

C 94741
CLASS FINANCE P.L.C.
Annual Report and Consolidated Financial Statements
for the financial year ended 31 December 2023

CLASS FINANCE P.L.C.**Consolidated and annual financial statements for the financial year ended 31 December 2023**

	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 - 8
Consolidated statement of comprehensive income	9
Consolidated statement of financial position	10 - 11
Consolidated statement of changes in equity	12 - 13
Consolidated statement of cash flows	14 - 15
Notes to the consolidated financial statements	16 - 45
Independent auditor's report	

CLASS FINANCE P.L.C.

Consolidated and annual financial statements for the financial year ended 31 December 2023

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
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 2023

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 2023.

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

During 2023, the Group concluded the merger of Eyewearthese Limited with Vision Opticians Limited. This merger did not result in a change at group level as Eyewearthese Limited was already included in the Group financials statement as a sub subsidiary of Class Finance PLC.

During the year, the Group also concluded phase two of San Gwann factory and now the group is fully operating in a state of art factory facility.

The Group earnings before interest, tax, depreciation and amortisation (EBITDA) amount to Eur 1.4 million (2022: Eur 1.6 million). Profit before tax was Eur 957,650 (2022: Eur1.2 million).

The Group revenue was Eur 9.9 million which is in line with prior year (Eur 9.8 million). Cost of sales were also inline with prior year. Administration expenses increase by Eur 279,405 from prior year. This increase is mainly attributable to increase in wages and salaries.

Dividend and results

The results for the year are set out on page 9. The directors have authorised a payment of a net dividend of Eur 280,000 (2022: 312,000) during the year. They do not recommend a final dividend.

Reserves amounted to Euro 5.7 million (2022 Euro 5.3 million) which consist of both distributable and

Going Concern

As at 31 December 2023, the Group's equity was Euro 6.1 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 28 to the financial statements.

Events after year end

There were no particular important events affecting the Company which occurred since the end of the accounting period.

CLASS FINANCE P.L.C.

Directors' report for the financial year ended 31 December 2023


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

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.



Robert Aldo Tua
Director
Date: 29 April 2024



Cyril Gabarretta
Director

CLASS FINANCE P.L.C.

Statement of directors' responsibilities for the financial year ended 31 December 2023

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.

Corporate Governance - Statement of Compliance

For the year ended 31 December 2023

The Prospects MTF Rules ("the Rules") oblige issuing companies to observe The Code of Principles of Good Corporate Governance (the "Code"), in relation to which a report is to be prepared on the adherence thereto by the independent auditor. Companies listed on Prospects MTF are required to include, in their Annual Report, a Directors' Statement of Compliance which deals with the extent to which the Group has adopted the Code of Principles of Good Corporate Governance and the effective measures that the Group has taken to ensure compliance with the Code, accompanied by a report of the auditors thereon.

In view of the fact that Class Finance plc (the "Company") debt (and not equity) securities are listed and traded on Prospects MTF which is a multilateral trading facility. The Group is hence hereunder reporting its compliance with the Code and where the Group has decided otherwise to not adhere to specific provisions as allowed by the Rules, the Group is specifying where and how it is not in compliance with the Code.

Part 1: Compliance with the Code

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

Principle 1: The Board

The Board of Directors is responsible for devising a strategy and setting policies of the Group. It is also responsible for reviewing internal control procedures, financial performance and business risks faced by the Group. The Board is also responsible for decisions relating to the redemption of the Bond, and for monitoring that the operations of the Group are in conformity with the prospectus and all relevant rules and regulations. The Board is composed of:

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

The Board delegates specific responsibilities to an Audit Committee, details of which are found in Principle 5 hereunder.

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. The Board delegates specific responsibilities to an Audit Committee, details of which are found in Principle 5 hereunder.

The Directors and other Prospects MTF Restricted Persons as defined by the Rules are informed of their obligations on dealings in securities of the Group within the established parameters of the law and the Rules. Each Director and Prospects MTF Restricted Person has been provided with the Code of Dealing required in terms of the Rules and training in respect of their obligations arising thereunder.

Corporate Governance - Statement of Compliance (continued)

For the year ended 31 December 2023

Principle 2: Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive, set out in writing and agreed by the Board, were held separately for the period to ensure that there was a clear distinction between the running of the Board and the executive responsibility for the running of the business of the Group.

The Chairman's main function is to lead the Board, set the agenda and ensure that all board members partake in discussions of complex and contentious issues.

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

Principle 3: 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 Group 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 Group.

The Board is composed of 2 executive and 4 non-executive directors. Two of the non-executive directors, that is, Mr John C. Grech and Mr Robert Ebejer are considered to be independent within the meaning provided by the Code. Each non-executive director has submitted a declaration to the Board declaring their independence.

Directors are appointed during the Group's Annual General Meeting for period of one year, at the end of which term they may stand again for re-election. The Articles of Association of the Group clearly set out the procedures to be followed in the appointment of directors.

Principle 4: The 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 effectively monitor 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 Group. An audit committee has been set up with clear terms of reference in line with the Rules. The procedure of the Audit Committee is regulated under its terms of reference.

Principle 5: Board Meetings

Board meetings concentrate mainly on strategy, operational performance and financial performance of the Group. After each Board meeting and before the next, Board minutes that faithfully record attendance, key issues and decisions are sent to the directors. Meetings were attended as follows:

Members	Meetings attended out of total held during tenure
John C. Grech	12 out of 12
Cyril Gabarretta	12 out of 12
Robert Tua	12 out of 12
Maurice Zarb Adami	12 out of 12
Kerstien Gabarretta	12 out of 12
Robert Ebejer	1 out of 12

The Board also delegates specific responsibilities to the management team of the Group.

Corporate Governance - Statement of Compliance (continued)

For the year ended 31 December 2023

Board Committees

Audit Committee

The Board delegates certain responsibilities to the Audit Committee, the terms of reference of which reflect the requirements stipulated in the Rules and under applicable law. In addition, unless otherwise dealt with in any other manner prescribed by the Rules, the Audit Committee has the responsibility to, inter alia, monitor and scrutinise, and, if required, approve Related Party Transactions, if any, falling within the ambits of the Rules and to make its recommendations to the Board of any such proposed Related Party Transactions.

The Audit Committee establishes internal procedures and monitors these on a regular basis. The terms of reference for the Audit Committee are designed both to strengthen this function within the Group and to widen the scope of the duties and responsibilities of this Committee. The Committee also has the authority to summon any person to assist it in the performance of its duties, including the Group's external auditors.

During the year under review, the Audit Committee was composed of Robert Ebejer (Chairman, Independent Non-Executive Director), John C. Grech (Independent Non-Executive Director) and Kerstien Gabarretta (Non-Executive Director).

The Board considers the Chairman of the Audit Committee to be independent and competent in accounting and/or auditing. Such determination was based on Robert Ebejer substantial experience in various roles throughout his career as a Certified Public Accountant.

Senior Management

In view of Class Finance plc (the Company) being primarily a finance and investment company, the Company does not have any employees. However, the overall management of the Group is under the responsibility of Class holding Limited senior management.

Principle 6: Information and Professional Development

Each director is made aware of the Group's on-going obligations in terms of the Companies Act, the Rules and other relevant legislation. Directors have access to the advice and services of the Group Secretary and to legal counsel. The Group 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 9: Relations with Shareholders and with the Market

The Group has communicated effectively with the market through Group announcements and financial information published by the Group.

Principle 10: Institutional Shareholders

The Group is of the view that due to the fact that it does not have Institutional Shareholders, this provision is not applicable.

Principle 11: Conflicts of Interest

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

Corporate Governance - Statement of Compliance (continued)

For the year ended 31 December 2023

Principle 12: Corporate Social Responsibility

The group of companies understands the importance of contributing to society at large, both in terms of the wellbeing of its staff as well as the contribution towards society at large.

Part 2: Non-Compliance with the Code

Principle 7: Evaluation of the Board's Performance

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 Issuer's shareholders, the market and the rules by which the Issuer is regulated.

Principle 8: Committees

The Issuer does not have a Remuneration Committee as recommended by this principle because it is not deemed as necessary in view of the very limited number of directors engaged by the Issuer. Furthermore, the Issuer does not have a Nomination Committee as recommended in Principle 8. Appointments to the Board of Directors are determined by the shareholders of the Group in accordance with the Memorandum and Articles of Association. The Issuer considers that the members of the Board provide the level of skill, knowledge and experience expected in terms of the Code.

Internal Controls

The Board is responsible for the Group's system of internal controls and for reviewing its effectiveness. Such a system is designed to achieve business objectives and to manage rather than to eliminate the risk of failure to achieve business objectives and can only provide reasonable assurance against material error, losses or fraud.

Authority to manage the business of the Group, including the Group is delegated to the Group Chief Executive Officer within the limits set by the Board of Directors. Systems and procedures are in place for the Group to control, report, monitor and assess risks and their financial implications, and to take timely corrective actions where necessary. Regular financial budgets and strategic plans are prepared, and performance against these plans is actively monitored and reported to the directors on a regular basis.

Remuneration Statement

In terms of the Company's Memorandum and Articles of Association, it is the shareholders of the Group in the General Meeting who determine the maximum annual aggregate remuneration of the directors. The aggregate amount approved for this purpose during the last Annual General Meeting was consistent to the one declared in the current financial year.

No part of the remuneration paid to the directors is performance based, and the Chief Executive Officer receives no additional remuneration in relation to this role. None of the directors, in their capacity as a Director of the Group, is entitled to profit sharing, share options or pension benefits with respect to Class Finance plc.

Signed on behalf of the Board of Directors on 29 April 2024 by:

Mr Robert Ebejer
Director and Chairman of Audit Committee

CLASS FINANCE P.L.C.
Consolidated statement of comprehensive income
for the financial year ended 31 December 2023

		Group		Company	
	Note	2023 Euro	2022 Euro	2023 Euro	2022 Euro
Revenue	5	9,913,444	9,832,331	639,362	671,208
Cost of sales		<u>(5,355,447)</u>	<u>(5,364,960)</u>	<u>(147,000)</u>	<u>(134,750)</u>
Gross profit		4,557,997	4,467,371	492,362	536,458
Distribution expenses		(82,411)	(55,880)	-	-
Administrative expenses		(3,501,223)	(3,221,818)	(67,698)	(62,831)
Net impairment (losses)/recovery of financial and contract assets	7	(47,398)	11,447	-	-
Other income	6	258,431	288,161	-	-
Operating profit		<u>1,185,396</u>	<u>1,489,281</u>	<u>424,664</u>	<u>473,627</u>
Finance income	8	49,500	45,375	-	-
Finance costs	9	(277,246)	(277,426)	-	-
Profit before tax	10	<u>957,650</u>	<u>1,257,230</u>	<u>424,664</u>	<u>473,627</u>
Income tax expense	11	(277,074)	(306,139)	(148,632)	(165,769)
Profit for the year - Total comprehensive income		<u>680,576</u>	<u>951,091</u>	<u>276,032</u>	<u>307,858</u>
Profit attributable to					
Owners of the Company		680,576	951,091		
Non-controlling interest		-	-		
		<u>680,576</u>	<u>951,091</u>		

The notes set on 16 to 45 are an integral part of these financial statements.

CLASS FINANCE P.L.C.

Consolidated statement of financial position as at 31 December 2023

		Group		Company	
	Note	2023 Euro	2022 Euro	2023 Euro	2022 Euro
ASSETS					
Non-current assets					
Right-of-use assets	12	1,842,299	2,002,304	-	-
Property, plant and equipment	13	3,358,376	1,973,740	-	-
Investments in subsidiaries	14	-	-	361,649	361,649
Deferred tax	16	-	6,627	-	-
Total non-current assets		5,200,675	3,982,671	361,649	361,649
Current assets					
Inventories	17	2,783,078	2,413,209	-	-
Trade and other receivables	18	4,924,057	4,130,340	4,515,450	2,373,653
Current tax asset		155,158	-	4,368	4,914
Cash and cash equivalents		893,659	2,044,981	668,637	1,915,205
Total current assets		8,755,952	8,588,530	5,188,455	4,293,772
Total assets		13,956,627	12,571,201	5,550,104	4,655,421

CLASS FINANCE P.L.C.
Consolidated statement of financial position as at 31 December 2023

		Group		Company	
	Note	2023 Euro	2022 Euro	2023 Euro	2022 Euro
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	20	373,400	373,400	373,400	373,400
Other Reserves	21	4,279,657	4,279,657	-	-
Retained earnings	21	1,485,849	1,085,273	41,607	45,575
Total equity		6,138,906	5,738,330	415,007	418,975
Non-current liabilities					
Borrowings	22	2,925,307	2,991,174	2,925,307	2,916,066
Lease liabilities	12	1,818,908	1,994,220	-	-
Deferred tax liability	16	33,760	-	-	-
Total non-current liabilities		4,777,975	4,985,394	2,925,307	2,916,066
Current liabilities					
Borrowings	22	191,686	128,498	-	-
Lease liabilities	12	184,462	145,128	-	-
Trade and other payables	23	2,588,753	1,476,573	2,209,790	1,320,380
Refund liabilities	24	74,845	74,845	-	-
Current tax liability		-	22,433	-	-
Total current liabilities		3,039,746	1,847,477	2,209,790	1,320,380
Total equity and liabilities		13,956,627	12,571,201	5,550,104	4,655,421
		-	-	-	-

The notes are an integral part of these financial statements. The financial statements set out on pages 9 to 45 were approved by the board of directors and authorised for issue on 29 April 2024 and signed on its behalf by:



Robert Aldo Tia
Director



Cyril Gabarretta
Director

CLASS FINANCE P.L.C. Consolidated statement of changes in equity for the financial year ended 31 December 2023						
Group	Other Reserve Euro	Retained earnings Euro	Share capital Euro	Total Euro	Non-controlling interest Euro	Total Equity Euro
Balance at 01 January 2022	4,279,657	461,878	373,400	5,114,935	(15,696)	5,099,239
Profit for the year - Total comprehensive income	-	951,091	-	951,091	-	951,091
Transactions with owners in their capacity as owners						
Acquisition of non controlling interest		(15,696)		(15,696)	15,696	-
Dividends paid	-	(312,000)	-	(312,000)	-	(312,000)
Balance at 31 December 2022	4,279,657	1,085,273	373,400	5,738,330	-	5,738,330
Balance at 01 January 2023	4,279,657	1,085,273	373,400	5,738,330	-	5,738,330
Profit for the year - Total comprehensive income	-	680,576	-	680,576	-	680,576
Transactions with owners in their capacity as owners						
Dividends paid	-	(280,000)	-	(280,000)	-	(280,000)
Balance at 31 December 2023	4,279,657	1,485,849	373,400	6,138,906	-	6,138,906

CLASS FINANCE P.L.C.
Consolidated statement of changes in equity for the financial year ended 31 December 2023

Company	Retained earnings Euro	Share capital Euro	Total Euro	Total Equity Euro
Balance at 01 January 2022	49,717	373,400	423,117	423,117
Profit for the year - Total comprehensive income	307,858	-	307,858	307,858
Transactions with owners in their capacity as owners				
Dividends paid	(312,000)	-	(312,000)	(312,000)
Balance at 31 December 2022	45,575	373,400	418,975	418,975
Balance at 01 January 2023	45,575	373,400	418,975	418,975
Profit for the year - Total comprehensive income	276,032	-	276,032	276,032
Transactions with owners in their capacity as owners				
Dividends paid	(280,000)	-	(280,000)	(280,000)
Balance at 31 December 2023	41,607	373,400	415,007	415,007

The notes set on 16 to 45 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 2023**

	Note	Group		Company	
		2023 Euro	2022 Euro	2023 -	2022 -
Profit before tax		957,650	1,257,230	424,664	473,627
Adjustments for:					
Depreciation of property, plant and equipment	13	256,289	162,968	-	-
Depreciation of right-of-use assets	12	201,252	193,923	-	-
Impairment of financial assets	7	47,398	(11,447)	-	-
Inventory write down/write off	10	16,550	85,879	-	-
Amortisation of bond costs	10	9,241	8,470	9,241	8,470
Finance costs	9	277,246	277,426	-	-
Interest income	8	(49,500)	(45,375)	-	-
Dividend income		-	-	(430,770)	(479,999)
		1,716,126	1,929,074	3,135	2,098
Change in inventories		(386,419)	(353,081)	-	-
Change in trade and other receivables		(841,115)	(1,458,137)	(2,141,797)	(2,310,197)
Change in trade and other payables and refund liability		1,111,892	(206,383)	889,410	145,857
Cash generated from operations		1,600,484	(88,527)	(1,249,252)	(2,162,242)
Interest and finance charges paid		(3,325)	(1,992)	-	-
Income taxes (paid)/received		(413,990)	(308,441)	2,684	4,371
Net cash generated from/(used in) operating activities		1,183,169	(398,960)	(1,246,568)	(2,157,871)

CLASS FINANCE P.L.C.**Consolidated statement of cash flows for the financial year ended 31 December 2023**

	Note	Group		Company	
		2023	2022	2023	2022
		Euro	Euro	-	-
Investing activities					
Interest Received		49,500	-	-	-
Repayment of capital invested		-	2,000	-	-
Acquisition of property, plant and equipment	13	(1,640,925)	(541,643)	-	-
Net cash used in investing activities		(1,591,425)	(539,643)	280,000	312,000
Financing activities					
Interest paid on loans and borrowings		(153,702)	(1,249)	-	-
Proceeds from borrowings		-	2,907,596	-	2,907,596
Advances from related parties		-	-	-	1,162,065
Repayment of borrowings		(84,037)	(88,486)	-	-
Repayment of lease payments	12	(297,444)	(275,843)	-	-
Dividends paid to equity holders of the parent	21	(280,000)	(312,000)	(280,000)	(312,000)
Net cash generated from/(used in) financing activities		(815,183)	2,230,018	(280,000)	3,757,661
Net movement in cash and cash equivalents		(1,223,439)	1,291,415	(1,246,568)	1,911,790
Cash and cash equivalents at beginning of year		2,004,228	712,813	1,915,205	3,415
Cash and cash equivalents at end of year	19	780,789	2,004,228	668,637	1,915,205

The notes set on 16 to 45 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 2023

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 as disclosed in the accounting policies below.

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 2023. 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).

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2023

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.

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

	2023	2022
	%	%
Class Optical Manufacturing Limited	100	100
Class Optical Limited	100	100
Vision Opticians Limited	100	100
Eyewearthese Limited	-	100

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.

During the year Eyewearthese Limited was merged with Vision Opticians Limited. Eyewearthese Limited had 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.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2023

2.5 Standards, interpretations and amendments to published standards effective in 2023

In 2023, the Group and the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2023. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's and Company's accounting policies impacting the Group's and Company's financial performance and position.

Standards and amendments and interpretation to published standards not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Group's and Company's accounting periods beginning after 1 January 2023. The Group and Company have not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's Directors are of the opinion that there are no requirements that will have possible significant impact on the Company's financial statements in the period of initial application.

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 return 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 mainly of interest received from related parties and dividends received from its subsidiaries. Dividend is recognised when the right to received dividends is established.

Rental income

Rental income on immovable property are recognised in the period when the property is occupied.

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 at group level and as revenue at company level.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2023

3.2 Institutional grants

Institutional 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. Institutional 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.

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.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2023

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 2023

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
Machinery and equipment	10% Straight line
Computer equipment & software	10 - 25% Straight line
Motor vehicles	20% Straight line
Furniture & fittings	10 - 16.67% 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.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2023

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.

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 dercognised when the Company losses 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 rending 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 conversation (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.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2023

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.

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.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2023

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.

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.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2023

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.

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.

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2023****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. The Company's revenue consist of dividends received from its subsidiaries, interest on loan given to other members of the group and management fees.

	Group		Company	
	2023	2022	2023	2022
	Euro	Euro		
Revenue from wholesale	5,569,516	5,827,615	-	-
Revenue from retail	2,914,586	2,752,558	-	-
Revenue from manufacturing	1,429,342	1,252,158	-	-
Dividends	-	-	430,770	479,999
Interest received	-	-	159,504	146,212
Managemenet fees received	-	-	49,088	44,997
	<u>9,913,444</u>	<u>9,832,331</u>	<u>639,362</u>	<u>671,208</u>

6 Other income

	Group	
	2023	2022
	Euro	Euro
Management fees received	67,324	64,989
Institutional grants received	133	4,024
Sundry income	4,918	12,404
Rental Income	107,372	102,248
Marketing contribution and similar income	72,419	92,584
Difference on currency exchange	6,265	11,912
	<u>258,431</u>	<u>288,161</u>

7 Net impairment (losses)/recovery of financial and contract assets

This movement in impairment losses consists of the following:

	Group	
	2023	2022
	Euro	Euro
(Decrease)/Increase in impairment on trade and other receivables	47,398	(11,447)
Trade and other receivables written off	-	-
Increase in loss allowance recognised in profit or loss during the year	<u>47,398</u>	<u>(11,447)</u>

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2023**

8 Finance income

	Group	
	2023	2022
	Euro	Euro
Other Interest	49,500	45,375

Other interest consists of interest received from immediate parent company.

The Company's financial income is shown as revenue.

9 Finance costs

	Group	
	2023	2022
	Euro	Euro
Interest payable on bond	147,000	134,750
Other interest	-	58
Interest on bank overdrafts	3,325	1,992
Interest on bank loans	6,702	5,674
Interest on finance leases	120,219	133,761
Unrealised difference on currency exchange	-	1,191
	277,246	277,426

The Company's financial costs are shown as cost of sales.

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2023****10 Profit before tax**

10.1 Profit before tax is stated after charging the following:

	Group		Company	
	2023	2022	2023	2022
	Euro	Euro	Euro	Euro
<i>Cost of sales</i>				
Employee benefit expense	353,727	303,331	-	-
Depreciation of property, plant and equipment (Note 13)	121,620	77,351	-	-
Deprecation of right-of-use asset (Note 12)	8,130	10,349	-	-
Inventory write down and write off	16,550	85,879	-	-
Finance costs	-	-	147,000	134,750
	<u>500,027</u>	<u>476,910</u>	<u>147,000</u>	<u>134,750</u>

	Group		Company	
	2023	2022	2023	2022
	Euro	Euro	Euro	Euro
<i>Expenses</i>				
Employee benefit expense	1,195,344	1,049,994	-	-
Directors fees	36,000	36,100	36,000	36,100
Professional fees	92,160	63,650	21,813	16,335
Management fees	1,397,016	1,392,897	-	-
Depreciation of property, plant and equipment (Note 13)	143,712	85,617	-	-
Deprecation of right-of-use asset (Note 12)	184,079	183,574	-	-
Bond issue costs	9,323	8,470	9,323	8,470
Repairs and replacements	81,025	70,953	-	-
Bank charges	29,789	25,890	514	1,850
Distribution expenses	82,411	55,880	-	-
Other expenses	332,775	304,673	48	76
	<u>3,583,634</u>	<u>3,277,698</u>	<u>67,698</u>	<u>62,831</u>

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2023**

10.2 The remuneration paid to the Company's and Group's auditors during the year amounts:

	Group		Company	
	2023	2022	2023	2022
	Euro	Euro	Euro	Euro
Annual statutory audit	16,600	16,700	1,500	1,500
Other non-audit services	700	800	100	100
	<u>17,300</u>	<u>17,500</u>	<u>1,600</u>	<u>1,600</u>

	Group		Company	
	2023	2022	2023	2022
	Euro	Euro	Euro	Euro
10.3 Employee benefit expense				
Wages and salaries	1,428,518	1,276,920	-	-
Social security costs	94,233	86,534	-	-
Recharges of wages	26,320	(10,129)	-	-
	<u>1,549,071</u>	<u>1,353,325</u>	<u>-</u>	<u>-</u>

Wages and salaries for 2022 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 66 (2022: 60). nineteen (2022: 19) of the employees were employed in the laboratory section, twenty six (2022: 20) in retail section, fourteen (2022: 16) in the wholesale section and seven (2022: 5) were employed in administration.

During the year directors were paid Eur 36,000 in director fees (2022: Eur 36,100). These are not included in the total of wages and salaries but as a separate line item as per note 10.1.

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2023****11 Income tax expense**

	Group		Company	
	2023	2022	2023	2022
	Euro	Euro	Euro	Euro
Current tax expense	236,687	290,571	148,632	165,769
Deferred tax expense	40,387	15,568	-	-
	<u>277,074</u>	<u>306,139</u>	<u>148,632</u>	<u>165,769</u>

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

	Group		Company	
	2023	2022	2023	2022
	Euro	Euro	Euro	Euro
Profit before tax	957,650	1,257,230	424,664	473,627
Tax at 35%	335,178	440,031	148,632	165,769
Expenses not allowable for tax purposes	459	6,383	-	-
Tax credit	(40,378)	(135,722)	-	-
Tax losses surrendered from another member of the group	(11,712)	-	-	-
Other differences	(12,035)	(11,466)	-	-
Amount not previously recognised	5,562	6,913	-	-
	<u>277,074</u>	<u>306,139</u>	<u>148,632</u>	<u>165,769</u>

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2023****12 Leases****The Group****Right-of-use assets**

	Motor vehicles Euro	Land and buildings Euro	Total Euro
At 01 January 2022			
Cost amounts	-	2,530,679	2,530,679
Accumulated depreciation	-	(405,462)	(405,462)
Net book amount	-	2,125,217	2,125,217
Year ended 31 December 2022			
Opening net book amount	-	2,125,217	2,125,217
Depreciation	-	(193,923)	(193,923)
Closing net book amount	-	2,002,304	2,002,304
At 01 January 2023			
Cost amounts	-	2,601,689	2,601,689
Accumulated depreciation	-	(599,385)	(599,385)
Net book amount	-	2,002,304	2,002,304
Year ended 31 December 2023			
Opening net book amount	-	2,002,304	2,002,304
Additions	41,247	-	41,247
Depreciation	(9,548)	(191,704)	(201,252)
Closing net book amount	31,699	1,810,600	1,842,299
At 31 December 2023			
Cost amounts	41,247	2,601,689	2,642,936
Accumulated amortisation	(9,548)	(791,089)	(800,637)
Net book amount	31,699	1,810,600	1,842,299

Right-of-use asset buildings 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.

Right-of-use motor vehicles consist of a number of leases. The lease term of these motor vehicles varies from 2 years to 6 years.

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2023****The Group****Lease liability**

	2023	2022
	Euro	Euro
Current	184,462	145,128
Non-current	1,818,908	1,994,220
	2,003,370	2,139,348

The finance lease interest charged to profit or loss for the year is Eur 120,219 (2022: Eur 133,761).

The cash outflow for the year related to lease payments amounted to Euro 297,444 (2022: Euro 275,843).

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

	Other Assets	Motor vehicles	Furniture & fittings	Machiney and Equipment	Buildings	Total
	Euro	Euro	Euro	Euro	Euro	Euro
At 01 January 2022						
Cost amounts	216,926	151,993	420,591	1,416,721	773,372	2,979,603
Accumulated depreciator	(71,657)	(23,517)	(98,130)	(1,041,873)	(20,885)	(1,256,062)
Accumulated impairment						-
Net book amount	<u>145,269</u>	<u>128,476</u>	<u>322,461</u>	<u>374,848</u>	<u>752,487</u>	<u>1,723,541</u>
Year ended 31 December 2022						
Additions	7,102	(148,815)	4,766	526,597	-	389,650
Depreciation charge	(24,147)	22,881	(33,171)	(84,129)	(20,885)	(139,451)
Closing net book amount	<u>128,224</u>	<u>2,542</u>	<u>294,056</u>	<u>817,316</u>	<u>731,602</u>	<u>1,973,740</u>
At 01 January 2023						
Cost amounts	224,028	3,178	425,357	1,943,318	773,372	3,369,253
Accumulated depreciator	(95,804)	(636)	(131,301)	(1,126,002)	(41,770)	(1,395,513)
Net book amount	<u>128,224</u>	<u>2,542</u>	<u>294,056</u>	<u>817,316</u>	<u>731,602</u>	<u>1,973,740</u>
Year ended 31 December 2023						
Opening net book amount	128,224	2,542	294,056	817,316	731,602	1,973,740
Additions	22,954	-	598,244	100,473	919,254	1,640,925
Disposals	(735)	-	-	-	-	(735)
Depreciation charge	(22,077)	(636)	(54,419)	(129,233)	(49,924)	(256,289)
Depreciation release	735	-	-	-	-	735
Closing net book amount	<u>129,101</u>	<u>1,906</u>	<u>837,881</u>	<u>788,556</u>	<u>1,600,932</u>	<u>3,358,376</u>
At 31 December 2023						
Cost amounts	246,247	3,178	1,023,601	2,043,791	1,692,626	5,009,443
Accumulated depreciator	(117,146)	(1,272)	(185,720)	(1,255,235)	(91,694)	(1,651,067)
Net book amount	<u>129,101</u>	<u>1,906</u>	<u>837,881</u>	<u>788,556</u>	<u>1,600,932</u>	<u>3,358,376</u>

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2023

Building includes, air-conditioning system and electrical fittings as significant components. These components have a useful life of 20 years. The carrying amount of these significant components is Euro 467,512 (2022 Euro 149,826), and Euro 23,368 (2022 Euro 23,368) respectively.

Other Assets consist of computer equipment and software and air conditioners. Computer equipment and software have a carry amount of Euro 116,587 (2022: Euro 126,362). During the year Computer and software additions were Euro 11,516 (2022: Euro 7,102), disposals were Euro 735 (2022: Euro nil), Depreciation for 2022 was Euro 21,291 (2022: Euro 22,331) and depreciation release on disposal of assets was Euro 735 (2022: Euro nil) .

Air-conditioners have a carrying amount of Euro 12,514 (2022: Euro 1,862). During the year Air-conditioners additions were Euro 11,438 (2022: Euro nil). The depreciation for the year was Euro 786 (2022: Euro 1,816).

14 Investments in subsidiaries

The carrying value of the investments in subsidiaries for the years ended 31 December 2023 and 2022 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.

15 Investment in associate

During the prior year Optical (CCSG) Limited was wound up. Upon winding up Optical (CCSG) Limited distributed all its reserves to its shareholders. This resulted in the Group receiving back all the amount invested and a final dividend of Eur 820.

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2023****16 Deferred tax assets and liabilities****The Group**

Deferred tax is attributable to the following

	2023	2022
	Euro	Euro
Temporary difference on property, plant and equipment	(161,852)	(120,962)
Temporary difference on lease and right-of-use asset	62,125	53,716
Temporary difference on financial assets	36,977	20,387
Provision	28,990	23,200
Tax losses	-	24,336
Others	-	5,950
	<u>(33,760)</u>	<u>6,627</u>

Movement in temporary differences during the year

	01/01/2022	Movement	31/12/2022
	Euro	Euro	Euro
Difference on property, plant and equipment	(97,338)	(23,624)	(120,962)
Difference on lease and right-of-use asset	44,052	9,664	53,716
Difference on financial assets	36326	(15,939)	20,387
Provision	17,403	5,797	23,200
Tax losses	21,764	2,572	24,336
Others	(12)	5,962	5,950
	<u>22,195</u>	<u>(15,568)</u>	<u>6,627</u>

	01/01/2023	Movement	31/12/2023
	Euro	Euro	Euro
Difference on property, plant and equipment	(120,962)	(40,890)	(161,852)
Difference on lease and right-of-use asset	53,716	8,409	62,125
Difference on financial assets	20,387	16,590	36,977
Provision	23,200	5,790	28,990
Tax losses	24,336	(24,336)	-
Others	5,950	(5,950)	-
	<u>6,627</u>	<u>(40,387)</u>	<u>(33,760)</u>

All movement in deferred tax during the year is recognised in profit of loss.

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2023****17 Inventories****The Group**

	2023	2022
	Euro	Euro
Finished goods	2,783,078	2,413,209

The Company's inventories consist of sunglasses, frames, lenses and other optical products. Inventories are stated net of write-downs of Euro 82,838 (2022: Euro 66,288). During the year the no (2022: Euro 67,965) inventories were written off.

18 Trade and other receivables

	Group		Company	
	2023	2022	2023	2022
	Euro	Euro	Euro	Euro
Trade receivables	792,909	759,994	-	-
Amounts receivable from related parties	3,635,573	2,081,766	4,368,568	2,224,135
Accounts receivable	52,051	79,207	-	-
VAT refundable	52,622	81,179	-	-
Prepayments	144,085	788,562	670	-
Accrued income	230,792	323,785	-	-
Other Debtors	16,025	-	-	-
Deposits Paid	-	15,514	-	-
Other current assets	-	333	-	-
	<u>4,924,057</u>	<u>4,130,340</u>	<u>4,369,238</u>	<u>2,224,135</u>

All Group amounts receivables from related parties are unsecured, interest free and repayable on demand. Amount receivable at group level are stated net of loss allowance of Eur 50.436 (2022: Euro 49,938).

Amounts receivables from related parties by the Company are unsecured and repayable on demand. Euro 2,000,000 and Euro 900,000 which are amounts due by a subsidiary and immediate parent respectively carry an interest rate of 5.5% per annum. All other balance with related parties are interest free.

Trade receivable at group level are stated net of loss allowance of Euro 55,213 (2022: Euro 8,313).

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2023****19 Cash and cash equivalents**

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

	Group		Company	
	2023	2022	2023	2022
	Euro	Euro	Euro	Euro
Cash at bank	859,974	1,621,834	668,637	1,514,458
Other Bank	-	401,793	-	400,747
Cash in hand	33,685	21,354	-	-
Bank overdraft	(112,870)	(40,753)	-	-
	<u>780,789</u>	<u>2,004,228</u>	<u>668,637</u>	<u>1,915,205</u>

20 Share capital**The Group and Company**

	2023	2022
	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>
<i>Issued</i>		
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 wound up.

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2023****21 Reserves****The Group****21.1 Other reserve reconciliation**

	Other Reserve	Total
	Euro	Euro
Year ended 31 December 2022	4,279,657	4,279,657
Acquisition of subsidiaries	-	-
Closing carrying amount	<u>4,279,657</u>	<u>4,279,657</u>
Year ended 31 December 2023		
At 01 January 2023	4,279,657	4,279,657
Movement current year	-	-
At 31 December 2023	<u>4,279,657</u>	<u>4,279,657</u>

21.2 Retained earnings

Retained earnings represent accumulated profits. The Company authorised a payment of dividends of Eur 280,000 (2021: Euro 312,000) out of retained earnings during the year ended 31st December 2023.

22 Borrowings*Non-current liabilities*

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

	Group		Company	
	2023	2022	2023	2022
	Euro	Euro	Euro	Euro
Bank loans	-	75,108	-	-
4.5% 2032 bonds	2,925,307	2,916,066	2,925,307	2,916,066
	<u>2,925,307</u>	<u>2,991,174</u>	<u>2,925,307</u>	<u>2,916,066</u>

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2023***Current liabilities*

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

	Group		Company	
	2023	2022	2023	2022
	Euro	Euro	Euro	Euro
Bank overdraft	112,870	40,753	-	-
Bank loans	78,816	87,745	-	-
	<u>191,686</u>	<u>128,498</u>	<u>-</u>	<u>-</u>

The company bank loan is secured by:

- 1) Guarantees by third parties
- 2) Pledges on insurance policies

The bank loan is repayable within 4 years from the first drawdown (2020). The bank loan carries a rate of 2.5% over the 3 month Euribor per annum, at year end 6.483%. The current bank loan balance is the short term portion of the bank loan.

The 4.9% bond maturing in 2032 is reconciled as follows

	Group and Company	
	2023	2022
	Euro	Euro
Principal bond outstanding	3,000,000	3,000,000
Gross amount of bond issued costs	(92,404)	(92,404)
Amortisation of bond issue costs to 31 December	17,711	8,470
	<u>2,925,307</u>	<u>2,916,066</u>

Interest on the 4.9% 2032 bond is payable annually in arrears on 9 February of each year. As at 31 December 2023, the bond was trading at par, with the most recent trading price of Eur 98, as at 12 April 2024.

Bond accrued interest as at 31 December 2023 amounts to Euro 134,750 (2022: Euro 134,750). Accrued interest is included as part of accruals in note 23.

The Group has an overdraft facility of Euro 500,000. At reporting date the Company utilised Euro 112,870 (2022: Euro 40,322). The bank overdraft is secured by a general hypothec over the company assets and special guarantee provided by a related party. It carries a variable interest which at year end was of 4.65%.

The other amount shown as overdraft consist of credit card balances.

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2023****23 Trade and other payables**

	Group		Company	
	2023	2022	2023	2022
	Euro	Euro	Euro	Euro
Trade payables	1,120,478	897,057	2,212	2,213
Amount payable to related parties	947,193	129,905	2,062,065	1,184,827
Deposits received	22,557	14,183	-	-
Indirect taxation payable	77,705	27,919	-	-
Other taxation payable	32,650	26,519	-	-
Accruals	370,528	380,415	144,014	141,850
Deferred revenue	17,642	575		
	<u>2,588,753</u>	<u>1,476,573</u>	<u>2,208,291</u>	<u>1,328,890</u>

Amount payable to related parties both at a group level and at a company level are unsecured, interest free and repayable on demand.

24 Refund liabilities

	Group	
	2023	2022
	Euro	Euro
Arising from right of return	<u>74,845</u>	<u>65,092</u>

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.

25 Related parties***Controlling parties and related parties***

The Company forms part of a group whose ultimate parent is Class Holding Ltd. Class Holding Ltd is also the Company's immediate parent company. Class Holding Ltd is registered in Malta, having its registered address at UBT 13/14, San Gwann Industrial Estate, San Gwann, Malta.

As at 31 December 2023, Class Holding Ltd was equally owned by two Maltese registered companies. The ownership and voting rights of these two companies is such that no particular individual is deemed to exercise ultimate control over the Group and Company.

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2023****25.1 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		Company	
	2023	2022	2023	2022
	Euro	Euro	Euro	Euro
Sales to ultimate parent company	0	539.00	-	-
Sales to fellow subsidiaries	150,397	63,584	-	-
Sales to other related parties	1,776,187	2,401,840	-	-
Management fee charge to ultimate parent company	32,724	29,997	32,724	29,977
Management fee charge to a subsidiary company	-	-	16,364	15,000
Management fee charged to fellow subsidiary	9,600	9,600	-	-
Management fee charged to other related parties	25,000	25,392	-	-
Interest charged to ultimate parent company	-	-	49,500	45,375
Interest charged to a subsidiary company	-	-	110,020	100,837
Rent charged to ultimate parent company	107,520	102,240	-	-
Payroll recharges to other related parties	38,457	74,579	-	-
Payroll recharges to fellow subsidiaries	4,185	-	-	-
Management fee charged by ultimate parent company	(1,397,316)	(1,392,897)	-	-
Payroll recharges from fellow subsidiary	(8,556)	(17,028)	-	-
Payroll recharges from ultimate parent company	(60,396)	(47,422)	-	-
Rent paid to fellow subsidiary	(54,000)	(54,000)	-	-

Financial transactions

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

	Group		Company	
	2023	2022	2023	2022
	Euro	Euro	Euro	Euro
Interest charged to ultimate parent company	49,500	45,375	-	-
Dividends (net of tax) received from associate	-	533	-	-
Dividends (net of tax) received from subsidiaries	-	-	280,000	312,000
Repayment of share capital from associate	-	17,000	-	-
Amount received from subsidiary	-	-	-	1,162,065
Dividend paid to the parent company	(280,000)	(312,000)	(280,000)	(312,000)
Acquisition of non controlling interest	-	(17,800)	-	-
Amount transferred to subsidiary	-	-	-	(2,200,000)

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2023****25.2 Amounts at the end of the financial reporting date**

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

	Group		Company	
	2023	2022	2023	2022
	Euro	Euro	Euro	Euro
Amounts due from fellow subsidiaries	551,063	16,251	-	-
Amounts due from subsidiaries	-	-	3,397,001	2,208,045
Amounts due from other related parties	1,094,529	1,536,990	-	-
Amounts receivable from the ultimate parent company	2,040,418	578,463	971,567	16,089
Amounts due to subsidiaries	-	-	(1,162,065)	(1,162,065)
Amount due to the ultimate parent	(931,147)	(64,666)	(900,000)	(22,762)
Amounts due to other related parties	(7,439)	(30)	-	-
Amounts due to fellow subsidiaries	(8,607)	(65,209)	-	-

At a Group level all the amounts outstanding are unsecured, interest-free and repayable on demand. No guarantees have been given. No amount (2022: Euro nil) have been recognised a bad debt during the current year in respect of the amounts owed by related parties. A loss allowance of Euro 50,436 (2022: Euro 49,938) have been recognised on amounts owed by related parties.

At a Company level all the amounts outstanding are unsecured, and repayable on demand. Eur 2,000,000 and Eur 900,000 due from a subsidiary and ultimate parent respectively carry and interest rate of 5.5% per annum. No guarantees have been given. No amount (2022: Euro nil) have been recognised a bad debt during the current year in respect of the amounts owed by related parties. No loss allowance have been recognised in both 2022 and 2022 on amounts owed by related parties.

25.3 Transactions with key management personnel

During the year directors were paid Eur 36,000 in director fees (2022: 36,100).

26 Guarantees and contingencies

The Group has provided two guarantees for the total amount of Eur 3,750 (2022: Eur 3,750) in favour of a governmental authority, This amounts become payable if certain conditions set by the authority are not fulfilled.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2023

27 Commitments

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

The Group

	Contractual amounts Euro	Less than 1 year Euro	Between 1 and 5 years Euro	More than 5 years Euro
Year ended 31 December 2023	1,195,253	183,847	231,267	780,139
Year ended 31 December 2022	1,399,901	198,840	356,221	844,840

There were no commitments at company level for the years ended 31 December 2023 and 2022.

28 Financial risk management

The Group's and Company's activities potentially expose it to a variety of financial risks: namely market risk, credit risk and liquidity risk. The Group's and Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's Company's financial performance. The Group and Company did not make use of derivative financial instruments to hedge risk exposures during the current financial period. The directors provides principles for overall risk management, as well as policies covering the risks referred above.

Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the Group's and Company's functional currency. The Group and Company are not exposed to significant foreign exchange risk since principally the Group and Company's assets and liabilities are denominated in Euro and the Group and Company are not exposed to foreign exchange risk arising on trading transaction as these are principle conducted in Euro.

(ii) Interest rate risk

Interest rate risk arises from the effects of fluctuations in the prevailing levels of market interest rates on fair values of financial assets and liabilities and future cash flows.

The Group is exposed to changes in market interest rate through bank borrowings at variable rates. The Group's bank loans and overdraft at year end amount to Euro 78,816 and Eur 112,870 respectively. The Group directors consider the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of there reporting period to be immaterial.

The Group and Company are subject to a borrowing as result of a bond issue. The bond is subject to a fixed rate and do not expose the Group and Company to cash flow interest rate risk.

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2023***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 18 and 19.

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 2023				
Borrowings	3,191,686	191,686	-	3,000,000
Trade and other payables	2,571,111	2,571,111	-	-
Lease	1,195,253	183,847	231,267	780,139
	<u>6,958,050</u>	<u>2,946,644</u>	<u>231,267</u>	<u>3,780,139</u>
At 31 December 2022				
Borrowings	3,203,606	128,498	75,108	3,000,000
Trade and other payables	1,476,573	1,476,573	-	-
Lease	1,399,901	198,840	356,221	844,840
	<u>6,080,080</u>	<u>1,803,911</u>	<u>431,329</u>	<u>3,844,840</u>

CLASS FINANCE P.L.C.**Notes to the consolidated financial statements for the financial year ended 31 December 2023****The Company**

	Contractual amounts Euro	Less than 1 year Euro	Between 1 and 5 years Euro	More than 5 years Euro
At 31 December 2023				
Borrowings	3,000,000	-	-	3,000,000
Trade and other payables	2,208,291	2,208,291	-	-
	<u>5,208,291</u>	<u>2,208,291</u>	<u>-</u>	<u>3,000,000</u>
At 31 December 2022				
Borrowings	3,000,000	-	-	3,000,000
Trade and other payables	1,328,890	1,328,890	-	-
	<u>4,328,890</u>	<u>1,328,890</u>	<u>-</u>	<u>3,000,000</u>

29 Fair value estimation

been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities. asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). (unobservable).

If the inputs used to measure the fair value of an assets or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement. The Group and the Company recognizes transfers between levels of the fair value hierarchy at the end of the reporting year during with the change has occurred. Significant unobservable inputs and valuation adjustments are regularly reviewed.

At 31 December 2023 and 2022 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. The bond is deemed to be a level 1 financial instrument, is held at amortised cost and the fair value is disclosed in Note 22.

CLASS FINANCE P.L.C.

Notes to the consolidated financial statements for the financial year ended 31 December 2023

30 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 its 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 9 to 45, which comprise the statement of financial position of the Company and the Group as at 31 December 2023, 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 2023, 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 skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's 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 8 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: 29 April 2024