# A/S „SAF Tehnika”

# Consolidated annual report and separate annual report
for the year ended
30 June 2021

(Translation from Latvian)

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**Management Report**

**Business activity**

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

- Digital microwave radio equipment for voice and data transmission;
- Microwave spectrum analyzers and signal generators;
- Wireless sensor network solutions for environmental monitoring.

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

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

In the financial year (FY) 2020/2021, the Group's net turnover amounted to EUR 25.02 million, which is by EUR 8.3 million, or 49%, higher than in the previous financial year 2019/2020. The net turnover of the Parent company in FY 2020/2021 was EUR 20.98 million, which is by EUR 7.1 million, or 51%, more than in the previous FY 2019/2020.

The turnover of the American region, which accounts for sales in both North, South and Central Americas, represented 67% of the Group's annual turnover and amounted to EUR 16.7 million, which is by 68% more than last year. The US subsidiary company SAF North America LLC provides marketing and sales of the Group's products in the USA and Canada, as well as product warehousing and logistics services. Sales in the European and CIS region exceeded the level of the previous year by EUR 1.7 million. As regards the AMEA (Asia, Middle East, Africa) region, in the face of fierce competition, several successful projects were implemented in the market for wireless data transmission equipment. However, due to long goods delivery time (exceeding one month), a large sales transaction was concluded only in July 2021, which did not allow to record the increase of turnover in this region as well in the reporting year.

During the reporting year, the Group kept developing new products, while continuing to work on modifications to existing products and innovative ideas. The product life cycle for microwave wireless data transmission equipment in the industry lasts for about 5 years, when obsolete products are replaced by newer generation devices. Transition between technologies is a gradual process and will happen over several years.

The Group also continued to develop specific customer-requested functionality for SAF Tehnika A/S products.

The market remains in demand for radio systems that provide enhanced data rates and which can be developed or updated to increase data transmission capacity. Consequently, the Group continues to explore the market and problematic issues, and is working on identifying customer needs to be able to offer the necessary product modifications and create prototypes for next generation technologies. At the same time, the Group works with IoT segment solutions in order to diversify SAF Tehnika product offering.

The Group's sales revenue to countries outside Latvia accounted for 98.03% (97.66% for the Parent company, respectively) of the total turnover and amounted to EUR 24.53 million (20.49 million for the Parent company). In the reporting year, the Group sold its products to 85 countries worldwide.

In the reporting year, the greatest demand was for CFIP series products, with the largest number of sales registered for *Phoenix* and *Integra* products. There is an increasing demand for products in the Aranet and Spectrum Compact series. The Aranet4 indoor air quality sensor from the Aranet series has experienced rapid growth, with demand exceeding previous expectations.

In the context of a global pandemic, the Group followed the epidemiological rules in the home country, ensuring compliance with the relevant norms. The Group's offices and the manufacturing facility were operating in normal/rearranged mode, the company manufactured and shipped its products worldwide. The Group canceled participation in all face-to-face exhibitions. At the manufacturing facility, the work was organized in such a way as to minimize physical proximity (remote work or rearrangement of workplaces), ensuring airing, cleaning and availability of disinfectants.

The Group's activities were also affected by the worldwide deficit of various electronics components. By regularly reviewing supply volumes and deadlines, the Group continued to accumulate material reserves in order to be able to fulfill most of the orders within normal lead times. This applies to all SAF product families – microwave links, Spectrum Compact and Aranet.

The Group's cash balance at the end of the year was EUR 7.69 million (6.50 million for the Parent company, respectively), which is EUR 2.69 million (2.25 million for the Parent company) more than at the end of the previous reporting year.

**Management Report** (continued)

During the reporting year, the Group invested EUR 615 thousand in the purchase of IT infrastructure, production and research equipment, software and licences, as well as product certification.

The Group completed the financial year 2020/2021 with a profit of EUR 3.88 million (the Parent company with 3.18 million, respectively). The result of the Group's activities for the previous financial year was a loss of EUR 442 thousand (for the Parent company, respectively, 473 thousand). This successful result of economic activity was provided by an increase in the share of variable specialized projects with high added value in the overall project portfolio.

**Research and development**

A success factor and a prerequisite for the Group's long-term existence is its ability to ensure continuous product development. During the reporting year, the development and improvement of the microwave wireless data transmission product line continued. Solutions were found to improve functionality and quality indicators, and to reduce production costs. The Group continued to design and develop the Aranet functionality – the new Internet of Things (IoT) environmental monitoring solution, as well as kept on working on the Aranet Cloud service. Aranet is an industrial-grade wireless environmental monitoring solution that allows taking measurements of various environmental parameters over a wide area, including monitoring of temperature, humidity, and CO2. Metering products Spectrum Compact and Spectrum Generator are regularly supplemented with new functionalities and accessories. There are developments both for the release of new products, and for the improvement and refining of existing ones. Technologically, SAF Tehnika products are interconnected. The development and existence of such products broadens the range of business offerings. During the reporting period, the Group's product development projects received co-financing in the amount of EUR 428 thousand from the Latvian electrical and optical equipment industry competence center "LEO Pētījumu centrs" SIA.

**Future prospects**

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

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

Various constraints imposed by the global COVID-19 virus pandemic cause project lags. We believe that changes in the microwave radio market are not expected in the near term. However, in the longer term, there may be certain customer segments that could reconsider the investment volumes in network construction. At the same time the global pandemic stimulates the development of new infrastructure projects. The Group regularly works with all clients to identify and mitigate risks in a timely manner.

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

**Subsequent events**

During the period between the last day of the reporting year and the date on which these financial statements are signed, there have been no events that would significantly affect the financial situation of the Group and/or the Parent company as of June 30, 2021, and/or financial results and cash flows for the relevant reporting year.

**Board's proposal for allocation of profit**

The Board of the Parent company proposes to pay dividends of EUR 2 million.

The Corporate Governance Report for 2020/2021 has also been submitted to Nasdaq Riga AS together with this separate and consolidated Annual Financial Report 2020/2021 by SAF Tehnika A/S.

On behalf of the Board,

Normunds Bergs
Chairman of the Board

## STATEMENT OF THE BOARD'S RESPONSIBILITY

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

The separate and consolidated annual reports set out on pages 10 to 42 and are prepared in accordance with the source documents and present fairly the financial position of SAF Tehnika A/S (Parent company) and SAF Tehnika A/S and its subsidiaries (the Group) as at 30 June 2021 and their results of financial performance and cash flows for the year then ended on 30 June 2021.

The above-mentioned annual reports 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 annual reports.

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

On behalf of the Board:

Normunds Bergs
Chairman of the Board

POTAPOVIČA
ANDERSONE

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**Independent Auditor's Report**

**To the shareholders of AS "SAF Tehnika"**

**Report on the audit of the separate and consolidated financial statements**

***Our Opinion***

We have audited the accompanying separate financial statements and consolidated financial statements (together – "Financial statements") of AS "SAF Tehnika" ("the Company") and its subsidiaries (together - "the Group") set out on pages 10 to 42 of the accompanying separate and consolidated annual report (together – "Annual report"), which comprise:

- the separate and consolidated statement of financial position as at 30 June 2021,
- the separate and consolidated statement of profit or loss and other comprehensive income for the year then ended,
- the separate and consolidated statement of changes in equity for the year then ended,
- the separate and consolidated statement of cash flows for the year then ended, and
- the notes to the separate and consolidated financial statements, which include a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate and consolidated financial position of AS "SAF Tehnika" and its subsidiaries as at 30 June 2021, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS).

Our opinion is consistent with our additional report to the Council (body equivalent to the Audit Committee) dated 29 October 2021.

***Basis for Opinion***

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

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

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

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

***Key Audit Matters***

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

| *Key audit matter* | *How our audit addressed the key audit matter* |
|---|---|
| <u>*Valuation of inventory*</u><br><br>Refer to Note 2 “Summary of accounting principles used” section K “Inventories” and Note 7 “Inventories” to the financial statements<br><br>We focused on this area because inventories represent a significant part of the Company’s and Group’s assets and, given the rapid development of the technology industry, the valuation of inventories is of significant importance, including the determination of the obsolescence and net realizable value of inventories, which includes subjective estimates and may have a material effect on the Company's and the Group's financial performance.<br>In accordance with our professional judgment, based on our understanding and accumulated audit experience about the Company's and the Group's inventory valuation processes and internal control procedures, we did not identify inventory valuation as area of a significant risk in our audit. However, the audit of inventory area requires a significant amount of time and resources from the auditors, given its importance and magnitude. Thus, this area is considered a key audit matter.<br><br>As disclosed in Note 7 to the Financial statements, balance sheet value of inventories as at 30 June 2021 amount to EUR 8 275 929 (the Company) and EUR 8 556 289 (the Group). As at 30 June 2021 the estimated inventory impairment allowance constituted EUR 1 017 180 with regard to both the Company and the Group.<br><br>The process of determining the cost of inventories involves the use of certain management estimates for the allocation of overheads.<br><br>For each age category of inventories, a provision is made in accordance with the Group's provisioning policy for slow-moving inventories, by grouping the inventories according to the period during which they have not moved, and applying a percentage set by the management to determine the impairment allowance. | Our audit procedures, amidst others, included the following:<br><br>• we assessed whether the accounting policies in relation to valuation of inventories comply with IFRS.<br><br>• we evaluated the results of operations of the internal control structures in inventory-count performance and other control procedures performed;<br><br>• we participated in the year end stock counts, observing the stock-count procedures and performance and reviewing the results of the inventory-counts;<br><br>• we tested, on a random selection basis, the adequacy of costing of inventory items;<br><br>• we performed detailed analytical procedures by reconciling the profit ratios on the sale of goods to the sales policies as developed by the management;<br><br>• we reviewed the inventory turnover ratios and checked the ageing analysis of inventory and evaluated the adequacy of provisions made against the provisioning policies developed by the management;<br><br>• we selected, on a random basis, finished goods items and compared their carrying amount with the selling price after the end of the reporting year to determine whether there have been instances where the selling price has been lower than the carrying amount of inventories.<br><br>• we tested the disclosures in the financial statements in respect of inventory valuation. |

### ***Reporting on Other Information***

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

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

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

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

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

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

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

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

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

***Auditor's Responsibility for the Audit of the Financial Statements***

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

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

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

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

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

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

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

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

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

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

In accordance with the Law on Audit Services of the Republic of Latvia with respect to the Statement of Corporate Governance, our responsibility is to consider whether the Statement of Corporate Governance includes the information referred to in Article 56.[1], section 1, clauses 3, 4, 6, 8 and 9, as well as Article 56.[2], section 2, clause 5 of the Financial Instruments Market Law and whether it includes the information stipulated in Article 56.[2], section 2, clauses 1, 2, 3, 4, 7 and 8 of the Financial Instruments Market Law.

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

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

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

**Appointment**

We were first appointed as auditors for the Company's and Group's financial statements for the year ended 30 June 2016. This is the sixth consecutive year of our appointment as auditors. Our appointment for the year ended 30 June 2021 was by resolution of general meeting of shareholders dated 4 December 2020.

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

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

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

Electronic signatures of the auditors relate to the Independent Auditor's Report enclosed with the Annual Report on pages 6 to 9.

**Statement of financial position**

| | | Group | | Parent company | |
|---|---|---|---|---|---|
| | | As at 30 June | | As at 30 June | |
| | Note | 2021 | 2020 | 2021 | 2020 |
| **ASSETS** | | EUR | EUR | EUR | EUR |
| **Long-term investments** | | | | | |
| Property, plant and equipment | 5 | 691 542 | 679 871 | 683 486 | 661 877 |
| Intangible assets | 5 | 316 640 | 184 541 | 316 584 | 183 827 |
| Right-to-use assets | 5 | 1 316 804 | 1 324 673 | 1 147 143 | 1 172 240 |
| Investments in subsidiaries | 6 | - | - | 32 893 | 32 893 |
| Investments in other companies | 6 | 7 146 | 8 106 | 7 146 | 8 106 |
| Long-term trade receivables | 8 | - | 1 400 | - | 1 400 |
| **Total long-term investments** | | **2 332 132** | **2 198 591** | **2 187 252** | **2 060 343** |
| **Current assets** | | | | | |
| Inventories | 7 | 8 556 289 | 6 846 242 | 8 275 929 | 6 563 388 |
| Trade receivables | 8 | 1 658 109 | 970 853 | 807 604 | 381 673 |
| Due from related parties | 8, 24 | - | - | - | 52 324 |
| Other debtors | 9 | 400 622 | 338 255 | 396 008 | 319 501 |
| Corporate income tax | | - | - | - | 3 042 |
| Short-term loans | 23.b | - | 67 771 | - | 3 300 |
| Deferred expenses | | 131 111 | 142 213 | 92 845 | 95 082 |
| Cash and cash equivalents | 10 | 7 689 748 | 4 995 062 | 6 498 004 | 4 245 534 |
| **Total current assets** | | **18 435 879** | **13 360 396** | **16 070 390** | **11 663 844** |
| **Total assets** | | **20 768 011** | **15 558 987** | **18 257 642** | **13 724 187** |
| | | | | | |
| **EQUITY AND LIABILITIES** | | | | | |
| | | | | | |
| **EQUITY** | | | | | |
| Share capital | 11 | 4 158 252 | 4 158 252 | 4 158 252 | 4 158 252 |
| Share premium | | 2 851 726 | 2 851 726 | 2 851 726 | 2 851 726 |
| Other reserves | | 8 530 | 8 530 | 8 530 | 8 530 |
| Foreign currency translation reserve | | 10 324 | 8 703 | - | - |
| Retained earnings | | 6 133 278 | 2 880 840 | 5 443 459 | 2 890 550 |
| **Total shareholders’ equity** | | **13 162 110** | **9 908 051** | **12 461 967** | **9 909 058** |
| | | | | | |
| **LIABILITIES** | | | | | |
| **Long-term liabilities** | | | | | |
| Lease liabilities | 13 | 1 004 539 | 1 012 178 | 876 985 | 905 980 |
| Contract liabilities | 14 | 451 354 | 397 955 | 19 105 | 4 957 |
| **Total long-term liabilities** | | **1 455 893** | **1 410 133** | **896 090** | **910 937** |
| **Current liabilities** | | | | | |
| Trade and other payables | 12 | 904 040 | 1 022 837 | 786 104 | 972 797 |
| Contract liabilities | 14 | 1 773 892 | 1 401 094 | 1 270 646 | 492 626 |
| Corporate income tax | | 245 786 | 31 422 | - | - |
| Other liabilities | 12 | 2 910 889 | 1 464 753 | 1 891 459 | 1 021 205 |
| Due to related parties | 24 | - | - | 681 220 | 142 365 |
| Lease liabilities | 13 | 315 401 | 311 757 | 270 156 | 266 259 |
| Borrowings | 13 | - | 8 940 | - | 8 940 |
| **Total current liabilities** | | **6 150 008** | **4 240 803** | **4 899 585** | **2 904 192** |
| **Total liabilities** | | **7 605 901** | **5 650 936** | **5 795 675** | **3 815 129** |
| **Total equity and liabilities** | | **20 768 011** | **15 558 987** | **18 257 642** | **13 724 187** |

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

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Dace Langada
Chief accountant

**Statement of profit or loss and other comprehensive income**

| | | Group | | Parent company | |
|---|---|---|---|---|---|
| | | For the year ended 30 June | | For the year ended 30 June | |
| | Note | 2021 EUR | 2020 EUR | 2021 EUR | 2020 EUR |
| Revenue from contracts with customers | 15 | 25 021 663 | 16 759 689 | 20 983 223 | 13 862 655 |
| Cost of goods sold | 16 | (14 471 445) | (10 226 675) | (14 273 468) | (9 940 090) |
| **Gross profit** | | **10 550 218** | **6 533 014** | **6 709 755** | **3 922 565** |
| Sales and marketing expenses | 17 | (5 366 604) | (4 659 327) | (2 590 670) | (2 143 723) |
| Administrative expenses | 18 | (1 620 844) | (1 853 239) | (1 541 906) | (1 763 376) |
| **Profit from operating activities** | | **3 562 770** | **20 446** | **2 577 179** | **15 466** |
| Other income | 19 | 728 416 | 418 241 | 728 341 | 418 179 |
| Financial income | 20 | 554 | 60 718 | - | 59 797 |
| Financial expenses | 21 | (128 319) | (23 511) | (128 873) | (20 257) |
| **Profit before tax** | | **4 163 421** | **475 894** | **3 176 647** | **457 719** |
| Corporate income tax | | (287 245) | (36 410) | - | - |
| **Profit of the reporting year** | | **3 876 176** | **439 484** | **3 176 647** | **473 185** |
| **Other comprehensive income/ (loss)** | | | | | |
| Other comprehensive income that will be reclassified subsequently to profit or loss: | | | | | |
| Foreign operations - currency translation differences | | 1 621 | 2 358 | - | - |
| **Total comprehensive income (loss)** | | **3 877 797** | **441 842** | **3 176 647** | **473 185** |
| **Basic and diluted profit/ (loss) per share** (EUR per share): | 22 | 1.305 | 0.148 | 1.070 | 0.159 |

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

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Dace Langada
Chief accountant

**Statement of changes in the shareholders’ equity - the Group**

| | Share capital | Share premium | Other reserves | Foreign currency translation reserve | Retained earnings | Total |
|---|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR | EUR |
| ***Balance as at 30 June 2019*** | **4 158 252** | **2 851 726** | **8 530** | **6 345** | **2 441 356** | **9 466 209** |
| **Total comprehensive income** | **-** | **-** | **-** | **2 358** | **439 484** | **441 842** |
| Profit for the reporting year | - | - | - | - | 439 484 | 439 484 |
| Other comprehensive income | - | - | - | 2 358 | - | 2 358 |
| ***Balance as at 30 June 2020*** | **4 158 252** | **2 851 726** | **8 530** | **8 703** | **2 880 840** | **9 908 051** |
| **Transactions with shareholders recognized in the equity** | **-** | **-** | **-** | **-** | **(623 738)** | **(623 738)** |
| Dividends | - | - | - | - | (623 738) | (623 738) |
| **Total comprehensive income** | **-** | **-** | **-** | **1 621** | **3 876 176** | **3 877 797** |
| Profit for the reporting year | - | - | - | - | 3 876 176 | 3 876 176 |
| Other comprehensive income | - | - | - | 1 621 | - | 1 621 |
| ***Balance as at 30 June 2021*** | **4 158 252** | **2 851 726** | **8 530** | **10 324** | **6 133 278** | **13 162 110** |

**Statement of changes in the shareholders’ equity - the Parent company**

| | Share capital EUR | Share premium EUR | Other reserves EUR | Retained earnings EUR | Total EUR |
|---|---|---|---|---|---|
| ***Balance as at 30 June 2019*** | **4 158 252** | **2 851 726** | **8 530** | **2 417 365** | **9 435 873** |
| **Total comprehensive income** | **-** | **-** | **-** | **473 185** | **473 185** |
| Profit for the reporting year | - | - | - | 473 185 | 473 185 |
| ***Balance as at 30 June 2020*** | **4 158 252** | **2 851 726** | **8 530** | **2 890 550** | **9 909 058** |
| **Transactions with shareholders recognized in the equity** | **-** | **-** | **-** | **(623 738)** | **(623 738)** |
| Dividends | - | - | - | (623 738) | (623 738) |
| **Total comprehensive income** | **-** | **-** | **-** | **3 176 647** | **3 176 647** |
| Profit for the reporting year | - | - | - | 3 176 647 | 3 176 647 |
| ***Balance as at 30 June 2021*** | **4 158 252** | **2 851 726** | **8 530** | **5 443 459** | **12 461 967** |

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

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Dace Langada
Chief accountant

**Statement of cash flows**

| | Note | Group | | Parent company | |
|---|---|---|---|---|---|
| | | For the year ended 30 June | | For the year ended 30 June | |
| | | 2021 EUR | 2020 EUR | 2021 EUR | 2020 EUR |
| **Cash flows from operating activities** | | | | | |
| Profit before taxes | | 4 163 421 | 475 894 | 3 176 647 | 473 185 |
| Adjustments for: | | | | | |
| - depreciation | 5 | 361 956 | 369 129 | 348 830 | 356 484 |
| - amortization | 5 | 101 184 | 71 776 | 100 567 | 70 851 |
| - amortization of right-to-use assets | 5 | 299 413 | 294 714 | 253 058 | 254 004 |
| - change in valuation allowance for inventories | 7 | (407 295) | 89 904 | (407 295) | 89 904 |
| - change in provisions for guarantees | 12 | 28 213 | 9 492 | 28 213 | 9 492 |
| - change in provisions for unused vacations | 12 | 194 166 | 83 074 | 194 166 | 83 074 |
| - change in provision for expected credit losses | 8 | (359 388) | 570 785 | (371 896) | 556 059 |
| - interest income | 20 | (378) | (10 696) | - | (8 067) |
| - interest expenses on lease liabilities | 21 | 27 708 | 23 511 | 23 184 | 20 257 |
| - cash exchange rate fluctuations | | 51 751 | (32 138) | 95 017 | (28 809) |
| - government grants | 19 | (683 476) | (407 629) | (683 476) | (407 629) |
| - gain on disposal of fixed assets | | (32 334) | (48) | (32 334) | (48) |
| **Operating profit before changes in working capital** | | **3 744 941** | **1 537 768** | **2 724 681** | **1 468 757** |
| Increase in inventories | | (1 302 201) | (861 929) | (1 304 695) | (806 383) |
| Decrease/ (increase) in receivables | | (294 144) | 522 491 | (90 809) | 725 839 |
| Increase in payables | | 1 378 142 | 1 606 765 | 1 743 943 | 854 609 |
| **Cash generated by operating activities** | | **3 526 738** | **2 805 095** | **3 073 120** | **2 242 822** |
| Government grants | 19 | 751 107 | 239 440 | 751 107 | 239 440 |
| Corporate income tax paid | | (75 042) | 2 150 | (100) | - |
| **Net cash from operating activities** | | **4 202 803** | **3 046 685** | **3 824 127** | **2 482 262** |
| **Cash flows from investing activities** | | | | | |
| Acquisition of property, plant and equipment | 5 | (382 257) | (318 371) | (378 030) | (298 305) |
| Proceeds from sale of property, plant and equipment | | 39 374 | 870 | 39 374 | 870 |
| Acquisition of intangible assets | 5 | (233 324) | (119 521) | (233 324) | (119 331) |
| Loans repaid/ (issued) | 23.b | 63 886 | 32 593 | 3 300 | (3 300) |
| Sale of investment in other company | 6 | 960 | - | 960 | - |
| Interest received | | 378 | 10 533 | - | 8 067 |
| **Net cash used in investing activities** | | **(510 983)** | **(393 896)** | **(567 720)** | **(411 999)** |
| **Cash flows from financing activities** | | | | | |
| Proceeds from borrowings | | (8 940) | 8 550 | (8 940) | 8 550 |
| Payment of lease liabilities | | (299 413) | (294 563) | (253 058) | (254 004) |
| Interest paid on lease liabilities | | (27 708) | (23 511) | (23 184) | (20 257) |
| Dividends | | (623 738) | - | (623 738) | - |
| **Net cash used in financing activities** | | **(959 799)** | **(309 524)** | **(908 920)** | **(265 711)** |
| Effect of movements in exchange rates on cash held | | (37 335) | 34 866 | (95 017) | 28 809 |
| **Net increase in cash and cash equivalents** | | **2 694 686** | **2 378 131** | **2 252 470** | **1 833 361** |
| Cash and cash equivalents at the beginning of the year | | 4 995 062 | 2 616 931 | 4 245 534 | 2 412 173 |
| **Cash and cash equivalents at the end of the year** | 10 | **7 689 748** | **4 995 062** | **6 498 004** | **4 245 534** |

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

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Dace Langada
Chief accountant

**Notes to the financial statements**

## 1. General information

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

The core business activity of 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. The objective of establishing “SAF Services” LLC was to provide local clients with services related to the creation, long-term maintenance and management of data transmission networks. Currently, the development of this business direction is suspended.

These separate financial statements of A/S “SAF Tehnika” and consolidated financial statements of A/S “SAF Tehnika” and its subsidiaries (together – the Group) (hereinafter – financial statements) were approved by the Parent company's Board on 29 October 2021. 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. Dace Langada, the Chief Accountant of A/S “SAF Tehnika”, is in charge of the bookkeeping.

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

## 2. Summary of applied key accounting principles

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

### A Accounting principles

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

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

The financial statements are presented in euros (EUR). The financial statements cover the period from 1 July 2020 to 30 June 2021.

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

For annual periods beginning on or after 1 January 2020, a number of new and amended IFRS and interpretations have entered into force

Amendments to the Conceptual Framework for Financial Reporting (effective for annual periods beginning on or after 1 January 2020). The revised Conceptual Framework includes a new chapter on measurement; guidance on reporting financial performance; improved definitions and guidance - in particular, the definition of a liability; and clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Definition of a business - Amendments to IFRS 3 (effective for acquisitions from the beginning of annual reporting period that starts on or after 1 January 2020). The amendments revise definition of a business. A business must have inputs and a substantive process that together significantly contribute to the ability to create outputs. The new guidance provides a framework to evaluate when an input and a substantive process are present, including for early stage companies that have not generated outputs. An organized workforce should be present as a condition for classification as a business if are no outputs. The definition of the term ‘outputs’ is narrowed to focus on goods and services provided to customers, generating investment income and other income, and it excludes returns in the form of lower costs and other economic benefits. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets. An entity can apply a ‘concentration test’. The assets acquired would not represent a business if substantially all of the fair value of gross assets acquired is concentrated in a single asset (or a group of similar assets).

Definition of materiality – Amendments to IAS 1 and IAS 8 (effective for annual periods beginning on or after 1 January 2020). The amendments clarify the definition of material and how it should be applied by including in the definition guidance that until now has featured elsewhere in IFRS. In addition, the explanations accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistent across all IFRS Standards.

**Notes to the financial statements** (continued)

**A Accounting principles** (continued)

**2. Summary of accounting principles used** (continued)

Information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

Interest rate benchmark reform – Amendments to IFRS 9, IAS 39 and IFRS 7 (effective for annual periods beginning on or after 1 January 2020). These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement.

The Company considers that aforementioned amendments to standards have no or have no material impact on these financial statements.

**New accounting pronouncements entering into force on or after 1 January 2021**

Several new or revised standards and interpretations that are applicable to reporting periods beginning on January 1, 2021 or later have been issued that are not chosen for early application by the Group (the Parent Company):

Sale or Contribution of Assets between an Investor and its Associate or Joint Venture - Amendments to IFRS 10 and IAS 28 (effective for annual periods beginning on or after a date to be determined by the IASB, not yet adopted by the EU).

Classification of liabilities as current or non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2023, not yet adopted by the EU).

Amendments to IAS 16, IAS 37 and IFRS 3, and Annual Improvements to IFRSs 2018-2020 – amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41 (effective for annual periods beginning on or after 1 January 2022, not yet adopted by the EU).

Interest rate benchmark (IBOR) reform – phase 2 amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 (effective for annual periods beginning on or after 1 January 2021, not yet adopted by the EU).

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

**B Consolidation**

*(a) Subsidiaries*

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

Subsidiaries controlled by the Parent company:

| **Name** | **Country of residence** | **Share-holding** | **Equity of subsidiaries** | | **Loss of subsidiaries** | |
|---|---|---|---|---|---|---|
| | | **%** | **30.06.2021 EUR** | **30.06.2020 EUR** | **2021/2020 EUR** | **2019/2020 EUR** |
| „SAF North America” LLC | United States of America | 100% | 733 903 | 32 795 | 703 001 | (32 373) |
| „SAF Services” LLC | United States of America | 100% | (5 182) | (4 588) | (855) | (922) |

The address of both subsidiaries is 3250 Quentin Street, Unit 128, Aurora, Colorado 80011, USA. At the end of the reporting year the operations of “SAF Services” LLC are dormant and it accounts for insignificant part of the Group. In September 2021 a decision was made to liquidate this subsidiary.

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

**Notes to the financial statements** (continued)

**2. Summary of accounting principles used** (continued)

**B Consolidation** (continued)

*(b) Transactions eliminated on consolidation*

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

**C Parent company's investment in subsidiaries**

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

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

**D Foreign currency revaluation**

*(a) Functional and reporting currency*

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

*(b) Transactions and balances in foreign currencies*

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

| | **30.06.2021** | **30.06.2020** |
|---|---|---|
| 1 USD | 1.18840 | 1.11980 |
| 1 GBP | 0.85805 | 0.91243 |

*(c) Financial statements of foreign entities*

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

(i) Assets and liabilities are converted according to exchange rate as at the date of statement of financial position;

(ii) Transactions of the statement of profit and loss and other comprehensive income are revalued according to exchange rate as at the date of transaction; and

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

**Notes to the financial statements** (continued)

**2. Summary of accounting principles used** (continued)

### E Property, plant and equipment

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

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

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

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

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

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

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

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

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

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

### F Intangible assets

*(a) Trademarks and licences*

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

*(b) Software*

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

### G Research and development costs

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

**Notes to the financial statements** (continued)
**2. Summary of accounting principles used** (continued)

### H Impairment of long-term non-financial assets

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

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

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

All Group’s (Parent company’s) assets are allocated to two cash generating units that are identified as Group’s (Parent company’s) operating segments (see Note 15). No impairment indicators have been noted.

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

### I Segments

Segments reportable in financial statements are business segments or aggregations of business segments that meet certain criteria and for which separate financial information is available that is regularly evaluated by the chief operating decision maker in making decisions about the allocation of resources and performance evaluation. Segment results that are reported to the Chief Executive Officer of the Group (Parent company) include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Group’s (Parent company’s) headquarters), head office expenses, and tax assets and liabilities. Information on the Group’s (Parent company’s) operating segments is disclosed in Note 15.

### J Government grants

Government and international organisations grants are recognized where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grants are systematically recognized as income in the respective periods in order to balance them with compensated expenses thus recognizing receivables. Where the grant relates to non-current asset, the fair value is initially credited to a deferred income account and is released to the statement of profit or loss over the expected useful life of the relevant asset. Grants that are not intended to provide an incentive to incur specific expenses are recognized as income when the Group (Parent Company) becomes eligible for the grant.

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

Since April 2019, the cooperation project “Competence Center of Latvian Electrical and Optical Equipment Industry” is being implemented within the framework of an agreement signed between A/S “SAF Tehnika” and “LEO Pētījumu centrs” SIA., regarding which SIA “LEO Pētījumu centrs” had signed a contract with “Centrālo finanšu un līgumu aģentūru”, in order to obtain financing from the European Regional Development Fund as part of the above project. A/S “SAF Tehnika” conducts individual research activities to develop new products within the framework of the above-mentioned project. For the implementation of this project activity co-financing to cover remuneration of project staff and other costs related to this project are provided. Co-financing received relates to expense items recognized in Statement of profit or loss and other comprehensive Income and thus was recognized as income in order to compensate the costs incurred.

**Notes to the financial statements** (continued)

## 2. Summary of accounting principles used (continued)

### K Inventories

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

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

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

### L Financial Instruments

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

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

**Recognition and derecognition**

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

**Measurement**

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

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

**Amortized cost**
Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortized cost. Interest income from these financial assets is included financial income based on effective interest rate method. Any gain or loss arising on derecognition is recognized directly in profit or loss and presented in other gains/(losses) together with impairment losses and foreign exchange gains and losses.

On 1 July 2020 and 30 June 2021, the Group’s (the Parent company’s) financial assets measured at amortized cost comprise: trade receivables, cash and cash equivalents.

**Notes to the financial statements** (continued)

**2. Summary of accounting principles used** (continued)

**L Financial Instruments** (continued)

**Equity instruments**

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

**Derivative financial instruments**

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

**Impairment**

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

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

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

**M Cash and cash equivalents**

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

**N Share capital**

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

**O Corporate income tax**

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

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

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

**P Employee benefits and vacation reserve**

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

**Notes to the financial statements** (continued)

**2. Summary of accounting principles used** (continued)

**P Employee benefits and vacation reserve** (continued)

Provisions for unused annual leaves are estimated by multiplying the average daily earnings of employees for the last six months of the reporting year by the number of unused vacation days accrued at the end of the reporting year. These liabilities are shown as short-term accrued liabilities.

**Q Revenue recognition**

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

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

***Sale of finished goods, including spare parts and accessories***

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

***Delivery of services***

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

***Extended warranties***

Sales transaction can comprise certain future services, for instance, extended warranties. In this case transaction price of the goods and services granted is allocated on a stand-alone selling price basis of such components. In order to determine stand-alone selling prices observable prices are used, but when such are not available, “cost plus” method is applied. Extended warranties are initially recognised as contract liabilities in the balance sheet and are transferred to statement of profit or loss on a linear basis over the period of extended warranty. (See Note 14.) During the reporting period, the balances of extended guarantees were reclassified from the deferred income within which they were presented in the previous year's financial statements.

**R Lease**

At inception of a contract, the Group (the Parent company) assesses whether a contract is, or contains, a lease based on whether the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group (the Parent company) has elected to apply the practical expedient to account for each lease component and any non-lease components as a single lease component.

The Group (the Parent company) recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured based on the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The assets are depreciated to the earlier of the end of the useful life of the right-of-use asset or the lease term using the straight-line method as this most closely reflects the expected pattern of consumption of the future economic benefits. The lease term includes periods covered by an option to extend if the Company is reasonably certain to exercise that option. Lease terms range from 2 to 6 years for offices and warehouse.

**Notes to the financial statements** (continued)

**2. Summary of accounting principles used** (continued)

**R Lease** (continued)

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

The lease liability is measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's (the Parent company's) estimate of the amount expected to be payable under a residual value guarantee, or if the Group (the Parent company) changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

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

**S Payment of dividends**

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

**T Financial income and expenses**

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

**U Related parties**

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

a) 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.

### 3. Financial risk management

#### (1) Financial risk factors

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

(a) foreign currency risk;

(b) credit risk;

(c) liquidity risk;

(d) interest rate risk;

(e) geopolitical risk.

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

*(a) Foreign currency risk*

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

Foreign currency risk arises when future commercial transactions, recognised assets and liabilities are denominated in a currency different from the Group's functional currency. To manage the foreign currency risk arising from future commercial transactions and recognised assets and liabilities, the Group uses forward foreign currency contracts. The Finance Department analyses the net open position in each foreign currency. The Group might decide to enter to forward foreign currency contracts or to maintain borrowings (in form of credit line) in appropriate currency and amount. As at 30 June 2021 and 30 June 2020 the Group (including Parent company) had no open forward exchange contracts.

The following schedule summarises net open positions for currencies expressed in EUR as at 30 June 2021:

| **Group** | **EUR** | **USD** | **Other currencies** | **Total** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Trade receivables, gross | 462 744 | 1 413 283 | 6 125 | 1 882 152 |
| Cash and cash equivalents | 942 057 | 6 746 716 | 975 | 7 689 748 |
| **Total** | **1 404 801** | **8 159 999** | **7 100** | **9 571 900** |
| | | | | |
| **Financial liabilities** | | | | |
| Liabilities | (500 128) | (396 147) | (7 767) | (904 042) |
| **Total** | **(500 128)** | **(396 147)** | **(7 767)** | **(904 042)** |
| **Net open positions** | **904 673** | **7 763 852** | **(667)** | **8 667 858** |

| **Parent company** | **EUR** | **USD** | **Other currencies** | **Total** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Trade receivables, gross | 462 744 | 531 518 | 6 125 | 1 000 387 |
| Cash and cash equivalents | 942 057 | 5 554 972 | 975 | 6 498 004 |
| **Total** | **1 404 801** | **6 086 490** | **7 100** | **7 498 391** |
| | | | | |
| **Financial liabilities** | | | | |
| Liabilities | (500 128) | (278 210) | (7 767) | (786 105) |
| **Total** | **(500 128)** | **(278 210)** | **(7 767)** | **(786 105)** |
| **Net open positions** | **904 673** | **5 808 280** | **(667)** | **6 712 286** |

The following schedule summarises net open positions for currencies expressed in EUR as at 30 June 2020:

| **Group** | **EUR** | **USD** | **Other currencies** | **Total** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Trade receivables, gross | 390 340 | 1 165 345 | - | 1 555 685 |
| Loans | 3 300 | 64 471 | - | 67 771 |
| Cash and cash equivalents | 1 283 469 | 3 705 444 | 6 149 | 4 995 062 |
| **Total** | **1 677 109** | **4 935 260** | **6 149** | **6 618 518** |
| | | | | |
| **Financial liabilities** | | | | |
| Liabilities | (529 163) | (493 354) | (320) | (1 022 837) |
| Borrowings | (8 940) | - | - | (8 940) |
| **Total** | **(538 103)** | **(493 354)** | **(320)** | **(1 031 777)** |
| **Net open positions** | **1 139 006** | **4 441 906** | **5 829** | **5 586 741** |

**Notes to the financial statements** (continued)

**3. Financial risk management** (continued)

**(1) Financial risk factors** (continued)

*(a) Foreign currency risk (continued)*

| **Parent company** | **EUR** | **USD** | **Other currencies** | **Total** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Trade receivables, gross | 390 340 | 557 411 | - | 947 751 |
| Loans | 3 300 | - | - | 3 300 |
| Cash and cash equivalents | 1 283 469 | 2 955 916 | 6 149 | 4 245 534 |
| **Total** | **1 677 109** | **3 513 327** | **6 149** | **5 196 585** |
| | | | | |
| **Financial liabilities** | | | | |
| Liabilities | (529 163) | (443 314) | (320) | (972 797) |
| Borrowings | (8 940) | - | - | (8 940) |
| **Total** | **(538 103)** | **(443 314)** | **(320)** | **(981 737)** |
| **Net open positions** | **1 139 006** | **3 070 013** | **5 829** | **4 214 848** |

*Sensitivity analysis*

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

| **Change in the USD exchange rate** | **Group Effect as at 30 June** | | **Parent company Effect as at 30 June** | |
|---|---|---|---|---|
| | **2021** | **2020** | **2020/2021** | **2019/2020** |
| | **EUR** | **EUR** | **EUR** | **EUR** |
| -10% | 776 385 | 444 190 | 580 828 | 307 001 |
| - 5% | 388 193 | 222 095 | 290 414 | 153 501 |
| +5% | (388 193) | (222 095) | (290 414) | (153 501) |
| +10% | (776 385) | (444 190) | (580 828) | (307 001) |

*(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 behavior.

As at 30 June 2021, the Group's largest customer’s receivable balance accounted for approximately 24% of the total carrying amount of trade receivables, and the sales revenue from this largest customer (located in the United States) accounted for approximately 12% of the Group's revenues (at 30 June 2020: 31% and for 2019/2020 – 18%, respectively), as well as another receivable balance accounted for 17% of total trade receivables. In 2020/2021 income from the above-mentioned largest clients in the US 100% applies to CFIP, Integra, Spectrum Compact, Aranet segment (2019/2020 - 100% applies to CFIP, Integra, Spectrum Compact, Aranet segment). Trade receivable balances of the Group’s other customers did not reach at least 10% of the total receivables. The Parent company's balance sheet as at 30 June 2021 included two trade receivables with the balance above 10% of the total of trade receivables, including receivables from related companies (30.06.2020: two debts, representing 10% and 18% respectively). In the reporting year, the Parent company generated approximately 44% of the revenues from sales to subsidiary in the United States (2019/2020 - 31%). In 2020/2021 income from sales to the US subsidiary relate to the CFIP, Integra, Spectrum Compact, Aranet segment in the amount of 94% and the other segment 6% (in 2019/2020 to the CFIP, Integra, Spectrum Compact, Aranet segment - 94% and the other segment - 6%.)

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 9 886 736 or 47.61% of total assets (30.06.2020.: EUR 6 523 661 or 41.93% of total assets), and Parent company’s maximum credit risk exposure amounts to EUR 7 789 255 or 42.69% of total assets (30.06.2020.: EUR 5 093 933 or 37.12% of total assets. For more information on the Group’s and Parent company’s exposure to credit risk please also refer to Note 8.

*(c) Liquidity risk*

The Group follows a prudent liquidity risk management and hence maintain a sufficient quantity of liquid funds. The Group’s current liquidity ratio (ratio between the current assets and total liabilities) is 2.42 (30.06.2020: 2.36), quick liquidity ratio (ratio between the current assets less inventory and total liabilities) is: 1.30 (30.06.2020: 1.15), and Parent company’s current liquidity ratio is 2.77 (30.06.2020: 3.06), quick liquidity ratio is: 1.34 (30.06.2020: 1.34).

**Notes to the financial statements** (continued)

**3. Financial risk management** (continued)

**(1) Financial risk factors** (continued)

*(c) Liquidity risk (continued)*

The Group's management monitors liquidity reserves for the operational forecasting, based on estimated cash flows. Most of the Group's liabilities are short term. Management believes that the Group will have sufficient liquidity to be generated from operating activities and does not see significant exposure to liquidity risk. For more information on the Group’s and Parent company’s exposure to liquidity risk please refer to Note 12 and Note 14.

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

| **Group 30/06/2021** | **Up to 3 months EUR** | **3 to 12 months EUR** | **2-5 years EUR** | **Total EUR** | **Balance sheet value EUR** |
|---|---|---|---|---|---|
| Lease liabilities | 87 582 | 262 903 | 1 401 310 | 1 751 795 | 1 319 940 |
| Trade payables, other liabilities, accruals | 3 268 887 | 546 042 | - | 3 814 929 | 3 814 929 |
| **Total** | **3 356 469** | **808 945** | **1 401 310** | **5 134 869** | **5 134 869** |
| **30/6/2020** | | | | | |
| Lease liabilities | 87 582 | 262 903 | 1 078 519 | 1 429 004 | 1 323 935 |
| Trade payables, other liabilities, accruals | 2 107 492 | 314 546 | 65 552 | 2 487 590 | 2 487 590 |
| **Total** | **2 195 074** | **577 449** | **1 144 071** | **3 916 594** | **3 811 525** |

| **Parent company 30/06/2021** | **Up to 3 months EUR** | **3 to 12 months EUR** | **2-5 years EUR** | **Total EUR** | **Balance sheet value EUR** |
|---|---|---|---|---|---|
| Lease liabilities | 74 325 | 222 975 | 1 189 201 | 1 486 501 | 1 147 141 |
| Trade payables, other liabilities, accruals | 2 131 521 | 546 042 | - | 2 677 563 | 2 677 563 |
| **Total** | **2 205 846** | **769 017** | **1 189 201** | **3 824 704** | **3 824 704** |
| **30/6/2020** | | | | | |
| Lease liabilities | 74 325 | 222 975 | 990 203 | 1 287 504 | 1 172 239 |
| Trade payables, other liabilities, accruals | 1 613 903 | 314 547 | 65 552 | 1 994 002 | 1 994 002 |
| **Total** | **1 688 228** | **537 522** | **1 055 755** | **3 281 506** | **3 166 241** |

*(d) Interest rate risk*

As the Group does not have significant interest-generating assets or 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 liabilities 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.

*(e) Geopolitical risk*

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

**Notes to the financial statements** (continued)

**3. Financial risk management** (continued)

**(2) Fair value**

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

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

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

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

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

The Group and the Parent Company have no significant assets as at 30 June 2021 and 30 June 2020 that are to be measured at fair value.

The Group's and Parent company's financial assets and liabilities (trade receivables, other receivables, other financial assets, trade and other payables, lease liabilities and other financial liabilities) correspond to Level 3, except for cash and cash equivalents, which correspond to Level 2. These Group’s financial assets and liabilities generally have a maturity of up to six months, therefore the Group believes that the fair value of these financial assets and liabilities corresponds to their initial nominal value and carrying amount at any subsequent date.

**(3) Management of the capital structure**

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

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

| | Group | | Parent company | |
|---|---|---|---|---|
| | **30/06/2021** | **30/06/2020** | **30/06/2021** | **30/06/2020** |
| | **EUR** | **EUR** | **EUR** | **EUR** |
| Liabilities | 7 605 901 | 5 650 936 | 5 795 675 | 3 815 128 |
| Cash and cash equivalents | (7 689 748) | (4 995 062) | (6 498 004) | (4 245 534) |
| **Net debt/(assets)** | **(83 847)** | **655 874** | **(702 329)** | **(430 406)** |
| **Shareholders’ equity** | **13 162 110** | **9 908 051** | **12 461 967** | **9 909 058** |
| Debt to equity ratio | 58% | 57% | 47% | 39% |
| Net debt/(net asset) to equity ratio | (1)% | 7% | (6)% | (4)% |

The change in these ratios can be explained by the increase in trade payables, which correlates with the increase in inventories in the case of the Parent company, offset by an increase in cash balances due to good financial results of the reporting year.

**4. 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.

Management has assessed the situation at the end of the reporting period and after the end of the reporting year and has determined that the spread of COVID-19 and resulting restrictions did not have a material adverse effect on the Group's and Parent company's operations and financial results, given the specifics of the products produced by the Group. The Group's operations were not significantly disrupted during the first wave of COVID-19 in the spring of 2020 and later in the winter and spring of 2021, and management does not anticipate any significant disruptions in the future.

**Notes to the financial statements** (continued)

**4. Key estimates and assumptions** (continued)

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

When the events and circumstances indicate a potential impairment, the Group performs impairment tests for items of PPE, intangible assets and right-to-use assets. Based to these tests, assets are written down to their recoverable amounts, if necessary. When carrying out impairment tests management uses various estimates for the cash flows arising from the use of the assets, sales, maintenance, and repairs of the assets, as well as in respect of the inflation and growth rates. If the situation changes in the future, either additional impairment could be recognised, or the previously recognised impairment could be partially or fully reversed. In view of the above considerations about impact of COVID-19, management has not identified any circumstances that could indicate that the Group's and the Parent company's long-term non-financial assets could be impaired. See also Note 2H.

The Group and the Parent company have closed the reporting year with a profit and a positive cash flow from operating activities. The Group will continue pursuing its strategy to develop competitive wireless data transmission products and solutions for new export markets, and maintain the current sound financial position and control over the production process with the aim to increase sales and profitability.

*Useful lives of PPE and intangible assets*

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

*Expected credit losses on loans and receivables*

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

*Net realisable value of the inventory*

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

*Provisions and accruals*

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

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

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

*Leases*

The application of IFRS 16 Leases requires significant management assumptions regarding the identification of the lease, the determination of the lease term and the discount rate applied in calculations. The estimation of the right-to-use asset and respective lease liability value in respect of production, sale and administration premises is based on the assumption that the lease of premises will be used for the next 5 years at a fixed monthly rental rate; discount rate of 2,99% (2019/2020: 2,42%) was applied based on available data from the Bureau of Statistics for similar loans.

**Notes to the financial statements** (continued)

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

| Group | Software and licenses | Leasehold improvements | Technological equipment and devices | Other PPE | Right-to-use assets (premises) | Total |
|---|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR | EUR |
| **Reporting year ended 30 June 2020** | | | | | | |
| Opening balance | 136 822 | 7 905 | 493 544 | 230 169 | 1 342 190 | 2 210 630 |
| Acquisitions at cost | 119 534 | 10 964 | 270 733 | 38 075 | 276 904 | 716 210 |
| Disposals at net book value | - | - | (1 667) | - | - | (1 667) |
| Result of fluctuations in the foreign exchange rates | 37 | - | 187 | 143 | 3 685 | 4 052 |
| Depreciation and amortisation charge for the period | (71 852) | (8 357) | (250 212) | (111 613) | (298 106) | (740 140) |
| **Closing balance** | **184 541** | **10 512** | **512 585** | **156 774** | **1 324 673** | **2 189 085** |
| **Reporting year ended 30 June 2021** | | | | | | |
| Opening balance | 184 540 | 10 512 | 512 585 | 156 774 | 1 322 235 | 2 186 646 |
| Acquisitions at cost | 233 324 | 10 048 | 328 474 | 43 735 | 300 284 | 915 865 |
| Disposals at net book value | - | - | (1 172) | (6 421) | - | (7 593) |
| Result of fluctuations in the foreign exchange rates | (43) | - | (703) | (384) | (6 476) | (7 606) |
| Depreciation and amortisation charge for the period | (101 181) | (3 530) | (259 252) | (99 124) | (299 239) | (762 326) |
| **Closing balance** | **316 640** | **17 030** | **579 932** | **94 580** | **1 316 804** | **2 324 986** |
| **As at 30 June 2020:** | | | | | | |
| Historical cost | 939 321 | 1 105 905 | 4 377 448 | 924 204 | 1 771 710 | 9 118 588 |
| Accumulated depreciation and amortisation | (754 780) | (1 095 393) | (3 864 863) | (767 430) | (447 037) | (6 929 503) |
| **Carrying amount** | **184 541** | **10 512** | **512 585** | **156 774** | **1 324 673** | **2 189 085** |
| **As at 30 June 2021:** | | | | | | |
| Historical cost | 1 172 385 | 1 115 952 | 4 547 818 | 873 689 | 2 059 422 | 9 769 266 |
| Accumulated depreciation and amortisation | (855 745) | (1 098 922) | (3 967 886) | (779 109) | (742 618) | (7 444 280) |
| **Carrying amount** | **316 640** | **17 030** | **579 932** | **94 580** | **1 316 804** | **2 324 986** |

Historical cost of disposals for the reporting year ended 30 June 2021 is EUR 245 865 and accumulated depreciation is EUR 238 272 (2019/2020: EUR 211 017 and EUR 209 350, respectively).

Depreciation of EUR 413 401 is included in the statement of profit or loss within *Cost of sales* (2019/2020: EUR 403 978); depreciation of EUR 239 360 is included within *Sales and marketing costs* (2019/2020: EUR 230 671); depreciation of EUR 109 567 is included within *Administrative expenses* (2019/2020: EUR 105 492), including depreciation of EUR 5 403 under Other administrative expenses (2019/2020: EUR 2 094).

The acquisition costs of fully depreciated fixed assets that are still in use at the reporting date amounted to EUR 5 842 746 (30.06.2020.: EUR 5 434 131).

**Notes to the financial statements** (continued)

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

| **Parent company** | **Software and licenses** | **Leasehold improvements** | **Technological equipment and devices** | **Other fixed assets** | **Right-to-use assets (premises)** | **Total** |
|---|---|---|---|---|---|---|
| | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** |
| **Reporting year ended 30 June 2020** | | | | | | |
| Opening balance | 135 347 | 7 905 | 487 973 | 225 845 | 1 149 340 | 2 006 410 |
| Acquisitions at cost | 119 330 | 10 964 | 257 149 | 30 192 | 276 904 | 694 539 |
| Disposals at net book value | - | - | (1 667) | - | - | (1 667) |
| Depreciation and amortisation charge for the period | (70 850) | (8 357) | (242 476) | (105 651) | (254 004) | (681 338) |
| **Closing balance** | **183 827** | **10 512** | **500 979** | **150 386** | **1 172 240** | **2 017 944** |
| **Reporting year ended 30 June 2021** | | | | | | |
| Opening balance | 183 827 | 10 512 | 500 979 | 150 386 | 1 172 240 | 2 017 944 |
| Acquisitions at cost | 233 324 | 10 048 | 324 248 | 43 735 | 227 961 | 839 316 |
| Disposals at net book value | - | - | (1 172) | (6 421) | - | (7 593) |
| Depreciation and amortisation charge for the period | (100 567) | (3 530) | (250 438) | (94 861) | (253 059) | (702 454) |
| **Closing balance** | **316 584** | **17 030** | **573 617** | **92 839** | **1 147 143** | **2 147 213** |
| **As at 30 June 2020:** | | | | | | |
| Historical cost | 936 593 | 1 105 905 | 4 318 742 | 866 683 | 1 553 948 | 8 781 871 |
| Accumulated depreciation and amortisation | (752 766) | (1 095 393) | (3 817 763) | (716 297) | (381 708) | (6 763 927) |
| **Carrying amount** | **183 827** | **10 512** | **500 979** | **150 386** | **1 172 240** | **2 017 944** |
| **As at 30 June 2021:** | | | | | | |
| Historical cost | 1 169 917 | 1 115 952 | 4 490 066 | 819 488 | 1 781 909 | 9 377 332 |
| Accumulated depreciation and amortisation | (853 333) | (1 098 922) | (3 916 449) | (726 649) | (634 766) | (7 230 119) |
| **Carrying amount** | **316 584** | **17 030** | **573 617** | **92 839** | **1 147 143** | **2 147 213** |

Historical cost of disposals for the reporting year ended 30 June 2021 is EUR 243 854 and accumulated depreciation is EUR 236 262 (2019/2020: accordingly, EUR 208 559 and EUR 206 892).

Depreciation of EUR 413 401 is included in the statement of profit or loss within Cost of sales (2019/2020: EUR 403 978); depreciation of EUR 179 486 is included within Sales and marketing costs (2019/2020: EUR 171 869); depreciation of EUR 109 567 is included within Administrative expenses (2019/2020: EUR 105 492), including depreciation of EUR 5 403 under Other administrative expenses (2019/2020: EUR 2 094).

The acquisition costs of fully depreciated fixed assets that are still in use at the reporting date amounted to EUR 5 752 973 (30.06.2020.: EUR 5 347 223).

**Notes to the financial statements** (continued)

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

| **Name** | **Investment in equity %** | | **Carrying value of the investment** | |
|---|---|---|---|---|
| | **30/06/2021 %** | **30/06/2020 %** | **30/06/2021 EUR** | **30/06/2020 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 | - | 8 | - | 960 |
| „LEITC” SIA | 17.98 | 17.98 | 6 435 | 6 435 |
| „LEO Pētījumu centrs” SIA | 10 | 10 | 711 | 711 |
| **Investments in other companies** | | | **7 146** | **8 106** |
| **Total investments in subsidiaries and other companies** | | | **40 039** | **40 999** |

„SAF North America” LLC is a 100% subsidiary of the Parent company that operates in Aurora, Colorado State in USA, that started active operations in the spring of 2012 and promotes the Group`s products and services, performs marketing, market research, attraction of new clients and provides technical support in North America. Since 1 October 2014 the subsidiary is engaged in the distribution of goods in the North American region. As at 30 June 2021 the equity of the subsidiary amounted to EUR 733 9035 (30.06.2020.: EUR 32 795). 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 2021 its gross value amounted to EUR 65 552 (30.06.2020.: EUR 65 552). 100% participation ensures absolute control of the subsidiary's assets and liabilities. As at 30 June 2021 “SAF Services” LLC equity is negative, therefore the Parent company has made 100% provision for residual value impairment. In October 2021 a decision was made to liquidate the company.

„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 cooperate with the industry's association and competence centres. The company has started the research, innovation and knowledge economy infrastructure of the next decade. The Parent company has invested EUR 960 in its share capital and has become the owner of 8% of its shares. In September 2020, SAF Tehnika AS sold its shares to HansaMatrix AS.

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

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

**Notes to the financial statements** (continued)

**7. Inventories**

| | Group | | Parent company | |
|---|---|---|---|---|
| | 30/06/2021<br>EUR | 30/06/2020<br>EUR | 30/06/2021<br>EUR | 30/06/2020<br>EUR |
| Raw materials | 3 437 033 | 1 710 323 | 3 437 033 | 1 710 323 |
| Work in progress | 2 390 548 | 2 603 550 | 2 390 548 | 2 603 550 |
| Finished goods | 2 728 708 | 2 532 369 | 2 448 348 | 2 249 515 |
| | **8 556 289** | **6 846 242** | **8 275 929** | **6 563 388** |

In order to value inventories at the lower of cost and net realizable value, the Group makes provisions for impairment of inventories. As at 30 June 2021 total amount of respective provisions (the Group and the Parent company) amounted to EUR 1 017 180 (30.06.2020.: EUR 583 189). During the reporting year provision was increased by EUR 433 991 (2019/2020: increase by EUR 81 411) and respective change was included in *Cost of sales*.

*Finished goods* include equipment sent to clients for trial with an option to buy or return the equipment and the equipment sent to substitute damaged equipment. As at 30 June 2021 the value of equipment sent due to the above reasons amounted to EUR 293 350 (30.06.2020.: EUR 207 058) for Group and EUR 131 168 (30.06.2020.: EUR 53 968) for Parent company.

*Work in Progress* and *Finished goods* include production overhead costs (salary expenses and social insurance of production units' employees, depreciation and amortization expenses of equipment, lease, service and other costs of production process) in amount of EUR 406 453 (30.06.2020.: EUR 368 956). The Group maintains a certain level of raw materials and consumables, in order to be able to supply all the products currently included in the product portfolio of the Group within a competitive deadline. The market continues to display a tendency of increasing material production and delivery times and to continue to provide competitive and adequate production times the inventories raw materials are purchased with a reserve,

**8. Trade receivables**

| | Group | | Parent company | |
|---|---|---|---|---|
| | 30/06/2021<br>EUR | 30/06/2020<br>EUR | 30/06/2021<br>EUR | 30/06/2020<br>EUR |
| **Long-term trade receivables** | **-** | **1 400** | **-** | **1 400** |
| Receivables from related companies | - | - | - | 52 324 |
| Trade receivables | 1 882 152 | 1 554 284 | 1 000 387 | 946 351 |
| Allowances for expected credit losses from trade receivables | (224 043) | (583 431) | (192 783) | (564 678) |
| **Short-term trade receivables** | **1 658 109** | **970 853** | **807 604** | **433 997** |
| **Total trade receivables** | **1 658 109** | **972 253** | **807 604** | **435 397** |

Trade receivables are not secured with collateral.

**Ageing analysis of trade receivables**

| **Group** | 30/06/2021<br>Gross<br>EUR | 30/06/2021<br>Allowance<br>EUR | 30/06/2020<br>Gross<br>EUR | 30/06/2020<br>Allowance<br>EUR |
|---|---|---|---|---|
| Not overdue | 1 348 418 | - | 795 339 | - |
| Overdue by 1 – 90 days | 309 691 | - | 179 428 | (2 514) |
| Overdue by 90 and more days | 224 043 | (224 043) | 580 917 | (580 917) |
| **Total trade receivables** | **1 882 152** | **(224 043)** | **1 555 684** | **(583 431)** |

| **Parent company** | 30/06/2021<br>Gross<br>EUR | 30/06/2021<br>Allowance<br>EUR | 30/06/2020<br>Gross<br>EUR | 30/06/2020<br>Allowance<br>EUR |
|---|---|---|---|---|
| Not overdue | 686 991 | - | 332 092 | - |
| Overdue by 1 – 90 days | 120 613 | - | 105 819 | (2 514) |
| Overdue by 90 and more days | 192 783 | (192 783) | 562 164 | (562 164) |
| **Total trade receivables** | **1 000 387** | **(192 783)** | **1 000 075** | **(564 678)** |

**Notes to the financial statements** (continued)

**8. Trade receivables** (continued)

**Movement in allowance for expected credit losses from trade receivables:**

| | Group EUR | Parent company EUR |
|---|---|---|
| **As at 30 June 2019** | **12 647** | **8 619** |
| Written-off | (336) | (401) |
| Additional allowances | 575 699 | 558 821 |
| Debts recovered | (4 579) | (2 361) |
| **As at 30 June 2020** | **583 431** | **564 678** |
| Additional allowances | 12 507 | - |
| Debts recovered | (371 895) | (371 895) |
| **As at 30 June 2021** | **224 043** | **192 783** |

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

**Breakdown of gross trade receivables by currency, expressed in EUR**

| **Group** | **30/06/2021 EUR** | **30/06/2021 %** | **30/06/2020 EUR** | **30/06/2020 %** |
|---|---|---|---|---|
| USD | 1 413 283 | 75.09 | 1 165 344 | 74.91 |
| EUR | 462 744 | 24.58 | 390 340 | 25.09 |
| GBP | 6 125 | 0.33 | - | - |
| **Total trade receivables, gross** | **1 882 152** | **100%** | **1 555 684** | **100%** |

| **Parent company** | **30/06/2021 EUR** | **30/06/2021 %** | **30/06/2020 EUR** | **30/06/2020 %** |
|---|---|---|---|---|
| USD | 531 518 | 53.13 | 609 735 | 60.97 |
| EUR | 462 744 | 46.26 | 390 340 | 39.03 |
| GBP | 6 125 | 0.61 | - | |
| **Total trade receivables, gross** | **1 000 387** | **100%** | **1 000 075** | **100%** |

**9. Other receivables**

| | **Group** | | **Parent company** | |
|---|---|---|---|---|
| | **30/06/2021 EUR** | **30/06/2020 EUR** | **30/06/2021 EUR** | **30/06/2020 EUR** |
| Government grants* | 84 814 | 207 324 | 84 814 | 207 324 |
| Overpaid value added tax | 30 476 | 27 633 | 30 476 | 27 633 |
| Advance payments to suppliers | 210 682 | 52 744 | 210 682 | 41 363 |
| Other receivables | 74 650 | 50 554 | 64 829 | 38 557 |
| Other receivables of subsidiaries (see Note 24) | - | - | 5 207 | 4 624 |
| | **400 622** | **338 255** | **396 008** | **319 501** |

* The government grants related to the employee training project, exhibition project and the development project, which are implemented with the "LEO Pētījumu centrs" SIA. Government grants in the amount of EUR 71 649 were received after the end of the financial year.

**10. Cash and cash equivalents**

| | **Group** | | **Parent company** | |
|---|---|---|---|---|
| | **30/06/2021 EUR** | **30/06/2020 EUR** | **30/06/2021 EUR** | **30/06/2020 EUR** |
| Cash in banks | 7 689 748 | 4 995 062 | 6 498 004 | 4 245 534 |
| | **7 689 748** | **4 995 062** | **6 498 004** | **4 245 534** |

**Notes to the financial statements** (continued)

**10. Cash and cash equivalents** (continued)

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

| Group | 30/06/2021 EUR | 30/06/2021 % | 30/06/2020 EUR | 30/06/2020 % |
|---|---|---|---|---|
| USD | 6 746 716 | 87.74 | 3 705 444 | 74.18 |
| EUR | 942 057 | 12.25 | 1 283 469 | 25.70 |
| GBP | 975 | 0.01 | 6 149 | 0.12 |
| **Cash and cash equivalents** | **7 689 748** | **100%** | **4 995 062** | **100%** |

| Parent company | 30/06/2021 EUR | 30/06/2021 % | 30/06/2020 EUR | 30/06/2020 % |
|---|---|---|---|---|
| USD | 5 554 972 | 85.49 | 2 955 916 | 69.63 |
| EUR | 942 057 | 14.50 | 1 283 469 | 30.23 |
| GBP | 975 | 0.01 | 6 149 | 0.14 |
| **Cash and cash equivalents** | **6 498 004** | **100%** | **4 245 534** | **100%** |

**Breakdown of cash and cash equivalents by bank**

| | Moody's credit rating (short-term/ long-term) | Group | | Parent company | |
|---|---|---|---|---|---|
| | | 30/06/2021 EUR | 30/06/2020 EUR | 30/06/2021 EUR | 30/06/2020 EUR |
| Swedbank AS | P-1 / Aa3 | 723 081 | 613 852 | 723 081 | 613 852 |
| LUMINOR Bank AS(Nordea) | P-2 / Baa2 | 5 706 637 | 3 614 335 | 5 706 637 | 3 614 335 |
| SEB Banka AS | P-1 / Aa2 | 20 971 | 5 970 | 20 971 | 5 970 |
| US Bank | P-1 / A1 | 1 166 969 | 729 388 | - | - |
| Other banks | n/a | 72 090 | 31 517 | 47 315 | 11 377 |
| | | **7 689 748** | **4 995 062** | **6 498 004** | **4 245 534** |

The Group's and the Parent company's estimated credit losses on cash held with banks are immaterial and have not been recognized based on Moody's rating information that was publicly available in 2021 and up to the date of these financial statements.

**11. Share capital and shareholders**

As at 30 June 2021, the registered and paid-up share capital of the Parent company is EUR 4 158 252 (30.06.2020.: EUR 4 158 252) and consists of 2 970 180 ordinary bearer shares (30.06.2020.: 2 970 180 shares) with unlimited voting rights. Nominal value per share is EUR 1,4.

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

| Shareholder | Shares owned, % 30/06/2021 | 30/06/2021 |
|---|---|---|
| Didzis Liepkalns | 17.05% | 17.05% |
| Koka Zirgs SIA | 12.19% | 12.06% |
| Andrejs Grišāns | 10.03% | 10.03% |
| Normunds Bergs | 9.74% | 9.74% |
| Juris Ziema | 8.71% | 8.71% |
| Other shareholders | 42.28% | 42.41% |

**Notes to the financial statements** (continued)

### 12. Payables, provisions and other liabilities

| | Group | | Parent company | |
|---|---|---|---|---|
| | 30/06/2021 EUR | 30/06/2020 EUR | 30/06/2021 EUR | 30/06/2020 EUR |
| Trade accounts payable | 874 276 | 999 823 | 756 339 | 949 783 |
| Other accounts payable | 29 764 | 23 014 | 29 765 | 23 014 |
| **Trade and other payables** | **904 040** | **1 022 837** | **786 104** | **972 797** |
| Provisions for guarantees | 45 636 | 17 423 | 45 636 | 17 423 |
| **Provisions** | **45 636** | **17 423** | **45 636** | **17 423** |
| Accrued liabilities for unused vacations | 575 387 | 381 221 | 575 388 | 381 222 |
| Other taxes | 231 338 | 196 635 | 231 340 | 196 753 |
| Other liabilities | 2 058 528 | 869 474 | 1 039 095 | 425 807 |
| **Other liabilities** | **2 865 253** | **1 447 330** | **1 845 823** | **1 003 782** |
| **Total** | **3 814 929** | **2 487 590** | **2 677 563** | **1 994 002** |

During the reporting period the increase in accrued liabilities for unused vacation pay included in the statement of profit or loss amounted to EUR 194 166 (2019/2020: increase of EUR 83 074).

| **Movement in provisions** | Group | | Parent company | |
|---|---|---|---|---|
| | Warranties EUR | Total EUR | Warranties EUR | Total EUR |
| **Balance at 30.06.2019** | **7 931** | **7 931** | **7 931** | **7 931** |
| Provisions made | 9 492 | 9 492 | 9 492 | 9 492 |
| **Balance at 30.06.2020** | **17 423** | **17 423** | **17 423** | **17 423** |
| Provisions made | 28 213 | 28 213 | 28 213 | 28 213 |
| **Balance at 30.06.2021** | **45 636** | **45 636** | **45 636** | **45 636** |

Change in provisions in the reporting year included in the statement of profit or loss within Cost of goods sold.
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.

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

| **Group** | 30/06/2021 EUR | 30/06/2021 % | 30/06/2020 EUR | 30/06/2020 % |
|---|---|---|---|---|
| USD | 396 147 | 43.82 | 493 354 | 48.23 |
| EUR | 500 128 | 55.32 | 529 163 | 51.74 |
| GBP | 7 765 | 0.86 | 320 | 0.03 |
| **Trade and other payables** | **904 040** | **100%** | **1 022 837** | **100%** |

| **Parent company** | 30/06/2021 EUR | 30/06/2021 % | 30/06/2020 EUR | 30/06/2020 % |
|---|---|---|---|---|
| USD | 278 211 | 35.39 | 443 314 | 45.57 |
| EUR | 500 128 | 63.62 | 529 163 | 54.40 |
| GBP | 7 765 | 0.99 | 320 | 0.03 |
| **Trade and other payables** | **786 104** | **100%** | **972 797** | **100%** |

### 13. Lease liabilities and borrowings

| | Group | | Parent company | |
|---|---|---|---|---|
| | 30/06/2021 EUR | 30/06/2020 EUR | 30/06/2021 EUR | 30/06/2020 EUR |
| Lease liabilities | 1 004 539 | 1 012 178 | 876 985 | 905 980 |
| **Long term liabilities** | **1 004 539** | **1 012 178** | **876 985** | **905 980** |
| Lease liabilities | 315 401 | 311 757 | 270 156 | 266 259 |
| Credit cards | - | 8 940 | - | 8 940 |
| **Short term liabilities** | **315 401** | **320 697** | **270 156** | **275 199** |
| **Total** | **1 319 940** | **1 332 875** | **1 147 141** | **1 181 179** |

**Notes to the financial statements** (continued)

## 14. Contract liabilities

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

| | Group | | Parent company | |
|---|---|---|---|---|
| | **30/06/2021 EUR** | **30/06/2020 EUR** | **30/06/2021 EUR** | **30/06/2020 EUR** |
| Advances from customers | 1 535 832 | 1 257 668 | 1 254 331 | 486 217 |
| Extended warranties | 689 414 | 541 381 | 35 420 | 11 366 |
| **Total** | **2 225 246** | **1 799 049** | **1 289 751** | **497 583** |
| incl. long term liabilities | 451 354 | 397 955 | 19 105 | 4 957 |
| short term liabilities | 1 773 892 | 1 401 094 | 1 270 646 | 492 626 |

| **Movement of contract liabilities:** | Group | | Parent company | |
|---|---|---|---|---|
| | **01.07.2020-30.06.2021 EUR** | **01.07.2019-30.06.2020 EUR** | **01.07.2020-30.06.2021 EUR** | **01.07.2019-30.06.2020 EUR** |
| At the beginning of the year | 1 799 049 | 563 947 | 497 583 | 176 365 |
| Received during the year | 17 496 228 | 9 505 035 | 10 207 311 | 3 600 426 |
| Recognised in revenue | (16 994 905) | (8 274 283) | (9 415 143) | (3 279 208) |
| Foreign exchange differences | (75 126) | 4 350 | - | - |
| **At the end of the year** | **2 225 246** | **1 799 049** | **1 289 751** | **497 583** |

## 15. Segment information and revenue

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

- SAF branded equipment designed and produced in-house - as one of the structural units containing CFIP, Integra (Integrated carrier-grade Ethernet microwave radio), Spectrum Compact (measurement tools for radio engineers) and Aranet (environmental monitoring solutions).

  **CFIP** – product line is represented by:
  - Phoenix, a split mount (IDU+ODU) PhoeniX hybrid radio system with Gigabit Ethernet and 20E1 interfaces;
  - Lumina high capacity Full Outdoor all-in-one radio with Gigabit Ethernet traffic interface;
  - Marathon FIDU low frequency low capacity system for industrial applications, energy companies and rural telecom use.
  All CFIP radios are offered in most widely used frequency bands from 1.4GHz to 38 GHz, thus enabling the use of CFIP radios all across the globe.
  **Integra** – is a next generation radio system employing latest modem technology on the market as well as radio technology 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.
  **Aranet-** the latest SAF product line for environmental monitoring, consisting of various wireless sensors, base stations and Aranet cloud solution for data collection, aggregation and analysis.

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

**Notes to the financial statements** (continued)

**15. Segment information and revenue** (continued)

| Group | CFIP, Integra, Spectrum Compact, Aranet | | Other | | Total | |
|---|---|---|---|---|---|---|
| | **2020/21 EUR** | **2019/20 EUR** | **2020/21 EUR** | **2019/20 EUR** | **2020/21 EUR** | **2019/20 EUR** |
| Segment assets | 10 662 999 | 7 782 002 | 1 361 272 | 1 290 863 | 12 024 271 | 9 072 865 |
| Unallocated assets | | | | | 8 743 740 | 6 486 122 |
| **Total assets** | | | | | **20 768 011** | **15 558 987** |
| Segment liabilities | 2 835 946 | 2 695 779 | 278 436 | 111 311 | 3 114 382 | 2 807 090 |
| Unallocated liabilities | | | | | 4 491 519 | 2 843 846 |
| **Total liabilities** | | | | | **7 605 901** | **5 650 936** |
| Revenue | 24 214 355 | 15 941 809 | 807 308 | 817 880 | 25 021 663 | 16 759 689 |
| **Segment result** | **10 503 858** | **6 568 313** | **1 027 765** | **951 914** | **11 531 623** | **7 520 227** |
| Unallocated expenses | | | | | (7 968 853) | (7 495 648) |
| **Profit from operating activities** | | | | | **3 562 770** | **24 579** |
| Other income | | | | | 728 416 | 418 241 |
| Financial income | | | | | 554 | 60 718 |
| Financial expenses | | | | | (128 319) | (27 644) |
| **Profit before taxes** | | | | | **4 163 421** | **475 894** |
| Corporate income tax | | | | | (287 245) | (36 410) |
| **Profit after tax** | | | | | **3 876 176** | **439 484** |
| Foreign currency fluctuations | | | | | 1 621 | 2 358 |
| **Profit of the reporting year** | | | | | **3 877 797** | **441 842** |

**Other information of segment:**

| Group | CFIP, Integra, Spectrum Compact, Aranet | | Other | | Total | |
|---|---|---|---|---|---|---|
| | **2020/21 EUR** | **2019/20 EUR** | **2020/21 EUR** | **2019/20 EUR** | **2020/21 EUR** | **2019/20 EUR** |
| Additions of fixed and intangible assets | 241 440 | 158 943 | | - | 241 440 | 158 943 |
| Unallocated additions of fixed and intangible assets | | | | | 674 425 | 557 270 |
| **Total additions of fixed and intangible assets** | | | | | **915 865** | **716 213** |
| Depreciation and amortization | 413 401 | 403 978 | | - | 413 401 | 403 978 |
| Unallocated depreciation and amortization | | | | | 348 925 | 336 162 |
| **Total depreciation and amortisation** | | | | | **762 326** | **740 140** |

| Parent company | CFIP, Integra, Spectrum Compact, Aranet | | Other | | Total | |
|---|---|---|---|---|---|---|
| | **2020/21 EUR** | **2019/20 EUR** | **2020/21 EUR** | **2019/20 EUR** | **2020/21 EUR** | **2019/20 EUR** |
| Segment assets | 9 755 717 | 7 174 692 | 1 081 670 | 1 011 668 | 10 837 387 | 8 186 360 |
| Unallocated assets | | | | | 7 420 255 | 5 537 827 |
| **Total assets** | | | | | **18 257 642** | **13 724 187** |
| Segment liabilities | 2 976 767 | 2 006 700 | 315 239 | 121 266 | 3 292 006 | 2 127 966 |
| Unallocated liabilities | | | | | 2 503 669 | 1 687 162 |
| **Total liabilities** | | | | | **5 795 675** | **3 815 128** |
| Revenue | 19 385 679 | 11 788 977 | 1 597 544 | 2 073 678 | 20 983 223 | 13 862 655 |
| **Segment result** | **6 014 758** | **3 436 956** | **1 037 362** | **952 953** | **7 052 120** | **4 389 909** |
| Unallocated expenses | | | | | (4 474 941) | (4 370 310) |
| **Profit from operating activities** | | | | | **2 577 179** | **19 599** |
| Other income | | | | | 728 341 | 418 179 |
| Financial income | | | | | - | 59 797 |
| Financial expenses | | | | | (128 873) | (20 390) |
| **Profit before taxes** | | | | | **3 176 647** | **473 185** |
| Corporate income tax | | | | | - | - |
| **Profit of the reporting year** | | | | | **3 176 647** | **473 185** |

**Notes to the financial statements** (continued)

**15. Segment information and revenue** (continued)

**Other information of segment:**

| Parent company | CFIP, Integra, Spectrum Compact, Aranet 2020/21 EUR | CFIP, Integra, Spectrum Compact, Aranet 2019/20 EUR | Other 2020/21 EUR | Other 2019/20 EUR | Total 2020/21 EUR | Total 2019/20 EUR |
|---|---|---|---|---|---|---|
| Additions of fixed and intangible assets | 241 440 | 158 943 | - | - | 241 440 | 158 943 |
| Unallocated additions of fixed and intangible assets | | | | | 597 876 | 535 596 |
| **Total additions of fixed and intangible assets** | | | | | **839 316** | **694 539** |
| Depreciation and amortization | 413 401 | 403 978 | | - | 413 401 | 403 978 |
| Unallocated depreciation and amortization | | | | | 289 053 | 277 361 |
| **Total depreciation and amortisation** | | | | | **702 454** | **681 339** |

As at 30.06.2021. PPE, intangible assets and right of use assets located in Latvia with the total balance sheet value in the amount of EUR 2 147 213 (30.06.2020. – EUR 2 017 944) make up 92% (30.06.2020. – 92%) of the Group's total assets. The rest of these assets are located in the United States.

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

| Group | Revenue 2020/ 2021 EUR | Revenue 2019/ 2020 EUR | Assets 2020/ 2021 EUR | Assets 2019/ 2020 EUR |
|---|---|---|---|---|
| Latvia | 491 677 | 469 944 | 51 278 | 62 053 |
| **Other regions:** | | | | |
| North and South America | 16 687 843 | 9 935 809 | 1 194 712 | 590 332 |
| Europe (excluding Latvia), CIS | 6 290 608 | 4 581 046 | 371 686 | 271 609 |
| Asia, Africa, Middle East | 1 551 535 | 1 772 890 | 40 433 | 48 257 |
| | **25 021 663** | **16 759 689** | **1 658 109** | **972 251** |
| Unallocated assets | **-** | **-** | 19 109 902 | 14 586 736 |
| | **25 021 663** | **16 759 689** | **20 768 011** | **15 558 987** |

| Parent company | Revenue 2020/ 2021 EUR | Revenue 2019/ 2020 EUR | Assets 2020/ 2021 EUR | Assets 2019/ 2020 EUR |
|---|---|---|---|---|
| Latvia | 491 677 | 469 944 | 51 278 | 62 053 |
| **Other regions:** | | | | |
| North and South America | 12 649 403 | 7 038 775 | 344 207 | 53 477 |
| Europe (excluding Latvia), CIS | 6 290 608 | 4 581 046 | 371 686 | 271 609 |
| Asia, Africa, Middle East | 1 551 535 | 1 772 890 | 40 433 | 48 257 |
| | **20 983 223** | **13 862 655** | **807 604** | **435 396** |
| Unallocated assets | **-** | **-** | 17 450 038 | 13 288 791 |
| | **20 983 223** | **13 862 655** | **18 257 642** | **13 724 187** |

**Notes to the financial statements** (continued)

**15. Segment information and revenue** (continued)

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

**Group:**

| | **CFIP, Integra, Spectrum Compact, Aranet** | | **Other** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2020/2021** | **2019/ 2020** | **2020/2021** | **2019/ 2020** | **2020/2021** | **2019/ 2020** |
| **Region** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** |
| North and South America | 16 586 917 | 9 607 750 | 100 926 | 328 059 | 16 687 843 | 9 935 809 |
| Europe (including Latvia), CIS | 6 412 678 | 4 747 530 | 369 607 | 303 461 | 6 782 285 | 5 050 991 |
| Asia, Africa, Middle East | 1 214 760 | 1 586 529 | 336 775 | 186 360 | 1 551 535 | 1 772 889 |
| | **24 214 355** | **15 941 809** | **807 308** | **817 880** | **25 021 663** | **16 759 689** |

**Parent company:**

| | **CFIP, Integra, Spectrum Compact, Aranet** | | **Other** | | **Total** | |
|---|---|---|---|---|---|---|
| | **2020/2021** | **2019/ 2020** | **2020/2021** | **2019/ 2020** | **2020/2021** | **2019/ 2020** |
| **Region** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** | **EUR** |
| North and South America | 11 758 241 | 6 122 285 | 891 162 | 916 489 | 12 649 403 | 7 038 774 |
| Europe (including Latvia), CIS | 6 412 678 | 4 080 163 | 369 607 | 970 828 | 6 782 285 | 5 050 991 |
| Asia, Africa, Middle East | 1 214 760 | 1 586 529 | 336 775 | 186 361 | 1 551 535 | 1 772 890 |
| | **19 385 679** | **11 788 977** | **1 597 544** | **2 073 678** | **20 983 223** | **13 862 655** |

**16. Cost of goods sold**

| | **Group** | | **Parent company** | |
|---|---|---|---|---|
| | **01.07.2020-30.06.2021** | **01.07.2019-30.06.2020** | **01.07.2020-30.06.2021** | **01.07.2019-30.06.2020** |
| | **EUR** | **EUR** | **EUR** | **EUR** |
| Purchases of components and subcontractors' services | 10 036 996 | 6 522 969 | 9 839 020 | 6 236 383 |
| Salary expenses* | 2 999 119 | 2 420 101 | 2 999 119 | 2 420 101 |
| Social insurance expenses* | 705 521 | 578 623 | 705 521 | 578 623 |
| Depreciation and amortization (See Note 5) | 413 401 | 403 978 | 413 401 | 403 978 |
| Public utilities | 121 910 | 118 575 | 121 910 | 118 575 |
| Transportation | 34 415 | 32 562 | 34 415 | 32 562 |
| Business trip expenses | - | 10 160 | - | 10 160 |
| Communication expenses | 10 028 | 9 681 | 10 028 | 9 681 |
| Low value articles | 5 651 | 6 769 | 5 651 | 6 769 |
| Other production costs | 144 404 | 123 257 | 144 403 | 123 258 |
| | **14 471 445** | **10 226 675** | **14 273 468** | **9 940 090** |

* Including accrued liabilities for unused vacations.

Research and development related expenses of EUR 2 065 018 (2019/ 2020: EUR 1 855 074) are included in the statement of profit or loss within Purchases of components and subcontractors' services.

**Notes to the financial statements** (continued)

**17. Sales and marketing expenses**

| | Group | | Parent company | |
|---|---|---|---|---|
| | **01.07.2020-30.06.2021 EUR** | **01.07.2019-30.06.2020 EUR** | **01.07.2020-30.06.2021 EUR** | **01.07.2019-30.06.2020 EUR** |
| Salary expenses * | 3 730 479 | 3 008 163 | 1 524 330 | 1 163 506 |
| Delivery costs | 456 112 | 302 020 | 357 332 | 198 929 |
| Social insurance expenses * | 483 788 | 404 737 | 362 170 | 280 869 |
| Advertisement and marketing expenses | 152 282 | 256 779 | 105 205 | 188 063 |
| Depreciation and amortization(See Note 5) | 239 360 | 230 671 | 179 486 | 171 869 |
| Business trip expenses | 10 188 | 182 328 | 109 | 81 062 |
| Other selling and distribution costs | 294 395 | 274 629 | 62 038 | 59 425 |
| | **5 366 604** | **4 659 327** | **2 590 670** | **2 143 723** |

* Including accrued liabilities for unused vacations.

**18. Administrative expenses**

| | Group | | Parent company | |
|---|---|---|---|---|
| | **01.07.2020-30.06.2021 EUR** | **01.07.2019-30.06.2020 EUR** | **01.07.2020-30.06.2021 EUR** | **01.07.2019-30.06.2020 EUR** |
| Salary expenses* | 1 091 135 | 576 590 | 1 091 135 | 576 590 |
| Allowances for doubtful trade receivables | (358 337) | 571 374 | (371 876) | 556 529 |
| Social insurance expenses* | 255 507 | 138 748 | 255 507 | 138 748 |
| Depreciation and amortization (See Note 5) | 104 164 | 103 398 | 104 164 | 103 398 |
| Training | 37 301 | 62 263 | 29 769 | 41 876 |
| Public utilities | 57 427 | 52 999 | 57 427 | 52 999 |
| IT services | 49 792 | 46 794 | 49 792 | 46 794 |
| Insurance | 39 123 | 31 421 | 32 750 | 24 772 |
| Bank fees | 32 322 | 29 536 | 20 667 | 20 459 |
| Representation expenses | 6 837 | 24 328 | 6 124 | 12 116 |
| Business trip expenses | 41 | 11 260 | 41 | 11 260 |
| Office maintenance | 10 136 | 5 317 | 10 136 | 5 317 |
| Sponsorship | (838) | 4 312 | - | 3 408 |
| Communication expenses | 4 672 | 3 922 | 4 672 | 3 922 |
| Other administrative expenses** | 291 562 | 190 978 | 251 598 | 165 188 |
| | **1 620 844** | **1 853 239** | **1 541 906** | **1 763 376** |

* Including accrued liabilities for unused vacations.
** Other administration costs include remuneration to the certified auditor company for the audit of the annual report in the amount of EUR 10 835 (2019/2020 - EUR 9 850). The certified audit company has not provided other services to the Group and the Parent Company.

**19. Other income**

| | Group | | Parent company | |
|---|---|---|---|---|
| | **01.07.2020-30.06.2021 EUR** | **01.07.2019-30.06.2020 EUR** | **01.07.2020-30.06.2021 EUR** | **01.07.2019-30.06.2020 EUR** |
| Government grants* | 683 476 | 407 629 | 683 476 | 407 629 |
| Other income | 44 940 | 10 612 | 44 865 | 10 550 |
| | **728 416** | **418 241** | **728 341** | **418 179** |

* Government grants are received from LIAA and LETERA, and they relate to development project realized in cooperation with “LEO Pētījumu centrs” SIA. In 2019/2020 the Group has received government support for exporters of goods and services affected by Covid-19 crisis. During the reporting year the Group (Parent company) has received a government grant of EUR 751 107 (2019/ 2020: EUR 239 440). Government grants that are approved by the end of the reporting year, but not yet received, are included in Other receivables (see Note 9).

**Notes to the financial statements** (continued)

### 20. Financial income

| | Group | | Parent company | |
|---|---|---|---|---|
| | **01.07.2020-30.06.2021 EUR** | **01.07.2019-30.06.2020 EUR** | **01.07.2020-30.06.2021 EUR** | **01.07.2019-30.06.2020 EUR** |
| Interest income, calculated using the effective interest method | 554 | 10 696 | - | 8 067 |
| Net foreign exchange gain | - | 50 022 | - | 51 730 |
| | **554** | **60 718** | **-** | **59 797** |

### 21. Financial expenses

| | Group | | Parent company | |
|---|---|---|---|---|
| | **01.07.2020-30.06.2021 EUR** | **01.07.2019-30.06.2020 EUR** | **01.07.2020-30.06.2021 EUR** | **01.07.2019-30.06.2020 EUR** |
| Interest expenses on lease liabilities, calculated using the effective interest method | 27 708 | 23 511 | 23 184 | 20 257 |
| Net foreign exchange loss | 100 611 | - | 105 689 | - |
| | **128 319** | **23 511** | **128 873** | **20 257** |

### 22. Earnings per share

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

| | Group | | Parent company | |
|---|---|---|---|---|
| | **01.07.2020-30.06.2021 EUR** | **01.07.2019-30.06.2020 EUR** | **01.07.2020-30.06.2021 EUR** | **01.07.2019-30.06.2020 EUR** |
| Profit of the reporting year (a) | 3 876 176 | 439 484 | 3 176 647 | 473 185 |
| Weighted average number of shares outstanding during the year (b) | 2 970 180 | 2 970 180 | 2 970 180 | 2 970 180 |
| **Basic and diluted earnings per share for the reporting year (a/b)** | **1.305** | **0.148** | **1.070** | **0.159** |

### 23. The management and management remuneration

**Council of the Parent company**

The Council of the Parent company consisting of 5 members is elected in a shareholders meeting for a term of 3 years. The Council is a supervisory body of the Group, which represents shareholder interests in meetings and supervises the Board in accordance with statutes of the Group. Decisions of the Council are made by a simple majority of members present. Only a meeting of shareholders has the right to make decisions on statute amendments of the Group, issue and conversion of securities, remuneration to the members of the Council.

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

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

**Notes to the financial statements** (continued)

### 23. Remuneration to management (continued)

**Board of the Parent company**

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

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

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

### 23.a Management remuneration

| | Group | | Parent company | |
|---|---|---|---|---|
| | **01.07.2020-30.06.2021 EUR** | **01.07.2019-30.06.2020 EUR** | **01.07.2019-30.06.2020 EUR** | **01.07.2018-30.06.2019 EUR** |
| Remuneration of the Board members: | | | | |
| · salary | 490 407 | 410 682 | 234 635 | 190 475 |
| · social insurance contributions | 67 698 | 56 586 | 55 833 | 45 885 |
| Remuneration of the Council members: | | | | |
| · salary | 109 888 | 89 571 | 109 888 | 89 571 |
| · social insurance contributions | 26 119 | 21 578 | 26 119 | 21 578 |
| **Total** | **694 112** | **578 417** | **426 475** | **347 509** |

### 23.b Loans issued to management

During 2017/2018 reporting year a loan was issued to the management in amount of USD 250 thousand. The loan has been repaid in full in September 2020.

### 24. Related party transactions

| **Parent company** | **Transactions for the year ended 30 June** | | **Balance as at 30 June** | |
|---|---|---|---|---|
| | **2021 EUR** | **2020 EUR** | **2021 EUR** | **2020 EUR** |
| **Sale of goods and services** | | | | |
| Subsidiaries | 9 156 349 | 5 252 155 | - | 52 324 |
| **Purchase of goods and services** | | | | |
| Subsidiaries | 326 174 | 132 335 | 681 220 | 142 365 |
| Other receivables from subsidiaries | **-** | **-** | 5 207 | 4 624 |

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

### 25. Personnel costs

| | Group | | Parent company | |
|---|---|---|---|---|
| | **01.07.2020-30.06.2021 EUR** | **01.07.2019-30.06.2020 EUR** | **01.07.2019-30.06.2020 EUR** | **01.07.2018-30.06.2019 EUR** |
| Remuneration to staff | 7 820 733 | 6 004 854 | 5 614 584 | 4 160 197 |
| Social insurance contributions | 1 444 816 | 1 122 108 | 1 323 198 | 998 240 |
| **Total** | **9 265 549** | **7 126 962** | **6 937 782** | **5 158 437** |

**Notes to the financial statements** (continued)

### 26. Average number of employees

| | Group | | Parent company | |
|---|---|---|---|---|
| | **01.07.2020-30.06.2021** | **01.07.2019-30.06.2020** | **01.07.2019-30.06.2020** | **01.07.2018-30.06.2019** |
| The average number of employees in the reporting year: | **221** | **206** | **207** | **192** |

### 27. Contingent liabilities

A commercial pledge in favor of Luminor Bank AS with a maximum claim amount of EUR 390 thousand has been registered as collateral for trade guarantees for the Parent Company with a maturity term of 31 October 2021.

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

The net profit of the parent company, which arose after 31 December 2017, is EUR 3 865 917. The potential corporate income tax liability that will arise if the entire amount of the above profit is distributed as dividends is EUR 966 479 (20/80 of the net amount distributed to shareholders).

### 28. Subsequent events

No significant subsequent events have occurred in the period from the year-end to the date of these financial statements that would have a material impact on the Group’s and/or Parent company`s financial position as at 30 June 2021 or their performance and cash flows for the year then ended.

On behalf of the Board:

Normunds Bergs
Chairman of the Board

Dace Langada
Chief accountant

The Annual Report is approved in the Board meeting on 29 October 2021 and the Board has authorised the Chairman of the Board to sign it on behalf of the Board.

Electronic signature of the Chairman of the Board relates to the Management Report on pages 3 to 4, Statement of the Board’s Responsibility on page 5 and financial statements on pages 10 to 42. Electronic signature of the chief accountant Dace Langada relates to the financial statements on pages 10 to 42.