (profit) on disposal of fixed assets		(394)	(6 157)	(394)	(7 237)
- interest and similar expenses		-	56	-	-
Operating profit before changes in working capital		1 078 427	1 467 208	1 029 980	1 387 000
(Increase)/decrease of stock		402 034	(196 245)	394 548	7 383
(Increase)/decrease in receivables		(498 378)	547 967	(158 506)	184 000
Increase/(decrease) in payables		30 614	385 320	32 203	54 953
Cash flows generated by operating activities		1 012 697	2 204 250	1 298 225	1 633 336
Government grants	22	465 596	406 643	465 596	406 643
Interest payments		-	(56)	-	-
Corporate income tax paid	26	(323 665)	(36 178)	(305 676)	(1 598)
Corporate income tax paid abroad	25	-	-	-	(34 580)
Net cash flows from operating activities		1 154 628	2 574 659	1 458 145	2 003 801
Cash flows from investing activities					
Purchase of fixed assets	6	(438 703)	(387 086)	(422 582)	(364 480)
Income from the disposal of fixed assets		6 539	7 467	6 539	7 467
Purchase of intangible assets	6	(17 360)	(57 493)	(17 248)	(57 493)
Interest income		6 982	1 856	6 982	1 315
Investments in other companies		-	(960)	-	(960)
Investments in subsidiaries		-	(17 274)	-	(15 132)
Security deposit paid	10	(10 159)	-	(10 159)	-
Loans repayment received		-	180 000	-	180 000
Net deposits received from placements with banks/ (placed with banks)		1 893 735	(1 893 735)	1 893 735	(1 893 735)
Net cash flows from investing activities		1 441 033	(2 167 225)	1 457 266	(2 143 018)

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CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS
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Statement of cash flows (continued)

	Note	Group For the year ended 30 June		Parent company For the year ended 30 June	
		2016 EUR	2015 EUR	2016 EUR	2015 EUR
Cash flows used in financing activities					
Loans received		3 720	1 594	3 720	1 594
Share capital paid as a result of denomination		-	(59 403)	-	(59 403)
Dividends paid		(1 009 862)	(118 807)	(1 009 862)	(118 807)
Net cash flows used in financing activities		(1 006 142)	(176 616)	(1 006 142)	(176 616)
Result of fluctuations in the foreign exchange rates		1 046	6 920	-	-
Net increase of cash and cash equivalents		1 590 566	237 738	1 909 270	(315 833)
Cash and cash equivalents at the beginning of the year		4 320 293	4 082 555	3 762 995	4 078 828
Cash and cash equivalents at the end of the year	12	5 910 859	4 320 293	5 672 265	3 762 995

The accompanying notes on pages 13 to 40 form an integral part of these financial statements.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Riga, 26 October 2016

A/S „SAF TEHNIKA”
CONSOLIDATED FINANCIAL STATEMENTS AND SEPARATE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2016

Notes to the financial statements

1. General information

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

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

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

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

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

These separate financial statements of A/S “SAF Tehnika” and consolidated financial statements of A/S “SAF Tehnika” and its subsidiaries (hereinafter – financial statements) were approved by the Parent company's Board on 26 October 2016. The financial statements will be presented for approval to the shareholders' meeting. The shareholders have the power to reject the financial statements prepared and issued by management and the right to request that new financial statements be issued.

2. Summary of accounting principles used

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

The previous financial statements were prepared for the financial year ended 30 June 2015 and are available at the Parent company's headquarters on Ganību dambis 24a, Riga, Republic of Latvia and at the Parent company's website: www.saftehnika.com.

A Accounting principles

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

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

New Standards and interpretations

Standards, amendments to standards and interpretations that for the first time are applicable to financial statements for year ended 30 June 2016.

(i) New IFRS 14 “Regulatory Deferral Accounts”

This standard does not apply to the Group and thus affects neither the Group's nor the Parent company's financial statements

(ii) Amendment to IAS 16 “Property, plant and equipment” and IAS 38 “Intangible assets” on depreciation and amortisation

The amendment provides additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated. It is clarified that a revenue based method is not considered to be an appropriate manifestation of consumption. The amendments do not have any impact on the Group or Parent company as they don't use a revenue-based method to depreciate its non-current assets.

(iii) Amendments to IAS 16 “Property, plant and equipment” and IAS 41 “Agriculture” regarding bearer plants

Under the amendments, biological assets that meet the definition of bearer plants will no longer be within the scope of IAS 41 Agriculture. Instead, IAS 16 will apply. The amendments do not have any impact on the Group or Parent company as they do not have any bearer plants.

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Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

A Accounting principles (continued)

New Standards and Interpretations (continued)

(iv) *Amendments to IAS 27 “Separate financial statements” on the equity method*

The amendments allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. These amendments do not have impact on the separate financial statements of the Parent company since the company continue to apply historical cost method when accounting for its investments in subsidiaries.

Annual improvements for 2012 – 2014 cycle

(v) *IFRS 5 “Non-current assets held for sale and discontinued operations”*

Since the Group does not have non-current assets held for sale, then these improvements do not impact either the Group or the Parent company.

(vi) *IFRS 7 “Financial instruments: Disclosures”*

Improvements relate to condensed interim financial statements and servicing contracts that includes a fee that may constitute continuing involvement in a financial asset. These amendments do not have any impact on the Group or Parent company.

IAS 19 “Employee benefits”

The amendments clarify how to account for employment related payments into defined benefit plans. Since there are no such payments within the Group, the amendments do not impact either the Group or the Parent company.

(vii) *IAS 34 “Interim financial reporting”*

The amendments clarifies disclosure requirements for the interim financial reporting. These amendments do not have any impact on the Group or Parent company.

(viii) *Amendments to IAS 1 Disclosure Initiative*

The amendments clarify, rather than change, existing IAS 1 requirements. These amendments do not have any impact on the Group or Parent company.

(ix) *Amendments to IFRS 10, IFRS 12 and IAS 28*

The amendments clarify applying the investment entities exception. These amendments do not have any impact on the Group or parent company.

(x) *IFRS 12 “Disclosure of interests in other entities”*

IFRS 12 is a consolidated disclosure standard about the entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. This standard does not have material impact on the Group's or the Parent company's financial statements.

B Consolidation

(a) *Subsidiaries*

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

(b) *Investment in equity-accounted investees*

Investment in equity-accounted investees was an investment in a joint venture, which became a subsidiary after the acquisition of additional shares in 2015. Joint venture is a structure over which the Group has joint control ensuring that the Group is entitled to net assets of this structure rather than has rights with regard to assets and obligations with regard to liabilities. Investments in joint ventures are accounted for on equity basis. Investments are disclosed at cost including directly attributable transaction costs. The consolidated financial statements include the share of the Group in the profit or loss and other comprehensive income of joint venture until the joint control ends.

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Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

B Consolidation (continued)

Subsidiaries and joint ventures controlled by the Parent company:

Name	Country of residence	Participation %	Subsidiary and joint venture's equity		Subsidiary and joint venture's (profit/losses)	
			30.06.2016 EUR	30.06.2015 EUR	2015/2016 EUR	2014/2015 EUR
„SAF North America” LLC	United States of America	100%	108 983	70 508	37 923	46 136
„SAF Services” LLC	United States of America	100%	(920)	722	(1 649)	(2 783)

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

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

(c) Transactions eliminated on consolidation

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

C Foreign currency revaluation

(a) Functional and reporting currency

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

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

(b) Transactions and balances

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

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

	30.06.2016.	30.06.2015.
1 USD	1.1102	1.1189
1 GBP	0.8265	0.7114

(c) Group companies

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

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

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Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

D Fixed assets

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

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

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

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

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

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

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

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

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

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

E Intangible assets

(a) Trademarks and licences

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

(b) Software

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

F Cost of research and development activities

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

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Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

G Impairment of long term investments

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

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

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

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

All Group's (Parent Company's) assets are allocated to two cash generating units that are identified as Group's (Parent Company's) operating segments (see Note 18). There have been no impairment indicators noted.

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

H Segments

Information on the Group's (Parent company's) operating segments is disclosed in Note 18. Segment results that are reported to the Chief Executive Officer of the Group (Parent company) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group's (Parent Company's) headquarters), head office expenses, and tax assets and liabilities.

I Government grants

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

Within the framework of the contract signed between A/S "SAF Tehnika" and "LEO Pētījumu centrs" SIA a cooperation project on a "Competence centre for the Latvian industry of manufacturing electrical and optical devices" was implemented till 31 December 2015, regarding which "LEO Pētījumu centrs" SIA had signed a contract with State Agency Latvian Investment and Development Agency in order to obtain financing from the European Regional Development Fund. As part of the above project, A/S "SAF Tehnika" was conducting three individual research activities to develop new products. In order to implement projects under these activities, co-financing was provided to cover remuneration of project staff and other costs related to the specific projects. Co-financing received related 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.

On May 2016 a new contract between A/S "SAF Tehnika" and "LEO Pētījumu centrs" SIA was signed for implementation of the project on a "Support for development of new products and technologies within the competence centers". The project was started in June 2016.

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

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Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

J Stock

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

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

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

K Financial Instruments

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

Loans, receivables and other debts

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

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

Available for sale financial investments

Financial investments available-for-sale are acquired to be held for an indefinite period of time. Financial investments, whose market value is not determined in an active market and whose fair value cannot be reliably measured, are carried at acquisition cost less impairment. All other financial investments available-for-sale are carried at fair value. Profit or losses resulting from the change in fair value of financial investments available-for-sale, except for impairment losses, are recognised in other comprehensive income until the financial asset is derecognised; thereafter, the cumulative gain or loss previously recognised in other comprehensive income is recognised in profit or loss.

Liabilities

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

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

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Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

L Cash and cash equivalents

Cash and cash equivalents comprise current bank accounts balances and deposits, and short term highly liquid investments with an original maturity of three months or less.

M Share capital

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

N Corporate income tax and deferred tax

Corporate income tax comprises current and deferred tax.

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

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

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

O Employee benefits

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

P Revenue recognition

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

(a) Sales of goods

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

(b) Provision of services

Revenue is recognized in the period when services are provided.

(c) Provision of extended warranty service

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

Q Lease

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

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Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

R Payment of dividends

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

S Financial income and expenses

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

T New standards and interpretations not yet adopted

The following new Standards and Interpretations are not yet effective for the year ended 30 June 2016 and have not been applied in preparing these consolidated financial statements:

- (i) *IFRS 9 Financial instruments, effective for financial years beginning on or after 1 January 2018, once endorsed by the EU.* The Group doesn't intend to apply the standards earlier as defined in the standard.
- (ii) *IFRS 15 Revenue from Contracts with Customers, effective for financial years beginning on or after 1 January 2018, once endorsed by the EU.* The Group doesn't intend to apply the standard earlier as defined in the standard.
- (iii) *Amendments to IFRS 10 Consolidated financial statements and IAS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, endorsement deferred indefinitely.* Currently the standard is not binding to the Group, since it does not have investments in associates or joint ventures.
- (iv) *Disclosure Initiative – Amendments to IAS 7 Cash flow review, (effective for financial years beginning on or after 1 January 2017, once endorsed by the EU).* Applying this standard the financial statements will provide additional information. The Group doesn't intend to apply the standard earlier as defined in the standard.
- (v) *Amendments to IAS 12 Income tax, effective for financial years beginning on or after 1 January 2017, once endorsed by the EU.* These amendments will not have a material impact on the Group's and Parent company's financial statements.
- (vi) *Amendments to IFRS 2 Share-based Payment, effective for financial years beginning on or after 1 January 2018, once endorsed by the EU.* The Group doesn't intend to apply the standard earlier as defined in the standard and provides these amendments will not have a material impact on the Group's and Parent company's financial statements.
- (vii) *IFRS 16 "Leases" (effective for financial years beginning on or after 1 January 2019, once endorsed by the EU).* The Group doesn't intend to apply the standard earlier as defined in the standard.

3. Financial risk management

(1) Financial risk factors

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

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

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

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Notes to the financial statements (continued)

3. Financial risk management (continued)

(1) Financial risk factors (continued)

(a) Foreign currency risk

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

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

The following schedule summarises net open positions for currencies expressed in EUR as at 30 June 2016:

Group	EUR	USD	Other currencies	Total
Financial assets				
Gross trade receivables	660 166	1 143 638	-	1 803 804
Cash and cash equivalents	1 933 286	3 977 573	-	5 910 859
Total	2 593 452	5 121 211	-	7 714 663
Financial liabilities				
Liabilities	(309 920)	(492 844)	(324)	(803 088)
Other liabilities	(181 312)	-	-	(181 312)
Loans	(12 095)	-	-	(12 095)
Total	(503 327)	(492 844)	(324)	(996 495)
Net open positions	2 090 125	4 628 367	(324)	6 718 168

Parent company	EUR	USD	Other currencies	Total
Financial assets				
Gross trade receivables	660 166	1 264 709	-	1 924 875
Cash and cash equivalents	1 933 286	3 738 979	-	5 672 265
Total	2 593 452	5 003 688	-	7 597 140
Financial liabilities				
Liabilities	(309 920)	(228 340)	(324)	(538 584)
Other liabilities	(181 312)	-	-	(181 312)
Loans	(12 095)	-	-	(12 095)
Total	(503 327)	(228 340)	(324)	(731 991)
Net open positions	2 090 125	4 775 348	(324)	6 865 149

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

Group	EUR	USD	Other currencies	Total
Financial assets				
Gross trade receivables	649 780	702 091	-	1 351 871
Deposits with banks	1 000 000	893 735	-	1 893 735
Cash and cash equivalents	2 757 249	1 563 044	-	4 320 293
Total	4 407 029	3 158 870	-	7 565 899
Financial liabilities				
Liabilities	(320 330)	(384 090)	(259)	(704 679)
Other liabilities	(14 763)	-	-	(14 763)
Loans	(8 375)	-	-	(8 375)
Total	(343 468)	(384 090)	(259)	(727 817)
Net open positions	4 063 561	2 774 780	(259)	6 838 082

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Notes to the financial statements (continued)

3. Financial risk management (continued)

(1) Financial risk factors (continued)

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

Parent company	EUR	USD	Other currencies	Total
Financial assets				
Gross trade receivables	649 780	1 152 663	-	1 802 443
Deposits with banks	1 000 000	893 735	-	1 893 735
Cash and cash equivalents	2 757 249	1 005 746	-	3 762 995
Total	4 407 029	3 052 144	-	7 459 173
Financial liabilities				
Liabilities	(320 330)	(289 034)	(259)	(609 623)
Other liabilities	(14 763)	-	-	(14 763)
Loans	(8 375)	-	-	(8 375)
Total	(343 468)	(289 034)	(259)	(632 761)
Net open positions	4 063 561	2 763 110	(259)	6 826 412

Sensitivity analysis

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

	Group		Parent company	
	2015/2016 effect in EUR	2014/2015 effect in EUR	2015/2016 effect in EUR	2014/2015 effect in EUR
USD	462 836	277 478	477 534	276 311
	462 836	277 478	477 534	276 311

(b) Credit risk

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

As at 30 June 2016, the Group's credit risk exposure to a single customer amounted to 16.76% of the total short and long-term receivables and 9.24% from total net sales (30.06.2015.: 12.52% and 5.64.% accordingly), and Parent company's credit risk exposure to a single customer amounted to 15.50% and 10.29% from total net sales (30.06.2015: 9.39% and 5.91% accordingly). With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group's maximum credit risk exposure amounts to EUR 8 120 666 or 50.87% of total assets (30.06.2015.: EUR 8 090 941 or 59.29% of total assets), and Parent company's maximum credit risk exposure amounts to EUR 7 999 218 or 61.35% of total assets. For more information on the Group's and Parent company's exposure to credit risk please refer to Note 9.

(c) Liquidity risk

The Group follows a prudent liquidity risk management and hence maintain a sufficient quantity of liquid funds. The Group's current liquidity ratio is 6.25 (30.06.2015: 5.8), quick liquidity ratio is: 4.09 (30.06.2015: 3.7), and Parent company's current liquidity ratio is 6.89 (30.06.2015: 6.6), quick liquidity ratio is: 4.55 (30.05.2015: 4.2).

The Group's management monitors liquidity reserves for the operational forecasting, based on estimated cash flows. Most of the Group's liabilities are short term. Management believes that the Group will have sufficient liquidity to be generated from operating activities and does not see significant exposure to liquidity risk. For more information on the Group's and Parent company's exposure to liquidity risk please refer to note 15.

(d) Interest rate risk

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

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Notes to the financial statements (continued)

3. Financial risk management (continued)

(2) Accounting for derivative financial instruments

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

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

As at 30 June 2016 and 30 June 2015 the Group and parent company did not have any open derivative financial instruments agreements.

(3) Fair value

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

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

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

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

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

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

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

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

4. Management of the capital structure

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

	Group		Parent company	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	EUR	EUR	EUR	EUR
Liabilities	1 984 205	2 088 757	1 726 387	1 830 282
Cash	(5 910 859)	(4 320 293)	(5 672 265)	(3 762 995)
Net debt	(3 926 654)	(2 231 536)	(3 945 878)	(1 932 713)
Shareholders' equity	11 356 804	11 440 139	11 281 634	11 402 523
Debt to equity ratio	17%	18%	15%	16%
Net debt to equity ratio	-35%	-20%	-35%	-17%

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5. Key estimates and assumptions

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

Recoverable amount and impairment of non-current assets

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

At the reporting date there are no indications of impairment of fixed and intangible assets. The Group's cash flows from operating activities in the reporting year amount to EUR 1 155 thousand (2014/2015: EUR 2 575 thousand), and the Parent company's cash flows from operating activities in the reporting year amount to EUR 1 458 thousand (2014/2015: EUR 2 004 thousand). The Group will continue pursuing its strategy to develop competitive wireless data transmission products and solutions for new export markets, and maintain the current sound financial position and control over the production process with the aim to increase sales and profitability.

Useful lives of fixed assets

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

Impairment of loans and receivables

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

Net sales value of the inventory

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

Provisions and accruals

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

As at the reporting date, the following provisions and accruals were recognized:

- provisions for potential warranty expenses are recognized based on the management assessment of the risk of expected warranty repairs relating to the concluded contracts. The standard warranty period is one to five years depending from product;
- accrued liabilities for unused vacations are calculated in accordance with the number of vacation days unused as at 30 June 2016 and the average remuneration during the last six months of the reporting year.

Deferred tax asset

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

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6. Fixed and intangible assets					
Group	Software and licenses	Leasehold improvements	Equipment and machinery	Other fixed assets	Total
	EUR	EUR	EUR	EUR	EUR
Reporting year ended 30 June 2015					
Opening balance	208 171	163 784	190 119	179 713	741 787
Acquisitions	57 493	-	273 349	113 737	444 579
Disposals	-	-	(255)	(1 055)	(1 310)
Result of fluctuations in the foreign exchange rates	-	-	989	1 889	2 878
Charge for the period	(79 572)	(96 665)	(129 771)	(78 831)	(384 839)
Closing balance	186 092	67 119	334 431	215 453	803 095
Reporting year ended 30 June 2016					
Opening balance	186 092	67 119	334 431	215 453	803 095
Acquisitions	17 360	2 150	347 503	89 050	456 063
Disposals	-	-	(3 741)	(2 404)	(6 145)
Result of fluctuations in the foreign exchange rates	-	-	39	139	178
Charge for the period	(72 436)	(67 206)	(172 464)	(89 621)	(401 727)
Closing balance	131 016	2 063	505 768	212 617	851 464
30 June 2014					
Historical cost	1 140 750	1 113 869	3 283 390	767 767	6 305 776
Accumulated depreciation	(932 579)	(950 085)	(3 093 271)	(588 054)	(5 563 989)
Carrying amount	208 171	163 784	190 119	179 713	741 787
30 June 2015					
Historical cost	874 480	1 113 869	3 512 402	784 136	6 284 887
Accumulated depreciation	(688 388)	(1 046 750)	(3 177 971)	(568 683)	(5 481 792)
Carrying amount	186 092	67 119	334 431	215 453	803 095
30 June 2016					
Historical cost	852 205	1 071 704	3 753 968	836 267	6 514 144
Accumulated depreciation	(721 189)	(1 069 641)	(3 248 200)	(623 650)	(5 662 680)
Carrying amount	131 016	2 063	505 768	212 617	851 464

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

Historical cost of disposals for the reporting year ended 30 June 2016 is EUR 149 659 and accumulated depreciation is EUR 143 515 (2014/2015: EUR 547 794 and EUR 546 484).

Depreciation of EUR 201 865 is included in the profit or loss statement item *Cost of sales* (2014/2015: EUR 170 823); depreciation of EUR 124 919 in *Sales and marketing costs* (2014/2015: EUR 133 816); depreciation of EUR 74 943 in *Administrative expenses* (2014/2015: EUR 80 200), including depreciation of EUR 171 under *Other administrative expenses* (2014/2015: EUR 210).

The acquisition costs of fully depreciated fixed assets that is still in use at the reporting date amounted to EUR 4 801 248 (30.06.2015.: EUR 3 671 298).

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6. Fixed and intangible assets (continued)

Parent company	Software and licenses	Leasehold improvements	Equipment and machinery	Other fixed assets	Total
	EUR	EUR	EUR	EUR	EUR
Reporting year ended 30 June 2015					
Opening balance	208 171	163 784	185 632	171 406	728 993
Acquisitions	57 493	-	269 438	95 042	421 973
Disposals	-	-	(226)	(4)	(230)
Charge for the period	<u>(79 572)</u>	<u>(96 665)</u>	<u>(125 230)</u>	<u>(68 769)</u>	<u>(370 236)</u>
Closing balance	186 092	67 119	329 614	197 675	780 500
Reporting year ended 30 June 2016					
Opening balance	186 092	67 119	329 614	197 675	780 500
Acquisitions	17 248	2 150	339 239	81 193	439 830
Disposals	-	-	(3 741)	(2 404)	(6 145)
Charge for the period	<u>(72 431)</u>	<u>(67 206)</u>	<u>(167 180)</u>	<u>(80 097)</u>	<u>(386 914)</u>
Closing balance	130 909	2 063	497 932	196 367	827 271
30 June 2014					
Historical cost	1 140 750	1 113 869	3 277 359	752 964	6 284 942
Accumulated depreciation	<u>(932 579)</u>	<u>(950 085)</u>	<u>(3 091 727)</u>	<u>(581 558)</u>	<u>(5 555 949)</u>
Carrying amount	208 171	163 784	185 632	171 406	728 993
30 June 2015					
Historical cost	874 480	1 113 869	3 501 305	755 302	6 244 956
Accumulated depreciation	<u>(688 388)</u>	<u>(1 046 750)</u>	<u>(3 171 691)</u>	<u>(557 627)</u>	<u>(5 464 456)</u>
Carrying amount	186 092	67 119	329 614	197 675	780 500
30 June 2016					
Historical cost	852 093	1 071 704	3 734 519	800 328	6 458 644
Accumulated depreciation	<u>(721 184)</u>	<u>(1 069 641)</u>	<u>(3 236 587)</u>	<u>(603 961)</u>	<u>(5 631 373)</u>
Carrying amount	130 909	2 063	497 932	196 367	827 271

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

Historical cost of disposals for the reporting year ended 30 June 2016 is EUR 145 827 and accumulated depreciation is EUR 139 682 (2014/2015: EUR 542 040 and EUR 541 810).

Depreciation of EUR 201 865 is included in the profit or loss statement item *Cost of sales* (2014/2015: EUR 169 741); depreciation of EUR 110 106 in *Sales and marketing costs* (2014/2015: EUR 120 295); depreciation of 74 943 in *Administrative expenses* (2014/2015: EUR 80 200), including depreciation of EUR 171 under *Other administrative expenses* (2014/2015: EUR 210).

The acquisition costs of fully depreciated fixed assets that is still in use at the reporting date amounted to EUR 4 780 931 (30.06.2015.: EUR 3 671 091).

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

Name	Investment in equity		Carrying value of the investment	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	%	%	EUR	EUR
„SAF North America” LLC	100	100	32 893	32 893
„SAF Services” LLC	100	100	65 552	65 552
Impairment			(65 552)	(65 552)
Investments in subsidiaries			32 893	32 893
„Zinātnes parks” SIA	24	24	960	960
„LEITC” SIA	16.75	16.75	477	477
„LEO Pētījumu centrs” SIA	10	10	711	711
Investments in other companies			2 148	2 148
Total investments in subsidiaries and other companies			35 041	35 041

Balance at 30.06.2014.	EUR 62 933
Acquired during 2014/2015 “Zinātnes parks” SIA	960
Additional investment, “SAF Services” LLC	132
Acquired during 2014/2015, “SAF Services” LLC	15 000
Impairment in 2014/2015 (for Group: EUR 31 184)	(43 984)
Balance at 30.06.2015.	35 041
Acquired during 2015/2016	-
Impairment in 2015/2016	-
Balance at 30.06.2016.	35 041

„SAF North America” LLC is a 100% subsidiary of the Parent Company that operates in Denver, 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 2016 the share capital of the subsidiary amounted to EUR 32 893 (30.06.2015.: EUR 32 893). 100% participation ensures absolute control of the subsidiary's assets and liabilities.

In August 2012, a joint of the Parent Company, “SAF Services” LLC began operations in North America and the Company invested in it EUR 65 420 which was a 50% holding. The objective of establishing “SAF Services” LLC was to provide local clients with services connected with the creation, long-term maintenance and management of data transmission networks. Joint control was established through equal voting rights and contractual arrangement. The test network set up by “SAF Services” LLC using the equipment of SAF Tehnika AS was a success and the client recognised it to be compliant with the defined requirements but no cooperation agreement was signed and “SAF Services” LLC was unable to generate any income from its investments. Consequently, any further development of this business in the USA was suspended and the founder, holder of 50% shares, “STREAMNET” OU, discontinued cooperation. In April 2015 the Parent company became the sole owner of “SAF Services” LLC. During 2014/2015 the Parent company's investment in “SAF Services” LLC share capital was increased by EUR 132 and as at 30 June 2016 its gross value amounted to EUR 65 552 (30.06.2015.: EUR 65 552). 100% participation ensures absolute control of the subsidiary's assets and liabilities. As at 30 June 2016 “SAF Services” LLC equity is negative, therefore the Parent company has made 100% provision for residual value impairment.

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

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

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

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8. Stock

	Group		Parent company	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	EUR	EUR	EUR	EUR
Raw materials	1 352 356	1 620 899	1 352 356	1 620 899
Work in progress	1 741 669	1 844 853	1 741 669	1 844 853
Finished goods	1 198 356	1 208 773	1 002 214	1 005 145
	4 292 381	4 674 525	4 096 239	4 470 897

The Group makes provisions for impairment of net realizable value of stock. During the reporting year write-down for the increase of net realizable value of EUR 19 890 (2014/2015: reversal of EUR 20 473) was recognised and included in *Cost of sales*.

The item *Finished goods* within Stock include fixed assets sent to clients for trial with an option to buy or return the equipment and the equipment sent to substitute damaged equipment. As at 30 June 2016 the value of equipment sent due to the above reasons amounted to EUR 58 886 (30.06.2015.: EUR 81 679) for Group and EUR 40 790 (30.06.2015.: EUR 60 057) for Parent company.

Under stock items *Work in Progress* and *Finished goods* are included overhead costs of production (salary expenses and social insurance of production units' employees, depreciation and amortization expenses of equipment, lease, service and other costs of production process) in amount of EUR 168 984 (30.06.2015.: EUR 168 563).

9. Trade receivables

	Group		Parent company	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	EUR	EUR	EUR	EUR
Long-term trade receivables	3 878	18 303	3 878	18 303
Receivables from related companies	-	-	833 658	862 014
Trade receivables	1 799 926	1 333 568	1 087 339	922 126
Allowances for bad and doubtful trade receivables	(5 405)	(24 488)	(4 775)	(10 650)
Short-term trade receivables	1 794 521	1 309 080	1 916 222	1 773 490
Total trade receivables	1 798 399	1 327 383	1 920 100	1 791 793

Long-term receivables mature on 31 March 2022.

As at 30 June 2016 and 30 June 2015 the fair value of receivables approximated their carrying amount.

Movement in allowances for bad and doubtful trade receivables:

	Group	Parent company
	EUR	EUR
As at 30 June 2014	369 288	369 288
Written-off	(306 688)	(306 688)
Additional allowances	17 932	4 094
Debts recovered	(56 044)	(56 044)
As at 30 June 2015	24 488	10 650
Written-off	(41 693)	(1 747)
Additional allowances	40 589	13
Debts recovered	(17 979)	(4 141)
As at 30 June 2016	5 405	4 775

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

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9. Trade receivables (continued)

Split of Gross Trade receivables by currencies expressed in EUR

Group	30/06/2016 EUR	30/06/2016 %	30/06/2015 EUR	30/06/2015 %
USD	1 143 638	63.47	702 091	51.93
EUR	660 166	36.53	649 780	48.07
Total trade receivables	1 803 804	100%	1 351 871	100%

Parent company	30/06/2016 EUR	30/06/2016 %	30/06/2015 EUR	30/06/2015 %
USD	1 264 709	65.70	1 152 663	63.95
EUR	660 166	34.30	649 780	36.05
Total trade receivables	1 924 875	100%	1 802 443	100%

Ageing analysis of Trade receivables

Group	30/06/2016 Gross EUR	30/06/2016 Allowance EUR	30/06/2015 Gross EUR	30/06/2015 Allowance EUR
Not overdue	1 290 358	-	884 830	-
Overdue by 0 – 89 days	508 054	(13)	443 758	(1 205)
Overdue by 90 and more days	5 392	(5 392)	23 283	(23 283)
Total trade receivables	1 803 804	(5 405)	1 351 871	(24 488)

Parent company	30/06/2016 Gross EUR	30/06/2016 Allowance EUR	30/06/2015 Gross EUR	30/06/2015 Allowance EUR
Not overdue	1 249 004	-	641 581	-
Overdue by 0 – 89 days	671 109	(13)	1 151 417	(1 205)
Overdue by 90 and more days	4 762	(4 762)	9 445	(9 445)
Total trade receivables	1 924 875	(4 775)	1 802 443	(10 650)

10. Other receivables

	Group		Parent company	
	30/06/2016 EUR	30/06/2015 EUR	30/06/2016 EUR	30/06/2015 EUR
Government grants*	77 917	251 707	77 917	251 707
Overpaid value added tax (see Note 26)	16 542	26 037	16 542	26 037
Advance payments to suppliers	32 945	45 028	23 203	45 028
Other receivables	31 126	25 275	30 505	25 275
Other receivables of subsidiaries (see Note 29)	-	-	920	-
Security deposit	10 159	-	10 159	-
	168 689	348 047	159 246	348 047

*The government grants relate to the project for participation in international exhibitions and the development project, which is being implemented with the "LEO Pētījumu centrs" SIA.

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11. Deposits with banks

	Group		Parent company	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	EUR	EUR	EUR	EUR
Deposits	-	1 893 735	-	1 893 735
	-	1 893 735	-	1 893 735

As at 30 June 2016 free cash resources with the initial maturity exceeding 90 days were not deposited. As at 30 June 2015 free cash resources were deposited in short term deposits with maturity exceeding 90 days. The average maturity of deposits as at 30 June 2015 were 6 months. The average annual interest rate for short-term placements in euros is 0.2% and in other currencies – 0.7%. Deposits were placed in A/S “DnB Banka.

Split of Deposits by currencies expressed in EUR

Group	30/06/2016	30/06/2016	30/06/2015	30/06/2015
	EUR	%	EUR	%
EUR	-	-	1 000 000	52.81
USD	-	-	893 735	47.19
Deposits	-	-	1 893 735	100%

Parent company	30/06/2016	30/06/2016	30/06/2015	30/06/2015
	EUR	%	EUR	%
EUR	-	-	1 000 000	52.81
USD	-	-	893 735	47.19
Deposits	-	-	1 893 735	100%

12. Cash and cash equivalents

	Group		Parent Company	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	EUR	EUR	EUR	EUR
Cash in bank	5 910 859	4 320 293	5 672 265	3 762 995
	5 910 859	4 320 293	5 672 265	3 762 995

Split of cash and cash equivalents by currencies expressed in EUR

Group	30/06/2016	30/06/2016	30/06/2015	30/06/2015
	EUR	%	EUR	%
USD	3 977 573	65.92	1 563 044	36.18
EUR	1 933 286	34.08	2 757 249	63.82
Cash and cash equivalents	5 910 859	100%	4 320 293	100%

Parent company	30/06/2016	30/06/2016	30/06/2015	30/06/2015
	EUR	%	EUR	%
USD	3 738 979	65.92	1 005 746	26.73
EUR	1 933 286	34.08	2 757 249	73.27
Cash and cash equivalents	5 672 265	100%	3 762 995	100%

Split of cash and cash equivalents by banks

	Group		Parent company	
	30/06/2016	30/06/2015	30/06/2016	30/06/2015
	EUR	EUR	EUR	EUR
Swedbank AS	1 664 498	591 937	1 664 498	591 937
Nordea bank AB Latvian branch	2 016 940	3 168 749	2 016 940	3 168 749
DNB Banka AS	1 984 550	1 428	1 984 550	1 428
SEB Banka AS	6 277	881	6 277	881
US Bank	238 594	557 298	-	-
	5 910 859	4 320 293	5 672 265	3 762 995

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Notes to the financial statements (continued)

13. Deferred tax (assets)/liabilities

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

	Recognized in profit or loss 2014/ 2015 EUR	Balance as at 30/06/2015 EUR	Recognized in profit or loss 2015/ 2016 EUR	Balance as at 30/06/2016 EUR
<i>Temporary difference on:</i>				
fixed asset depreciation and intangible asset amortisation	12 685	39 851	2 459	42 310
tax losses brought forward	13 154	-	-	-
accrued liabilities for unused vacations	(4 052)	(32 904)	(3 313)	(36 217)
adjustment of valuation of stock	(3 071)	(82 481)	2 983	(79 498)
provisions for guarantees	(536)	(2 732)	368	(2 364)
provision for returned goods	2 238	-	-	-
provisions on doubtful debts	51 951	(3 442)	3 442	-
Unrecognized temporary differences related to foreign trade receivables recoverability	(51 951)	3 442	(3 442)	-
Deferred tax (asset), net	20 418	(78 266)	2 497	(75 769)

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

14. Share capital

As at 30 June 2016, the registered and paid-up share capital is EUR 4 158 252 (30.06.2015.: EUR 4 158 252) and consists of 2 970 180 ordinary bearer shares (30.06.2015.: 2 970 180 shares) with unlimited voting rights. Nominal value per share is EUR 1,4.

15. Payables, provisions and other liabilities

	Group		Parent company	
	30/06/2016 EUR	30/06/2015 EUR	30/06/2016 EUR	30/06/2015 EUR
Trade accounts payable	803 088	704 679	538 584	609 623
Other accounts payable	181 312	14 763	181 312	14 763
Trade and other payables	984 400	719 442	719 896	624 386
Provisions for guarantees	15 759	18 211	15 759	18 211
Provisions	15 759	18 211	15 759	18 211
Accrued liabilities for unused vacations	241 447	219 358	241 447	219 358
Customer advances	225 195	455 647	225 195	347 126
Taxes and social security payments (See Note 26)	128 631	87 581	128 631	87 581
Other liabilities	308 847	355 325	282 939	323 872
Other liabilities	904 120	1 117 911	878 212	977 937
Total payables, provisions and other liabilities	1 904 279	1 855 564	1 613 867	1 620 534

During the reporting period the increase in accrued liabilities for unused vacation pay included in profit or loss statement amounted to EUR 22 089 (2014/2015: increase of EUR 27 009).

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15. Payables, provisions and other liabilities (continued)

Movement in provisions	Group		Parent company	
	Warranties EUR	Total EUR	Warranties EUR	Total EUR
Balance at 30.06.2014	14 643	14 643	14 643	14 643
Provisions made during the year	3 568	3 568	3 568	3 568
Balance at 30.06.2015	18 211	18 211	18 211	18 211
Provisions used during the year	(2 452)	(2 452)	(2 452)	(2 452)
Balance at 30.06.2016	15 759	15 759	15 759	15 759

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

Ageing analysis of trade payables and other payables

	Group		Parent company	
	30/06/2016 EUR	30/06/2015 EUR	30/06/2016 EUR	30/06/2015 EUR
Not overdue	962 970	716 957	703 480	621 901
Overdue by 0 – 30 days	21 430	2 485	16 416	2 485
Trade and other payables	984 400	719 442	719 896	624 386

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

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

Group	30/06/2016 EUR	30/06/2016 %	30/06/2015 EUR	30/06/2015 %
USD	492 844	53.39	384 090	53.39
EUR	491 232	46.58	335 093	46.58
GBP	324	0.03	259	0.03
Trade and other payables	984 400	100%	719 442	100%

Parent company	30/06/2016 EUR	30/06/2016 %	30/06/2015 EUR	30/06/2015 %
USD	228 340	31.72	289 034	46.29
EUR	491 232	68.24	335 093	53.67
GBP	324	0.04	259	0.04
Trade and other payables	719 896	100%	624 386	100%

16. Loans

	Group		Parent company	
	30/06/2016 EUR	30/06/2015 EUR	30/06/2016 EUR	30/06/2015 EUR
Credit cards	12 095	8 375	12 095	8 375

17. Deferred income

	Group		Parent company	
	30/06/2016 EUR	30/06/2015 EUR	30/06/2016 EUR	30/06/2015 EUR
Other deferred income	66 293	82 098	37 604	62 629

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18. Segment information and sales

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

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

CFIP –product line is represented by:

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

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

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

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

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

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

Group	CFIP; FreeMile, Integra, Spectrum Compact		Other		Total	
	2015/16 EUR	2014/15 EUR	2015/16 EUR	2014/15 EUR	2015/16 EUR	2014/15 EUR
Segment assets	6 132 005	5 528 604	1 090 929	1 588 313	7 222 934	7 116 917
Unallocated assets					6 118 075	6 411 979
Total assets					13 341 009	13 528 896
Segment liabilities	1 101 097	1 131 510	96 232	203 923	1 197 329	1 335 433
Unallocated liabilities					786 876	753 324
Total liabilities					1 984 205	2 088 757
Income	11 842 914	9 477 495	1 863 898	3 375 151	13 706 812	12 852 646
Segment result	3 253 162	1 881 797	1 359 680	2 207 065	4 612 842	4 088 862
Unallocated expenses					(3 981 338)	(3 446 599)
Profit from operating activities					631 504	642 263
Other income					381 419	483 486
Financial income/(expenses), net					(17 879)	383 188
Long-term financial investment revaluation					-	(31 184)
Profit before taxes					995 044	1 477 753
Corporate income tax					(69 777)	(199 198)
Profit after tax					925 267	1 278 555
Foreign currency fluctuations					1 259	9 798
Profit of the reporting year					926 526	1 288 353

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18. Segment information and sales (continued)

Parent company	CFIP; FreeMile, Integra, Spectrum Compact		Other		Total	
	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15
	EUR	EUR	EUR	EUR	EUR	EUR
Segment assets	6 141 702	5 752 926	977 841	1 537 636	7 119 543	7 290 562
Unallocated assets					5 888 478	5 942 243
Total assets					13 008 021	13 232 805
Segment liabilities	1 088 704	928 475	103 225	202 069	1 191 929	1 130 544
Unallocated liabilities					534 458	740 405
Total liabilities					1 726 387	1 830 282
Income	10 039 587	8 709 069	2 096 149	3 543 069	12 135 736	12 252 138
Segment result	2 006 407	1 370 880	1 361 551	2 374 983	3 367 958	3 745 863
Unallocated expenses					(2 745 166)	(2 996 732)
Profit from operating activities					622 792	749 131
Other income					348 163	471 173
Financial income/(expenses), net					(22 753)	237 461
Long-term financial investment revaluation					-	(43 984)
Profit before taxes					948 202	1 413 781
Corporate income tax					(59 229)	(190 911)
Profit of the reporting year					888 973	1 222 870

Other information of segment:

Group

Additions of fixed and intangible assets	288 935	174 748	12 470	-	301 405	174 748
Unallocated additions of fixed and intangible assets					154 658	269 831
Total additions of fixed and intangible assets					456 063	444 579
Depreciation and amortization	201 605	218 185	260	93	201 865	218 278
Unallocated depreciation and amortization					199 862	166 561
Total depreciation and amortisation					401 727	384 839

Parent company						
Additions of fixed and intangible assets	288 935	174 748	12 470	-	301 405	174 748
Unallocated additions of fixed and intangible assets					138 425	247 225
Total additions of fixed and intangible assets					439 830	421 973
Depreciation and amortization	201 605	218 185	260	93	201 865	218 278
Unallocated depreciation and amortization					185 049	151 958
Total depreciation and amortisation					386 914	370 236

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Notes to the financial statements (continued)

18. Segment information and sales (continued)

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

Group	Net sales		Assets	
	2015/ 2016	2014/ 2015	30/06/2016	30/06/2015
	EUR	EUR	EUR	EUR
North and South America	7 103 066	6 435 133	1 055 020	597 368
Europe, CIS	4 831 516	5 048 413	601 765	580 893
Asia, Africa, Middle East	1 772 230	1 369 100	141 614	149 122
	13 706 812	12 852 646	1 798 399	1 327 383
Unallocated assets	-	-	11 542 610	12 201 513
	13 706 812	12 852 646	13 341 009	13 528 896

Parent company	Net sales		Assets	
	2015/2016	2014/2015	30/06/2016	30/06/2015
	EUR	EUR	EUR	EUR
North and South America	5 531 990	5 834 625	1 176 721	1 061 778
Europe, CIS	4 831 516	5 048 413	601 765	580 893
Asia, Africa, Middle East	1 772 230	1 369 100	141 614	149 122
	12 135 736	12 252 138	1 920 100	1 791 793
Unallocated assets	-	-	11 087 921	11 441 012
	12 135 736	12 252 138	13 008 021	13 232 805

19. Cost of goods sold

	Group		Parent company	
	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015
	EUR	EUR	EUR	EUR
Purchases of components and subcontractors services	6 285 566	6 304 230	6 011 619	6 046 721
Salary expenses*	1 879 604	1 586 672	1 879 604	1 586 672
Depreciation and amortization (See Note 6)	201 865	170 823	201 865	169 741
Social insurance *	433 183	369 896	433 183	369 896
Rent of premises	195 773	197 083	195 773	197 083
Public utilities	100 298	86 022	100 298	86 022
Transport	21 446	26 157	21 446	26 157
Communication expenses	10 573	9 734	10 573	9 734
Business trip expenses	2 776	2 332	2 776	2 332
Low value articles	3 012	5 441	3 012	5 441
Other production costs	85 758	70 151	85 758	71 233
	9 219 854	8 828 541	8 945 907	8 571 032

* Including accrued liabilities for unused vacations.

Research and development related expenses of EUR 1 364 767 (2014/ 2015: EUR 1 062 369) are included in the profit or loss statement caption Purchases of components and subcontractors services.

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20. Sales and marketing expenses

	Group		Parent company	
	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015
	EUR	EUR	EUR	EUR
Salary expenses *	1 666 202	1 104 324	946 975	817 318
Delivery costs	370 553	288 216	258 728	284 657
Business trip expenses	290 865	249 829	176 193	171 985
Social insurance *	267 489	215 244	212 017	189 773
Depreciation and amortization (See Note 6)	124 919	133 816	110 106	120 295
Advertisement and marketing expenses	152 507	114 108	147 412	179 849
Other selling and distribution costs	270 054	189 415	106 768	127 581
	3 142 589	2 294 952	1 958 199	1 891 458

* Including accrued liabilities for unused vacations.

21. Administrative expenses

	Group		Parent company	
	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015
	EUR	EUR	EUR	EUR
Salary expenses *	259 145	567 617	259 145	567 617
Social insurance *	49 899	117 346	49 899	117 346
Depreciation and amortization (See Note 6)	74 772	79 990	74 772	79 990
IT services	35 805	39 105	35 805	39 105
Public utilities	18 339	38 241	18 339	38 241
Representation expenses	31 538	28 301	13 420	10 941
Training	29 671	26 601	14 393	26 601
Rent of premises	25 043	24 859	25 043	24 859
Insurance	17 450	17 464	17 450	17 464
Expenses on cash turnover	19 042	12 192	11 009	9 859
Business trip expenses	9 571	11 759	9 571	11 759
Communication expenses	3 484	3 841	3 484	3 841
Office maintenance	6 221	3 692	6 221	3 692
Sponsorship	17 800	40 500	17 800	40 500
Allowances for doubtful trade receivables	(35 290)	(38 112)	(61 933)	(51 950)
Other administrative expense **	150 375	113 494	114 420	100 652
	712 865	1 086 890	608 838	1 040 517

* Including accrued liabilities for unused vacations.

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

22. Other income

	Group		Parent company	
	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015
	EUR	EUR	EUR	EUR
Government grants*	291 807	432 130	291 807	432 130
Other income	89 612	51 356	56 356	39 043
	381 419	483 486	348 163	471 173

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

During the reporting year the Group (Parent Company) has received a government grants of EUR 465 596 (2014/2015: EUR 406 643). Government grants that are approved by the end of the reporting year, but not yet received, are included in Other receivables (see Note 10).

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23. Financial income

	Group		Parent company	
	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015
	EUR	EUR	EUR	EUR
Interest income	6 807	1 275	6 807	734
Result of currency exchange fluctuations, net	-	381 969	-	236 727
	6 807	383 244	6 807	237 461

24. Financial expenses

	Group		Parent company	
	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015
	EUR	EUR	EUR	EUR
Interest expenses	-	56	-	-
Result of currency exchange fluctuations, net	24 686	-	29 560	-
	24 686	56	29 560	-

25. Corporate income tax

	Group		Parent company	
	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015
	EUR	EUR	EUR	EUR
Changes in deferred tax asset (see Note 13)	2 497	20 418	2 497	20 418
Corporate income tax for the reporting year	67 280	178 780	56 732	135 913
Corporate income tax paid abroad	-	-	-	34 580
	69 777	199 198	59 229	190 911

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

	Group		Parent company	
	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015
	EUR	EUR	EUR	EUR
Profit before taxes	995 044	1 477 753	948 202	1 413 781
Tax rate	15%	15%	15%	15%
Tax calculated theoretically	149 257	221 663	142 230	212 067
Effect of foreign tax rates	3 521	(1 309)	-	-
Effect of non-deductible expenses	12 576	21 062	12 576	21 062
Effect of changes in unrecognized temporary differences	(38)	(7 793)	(38)	(7 793)
Effect of tax reliefs	(95 539)	(34 425)	(95 539)	(34 425)
Corporate income tax	69 777	199 198	59 229	190 911

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

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26. Taxes and compulsory state social security contributions

Group	VAT	Social contributions	Personal income tax	Corporate income tax	Business risk duty	CIT for services provided by non-residents	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
30.06.2015.							
Liabilities	-	87 519	-	142 720	62	-	230 301
(Overpaid)	(26 037)	-	-	-	-	(118)	(26 155)
In the reporting period:							
Calculated	(267 397)	1 095 158	714 502	67 274	6 851	-	1 616 388
Transferred	276 892	(4 783)	-	-	-	-	272 109
Paid	-	(1 094 597)	(669 233)	(323 665)	(6 850)	-	(2 094 345)
Foreign currency difference	-	-	-	698	-	-	698
30.06.2016.							
Liabilities	-	83 297	45 269	1 538	63	-	130 169
(Overpaid)	(16 542)	-	-	(114 511)	-	(118)	(131 171)

Parent company	VAT	Social contributions	Personal income tax	Corporate income tax	Business risk duty	CIT for services provided by non-residents	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
30.06.2015.							
Liabilities	-	87 519	-	134 433	62	-	222 014
(Overpaid)	(26 037)	-	-	-	-	(118)	(26 155)
In the reporting period:							
Calculated	(267 397)	1 015 191	635 729	56 732	742	-	1 440 997
Transferred	276 892	(4 783)	-	-	-	-	272 109
Paid	-	(1 014 630)	(590 460)	(305 676)	(741)	-	(1 911 507)
30.06.2016.							
Liabilities	-	83 297	45 269	-	63	-	128 631
(Overpaid)	(16 542)	-	-	(114 511)	-	(118)	(131 171)

27. Earnings per share

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

	Group		Parent company	
	01.07.2015-30.06.2016	01.07.2014-30.06.2015	01.07.2015-30.06.2016	01.07.2014-30.06.2015
	EUR	EUR	EUR	EUR
Profit of the reporting year (a)	925 267	1 278 555	888 973	1 222 870
Ordinary shares as at 1 July (b)	2 970 180	2 970 180	2 970 180	2 970 180
Basic and diluted earnings per share for the reporting year (a/b)	0.312	0.430	0.299	0.412

28. Remuneration to management

	Group		Parent company	
	01.07.2015-30.06.2016	01.07.2014-30.06.2015	01.07.2015-30.06.2016	01.07.2014-30.06.2015
	EUR	EUR	EUR	EUR
Remuneration of the Board members:				
· salary	298 083	220 105	196 843	220 105
· social contributions	45 317	37 492	37 572	37 492
Remuneration of the Council members:				
· salary	151 987	145 499	151 987	145 499
· social contributions	29 571	34 275	29 571	34 275
Total	524 958	437 371	415 973	437 371

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29. Related party transactions

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

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

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

Parent company	Transactions for the year ended 30 June		Balance as at 30 June	
	2016 EUR	2015 EUR	2016 EUR	2015 EUR
Sale of goods and services				
Subsidiaries	2 914 450	2 829 767	833 658	862 014
Purchase of goods and services				
Subsidiaries	128 667	153 191	62 821	4 311
Other subsidiaries receivables	-	-	920	-

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

27. Personnel costs

	Group		Parent company	
	01.07.2015- 30.06.2016 EUR	01.07.2014- 30.06.2015 EUR	01.07.2015- 30.06.2016 EUR	01.07.2014- 30.06.2015 EUR
Remuneration to staff	3 804 951	3 258 613	3 085 724	2 971 607
Social contributions	750 571	702 486	695 099	677 015
Total	4 555 522	3 961 099	3 780 823	3 648 622

28. Average number of employees

	Group		Parent company	
	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015	01.07.2015- 30.06.2016	01.07.2014- 30.06.2015
The average number of staff in the reporting year:	179	172	172	168

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29. Operating lease

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

On 24 June 2013 rent agreement No. SAFNA-2013-003 with “THE REALTY ASSOCIATES FUND VIII, L., L.” was signed regarding lease of premises by “SAF North America” LLC with total area 3,286 sq. feet. The premises are located at 10500 E.54th Avenue, Unite D, Denver, USA. The agreement matured on 31 August 2016. As of January 2015 the premises are leased to subtenant “Metro Copier Services”, Inc. On 9 January 2015 a new rent agreement No. SAFNA-2015-001 with “FIRST INDUSTRIAL”, L.P. was signed regarding lease of premises by “SAF North America” LLC with total area 7,800 sq. feet. The premises are located at 3250 Quentin Street, Unite 128, Aurora, Colorado 80011, USA. The agreement matures on 31 March 2020.

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

	Group		Parent company	
	30.06.2016	30.06.2015	30.06.2016	30.06.2015
	EUR	EUR	EUR	EUR
1 year	309 623	308 152	266 130	266 130
2 – 5 years	835 895	1 144 318	709 438	975 568
	1 145 518	1 452 470	975 568	1 241 698

30. Contingent liabilities

As part of its primary activities, the Group (Parent company) has issued performance guarantees to third parties in amount of EUR 449 (30.06.2015.: has not issued).

31. Subsequent events

No significant subsequent events have occurred in the period from the year-end to the date of these consolidated financial statements that would have a material impact on the Group's and/or Parent company's financial position as at 30 June 2016 or its performance and cash flows for the year then ended.