A/S „SAF Tehnika”

Consolidated annual report and separate annual report

for the year ended
30 June 2024

(Translation from Latvian)

Content

Management Report

Business activity

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

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

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

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

In the financial year (FY) 2023/2024, the Group's net turnover amounted to EUR 27.09 million, which is EUR 10.17 million or 27% less than in the previous financial year 2022/2023. The net turnover of the Parent Company in FY 2023/2024 was EUR 23.26 million, which is EUR 8.78 million or 27% lower than the previous financial year 2022/2023.

The turnover of the American region, which accounts for sales in both North, South and Central Americas, represented 61% of the Group's annual turnover and amounted to EUR 16.6 million, which is 38% less than last year. Marketing, sales, product warehousing and logistics services of the Group's products in the US and Canada were provided by the US-based subsidiary – SAF North America LLC. Sales in the European and CIS region were equivalent to the previous year. In the AMEA (Asia, Middle East, Africa) region, sales decreased by EUR 590 thousand. The largest drop in net turnover was observed in the American region, and there is not just one specific reason for this, but several factors. In one of the Group's sales divisions, the implementation of several projects was temporarily suspended, and, due to intense competition, the initially planned sales prices for some projects had to be reduced. Furthermore, several key partners had already made warehouse purchases in the previous financial year, resulting in a decline in orders for 2023/2024.

Throughout the reporting year, new products were developed, and efforts were initiated on faster-to-implement product development initiatives. The average product lifecycle for microwave wireless data transmission equipment in the industry is approximately 5 years, after which older-generation devices are replaced with more advanced models. The transition to new technology is gradual and takes several years to complete.

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

Even with the modernization of the telecommunications market toward fiber optic communications, there is still a strong demand for radio systems that provide enhanced data rates. Therefore, the Group continues to actively research the market and identify key issues in order to propose necessary product modifications and develop prototypes for next-generation technologies. At the same time, the Group develops IoT solutions for both business and consumer segments, diversifying its product line, creating higher added value for SAF Tehnika product offerings, and increasing the Group's revenue.

The Group's sales revenue in countries outside Latvia accounted for 96.53% of the total turnover (95.96% for the Parent Company, respectively) and amounted to EUR 26.14 million (EUR 22.3 million for the Parent Company). In the reporting year, the Group sold its products in 88 countries around the world.

The Group's cash balance at the end of the year was EUR 2.21 million (EUR 1.49 million for the Parent Company, respectively), which is EUR 1.25 million (EUR 51 thousand for the Parent Company, respectively) less than at the end of the previous reporting year. To ensure liquidity, during the reporting year, the Parent Company continued the Credit Line Agreement with Luminor Bank AS for the total amount of EUR 4.95 million. At the end of the reporting period, the credit line was not used.

During the reporting year, the Group invested EUR 1.29 million in acquiring IT infrastructure, production and research equipment, software and licenses, product certification, and the renovation of premises.

The Group's operations in previous years were impacted by the global shortage of various electronic components. By regularly reviewing procurement volumes and deadlines, the company accumulated material reserves (inventories) to be able to fulfil most of the orders within normal lead times. During the financial year, delivery times have significantly improved. Following the principle of prudence, and without changing the Group's policy on slow-moving stocks – the stocks that over the period of 12, 9 or 6 months, respectively, have moved by less than 30% of their amount at the beginning of the period are recognized as slow-moving inventory. Total provisions on slow-moving inventory (compared to the volume at the end of the previous financial year) increased by EUR 1.84 million.

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Management Report (continued)

Total provisions on slow-moving inventory (compared to the volume at the end of the previous financial year) increased by EUR 1.84 million.

The Group manages financial risks, including market, credit, liquidity, and cash flow risks, by implementing a structured risk management policy. Various financial instruments are utilized to mitigate foreign currency risk. Credit risk management involves assessing the financial condition of both new and existing clients and adjusting contract terms according to the associated risks. In liquidity management, the Group maintains sufficient cash reserves, including a credit line, to meet potential obligations. The approach to cash flow risk includes careful planning and forecasting to ensure sustainable development and stability.

The Group ended the financial year 2023/2024 with losses of EUR 2.37 million (the Parent Company – with losses of EUR 1.34 million, respectively). The result of the Group's activities for the previous financial year was a profit of EUR 3.53 million (EUR 3.12 million for the Parent Company, respectively).

Research and development

The foundation of the Group's long-term growth and success is its ability to ensure continuous product innovation. During the reporting period, the development and enhancement of the microwave wireless data transmission product line continued. Solutions were found to improve product functionality and quality, as well as to reduce production costs. The Group continued to design and develop the Aranet functionality within the IoT environmental monitoring solution, as well as kept working on the development of the Aranet Cloud service. Aranet is an industrial-grade wireless environmental monitoring solution that allows taking measurements of various environmental parameters over a wide area, including monitoring of temperature, humidity, and CO2.

Frameworks have been established for the launch of new products, as well as for the improvement and refurbishment of existing ones. Technologically, SAF Tehnika products are interconnected. The development and existence of such products provides a wider range of the Group's offerings. During the reporting period, the Group's product development projects received co-financing in the amount of EUR 359 thousand from the Latvian electrical and optical equipment industry competence center "LEO Pētījumu centrs" SIA.

Future prospects

SAF Tehnika JSC has extensive experience and knowledge in the design and production of microwave transmission equipment. The Group is capable of providing high-quality products for a broad market, as well as developing specialized niche solutions. The Group's goal is to continue developing next-generation data transmission equipment while maintaining a focus on the quality development of microwave transmission products and exploring new, innovative applications in this field. It is planned to continue to offer not only standardized solutions, but also products tailored to specific needs. The goal is to stabilize the revenue level, ensuring a positive net result in the long term.

The Group's management assesses the loss situation for the reporting year as temporary. The net cash flow from the core operations of both the Group and the Parent Company was positive during the reporting year. The Group will continue its chosen strategy of developing competitive wireless data transmission products and solutions for new export markets, focusing on strategic market niches in terms of both products and regions.

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

The Group views projections for future operational periods positively; however, it remains cautious, and the Board of the Parent Company refrains from making any statements about future sales and financial results.

Subsequent events

Between the last day of the reporting year and the date of signing these financial statements, there have been no events that would significantly affect the financial position of the Group and/or the Parent Company as of June 30, 2024, or the financial results and cash flows for the relevant reporting year.

Board's proposal for the allocation of profit

The Board of the Parent Company proposes to cover the losses from the reporting year with profits from previous years.

The Corporate Governance Report for 2023/2024 has also been submitted to Nasdaq Riga AS together with these separate and consolidated Financial Statements 2023/2024 by SAF Tehnika JSC.

On behalf of the Board
/signed with an electronic signature/

Normunds Bergs

Chairman of the Board

STATEMENT OF THE BOARD’S RESPONSIBILITY

The Board of SAF Tehnika JSC is responsible for preparing separate and consolidated annual reports of SAF Tehnika JSC.

The separate and consolidated annual reports set out on pages 6 to 38 and are prepared in accordance with the source documents and present true and fair view of the financial position of SAF Tehnika JSC (Parent company) and SAF Tehnika JSC and its subsidiaries (the Group) as at 30 June 2024 and their results of financial performance and cash flows for the year ended on 30 June 2024.

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

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

On behalf of the Board,

/digitally signed/

Normunds Bergs
Chairman of the Board

Statement of financial position

	Note	Group As at 30 June 2024 EUR	Group As at 30 June 2023 EUR	Parent company As at 30 June 2024 EUR	Parent company As at 30 June 2023 EUR
ASSETS					
Long-term investments					
Property, plant and equipment	6	2 994 039	2 870 045	2 930 021	2 844 855
Intangible assets	6	515 475	514 431	513 696	514 431
Right-to-use assets	6	1 588 701	1 976 768	1 551 032	1 890 175
Investments in subsidiaries	7	-	-	53 905	53 905
Long-term loans		7 588	-	7 588	-
Investments in other companies	7	209 328	209 328	209 328	209 328
Deferred tax asset		164 819	137 237	-	-
Total long-term investments		**5 479 950**	**5 707 809**	**5 265 570**	**5 512 694**
Current assets					
Inventories	8	12 793 405	17 455 447	11 844 475	16 897 971
Trade receivables	9	1 499 811	1 289 346	573 872	596 340
Due from related parties	9, 27	-	-	742 646	63 805
Other debtors	10	674 395	339 040	674 317	338 952
Corporate income tax		119 836	16 160	-	-
Deferred expenses		244 110	235 603	155 320	136 503
Cash and cash equivalents	11	2 213 197	3 464 439	1 486 672	1 538 058
Total current assets		**17 544 754**	**22 800 035**	**15 477 302**	**19 571 629**
Total assets		**23 024 704**	**28 507 844**	**20 742 872**	**25 084 323**
EQUITY AND LIABILITIES					
EQUITY					
Share capital	12	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		38 567	76 791	-	-
Retained earnings		9 378 876	11 748 240	8 966 078	10 305 359
Total shareholders' equity		**16 435 951**	**18 843 539**	**15 984 586**	**17 323 867**
LIABILITIES					
Long-term liabilities					
Lease liabilities	14	1 332 122	1 665 029	1 329 115	1 623 885
Contract liabilities	15	748 524	712 952	6 767	11 291
Total long-term liabilities		**2 080 646**	**2 377 981**	**1 335 882**	**1 635 176**
Current liabilities					
Trade and other payables	13	2 879 995	4 601 401	2 352 639	3 778 326
Contract liabilities	15	1 226 438	1 088 325	228 141	703 699
Short-term loans	16	25 939	1 207 973	18 657	1 207 973
Due to related parties	27	-	-	483 824	96 139
Lease liabilities	14	375 735	388 625	339 143	339 143
Total current liabilities		**4 508 107**	**7 286 324**	**3 422 404**	**6 125 280**
Total liabilities		**6 588 753**	**9 664 305**	**4 758 286**	**7 760 456**
Total equity and liabilities		**23 024 704**	**28 507 844**	**20 742 872**	**25 084 323**

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

On behalf of the Board,

/digitally signed/

Normunds Bergs
Chairman of the Board

/digitally signed/

Dace Langada
Chief accountant

Statement of profit or loss and other comprehensive income

	Note	Group For the year ended 30 June 2024 EUR	Group For the year ended 30 June 2023 EUR	Parent company For the year ended 30 June 2024 EUR	Parent company For the year ended 30 June 2023 EUR
Revenue from contracts with customers	17	27 092 552	37 263 890	23 258 653	32 040 313
Cost of goods sold	18	(19 559 896)	(22 323 838)	(19 460 915)	(21 531 985)
Gross profit		**7 532 656**	**14 940 052**	**3 797 738**	**10 508 328**
Sales and marketing expenses	19	(7 842 282)	(7 864 063)	(4 332 725)	(4 149 351)
Administrative expenses	20	(2 909 361)	(3 185 917)	(2 528 157)	(2 780 803)
Profit/(loss) from operating activities		**(3 218 987)**	**3 890 072**	**(3 063 144)**	**3 578 174**
Other income	21	919 264	257 382	1 807 995	202 387
Financial income	22	65 099	2 503	66 175	-
Financial expenses	23	(154 964)	(128 416)	(150 307)	(158 226)
Profit/ (loss) before tax		**(2 389 588)**	**4 021 541**	**(1 339 281)**	**3 622 335**
Corporate income tax		20 224	(486 816)	-	(504 931)
Profit/ (loss) of the reporting year	17	**(2 369 364)**	**3 534 725**	**(1 339 281)**	**3 117 404**
Other comprehensive income/ (loss)					
Other comprehensive income that will be reclassified subsequently to profit or loss:					
Foreign operations - currency translation differences		(38 224)	(69 014)	-	-
Total comprehensive income/ (loss)		**(2 407 588)**	**3 465 711**	**(1 339 281)**	**3 117 404**
Basic and diluted profit/ (loss) per share (EUR per share):	25	(0.798)	1.190	(0.451)	1.050

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On behalf of the Board,

/digitally signed/

Normunds Bergs
Chairman of the Board

/digitally signed/

Dace Langada
Chief accountant

Statement of changes in the shareholders’ equity - the Group

	Share capital	Share premium	Other reserves	Foreign currency translation reserve	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Balance as at 30 June 2022	**4 158 252**	**2 851 726**	**8 530**	**145 805**	**10 233 237**	**17 397 550**
Transactions with shareholders recognized in the equity	**-**	**-**	**-**	**-**	**(2 019 722)**	**(2 019 722)**
Dividends	-	-	-	-	(2 019 722)	(2 019 722)
Total comprehensive income	**-**	**-**	**-**	**(69 014)**	**3 534 725**	**3 465 711**
Profit for the reporting year	**-**	**-**	**-**	-	3 534 725	3 534 725
Other comprehensive income	**-**	-	-	(69 014)	-	(69 014)
Balance as at 30 June 2023	**4 158 252**	**2 851 726**	**8 530**	**76 791**	**11 748 240**	**18 843 539**
Balance as at 1 July 2023	**4 158 252**	**2 851 726**	**8 530**	**76 791**	**11 748 240**	**18 843 539**
Total comprehensive loss	**-**	**-**	**-**	**(38 224)**	**(2 369 364)**	**(2 407 588)**
Loss for the reporting year	**-**	**-**	**-**	-	(2 369 364)	(2 369 364)
Other comprehensive loss	**-**	-	-	(38 224)	-	(38 224)
Balance as at 30 June 2024	**4 158 252**	**2 851 726**	**8 530**	**38 567**	**9 378 876**	**16 435 951**

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 2022	**4 158 252**	**2 851 726**	**8 530**	**9 207 677**	**16 226 185**
Transactions with shareholders recognized in the equity	**-**	**-**	**-**	**(2 019 722)**	**(2 019 722)**
Dividends	-	-	-	(2 019 722)	(2 019 722)
Total comprehensive income	**-**	**-**	**-**	**3 117 404**	**3 117 404**
Profit for the reporting year	**-**	**-**	**-**	3 117 404	3 117 404
Balance as at 30 June 2023	**4 158 252**	**2 851 726**	**8 530**	**10 305 359**	**17 323 867**
Balance as at 1 July 2023	**4 158 252**	**2 851 726**	**8 530**	**10 305 359**	**17 323 867**
Total comprehensive loss	**-**	**-**	**-**	**(1 339 281)**	**(1 339 281)**
Loss for the reporting year	**-**	**-**	**-**	(1 339 281)	(1 339 281)
Balance as at 30 June 2024	**4 158 252**	**2 851 726**	**8 530**	**8 966 078**	**15 984 586**

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

On behalf of the Board,

/digitally signed/

Normunds Bergs
Chairman of the Board

/digitally signed/

Dace Langada
Chief accountant

Statement of cash flows

		Group For the year ended 30 June		Parent company For the year ended 30 June	
	Note	2024 EUR	2023 EUR *Restated**	2024 EUR	2023 EUR *Restated**
Cash flows from operating activities					
Profit/(loss) before taxes		(2 389 588)	4 021 541	(1 339 281)	3 622 335
Adjustments for:					
- depreciation of fixed assets	6	965 226	637 953	934 661	615 956
- amortization of intangible assets	6	188 701	153 671	188 623	153 671
- amortization of right-to-use assets	6	388 855	390 508	339 143	339 143
- change in valuation allowance for inventories	8	1 842 772	2 195 025	1 842 772	2 195 025
- change in provisions for guarantees	13	-	10 022	-	10 022
- change in provisions for unused vacations	13	(70 016)	140 428	(104 117)	82 023
- change in provision for expected credit losses	9	(1 668)	(3 826)	(4 902)	4 937
- interest income	22	(19 570)	(2 503)	-	-
- interest expenses	23	154 964	107 728	150 307	102 916
- cash exchange rate fluctuations		(32 470)	136 979	(4 446)	63 310
- government grants	21	(869 761)	(196 842)	(869 761)	(196 842)
- dividends received		-	-	(922 509)	-
- gain on disposal of fixed assets		(5 810)	(158 056)	(6 788)	(158 056)
Operating profit before changes in working capital		**151 635**	**7 432 628**	**203 702**	**6 834 440**
(Increase)/ decrease in inventories		2 819 270	(3 315 486)	3 210 724	(3 038 479)
(Increase)/ decrease in receivables		(42 085)	1 973 010	(495 079)	702 602
Decrease in payables		(1 476 108)	(1 695 447)	(1 413 966)	(574 784)
Cash generated by/(used in) operating activities		**1 452 712**	**4 394 705**	**1 505 381**	**3 923 779**
Government grants	21	359 187	35 556	359 187	35 556
Corporate income tax paid		(106 267)	(458 323)	-	(504 931)
Net cash from operating activities		**1 705 632**	**3 971 938**	**1 864 568**	**3 454 404**
Cash flows from investing activities					
Acquisition of property, plant and equipment	6	(1 093 257)	(1 503 819)	(1 022 949)	(1 486 210)
Proceeds from sale of property, plant and equipment		11 384	163 469	11 384	163 321
Acquisition of intangible assets	6	(191 218)	(259 991)	(189 362)	(259 990)
Acquisition of investment in other companies	7	-	(202 182)	-	(202 182)
Investments in subsidiaries	7	-	-	-	(21 012)
Dividends received		-	-	922 509	-
Loans issued		(7 588)	-	(7 588)	-
Interest received		19 772	2 411	-	-
Net cash used in investing activities		**(1 260 907)**	**(1 800 112)**	**(286 006)**	**(1 806 073)**
Cash flows from financing activities					
Loans received/ (repaid)	16	(1 182 034)	1 207 973	(1 189 316)	1 207 973
Payment of principal amount of lease liabilities	14	(347 160)	(344 746)	(294 771)	(294 771)
Interest paid	23	(154 964)	(107 728)	(150 307)	(102 916)
Dividends paid		-	(2 019 722)	-	(2 019 722)
Net cash used in financing activities		**(1 684 158)**	**(1 264 223)**	**(1 634 394)**	**(1 209 436)**
Net change in cash and cash equivalents		**(1 239 433)**	**907 603**	**(55 832)**	**438 895**
Cash and cash equivalents at the beginning of the year		3 464 439	2 781 167	1 538 058	1 162 474
Effect of movements in exchange rates on cash held		(11 809)	(224 331)	4 446	(63 311)
Cash and cash equivalents at the end of the year	11	**2 213 197**	**3 464 439**	**1 486 672**	**1 538 058**

**See information in note 30 on retrospective restatement due to correction of error.*

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

On behalf of the Board,

/digitally signed/

Normunds Bergs
Chairman of the Board

/digitally signed/

Dace Langada
Chief accountant

Notes to the financial statements

1. General information

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

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

Promotion of the Parent company’s products and services, marketing, market research, attraction of new clients and technical support in North America is provided by a 100% owned subsidiary “SAF North America” LLC, which is registered in the USA and operates in Aurora, Colorado. In the East Asia and Oceania region these activities are provided by 100% owned subsidiary company "SAF Tehnika Asia" Pte. Ltd registered in Singapore.

These separate financial statements of A/S “SAF Tehnika” and consolidated financial statements of A/S “SAF Tehnika” and its subsidiaries (together – the Group) (hereinafter – financial statements) were approved by the Parent company's Board on 30 October 2024. The financial statements will be presented for approval to the shareholders’ meeting. The shareholders have the power to reject the financial statements prepared and issued by management and the right to request that new financial statements are issued. Dace Langada, the Chief Accountant of A/S “SAF Tehnika”, is responsible for the accounting.

The auditor of the Group is SIA “Potapoviča un Andersone”, License of commercial company of sworn auditors 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 principles have been applied consistently to all the years presented, unless otherwise stated.

Starting from July 1, 2023, the Group (Parent Company) has adopted an accounting policy for the disclosure of information (amendments to IAS 1 and IFRS Practice Statement No. 2). The amendments specify that "material" rather than "significant" accounting policies should be disclosed. While the amendments did not result in any changes to the accounting policies themselves, they did affect the information on accounting policies disclosed in Note 2 (for more details, see Note 3).

A Accounting principles

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union (EU). The financial statements have been prepared under the historical cost convention, except for investments in equity instruments that are measured at fair value. The financial statements have been prepared based on the going concern assumption. The financial statements are presented in euros (EUR). The financial statements cover the period from 1 July 2023 to 30 June 2024.

B Consolidation

(a) Subsidiaries

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

Subsidiaries controlled by the Parent company:

Name	Country of residence	Share-holding	Equity of subsidiaries		Profit/ (loss) of subsidiaries	
			30.06.2024 EUR	30.06.2023 EUR	2023/2024 EUR	2022/2023 EUR
„SAF North America” LLC	United States of America	100%	475 956	1 552 521	(115 413)	401 349
SAF Tehnika Asia Pte. Ltd. (founded 03.11.2022.)	Singapore	100%	29 286	21 038	7 893	674

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

Notes to the financial statements (continued)
2. Summary of applied key accounting principles (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".

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.

	30.06.2024	**30.06.2023**
1 USD	1.07050	1.08660
1 GBP	0.84638	0.85828
1 CHF	0.96340	0.97880
1 SGD	1.45130	1.47320

(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 the average exchange rate of the relevant foreign currency for the reporting year; and

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

E Property, plant and equipment

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

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

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

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

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

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 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.

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

H 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 17.

I 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.

J 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 and labour as well as allocated production overhead costs.

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

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

K Financial Instruments

Classification of financial assets

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.

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 2023 and 30 June 2024, the Group’s (the Parent company’s) financial assets measured at amortized cost comprise: trade receivables and cash and cash equivalents.

Financial assets designated at fair value through profit or loss (equity instruments)

Upon initial recognition, the Group (the Parent company) can elect to classify irrevocably its equity investments as equity instruments designated at fair value through profit or loss when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Loans

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

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.

L 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.

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

M Corporate income tax
Corporate income tax for the reporting period is included in the financial statements based on the management's calculations prepared in accordance with requirements of tax legislation of each company of the Group. With respect to the Group's parent company in Latvia, corporate income tax is calculated on distributed profit (20/80 of the net amount payable to shareholders) as well as on conditionally distributed profit (20/80 of the calculated taxable base). Corporate tax on distributed profit is recognized when the Company's shareholders approve the distribution of profit.

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

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

N Employee benefits and vacation reserve

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

O Revenue recognition

The Group (Parent company) is a designer, manufacturer and distributor of digital microwave transmission equipment providing alternative to cable channels. The Group provides products to mobile network operators, information service providers (such as internet service providers and telecommunication companies), public institutions and private businesses. The Group operates in two separate segments: (1) operations with products developed and manufactured 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.

Notes to the financial statements (continued)

2. Summary of accounting principles used (continued)

O Revenue recognition (continued)

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.)

P 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 mostly range from 2 to 7 years for offices and warehouse but there may also be lease agreements concluded for a shorter term, for example 1 year.

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

The Group (the Parent company) 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.

R Payment of dividends

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

S Financial income and expenses

Financial income and expenses comprise interest payable on borrowings 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.

Notes to the financial statements (continued)

3. New and changed standards and interpretations

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

The Group (the Parent company) has applied the following new and amended standards and interpretations effective for annual periods beginning on or after January 1, 2023.

Amendments to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting policies (effective for annual periods beginning on or after 1 January 2023). IAS 1 was amended to require companies to disclose their material accounting policy information rather than their significant accounting policies. The amendment provided the definition of material accounting policy information. The amendment also clarified that accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. The amendment provided illustrative examples of accounting policy information that is likely to be considered material to the entity's financial statements. Further, the amendment to IAS 1 clarified that immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information. To support this amendment, IFRS Practice Statement 2, 'Making Materiality Judgements' was also amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

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

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

New accounting pronouncements entering into force on or after 1 January 2024

The International Accounting Standards Board (IASB) and IFRS Interpretations Committee (IFRIC) have issued the following standards, amendments to standards and interpretations that apply in or after 1 January 2024. The Group (the Parent company) has not applied the following amendments in the financial statements before.

Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (effective for annual periods beginning on or after 1 January 2024). The amendments relate to the sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to subsequently measure liabilities arising from the transaction and in a way that it does not recognise any gain or loss related to the right of use that it retained. This means deferral of such a gain even if the obligation is to make variable payments that do not depend on an index or a rate.

Classification of liabilities as current or non-current – Amendments to IAS 1 (effective for annual periods beginning on or after 1 January 2024). These amendments clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Liabilities are non-current if the entity has a substantive right, at the end of the reporting period, to defer settlement for at least twelve months. The guidance no longer requires such a right to be unconditional. The October 2022 amendment established that loan covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Management's expectations whether they will subsequently exercise the right to defer settlement do not affect classification of liabilities. A liability is classified as current if a condition is breached at or before the reporting date even if a waiver of that condition is obtained from the lender after the end of the reporting period. Conversely, a loan is classified as non-current if a loan covenant is breached only after the reporting date. In addition, the amendments include clarifying the classification requirements for debt a company might settle by converting it into equity. "Settlement" is defined as the extinguishment of a liability with cash, other resources embodying economic benefits or an entity's own equity instruments. There is an exception for convertible instruments that might be converted into equity, but only for those instruments where the conversion option is classified as an equity instrument as a separate component of a compound financial instrument.

Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (effective for annual periods beginning on or after 1 January 2024, not yet endorsed by the EU). In response to concerns of the users of financial statements about inadequate or misleading disclosure of financing arrangements, in May 2023 the IASB issued amendments to IAS 7 and IFRS 7 to require disclosure about entity's supplier finance arrangements (SFAs). These amendments require the disclosures of the entity's supplier finance arrangements that would enable the users of financial statements to assess the effects of those arrangements on the entity's liabilities and cash flows and on the entity's exposure to liquidity risk. The purpose of the additional disclosure requirements is to enhance the transparency of the supplier finance arrangements. The amendments do not affect recognition or measurement principles but only disclosure requirements. The new disclosure requirements will be effective for the annual reporting periods beginning on or after 1 January 2024.

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

New IFRS 18 Presentation and Disclosure in Financial Statements. IFRS 18 will replace IAS 1 Presentation of Financial Statements and applies for annual reporting periods beginning on or after 1 January 2027. This standard has not yet been endorsed in EU.

Notes to the financial statements (continued)
3. New and changed standards and interpretations (continued)

New accounting pronouncements entering into force on or after 1 January 2024 (continued)

The new standard introduces the following key new requirements.
- Entities are required to classify all income and expenses into five categories in the statements of profit or loss, namely the operating, investing, financing, discontinued operations and income tax categories. Entities are also required to present a newly-defined operating profit subtotal. Entities' net profit will not change.
- Management-defined performance measures (MPMs) are disclosed in a single note in the financial statements.
- Enhanced guidance is provided on how to group information in the financial statements.

In addition, all entities are required to use the operating profit subtotal as the starting point for the statement of cash flows when presenting operating cash flows under indirect method.

The Group and the Parent company are still in the process of assessing the impact of the new standard, particularly to the structure of the statement of profit or loss, the statement of cash flows and the additional disclosures required for MPMs. The Group and the Parent company is also assessing the impact on how information is grouped in the financial statements, including for items currently labelled as “other”. At the time of signing the report, there are no other new or amended standards or their interpretations that would have a significant impact on the Group or the Parent company.

4. 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 2024 and 30 June 2023 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 2024:

Group	**EUR**	**USD**	**Other currencies**	**Total**
Financial assets				
Trade receivables, gross	454 273	1 060 848	648	1 515 769
Cash and cash equivalents	1 022 828	1 111 811	78 558	2 213 197
Total	**1 477 101**	**2 172 659**	**79 206**	**3 728 966**
Financial liabilities				
Liabilities	(438 139)	(303 864)	(4 566)	(746 569)
Loans	(18 657)	(7 282)	-	(25 939)
Total	**(456 796)**	**(311 146)**	**(4 566)**	**(772 508)**
Net open positions	**1 020 305**	**1 861 513**	**74 640**	**2 956 458**

Parent company	**EUR**	**USD**	**Other currencies**	**Total**
Financial assets				
Trade receivables, gross	471 547	807 053	39 003	1 317 603
Cash and cash equivalents	1 008 096	402 454	76 122	1 486 672
Total	**1 479 643**	**1 209 507**	**115 125**	**2 804 275**
Financial liabilities				
Liabilities	(438 139)	(213 042)	(2 451)	(653 632)
Loans	(18 657)	-	-	(18 657)
Total	**(456 796)**	**(213 042)**	**(2 451)**	**(672 289)**
Net open positions	**1 022 847**	**996 465**	**112 674**	**2 131 986**

Notes to the financial statements (continued)

4. Financial risk management (continued)

(1) Financial risk factors (continued)

(a) Foreign currency risk (continued)

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

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

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

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**	
	2023/2024	**2022/2023**	**2023/2024**	**2022/2023**
	EUR	**EUR**	**EUR**	**EUR**
-10%	186 151	307 600	99 856	58 018
- 5%	93 076	153 800	49 928	29 009
+5%	(93 076)	(153 800)	(49 928)	(29 009)
+10%	(186 151)	(307 600)	(99 856)	(58 018)

Notes to the financial statements (continued)

4. Financial risk management (continued)

(1) Financial risk factors (continued)

(b) Credit risk

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

As at 30 June 2024, the Group's largest customer's receivable balance accounted for approximately 26% of the total carrying amount of trade receivables, and the sales revenue from this largest customer (located in the United States) accounted for approximately 13% of the Group's revenues (at 30 June 2023: 37% and for 2022/2023 – 14%, respectively), as well as another receivable balance accounted for 10% of total trade receivables. In 2023/2024 income from the above-mentioned largest clients in the US 100% applies to CFIP, Integra, Spectrum Compact, Aranet segment (2022/2023 - 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 2024 included three trade receivables with the balance above 10% of the total of trade receivables, including receivables from related companies (30.06.2023: three debts). In the reporting year, the Parent company generated approximately 49% of the revenues from sales to subsidiary in the United States (2022/2023 - 53%). In 2023/2024 as well as in 2022/2023 income from sales to the US subsidiary relate to the CFIP, Integra, Spectrum Compact, Aranet segment in the amount of 95% and the other segment 5%.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from the default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group's maximum credit risk exposure as at 30.06.2024 amounts to EUR 5 133 083 or 22.29% of total assets (30.06.2023.: EUR 691 153 or 19.96% of total assets), and Parent company's maximum credit risk exposure as at 30.06.2024 amounts to – EUR 3 903 548 or 18.82% of total assets (30.06.2023: EUR 2 936 892 or 11.71% of total assets. For more information on the Group's and Parent company's exposure to credit risk please also refer to Note 9.

(c) Liquidity risk

The Group follows a prudent liquidity risk management and hence maintain a sufficient quantity of liquid funds. The Group's current liquidity ratio (ratio between the current assets and total liabilities) is 2.66 (30.06.2023: 2.36), quick liquidity ratio (ratio between the current assets less inventory and total liabilities) is: 0.72 (30.06.2023: 0.55), and Parent company's current liquidity ratio is 3.25 (30.06.2023: 2.51), quick liquidity ratio is: 0.77 (30.06.2023: 0.33).

The Group's management monitors liquidity reserves for the operational forecasting, based on estimated cash flows. Most of the Group's liabilities are short term. Management believes that the Group will have sufficient liquidity to be generated from operating activities and does not see significant exposure to liquidity risk. For more information on the Group's and Parent company's exposure to liquidity risk, refer to Note 13, Note 15 and Note 16.

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

Group 30/06/2024	**Up to 3 months EUR**	**3 to 12 months EUR**	**2-5 years EUR**	**Total EUR**	**Balance sheet value EUR**
Lease liabilities	97 342	292 027	1 664 827	2 054 196	1 707 857
Loans	25 939	-	-	25 939	25 939
Trade payables, other liabilities, accruals	2 228 147	651 848	-	2 879 995	2 879 995
Total	**2 351 428**	**943 875**	**1 664 827**	**4 960 130**	**4 613 791**
30/06/2023					
Lease liabilities	100 400	301 201	1 874 636	2 276 237	2 053 654
Loans	1 218 597	-	-	1 218 597	1 207 973
Trade payables, other liabilities, accruals	3 948 608	652 793	-	4 601 401	4 601 401
Total	**5 267 605**	**953 994**	**1 874 636**	**8 096 235**	**7 863 028**

Notes to the financial statements (continued)

4. Financial risk management (continued)

(1) Financial risk factors (continued)

(c) Liquidity risk (continued)

Parent company 30/06/2024	**Up to 3 months EUR**	**3 to 12 months EUR**	**2-5 years EUR**	**Total EUR**	**Balance sheet value EUR**
Lease liabilities	84 786	254 357	1 627 158	1 966 301	1 668 258
Loans	18 657	-	-	18 657	18 657
Trade payables, other liabilities, accruals	1 803 200	549 439	-	2 352 639	2 352 639
Total					
30/06/2023					
Lease liabilities	88 030	264 089	1 788 043	2 140 162	1 963 028
Loans	1 218 597	-	-	1 218 597	1 207 973
Trade payables, other liabilities, accruals	3 183 937	594 389	-	3 778 326	3 778 326
Total	**4 490 564**	**858 478**	**1 788 043**	**7 137 085**	**6 949 327**

(d) Interest rate risk

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

(e) Geopolitical risk

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

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

(2) Fair value

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

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 (Parent Company) holds three investments in equity instruments that are valued at fair value at 30 June 2024 and 30 June 2023. These investments in unlisted equity instruments correspond to the third level of the valuation hierarchy. In regards to these investments, management has used estimates of the respective companies' net asset values to determine their fair value.

Notes to the financial statements (continued)

4. Financial risk management (continued)

(2) Fair value (continued)

The Group's and Parent company's financial assets and liabilities (trade receivables, other receivables, other financial assets, trade and other payables, lease liabilities and other financial liabilities) correspond to Level 3, except for cash and cash equivalents, which correspond to Level 2. These Group's financial assets and liabilities, except lease liabilities, generally have a maturity of up to six months, therefore the Group believes that the fair value of these financial assets and liabilities corresponds to their initial nominal value and carrying amount at any subsequent date. The majority of the lease liability in the previous year (2022/2023) were calculated at amortized cost as a result of lease modifications using a revised discount rate equal to the market interest rate for similar borrowings. During the reporting year, the 3-month Euribor interest rates have increased insignificantly, and after the end of the reporting year, they have decreased, the Group believes that the accounting value of lease liabilities is also approximately similar to their fair value on 30 June 2024, taking into account the remaining amount of lease liabilities.

(3) Management of the capital structure

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

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

	Group		Parent company	
	30/06/2024 EUR	**30/06/2023 EUR**	**30/06/2024 EUR**	**30/06/2023 EUR**
Liabilities	6 588 753	9 664 305	4 758 286	7 760 456
Cash and cash equivalents	(2 213 197)	(3 464 439)	(1 486 672)	(1 538 058)
Net debt/(assets)	**4 375 556**	**6 199 866**	**3 271 614**	**6 222 398**
Shareholders' equity	**16 435 951**	**18 843 539**	**15 984 586**	**17 323 867**
Debt to equity ratio	40%	51%	30%	45%
Net debt/(net asset) to equity ratio	27%	33%	20%	36%

The ratios characterizing the capital management at the Group level have improved in the reporting year, with a decrease in the total amount of liabilities which significantly exceeds the reduction in equity capital due to losses incurred during the reporting year.

5. Key estimates and accounting assumptions

The management of the Group and the Parent company 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 war in Ukraine did not have a material adverse effect on the Group's and Parent company's operations and financial results, given the specifics of the products produced by the Group. The Group's operations were not significantly disrupted and management does not anticipate any significant disruptions in the future, that could affect the going concern of the Group and the asset valuation.

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

When the events and circumstances indicate a potential impairment, the Group and the Parent company 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 war in Ukraine, management has not identified any circumstances that could indicate that the Group's and the Parent company's long-term non-financial assets could be impaired. See also Note 2 G.

The management of the Group and the Parent company considers the loss situation for the reporting year being transitory, and the net operating cash flow of both the Group's and the Parent company during the reporting year has been positive. 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.

Notes to the financial statements (continued)

5. Key estimates and accounting assumptions (continued)

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 2 E and Note 2 F.

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 number of receivables, management applies estimates as explained in Note 2 K.

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 J.

Notes to the financial statements (continued)

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

Group	Software and licenses	Leasehold Improve-ments	Technological equipment and devices	Other PPE	Under construc-tion	Right-to-use assets (premises)	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Reporting year ended 30 June 2023							
Opening balance	411 679	253 332	1 219 613	303 348	230 647	2 371 668	4 790 287
Acquisitions at cost	259 991	810 156	671 329	153 303	(130 969)	-	1 763 810
Disposals at net book value	(3 566)	-	(1 543)	(696)	-	-	(5 805)
Result of fluctuations in the foreign exchange rates	(2)	-	(258)	(264)	-	(4 392)	(4 916)
Depreciation and amortisation charge for the period	(153 671)	(63 746)	(474 203)	(100 004)	-	(390 508)	(1 182 132)
Closing balance	**514 431**	**999 742**	**1 414 938**	**355 687**	**99 678**	**1 976 768**	**5 361 244**
Reporting year ended 30 June 2024							
Opening balance	514 431	999 742	1 414 938	355 687	99 678	1 976 768	5 361 244
Acquisitions at cost	191 218	271 760	608 982	291 907	(79 392)	-	1 284 475
Disposals at net book value	(1 474)	-	(3 650)	(440)	-	-	(5 564)
Result of fluctuations in the foreign exchange rates	1	-	128	(75)	-	788	842
Depreciation and amortisation charge for the period	(188 701)	(199 346)	(620 839)	(145 041)	-	(388 855)	(1 542 782)
Closing balance	**515 475**	**1 072 156**	**1 399 559**	**502 038**	**20 286**	**1 588 701**	**5 098 215**
As at 30 June 2023:							
Historical cost	1 324 594	2 180 824	5 137 983	1 047 884	99 678	3 432 661	13 223 624
Accumulated depreciation and amortisation	(810 163)	(1 181 082)	(3 723 045)	(692 197)	-	(1 455 893)	(7 862 380)
Carrying amount	**514 431**	**999 742**	**1 414 938**	**355 687**	**99 678**	**1 976 768**	**5 361 244**
As at 30 June 2024:							
Historical cost	1 498 261	2 452 585	5 672 788	1 260 866	20 286	3 436 481	14 341 267
Accumulated depreciation and amortisation	(982 786)	(1 380 429)	(4 273 229)	(758 828)	-	(1 847 780)	(9 243 052)
Carrying amount	**515 475**	**1 072 156**	**1 399 559**	**502 038**	**20 286**	**1 588 701**	**5 098 215**

Historical cost of disposals for the reporting year ended 30 June 2024 is EUR 175 356 and disposed accumulated depreciation is EUR 169 782 (2022/2023: EUR 802 409 and EUR 796 604, respectively).

Depreciation and amortization expenses are included in the following items of the Group's consolidated profit or loss statement:

Group	01.07.2023-30.06.2024 EUR	01.07.2022-30.06.2023 EUR
Cost of sales (Note 18)	750 919	687 052
Sales and marketing costs (Note 19)	403 661	279 319
Administrative expenses (Note 20)	388 202	215 761
incl. in the line item Other administrative expenses	*8 493*	*6 967*
	1 542 782	**1 182 132**

Cost of short-term lease in the amount of EUR 41 535 is included in the statement of profit or loss within A*dministrative expenses* (statement of profit and loss within *Cost of goods sold 2022*/2023: EUR 36 087).

The acquisition costs of fully depreciated fixed assets that are still in use at the reporting date amounted to EUR 5 276 013 (30.06.2023.: EUR 4 959 433).

Notes to the financial statements (continued)

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

Parent company	Software and licenses	Leasehold improvements	Technological equipment and devices	Other fixed assets	Under construction	Right-to-use assets (premises)	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Reporting year ended 30 June 2023							
Opening balance	411 678	253 332	1 201 802	290 911	230 647	2 229 318	4 617 688
Acquisitions at cost	259 990	810 157	659 582	147 440	(130 969)	-	1 746 200
Disposals at net book value	(3 566)	-	(1 543)	(548)	-	-	(5 657)
Depreciation and amortisation charge for the period	(153 671)	(63 747)	(459 575)	(92 634)	-	(339 143)	(1 108 770)
Closing balance	**514 431**	**999 742**	**1 400 266**	**345 169**	**99 678**	**1 890 175**	**5 249 461**
Reporting year ended 30 June 2024							
Opening balance	514 431	999 742	1 400 266	345 169	99 678	1 890 175	5 249 461
Acquisitions at cost	189 362	271 760	601 867	228 714	(79 392)	-	1 212 311
Disposals at net book value	(1 474)	-	(2 682)	(440)	-	-	(4 596)
Depreciation and amortisation charge for the period	(188 623)	(199 346)	(607 973)	(127 342)	-	(339 143)	(1 462 427)
Closing balance	**513 696**	**1 072 156**	**1 391 478**	**446 101**	**20 286**	**1 551 032**	**4 994 749**
As at 30 June 2023:							
Historical cost	1 321 771	2 180 825	5 048 775	977 097	99 678	3 178 630	12 806 776
Accumulated depreciation and amortisation	(807 340)	(1 181 083)	(3 648 509)	(631 928)	-	(1 288 455)	(7 557 315)
Carrying amount	**514 431**	**999 742**	**1 400 266**	**345 169**	**99 678**	**1 890 175**	**5 249 461**
As at 30 June 2024:							
Historical cost	1 493 665	2 452 585	5 584 324	1 127 408	20 286	3 178 630	13 856 898
Accumulated depreciation and amortisation	(979 969)	(1 380 429)	(4 192 846)	(681 307)	-	(1 627 598)	(8 862 149)
Carrying amount	**513 696**	**1 072 156**	**1 391 478**	**446 101**	**20 286**	**1 551 032**	**4 994 749**

Historical cost of disposals for the reporting year ended 30 June 2024 is EUR 162 189 and disposed accumulated depreciation is EUR 157 593 (2022/2023: EUR 798 455 and EUR 792 798, accordingly).

Depreciation and amortization expenses are included in the following items of the Parent company's consolidated profit or loss statement:

Parent company	**01.07.2023-30.06.2024 EUR**	**01.07.2022-30.06.2023 EUR**
Cost of sales (Note 18)	750 919	687 052
Sales and marketing costs (Note 19)	323 306	205 957
Administrative expenses (Note 20)	388 202	215 761
incl. in the item *Other administrative expenses*	*8 493*	*6 967*
	1 462 427	**1 108 770**

Cost of short-term lease in the amount of EUR 41 535 is included in the statement of profit or loss within *Administrative expenses* (statement of profit and loss within *Cost of goods sold* 2022/2023: EUR 36 087).

The acquisition costs of fully depreciated fixed assets that are still in use at the reporting date amounted to EUR 5 139 648 (30.06.2023.: EUR 4 844 820).

Notes to the financial statements (continued)

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

In the Statement of financial position of the Parent Company, the following investments in subsidiary companies are presented:

Name	**Investment in equity %**		**Carrying value of the investment**	
	30/06/2024	**30/06/2023**	**30/06/2024**	**30/06/2023**
Subsidiaries:	**%**	**%**	**EUR**	**EUR**
„SAF North America” LLC	100	100	32 893	32 893
SAF Tehnika Asia Pte. Ltd.	100	100	21 012	21 012
Investments in subsidiaries			**53 905**	**53 905**

„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 2024 the equity of the subsidiary amounted to EUR 475 956 (30.06.2023.: EUR 1 552 521). Dividends of 983 thousand EUR were paid in 2024. 100% participation ensures absolute control of the subsidiary's assets and liabilities.

At the end of 2022 the Parent company's subsidiary SAF Tehnika Asia Pte.Ltd started its operations in Singapore. The purpose of its creation was to provide promotion, marketing, market research, attraction of new customers and technical support for the products and services offered by the Group in the Asia region. On 30 June 2024, the equity of the subsidiary was EUR 29 286 (30.06.2023: EUR 21 038). 100% participation ensures absolute control over the assets and liabilities of the subsidiary.

The Group (Parent Company) also has investments in other companies that do not reach 20% share in their capital:

	Investment in equity	**Carrying value of the investment**	**Fair value of the investment**	
	30/06/2024	**30/06/2023**	**30/06/2024**	**30/06/2023**
Other investments:	**%**	**%**	**EUR**	**EUR**
„LEITC” SIA	17.98	17.98	6 435	6 435
„LEO Pētījumu centrs” SIA	15.57	15.57	995	995
TRYM Inc.	< 3%	< 3%	201 898	201 898
Investments in other companies			**209 328**	**209 328**

The mission of “LEITC” SIA 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 todays 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.

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

8. Inventories

	Group		**Parent company**	
	30/06/2024 EUR	**30/06/2023 EUR**	**30/06/2024 EUR**	**30/06/2023 EUR**
Raw materials	3 860 762	6 517 219	3 860 762	6 517 219
Work in progress	2 553 325	2 984 021	2 553 325	2 984 021
Finished goods	6 379 318	7 954 207	5 430 388	7 396 731
	12 793 405	**17 455 447**	**11 844 475**	**16 897 971**

Notes to the financial statements (continued)

8. Inventories (continued)

In order to value inventories at the lower of cost and net realizable value, the Group and Parent company makes provisions for impairment of inventories and the movement in provisions has been as follows:

	Group		Parent company	
	01.07.2023-30.06.2024 EUR	**01.07.2022-30.06.2023 EUR**	**01.07.2023-30.06.2024 EUR**	**01.07.2022-30.06.2023 EUR**
At the beginning of the reporting year	3 255 541	1 060 516	3 255 541	1 060 516
Increase in provisions	1 842 772	2 195 025	1 842 772	2 195 025
At the end of the reporting year	**5 098 313**	**3 255 541**	**5 098 313**	**3 255 541**

Expenses for the increase in provisions are included in the Statement of profit and loss item "Cost of goods sold," within the cost of purchases and subcontractor services (Note 18).

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 2024 the value of equipment sent due to the above reasons amounted to EUR 527 276 (30.06.2023.: EUR 400 384) for Group and EUR 205 898 (30.06.2023.: EUR 187 171) for Parent company.

Work in Progress and *Finished goods* include production overhead costs (salary expenses and social insurance of production units' employees, depreciation and amortization, amortization of right-to-use assets, expenses of equipment, lease, service and other costs of production process) in amount of EUR 664 939 (30.06.2023.: EUR 537 683).

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. Although the market situation with the times of production and supply of materials has stabilised Group stocks still contain inventories of raw materials purchased in increased quantities due to a difficult supply situation in the previous few years. Also, some suppliers tend to stop producing components, so raw materials are purchased by reserve in order to continue to provide competitive and sales forecast related production timelines.

9. Trade receivables

	Group		Parent company	
	30/06/2024 EUR	**30/06/2023 EUR**	**30/06/2024 EUR**	**30/06/2023 EUR**
Receivables from related companies	-	-	742 646	63 805
Trade receivables	1 515 769	1 306 972	574 957	602 327
Allowances for expected credit losses	(15 958)	(17 626)	(1 085)	(5 987)
Total trade receivables	**1 499 811**	**1 289 346**	**1 316 518**	**660 145**

Trade receivables are not secured with collateral.

Ageing analysis of trade receivables

Group	**30/06/2024 Gross EUR**	**30/06/2024 Allowance EUR**	**30/06/2023 Gross EUR**	**30/06/2023 Allowance EUR**
Not overdue	1 206 526	-	1 013 839	-
Overdue by 1 – 90 days	308 158	(14 873)	282 343	(6 836)
Overdue by 90 and more days	1 085	(1 085)	10 790	(10 790)
Total trade receivables	**1 515 769**	**(15 958)**	**1 306 972**	**(17 626)**

Parent company	**30/06/2024 Gross EUR**	**30/06/2024 Allowance EUR**	**30/06/2023 Gross EUR**	**30/06/2023 Allowance EUR**
Not overdue	1 213 025	-	492 049	-
Overdue by 1 – 90 days	103 493	-	174 083	(5 987)
Overdue by 90 and more days	1 085	(1 085)	-	-
Total trade receivables	**1 317 603**	**(1 085)**	**666 132**	**(5 987)**

Notes to the financial statements (continued)

9. Trade receivables (continued)

Movement in allowance for expected credit losses from trade receivables:

	Group EUR	Parent company EUR
As at 30 June 2022	**21 451**	**1 050**
Additional allowances for expected credit losses	67 725	6 232
Written-off	(71 725)	(1 295)
Debts recovered	175	-
As at 30 June 2023	**17 626**	**5 987**
Additional allowances for expected credit losses	104 453	69 986
Written-off	(94 807)	(64 474)
Debts recovered	(11 314)	(10 414)
As at 30 June 2024	**15 958**	**1 085**

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	**30/06/2024 EUR**	**30/06/2024 %**	**30/06/2023 EUR**	**30/06/2023 %**
USD	1 060 849	69.99	856 676	65.55
EUR	454 272	29.97	439 407	33.62
GBP	303	0.02	394	0.03
SGD	345	0.02	10 495	0.80
Total trade receivables, gross	**1 515 769**	**100%**	**1 306 972**	**100%**

Parent company	**30/06/2024 EUR**	**30/06/2024 %**	**30/06/2023 EUR**	**30/06/2023 %**
USD	809 149	61.41	174 916	26 26
EUR	469 451	35.63	478 604	71.85
GBP	303	0.02	394	0.06
SGD	38 700	2.94	12 218	1.83
Total trade receivables, gross	**1 317 603**	**100%**	**666 132**	**100%**

10. Other receivables

	Group		**Parent company**	
	30/06/2024 EUR	**30/06/2023 EUR**	**30/06/2024 EUR**	**30/06/2023 EUR**
Government grants*	518 485	43 464	518 485	43 464
Overpaid value added tax	40 305	48 965	40 305	48 965
Advance payments to suppliers	86 103	201 372	86 103	201 372
Other receivables	29 502	45 239	29 424	45 151
	674 395	**339 040**	**674 317**	**338 952**

* 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 456 796 were received after the end of the financial year.

As part of the contract concluded between JSC "SAF Tehnika" and "LEO Pētījumu centrs" SIA, the cooperation project "Competence center for the Latvian electrical and optical equipment manufacturing industry" has been implemented since April 2019. For the implementation of this project, "LEO Pētījumu centrs" SIA has entered into a contract with the "Central Finance and Contracting Agency" to secure funding from the European Regional Development Fund. Within the framework of the above-mentioned project, JSC "SAF Tehnika" implements individual research for the development of new products. For the implementation of the project, within the framework of this activity, the costs for the salaries of the employees involved in the project and other costs related to the implementation of the project were co-financed. The co-financing received relates to related costs recognized in the Statement of profit and loss and the Statement of other comprehensive income and was therefore recognized as revenue to offset the costs incurred.

Notes to the financial statements (continued)

11. Cash and cash equivalents

	Group		Parent company	
	30/06/2024 EUR	**30/06/2023 EUR**	**30/06/2024 EUR**	**30/06/2023 EUR**
Cash in banks	2 213 197	3 464 439	1 486 672	1 538 058
	2 213 197	**3 464 439**	**1 486 672**	**1 538 058**

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

Group	**30/06/2024 EUR**	**30/06/2024 %**	**30/06/2023 EUR**	**30/06/2023 %**
USD	1 108 582	50.09	3 151 035	90.95
EUR	1 022 828	46.21	297 225	8.58
GBP	76 122	3.44	3 910	0.11
CAD	3 228	0.15	-	-
SGD	2 437	0.11	12 269	0.36
Cash and cash equivalents	**2 213 197**	**100%**	**3 464 439**	**100%**

Parent company	**30/06/2024 EUR**	**30/06/2024 %**	**30/06/2023 EUR**	**30/06/2023 %**
USD	402 454	27.07	1 275 308	82.92
EUR	1 008 096	67.81	258 840	16.83
GBP	76 122	5.12	3 910	0.25
Cash and cash equivalents	**1 486 672**	**100%**	**1 538 058**	**100%**

Breakdown of cash and cash equivalents by bank

	Moody's credit rating (short-term/ long-term)	**Group**		**Parent company**	
		30/06/2024 EUR	**30/06/2023 EUR**	**30/06/2024 EUR**	**30/06/2023 EUR**
Swedbank AS	P-1 / Aa3	323 891	124 500	323 891	124 500
LUMINOR Bank AS	P-2 / A3	927 677	1 191 650	927 677	1 191 650
SEB Banka AS	P-1 / Aa2	86 031	67 267	86 031	67 267
US Bank	P-1 / A2	688 237	1 863 325	-	-
OCBC bank	P-1 / Aa1	38 288	24 670	-	-
Other banks	n/a	149 073	193 027	149 073	154 641
		2 213 197	**3 464 439**	**1 486 672**	**1 538 058**

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 2024 and up to the date of these financial statements.

12. Share capital, shareholders and dividends

As at 30 June 2024, the registered and paid-up share capital of the Parent company is EUR 4 158 252 (30.06.2023.: EUR 4 158 252) and consists of 2 970 180 ordinary bearer shares (30.06.2023.: 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, %**	
	30/06/2024	**30/06/2023**
Didzis Liepkalns	17.05%	17.05%
Koka Zirgs SIA	11.59%*	11.59%
Andrejs Grišāns	10.03%*	10.03%
Normunds Bergs	9.74%	9.74%
Juris Ziema	8.71%	8.71%
Other shareholders	42.88%	42.88%

*After the end of the reporting year, Koka Zirgs SIA increased its shareholding to 19.74% and Andrejs Grišāns - decreased to 1.95%.

In the reporting year dividends were not declared (01.07.2022-30.06.2023 – EUR 2 019 722 or EUR 0.68 per 1 share).

Notes to the financial statements (continued)

13. Payables, provisions and other liabilities

	Group		Parent company	
	30/06/2024 EUR	**30/06/2023 EUR**	**30/06/2024 EUR**	**30/06/2023 EUR**
Trade accounts payable	746 569	1 688 586	653 632	1 626 918
Trade and other payables	**746 569**	**1 688 586**	**653 632**	**1 626 918**
Accrued liabilities for unused vacations	774 920	835 033	672 511	776 628
Accrued liability for premiums	334 387	929 377	169 609	388 358
Salary	480 546	501 787	397 743	416 224
Other taxes	425 312	374 761	369 665	325 381
Provisions for guarantees	55 658	55 658	55 658	55 658
Other liabilities	62 603	216 199	33 821	189 159
Other short-term liabilities	**2 133 426**	**2 912 815**	**1 699 007**	**2 151 408**
Total	**2 879 995**	**4 601 401**	**2 352 639**	**3 778 326**

During the reporting period the decrease in accrued liabilities for unused vacation pay included in the Statement of profit and loss of the Group amounted to EUR 60 113 (2022/2023: increase of EUR 140 428). For Parent company- respectively decrease EUR 104 117 (2022/2023: increase EUR 82 023).

Movement in provisions:	Group		Parent company	
	Warranties EUR	**Total EUR**	**Warranties EUR**	**Total EUR**
Balance at 30.06.2022	**45 636**	**45 636**	**45 636**	**45 636**
Provisions made	10 022	10 022	10 022	10 022
Balance at 30.06.2023	**55 658**	**55 658**	**55 658**	**55 658**
Provisions made	-	-	-	-
Balance at 30.06.2024	**55 658**	**55 658**	**55 658**	**55 658**

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

Group	**30/06/2024 EUR**	**30/06/2024 %**	**30/06/2023 EUR**	**30/06/2023 %**
USD	303 865	40.70	931 712	55.18
EUR	438 139	58.69	756 510	44.80
GBP	4	0.00	362	0.02
CHF	2 446	0.33	-	-
SGD	2 115	0.28	2	0.00
Trade and other payables	**746 569**	**100%**	**1 688 586**	**100%**

Parent company	**30/06/2024 EUR**	**30/06/2024 %**	**30/06/2023 EUR**	**30/06/2023 %**
USD	213 043	32.59	870 046	53.48
EUR	438 139	67.03	756 510	46.50
GBP	4	0.00	362	0.02
CHF	2 446	0.38	-	-
Trade and other payables	**653 632**	**100%**	**1 626 918**	**100%**

14. Lease liabilities

	Group		Parent company	
	01.07.2023-30.06.2024 EUR	**01.07.2022-30.06.2023 EUR**	**01.07.2023-30.06.2024 EUR**	**01.07.2022-30.06.2023 EUR**
At the beginning of the year	**2 053 654**	**2 404 885**	**1 963 028**	**2 257 799**
incl. long term	*1 665 029*	*2 013 978*	*1 623 885*	*1 918 656*
short term	*388 625*	*390 907*	*339 143*	*339 143*
Interest expense on lease liabilities	62 005	62 160	57 348	57 348
Interest payments	(62 005)	(62 160)	(57 348)	(57 348)
Lease payments	(347 160)	(344 746)	(294 770)	(294 771)
Increase in lease liabilities	-	-	-	-
Fluctuations in foreign exchange rates	1 363	(6 485)	-	-
At the end of the year	**1 707 857**	**2 053 654**	**1 668 258**	**1 963 028**
incl. long term	*1 332 122*	*1 665 029*	*1 329 115*	*1 623 885*
short term	*375 735*	*388 625*	*339 143*	*339 143*

Notes to the financial statements (continued)

15. 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	
	30/06/2024 EUR	30/06/2023 EUR	30/06/2024 EUR	30/06/2023 EUR
Advances from customers	759 290	667 082	142 290	518 995
Advances from related companies	-	-	-	134 921
Extended warranties	1 215 672	1 134 195	92 618	61 074
Total	**1 974 962**	**1 801 277**	**234 908**	**714 990**
incl. long term liabilities	*748 524*	*712 952*	*6 767*	*11 291*
short term liabilities	*1 226 438*	*1 088 325*	*228 141*	*703 699*

Movement of contract liabilities:	Group		Parent company	
	01.07.2023-30.06.2024 EUR	01.07.2022-30.06.2023 EUR	01.07.2023-30.06.2024 EUR	01.07.2022-30.06.2023 EUR
At the beginning of the year	1 801 277	2 667 901	714 990	945 857
Received during the year	12 081 140	18 470 131	4 642 622	13 178 381
Recognised in revenue	(11 923 099)	(19 412 667)	(5 122 704)	(13 409 248)
Foreign exchange differences	15 644	75 912	-	-
At the end of the year	**1 974 962**	**1 801 277**	**234 908**	**714 990**

16. Loans

	Group		Parent company	
	30/06/2024 EUR	30/06/2023 EUR	30/06/2024 EUR	30/06/2023 EUR
Loans from credit institutions	-	1 207 973	-	1 207 973
Loans from credit institutions- outstanding balance of the company's credit card limit	25 939	-	18 657	-
Total	**25 939**	**1 207 973**	**18 657**	**1 207 973**

On August 10, 2022, in order to ensure liquidity, the Parent company of the Group concluded a credit line agreement with AS Luminor Bank with a total limit of EUR 4 950 000. The annual interest rate 3-month Euribor plus the added rate is applied to the credit line. The initial repayment period was set until 30 August 2024. After the end of the reporting year, the repayment term of the credit line was extended until 29 November 2024. As a collateral is pledged the property of the Parent company as a community of things and its future components, as well as all existing and future claims (rights of claim) against all debtors, regardless of the basis of their origin, with all rights belonging to these claims. The maximum claim amount is EUR 6 435 000.

17. Segment information and revenue

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

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

  CFIP product line is represented by:
  - Phoenix, a split mount (IDU+ODU) PhoeniX hybrid radio system with Gigabit Ethernet and E1 or ASI interfaces;
  - Lumina, Full Outdoor all-in-one radio with Gigabit Ethernet traffic interface;
  - Marathon, FIDU low frequency low-capacity system for industrial applications, energy companies and rural telecom use.

  All CFIP radios are offered in most widely used frequency bands from 1.4GHz to 38 GHz, thus enabling the use of CFIP radios all across the globe.
  Integra – a next generation radio system employing latest modem technology on the market as well as radio technology with a frequency from 6GHz to 86 GHz. Some Integra models provide a data transmission speed of up to 10 Gbs.
  Spectrum Compact – it is a measurement tool for field engineers for telecom, broadcasting and other industries using radio technologies. It comprises of a number of units covering several frequency bands and proving various functionality.

Notes to the financial statements (continued)

17. Segment information and revenue (continued)

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

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

	CFIP, Integra, Spectrum Compact, Aranet		**Other**		**Total**	
Group	**2023/2024 EUR**	**2022/2023 EUR**	**2023/2024 EUR**	**2022/2023 EUR**	**2023/2024 EUR**	**2022/2023 EUR**
Segment assets	13 445 322	21 550 175	1 966 406	1 629 292	15 411 728	23 179 467
Unallocated assets					7 612 976	5 328 377
Total assets					**23 024 704**	**28 507 844**
Segment liabilities	2 094 293	3 023 755	34 500	75 981	2 128 793	3 099 736
Unallocated liabilities					4 459 960	6 564 569
Total liabilities					**6 588 753**	**9 664 305**
Revenue	25 097 488	35 459 480	1 995 064	1 804 410	27 092 552	37 263 890
Segment result	**4 681 332**	**12 094 969**	**2 851 324**	**2 845 083**	**7 532 656**	**14 940 052**
Unallocated expenses					(10 751 643)	(11 049 980)
Profit/ (loss) from operating activities					**(3 218 987)**	**3 890 072**
Other income					919 264	257 382
Financial income					65 099	2 503
Financial expenses					(154 964)	(128 416)
Profit/ (loss) before taxes					**(2 389 588)**	**4 021 541**
Corporate income tax					20 224	(486 816)
Profit/ (loss) after tax					**(2 369 364)**	**3 534 725**
Foreign currency fluctuations					(38 224)	(69 014)
Profit/ (loss) of the reporting year					**(2 407 588)**	**3 465 711**

Other information of segment:

	CFIP, Integra, Spectrum Compact, Aranet		**Other**		**Total**	
Group	**2023/2024 EUR**	**2022/2023 EUR**	**2023/2024 EUR**	**2022/2023 EUR**	**2023/2024 EUR**	**2022/2023 EUR**
Additions of fixed and intangible assets	268 371	314 884	-	-	268 371	314 884
Unallocated additions of fixed and intangible assets incl. initial recognition of leasehold rights					1 016 104	1 448 926
Total additions of fixed and intangible assets and leasehold rights recognized					**1 284 475**	**1 763 810**
Depreciation and amortization	750 919	687 052	-	-	750 919	687 052
Unallocated depreciation and amortization					791 868	495 080
Total depreciation and amortisation					**1 542 787**	**1 182 132**

Notes to the financial statements (continued)

17. Segment information and revenue (continued)

	CFIP, Integra, Spectrum Compact, Aranet		Other		Total	
Parent company	**2023/2024 EUR**	**2022/2023 EUR**	**2023/2024 EUR**	**2022/2023 EUR**	**2023/2024 EUR**	**2022/2023 EUR**
Segment assets	13 134 074	20 803 627	1 056 640	1 073 812	14 190 714	21 877 439
Unallocated assets					6 552 158	3 206 884
Total assets					**20 742 872**	**25 084 323**
Segment liabilities	1 851 372	3 037 825	51 307	83 214	1 902 679	3 121 039
Unallocated liabilities					2 855 607	4 639 417
Total liabilities					**4 758 286**	**7 760 456**
Revenue	21 439 697	30 775 913	1 818 956	1 264 400	23 258 653	32 040 313
Segment result	**2 497 618**	**9 544 227**	**1 300 120**	**964 101**	**3 797 738**	**10 508 328**
Unallocated expenses					(6 860 882)	(6 930 154)
Profit/ (loss) from operating activities					**(3 063 144)**	**3 578 174**
Other income					1 807 995	202 387
Financial income					66 174	-
Financial expenses					(150 307)	(158 226)
Profit/ (loss) before taxes					**(1 339 282)**	**3 622 335**
Corporate income tax					-	(504 931)
Profit/ (loss) of the reporting year					**(1 339 282)**	**3 117 404**

Other information of segment:

	CFIP, Integra, Spectrum Compact, Aranet		Other		Total	
Parent company	**2023/2024 EUR**	**2022/2023 EUR**	**2023/2024 EUR**	**2022/2023 EUR**	**2023/2024 EUR**	**2022/2023 EUR**
Additions of fixed and intangible assets	268 371	314 884	-	-	268 371	314 884
Unallocated additions of fixed and intangible assets incl. initial recognition of leasehold rights					943 941	1 431 316
Total additions of fixed and intangible assets and leasehold rights recognized					**1 212 312**	**1 746 200**
Depreciation and amortization	750 919	687 052	-	-	750 919	687 052
Unallocated depreciation and amortization					711 508	421 718
Total depreciation and amortisation					**1 462 427**	**1 108 770**

As at 30.06.2024. PPE, intangible assets and right of use assets located in Latvia with the total balance sheet value in the amount of EUR 4 994 749 (30.06.2023. – EUR 5 249 461) make up 98% (30.06.2023. – 98%) of the Group's total assets. The rest of these assets are located in the United States.

Notes to the financial statements (continued)

17. Segment information and revenue (continued)

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 4 (1b). All revenue is derived from the contracts with customers.

	Revenue		**Assets**	
Group	**2023/ 2024**	**2022/ 2023**	**2023/ 2024**	**2022/ 2023**
	EUR	**EUR**	**EUR**	**EUR**
Latvia	939 913	340 675	10 987	1 287
Other regions:				
North and South America	16 603 697	26 750 640	1 045 976	850 342
Europe (excluding Latvia), CIS	7 676 442	7 713 648	330 239	366 590
Asia, Africa, Middle East	1 872 500	2 458 927	123 596	71 127
	27 092 552	**37 263 890**	**1 510 798**	**1 289 346**
Unallocated assets	**-**	**-**	21 513 906	27 218 498
	27 092 552	**37 263 890**	**23 024 704**	**28 507 844**

	Revenue		**Assets**	
Parent company	**2023/ 2024**	**2022/ 2023**	**2023/ 2024**	**2022/ 2023**
	EUR	**EUR**	**EUR**	**EUR**
Latvia	939 913	340 675	10 987	1 287
Other regions:				
North and South America	12 771 053	21 527 063	788 049	167 831
Europe (excluding Latvia), CIS	7 676 442	7 713 648	319 252	366 590
Asia, Africa, Middle East	1 871 245	2 458 927	198 230	124 437
	23 258 653	**32 040 313**	**1 316 518**	**660 145**
Unallocated assets	-	-	19 426 354	24 424 178
	23 258 653	**32 040 313**	**20 742 872**	**25 084 323**

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

Group:

	CFIP, Integra, Spectrum Compact, Aranet		**Other**		**Total**	
	2023/2024	**2022/ 2023**	**2023/2024**	**2022/ 2023**	**2023/2024**	**2022/ 2023**
Region	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
North and South America	15 721 135	24 767 354	1 021 906	1 983 286	16 743 041	26 750 640
Europe (including Latvia), CIS	7 665 404	7 580 370	850 773	473 953	8 516 177	8 054 323
Asia, Africa, Middle East	1 590 791	2 160 466	242 543	298 461	1 833 334	2 458 927
	24 977 330	**34 508 190**	**2 115 222**	**2 755 700**	**27 092 552**	**37 263 890**

Parent company:

	CFIP, Integra, Spectrum Compact, Aranet		**Other**		**Total**	
	2023/2024	**2022/ 2023**	**2023/2024**	**2022/ 2023**	**2023/2024**	**2022/ 2023**
Region	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**	**EUR**
North and South America	12 184 758	19 543 777	725 639	1 983 286	12 910 397	21 527 063
Europe (including Latvia), CIS	7 665 404	7 580 370	850 773	473 953	8 516 177	8 054 323
Asia, Africa, Middle East	1 589 536	2 160 466	242 543	298 461	1 832 079	2 458 927
	21 439 698	**29 284 613**	**1 818 955**	**2 755 700**	**23 258 653**	**32 040 313**

Notes to the financial statements (continued)

18. Cost of goods sold

	Group		Parent company	
	01.07.2023-30.06.2024 EUR	**01.07.2022-30.06.2023 EUR**	**01.07.2023-30.06.2024 EUR**	**01.07.2022-30.06.2023 EUR**
Purchases of components and subcontractors' services	13 473 216	15 165 370	13 374 642	14 373 518
Salary expenses*	3 912 559	4 737 210	3 912 559	4 737 210
Social insurance expenses*	915 996	1 104 941	915 996	1 104 941
Depreciation and amortization (See Note 6)	750 919	687 052	750 919	687 052
Public utilities	224 449	288 577	224 449	288 577
Transportation	36 189	39 736	36 189	39 736
Business trip expenses	298	3 625	298	3 625
Communication expenses	21 378	15 176	21 378	15 176
Low value articles	6 523	6 060	6 523	6 060
Other production costs	218 369	276 091	217 962	276 090
	19 559 896	**22 323 838**	**19 460 915**	**21 531 985**

** Including accrued liabilities for unused vacations.*

Research and development related expenses of EUR 3 035 167 (2022/ 2023: EUR 3 532 831) are included in the statement of profit or loss within Purchases of components and subcontractors' services.

19. Sales and marketing expenses

	Group		Parent company	
	01.07.2023-30.06.2024 EUR	**01.07.2022-30.06.2023 EUR**	**01.07.2023-30.06.2024 EUR**	**01.07.2022-30.06.2023 EUR**
Salary expenses *	4 676 488	4 975 764	2 400 149	2 322 571
Delivery costs	653 065	669 421	429 274	418 508
Social insurance expenses *	701 951	702 346	554 976	534 149
Advertisement and marketing expenses	643 521	572 293	332 458	338 916
Depreciation and amortization (See Note 6)	403 661	279 319	323 306	205 957
Business trip expenses	322 458	408 342	143 531	188 971
Other selling and distribution costs	441 138	256 578	149 031	140 279
	7 842 282	**7 864 063**	**4 332 725**	**4 149 351**

** Including accrued liabilities for unused vacations.*

20. Administrative expenses

	Group		Parent company	
	01.07.2023-30.06.2024 EUR	**01.07.2022-30.06.2023 EUR**	**01.07.2023-30.06.2024 EUR**	**01.07.2022-30.06.2023 EUR**
Salary expenses*	1 026 238	1 394 673	1 026 238	1 394 673
Social insurance expenses*	243 764	330 668	243 764	330 668
Depreciation and amortization (See Note 6)	379 709	208 794	379 709	208 794
Insurance	268 391	267 265	60 434	57 939
Bank fees	101 462	126 133	63 719	65 113
Public utilities	120 533	94 198	120 533	94 198
Training	47 205	73 282	33 308	62 441
IT services	146 843	81 019	146 843	81 019
Rent of premises	41 535	36 087	41 535	36 087
Representation expenses	35 538	33 492	21 810	11 585
Sponsorship	5 698	33 106	2 000	26 896
Office maintenance	8 658	11 622	8 658	11 622
Business trip expenses	7 807	1 470	7 807	1 470
Communication expenses	6 617	5 981	6 617	5 981
Allowances for doubtful trade receivables	62 632	4 771	59 604	12 934
Other administrative expenses**	406 731	483 356	305 578	379 383
	2 909 361	**3 185 917**	**2 528 157**	**2 780 803**

** Including accrued liabilities for unused vacations.*

Notes to the financial statements (continued)

20. Administrative expenses (continued)

** Other administration costs include remuneration to the certified auditor company for the audit of the annual report in the amount of EUR 14 500 (2022/2023 - EUR 12 900). The certified audit company has not provided other services to the Group and the Parent Company.

21. Other income

	Group		Parent company	
	01.07.2023-30.06.2024 EUR	01.07.2022-30.06.2023 EUR	01.07.2023-30.06.2024 EUR	01.07.2022-30.06.2023 EUR
Government grants*	869 761	196 842	869 761	196 842
Other income	49 503	60 540	15 725	5 545
Income from dividend payments	-	-	922 509	-
	919 264	**257 382**	**1 807 995**	**202 387**

* Government grants are received from LIAA and LETERA, and they relate to development project realized in cooperation with “LEO Pētījumu centrs” SIA. During the reporting year the Group (Parent company) has received a government grant of EUR 359 187 (2022/ 2023: EUR 35 556). Government grants that are approved by the end of the reporting year, but not yet received, are included in Other receivables (see Note 10).

22. Financial income

	Group		Parent company	
	01.07.2023-30.06.2024 EUR	01.07.2022-30.06.2023 EUR	01.07.2023-30.06.2024 EUR	01.07.2022-30.06.2023 EUR
Interest income, calculated using the effective interest method	19 570	2 503	-	-
Net foreign exchange gain	45 529	-	66 175	-
	65 099	**2 503**	**66 175**	**-**

23. Financial expenses

	Group		Parent company	
	01.07.2023-30.06.2024 EUR	01.07.2022-30.06.2023 EUR	01.07.2023-30.06.2024 EUR	01.07.2022-30.06.2023 EUR
Interest expenses on credit line, calculated using the effective interest method	92 959	45 568	92 959	45 568
Interest expenses on lease liabilities, calculated using the effective interest method	62 005	62 160	57 348	57 348
Net foreign exchange loss	-	20 688	-	55 310
	154 964	**128 416**	**150 307**	**158 226**

24. Corporate income tax

	Group		Parent company	
	01.07.2023-30.06.2024 EUR	01.07.2022-30.06.2023 EUR	01.07.2023-30.06.2024 EUR	01.07.2022-30.06.2023 EUR
Corporate income tax for reporting period	5 031	624 053	-	504 931
Increase in deferred tax asset	(25 255)	(137 237)	-	-
Tax expense/ (credit), net	**(20 224)**	**486 816**	**-**	**504 931**

Notes to the financial statements (continued)

25. Earnings per share

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

	Group		Parent company	
	01.07.2023-30.06.2024 EUR	**01.07.2022-30.06.2023 EUR**	**01.07.2023-30.06.2024 EUR**	**01.07.2022-30.06.2023 EUR**
Profit/ (loss) of the reporting year (a)	(2 369 364)	3 534 725	(1 339 281)	3 117 404
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/ (loss) per share for the reporting year (a / b)	**(0.798)**	**1.190**	**(0.451)**	**1.050**

26. The management and management remuneration

Council of the Parent company

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

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

Juris Ziema – Chairman of the Council (own 8.71% or 258 762 shares)
Andrejs Grišāns – Deputy chairman of the Council (own 10.03%* or 297 888 shares)
Ivars Šenbergs – Member of the Council (own 0.00% or 2 shares)
Aira Loite – Member of the Council (own 0.27% or 8 000 shares)
Sanda Šalma – Member of the Council (owns no shares)
**After the end of the reporting year, the shareholding decreased to 1.95%.*

Board of the Parent company

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

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

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

Management remuneration

	Group		Parent company	
	01.07.2023-30.06.2024 EUR	**01.07.2022-30.06.2023 EUR**	**01.07.2023-30.06.2024 EUR**	**01.07.2022-30.06.2023 EUR**
Remuneration of the Board members:				
· salary	563 041	759 775	212 843	275 715
· social insurance contributions	66 050	80 423	50 319	65 087
Remuneration of the Council members:				
· salary	158 247	220 755	158 247	220 755
· social insurance contributions	36 297	50 371	36 297	50 371
Total	**823 635**	**1 111 324**	**457 706**	**611 928**

Notes to the financial statements (continued)

27. Related party transactions

Parent company	Transactions for the year ended 30 June		Balance as at 30 June	
	2024 EUR	2023 EUR	2024 EUR	2023 EUR
Sale of goods and services				
Subsidiaries	10 810 385	17 138 810	742 646	63 805
Purchase of goods and services				
Subsidiaries	704 563	365 458	483 824	231 060

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

28. Personnel costs

	Group		Parent company	
	01.07.2023-30.06.2024 EUR	01.07.2022-30.06.2023 EUR	01.07.2023-30.06.2024 EUR	01.07.2022-30.06.2023 EUR
Remuneration to staff	9 615 285	11 107 647	7 338 946	8 454 454
Social insurance contributions	1 861 711	2 137 955	1 714 736	1 969 757
Total	**11 476 996**	**13 245 602**	**9 053 682**	**10 424 211**

29. Average number of employees

	Group		Parent company	
	01.07.2023-30.06.2024	01.07.2022-30.06.2023	01.07.2023-30.06.2024	01.07.2022-30.06.2023
The average number of employees in the reporting year:	**273**	**265**	**255**	**248**

30. Correction of error

While preparing the financial statements for the year ended June 30, 2024, an error was discovered in the cash flow statement for the year ended June 30, 2023. Within the operating cash flows, a change in inventory valuation adjustment was incorrectly reported as a negative number, whereas it should have been reported as a positive number. This discrepancy accordingly affected the amount of adjustment for the increase of the inventory amount which was directly linked to the inventory valuation change adjustment. As a result of the correction, the net operating cash flow did not change, and the impact of the retrospective restatement on the affected operating cash flow indicators is as follows:

For the year ended 30 June 2023	**Group**		**Parent company**	
	Before restatement EUR	After restatement EUR	Before restatement EUR	After restatement EUR
Operating cash flow				
Changes in inventory valuation adjustment	(2 195 025)	2 195 025	(2 195 025)	2 195 025
Operating profit before changes in operating assets and liabilities	3 042 578	7 432 628	2 444 390	6 834 440
Inventory decrease/(increase)	(7 705 536)	(3 315 486)	(7 428 529)	(3 038 479)

31. Contingent liabilities

As a result of regular operational activity, the Group (Parent company) has issued performance guarantees to third parties in amount of EUR 20 571(30.06.2023: not issued).

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

As at 30 June 2024 the net profit of the Parent company, which arose after 31 December 2017, is EUR 8 966 078. The potential corporate income tax liability that will arise if the entire amount of the above profit is distributed as dividends is EUR 2 241 580 (20/80 of the net amount distributed to shareholders).

Notes to the financial statements (continued)

32. 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 2024 or their performance and cash flows for the year then ended.

On behalf of the Board,

Normunds Bergs	Dace Langada
Chairman of the Board	Chief accountant

The Annual Report is approved in the Board meeting on 30 October 2024 and the Board has authorised the Chairman of the Board to sign it on behalf of the Board.

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

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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 accompanying separate financial statements of AS "SAF Tehnika" ("the Company") and consolidated financial statements of AS "SAF Tehnika" and its subsidiaries (together - "the Group") contained in the digital file: 48510000F6NVA4T63P67-2024-06-30-lv.zip (SHA-256-checksum: 6DCEB8B767B6979AD5E9DC7C0681FF8F2A07DDB2E400F9FE186517C8B8BB6969).

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

- the separate and consolidated statement of financial position as at 30 June 2024,
- 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 financial statements, comprising material accounting policy information and other explanatory information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the separate financial position of the Company and consolidated financial position of the Group as at 30 June 2024, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as adopted by the European Union.

Our opinion is consistent with our additional report to the Council (body equivalent to the Audit Committee) dated 30 October 2024.

Basis for Opinion

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

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

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

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

Key Audit Matters

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

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Key audit matter	*How our audit addressed the key audit matter*
___Valuation of inventory___ Refer to Note 2 "Material accounting policies section J "Inventories" and Note 8 "Inventories" to the financial statements. We focused on this area because inventories represent a significant part of the Company's and Group's assets despite the fact that the volume of inventory at the end of reporting year has significantly decreased as compared to previous year. During the previous two years, the Company and the Group were forced to create reserves of raw materials and finished products in order to be able to successfully fulfil the orders received from customers and to ensure the continuity of production in the conditions of the uncertainty of the raw materials market, which, when sales forecasts were not fulfilled, resulted in a large amount of slow moving inventory. Given these factors as well as the rapid development of the technology industry, the valuation of inventories is of significant importance, including the determination of the obsolescence and net realizable value of inventories, which includes subjective estimates and may have a material effect on the Company's and the Group's financial performance. In accordance with our professional judgment, based on our understanding and accumulated audit experience about the Company's and the Group's inventory valuation processes and internal control procedures, we did not identify inventory valuation as area of a significant risk in our audit. However, the audit of inventory area requires a significant amount of time and resources from the auditors, given its importance and magnitude. Thus, this area is considered a key audit matter. As disclosed in Note 8 to the Financial statements, the balance sheet value of inventories as at 30 June 2024 amount to EUR 11 844 475 (the Company) and EUR 12 793 405 (the Group). As at 30 June 2024 the estimated inventory impairment allowance constituted EUR 5 098 313 with regard to both the Company and the Group which is EUR 1 842 772 more than at the end of the previous year. The process of determining the cost of inventories involves the use of certain management estimates for the allocation of overheads. For each age category of inventories, a provision is made in accordance with the Group's provisioning policy for slow-moving inventories, by grouping the inventories according to the period during which they have not moved, and applying a percentage set by the management to determine the impairment allowance.	Our audit procedures, amidst others, included the following: • we inquired the management of the Company and the Group, the employees in charge, in order to gain an understanding of the policy applied by the Company and the Group for the purchasing of materials, taking into account the significant challenges existing in the global markets of raw materials needed for the production process; • we assessed whether the accounting policies in relation to valuation of inventories comply with IFRS Accounting Standards; • we evaluated the results of operations of the internal control structures in inventory-count performance and other control procedures performed; • we participated in the year end inventory counts, observing the inventory-count procedures and performance and reviewing the results of the inventory-counts; • we tested, on a random selection basis, the adequacy of costing of inventory items; • we performed detailed analytical procedures by reconciling the profit ratios on the sale of goods to the sales policies as developed by the management; • we reviewed the inventory turnover ratios, subsequent usage of inventories after provisions had been recognised, and checked the ageing analysis of inventory and evaluated the adequacy of provisions made against the provisioning policies developed by the management; • we selected, on a random basis, finished goods items and compared their carrying amount with the selling price after the end of the reporting year to determine whether there have been instances where the selling price has been lower than the carrying amount of inventories. • we tested the disclosures in the financial statements in respect of inventory valuation.

Reporting on Other Information

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

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

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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 Accounting Standards 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.

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

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

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

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

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

Based on our agreement we have been engaged by the management of the Group's parent company to conduct a reasonable assurance engagement for the verification of compliance of the Consolidated financial statements for the year ended 30 June 2024 contained in the digital file 48510000F6NVA4T63P67-2024-06-30-lv.zip (SHA-256-checksum: 6DCEB8B767B6979AD5E9DC7C0681FF8F2A07DDB2E400F9FE186517C8B8BB6969) with the applicable requirements of the European Single Electronic Reporting format (thereafter – ESEF).

Description of a subject and applicable criteria

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

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

Responsibilities of management and those charged with governance

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

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

Auditor's responsibility

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

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

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

Quality management requirements

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

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

Summary of the work performed

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

Our procedures include in particular:

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

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

Conclusion

In our opinion, the Single Electronic Reporting Format of the Consolidated financial statements for the year ended 30 June 2024 complies, in all material respects, with the ESEF Regulation.

Appointment

We were first appointed as auditors for the Company's and Group's financial statements for the year ended 30 June 2016. This is the nineth consecutive year of our appointment as auditors. Our appointment for the year ended 30 June 2024 was by resolution of general meeting of shareholders dated 13 December 2023.

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

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

/digitally signed/

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

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