

THEON INTERNATIONAL PLC

**CONSOLIDATED ANNUAL FINANCIAL STATEMENTS FOR THE
YEAR ENDED 31 DECEMBER 2022**

In accordance with IFRS

CONTENTS	Page
1.1 Board of Directors and other Principal Officers	3
1.2 Management report	4
1.3 Declaration by the Board of Directors of the Group for the preparation of the financial statements	10
1.4 Independent Auditor's Report	11
2 Financial Statements	
2.1 Consolidated Statement of Profit or Loss and Other Comprehensive Income	14
2.2 Consolidated Statement of Financial Position	15
2.3 Consolidated Statement of Changes in Equity	17
2.4 Consolidated Cash Flow Statement	18
3 General Information about the Group	19
4 Summary of Main Accounting Policies	
4.1 Basis of preparation of the Financial Statements	20
4.2 New standards, interpretations, revisions and amendments to the existing standards which are in effect and have been adopted by the European Union	21
4.3 New Accounting Standards, Modifications to Standards and Interpretations that will become mandatory in subsequent periods	21
4.4 Group Accounting Policies	22
4.5 Significant accounting estimates and judgements	31
4.6 Financial risk management	32
4.7 Fair value measurement	36
5 Notes to the Financial Statements	
5.1 Turnover	37
5.2 Cost of Goods Sold	37
5.3 Other income	37
5.4 Administrative Expenses	37
5.5 Selling Expenses	37
5.6 Research & Development expenses	37
5.7 Other Expenses and Losses and Impairment of Assets	38
5.8 Other Income and Gains	38
5.9 Financial Expenses/Income	38
5.10 Income Tax charge	38
5.11 Earnings per Share	39
5.12 Tangible Assets	40
5.13 Intangible Assets	41
5.14 Other Long-term Receivables	41
5.15 Deferred Tax Asset	41
5.16 Stocks / Inventories	42
5.17 Financial Assets and Prepayments	42
5.18 Cash and Cash Equivalents	43
5.19 Paid-up capital and Reserves	43
5.20 Provisions for Employee Benefits	43
5.21 Loans	45
5.22 Government Grants	47
5.23 Trade and Other Payables	47
5.24 Tax liabilities	47
5.25 Other Taxes - Duties	47
5.26 Other Liabilities	47
5.27 Contingent Liabilities & Commitments	448
5.28 Operating environment of the Group	48
5.29 Transactions with Related Parties	49
5.30 Shareholders holding more than 5% for the issued share capital of the Group	50
5.31 Participation of Management in the share capital of the Group	50
5.32 Significant agreements with Management	51
5.33 Going Concern	51
5.34 Subsequent Events	51

1.1 BOARD OF DIRECTORS AND OTHER PRINCIPAL OFFICERS

Board of Directors:	Christian Hadjiminias (Managing Director) Petros Christou (Vice President) Stelios Anastasiou
Company Secretary:	Petros Christou
Independent Auditors:	PKF abas limited Certified Public Accountants and Registered Auditors 67 Limassol Avenue Vision Tower 5th Floor 2121 Nicosia, Cyprus
Registered office:	5 Agiou Antoniou Muskita Building 2, 1 st Floor, Office 102 2002 Nicosia Cyprus
Registration number:	HE 424549

1.2 MANAGEMENT REPORT

The Board of Directors presents its report together with the audited consolidated financial statements of the Theon International PLC (hereinafter the “Company”) and its subsidiaries (together with the Company, referred to as the “Group”) for the year ended 31 December 2022.

Principal activity and nature of operations of the Group

The main activities of the Group, that remain unchanged from prior year, is the production and trade of a large range of sensors, and in particular night vision systems, thermal systems (thermal sights) as well as other innovative electro-optical equipment and equipment for application to Defence and Security.

Significant events of the financial year 2022

During the year the Company proceeded to incorporation of 2 subsidiaries in the USA (T Industries Inc) & in Denmark (T Industries DK APS), while it acquired 17% of Greek company “European Sensor Systems S.A.”).

A) On 30 May, the Company filed an investment folder for a total amount of EUR 9,888,591 to obtain financing for eligible investments through the State Supported Loan Facility of the Recovery and Resilience Fund.

B) On 14 June, a joint venture agreement was signed with the German industry giant **HENSOLDT Optronics GmbH**, which gives the group the ability and advantage to produce the night vision and thermal products of both companies in Germany.

With the establishment of the new company, the two partners are strengthening their capabilities in the field of thermal imaging and night vision systems. In particular, new products are to be created on the technological basis of THEON SENSORS' night vision instruments and HENSOLDT Optronics' adaptive night vision attachments.

HENSOLDT THEON NightVision GmbH will be based in Wetzlar, Germany. The two companies will appoint the management of the new company.

The two companies managed to jointly win the largest European tender for night vision binoculars using THEON products, for the German and Belgian armed forces (5,000 for the German and 4,550 for the Belgian). The value of this project is expected to potentially exceed 300 million euros.

With this joint venture agreement, the Group satisfies its strategic desire to enter the field of thermal instruments on platforms (aircraft, ships, etc.) for longer distances. Hensoldt (a company listed on the Frankfurt Stock Exchange, with revenues of 1.5 billion euros in 2021) is extremely strong in this field and stands out for its vast experience.

The two companies are planning to develop new products of this category, taking advantage of the competitive production method and the cutting-edge technology of the Greek Company.

C) On 5 July a deal was signed to supply a total of **20,000 night vision sights** to the **German Army**. The contract was signed at the legendary historic Steigenberger Grand Hotel Petersberg in Bonn and coincided with the 20th anniversary of **OCCAR**, the transnational Organisation for Joint Armament Cooperation. The contract worth tens of millions of euros was signed on the 20th anniversary of **OCCAR**, thus honouring not only the companies involved, but above all our country.

The European intergovernmental Organisation for Joint Armament Cooperation, **OCCAR**, signed an amendment to an existing contract with the consortium **HENSOLDT Optronics GmbH** and **THEON SENSORS** for night vision sights for Belgium and Germany. The contract amendment, amounting to a 3-digit figure in the millions activates the option to

extend the supply to an additional 20,000 **MIKRON** night vision sights to the German Armed Forces, while at the same time accelerating the delivery schedule.

The contract amendment covers several additional improvements to the **MIKRON** sights and changes to the configuration of the system as a result of the operational testing and acceptance phase, which **MIKRON** successfully passed at the end of February 2022.

- D)** On 28 July, Crown Prince Mohammed bin Salman paid an official visit to Greece, where a cooperation agreement was signed between **THEON SENSORS** and the Saudi National Company for Mechanical Systems (NCMS) for the joint manufacture of **Mikron** night vision binoculars.

The two companies have undertaken two initial orders whose value is expected to reach **EUR 80 million** over the next 4 years and with the production of the binoculars starting at the end of 2022.

The Group has already been present in the region for 2 years, through the establishment of a new subsidiary company, THEON SAUDI ARABIA, based in Saudi Arabia, for the promotion, production and development of existing and new night vision products and thermal imaging systems, with an emphasis on the development of larger electro-optical and thermal systems for platforms and vehicles.

Review of current position, future developments and performance of the Group's business activities

2022 was a milestone for our Group since it achieved the highest sales and profitability yet since its incorporation, in what was an intensely competitive environment. Our market share increase was accompanied by an +82.96% growth in sales, a +58.59% increase in EBT and a +59.22% rise in EBITDA.

Our Group continues to place emphasis on foreign markets, aiming to secure even larger shares with innovative products and continuous support to our customers. Foreign markets continue to be a key priority of the Company with domestic sales accounting for just 3.8% of total turnover.

The Group's results are summarized as follows:

	2022	2021	Variation	% Increase / (Decrease)
Turnover	147,386,179	80,557,820	66,828,359	82.96%
Results:				
Gross profit (€)	50,969,847	33,644,741	17,325,106	51.49%
% on Turnover	34.58%	41.80%		
EBITDA	42,472,551	26,696,759	15,775,792	59.09%
% on Turnover	28.82%	33.14%		
Profit before tax	38,560,879	24,314,999	14,245,880	58.59%
Profit after tax	30,596,683	19,063,442	11,533,241	60.50%
Operating Cash Flow	-5,976,039	18,880,027	-24,856,066	-131.65%

Turnover amounted to € 147,386,179 (2021: € 80,557,820), while the net profit for the year, after taxes, amounted to € 30,596,683 (2021: € 19,063,442).

Operating Cash Flow has been affected by the increase in inventory by 17.71 million euros compared to the previous year as well as by the increase in receivables by 55.6 million euros, due to the high increase in sales by 82.96%. It is noted that a significant part of the invoicing was made at the end of the year and their collections were completed in the following financial year.

THEON INTERNATIONAL PLC

The increase in turnover and the implementation of investments amounting to EUR 4 million resulted in an increase in borrowing. The gearing ratio remains low and stood at 14.30% compared to -30.14%.

	2022	2021	Change
Long-term loan and lease obligations	3,661,356	8,355,520	-4,694,164
Short-term loan and lease obligations	31,293,899	9,921,784	21,372,115
Total debt	34,955,255	18,277,304	16,677,951
	-	-	
Less: Cash and cash equivalents	24,035,135	26,096,448	2,061,313
Net debt	10,920,120	-7,819,144	18,739,264
Equity	65,455,603	33,845,212	31,610,391
Total capital employed	76,375,723	26,026,068	50,349,655
Leverage ratio	<u>14.30%</u>	<u>-30.04%</u>	<u>44.34%</u>

Selected Performance, Capital Structure and Liquidity ratios

		2022		2021	
Return on Equity, ROE	= $\frac{\text{Net profit for the year after tax}}{\text{Equity}}$	$\frac{30,596,683}{65,455,603}$	= 0.47	$\frac{19,063,442}{33,845,212}$	= 0.56
Net profit ratio	= $\frac{\text{Earnings before tax, interest \& depreciation}}{\text{Turnover}}$	$\frac{42,472,551}{147,386,179}$	= 0.29	$\frac{12,254,404}{80,557,820}$	= 0.15
Debt ratio	= $\frac{\text{Debt}}{\text{Debt + Equity}}$	$\frac{34,073,669}{99,529,272}$	= 0.34	$\frac{17,180,537}{51,025,749}$	= 0.34
Current ratio	= $\frac{\text{Current assets}}{\text{Short-term liabilities}}$	$\frac{131,094,255}{83,326,088}$	= 1.57	$\frac{60,575,595}{29,194,480}$	= 2.07

The above indicators confirm the robustness of the Group's financials.

Capital Expenses

The Group's total investments amounted to EUR 4,133,264 in the period 1.1.2022 to 31.12.2022, The Group's Management will vigorously continue the investment program in 2023, which has been budgeted at €5,240,000, with an emphasis on the automation of production capacity and new systems - laboratories for the research and development department.

Research and Development

The Group invests significant funds in research and in the development of optical systems with emphasis on new innovative products that ensure a competitive advantage. In 2022, the expenditure of the research and development department amounted to € 1,985,082 compared to € 1,482,444 in the previous year, marking an increase of +33.90% . The increase was accompanied by the hiring of 11 new technicians with high qualification in various fields.

Principal risks and uncertainties

The principal risks and uncertainties faced by the Group are disclosed in notes 4.6 of the consolidated financial statements.

Use of financial instruments by the Group

The Group is exposed to the financial instruments it holds.

Results and Dividends

The Group's results for the year are set out on page 14. Having evaluated the availability of distributable profits as well as the liquidity of the Group, the Board does not recommend the payment of a dividend and the net profit is transferred to reserves.

Projected development

The Group expects the economic environment to improve, which will allow the sector, especially night vision systems, to further recover. This is expected to have a positive impact on the financials of 2023.

More specifically, the Group considers that the anticipated increase in defence and security spending globally, will positively affect the financial results of the Group for 2023 and 2024.

Group management constantly monitors these factors and designs measures to optimise Group performance based on the resultant data.

In 2023 the Group will strive to reinforce its profitability, to enhance the presence of the Group in foreign markets improving its financial performance. The Group's positive credit rating helps build trust with banks and cooperate with suppliers who offer competitive terms, allowing it to implement its business and investment plans without problems.

Share capital

Authorised capital

On 13 September 2021 the authorised and issued share capital of the Company increased by 199.000 ordinary shares of €1 each.

Issued

There were no changes to the issued share capital of the Company during 2022.

Board of Directors

The members of the Group's Board of Directors as at 31 December 2022 and at the date of this report are presented on page 3. All of them were members of the Board of Directors throughout the year ended 31 December 2022.

In accordance with the Company's Articles of Association, all Directors presently members of the Board continue in office.

There were no significant changes in the assignment of responsibilities and remuneration of the Board of Directors.

Events after the reporting date

A) During the International Defence Equipment Expo (IDEX 2023) held in Abu Dhabi on 20-24 February, the Greek company **Theon Sensors S.A.** signed a strategic partnership agreement with the **International Golden Group (IGG)**, a leading defence and construction Company and supplier to the UAE Armed Forces; this is an agreement that made a special impression as it followed similar important agreements signed by giants of the European defence industry for cooperation with the UAE, such as Safran (France) and Escribano (Spain).

The new agreement concerns the Company's most advanced products (with joint participation in their design by the Company's international partners) production of which will begin towards the end of 2023.

This agreement is a continuation of previous agreements and concludes the new phase of the company's relations with the UAE. In order to respond to the new needs of the UAE, but also due to the increased global demand for its products, alongside the construction of a second factory in Koropi, the Group is proceeding with the construction of a new factory in the UAE, specifically in Abu Dhabi, through a joint company with IGG.

B) In February 2023 THEON SENSORS USA Inc. based in the USA, has completed all the required procedures for technology transfer and related trainings in the framework of cooperation with EOTECH for a production line in Plymouth, Michigan, USA that will serve the increased needs of the American market in night vision systems.

C) Within the 2nd quarter of 2023, our co-production units will also be completed in Wetzlar (Germany) through a joint company with Hensoldt, while similar units will exist in South Korea, as well as a second industrial collaboration in the Middle East. These units will complete our industrial international expansion and facilitate our new products and the activities of the other Group companies.

D) The Greek company Theon Sensors S.A. has been subject to rules set out in Circular No. ΠΟΛ.1103/2017 (Expediting the refund of VAT credit balance), which will accelerate VAT refunds, reduce the burden on its administrative services in terms of audits, and also enhance its liquidity.

E) In mid-March, the Greek company Theon Sensors S.A. completed the expansion of its existing building facilities by 3,344 m² in order to house the production units for its products as part of an expansion of its operations.

F) On 27 March 2023, the Greek company Theon Sensors S.A. received an assurance report from an independent auditor that the information in its Investment Plan, already submitted for approval, and amounting to EUR 9,888,591, as well as the information posted to the Electronic Platform for the Submission of Applications of Investment Plans for RRF Loan Financing, meets in all material respects the requirements set out in Article 9 of the relevant Decision. The report itself was also communicated to the credit institution that will undertake to provide co-financing for the investment. The relevant loan agreement is expected to be signed in May 2023.

There is no other event, in addition to the above, that could significantly affect the financial standing and performance of the Group.

Independent Auditors

The Independent Auditors, PKF abas limited, have expressed their willingness to continue in office and a resolution giving authority to the Board of Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board of Directors,

Secretary
Nicosia, 4 May 2023

1.3 DECLARATION BY THE THE BOARD OF DIRECTORS OF THE GROUP FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

Pursuant to Article 9, paragraphs (3) (c) and (7) of the Law on Transparency (Securities for Trading in a Regulated Market) of 2007 (Law 190 (I) / 2007) (the "Law"), we, the members of the Board of Directors and the other responsible parties for the financial statements of THEON INTERNATIONAL PLC for the year ended 31 December 2022, confirm that, to the best of our knowledge:

(a) The annual consolidated financial statements of the Group which are presented on pages 14 - 52:

i. Were prepared in accordance with the International Financial Reporting Standards as adopted by the European Union, and in accordance with the provisions of Article 9, paragraph 4 of the Law.

ii. Provide a true and fair view of the Group's assets and liabilities, financial position and profit or loss.

(b) The report of the Board of Directors provides a fair review of developments and performance as well as the position of the Company as a whole, along with a description of the main risks and uncertainties they face.

Members of the Board of Directors

The Managing Director

The Vice president of the Board

Christian Hadjiminias

Petros Christou

Stelios Anastasiou
Responsible for preparing the financial statements

Nicosia, 4 May 2023

THEON INTERNATIONAL PLC

PKF abas limited



Accountants &
business advisers

1.4 Independent Auditor's Report

To the Members of THEON INTERNATIONAL PLC

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of THEON INTERNATIONAL PLC (the "Company") and its subsidiaries (the "Group"), which are presented in pages 14 - 52 and comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Consolidated Financial Statements" section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in Cyprus, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The Board of Directors is responsible for the other information. The other information comprises the information included in the Management Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

PKF abas limited | 67 Limassol Avenue, Vision Tower, 5th Floor | 2121 Aglantzia, Nicosia - Cyprus
Tel + 357 22 760100 | Fax + 357 22 760140 | P.O. Box 24374, 1703 Nicosia, Cyprus | Email: info.nicosia@pkf.com.cy

PKF abas limited is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

PKF associated offices covering Africa, Australia, Canada, Caribbean, Central and South America, Europe, Middle and Far East, New Zealand, United States of America.

1.4 Independent Auditor's Report *(continued)*

To the Members of THEON INTERNATIONAL PLC

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, 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 the Board of Directors for the Consolidated Financial Statements

The Board of Directors is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Cyprus Companies Law, Cap. 113, and for such internal control as the Board of Directors determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Board of Directors is responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

PKF abas limited



Accountants &
business advisers

1.4 Independent Auditor's Report *(continued)*

To the Members of THEON INTERNATIONAL PLC

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors.
- Conclude on the appropriateness of the Board of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient and 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 the Board of Directors 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.

Other Matter

This report, including the opinion, has been prepared for and only for the Group's members as a body in accordance with Section 69 of the Auditors Law of 2017 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whose knowledge this report may come to.

George Koukoumas
Certified Public Accountant and Registered Auditor
for and on behalf of
PKF abas limited
Certified Public Accountants and Registered Auditors
67 Limassol Avenue
Vision Tower
5th Floor
2121 Nicosia, Cyprus

Nicosia, 4 May 2023

2. Financial Statements

2.1 Consolidated Statement of Profit or Loss and Other Comprehensive Income

	Note	2022	2021
		€	€
Turnover (net)	5.1	147,386,179	80,557,820
Cost of sales	5.2	(96,416,332)	(46,913,079)
Gross profit		50,969,847	33,644,741
Other income	5.3	998,881	161,973
		51,968,728	33,806,714
Administrative expenses	5.4	(7,114,798)	(5,286,284)
Selling expenses	5.5	(2,008,391)	(1,530,883)
Research & Development expenses	5.6	(1,985,082)	(1,482,444)
Other expenses, losses and impairments	5.7	(351,331)	(463,535)
Other income and gains	5.8	487,535	363,952
Profit earnings before interest and tax		40,996,661	25,407,520
Interest income and related income	5.9	16,765	170
Interest charges and related expenses	5.9	(2,452,547)	(1,092,691)
Profit before tax		38,560,879	24,314,999
Income tax	5.10	(7,964,196)	(5,251,557)
Profit for the year before tax		30,596,683	19,063,442
Earnings per share		2022	2021
Basic earnings per share net of tax (in €)	5.11	<u>152.98</u>	<u>95.32</u>
Diluted earnings per share net of tax (in €)	5.11	<u>152.98</u>	<u>95.32</u>
		2022	2021
		€	€
Profit for the year net of tax		30,596,683	19,063,442
Re-measurement of defined benefit plans	5.20	16,001	1,305
Corresponding income tax	5.10	(3,520)	(287)
Other comprehensive income / (losses) after tax		12,481	1,018
Total comprehensive income after tax		30,609,164	19,064,460

2.2 Consolidated Statement of Financial Position

		2022	2021
	Note	€	€
Non-current assets			
Tangible assets			
Own-use properties	5.12	6,535,056	5,185,213
Investment properties	5.12	1,412,354	1,491,327
Machinery & equipment	5.12	2,769,109	2,462,622
Other equipment	5.12	2,177,511	1,537,581
Total		12,894,030	10,676,743
Intangible assets			
Development costs	5.13	548,861	192,343
Other intangible assets	5.13	275,456	331,115
Total		824,317	523,458
Financial assets			
Other investments		45,425	-
Loans receivable from related parties	5.29	7,526,149	-
Other non-current receivables	5.14	105,716	103,922
Total		7,677,290	103,922
Deferred tax asset	5.15	303,606	54,047
Total non-current assets		21,699,244	11,358,170
Current assets			
Stocks			
Finished goods and work in progress	5.16	7,996,319	4,442,512
Raw material and various materials	5.16	18,900,711	8,216,935
Down payments for inventories	5.16	6,610,220	2,871,060
Total		33,507,250	15,530,507
Financial assets and receivables			
Trade receivables	5.17	69,390,484	15,841,677
Other receivables	5.17	3,698,983	2,709,585
Other financial assets	5.17	462,403	397,378
Cash and cash equivalents	5.18	24,035,135	26,096,448
Total		97,587,005	45,045,088
Total current assets		131,094,255	60,575,595
Total assets		152,793,500	71,935,632

2.2 Consolidated Statement of Financial Position *(continued)*

Equity	Note	2022	2021
		€	€
<i>Net assets</i>			
Paid up capital			
Share capital	5.19	200,000	200,000
Total		200,000	200,000
<i>Reserves</i>			
Reserves	5.19	98,587,469	64,949,785
Consolidation reserve	5.19	(33,331,866)	(31,304,573)
Total		65,255,603	33,645,212
Total net assets		65,455,603	33,845,212
 <i>Provisions</i>			
Provisions for employee benefits	5.20	162,026	162,035
Total		162,026	162,035
 Liabilities			
<i>Long-term liabilities</i>			
Loans	5.21	3,075,002	7,540,103
Lease liabilities	5.21	586,354	815,417
Government grants	5.22	188,427	378,385
Total Long-term liabilities		3,849,783	8,733,905
 <i>Short term liabilities</i>			
Loans	5.21	30,217,270	8,922,898
Short term portion of long-term loans	5.21	781,397	717,536
Lease liabilities	5.21	295,232	281,350
Trade payables	5.23	23,969,876	6,915,631
Tax liabilities	5.24	6,121,779	4,296,230
Other taxes and duties	5.25	188,397	131,663
Social security providers		288,486	209,488
Other liabilities	5.26	21,463,651	7,719,684
Total Short-term liabilities		83,326,088	29,194,480
Total liabilities		87,337,897	37,928,385
 Total net assets, provisions and liabilities		 152,793,500	 71,935,632

2.3 Statement of changes in equity

	Share capital	Reserves mandated by law or the articles of association	Statutory reserve	Retained Profit / (losses)	Other comprehensive income	Consolidation reserve *	Total
	€	€	€	€	€	€	€
Balance on 1/1/2021	200,000	3,603,943	1,391,641	36,628,707	2,148,070	(29,353,878)	14,618,483
Profits /(losses) for the year	-	-	-	19,063,442	2,260,272	-	21,323,714
Other comprehensive income / (loss)	-	-	-	1,018	-	-	1,018
Total comprehensive income				19,064,460	2,260,272		21,324,732
<u>Changes during the year:</u>							
Capitalisation of other reserves	-	-	389,513	(537,005)	-	(1,950,695)	(2,098,187)
Other rounding differences	-	-	-	184	-	-	184
Balance on 31/12/2021 and 1/1/2022	200,000	3,603,943	1,781,154	55,156,346	4,408,342	(31,304,573)	33,845,212
Profits /(losses) for the year			-	30,596,683	1,643,684	-	32,240,367
Other comprehensive income / (loss)	-	-	-	12,481	-	-	12,481
Total comprehensive income				30,609,164	1,643,684		32,252,848
<u>Changes during the year:</u>							
Capitalisation of other reserves	-	-	884,880	503,476	-	(2,027,293)	(638,937)
Other rounding differences	-	-	-	-	-	-	-
Balance on 31/12/2022	200,000	3,603,943	2,666,034	86,265,466	6,052,026	(33,331,866)	65,455,603

* Note: Consolidation reserve represents the difference between the consideration paid for the acquisition of a subsidiary and the book value of its net assets.

2.4 Cash Flow Statement

	Note	2022 €	2021 €
Profit before tax		38,560,879	24,314,999
Plus / minus adjustments for:			
Depreciation	5.12, 5.13	1,475,887	1,289,239
Credit interest, exchange differences and related income	5.8, 5.9	(24,552)	(74,308)
Assets subsidies		(189,958)	(45,332)
(Reversal of impairment)/impairment of investments	5.17	(77,048)	(51,747)
Impairment of receivables	5.17	103,993	9,429
Impairment of inventory	5.16	(263,238)	34,642
Profit from the sale of assets		(53,817)	(39,888)
Income from dividends		(198,120)	(3,348)
Provisions		20,740	9,125
Other non-cash transactions		-	189,000
Interest charges, exchange differences and related expenses	5.7, 5.9	3,963,362	1,276,891
		43,318,128	26,908,702
Add / minus:			
Decrease/ (increase) in inventories	5.16	(17,713,505)	(2,217,863)
Decrease/ (increase) in receivables	5.14, 5.17	(55,649,173)	(8,797,351)
(Decrease) / increase in liabilities		27,808,246	6,012,832
		2,236,304	21,906,321
Less:			
Payments for income tax		(3,739,735)	(3,026,293)
Inflows / outflows from operating activities (a)		(5,976,039)	18,880,027
Investing activities			
(Acquisition) / sale of investments		(45,425)	-
(Acquisition) / sale of tangible and intangible assets		(3,940,217)	(4,603,999)
Loans granted		(8,700,000)	
Receipts from loans granted		1,211,573	
Interest received		-	170
Dividends received		198,120	3,348
Receipts from grants		-	418,748
Inflows / outflows from investing activities (b)		(11,275,949)	(4,181,733)
Financing activities			
Receipts from loans	5.21	42,919,990	37,471,883
Repayment of loan principal	5.21	(26,231,374)	(33,067,728)
Repayment of loan interest	5.21	(605,316)	(453,453)
Net inflows / (outflows) of lease liabilities	5.21	(215,181)	(280,629)
Interest on lease liabilities	5.21	(32,357)	(17,455)
Repayment of shareholder loans		-	(6,960,887)
Interest paid		(636,410)	-
Inflows / outflows from financing activities (c)		15,199,352	(3,308,269)
Net increase / (decrease) in cash and cash equivalents for the year (a)+(b)+(c)		(10,546)	11,390,025
Cash and cash equivalents at beginning of year		26,096,448	14,632,284
Foreign exchange differences		12,283	74,139
Cash and cash equivalents at end of year		24,035,135	26,096,448

Notes on the Financial Statements

3. General information about the Group

Theon International PLC (“The Company”) was incorporated in Cyprus on 10 August 2021 as a private limited liability company under the provisions of the Cyprus Companies Law, Cap. 113 and was converted to a Public Limited Liability Company on 13 September 2021. Its registered office is at 5 Agios Antonios Street, 1st floor, Office 102, 2002 Nicosia, Cyprus.

The company was incorporated with the purpose to acquire the 100% of the issued share capital of Theon Sensors AG, a company incorporated in Switzerland. The acquisition agreements were concluded on 27 August 2021. Theon Sensors AG is the 100% owner of the following companies:

- Theon Sensors Single Member SA, Greece,
- Theon Sensors MEA FZC, United Arab Emirates
- Theon Deutschland GmbH, Germany,
- Theon Sensors Far East Ltd., Singapore and
- Theon Sensors USA Inc. USA

For the acquisition of the share capital of Theon Sensors AG, the Company issued on 13 September 2021, 199,000 ordinary shares of €1.00 each in exchange of 204,082 issued and fully paid shares in Theon Sensors AG.

Additionally, Theon International Plc holds 17% in European Sensor Systems SA, Greece.

Theon International PLC together with its subsidiaries form the Group “Theon Sensors” (“The Group”).

The Group is engaged in the production and trade of a large range of sensors, and in particular night vision systems, thermal systems (thermal sights) and other innovative electro-optical equipment and equipment for application to Defense and Security.

The Company is involved in the manufacture and trade of high-tech sensors, its main focus being the production of other optical instruments and their parts.

The Company is today one of the market leaders in night vision systems for military and security applications, with production facilities and head offices in Athens, and more than 120,000 systems in use or under contract in 58 countries worldwide.

The Company’s objects are to manufacture, maintain, repair and trade in high-tech sensors and thermal imaging instruments, vision instruments, distance meters, daytime and night-time sights, high-tech and microelectronics products, to provide all manner of information and advice about the operation of those products, to act as agent for and/or to broker the conclusion of all manner of contracts relating to those products, to brief individuals about the above work, to provide consultancy services.

The Company is today one of the market leaders in night vision systems for military and security applications, with production facilities and head offices in Cyprus, Greece, Germany, Saudi Arabia, United Arab Emirates, America & Singapore, and more than 120,000 systems in use or under contract in 58 countries worldwide.

The main product ranges are:

- Night vision monoculars and binoculars
- Full range of night vision sights and thermal imaging instruments
- Sights for night driving and upgrade kits for armoured vehicles
- Night vision and thermal imaging systems for vehicles and digital platforms
- Thermal instruments
- ILS and maintenance services
- Provision of customised solutions

All products of "THEON SENSORS Single-Member Commercial and Industrial Société Anonyme" are compatible and fully tested for compliance with military standards, focusing on highly effective and ergonomically advanced systems that increase the safety and performance of soldiers during night operations.

One of the featured advantages is that systems can be adjusted to meet the specific requirements of end users. Following flexible procedures we can promptly respond to adjustment requests within a short period.

4. Summary of main accounting policies

The main accounting policies implemented in preparing these Consolidated Financial Statements are set out below:

4.1. Basis of preparation of the financial statements

Basis of preparation

The consolidated financial statements of the Group for the year ended 31 December 2022 consist of the financial statements of the parent Company and its subsidiaries in accordance with international financial reporting standards (IFRS) and the Interpretations issued by the IFRS Interpretations Committee as adopted by the European Union.

The consolidated financial statements have been prepared in accordance with the historical cost or deemed cost principle, keeping each year separate, ensuring uniform presentation, taking into account the materiality of the information and applying the accrued revenues and expenses principle. The financial statements have also been prepared on the basis that the Group remains a going concern.

Preparation of the financial statements in accordance with the IFRS requires the use of certain important accounting estimates and the exercise of judgement by Management in applying the accounting policies. The financial statements areas where estimates are particularly important are outlined in note 4.5.

Consolidated financial statements

The consolidated Balance Sheet (Statement of financial position) at 31 December 2022 and the Profit or Loss and Other Comprehensive income ("Income Statements and Statement" or "comprehensive income") for the respective year include the financial statements of Theon International PLC and its subsidiaries and were prepared on the assumption that were a Group since 1 January 2020.

For the purposes of preparing the consolidated financial statements, the method of Business Combinations under Common Control was followed, where the book value method ("book-value accounting" or "Predecessor Value method") is applied. The assets and liabilities of the acquired company were recognised based on their current book values instead of fair values. The Management has adopted this method of business combination since the new business structure does not affect the shareholding structure and minority interests. Furthermore, no resources were spent outside the group as a result of this restructuring.

Therefore, the Consolidated Statement of Financial Position and the Consolidated Statement of Comprehensive Income at 31 December 2021 are presented as the sum of the respective financial statements of the parent and its subsidiaries as if they had been combined during the accounting periods included in these financial statements. The difference between the acquisition price of a company and the book value of the corresponding net assets is presented as "consolidation reserve" in the reserves.

The balances and transactions between the Group companies were eliminated during the consolidation in accordance with IFRS 10 "Consolidated Financial Statements".

4.2. New standards, interpretations, reviews and amendments to standards which are in effect and have been adopted by the European Union

The following amendments and interpretations of IFRS have been issued by the International Accounting Standards Board (IASB) and their application is mandatory for periods beginning on or after 1st January 2022.

The most important standards and interpretations are listed below:

Mandatory standards and interpretations for the current fiscal year

IAS / IFRS	Effective date
Annual improvements to IFRSs 2018-2020	1 January 2022
Amendments to IAS 16: Proceeds before intended use	1 January 2022
Amendments to IAS 37: Onerous contracts / Cost of fulfilling a contract	1 January 2022
Amendments to IFRS 3: Reference to the Conceptual Framework of Financial Statement preparation	1 January 2022

From the aforementioned amendments, only changes in IFRS 16 regarding Covid-19-related rent concessions have resulted in changes in accounting policies. The other amendments either have little effect on the financial statements or are not relevant to the Group.

4.3 New accounting standards, amendments to standards and interpretations that will become mandatory in subsequent periods

	Effective date
IFRS 17 Insurance contracts	1 January 2023

Amendments	Effective date
Amendments to IFRS 17 "Insurance Contracts) Initial application of IFRS 17 and IFRS 9 – Comparative information	1 January 2023
Amendments to IAS 1 Presentation of Financial Statements and Practise statement IFRS 2: Disclosure of Accounting Policies (issued on 12 February 2021)	1 January 2023
Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Ορισμός των λογιστικών εκτιμήσεων (εκδόθηκε στις 12 Φεβρουαρίου 2021)	1 January 2023
Amendments to IAS 12 – "Income Taxes": Deferred tax relevant to financial assets and liabilities arising from a single transaction (issued on 7 May 2021)	1 January 2023

The amendments above that will become mandatory in subsequent periods are not expected to have a significant effect on the Group's financial statements.

4.4. Group Accounting Policies

4.4.1. Tangible assets

Tangible assets are measured at acquisition cost less accumulated depreciation and any impairment loss, apart from the plots/lots category which is measured at acquisition cost less any impairment losses.

The cost of acquisition of tangible assets includes all expenses directly associated with acquisition of the tangible assets. Subsequent expenditure is added to the book value of the tangible asset or recorded as a separate tangible asset, only if there is a high likelihood that the specific tangible asset will generate future financial gains for the economic entity and the cost can be reliably assessed.

The carried cost of a part of a tangible asset which is replaced ceases to be recognised. Repairs and maintenance are charged to the income statement when incurred.

Subsequent expenditure is depreciated either over the remaining useful life of the asset or the period up to the next planned improvement to the tangible asset, whichever is shorter.

Depreciation of all tangible assets is computed using the straight-line method over the useful life of the assets. The estimated useful life of the most important categories of tangible assets coincides with the depreciation rates in the tax laws, since in the view of the Group management team, they correctly reflect the estimated useful economic life of the assets.

Such rates are as follows:

Buildings	4% per year	(25 years)
Machinery and technical installations	10% per year	(10 years)
Means of transport	12% to 16% per year	(6.2 to 8.3 years)
Furniture and other equipment	10% per year	(10 years)
Computers	20% per year	(5 years)
Assets of lesser value (below € 1,500)	100% per year	(1 year)

The residual values and useful lives of tangible assets are re-examined and adjusted at the end of each period, if that is considered necessary.

Where the carrying amount of an asset is greater than its recoverable amount, the value of the asset is adjusted to the recoverable amount.

Each tangible asset and each important part thereof initially recognised is derecognised upon sale or when no future economic gain is expected from use or sale thereof.

Gains and losses which arise from the sale of tangible assets are calculated as the difference arising between the revenue from sale and the carrying amount, as shown in the accounting books and included in the operating results.

Interest from loans taken out specifically or generally to finance the construction of tangible assets is capitalised in the year in which it arises, during the tangible asset construction period, where the recognition criteria are met.

4.4.2. Investment property

Investment property is investments that relate to all those properties (including land, buildings or parts of buildings or both) that are held by the Company either to earn rentals or for capital appreciation or both, and are not used in commercial or other activities of the Company. Investment property is measured at acquisition cost less accumulated depreciation and impairment.

4.4.3. Intangible assets

Intangible assets acquired separately are recorded at historical cost. After initial recognition, intangible assets continue to be measured at historical cost less the accumulated depreciation and accumulated impairment losses.

Intangible assets generated in-house are capitalised if the relevant expenditure is associated with an intention on Management's part, and a technical capability, to complete the intangible asset (for use or sale), if there is a strong likelihood that there will be future financial gains and that there is a reliable system for measuring such costs.

In all other cases, the relevant cost is recognised as an expense.

The Group's intangible assets have a limited useful life and are depreciated over their useful life. They are tested for impairment when there are signs that some intangible assets may have suffered impairment. Intangible assets whose usage period is contractually specified are depreciated over that period. Such assets without a usage period specified in contract are depreciated based on estimated useful economic life.

The useful life and depreciation method for intangible assets with a specific useful life are re-examined at least in each year in which financial statements are prepared. Changes to the expected useful life or expected method by which future financial gains accrue for each intangible asset are treated as a change in an accounting estimate. The cost of depreciating intangible assets is recognised in the income statement.

Depreciation of all intangible assets is computed using the straight-line method over the useful life of the assets. The estimated useful life of the most important categories of intangible assets coincides with the depreciation rates in the tax laws, since in the view of the Group management team, they correctly reflect the estimated useful economic life of the assets. Such rates are as follows:

Other intangibles	10% per year (10 years)
R&D – Internally Generated intangibles	10% per year (10 years)
Contractually specified useful life	1 / contractual years

4.4.4. Impairment of tangible & intangible assets

Tangible assets with an unlimited life (such as land) are not depreciated or tested annually for impairment.

Tangible and intangible assets which can be depreciated are tested for impairment in case events or changes in the circumstances suggest that the book value may no longer be recoverable. When the carrying amount for tangible and intangible assets exceeds the recoverable value, then the impairment loss amount is entered directly in the results as an expense.

For the purposes of impairment testing, assets are grouped together in the lowest category where cash flows allow them to be individually identified. Non-financial assets, other than goodwill, which have been impaired are re-assessed for any possible reversal in impairment on each date the financial statements are prepared.

The recoverable value of assets is either the fair value of asset less sale costs or the value in use, whichever is higher.

4.4.5. Leases

The Group adopted IFRS 16 "Leases" with full retrospective effect, for both properties and cars.

When recognising a contract as a lease, the Group examines all relevant facts and circumstances, and excludes short-term leases (of less than 12 months) and leases where the leased property has low value.

When a contract is or contains a lease, each lease element is recognised separately from the non-lease elements of the contract, unless the Group opts, as appropriate, for the sake of simplification to apply uniform recognition as a practical solution.

The Group as lessee:

At the lease start date, the lessee recognises the asset with a right to use and a lease liability. Initial measurement of the right to use the assets includes the lease liability, any rents paid on the rental period start date or prior to it, less any lease incentives collected, any initial direct costs incurred by the lessee and an estimate of the cost of returning the leased property to the state specified in the lease agreement.

The initial measurement of the lease liability includes the current value of rents discounted using the presumed lease interest rate. If that interest rate cannot be easily set, the lessee's differential borrowing rate is used.

Subsequently, the right to use the asset is reduced by the accumulated depreciation and impairment losses and any re-measurements of the lease liability is adjusted.

Subsequently the lease liability increases the interest on the lease liability, and is reduced by the payment of rental costs, and is re-measured when the leased property is revalued or the lease is amended.

The Group as lessor:

The Group classifies the lease either as an operating lease or finance lease. Leases where the Group does not in effect transfer all risks and rewards of ownership are classified as operating leases.

When the assets are leased in the context of operating leases, they are presented in the statement of financial position in accordance with the nature of each asset.

Rental costs under operating leases are recognised in the results using the straight-line method over the duration of the lease.

Initial direct costs incurred when signing an operating lease are added to the book value of the leased asset and are recognised in expenses over the term of the lease on the same basis of recognition as revenues from rental income.

Any rental income is recognised as revenues in the period in which they are generated.

4.4.6. Stocks

Inventories are valued at acquisition cost or net realisable value, whichever is lower.

Acquisition cost is calculated using the average weighted cost method. The cost of finished products and production under way consists of the cost of raw materials, direct labour costs, other direct costs and general industrial overheads associated with production (in accordance with normal production capacity). Net realisable value is the estimated sale price in the normal course of business, less the estimated selling and transaction costs.

Any loss resulting from measuring stocks/inventories at net realisable value, when it is below acquisition cost, is recognised in impairment losses and affects the cost of sales in the income statement. Where there are particularly high impairment losses for stocks/inventories, the relevant amounts are shown in the 'Asset impairment' account in the income statement to ensure fair presentation.

Appropriate provisions are made for impaired, obsolete and slow-moving inventories. Write-downs of inventories to net realisable value and other losses from inventories are recognised in the income statement in the period they occur.

4.4.7. Trade receivables

Trade receivables are the balances owed by customers from the sale of goods or provision of services in the context of the Group's normal operations. Trade receivables are initially recognised at their fair value and later valued at the carrying amount by using the effective interest rate method, less impairment losses. The Group shows any unreserved rights over the consideration from contracts with customers separately as a trade receivable.

4.4.8. Cash and cash equivalents

Cash includes cash on hand and sight deposits.

Cash equivalents in the cash flow statement include not just cash and sight deposits but also short-term highly liquid investments and bank overdrafts, when applicable.

Bank overdrafts are shown in liabilities under short-term loan liabilities. Cash and cash equivalents entail negligible risk of a change in their value.

4.4.9. Share capital

Ordinary and preference shares without voting rights are shown in the "share capital" account in Equity. The share capital shows the value of Company shares which have been issued and are in circulation.

4.4.10 Loans and Borrowings

Loan obligations are initially entered at the net amount received less direct loan costs (bank charges and bank or third-party commission). In subsequent periods, the loan obligations are shown at the carrying amount using the effective interest rate method.

Loan obligations are classified as short-term liabilities apart from cases where the Group has the unreserved right to defer settlement of its obligation for at least 12 months from the reporting date.

4.4.11. Current and deferred income tax

Tax for the period consists of current and deferred tax. Tax is recognised in the Income Statement apart from cases relating to items recognised in other comprehensive income or directly in equity. In this case, tax is recognised in other comprehensive income or directly in equity, as appropriate.

Current income tax is calculated based on the tax laws adopted or substantively adopted on the date the financial statements are prepared. Management periodically evaluates the positions taken in the tax returns when applicable tax laws are subject to interpretation and forms provisions, when needed, based on the amounts expected to be paid to the tax authorities.

Deferred income tax is calculated using the liability method, based on temporary differences between the tax base of assets and liabilities and the corresponding amounts shown in the financial statements.

Deferred tax assets are recognised to the extent that there will be a future taxable profit for use of the temporary difference generated by the deferred tax assets.

Deferred tax liabilities are recognised for all taxable temporary adjustments. A deferred tax asset is recognised for deductible temporary differences to the extent that it is expected that the temporary difference will be reversed in the future and there will be an adequate future taxable profit for use of the temporary difference.

4.4.12. Employee benefits

(a) Pension and other post-employment obligations

The Group does not participate in pension and other post-employment benefit plans or defined benefit or defined contribution plans with the exception of the statutory social security schemes which are mandatory by the laws.

(a.1) Defined Contribution Plans

Defined contribution plans mean pension plans where the Group pays fixed contributions to a separate entity. The Group has no legal or presumed obligation to pay additional contributions in the case where the fund's resources would not be adequate to pay employees benefits for their service, relating to the current period and past periods.

For defined contribution plans, the Group pays the mandatory contributions required by public social security funds. Once the contributions are paid, the Group is not obliged to pay any additional contributions. Regular contributions are recognised as a cost of employee benefits when they become payable.

Any prepaid contributions are recognised as an asset to the extent that prepayment would lead to a reduction in future payments or the return of cash.

(a.2) Defined Benefit Plans

Defined benefit plan means a pension plan or plan involving other post-employment benefits which is not a defined contribution plan. Post-employment benefit obligations at the end of the current period and previous period were calculated in line with an actuarial study using the projected credit unit method.

The obligation arising from defined benefit plans is the present value of the commitment to provide a defined benefit on the date the financial statements are prepared, less the fair value of any assets the plan has.

The present value of the commitment to provide a defined benefit is calculated using the discount rate for corporate bonds with a high credit rating in euro, whose term approximates the duration of the relevant pension obligation.

The cost of past service is recognised in the results, broken down into current cost of service and cost of past service, gains and losses from reductions and the cost of settling pay.

The net financial income or expenses are recognised in financial expenses. Re-assessments, broken down into actuarial gains or losses and the difference between the estimated and actual performance of the plan's assets, are recognised in the statement of financial position in the "retained earnings" account through the statement of other comprehensive income for the period. The re-assessments are not reclassified in the income statement in subsequent periods.

(b) Employment termination benefits

Employment termination benefits are payable when an employee's employment is terminated by the Group before the normal retirement date or when the employee agrees to voluntarily leave in return for these benefits.

The Group records these benefits on whichever of these dates is first: a) when the Group can no longer withdraw the offer of such benefits and b) when the Group recognises an expense from restructuring which is in the context of implementing IAS 37, which includes payment of employment termination benefits.

Where an offer to encourage voluntary redundancy is made, employment termination benefits are calculated based on the number of employees who are expected to accept the offer. Employment termination benefits due 12 months after the date on which the financial statements are prepared are discounted at present value.

(c) Employee profit sharing and bonus schemes

The obligation to provide benefits to employees in the form of profit sharing or performance bonuses is entered in the "other provisions" account when there is an official scheme and the amounts to be paid have been specified before the date on which the financial statements are published, or if previous Group practices have given rise to a strong expectation from employees that they will be paid a performance bonus / profit share-out and the amount can be estimated before the date on which the financial statements are approved.

4.4.13. Government grants

Government grants are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all relevant conditions.

Government grants relating to expenses are recognised in the results as income in the period in which the subsidised expenses are input in to the results.

Government grants relating to the purchase of tangible assets are included long-term liabilities as deferred government grants, and are presented as income in the income statement using the straight-line method over the expected useful life of the relevant assets.

Subsequent to initial recognition, state grants are depreciated by transfer to Income Statement as expenses, in the same period and in a manner corresponding to the transfer to Income Statement of the book value of the asset subsidised.

Government grants relating to expenses are initially recognised as liabilities in the period in which they are collected or in the period when approval for them is finalised and it is certain that they will be collected. State grants concerning expenses are transferred to profit and loss as revenue for the period when the subsidised expenses are charged in profit and loss.

4.4.14. Provisions

Provisions are liabilities where the time or amount is uncertain.

Provisions are recognised when there is a present legal or presumed commitment as a result of past events; it is likely that an outflow of resources will be needed to settle the commitment and the amount required can be reliably estimated. When the Group expects to be compensated for a loss which it has suffered (as in the case of insurance contracts for example) and it is fully certain that the amount will be collected, the specific compensation is recognised as a separate receivable. The cost associated with each provision is presented in the income statement, net of any compensation.

Provisions are not recognised for future operating losses. The Group forms a provision for onerous contracts when the financial gain expected to flow from such contracts is less than the unavoidable cost of complying with contractual obligations.

Restructuring provisions include penalties for early termination of leases and payment of employment termination benefits and are recorded in the period in which the Group acquires the legal or presumed obligation to make payment. Costs associated with the Group's normal business activity are not entered in provisions before binding events occur.

When time affects the value of money in a significant way, provisions are measured at the present value of the expenditure expected to be required to settle the liability, using a pre-tax interest rate which reflects the current market estimates of the value of money over time and risks associated with the liability, as the discounting rate. An increase in the provision due to the passage of time is recognised as a financial expense.

4.4.15. Revenue recognition

The Group adopted IFRS 15 "Revenue from Contracts with Customers", which it applied with full retrospective effect.

The Group recognises the revenue in a manner that reflects the transfer of goods or services to customers at the amount which it anticipates itself to be entitled to in exchange for these goods or services.

Revenue is recognised to the extent that it is likely that the financial benefits will accrue to the Group and the relevant amounts can be reliably quantified. Revenues are valued at fair value of the consideration collected or to be collected, and represent the amounts due from the sale of goods or provision of services, net of VAT, returns and discounts.

Revenue from sales of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer (usually upon their delivery and acceptance by him) and when the collection of the related amounts is reasonably assured.

Revenues are recognised using the following procedure:

- Recognise the contract primarily in relation to evaluation of the counterparty's creditworthiness.
- Identify the performance obligations. (Separating the delivery of goods from any other services, guarantees, benefits agreed)
- Identify the transaction price (taking into account any guarantees, penalties, incentives, etc.)
- Allocate the transaction price to the obligations (allocate based on individual sale prices for each good or service)
- Identify the revenue when (or as) the Group meets the delivery obligation

Revenue from the provision of services is recognised in the accounting period in which the services are rendered, on the basis of the stage in completion of the service compared to the overall service.

Revenues under operating leases are recognised using the straight-line method over the duration of the lease.

Income from interest is recognised using the effective interest method. Revenues from dividends are recognised in the income statement when the right to collect them has vested.

4.4.16. Dividend distribution

Dividends to Company shareholders are entered in the financial statements as a liability for the period in which Management's proposal for distribution is approved by the annual Ordinary General Meeting of Shareholders.

4.4.17. Financial assets and liabilities

Classification and initial measurement

At initial recognition financial assets are classed in two categories, one where valuation is done at the carrying amount and one where valuation is done at fair value. The criteria which must be taken into account in order to decide on how financial assets are to be initially categorised are as follows:

i. The business model used by the business to manage such assets. There are 3 types of business models:

- The business model where the objective is to hold financial instruments to collect the contractual cash flows (hold to collect)
- The business model where the goal is achieved either by collecting the contractual cash flow or by selling the financial assets (hold to collect and sell)
- Other business models

ii. The characteristics of the instruments' contractual cash flows.

In order for a financial instrument to be classed as valued at the carrying amount, all the following criteria must be met:

- The instrument must be under a business model where the objective is to hold financial instruments to collect the contractual cash flows
- The contractual terms governing the asset must exclusively seek cash flows of principal and interest on the unpaid principal which must be paid on specific dates (known as Solely Payments of Principal and Interest- SPPI)

If an instrument meets such criteria but is held both for sale and to collection of contractual cash flows, it must be classed in the 'valued at fair value' category through other results entered directly in equity.

Instruments not falling into any of the two classification categories must be valued at fair value through profit and loss.

Subsequent measurement of financial assets

For measurement purposes the Group divides financial assets into the following categories:

- (a) financial assets valued at the carrying amount (primarily non-interest-bearing receivables from customers) and
- (b) financial assets valued at fair value through profit and loss (primarily investments in equity instruments for profit)

The following rules apply to these categories:

(a) Financial assets valued at the carrying amount (loans and receivables)

This category includes instruments which meet the following requirements:

- They are under a business model where the objective is to hold financial instruments to collect the contractual cash flows
- The contractual terms governing the asset must refer to the Solely Payments of Principal and Interest- SPPI, which must be paid on specific dates

This category is valued at the carrying amount using the effective interest rate model and is periodically examined for signs of expected impairment losses.

It includes current assets unless their effective term is over 12 months from the date on which the financial statements are prepared, and management's intention is to hold them for a longer period until they mature.

(b) Financial assets at fair value through profit and loss

This category includes financial assets:

- i. Which there is an intention to sell within a short period in order to capitalise on short-term market fluctuations (commercial portfolio). The Group places a limited number of shares in this category
- ii. Which do not meet the classification criteria for some other category
- iii. Which the Group chose at initial valuation to value at fair value by transferring the difference arising to the results. Such an irrevocable choice can be made when in doing so eliminates any accounting asymmetry which arises from valuation of such financial assets in a different way (such as carrying cost) compared to related financial instruments (such as derivatives, which are valued at fair value through profit and loss)

Assets in this category are classed as current assets.

Subsequent measurement of financial liabilities

To measure financial liabilities the Group values them at the carrying amount.

(a) Financial liabilities valued at the carrying amount

These liabilities bear interest using the effective interest rate method.

This category includes liabilities to credit institutions and customers, and bonds issued by the Group and other loan obligations.

Impairment of financial assets

When the financial statements are prepared, the Group recognises impairment for expected credit risk losses for customer receivables. Such investments are valued at fair value through profit and loss.

At the end of each period for which financial statements are prepared, the Group assesses whether there are signs that a financial asset or a group of financial assets has been impaired.

Signs of impairment can include the fact that debtors or a group of debtors face serious financial difficulties, an inability to pay interest or the principal, the probability that they will become bankrupt or engage in some other form of financial restructuring, and where there are observable data which indicate that there is a measurable reduction in the estimated future cash flows.

If in a subsequent period the impairment figure reduces and the reduction can be objectively correlated to an event after initial recognition of the impairment (such as an improvement in the debtor's creditworthiness) the reversal of the previously recognised impairment loss is recognised in the income statement.

Impairment is based on expected credit risk losses associated with the probability of default within the next 12 months, unless there is a major increase in credit risk from the time of initial recognition, where the expected credit risk losses are recognised over the instrument's entire life.

For impairment measurement purposes, the Group divides financial assets into the following categories based on credit risk:

- (a) Stage 1:** This includes performing credit facilities which have no major rise in credit risks compared to the date of initial recognition. In this stage the expected credit risk losses are recognised based on the probability of default over the next 12 months.
- (b) Stage 2:** This includes performing credit facilities where there has been a major increase in the credit risk since initial recognition. In this stage, expected credit risk losses are recognised over the instrument's entire life.
- (c) Stage 3** includes non-performing/impaired credit facilities. In this stage, expected credit risk losses are recognised over the instrument's entire life.

A major increase in credit risk arises by comparing the risk of default on the reporting date against the risk of default on the initial recognition date for all performing credit facilities, including credit facilities which have no past-due days.

Derecognition of financial assets

Financial assets (or a part of a financial asset or part of a group of financial assets, as appropriate) cease to be recognised when:

- The rights to an inflow of cash resources have expired or
- The Group retains the right to an inflow of cash resources from a specific asset but has simultaneously undertaken an obligation to a third party to fully pay them without major delay, in the form of a transfer agreement or
- The Group has transferred the right to an inflow of cash from a specific asset and at the same time has: (a) either materially transferred all risks and rewards of ownership or (b) has not materially transferred all risk and rewards of ownership but has transferred control over the specific asset

Where the Group has transferred the rights to an inflow of cash resources from a specific asset but at the same time has not materially transferred all risks and rewards or control of the specific asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. A corresponding liability is also recognised.

Continuing involvement in the form of a guarantee over the transferred asset is valued at either the initial value of the asset and the maximum amount the Group may be called to pay, whichever is lower.

Derecognition of financial liabilities

A financial liability ceases to be recognised when the relevant obligation is cancelled or has expired. Where a financial liability is replaced by another one from the same lender with materially different terms, or where the terms of an existing obligation have materially changed, the swap or change is considered to be derecognition of the initial obligation and recognition of a new obligation. The difference with current values is recognised in the income statement.

4.4.18. Borrowing cost

General borrowing costs and the borrowing costs assumed specifically for the purchase, construction or production of an asset, which meet the conditions, are capitalised in the cost of the asset until the asset is in effect ready for use or sale.

An asset which meets the conditions is an asset which requires an extensive time period to be ready for intended use or sale. The Group considers that a time period of over 4 months is an extensive time period.

All other borrowing costs are expensed in the income statement as incurred. Borrowing costs consist of the interest and other costs that an entity incurs in connection with the borrowing of funds.

4.4.19. Trade payables

Trade payables are obligations to pay for goods or services acquired from suppliers in the normal course of the Group's business.

Trade payables are recorded as short-term liabilities where payment is made within 1 year (and/or more if the time period is part of the Group's normal operating cycle). If not, they are presented as long-term liabilities.

Trade payables are initially recognised at fair value and are subsequently measured at the carrying amount using the effective interest rate method.

4.4.20. Functional and reporting currency

Information in the Group's financial statements is measured in euro, the local currency used in the country which it primarily operates, and which is also its functional currency.

FX transactions are converted to the functional currency using exchange rates (current exchange rates) on the date of each transaction or the valuation date when assets are revalued. Exchange rate differences (gains or losses) arising from settlement of such transactions and from conversion into monetary items at the end of the year from the foreign currency to the functional currency are entered in the Income Statement.

4.5. Significant accounting estimates and judgements

The preparation of financial statements requires the Management to make estimates and assumptions, which affect the disclosures in the financial statements.

The estimates and judgements are based on experience-based data and other factors, including the expectations of future events which are considered reasonable under specific circumstances.

These estimates and assumptions form the basis for taking decisions about the book values of assets and liabilities that are not readily available from other sources. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that entail a significant risk of causing significant changes in the amounts of assets and liabilities within the next fiscal year are presented below.

4.5.1. Impairment of non-financial assets

Non-financial assets are tested for impairment whenever events or changes in situations indicate that their book value may not be recoverable.

4.5.2. Income tax

In order to calculate the Group's income tax provision, subjective judgement is required. During the Group's normal course of business, transactions are entered into and calculations are made, meaning that tax calculations are not definite. Where the final tax resulting from tax audits is different from the amounts initially recorded, the differences will affect the income tax and deferred tax forecasts in the period when the calculation of the tax differences was made.

4.5.3. Deferred tax assets

Major management assessments are needed to determine the level of deferred tax assets which can be recognised, based on the likely time and level of future taxable profits, coupled with the Group's own tax planning. The Group has no unused tax losses.

4.5.4. Useful life of tangible assets and residual values

Tangible assets are depreciated over their estimated useful life. The actual useful life of assets is reassessed on an annual basis and may differ due to factors such as technological innovation or obsolescence, the commercial cycle of products, maintenance, i.e factors which, among others, are taken into account in reassessing the lifecycle of assets.

4.5.5. Estimate of the net realisable value of stocks/inventories

The level of the net realisable value of stocks/inventories is Management's best possible estimate based on historical sales trends and its view about the quality and volume of stocks/inventories to the extent that available stocks/inventories on the balance sheet date will be sold below cost.

4.5.6. Provision for doubtful debts

On each date the financial statements are prepared, the Group recognises impairment for expected credit risk losses for customer receivables.

To that end, it assesses whether there are signs of impairment, measures impairment based on the expected credit risk losses (likelihood of default within the next 12 months), assesses whether there is a major rise in credit risk from initial recognition and based on that information classifies the financial assets in one of three stages.

4.5.7. Provision for staff compensation

Obligations to compensate staff are calculated based using actuarial methods at the net value of the defined benefit obligation, the normal cost of current employment and, where appropriate, the cost of past service. This is done using the projected unit credit method (IAS 19).

That method requires management to assess specific factors such as the future increase in employee pay, the discounting rate for such obligations, the employee turnover rate, etc. Management reassesses such assumptions on each reporting date.

4.5.8. Contingent liabilities

The existence of contingent liabilities requires Management to constantly apply assumptions and make value judgements about the likelihood of future events occurring or not occurring and about the impact that such events could have on the Group's activities.

4.5.9. The going concern assumption

Management assesses the Group's financial position in relation to the risks the Group faces, its capital adequacy and any major uncertainties relating to the Group's ability to continue operating in the foreseeable future, and in particular for at least 12 months from the date on which the financial statements are approved.

Management considers that the financial statements can safely be prepared on the basis that it is a going concern, since there are no major uncertainties in relation to the Group's ability to continue to operate in the foreseeable future at least.

4.6. Financial risk management

4.6.1 Financial risk factors

The Group is exposed to financial risks primarily due to the nature and geographical spread of its markets and sales.

The Group's financial risk factors are managed by Management to minimise the potentially unfavourable impacts of market fluctuations on the Group's financial performance.

a) Liquidity risk

In addition to operating cash flows, the Group holds adequate cash reserves and other liquid assets such as credit facilities with banks in order to ensure it can discharge its financial obligations.

THEON INTERNATIONAL PLC

The table below summarises the maturity dates for financial obligations as at 31 December 2022 and 2021 based on payments deriving from the relevant contracts at non-discounted prices.

2021	Up to 6 months	6 to 12 months	1 -5 years	Over 5 years	Total
Liabilities	€	€	€	€	€
Loans	8,922,898	-	6,239,797	1,300,306	16,463,001
Short-term portion of long-term loans	717,536	-	-	-	717,536
Lease liabilities	281,350	-	815,417	-	1,096,767
Trade payables	6,915,631	-	-	-	6,915,631
Income tax	4,296,230	-	-	-	4,296,230
Other taxes and duties	313,663	-	-	-	131,663
Social security providers	209,488	-	-	-	209,488
Other liabilities	7,719,684	-	-	-	7,719,684
Net Book Value on 31/12/2021	29,376,480	-	7,055,214	1,300,306	37,550,000

2022	Up to 6 months	6 to 12 months	1 -5 years	Over 5 years	Total
Liabilities	€	€	€	€	€
Loans	30,217,270	-	2,450,000	625,002	33,292,272
Short-term portion of long-term loans	781,397	-	-	-	781,397
Lease liabilities	295,232	-	586,354	-	881,586
Trade payables	23,969,876	-	-	-	23,969,876
Income tax	6,121,779	-	-	-	6,121,779
Other taxes and duties	188,597	-	-	-	188,597
Social security providers	288,486	-	-	-	288,486
Other liabilities	21,463,651	-	-	-	21,463,651
Net Book Value on 31/12/2022	83,326,088	-	3,036,354	625,002	86,987,444

Borrowing includes the balances of loans (unpaid principal) including interest at a fixed and variable rate to maturity.

The Group does not face liquidity risks since its working capital is sufficient to meet its needs.

b) Market risk

Market risk consists of 3 main risks, being FX risk, Price risk (such as the price of goods risk) and interest rate risk.

Group exposure to exchange rate risk derives primarily from existing or expected cash flows in foreign currency (imports/exports) and from foreign investments.

b.1) Exchange rate risk

The Group enters into transactions in foreign currencies both when selling and buying goods and so is exposed to such risk.

When purchasing from foreign firms, the main transactional currency is the USD. Although there are fluctuations in the EUR/USD exchange rate, this had no major impact on the results for the period. Moreover, the Group uses FX derivatives (options-forwards) to hedge the risk of changes in exchange rates.

FX changes sensitivity analysis

The table below shows changes to Group earnings before tax and equity in the case of potential changes in USD exchange rates since that is the currency in which the Group primarily does business other than the Euro, keeping all other variables unchanged.

Changes include monetary assets and liabilities – specifically “receivables and payables” - relevant to Euro - USD exchange rates.

THEON INTERNATIONAL PLC

The Group, based on the sales - collections it makes in Dollars, covers all its purchases in the same currency and therefore, any foreign exchange exposure is limited to the part of the collections. For excess cash available in dollars, the Company enters into forward contracts to hedge the exchange rate risk.

The exchange rates used during the year are as follows:

	Exch. Rate Euro at	
	31/12/2022	31/12/2021
USD	1.0666	1.1326
GBP	0.8945	0.8945
CHF	0.9847	1.0331

The table was prepared on the assumption that on 31 December 2022 the exchange rate would be 10% different from the actual one. The Impact on EBT and equity was as follows:

(Amounts in €)

	Fluctuation		Fluctuation	
	+10%	-10%	+10%	-10%
	USD		USD	
	2022		2021	
Effect on "Earnings before taxes"	837,889	(837,889)	342,869	(342,869)
Effect on Equity	837,889	(837,889)	342,869	(342,869)

Financial assets/liabilities in FX

	2022	2021
Financial assets in FX	14,084,207	4,227,383
Financial liabilities in FX	5,782,828	2,437,312

B.2) Price risk - stocks/inventories / services purchase prices and selling prices

The Group is exposed to changes in the value of raw materials/merchandise to a limited degree. The risk to the Group from changes in the price of commodities is minimal.

The Group checks for any impairment of its stocks/inventories and other assets, and if there are signs and there are grounds for obsolescence, the Group applies the relevant impairments so that the value in the financial statements always matches the actual value.

As for selling prices, the Group enters into binding sales agreements at fixed prices, and so there is no price risk in relation to sales and receivables.

b.3) Interest rate risk

Due to the fact that the Group does not have significant interest-bearing assets, its operating income and cash flows are materially independent of changes in interest rates.

The Group has loan obligations. Where there are loans, the loan repayment terms, including the borrowing rates, are negotiated with banks. Consequently, the level of interest and the interest rate applied are not freely adjustable, but are negotiated.

THEON INTERNATIONAL PLC

The interest-bearing financial liabilities on 31/12/2022 and 31/12/2021 respectively are shown in the table below:

	2022	2021
	€	€
Long term loans	3,075,002	7,540,103
Short term loans	30,217,270	8,922,898
Short-term portion of long-term loans	781,397	717,536
Bank loans	34,073,669	17,180,537
Long term lease liabilities		
Short term lease liabilities	586,354	815,417
Lease Liabilities	295,232	281,350
Total of interest-bearing liabilities	881,586	1,096,767
	34,955,255	18,277,304

Interest rate changes sensitivity analysis

The impacts of variations in interest rates on the Group's operating results and operating cash flows are limited as can be seen from the following sensitivity analysis:

Interest rate risk

	Fluctuation		Fluctuation	
	+100	-100	+100	-100
	Base units		Base units	
	2021		2020	
	€	€	€	€
Effect on Earnings before taxes	(88,552)	88,552	(101,035)	101,035
Effect on equity	(88,552)	88,552	(101,035)	101,035

c) Credit risk

The Group provides goods and services solely to recognised, solvent counterparties.

It is Group policy that all clients to whom goods and services are provided on credit must undergo credit checks. In addition, trade receivables are constantly monitored to minimise risk from bad debt.

As far as the credit risk from other financial assets of the Group is concerned (cash and cash equivalents), the risk derives from failure to comply with the counterparty's contractual terms, and maximum exposure to risk is equal to the book value of the instruments concerned.

Group exposure to credit risk is limited to the financial assets (instruments) which on the balance sheet date can be broken down as follows:

	2022	2021
	€	€
Cash and cash equivalents	24,035,135	26,096,448
Trade receivables	69,390,484	15,841,677
Other Receivables	3,698,383	2,709,585
Other financial assets	462,403	397,378
Net book value	97,586,405	45,045,088

In relation to trade and other receivables, the Group is not exposed to significant credit risks.

d) Capital risk - Capital management

The aim in managing capital risk is to ensure that the Group remains a going concern so that there are satisfactory returns for shareholders, to keep a satisfactory capital structure and to reduce the cost of capital.

The primary objective in managing the Group's capital is to maintain sound capital indicators to support its operations and maximise value for shareholders.

Management takes a conservative approach to managing the capital structure using the gearing ratio, as is clear from the total liabilities / total equity ratio.

Maintaining or adjusting the capital structure can be done by adjusting the size of dividends paid to shareholders, by returning share capital to shareholders, by issuing new shares or by selling off assets to reduce borrowing.

The Group's gearing ratio on 31 December 2022 and 2021 was as follows:

	2022	2021
	€	€
Long term loan obligations	3,661,356	8,355,520
Short term loan obligations	31,293,899	9,921,784
Total debt	34,955,255	18,277,304
Less: Cash and cash equivalents	(24,035,135)	(26,096,448)
Net borrowing	10,920,120	(7,819,144)
Equity	65,455,603	33,845,212
Total capital employed	76,375,723	26,026,068
Gearing ratio	14,30%	(30.04)%

Management monitors capital using the gearing ratio. This ratio is calculated by dividing net borrowing by total capital employed.

Net borrowing is calculated as total borrowing (short-term and long-term) less cash and cash equivalents.

Total capital employed is calculated as equity as shown in the statement of changes in equity plus net borrowing.

The Group is not exposed to capital risk since the key liquidity indicators for the last 2 periods have revealed it has high liquidity and adequate working capital despite the existence of loans.

4.7. Fair value measurement

The Group uses the following scale to determine and disclose the fair value of assets and liabilities for each valuation technique:

- Level 1: Negotiable (non-adjusted) prices on active markets for similar assets or liabilities.
- Level 2: Other techniques for which all data with a major impact on fair value is visible, either directly or indirectly, and includes valuation techniques employing negotiable prices on less active markets for similar or identical assets or liabilities.
- Level 3: Techniques that use data with a major impact on fair value not based on observable market data.

The table below shows the fair value rankings of the Group's assets and liabilities on 31/12/2020 and 31/12/2021:

	2021	2021	Fair value Scale
Assets	€	€	
Other financial assets	462,403	397,378	Level1

During the year there were no transfers from within or outside level 3 when measuring fair value.

Other financial assets relate to investments in shares in companies listed on the Athens Exchange and in particular in shares of National Bank acquired for € 251,050, shares of Hellenic Petroleum acquired for € 102,312 and shares in the Piraeus Port Authority acquired for € 67,173. Cumulative impairments of € 86,927 have been made on these investments.

Management considers that the figures for the cash assets and short-term deposits, customers, suppliers, and other short-term liabilities accounts approximate their actual book value primarily because they mature in the short-term.

5.1. Turnover

	2022	2021
	€	€
Receivables from the sale of products & merchandise	141,677,869	79,925,145
Revenues from services rendered	5,708,310	632,675
Net Book Value	147,386,179	80,557,820

5.2 Cost of goods sold

	2022	2021
	€	€
Purchases consumption	81,084,524	36,139,105
Staff salaries and expenses	4,333,716	4,809,959
Third party fees and expenses	7,399,511	5,055,754
Subcontracting fees	377,233	240,074
Miscellaneous expenses	2,686,505	215,916
Depreciation	534,843	452,272
Net book value	96,416,332	46,913,079

5.3 Other Income

	2022	2021
	€	€
Rental income	136,023	100,054
Income from grants - subsidies	88,693	45,056
Reversal of overprovision of expenses	735,000	-
Miscellaneous other income	39,165	16,863
Net book value	998,881	161,973

5.4 Administrative expenses

	2022	2021
	€	€
Staff salaries and expenses	2,302,747	1,686,178
Third party fees and expenses	1,430,855	1,481,455
Auditors' remuneration	62,805	46,726
Charges for outside services	285,462	255,176
Taxes and duties	54,728	60,397
Miscellaneous Expenses	2,294,430	1,128,828
Depreciation	683,771	626,927
Net book value	7,114,798	5,286,284

5.5 Selling expenses

	2022	2021
	€	€
Staff salaries and expenses	529,232	406,681
Third party fees and expenses	381,494	165,392
Miscellaneous Expenses	1,054,578	919,526
Depreciation	43,087	39,284
Net book value	2,008,391	1,530,883

5.6 Research & Development expenses

	2022	2021
	€	€
Staff salaries and expenses	1,295,636	1,094,222
Third party fees and expenses	323,745	154,813
Miscellaneous Expenses	151,514	62,653
Depreciation	214,187	170,756
Net book value	1,985,082	1,482,444

5.7 Other Expenses and Losses & Impairment of Assets

	2022	2021
	€	€
Foreign exchange losses	34,299	184,199
Other expenses	67,434	149,658
Impairment of financial assets	249,598	129,678
Net book value	351,331	463,535

5.8 Other income and profits

	2022	2021
	€	€
Foreign exchange gains	363	74,138
Profits (losses) on disposal of non-current assets	53,817	39,888
Profits from unrealised bad debt provisions	-	100,358
Depreciation of asset grants	-	985
Profits (losses) fair value measurements	90,333	71,634
Miscellaneous Expenses	343,024	76,949
Net book value	487,535	363,952

5.9 Financing (Expenses)/Income

	2022	2021
	€	€
Credit interest and related income	16,765	170
Debit interest of bank loans	(809,832)	(481,077)
Interest on lease liabilities	(32,357)	(17,455)
Financial cost of discounting liability for post-employment benefits	(11,640)	(820)
Interest charges and related expenses	(197)	(17)
	(854,026)	(499,369)
Other banking charges unrelated to financing	(636,213)	(593,322)
Foreign exchange differences	962,308	-
Interest expense and related expenses	(1,598,521)	(1,092,691)
Net book value	(2,435,782)	(1,092,521)

5.10 Income tax

	2022	2021
	€	€
Corporation tax - Current year	8,418,301	5,304,286
Corporation tax - Previous year	(204,546)	(101,221)
Deferred tax – (Credit)/Debit (Note 5.15)	(249,559)	48,779
Effect of change in accounting policy (IAS19)	-	-
Provisions and other taxes	-	-
Net book value	7,964,196	5,251,844

	2022	2021
	€	€
Recognition of tax liability / (gain)		
In profit and loss statement	7,964,196	5,251,557
In other comprehensive income	3,520	287
Tax charge	7,967,716	5,251,844

Regarding the Greek Subsidiary “Theon Sensors SA”:

The tax rate on profits from the business activity of legal persons in Greece for the year 2022 based on Article 120 of Law No. 4799/2021 amounts to 22% (2021: 22%).

The Greek Subsidiary has obtained tax compliance certificates with unqualified opinion by its certified auditor for each fiscal year from 2011 up to and including 2020 according to Greek tax laws (years 2011-2013 pursuant to the provisions of Article 82 of Law No. 2238/1994 and years 2014-2020 pursuant to the provisions of Article 65A of Law No. 4174/2013).

The Greek Subsidiary does not expect additional taxes and surcharges to occur in the context of the audit of the Greek tax authorities for the years 2016 up to 2021. Accordingly, based on risk analysis criteria and as part of the audits carried out on companies that have received tax compliance certificates with unqualified opinion by a certified auditor, the Company may be selected by the Greek tax authorities for a tax audit.

The company is audited by the Large Enterprises Audit Centre on the basis of an audit instruction served on it at the end of January 2023. This audit covers the 2017, 2018 and 2019 financial years. That audit is still under way (note 5.24) and the Company has not received any other audit instruction from the tax authorities for the 2020 to 2022 financial years.

It should be noted that on 31.12.2022 the financial years up to 31.12.2016 became statute-barred, in accordance with the provisions of Article 36(1) of Law 4174/2013.

For 2022 financial year, the tax audit done by Certified Public Accountants is under way and Management does not expect a material change in the tax liabilities for this financial year. The audit is expected to be completed after the financial statements for this period have been published. Upon completion of this tax audit, company Management team does not expect any tax liabilities other than those recorded and shown in the Financial Statements.

The company is in the final stage of taking a decision to submit a documentation folder for research and development expenditure incurred in 2022 to the General Secretariat for Research and Innovation. In this case there will be a reduction in income tax compared to the amount reported in the income statement, which at present cannot be accurately estimated.

The management of the company estimates that, in case of possible re-audits by the tax authorities, no additional tax disputes will arise with a significant impact on the financial statements.

5.11 Earnings per share

	2022	2021
Net profit for period	<u>€30,596,683</u>	<u>€19,063,442</u>
Average weighted no. of issued ordinary shares	<u>200,000</u>	<u>200,000</u>
Basic and diluted earnings per share	<u>€152.98</u>	<u>€95.32</u>

Basic earnings per share are calculated by dividing the net profits corresponding to ordinary shareholders by the average weighted number of ordinary shares in issue over the year.

The Company has not issued preference shares nor has it issued other financial instruments such as stock options or debentures convertible to ordinary shares.

Consequently, both the basic earnings per share and the diluted earnings per share are the same.

For the purposes of these consolidated financial statements the weighted average number of issued ordinary shares of 200,000 that were issued on 13 September 2021 was used for both years.

5.12 Tangible Assets

	Properties	Investment properties	Right to use properties	Mechanical equipment	Right to use cars	Other equipment	Total
	€		€	€	€	€	€
Acquisition cost							
Acquisition cost 1/1/2021	5,998,374	-	636,363	4,826,769	453,215	3,439,395	15,354,116
Additions	2,353,071	-	674,308	953,369	69,961	512,287	4,562,726
Transfers	(1,491,328)	1,491,328	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Reductions	-	-	(156,619)	(135,729)	(18,339)	(84,669)	(395,356)
Acquisition cost 31/12/2021	6,860,117	1,491,328	1,154,052	5,644,409	504,567	3,867,013	19,521,486
Additions	1,711,453	18,400	-	771,550	73,859	1,234,332	3,809,594
Disposals	-	-	-	-	-	(232,622)	(232,622)
Reductions	-	-	-	-	-	-	-
Transfers to development	-	-	-	(30,450)	(111,041)	-	(141,491)
Acquisition cost 31/12/2022	8,571,570	1,509,728	1,154,052	6,385,509	467,385	4,868,723	22,956,967
Depreciation / Impairment							
Depreciation 1/1/2021	(2,211,607)	-	(354,191)	(2,934,515)	(131,623)	(2,460,444)	(8,092,380)
Depreciation for the year	(245,222)	-	(174,555)	(370,458)	(106,519)	(225,598)	(1,122,352)
On disposals	-	-	-	-	-	-	-
Reductions	-	-	156,619	123,186	18,339	71,846	369,990
Depreciation on 31/12/2021 / 1/1/2022	(2,456,830)	-	(372,126)	(3,181,787)	(219,803)	(2,614,196)	(8,844,742)
Depreciation for the year	(209,182)	(63,289)	(186,513)	(434,613)	(109,385)	(289,652)	(1,292,634)
Transfers to investment property	34,085	(34,085)	-	-	-	-	-
On disposals	-	-	-	-	-	74,440	74,440
Reductions	-	-	-	-	-	-	-
Depreciation on 31/12/2022	(2,631,927)	(97,374)	(558,639)	(3,616,400)	(329,188)	(2,829,408)	(10,028,851)
Net book value 31/12/2021	4,403,287	1,491,328	781,926	2,462,622	284,764	1,252,817	10,676,744
Net book value 31/12/2022	5,939,643	1,412,354	595,413	2,769,109	138,197	2,039,315	12,894,039

During 2021, part of the property on 62 Ioanni Metaxa St., worth € 1,491,328 was transferred to investment property, which the company leases to related parties.

The following encumbrances have been registered on the Group's assets:

The following security interest has been registered in favour of Piraeus Bank:

A first mortgage prenotation on the plot situated at 62 Ioannou Metaxa St., Koropi, Attica and the industrial building thereon for EUR 2,000,000 to secure bank loan whose total outstanding balance was EUR 1,945,000 on 31.12.2022.

5.13 Intangible assets

	Development Costs	Other Intangibles	Total
	€	€	€
Acquisition cost			
Acquisition cost 1/1/2021	2,378,666	1,260,933	3,639,599
Additions	-	106,527	106,527
Disposals	-	-	-
Acquisition cost 31/12/2021	2,378,666	1,443,146	3,821,812
Additions	408,570	75,542	484,112
Disposals	-	-	-
Acquisition cost 31/12/2022	2,787,236	1,518,688	4,305,924
Depreciation / Impairment			
Balance 1/1/2021	(2,131,200)	(1,000,267)	(3,131,467)
Amortisation for the year	(55,123)	(111,764)	(166,887)
Cumulative amortisation 1/1/2021	-	-	-
Impairment for the year	-	-	-
Total amortisation / impairment 31/12/2021	(2,186,323)	(1,112,031)	(3,298,354)
Amortisation for the year	(52,052)	(131,201)	(183,253)
Cumulative amortisation 1/1/2022	-	-	-
Impairment for the year	-	-	-
Total amortisation / impairment 31/12/2022	(2,238,375)	(1,243,232)	(3,481,607)
Net book value 31/12/2021	192,343	331,115	523,458
Net book value 31/12/2022	548,861	275,456	824,317

5.14 Other long-term Receivables

	2022 €	2021 €
Guarantees granted	105,716	103,922
Net book value	105,716	103,922

5.15 Deferred Tax Asset

	2022 €	2021 €
Asset / (liability) on 1/1	54,047	221,000
Tax Income / (Charge) :		
In income statement:	253,079	(48,779)
In other comprehensive income	(3,520)	(287)
Asset / (Liability) on 31/12	303,606	54,047

5.16 Stocks/inventories

2021	Finished/ work in progress	Raw materials	Down payments & other inventories	Total
Inventories on 31/12/2021	4,765,886	8,459,104	2,871,060	16,096,050
Accumulated impairment on 1/1/2021	(390,191)	(140,710)	-	(530,901)
Impairment for the period	(66,817)	(101,459)	-	(34,642)
Net book value on 31/12/2021	4,442,512	8,216,935	2,871,060	15,530,507

2022	Finished/ work in progress	Raw materials	Down payments & other inventories	Total
Inventories on 31/12/2021	8,110,030	19,083,305	6,610,220	33,809,555
Accumulated impairment on 1/1/2021	(323,374)	(242,169)	-	(565,543)
Impairment for the period	209,663	53,575	-	263,238
Net book value on 31/12/2021	7,996,319	18,900,711	6,610,220	33,507,250

5.17 Financial assets and prepayments

2021	Trade receivables	Other receivables	Other financial assets	Total
	€	€	€	€
Receivables on 31/12/2021	16,258,374	2,709,585	432,558	19,400,517
Accumulated impairment on 1/1/2021	(407,268)	-	(86,927)	(494,195)
Change in impairment during the year	(9,429)	-	51,747	42,318
	(416,697)	-	(35,180)	(451,877)
Net book value on 31/12/2021	15,841,677	2,709,585	397,378	18,948,640

2022	Trade receivables	Other receivables	Other financial assets	Total
	€	€	€	€
Receivables on 31/12/2021	69,911,174	3,698,983	422,135	74,032,292
Accumulated impairment on 1/1/2021	(416,697)	-	(35,180)	(451,877)
Change in impairment during the year	(103,993)	-	(5,660)	(109,653)
Reversal of impairment / profit on revaluation	-	-	81,108	81,108
	(520,690)	-	40,268	(480,422)
Net book value on 31/12/2021	69,390,484	3,698,983	462,403	73,551,870

The "Other Receivables" account includes amounts relating to income tax credit, VAT credit, amounts blocked for imports (cash guarantees) and various amounts from "Other debtors" in euro.

The "Other Financial Assets" account relates to the investment participations in the Greek organisations PPA, HELPE and National Bank of Greece, which were valued at their fair value € 462,403 (2021: €385,355).

The overall impairment of trade receivables on 31/12/2022 amounted at € 520,690 (31/12/2021: €416,697) and relates to additional provisions for customers whose balance of receivables was past due by more than 360 days.

The trade receivables account does not bear interest and is normally settled within a period of 0 to 120 days. Provisions for impairment have been formed for customer balances not in arrears for more than 1 year from the contractual payment date and such provisions are considered adequate.

5.18 Cash and cash equivalents

	2022	2021
	€	€
Cash in hand	19,068	10,359
Sight deposits in euro	22,074,827	25,177,070
Sight deposits in foreign currency	1,941,239	909,018
Net book value	24,035,135	26,096,448

Cash and cash equivalents meet the Group's needs.

5.19 Paid-up capital & reserves

	2022	2021
	€	€
Share Capital	200,000	200,000
Reserves mandated by law or the articles of association	3,603,943	3,603,943
Statutory reserve	2,666,034	1,781,154
Rounding differences	-	184
Other comprehensive income	6,052,026	4,408,342
Retained earnings	86,265,466	55,156,162
Consolidation reserve	(33,331,866)	(31,304,573)
Net book value	65,455,603	33,845,212

The authorised and issued share capital of the company amounts to €200,000 and is comprised of 200,000 ordinary shares with nominal value of €1,00 each. All issued shares are fully settled.

Developments in the share capital

a) On 13 September 2021 the Extraordinary General Meeting of the Company unanimously resolved to issue 199,000 ordinary shares of nominal value €1,00 each which were subsequently exchanged for the acquisition of Theon Sensors AG. More specifically 199,000 ordinary shares were offered to the shareholders of Theon Sensors AG for the acquisition of 100% of the issued share capital i.e., 204,082 shares issued and fully paid shares.

5.20 Provisions for Employee Benefits

	2022	2021
	€	€
Defined benefit liability on 1/1	162,035	136,744
Statement of financial position		
Benefits paid	(14,826)	(12,830)
	(14,826)	(12,830)
Statement of Profit and Loss		
Current employment costs	29,724	38,606
Interest expense	1,094	820
	30,818	39,426
Statement of Other Comprehensive Income		
Actuarial losses / (gains)	(16,001)	(1,305)
	(16,001)	(1,305)
Defined benefit liability on 31/12	162,026	162,035

5.20 Provisions for Employee Benefits (continued)

The actuarial estimate of obligations has been prepared in accordance with the relevant legislation in Greece and relates to the Greek Subsidiary as it arises from the requirements of the Laws 2112/1920 and 3026/1954 and amended by Laws 4093/2012, 4336/2015 and 4194/2013.

They are pension benefits specified in the relevant legislation paid once the employee retires. Greek labour law provides for compensation when one retires from work. The amount is based on length of service at the company, taking into account the pay on the date of departure. Compensation for retirement is not funded from special funds.

The company has not developed a special benefits plan for employees other than those specified in the relevant legislation, which must be paid to all employees who leave the company.

The present value of the defined benefit obligation, the normal cost of current employee and, where appropriate, the cost of past service are calculated using the projected unit credit method (IAS 19).

During 2021 and based on a decision of the International Financial Reporting Standards Interpretations Committee (IFRIC) on the application of IAS 19 to this actuarial liability, the actuarial liability was allocated in such a way that it is now recognised only in relation to the last 16 years of service before retirement. Before the Board of Director's decision was issued, the Company applied IAS 19 attributing the benefits under Article 8 of Law No. 3198/1955, and Law No. 2112/1920, as amended by Law No. 4093/2012, to the period from the hire date to the retirement date of employees.

The effect of the IFRIC decision was recognised as a Change in Accounting Policy in accordance with IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors" and was recognised retrospectively in accordance with the provisions of paragraphs 19-22 of IAS 8. The change in accounting policy was applied retrospectively as of 1/1/2020. As such, the starting balance of each affected equity for the older of the presented periods and the other comparative amounts for each previous period presented as if the new accounting policy had always been in use were adjusted accordingly.

Assumptions

That method requires Management to assess specific factors such as the future increase in employee pay, discounting rate for such liabilities, employee turnover rate, etc. Management reassesses those assumptions on each reporting date.

Financial assumptions

	2022	2021
Discount rate	3.53%	0.750%
Expected future salary increases	2.40%	2.00%
Inflation	2.20%	1.80%

Demographic assumptions

The basic assumption was that the turnover rate in the period between the end of the year and the time of retirement would be zero, and for other demographic assumptions the actuarial tables in the EVK 2000 framework were used.

On 31.12.2022 the Greek subsidiary employed 231 persons in total (31.12.2021: 175). The Group employed 247 persons in total (31.12.2021: 183).

5.20 Provisions for Employee Benefits (continued)

Cash outflow timing

Calculation of the timing of outflows of expected nominal cash flows (without using discounting) in the years to come is presented in the table below:

	Payment of liability
	€
From 0-1 years	77,253
From 1-5 years	59,522
From 5-10 years	83,085
10 years or more	2,302,660
	2,522,520

Sensitivity analysis

We examined the sensitivity of the actuarial present value of the defined benefit obligation (DBO) and the forecast of normal cost (NC) of service for the following year, by changing the basic assumptions which were used.

Use of a 0.5% higher discount rate would result in the present value of the actuarial obligation being 2% lower while, the exact opposite, use of a 0.5% lower discount rate would result in the present value of the actuarial obligation being 2% higher.

The relevant sensitivity tests for the expected pay rise, namely a pay rise of 0.5% higher than expected would result in an actuarial obligation 2% higher, and the exact opposite, use of an expected pay rise 0.5% lower than expected would result in an actuarial obligation 2% lower.

	Actuarial Liability	Percentage change	Normal cost of next year	Percentage change
0.5% increase in the discount rate	148,122	(2.0%)	22,163	(5.0%)
0.5% increase in the discount rate	153,216	2.0%	24,561	5.0%
0.5% increase in expected pay rise	153,232	2.0%	24,569	5.0%
0.5% Decrease in expected pay rise	148,083	(2.0%)	22,145	(5.0%)

5.21 Loans

2021

	Long term loans	Short term loans	Short term portion of long-term loans	Total Bank loans	Long term lease liabilities.	Short term lease liabilities.	Total loan obligations.
	€	€	€	€	€	€	€
Amounts due on 1/1/2021	1,705,883	10,936,288	106,587	12,748,758	360,014	273,382	13,382,154
New lease liabilities	-	-	-	-	559,486	184,514	744,000
Disbursements	6,600,000	30,871,883	-	37,471,883	-	-	37,471,883
Capital repayments	(91,926)	(32,881,686)	(94,116)	(33,067,728)	-	(280,629)	(33,348,357)
Interest charges	94,848	324,948	61,281	481,077	-	17,455	498,532
Interest repayments	(86,254)	(328,535)	(38,664)	(453,453)	-	(17,455)	(470,908)
Transfers between accounts	(682,448)	-	682,448	-	(104,083)	104,083	-
Amounts due on 31/12/2021	7,540,103	8,922,898	717,536	17,180,537	815,417	281,350	18,277,304

5.21 Loans (continued)

	Long term loans	Short term loans	Short term portion of long-term loans	Total Bank loans	Long term lease liabilities	Short term lease liabilities	Total loan obligations
	€	€	€	€	€	€	€
Amounts due on 1/1/2021	7,540,103	8,922,898	717,536	17,180,537	815,417	281,350	18,277,304
New lease liabilities	-	-	-	-	54,143	19,716	73,859
Disbursements	-	42,919,990	-	42,919,990	-	-	42,919,990
Capital repayments	(1,711,768)	(23,837,158)	(682,448)	(26,231,374)	-	(289,040)	(26,520,414)
Interest charges	84,617	676,728	48,487	809,832	-	32,357	842,189
Interest repayments	(86,254)	(328,535)	(38,664)	(453,453)	-	(17,455)	(470,908)
Transfers between accounts	(2,753,333)	2,000,000	753,333	-	(283,206)	283,206	-
Amounts due on 31/12/2022	3,075,002	30,217,270	781,297	34,073,669	586,354	295,232	34,955,255

The Group presents interest of € 842,189 in the 2022 profit and loss statement (2021: €498,532) (see note 5.9).

The lease liability as at 31 December 2022 amounting to €881.586 comprises of €257.118 (2021: €291,789) relating to obligations under a car hire agreement whereas the remainder of €624.467 (2021: €804,978) relates to the rental of properties.

It is noted that, up to the date of the financial statements of the year 2022, the Group has settled the long-term loans that are presented on the table of the comparative year 2021.

The lease liability using discounted figures (principal owed) is analysed as follows:

	Payments with next year	Payments from 2 to 5 years	Payments from 6 to 10 years	Total
	€	€	€	€
2021				
Car lease liabilities	100,839	190,950	-	291,789
Property lease liabilities	180,511	624,467	-	804,978
Total principal due	281,350	815,417	-	1,096,767
2022				
Car lease liabilities	108,634	186,598	-	295,232
Property lease liabilities	186,598	399,756	-	586,354
Total principal due	295,232	586,354	-	881,586

The long-term loans are analysed into discounted amounts (capital due):

	Payments with next year	Payments from 2 to 5 years	Payments from 6 to 10 years	Total
	€	€	€	€
2021				
Long term loans	717,536	6,239,797	1,300,306	8,257,639
Total loan capital	717,536	6,239,797	1,300,306	8,257,639
2022				
Long term loans	781,397	2,450,000	625,002	3,856,399
Total loan capital	781,397	2,450,000	625,002	3,856,399

The Group has already made, within the year 2022, an early repayment of long-term loans amounting to €3,782,355.

THEON INTERNATIONAL PLC

5.22 Government Grants

	2022	2021
	€	€
EU Grants	133,041	221,734
“Quality Modernisation” Grant	152,667	152,667
Other Government Grants - Unamortised	(97,281)	3,984
Net book value	188,427	378,385

5.23 Trade and other payables

	2022	2021
	€	€
EU suppliers	13,901,872	3,946,744
Third country suppliers	10,068,004	2,968,887
	23,969,876	6,915,631

5.24 Tax liabilities

	2022	2021
	€	€
Liability on 1/1	4,225,018	2,093,644
Receivable on 1 /1	-	-
Net liability 1/1	4,225,018	2,093,644
Prior period tax prepayment liability	3,867,202	1,826,502
Prior period advance payment	(3,739,735)	(1,687,319)
Offset against other debts	(2,686,038)	(1,239,771)
Other taxes	189,997	1,600
Withholding tax in current period	-	(1,901,204)
Current year tax expense	4,469,880	5,303,999
Prior year tax expense	(101,221)	(101,221)
Movement for the year	1,896,761	2,202,586
Liability on 31/12	6,121,779	4,296,230
Receivable on 31/12	-	-
Net liability / (receivable) 31/12	6,121,779	4,296,230

The tax rates on the profits of the main subsidiaries of the Group, based on their country of tax residence are as follows:

1. Theon International PLC, Cyprus: 12,5%
2. Theon Sensors AG, Switzerland: 11,9%
3. Theon Sensors SA, Greece: From year 2021 onwards will be 22%, based on article 120 of law 4799/2021 (17 May 2021).
4. Theon Sensors MEA FZC, United Arab Emirates: 0%
5. Theon Sensors Far East Ltd, Singapore: 16%
6. T Industries DK ApS, Denmark – 23,5%
7. T Industries Inc, USA – 35%

5.25 Other taxes - Duties

	2022	2021
	€	€
Other withholding taxes and duties	188,397	131,663
Net book value	188,397	131,663

5.26 Other liabilities

	2022	2021
	€	€
Customer prepayments	20,456,991	4,329,348
Various creditors	1,006,660	3,390,336
Net book value	21,463,651	7,719,684

5.27 Contingent Liabilities & Commitments

The Group has no significant outstanding liabilities to third parties or third parties. The guarantee letters which have been issued are shown in the table below:

	2022	2021
	€	€
Guarantee letters for customs office	12,154,000	7,040,500
Performance guarantees	145,409	348,879
Guarantee letters for goods standing	817,750	1,162,855
Guarantee letters for in favor customer prepayments	16,367,199	1,895,280
Guarantee letters for in favor of 3 rd parties	191,744	191,744
Guarantee letters for participation	509,200	220,842
	30,185,302	10,860,100

5.28 Operating environment of the Group

Projected developments in 2023

The Group's Management team has positively assessed those current developments that will contribute to the further development of our sector and mainly in the field of night vision systems. This is expected to have a positive impact on our overall financials for the 2023 financial year.

In particular, the Group considers that the projected increase in defence and security expenditure worldwide will have a positive impact on the Company's financial results in both 2023 and 2024.

The Group 's Management team continuously assesses the trends in our sector and by evaluating the new conditions that are emerging plans measures designed to optimise its financials.

In 2023, Management will make every effort to enhance the company's profitability, strengthen its presence in foreign markets, while also improving its financial indicators. The Group 's high credit rating contributes to easy access to financing from banks, to partnerships with suppliers offering competitive terms, ensuring our smooth operation.

Impact of the energy crisis

The ongoing war in Ukraine following the Russian invasion in early 2022 and the severe economic sanctions imposed on Russia have significantly affected the energy market and subsequently the global market. The Company is not directly exposed, so there is no direct impact on financial performance from the latest developments. Any impact is only indirect, related to the high energy costs and inflationary pressures caused by this geopolitical crisis that has caused a general climate of uncertainty and instability.

Management is monitoring developments on a daily basis and already plans to install 2 net-metering photovoltaic systems at the two privately owned buildings of Greek Theon Sensors SA in 2023, with a total capacity of 184.2kWp.

Objectives and prospects – Projected performance

The Group seeks to achieve balanced growth, to operate with respect for the environment and to bolster the local -and by extension the national- economy while retaining existing jobs and creating new ones.

One specific objective is to constantly strive to improve its products / merchandise / services for our clients.

Values such as sound management, preventing potential risks or problems, reducing costs without imperilling high quality levels and being consistent to customers and other partners have long been key for the Group and its management team.

As a result of our long-standing commitment to quality products / services / merchandise and sound partnerships, the Group has become firmly established in the field as a reliable partner

THEON INTERNATIONAL PLC

for clients and our goal, in the current competitive economic environment, is to retain our current position in the night vision systems manufacturing sector.

Given the increased challenges we have to face, investment in even better quality technical characteristics for end products, merchandise and services offered to clients will be our key strategic focus for the years to come.

5.29 Transactions with related parties

The principal shareholder and ultimate beneficial owner of the group is Mr. Christian Hadjiminias who owns 79.19% of the share capital. The other shareholders with ownership percentage over 5% are Mr. Nikolaos Papatsas who owns 14.04% and other group employees that own 6.77%.

5.29.1 Remuneration of senior management and Board members

Remuneration of senior management and Board members were as follows:

	2022	2021
	€	€
Salaries	369,039	285,348
Social security costs	30,104	25,949
	399,143	311,297

5.29.2 Balance with related parties

Receivable from related parties

	2022	2021
	€	€
ESS - European Sensor Systems	102,089	102,089
Ucadrone	19,861	19,861
Hensoldt -Theon GBR	12,222,026	-
Aerospace Ventures AG	4,517,771	-
EFA Holdings	1,689	-
	16,948,447	121,950

Payables to related parties

	2022	2021
	€	€
EFA – European investments	11,126	-
Christian Hadjiminias – shareholder	3,008,378	-
	3,019,504	-

The balance due to Aerospace Ventures AG bears interest 1.9% and 2.25%. All the other balances are interest free and are payable on demand.

5.29.3 Transactions with related parties

Sale of products

	2022	2021
	€	€
Hensoldt -Theon GBR	28,297,453	-
ESS – European Sensor Systems	90,587	75,852
Skytalis	200	400
Ucadrone	49,524	24,202
EFA – European Ventures	3,662	-
	28,441,426	100,454

Purchases of products and services

	2022	2021
	€	€
ESS – European sensor systems	200,000	350,000
EFA – European investments	28,549	224,000
Defender LLC	128,984	-
	357,533	574,000

Sales of financial assets

	2022	2021
	€	€
ESS – European sensor systems	-	16,253
Chre Investments SM PC	-	49,000
	-	65,253

Interest income

	2022	2021
	€	€
Aerospace Ventures AG	5,143	-
ESS – European sensor systems	25	-
Christian Hadjiminias – shareholder	11,471	-
	16,639	-

5.29.4 Key management personnel

Key management personnel mean persons who have the power and responsibility for planning, managing and controlling the activities of an economic entity, whether directly or indirectly.

No loans have been provided to members of the Board or other Group management executives (or their families) and there are no receivables/liabilities involving Board members.

There were no changes in transactions between the Group and related parties which could have material impacts on the Group's financial position and performance for the period ended.

5.30 Shareholders holding more than 5% for the issued share capital of the Group

On 31 December 2021 and upto the date of approval of these financial statements, the following shareholders owned, directly or indirectly more that 5% of the nominal value of the issued share capital of the Group:

	2022	
	Directly	Indirectly
Christian Hadjiminias	79.19%	-
Nikolaos Papatsas	13.5%	-

5.31 Participation of Management in the share capital of the Group

The percentage of direct and indirect participation of the Board of Directors in the share capital of the Group Company (according to the article (4) (b) of the Directive ΟΔ 190-2007-04) on 31 December 2021 and upto the date of approval of these financial statements were as follows:

	2022	
	Directly	Indirectly
Christian Hadjiminias	79.19%	-

5.32 Significant agreements with Management

As at the year-end date of 31 December 2021 there were no material agreements between the Group and its Management.

5.33 Going Concern

The Group's financial statements have been prepared on the basis that the Group remains a going concern.

5.34 Subsequent events

A) During the International Defence Equipment Expo (IDEX 2023) held in Abu Dhabi on 20-24 February, the Company signed a strategic partnership agreement with the International Golden Group (IGG), a leading defence and construction Company and supplier to the UAE Armed Forces; this is an agreement that made a special impression as it followed similar important agreements signed by giants of the European defence industry for cooperation with the UAE, such as Safran (France) and Escribano (Spain).

The new agreement concerns the Company's most advanced products (with joint participation in their design by the Company's international partners) production of which will begin towards the end of 2023.

This agreement is a continuation of previous agreements and concludes the new phase of the company's relations with the UAE. In order to respond to the new needs of the UAE, but also due to the increased global demand for its products, alongside the construction of a second factory in Koropi, the Group is proceeding with the construction of a new factory in the UAE, specifically in Abu Dhabi, through a joint company with IGG.

B) In February 2023 THEON SENSORS USA Inc. based in the USA, has completed all the required procedures for technology transfer and related trainings in the framework of cooperation with EOTECH for a production line in Plymouth, Michigan, USA that will serve the increased needs of the American market in night vision systems.

C) Within the 2nd quarter of 2023, our co-production units will also be completed in Wetzlar (Germany) through a joint company with Hensoldt, while similar units will exist in South Korea, as well as a second industrial collaboration in the Middle East. These units will complete our industrial international expansion and facilitate our new products and the activities of the other Group companies.

D) the Greek company Theon Sensors S.A. has been subject to rules set out in Circular No. ΠΟΛ.1103/2017 (Expediting the refund of VAT credit balance), which will accelerate VAT refunds, reduce the burden on its administrative services in terms of audits, and also enhance its liquidity.

E) In mid-March, the Greek company Theon Sensors S.A. completed the expansion of its existing building facilities by 3,344 m² in order to house the production units for its products as part of an expansion of its operations.

F) On 27 March, the Greek company Theon Sensors S.A. received an assurance report from an independent auditor that the information in its Investment Plan, already submitted for approval, and amounting to EUR 9,888,591, as well as the information posted to the Electronic Platform for the Submission of Applications of Investment Plans for RRF Loan Financing, meets in all material respects the requirements set out in Article 9 of the relevant Decision. The report itself was also communicated to the credit institution that will undertake to provide co-financing for the investment. The relevant loan agreement is expected to be signed in May 2023.

THEON INTERNATIONAL PLC

There is no other event, in addition to the above, that could significantly affect the financial standing and course of the company.

Nicosia, 4 May 2023

The Managing Director

The Vice President of the Board

Christian Hadjiminis

Petros Christou