

C 94741

CLASS FINANCE P.L.C.

**Annual Report and Consolidated Financial Statements
for the financial year ended 31 December 2021**

CLASS FINANCE P.L.C.**Consolidated and annual financial statements for the financial year ended 31 December 2021**

	Page
Contents	
General information	1
Directors' report	2 - 3
Statement of directors' responsibilities	4
Statement of Compliance with the Principles of Good Corporate Governance	5 - 9
Consolidated statement of comprehensive income	10
Consolidated statement of financial position	11 - 12
Consolidated statement of changes in equity	13 - 14
Consolidated statement of cash flows	15 - 16
Notes to the consolidated financial statements	17 - 40
Independent auditor's report	

CLASS FINANCE P.L.C.

Consolidated and annual financial statements for the financial year ended 31 December 2021

General information

Status	CLASS FINANCE P.L.C. is a limited liability company registered in Malta under the Companies Act 1995 Chapter 386 of the Laws of Malta.
Directors	John C. Grech Cyril Gabarretta Robert Aldo Tua Maurice Zarb Adami Kerstien Cyril Gabarretta Rober Ebejer (appointed on 28/12/2021)
Company number	C 94741
Auditors	Griffiths + Associates Ltd Level 1, Casal Naxaro Labour Avenue Naxxar Malta info@griffithsassoc.com
Business Address	UBT 13/14 San Gwann Industrial Estate San Gwann Malta

CLASS FINANCE P.L.C.

Directors' report for the financial year ended 31 December 2021

Directors' report

The directors present the report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2021.

Principal activities

The Company's main activity is to invest and hold investments in other companies. The Group is engaged in the manufacturing, wholesale and retail of sunglasses, spectacles and other optical goods.

Business review and financial performance

The Group delivered a positive financial performance during the year under review. The Group earnings before interest, tax, depreciation and amortisation (EBITDA) amount to Eur 1.7 million. Profit before tax was Eur 1.1 million.

The Group revenue was Eur 9 million and the group equity which includes reserves available for distribution amounted to Euro 5 million.

Dividend and results

The results for the year are set out on page 10. The directors have authorised a payment of a net dividend of Eur 520,000 (2020: 320,000) during the year. They do not recommend a final dividend.

Reserves amounted to Euro 4.7 million which consist of both distributable and non distributable

Going Concern

As at 31 December 2021, the Group's equity was Euro 5.1 million. The directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the Group and the Company have adequate resources to continue operating for foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

As required by Listing Rule 5.62, upon due consideration of the Group's profitability and statement of financial position, the directors confirm that Group and Company's ability to continue operating as a going concern for foreseeable future.

Financial risk management

The financial risk management objectives and policies are set out in note 31 to the financial statements.

Events after year end

During 2022, the Class Finance plc issued an unsecured Euro, 3,000,000 bond. The bond carry and interest rate of 4.9% per annum and matures in 2032. The bond was admitted for trading on Malta Stock Exchange prospectus on the 16 February 2022.

Directors

The directors of the Company who held office during the year and up to date of authorisation of these financials were:

John C. Grech
Cyril Gabarretta
Robert Aldo Tua
Maurice Zarb Adami
Kerstien Cyril Gabarretta
Rober Ebejer (appointed on 28/12/2021)

CLASS FINANCE P.L.C.

Directors' report for the financial year ended 31 December 2021

Auditors

The auditors, Griffiths + Associates Ltd of Level 1, Casal Naxaro, Labour Avenue, Naxxar have expressed their willingness to continue in office and a resolution proposing they reappointment will be put before the members at the next annual general meeting.



John C. Grech
Chairman
Date: 30 April 2022



Cyril Gabarretta
Director

CLASS FINANCE P.L.C.

Statement of directors' responsibilities for the financial year ended 31 December 2021

The Companies Act (Cap 386) requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the Group and the Company and of the profit or loss for that period. In preparing these financial statements, the directors are required to:

- prepare the financial statements on going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business as a going concern.
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Group and the Company and to enable them to ensure that the financial statements comply with the Companies Act 1995 (Cap.386) enacted in Malta. This responsibility includes designing, implementing and maintaining such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Compliance with the Principles of Good Corporate Governance

Class Finance p.l.c. (the "Company") is hereby presenting its statement of compliance with the Code of Principles of Good Corporate Governance (the "Code") for the period ended 31 December 2021. This statement is in line with the requirements as set out by the Malta Financial Services Authority Listing Rule 5.97 and also in line with Prospects MTF Rules.

The Prospects MTF Rules issued by the Malta Stock Exchange require qualifying companies admitted to Prospects MTF to observe relevant corporate governance standards, in this case the Code of Principles of Good Corporate Governance (the "Code"), accompanied by a report of the independent auditor.

In view of the fact that Class Finance p.l.c. (the "Company") debt (and not equity) securities are listed and traded on a regulated market or on a multilateral trading facility, it is exempt from disclosing the information as prescribed in Listing Rules 5.97.1, 5.97.2, 5.97.3, 5.97.6 and 5.97.7 in this Corporate Governance Statement.

The Board of Directors of the Company acknowledges that although the Code does not dictate or prescribe mandatory rules, compliance with the principles of good corporate governance recommended in the best interests of the Company, its shareholders and other stakeholders. The Board considers compliance with the Code to be an integral part of operations so as to ensure transparency and responsible corporate governance which will in turn yield a positive reputation for the Company. Effective measures have been taken to ensure compliance to these principles and for the implementation of the Code as detailed hereunder.

The Corporate Governance Statement (the "Statement") will set out the structures and processes in place within the Company and how these effectively achieve the goals set out in the Code. For this purpose, this Statement will make reference to the pertinent principles of the Code and then set out the manner in which the Directors believe that these have been adhered to, and where it has not.

Part One: Compliance with the Code

The Board of the Company believes in the adoption of the Code and has endorsed them except where the size and/or particular circumstances of the Company are deemed by the Board not to warrant the implementation of specific recommendations. In this context it is relevant to note that the Company has issued bonds to the public. Accordingly, some of the provisions of the Code are not applicable whilst others are applicable to a limited extent.

Principle One - The Board

The Board of Directors is responsible for devising strategy, setting policies of the Company and for reviewing internal control procedures, financial performance and business risks facing the Company. The activities of the Board are exercised in a manner designed to ensure that it can effectively supervise the operations of the Company so as to protect the interest of bondholders, amongst other stakeholders. The Board is also responsible for making relevant public announcements and for the Company's compliance with its continuing obligations in terms of the rules of the Prospect MTF, and to ensure conformity with all other relevant rules and regulations.

Principle Two - Chairman and Chief Executive Officer

The functions of the Chairperson and Chief Executive Officer are not vested in the same individual and related responsibilities are clearly established, rendering these positions completely separate from one another.

The separation of roles of the Chairman and Chief Executive Officer avoids concentration of authority and power and differentiates leadership of the Board from the running of the business.

The Chairperson's main function is to lead the Board, set the agenda, ensure that the Directors of the Board receive precise, timely and objective information, ensure effective communication with shareholders and bondholders, and encourage active engagement by all members of the Board for discussion of complex or contentious issues.

The Chief Executive Officer has specific authorities from the Board to manage the Company's operational activities within the strategy and parameters set by it.

Principle Three - Composition of the Board

The Board considers that the size of the Board, whilst not being large as to be unwieldy, is appropriate, taking into account the size of the Company and its operations. The combined and varied knowledge, experience and skills of the Board members provides the balance of competences that are required and adds value to the functioning of the Board and gives direction to the Company.

The Articles of Association of the Company clearly set out the procedures to be followed in the appointment of directors.

The Board of the Company who served during the period under review and up to the date of this report was as follows:

Directors

John C. Grech	Chairman, Independent Non-Executive Director
Cyril Gabarretta	Executive Director
Robert Tua	Executive Director
Maurice Zarb Adami	Non-Executive Director
Kerstien Gabarretta	Non-Executive Director
Robert Ebejer	Independent Non-Executive Director (appointed on 28 December 2021)

Company Secretary

Anton Magro

The Chief Executive Officer attends all Board meetings, albeit without a vote, in order to ensure his full understanding and appreciation of the Board's policy and strategy, and so that he can provide direct input to the Board's deliberations.

Principle Four - Responsibilities of the Board

The Board has the first level responsibility for executing the four basic roles of corporate governance, namely accountability, monitoring, strategy formulation and policy development. The Board seeks to monitor effectively the implementation of strategy and policy by management. Clear internal and external reporting lines are established with a view to ensuring that the Board can properly discharge its obligation to take decisions in the best interests of the Company.

An Audit Committee has been set up with clear terms of reference in line with the Listing Rules. The Committee's primary objective is to assist the Board with the execution of the responsibilities as Directors and provide additional oversight and corporate governance of the activities of executive management. The role and competence of such Committee is further described in Principle Eight hereunder.

Principle Five - Board meetings

Meetings of the Board are held as frequently as considered necessary. The Directors are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting documents as necessary. Minutes are prepared during Board meetings recording faithfully attendance, and resolutions taken at the meeting. These minutes are subsequently circulated to all Directors as soon as practicable after the meeting. The Chairman ensures that all relevant issues are on the agenda supported by all available information, whilst encouraging the presentation of views pertinent to the subject matter and giving all Directors every opportunity to contribute to relevant issues on the agenda. The agenda of the Board seeks to achieve a balance between long-term strategic and short-term performance issues.

During the Board meetings, the Board also delegates specific responsibilities to the management team of the Company. Subsequent to the Company's submission of its Admission Document on the 19 January 2022, the Board met once whereby all members of the Board were present during this Board meeting.

Principle Six - Information and Professional Development

Each Director is made aware of the Company's on-going obligations in terms of the Companies Act, the Listing Rules and other relevant legislation. Directors have access to the advice and services of the Company Secretary. The Company is also prepared to bear the expense incurred by the Directors requiring independent professional advice should they judge it necessary to discharge their responsibilities as Directors.

Principle Seven – Evaluation of the Board's performance

With respect to the period under review, the Company has not carried out a performance review of the Board. However, the Board expects to carry out the said review within the current financial year through the submission and evaluation of a questionnaire completed by the Directors.

Principle Eight - Committees**Principle 8A - Remuneration Committee**

Pursuant to the Company's Articles of Association, the maximum aggregate emoluments that may be paid to Directors is approved by the shareholders in a general meeting. No remuneration was paid to the Directors during the period under review.

None of the Directors is employed or has a service contract with the Company.

Principle 8B - Nomination Committee

In view of the size and operation of the Company, the Board does not consider the Company to require the setting up of a Nomination Committee. Reference is also made to the information provided under the subheading 'Principle Three' above, which provides for a formal and transparent procedure for the appointment of new Directors to the Board.

Audit Committee

The terms of reference of the Audit Committee consists of supporting the Board in their responsibilities in dealing with issues of risks, control and governance and associated assurance.

The Board sets formal rules of engagement and terms of reference of the Audit Committee that establish its composition, role and function, the parameter of its remit and the basis for the processes that it is required to comply with. The Audit Committee is a sub-committee of the respective Board and is directly responsible and accountable to the respective Board. The Board reserves the right to change the Committee's terms of reference from time to time.

The Audit Committee has the role to deal with and advise the Board on:

- a) the monitoring responsibility over the financial reporting processes, financial policies, internal control structures and audit of annual financial statements;
- b) maintaining communication on such matters between the Board, management and independent auditors;
- c) facilitating the independence of the external audit process and addressing issues arising from the audit process; and
- d) preserving the company's assets by understanding the Company's risk environment and determining how to deal with such risks.

The Audit Committee also has the role and function of considering and evaluating the arm's length nature of proposed transactions to be entered into by the Company and a related party.

The Malta Stock Exchange reviewed the Committee's terms of reference as part of the admission process with respect to the bonds issued by the Company.

The Audit Committee is presently composed of:

Robert Ebejer	Chairman, Independent Non-Executive Director
John C. Grech	Independent Non-Executive Director
Korsten Gabarretta	Non-Executive Director

In compliance with the Listing Rule 5.118A, Robert Ebejer is an Independent Non-Executive Director who is competent in accounting and/or auditing matters in view of his considerable experience as a warranted Certified Public Accountant.

Internal Control

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. The Directors are aware that internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against normal business risk.

During the financial period under review the Company operated a system of internal controls which provided reasonable assurance of effective and efficient operations covering all controls, including financial controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the significant risks facing the Company.

Other key features of the system of internal control adopted by the Company are as follows:

Risk identification

The Board, with the assistance of the Audit Committee, is responsible for the identification and evaluation of key risks applicable to the areas of business in which the Company is involved. The risks are assessed on a continual basis.

Information and communication

Periodic strategic reviews which include consideration of long-term financial projections and the evaluation of business alternatives are regularly convened by the Board. An annual budget is prepared and performance against this plan is actively monitored and reported to the Board.

Principle Nine - Relations with Shareholders and with the Market

The Company is committed to having an open and communicative relationship with its bondholders. The Board believes that bondholders should have an opportunity to send communications to the Board. Any communication from a bondholder to the Board generally or a particular Director should be in writing, signed, contain the number of bonds held in the sender's name and should be delivered to the attention of the Company Secretary at the registered office of the Company.

The Company issues Company Announcements to keep the market informed of any developments.

Principle Ten - Institutional Shareholders

The Directors are of the view that this Principle is not applicable to the Company, since it doesn't have any institutional shareholders.

Principle Eleven - Conflicts of Interest

The Directors are aware that their primary responsibility is always to act in the interest of the Company and its shareholders as a whole irrespective of who appointed them to the Board. Acting in the interest of the Company includes an obligation to avoid conflicts of interest. In such instances, the Company has strict policies in place which allow it to manage such conflicts, actual or potential, in the best interest of the Company.

Principle Twelve - Corporate Social Responsibility

The Directors are committed to high standards of ethical conduct and to contribute to the development of the local community and society at large.

Part Two: Non-compliance with the Code

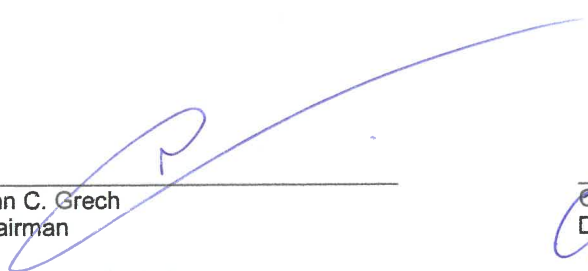
Principle Seven - Evaluation of the Board's performance

Under the present circumstances, the Company has not carried out a performance review of the Board, in view that the Board has not been operating in its current capacity for a period of twelve months. Furthermore, at present, the Board does not consider it necessary to appoint a Committee to carry out a performance evaluation of its role, as the Board's performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of, the Board itself, the market and the Listing Rules by which the Issuer is regulated as a listed company in relation to the secured bonds.

Principle Eight - Remuneration and Nomination Committees

Given the size and circumstances of the Company's business, the Company does not deem it necessary to appoint a Nomination and Remuneration Committee as decisions on these matters are more adequately taken by the Board, who are considered to possess the level of skill, knowledge and experience expected in terms of the Code, and at shareholder level.

This statement of compliance with the principles of good corporate governance has been approved by the Board of Directors and signed on its behalf by:



John C. Grech
Chairman

Date: 30 April 2022



Cyril Gabarretta
Director

CLASS FINANCE P.L.C.
Consolidated statement of comprehensive income
for the financial year ended 31 December 2021

		Group		Company	
		01/01/2021 to 31/12/2021 Euro	30/01/2020 to 30/12/2020 Euro	01/01/2021 to 31/12/2021 Euro	30/01/2020 to 30/12/2020 Euro
	Note				
Revenue	5	9,089,088	6,264,412	800,000	551,430
Cost of sales		<u>(5,161,682)</u>	<u>(3,612,854)</u>	<u>-</u>	<u>-</u>
Gross profit		3,927,406	2,651,558	800,000	551,430
Distribution expenses		(54,426)	(40,478)	-	-
Administrative expenses		(2,705,309)	(1,877,823)	(7,668)	(12,488)
Net impairment losses of financial and contract assets	7	(69,698)	-	-	-
Other income	6	203,566	176,687	-	-
Operating profit		<u>1,301,539</u>	<u>909,944</u>	<u>792,332</u>	<u>538,942</u>
Finance income	8	2	-	-	-
Finance costs	9	(136,497)	(128,558)	-	-
Share of (loss) of associate	10	-	(1,217)	-	-
Profit before tax	11	<u>1,165,044</u>	<u>780,169</u>	<u>792,332</u>	<u>538,942</u>
Income tax expense	12	(349,088)	(305,171)	(277,316)	(164,241)
Profit for the year - Total comprehensive income		<u>815,956</u>	<u>474,998</u>	<u>515,016</u>	<u>374,701</u>
Profit attributable to					
Owners of the Company		819,417	482,461		
Non-controlling interest		(3,461)	(7,463)		
		<u>815,956</u>	<u>474,998</u>		

The notes set on 17 to 40 are an integral part of these financial statements.

CLASS FINANCE P.L.C.
Consolidated statement of financial position as at 31 December 2021

		Group		Company	
	Note	2021 Euro	2020 Euro	2021 Euro	2020 Euro
ASSETS					
Non-current assets					
Right-of-use assets	13	2,125,217	2,327,948	-	-
Property, plant and equipment	14	1,595,065	633,471	-	-
Investments in subsidiaries	15	-	-	361,649	361,649
Investment in associate	16	17,268	17,268	-	-
Deferred tax	17	22,195	-	-	-
Total non-current assets		3,759,745	2,978,687	361,649	361,649
Current assets					
Inventories	18	2,146,007	2,156,630	-	-
Trade and other receivables	19	2,615,113	3,436,026	63,456	62,818
Current tax asset		-	-	7,055	4,371
Cash and cash equivalents		716,169	638,068	3,415	11,686
Total current assets		5,477,289	6,230,724	73,926	78,875
Total assets		9,237,034	9,209,411	435,575	440,524

CLASS FINANCE P.L.C.
Consolidated statement of financial position as at 31 December 2021

		Group		Company	
	Note	2021 Euro	2020 Euro	2021 Euro	2020 Euro
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	21	373,400	373,400	373,400	373,400
Other Reserves	22	4,279,657	4,279,657	-	-
Retained earnings	22	461,878	162,461	49,717	54,701
Non-controlling interest		(15,696)	(12,235)	-	-
Total equity		5,099,239	4,803,283	423,117	428,101
Non-current liabilities					
Borrowings	23	162,404	240,861	-	-
Lease liabilities	13	2,056,035	2,219,763	-	-
Deferred tax liability		-	44,343	-	-
Total non-current liabilities		2,218,439	2,504,967	-	-
Current liabilities					
Borrowings	23	104,185	91,174	-	-
Lease liabilities	13	163,728	149,269	-	-
Trade and other payables	24	1,536,295	1,559,272	12,458	12,423
Refund liabilities	25	74,845	65,092	-	-
Current tax liability		40,303	36,354	-	-
Total current liabilities		1,919,356	1,901,161	12,458	12,423
Total equity and liabilities		9,237,034	9,209,411	435,575	440,524

The notes are an integral part of these financial statements. The financial statements set out on pages 1 to 40 were approved by the board of directors and authorised for issue on 30 April 2022 and signed on its behalf by:

John C. Grech
Chairman

Cyril Gabarretta
Director

CLASS FINANCE P.L.C.

Consolidated statement of changes in equity for the financial year ended 31 December 2021

Group	Other Reserve Euro	Retained earnings Euro	Share capital Euro	Total Euro	Non- controlling interest Euro	Total Equity Euro
Balance at 30 January 2020	-	-	-	-	-	-
Profit for the year - Total comprehensive income	-	482,461	-	482,461	(7,463)	474,998
Acquisition of subsidiaries - predecessor method	4,279,657	-	-	4,279,657	-	4,279,657
Non-controlling interest on acquisition of subsidiaries				-	(4,772)	(4,772)
Transactions with owners in their capacity as owners						
Issue of share capital	-	-	373,400	373,400		373,400
Dividends paid	-	(320,000)	-	(320,000)	-	(320,000)
Balance at 31 December 2020	4,279,657	162,461	373,400	4,815,518	(12,235)	4,803,283
Balance at 01 January 2021	4,279,657	162,461	373,400	4,815,518	(12,235)	4,803,283
Profit for the year - Total comprehensive income	-	819,417	-	819,417	(3,461)	815,956
Transactions with owners in their capacity as owners						
Dividends paid	-	(520,000)	-	(520,000)	-	(520,000)
Balance at 31 December 2021	4,279,657	461,878	373,400	5,114,935	(15,696)	5,099,239

CLASS FINANCE P.L.C.

Consolidated statement of changes in equity for the financial year ended 31 December 2021

Company	Retained earnings Euro	Share capital Euro	Total Euro	Total Equity Euro
Balance at 30 January 2020	-	-	-	-
Profit for the year - Total comprehensive income	374,701	-	374,701	374,701
Transactions with owners in their capacity as owners				
Issue of share capital	-	373,400	373,400	373,400
Dividends paid	(320,000)	-	(320,000)	(320,000)
Balance at 31 December 2020	54,701	373,400	428,101	428,101
Balance at 01 January 2021	54,701	373,400	428,101	428,101
Profit for the year - Total comprehensive income	515,016	-	515,016	515,016
Transactions with owners in their capacity as owners				
Dividends paid	(520,000)	-	(520,000)	(520,000)
Balance at 31 December 2021	49,717	373,400	423,117	423,117

The notes set on 17 to 40 are an integral part of these financial statements.

CLASS FINANCE P.L.C.**Consolidated statement of cash flows for the financial year ended 31 December 2021**

	Note	Group		Company	
		2021 Euro	2020 Euro	2021 -	2020 -
Profit before tax		1,165,044	780,169	792,332	538,942
Adjustments for:					
Depreciation of property, plant and equipment	14	170,374	123,073	-	-
Depreciation of right-of-use assets	13	202,731	202,731	-	-
Impairment of financial assets	7	69,698	-	-	-
Share of profits of equity accounting			1,217	-	-
Inventory write down		43,523	2,523	-	-
Bad debts written off	7	14,296	-	-	-
Finance costs	9	136,497	128,558	-	-
Interest income	8	(2)	-	-	-
Dividend income		-	-	(800,000)	(551,430)
		1,802,161	1,238,271	(7,668)	(12,488)
Change in inventories		(32,900)	369,982	-	-
Change in trade and other receivables		736,182	(433,479)	(638)	-
Change in trade and other payables and refund liability		(13,224)	48,289	35	4,591
Cash generated from operations		2,492,219	1,223,063	(8,271)	(7,897)
Interest and finance charges paid		(769)	(1,625)	-	-
Income taxes paid		(412,103)	(224,474)	-	-
Net cash generated from/(used in) operating activities		2,079,347	996,964	(8,271)	(7,897)

CLASS FINANCE P.L.C.**Consolidated statement of cash flows for the financial year ended 31 December 2021**

	Note	Group 2021 Euro	2020 Euro	Company 2021 -	2020 -
Investing activities					
Interest Received		2	-	-	-
Acquisition of property, plant and equipment	14	(1,131,966)	-	-	-
Net cash used in investing activities		(1,131,964)	-	-	-
Financing activities					
Interest paid on loans and borrowings		(7,185)	(2,860)	-	-
Interest paid on lease liabilities	13	(127,382)	(122,912)	-	-
Proceeds from issuance of equity instruments		-	11,751	-	11,751
Proceeds from borrowings		-	300,000	-	7,832
Repayment of borrowings		(67,433)	(67,660)	-	-
Principal element of lease payments	13	(149,269)	(158,584)	-	-
Dividends paid to equity holders of the parent	22	(520,000)	(320,000)	-	-
Net cash generated from/(used in) financing activities		(871,269)	(360,265)	-	19,583
Net movement in cash and cash equivalents		76,114	636,699	(8,271)	11,686
Cash and cash equivalents at beginning of year		636,699	-	11,686	-
Cash and cash equivalents at end of year	20	712,813	636,699	3,415	11,686

The notes set on 17 to 40 are an integral part of these financial statements.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2021

1 General information

CLASS FINANCE P.L.C. (the Company) is a public liability company incorporated in Malta. The address of its registered office is UBT 13/14, San Gwann Industrial Estate, San Gwann, Malta.

The Company's main activity is to invest and hold investments in other companies. The Group is engaged in the manufacturing, wholesale and retail of sunglasses, spectacles and other optical goods.

2 Basis of preparation

2.1 Statement of compliance

These financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRSs) as adopted by the European Union and according to the requirements of the Companies Act, Chapter 386, enacted in Malta.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for investments in associates which are accounted according to the equity method.

2.3 Basis of Consolidation

i) Subsidiaries

The consolidated financial statements include the financial statements of the Company and entities controlled by the Company and its subsidiaries made up to 31st December 2021. Control is achieved when the Company has power over the investee, is exposed or has rights to variable returns from its involvement with the investee and has the ability to use its power over the investee to affect the amount of its returns. In assessing control, potential voting rights that give the Company the current ability to direct the investee's relevant activities are taken into account.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Business combination between entities under common control

Business combinations between entities under common control are accounted for using the predecessor method of accounting. Under the predecessor method of accounting, assets and liabilities are incorporated at the predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control and for which consolidated financial statements are prepared. When the controlling party does not prepare consolidated financial statements because it is not a parent Company, the financial statement amounts of the acquired entity are used.

Under the predecessor method no goodwill is recognised. Any difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired entity, is included in equity in a separate reserve (Other reserves).

The predecessor method eliminates all intragroup assets and liabilities, equity, income, expense and cash flows relating to transactions between members of the group. Unrealised losses are also eliminated. The accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the group.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2021

The Company's subsidiaries and sub subsidiaries are as follows:

	2021	2020
	%	%
Class Optical Manufacturing Limited	100	100
Class Optical Limited	100	100
Vision Opticians Limited	100	100
Eyewearthese Limited	50	50

The above companies are incorporated in Malta. Class Optical Manufacturing Limited, Class Optical Limited, Vision Opticians Limited have their registered address at UBT 13/14, Industrial Estate, San Gwann, Malta. Eyewearthese Limited has its registered address at 350, Zabbar Road, Fgura, Malta.

Subsidiaries and sub subsidiary are private limited companies. The financial statements of all members of group have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. All subsidiaries were acquired by the company in February 2020.

ii) Associate

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. The equity method is fully described in Note 3.10 of these financial statements.

On consolidation unrealised gains on transactions between the Group and the associates are eliminated to the extent of the Group's interest in this entity. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the asset transferred. Accounting policies of equity investee are changed where necessary to ensure consistency with the policies adopted by the Group.

2.4 Functional and presentation currency

The financial statements are presented in Euro (Eur), which is the Company's and Group's functional currency.

2.5 New standards and amendments and interpretation to published standards not yet effective

The directors anticipate that the adoption of other standards that were in issue at the date of authorisation of these financial statements, but not yet effective, will have no material impact on the financial statements of the Company and Group in the period of initial application.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2021

3 Significant accounting policies

3.1 Revenue

Revenue consists of the fair value of the consideration received or receivable for goods and services provided in the ordinary course of the Group's activities. The Group's revenue consists primarily of income derived from the wholesale and retail sales of sunglasses, frames and other optical products and from the services provided in relation to optical lenses. The Group's revenue is stated net of rebates, returns, taxes and similar allowances.

The Group's revenue is recognised when the customer gains control over the goods or service and has the opportunity to benefit from the service. Control is transferred when the good is delivered or (in case of service) at the same point that the good on which the service was performed is delivered to the customer.

Certain wholesale sales are sold to the customers with a right of return. Right to the returned goods are recognised as refund liability for the products that are expected to be returned. The Group used its accumulated experience in estimating such returns (expected value method). Due the number of products returned has been steady for past years, it is highly probable that a significant reversal in the revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. The Group presented refund liabilities separately in the statement of financial position.

The Company's revenue consists of dividends received from its subsidiaries. Dividend is recognised when the right to received dividends is established.

Interest income

Interest income is recognised when the inflow of economic benefits associated with the transaction is probable and the amount of income can be measured reliably. Interest income is accrued on a time basis on the amount outstanding. Interest income is included in profit or loss as part of finance income.

3.2 Government grants

Government grants are recognised when there is reasonable assurance that the Company or Group will comply with the conditions attaching to them and that the grants will be received. Government grants that compensate for an expense are recognised in profit or loss on a systematic basis as a deduction from the related expense in the same periods in which the expense is incurred. Grants receivable as a financial support with no future related costs are recognised in profit or loss as part of other income in the period in which they become receivable.

3.3 Borrowing costs

Borrowing costs directly attributable to the acquisition or construction of a qualifying property, plant and equipment are added to the cost of those assets. Borrowing costs are capitalised while acquisition or construction is actively underdevelopment. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is interrupted. All other borrowing costs are recognised in the profit or loss as part of finance costs in the period they are incurred.

3.4 Employee benefits

The Group contributes towards the state pension in accordance with local legislation. The only obligation of the Group is to make the required contributions. Costs are expensed in the period in which they are incurred.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2021

3.5 Foreign currencies

Transactions denominated in foreign currencies are converted to the functional currency at the rates of exchange ruling on the dates on which the transactions first qualify for recognition. Monetary assets and monetary liabilities denominated in foreign currencies at financial reporting date are translated to functional currency using the closing rates of exchange at reporting date. Any exchange differences arising on the settlement of monetary assets and monetary liabilities, or on translating foreign denominated monetary assets and liabilities at the balance sheet date at rates different from those at which they were previously translated, are recognised in profit or loss.

3.6 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss, except when it relates to items recognised in other comprehensive income, in which case tax is also recognised in other comprehensive income.

Current tax is based on the taxable profit for the year. Taxable profit may differ from profit before tax as reported in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's and Group's tax is calculated using tax rates, which have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is accounted for using the liability method and recognised on temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. The Company and the Group recognise a deferred tax liability in respect of all taxable temporary differences and a deferred tax asset in respect of all deductible temporary differences except to the extent that such deferred tax liability arises from the initial recognition of goodwill or the deferred tax asset/liability arises from the initial recognition of an asset or liability which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit (loss). Recognition of a deferred tax asset is however limited to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised. The Company and the Group re-assess any unrecognised deferred tax asset at each financial reporting date to determine whether future taxable profit has become probable that allows the deferred tax asset to be recovered.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

3.7 Right-of-use assets

The right of use assets is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying assets or to restore the underlying assets or the site on which it is located, less any incentive received.

Subsequent to initial recognition right of use asset is measured at cost less any accumulated depreciation and accumulated impairment losses. Depreciation starts from the commencement date of the lease and is calculated using the straight-line method over the shorter period of the lease term and useful life of the underlying asset, unless the Group expects to exercise a purchase option available to transfer the ownership of the underlying assets, in which case it is depreciated over the useful life of the underlying asset.

The Group presents right of use assets as a separated line item in the statement of financial position.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2021

3.8 Property, plant and equipment

Property, plant and equipment are initially measured at cost comprising the purchase price, any costs directly attributable to bringing the assets to a working condition for their intended use, and the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located. Subsequent expenditure are added to the carrying value of property plant and equipment only if it is probable that the future economic benefits that are associated with the asset will flow to the entity and the cost can be measured reliably. All other expenditure related to property, plant and equipment are expensed in the period they are incurred.

After initial recognition all property, plant and equipment are stated at cost less accumulated depreciation, and accumulated impairment.

Depreciation

Depreciation is calculated to write down the carrying amount of the asset on a systematic basis over its expected useful life. Depreciation of an asset begins when it is available for use and ceases at the earlier of the date that the asset is classified as held for sale (or included in a disposal group that is classified as held for sale) or the date that the asset is derecognised. The depreciation charge for each period is recognised in profit or loss.

The depreciation rates used for property, plant and equipment are as follows

Buildings	2 - 5% Straight line
Equipment	10% Straight line
Computer equipment & software	10 - 25% Straight line
Furniture & fittings	10 - 20% Straight line
Air-conditioners	16.67% Straight line

Depreciation method, useful life and residual value

The depreciation method applied, the residual value and the useful life are reviewed on a regular basis and when necessary, revised with the effect of any changes in estimate being accounted for prospectively.

Derecognition of property, plant and equipment

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains and losses arising from derecognition represent the difference between the net proceeds (if any) and the carrying amount and are included in profit or loss in the period of derecognition.

3.9 Investment in Subsidiaries

Investments in subsidiaries are recognised initially at cost. After initial recognition, the investment in subsidiary is measured using the cost method.

Under the cost method, investment in subsidiary is measured at cost less any accumulated impairment losses. Dividends received from the subsidiary are recognised in profit or loss.

3.10 Investment in associate

Investments in associates are recognised initially at cost, including any transaction costs. After initial recognition, the investment in associates is measured using the equity method.

Under the equity method, the carrying amounts is increased or decreased to recognise the Group's share of the profit or loss and other comprehensive income of the associate. The Group's share of the profit or loss of the associate is recognised in the profit or loss, while the Group's share of the associate's change in equity is recognised directly in the equity of the Group. Dividends received from the associate reduce the carrying amount of the investment.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2021

The investments are review for recoverability. Where an indication of impairment exists, the carrying amount of the investments is assessed and written down to its recoverable amount.

Investments in associates are derecognised when the Company loses significant influence over the investee. Any retained interest in the entity is remeasured at its fair value. The difference between the carrying amount and their retained investments at the date when significant influence is lost and its fair value, is recognised in profit or loss.

3.11 Impairment of non-financial assets

The carrying amounts of the non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated in order to determine the extent of impairment loss. If it is not possible to determine the recoverable amount for certain asset, the Company and the Group calculate the recoverable amount of the cash-generating unit that the assets belong. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognised and the carrying amount of the asset is reduced to its recoverable amount. Impairment losses are recognised immediately in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had previously been recognised.

3.12 Inventories

Inventories consist mainly of items used in the provision of lending services, sunglasses, frames and other optical products. Inventories are measured at the lower of cost and net realisable value. Cost is calculated using first-in, first-out basis and comprises all costs of purchase cost of conversion (if any) and the costs incurred in bringing inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated cost of completion and the cost to be incurred in marketing, selling and distribution.

3.13 Financial instruments

Financial assets and liabilities are recognised when the Company or Group becomes party of to the instrument's contractual terms. Purchases and sales of financial assets and liabilities are recognised on the transaction date, which is the date on which the Company or Group commits itself to buy or sell the asset. Financial instruments are initially reported at fair value plus directly attributable transaction costs for all financial assets and liabilities that are not recognised at fair value through profit or loss.

Financial assets or parts thereof are derecognised from the statement of financial position when the contractual rights to receive cash flows from the assets have expired or risk and rewards associated with the ownership of the financial asset have been transferred or in case significant risk and rewards were not transferred the Company or Group has not retained control over the asset.

Financial assets measured at amortised cost

The Company and Group classify their financial assets as financial assets held at amortised cost. These financial assets are assets held for the purpose of receiving contractual cash flows (Hold to collect) which consists solely for principal payments and interest.

The carrying amount of financial assets held at amortised cost is adjusted for any expected credit losses incurred. Interest income from these financial assets is recognised in accordance with the effective interest method and is included in financial income.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2021

The Company's and the Group's financial assets that are measured at amortised cost consist of amount receivable on trade and other receivables and cash and cash equivalents.

- Trade and other receivables

Trade receivables comprise of amounts due from customers for goods delivered and services performed in the ordinary course of business. Trade and other receivables are initially recognised at fair value and subsequently stated at their nominal values unless the effect of discounting is material in which case trade and other receivables are measured at amortised cost using the effective interest method.

After initial recognition the carrying amount of the asset is also adjusted through the use of an allowance account and the amount of the loss is recognised in trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

- Cash and bank balances

Cash and cash equivalents are carried in the statements of financial position at face value. Cash and cash equivalents include cash in hand, deposits held at call with banks and other institutions. Bank overdrafts, which are repayable on demand are presented in current liabilities as borrowings in the statement of financial position.

Impairment on financial assets

The Company's and the Group's financial assets are subject to impairment allowance on forward looking basis under the 'expected credit loss' (ECL) model.

The expected credit loss model requires the Company and Group to measure impairment allowance for all financial assets from the time the asset is originated, based on the deterioration of credit risk since initial recognition. If the credit risk has not increased significantly, the impairment allowance is based on 12 month expected losses. If the credit risk has increased significantly or if the financial instruments are credit impaired, impairment allowances are based on lifetime expected losses.

For trade receivables, the Group measure impairment losses using the simplified approach. The expected credit losses on these financial assets are estimated by grouping together trade receivable based on the credit risk characteristics and days past due. This information is subsequently adjusted to reflect current and forward-looking information.

For cash and cash equivalents, the Company and Group consider to have low credit risk since the credit risk rating of the bank institution it banks with is equivalent to the globally understood definition of 'investment grade'.

The expected losses are recognised a separate item in the statement of profit or loss.

Financial liabilities

The Company's and Group's financial liabilities are classified as financial liabilities at amortised cost. These financial liabilities are initially measured at fair value included transaction costs and subsequently carried at amortised cost using the effective interest method.

Financial liabilities are derecognised from the statement of financial position when the obligations have been settled, cancelled or ceased. The difference between the carrying amount of a financial liability that have been transferred or extinguished and the consideration paid are recognised in the profit or loss.

- Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised costs using the effective interest method. Any difference between the proceeds (net of transaction costs) and the redemption value are recognised in profit or loss.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2021

Borrowings are classified as current liabilities unless the Company or the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

- Leases

A lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease. If the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate as the discount rate. The Group's incremental borrowing rate is the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment.

Lease payments included in the measurement of the lease liability includes:

- the fixed lease payments (including in-substance fixed payments), less any lease incentives,
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date,
- amounts expected to be payable under any residual value guarantee;
- the exercise price of any purchase option granted in favour of the Group if it is reasonable certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Variable lease payments that do not depend on an index or rate are expensed in the period to which they relate.

After initial recognition, the measurement of a lease liability increase as a result of interest charged at a constant rate on the balance outstanding and reduced for lease payments made.

A lease liability is remeasured when there is a change in future lease payment arising for a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group's changes its assessment of whether it will exercise a purchase, extension or termination option.

The portion of the lease liability recognised on the statement of financial position as a current liability pertains to the liability that fall due within twelve months. The remaining portion of the lease liability is recognised as non-current liability.

The Group presents lease liabilities as a separated line item in the statement of financial position.

- Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

- Offsetting of financial instruments

Financial assets and liabilities are offset and reported in a net amount in the statement of financial position when the Company or Group has a legal right to offset the reported amounts and intends to settle the items on a net basis or to simultaneously realise the asset and settle the liability.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2021

3.14 Share capital

Ordinary share issued by the Company are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds. Dividends to ordinary shareholders are included directly to equity and are recognised as liabilities in the period in which they are declared.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the Directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1, unless further described below.

IFRS 16 - Leases

Critical judgements required in the application of IFRS 16 may include, among others, the following:

- Identifying whether a contract (or part of a contract) includes a lease;
- Determining whether it is reasonably certain that an extension or termination option will be exercised;
- Classification of lease agreements (when the entity is a lessor);
- Determination of whether variable payments are in substance fixed;
- Establishing whether there are multiple leases in an arrangement;

Sources of estimation uncertainty in the application of IFRS 16 may include, among others, the following:

- Estimation of the lease term;
- Determination of the appropriate rate to discount the lease payments;
- Assessment of whether a right-of-use asset is impaired

5 Revenue

The Group's revenue consists primarily of income derived from the wholesale and retail sales of sunglasses, frames and other optical products and from the services provided in relation to optical lenses

	Group		Company	
	01/01/2021 to 31/12/2021 Euro	30/01/2020 to 30/12/2020 Euro	01/01/2021 to 31/12/2021	30/01/2020 to 30/12/2020
Revenue from wholesale	4,864,683	2,675,749	-	-
Revenue from retail	2,283,517	1,859,728	-	-
Revenue from manufacturing	1,940,888	1,728,935	-	-
Dividends	-	-	800,000	551,430
	<u>9,089,088</u>	<u>6,264,412</u>	<u>800,000</u>	<u>551,430</u>

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2021****6 Other income**

	Group	
	01/01/2021	30/01/2020
	to	to
	31/12/2021	30/12/2020
	Euro	Euro
Management fees receivable	97,970	95,447
Government grants received	16,165	-
Sundry income	88,691	80,545
Difference on currency exchange	740	695
	<u>203,566</u>	<u>176,687</u>

7 Net impairment losses of financial and contract assets

This movement in impairment losses consists of the following:

	Group	
	01/01/2021	30/01/2020
	to	to
	31/12/2021	30/12/2020
	Euro	Euro
Increase in impairment on trade and other receivables	83,994	-
Trade and other receivables written off	(14,296)	-
Increase in loss allowance recognised in profit or loss during the year	<u>69,698</u>	<u>-</u>

8 Finance income

	Group	
	01/01/2021	30/01/2020
	to	to
	31/12/2021	30/12/2020
	Euro	Euro
Interest from Banks	<u>2</u>	<u>-</u>

9 Finance costs

	Group	
	01/01/2021	30/01/2020
	to	to
	31/12/2021	30/12/2020
	Euro	Euro
Interest on bank overdrafts	769	1,625
Interest on bank loans	7,185	3,925
Interest on lease	127,382	122,912
Finance Charges	-	96
Unrealised difference on currency exchange	1,161	-
	<u>136,497</u>	<u>128,558</u>

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2021****10 Share of loss of associate**

	Group	
	01/01/2021	30/01/2020
	to	to
	31/12/2021	30/12/2020
	Euro	Euro
Share of loss on associate	-	1,217

11 Profit before tax

11.1 Profit before tax is stated after charging the following:

	Group		Company	
	01/01/2021	30/01/2020	01/01/2021	30/01/2020
	to	to	to	to
	31/12/2021	30/12/2020	31/12/2021	30/12/2020
	Euro	Euro	Euro	Euro
<i>Cost of sales</i>				
Employee benefit expense	253,578	84,127	-	-
Depreciation of property, plant and equipment (Note 14)	84,326	101,968	-	-
Depreciation of right-of-use asset (Note 13)	7,021	7,021	-	-
Inventory write down	43,523	2,523	-	-
	<u>388,448</u>	<u>195,639</u>	<u>-</u>	<u>-</u>

	Group		Company	
	01/01/2021	30/01/2020	01/01/2021	30/01/2020
	to	to	to	to
	31/12/2021	30/12/2020	31/12/2021	30/12/2020
	Euro	Euro	Euro	Euro
<i>Expenses</i>				
Employee benefit expense	962,794	589,558	-	-
Professional fees	56,411	45,687	7,632	12,323
Management fees	1,071,780	826,088	-	-
Depreciation of property, plant and equipment (Note 14)	86,048	21,105	-	-
Depreciation of right-of-use asset (Note 13)	195,710	195,710	-	-
Repairs and replacements	58,926	28,310	-	-
Bank charges	20,401	14,557	20	165
Distribution expenses	54,426	40,478	-	-
Other expenses	253,239	156,808	16	-
	<u>2,759,735</u>	<u>1,918,301</u>	<u>7,668</u>	<u>12,488</u>

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2021****11.2** The remuneration paid to the Company's and Group's auditors during the year amounts:

	Group		Company	
	01/01/2021	30/01/2020	01/01/2021	30/01/2020
	to	to	to	to
	31/12/2021	30/12/2020	31/12/2021	30/12/2020
	Euro	Euro	Euro	Euro
Annual statutory audit	19,500	13,200	4,500	4,500
Other non-audit services	500	600	100	100
	<u>20,000</u>	<u>13,800</u>	<u>4,600</u>	<u>4,600</u>

Group	
01/01/2021	30/01/2020
to	to
31/12/2021	30/12/2020
Euro	Euro

11.3 Employee benefit expense

Wages and salaries	1,224,391	632,866
Social security costs	83,214	77,453
Recharges of wages	(91,233)	(36,634)
	<u>1,216,372</u>	<u>673,685</u>

Wages and salaries for both 2021 and 2020 are disclosed net of payroll grants receivable from Government in view of COVID-19 pandemic. Grants relating to income are presented as a deduction in reporting the related expense.

The average number of persons employed by the Company during the year were 60 (2020: 54). Sixteen (2020: 14) of the employees were employed in the laboratory section, twenty three (2020: 18) in retail section, seventeen (2020: 17) in the wholesale section and four (2020: 5) were employed in administration.

The were no directors' emoluments during the year (2020: nil).

12 Income tax expense

	Group		Company	
	01/01/2021	30/01/2020	01/01/2021	30/01/2020
	to	to	to	to
	31/12/2021	30/12/2020	31/12/2021	30/12/2020
	Euro	Euro	Euro	Euro
Current tax expense	416,052	324,412	277,316	164,241
Deferred tax expense	(66,964)	(19,241)	0	0
	<u>349,088</u>	<u>305,171</u>	<u>277,316</u>	<u>164,241</u>

The tax expense and the result of accounting profit multiplied by the statutory domestic income tax rate is reconciled as follows:

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2021**

	Group		Company	
	01/01/2021 to 31/12/2021 Euro	30/01/2020 to 30/12/2020 Euro	01/01/2021 to 31/12/2021 Euro	30/01/2020 to 30/12/2020 Euro
Profit before tax	1,165,044	780,169	792,332	538,942
Tax at 35%	407,765	273,059	277,316	188,630
Expenses not allowable for tax purposes	713	-	-	-
Tax credit	-	-	-	(24,389)
Other differences	(14,076)	3,930	-	-
Amount not previously recognised	(45,314)	28,194	-	-
	<u>349,088</u>	<u>305,183</u>	<u>277,316</u>	<u>164,241</u>

13 Leases**The Group****Right-of-use assets**

	Land and buildings Euro	Total Euro
Year ended 31 December 2020		
Opening net book amount	-	-
Acquisition of subsidiaries - additions	2,530,679	2,530,679
Depreciation	(202,731)	(202,731)
Closing net book amount	<u>2,327,948</u>	<u>2,327,948</u>
At 01 January 2021		
Cost amounts	2,530,679	2,530,679
Accumulated depreciation	(202,731)	(202,731)
Net book amount	<u>2,327,948</u>	<u>2,327,948</u>
Year ended 31 December 2021		
Opening net book amount	2,327,948	2,327,948
Depreciation	(202,731)	(202,731)
Closing net book amount	<u>2,125,217</u>	<u>2,125,217</u>
At 31 December 2021		
Cost amounts	2,530,679	2,530,679
Accumulated amortisation	(405,462)	(405,462)
Net book amount	<u>2,125,217</u>	<u>2,125,217</u>

Right-of-use asset consists of a various leases. These include the temporary emphyteusis of factory land and buildings, the retail shops and the warehouse. The lease term of these agreements varies from 2 years to 63 years.

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2021****The Group****Lease liability**

	2021	2020
	Euro	Euro
Current	163,728	149,269
Non-current	2,056,035	2,219,763
	2,219,763	2,369,032

The finance lease interest charged to profit or loss for the year is Eur 127,382 (2020: Eur 122,912).

The cash outflow for the year related to lease payments amounted to Euro 276 383 (2020: Euro 281,496).

14 Property, plant and equipment**The Group**

	Air- conditioners Euro	Computer equipment Euro	Furniture & fittings Euro	Equipment Euro	Buildings Euro	Total Euro
Year ended 31 December 2020						
Opening net book amount						
Additions	13,321	50,739	227,409	1,404,175	-	1,695,644
Depreciation charge	(8,748)	(37,458)	(65,199)	(950,768)	-	(1,062,173)
Closing net book amount	<u>4,573</u>	<u>13,281</u>	<u>162,210</u>	<u>453,407</u>	<u>-</u>	<u>633,471</u>
At 01 January 2021						
Cost amounts	13,321	50,739	227,409	1,404,175	-	1,695,644
Accumulated depreciation	(8,748)	(37,458)	(65,199)	(950,768)	-	(1,062,173)
Net book amount	<u>4,573</u>	<u>13,281</u>	<u>162,210</u>	<u>453,407</u>	<u>-</u>	<u>633,471</u>
Year ended 31 December 2021						
Opening net book amount	4,573	13,281	162,210	453,407	-	633,471
Additions	873	151,993	193,182	12,546	773,372	1,131,966
Depreciation charge	(1,934)	(23,517)	(32,931)	(91,105)	(20,885)	(170,372)
Closing net book amount	<u>3,512</u>	<u>141,757</u>	<u>322,461</u>	<u>374,848</u>	<u>752,487</u>	<u>1,595,065</u>
At 31 December 2021						
Cost amounts	14,194	202,732	420,591	1,416,721	773,372	2,827,610
Accumulated depreciation	(10,682)	(60,975)	(98,130)	(1,041,873)	(20,885)	(1,232,545)
Net book amount	<u>3,512</u>	<u>141,757</u>	<u>322,461</u>	<u>374,848</u>	<u>752,487</u>	<u>1,595,065</u>

All additions done during 2020 consist of additions acquired from the acquisition of subsidiaries.

Building includes, air-conditioning system, electrical fittings and furniture and fittings as significant components. These components have a useful life of 20 years. The carrying amount of these significant components is Euro 157,712 (2020 Nil), Euro 22,868 (2020 Nil) and Euro 184,872 (2020 Nil) respectively.

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2021****15 Investments in subsidiaries**

The carrying value of the investments in subsidiaries for the years ended 31 December 2021 and 2020 is Euro 361,649.

The list of subsidiaries, which are Class Optical Limited, Vision Opticians Limited and Class Optical Manufacturing Limited and their respective registered office and the percentage of share held by the company can be found in note 2.3 of these financial statements.

16 Investment in associate**The Group**

	2021	2020
	Euro	Euro
Carrying amount	17,268	17,268

The company's associate is as follows:

	Registered Office	Class of shares held	2021	2020
Optical (CCSG) Limited	UBT 13/14, Industrial Estate, San Gwann, Malta	Ordinary shares	33%	33%

During October 2021, Optical (CCSG) Limited was put into voluntary dissolution.

17 Deferred tax assets and liabilities**The Group**

Deferred tax is attributable to the following

	2021	2020
	Euro	Euro
Temporary difference on property, plant and equipment	(97,338)	(65,157)
Temporary difference on lease and right-of-use asset	44,052	-
Temporary difference on financial assets	36,326	-
Provision	17,403	5,166
Tax losses	21,764	15,648
Others	(12)	-
	<u>22,195</u>	<u>(44,343)</u>

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2021**

Movement in temporary differences during the year

	30/01/2020 Euro	Movement Euro	31/12/2020 Euro
Difference on property, plant and equipment	-	(65,157)	(65,157)
Provision	-	5,166	5,166
Tax losses	-	15,648	15,648
	-	(44,343)	(44,343)
	01/01/2021 Euro	Movement Euro	31/12/2021 Euro
Difference on property, plant and equipment	(65,157)	(32,181)	(97,338)
Difference on lease and right-of-use asset	-	44,052	44,052
Difference on financial assets	-	36,326	36,326
Provision	5,166	12,237	17,403
Tax losses	15,648	6,116	21,764
Others	-	(12)	(12)
	-	-	-
	(44,343)	66,538	22,195

All movement in deferred tax during the year is recognised in profit of loss with the exception of Euro 25,102 which were acquired from the acquisition of subsidiaries.

18 Inventories**The Group**

	2021 Euro	2020 Euro
Finished goods	2,146,007	2,156,630

The Company's inventories consist of sunglasses, frames, lenses and other optical products.

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2021****19 Trade and other receivables**

	Group		Company	
	2021	2020	2021	2020
	Euro	Euro	Euro	Euro
Trade receivables	823,798	1,065,043	-	-
Amounts receivable from related parties	1,208,748	1,358,012	62,818	62,818
Accounts receivable	82,452	45,592	-	-
VAT refundable	15,797	21,857	-	-
Prepayments	236,889	776,982	638	-
Accrued income	247,044	168,535	-	-
Other current assets	385	5	-	-
	<u>2,615,113</u>	<u>3,436,026</u>	<u>63,456</u>	<u>62,818</u>

Amounts receivables from related parties are unsecured, interest free and repayable on demand.

Trade receivable at group level are stated net of loss allowance of Euro 69,698 (2020: Nil).

20 Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flow comprise the following balance sheet amounts:

	Group		Company	
	2021	2020	2021	2020
	Euro	Euro	Euro	Euro
Cash at bank	699,760	618,373	3,415	11,686
Other Bank	2,051	3,487	-	-
Cash in hand	14,358	16,208	-	-
Bank overdraft	(3,356)	(1,369)	-	-
	<u>712,813</u>	<u>636,699</u>	<u>3,415</u>	<u>11,686</u>

21 Share capital**The Group and Company**

	2021	2020
	Euro	Euro
<i>Authorised</i>		
40,863 Ordinary A Shares of Euro10 each	408,630	408,630
2 Ordinary B Shares of Euro10 each	20	20
	<u>408,650</u>	<u>408,650</u>

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2021

Issued

4,698 Ordinary A Shares of Euro10 each - 25% paid-up	11,745	11,745
36,165 Ordinary A Shares of Euro10 each - 100% paid-up	361,650	361,650
2 Ordinary B Shares of Euro each - 25% paid-up	5	5
	<u>373,400</u>	<u>373,400</u>

The ordinary 'A' shares carry one voting right per share at the general meetings of the Company, Ordinary 'A' shareholders are entitled to any distribution of dividends. Ordinary 'B' shares do not carry voting rights and they are not entitled to distribution of dividends. Both classes of shares rank simultaneously for any residual assets of the Company after the settlement of all liabilities in the event of the Company's winding up.

22 Reserves

The Group

22.1 Other reserve reconciliation

	Other Reserve Euro	Total Euro
Year ended 31 December 2020	-	-
Acquisition of subsidiaries	4,279,657	4,279,657
Closing carrying amount	<u>4,279,657</u>	<u>4,279,657</u>
Year ended 31 December 2021		
At 01 January 2021	4,279,657	4,279,657
Movement current year	-	-
At 31 December 2021	<u>4,279,657</u>	<u>4,279,657</u>

22.2 Retained earnings

Retained earnings represent accumulated profits. The Company authorised a payment of dividends of Eur 520,000 (2020: Euro 320,000) out of retained earnings during the year ended 31st December 2021.

23 Borrowings

Non-current liabilities

Borrowings included under non-current liabilities on the statement of financial position comprise the following amounts:

	Group	
	2021 Euro	2020 Euro
Bank loans	<u>162,404</u>	<u>240,861</u>

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2021***Current liabilities*

Borrowings included under current liabilities on the statement of financial position comprise the following amounts:

	Group	
	2021	2020
	Euro	Euro
Bank overdraft	3,356	1,369
Bank loans	85,579	74,555
Loans from non-controlling interest shareholders	15,250	15,250
	<u>104,185</u>	<u>91,174</u>

The company bank loan is secured by:

- 1) Guarantees by third parties
- 2) Special hypothec on an immovable property
- 3) Pledges on insurance policies

The bank loan is repayable within 4 years from the first drawdown (2020). The bank loan carries a fixed rate of 2.5% per annum for the first two years and a rate of 2.5% over the 3 month Euribor per annum for the remaining term of the loan. The current bank loan balance is the short term portion of the bank loan.

The Group has an overdraft facility of Euro 500,000. All amount is unutilised at reporting date. The bank overdraft is secured by a general hypothec over the company assets and a special guarantee provided by a related party.

The amount shown as overdraft consists of credit card balances.

Loans from non-controlling interest shareholders are unsecured, interest free and repayable on demand.

24 Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	Euro	Euro	Euro	Euro
Trade payables	1,120,571	1,254,045	-	-
Amount payable to related parties	89,810	62,151	7,858	7,823
Deposits received	18,538	12,159	-	-
Indirect taxation payable	115,915	85,807	-	-
Other taxation payable	27,843	22,391	-	-
Accruals	163,618	122,719	4,600	4,600
	<u>1,536,295</u>	<u>1,559,272</u>	<u>12,458</u>	<u>12,423</u>

Amount payable to related parties are unsecured, interest free and repayable on demand.

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2021****25 Refund liabilities**

	Group	
	2021	2020
	Euro	Euro
Arising from right of return	74,845	65,092

The Group offer right to return to related parties. The right of return cover only certain products and subject to certain condition pre agreed by the Group and the customer.

26 Related parties***Controlling parties and related parties***

The Company forms part of a group whose ultimate parent is Class Holding Ltd. Class Finance p.l.c. is the Company's immediate parent company. Class Holding Ltd and Class Finance p.l.c. are registered in Malta, having their registered address at UBT 13/14, San Gwann Industrial Estate, San Gwann, Malta. The consolidated financial statements of Class Holding Ltd are filed and available for public inspection at the Registrar of Companies in Malta.

26.1 Transactions with related parties

During the year, the company entered into the following transactions with related parties:

Trading transactions

There were the following trading transactions with related parties during for the year.

	Group	
	01/01/2021	30/01/2020
	to	to
	31/12/2021	30/12/2020
	Euro	Euro
Sales to fellow subsidiaries	1,877	-
Sales to other related parties	2,334,689	1,290,597
Management fee charged to fellow subsidiary	8,748	7,290
Management fee charged to other related parties	105,788	81,962
Management fee charged by ultimate parent company	(1,071,780)	(826,088)
Recharge of expenses to ultimate parent company	37,003	13,369
Recharge of expenses to other related parties	145,802	70,183
Recharge of expenses from fellow subsidiary	(23,093)	(19,574)
Recharge of expenses from ultimate parent company	(31,175)	(28,011)
Rent paid to fellow subsidiary	(54,000)	(45,000)

There were no transactions with related parties at Company level.

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2021****Financial transactions**

There were no financial transactions with related parties during the year.

	Group	
	01/01/2021 to 31/12/2021 Euro	30/01/2020 to 30/12/2020 Euro
Dividend paid to the parent company	(520,000)	(320,000)

During the year the Company received a net of tax dividends Euro 520,000 (2020: Euro 382,818) from its subsidiaries. The Company paid Eur 520,000 (2020: Euro 320,000) in dividends to its parent company.

During the prior period the Company entered in exchange of shares with Class Holding Ltd. The company issued 36,165 shares at Eur 10 each in exchange of all the holding in Class Optical Manufacturing Limited, Class Optical Limited and Vision Opticians Limited.

26.2 Amounts at the end of the financial reporting date

The following balances were outstanding at the end of the financial reporting date:

	Group		Company	
	2021 Euro	2020 Euro	2021 Euro	2020 Euro
Amounts due from fellow subsidiaries	238,044	303,235	-	-
Amounts due from subsidiaries	-	-	62,818	62,818
Amounts due from other related parties	620,694	749,381	-	-
Amounts receivable from the ultimate parent company	350,010	305,396	-	-
Amounts due to fellow subsidiaries	(2,509)	-	-	-
Amount due to the ultimate parent	(8,235)	(7,823)	(7,858)	(7,823)
Amounts due to other related parties	(35,886)	-	-	-
Amounts due to fellow subsidiaries	(43,180)	(54,328)	-	-

Balances from financial transactions

Loans from non-controlling interest	(15,250)	(15,250)	-	-
-------------------------------------	----------	----------	---	---

All the amounts outstanding are unsecured, interest-free and repayable on demand. No guarantees have been given. At group level, an amount of Euro 13,118 (2020: Euro nil) have been recognised a bad debt during the current year in respect of the amounts owed by related parties. No (2020: Euro nil) loss allowance have been recognised on amounts owed by related parties.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2021

26.3 Transactions with key management personnel

During the year and the prior year, there were no transactions with key management employees.

27 Guarantees and contingencies

The Group has provided two guarantees for the total amount of Eur 5,750 (2020: Eur 5,750) in favour of a third party and a governmental authority. These amounts become payable if certain conditions set by the third party and authority are not fulfilled.

28 Commitments

During 2019, Class optical manufacturing limited signed an agreement to rent a premises for 35 year period. As part of this agreement Class optical manufacturing limited agreed to make an investment in the property of not less than Euro 1,300,000 by 31st August 2022. It also agreed to invest Euro 2,100,000 in plant, machinery and equipment over a period of three years.

Other commitments consist of leases commitments. The future minimum lease payment under non-cancellable leases is as follows:

The Group

	Contractual amounts	Less than 1 year	Between 1 and 5 years	More than 5 years
	Euro	Euro	Euro	Euro
Year ended 31 December 2020	1,901,174	212,982	760,576	927,616
Year ended 31 December 2021	1,846,732	244,035	675,559	927,138

There were no commitments at company level for the years ended 31 December 2021 and 2020.

29 Events after the end of the reporting period

During 2022, the Company issued an unsecured Euro, 3,000,000 bond. The bond carry and interest rate of 4.9% per annum and matures in 2032. The bond was admitted for trading on Malta Stock Exchange prospects on the 16 February 2022.

On 19 January 2022, Class Optical Manufacturing Limited entered as a guarantor for Bond issued by its immediate parent to the general public. Together with Class Finance p.l.c., Class Optical Manufacturing Limited stand surety joint and severally in favour of the bondholders and irrevocably and unconditionally guarantee to the bondholders the due and punctual performance of all the obligations undertaken by Class Finance p.l.c.

30 Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation for the purpose of fairer presentation.

31 Financial risk management

The Company's and Group's activities are exposed to a number of financial risks, including credit risk and liquidity risk.

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2021***Credit risk*

Credit risk is the risk that a debtor or counterparty is unable or unwilling to meet its financial commitments that it has entered into and therefore causing the Company and the Group to incur a financial loss.

The Company's and the Group credit risk arises mainly from amounts due from related parties. The maximum exposure to credit risk at the end of reporting period with respect trade and other receivables including amount due from related parties is disclosed in notes 19 and 20.

Amount due by related parties, trade receivables and other receivables are tested for impairment under the expected credit loss model. This model requires the Company and Group to measure impairment allowance for all financial instruments for the time the asset is originated, based on the deterioration of credit risk since initial recognition. If the credit risk has not increased significantly, the impairment allowance is based on 12 month expected losses. If the credit risk has increased significantly or if the financial instruments are credit impaired, impairment allowances are based on lifetime expected losses.

For bank balances, the Company and Group manage credit risk rating by depositing amounts in banks with a reputation equivalent to the globally understood definition of 'investment grade'.

Liquidity risk

Liquidity risk is the risk that the Company and the Group will have difficulties in paying its financial liabilities. The Group is exposed to liquidity risk in relation to trade and other payables and borrowings while the Company is exposed only in relation to other payables.

The Company's and Group's management monitors liquidity risk by means of cash flow forecasts on the expected cash flows over a twelve-month period. The following tables provides analyses on the Group's and Company's financial liabilities into relevant maturity grouping based on the remaining period at financial reporting date to the contractual maturity date.

The Group

	Contractual amounts Euro	Less than 1 year Euro	Between 1 and 5 years Euro	More than 5 years Euro
At 31 December 2021				
Bank loan	247,983	85,579	162,404	-
Other loans	15,250	15,250	-	-
Trade and other payables	1,536,295	1,536,295	-	-
Lease	1,846,732	244,035	675,559	927,138
	<u>3,646,260</u>	<u>1,881,159</u>	<u>837,963</u>	<u>927,138</u>
At 31 December 2020				
Bank loan	316,785	213,012	15,367	-
Other loans	15,250	15,250	-	-
Trade and other payables	1,559,272	1,559,272	-	-
Lease	1,901,174	212,982	760,576	927,616
	<u>3,792,481</u>	<u>2,000,516</u>	<u>775,943</u>	<u>927,616</u>

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2021**

The Company

	Contractual amounts Euro	Less than 1 year Euro	Between 1 and 5 years Euro	More than 5 years Euro
At 31 December 2021				
Trade and other payables	<u>12,458</u>	<u>12,458</u>	<u>-</u>	<u>-</u>
At 31 December 2020				
Trade and other payables	<u>12,423</u>	<u>12,423</u>	<u>-</u>	<u>-</u>

32 Fair value estimation

At 31 December 2021 and 2020 the carrying amounts of financial instruments not carried at fair value, comprising cash at bank, receivables, payables, accrued expenses and short term borrowing reflected in the financial statements are a reasonable estimated of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

33 Capital risk management

The Company's and Group's objective when managing capital are:

- to safeguard the Company's and Group's ability to continue as a going concern in order to provide returns to shareholder; and
- to maintain an optimal capital structure to reduce the cost of capital.
- to comply with requirements of the Prospectus in relation to the bonds issued

The Group's policy is to maintain a strong capital base so as to maintain creditor confidence and to sustain future development of business.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, issue new shares or sell assets. The Company's and Group's equity as disclosed in the statement of financial position, constitute its capital. The Company and Group maintain the level of capital by reference to it financial obligations and commitment arising from operation requirements.



Independent Auditor's Report

To the Shareholders of CLASS FINANCE P.L.C.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of CLASS FINANCE P.L.C. (the Company) and the consolidated financial statements of the Company and its subsidiaries (together, the Group) set out on pages 1 to 40, which comprise the statement of financial position of the Company and the Group as at 31 December 2021, the statement of comprehensive income, statement of changes in equity and statement of cashflows of the Company and the Group and notes to the financial statements, including a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements give a true and fair view of the Company and the Group as at 31 December 2021, and of its financial performance for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

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 Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) in Malta, 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 directors are responsible for the other information, which comprises the directors' report, the statement of directors' responsibilities and corporate governance - statement of Compliance. Our opinion on the financial statements does not cover the other information, including the directors' report.



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

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Companies Act (Cap.386).

Based on the work we have performed, in our opinion:

- the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements: and
- the directors' report has been prepared in accordance with the Companies Act (Cap.386)

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 directors either intend to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

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



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

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

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

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



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

Report on the Statement of Compliance with the Principle of Good Corporate Governance

In order for a Prospects MTF company to remain admitted on the exchange, the Prospects Rules issued by the Malta Stock Exchange require that the company shall comply with, provide equivalent disclosure, or explain the extent to which it adheres to, the relevant corporate governance standard, in this case Appendix 5.1 to Chapter 5 of the Listing Rules issued by the Malta Listing Authority, and the effective measures that they have taken to ensure compliance with those principles. The Statement of Compliance with the Principle of Good Corporate Governance is to contain at least the information set out in Listing Rule 5.97.

Our responsibility is laid down by Listing Rule 5.98, which requires us to include a report to shareholders on the Statement of Compliance with the Principle of Good Corporate Governance in the Company's annual financial report.

We read the Statement of Compliance and consider the implications for our report if we become aware of any information therein that is materially inconsistent with the financial statements or our knowledge obtained in the audit, or that otherwise appears to be materially misstated. We also review whether the Statement of Compliance with the Principle of Good Corporate Governance contains at least the information set out in Listing Rule 5.97.

We are not required to, and we do not, consider whether the directors' statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance with the Principle of Good Corporate Governance set out on pages 5 to 9 has been properly prepared in accordance with the requirements of the Prospects rules by the Malta Stock Exchange.



Matters on which we are required to report by exception under the Companies Act

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that proper returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

Under the Prospects MTF Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications, as necessary.

We have nothing to report to you in respect of these responsibilities.

Use of this report

Our report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Appointment

We were first appointed as auditors of the Company on the 15 May 2021.



Alexander Micallef
For Griffiths + Associates Ltd
Level 1, Casal Naxaro
Labour Avenue
Naxxar
Malta
info@griffithsassoc.com
Date: 30 April 2022

CLASS FINANCE P.L.C.**Cost of Sales for the financial year ended 31 December 2021**

	Group	
	2021	2020
	Euro	Euro
Cost of sales		
Opening Stock	2,156,630	(2,211,090)
Purchases of stock	4,750,046	2,887,763
Other Production expenses	40,147	14,459
Productive Wages	253,578	84,127
Freight, Insurance & Duty on Goods	15,941	9,385
Depreciation charge	91,347	108,989
Stock Write off	43,523	2,523
Closing Stock	(2,189,530)	2,716,698
	<u>5,161,682</u>	<u>3,612,854</u>

CLASS FINANCE P.L.C.**Distribution and administration expenses for the financial year ended 31 December 2021**

	Group		Company	
	2021	2020	2021	2020
	Euro	Euro	Euro	Euro
Distribution expenses				
Other Selling Expenses/Distribution expenses	54,426	40,478	-	-
	<u>54,426</u>	<u>40,478</u>	<u>-</u>	<u>-</u>

CLASS FINANCE P.L.C.**Distribution and administration expenses for the financial year ended 31 December 2021**

	2021	2020	2021	2020
	Euro	Euro	Euro	Euro
Administration expenses				
Wages - Regular	881,653	534,653	-	-
Management Salaries	15,322	-	-	-
Employers' Share of NI Contributions	52,572	35,254	-	-
Staff training & Education	-	820	-	-
Staff Safety	57	258	-	-
Staff Welfare	531	760	-	-
Staff Uniforms	2,344	894	-	-
Sub Contracting and Out-sourcing	505	17,265	-	-
Professional Fees	36,911	33,721	2,332	7,823
Management and Administration Fees	1,071,780	826,088	-	-
Audit Fees	19,500	11,966	4,500	4,500
Insurance	3,740	333	-	-
Fuel Costs	7,158	7,279	-	-
Motor running expenses	16,610	14,292	-	-
Repairs and maintenance - machinery and equipment	31,103	10,123	-	-
Computer-related expenses	27,823	18,187	-	-
Cleaning	17,108	9,305	-	-
Water and electricity	37,970	26,850	-	-
Telephone and Communications	5,186	5,110	-	-
Office Stationery and supplies	14,573	13,879	16	-
General expenses	14,763	8,334	-	-
Hotel Expenses	628	-	-	-
Property Rental	16,374	6,794	-	-
Membership and subscription fees	6,405	3,249	-	-
Licences Fees	13	-	-	-
Company Registration Fees	2,770	920	800	-
Donations	854	-	-	-
Bad Debts written off	14,296	-	-	-
Depreciation	281,758	216,815	-	-
Bank charges	20,401	14,557	20	165
Advertising	58,658	35,589	-	-
Promotion	25,984	4,318	-	-
Meals & entertainment	2,263	481	-	-
Commissions payable	13,247	19,651	-	-
Travel Expenses	4,449	78	-	-
	<u>2,705,309</u>	<u>1,877,823</u>	<u>7,668</u>	<u>12,488</u>