

C 21530
Class Optical Limited
Annual Report and Financial Statements
for the financial year ended 31 December 2022

Class Optical Limited**Annual Financial Statements for the financial year ended 31 December 2022**

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Class Optical Limited

Annual Financial Statements for the financial year ended 31 December 2022

General information

Status	Class Optical Limited is a limited liability company registered in Malta under the Companies Act 1995 Chapter 386 of the Laws of Malta.
Directors	Cyril Gabarretta Robert Aldo Tua John Grech Maurice Zarb Adami Kerstien Cyril Gabarretta
Company number	C 21530
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 Optical Limited

Directors' report for the financial year ended 31 December 2022

Directors' report

The directors present the report and the audited financial statements of the Company for the financial year ended 31 December 2022.

Principal activities

The company is mainly engaged in the importation and distribution of sunglasses, eyewear and other optical goods.

Business review and financial performance

The company registered a profit before tax of Eur 472,568. This is an increase of Eur 113,824 from the year ended 31st December 2021. The increase in profit is mainly attributed to the increase in revenue. Revenue for the year ended 31st December 2022 increased by Eur 302,301 from the year ended 31st December 2021. Administration expenses increase by Eur 268,410 over the prior year. The increase in administration expenses is mainly attributable to increase in management fee.

Dividend and results

The results for the year are set out on page 4. The directors have authorised a payment of a net dividend of Eur 70,000 (2020: 160,000) during the year. They do not recommend a final dividend.

Financial risk management

The financial risk management objectives and policies are set out in note 22 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.

Directors

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

Cyril Gabarretta
Robert Aldo Tua
John Grech
Maurice Zarb Adami
Kerstien Cyril Gabarretta

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.



Cyril Gabarretta

Director

Date: 26 April 2023



Robert Aldo Tua

Director

Class Optical Limited

Statement of directors' responsibilities for the financial year ended 31 December 2022

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 Company and of the profit or loss of the Company 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 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;
- account for income and charges relating to the accounting period on the accrual basis;
- value separately the components of asset and liability items

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of 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 Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Class Optical Limited
Statement of comprehensive income
for the financial year ended 31 December 2022

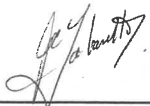
	Note	2022 Euro	2021 Euro
Revenue	5	5,827,615	5,525,314
Cost of sales		<u>(3,973,183)</u>	<u>(3,956,332)</u>
Gross profit		1,854,432	1,568,982
Distribution expenses		(25,122)	(23,876)
Administrative expenses		(1,393,791)	(1,125,381)
Net impairment losses of financial and contract assets	7	5,865	(65,799)
Other income	6	81,737	55,527
Operating profit		<u>523,121</u>	<u>409,453</u>
Finance costs	8	(50,553)	(50,709)
Profit before tax	9	<u>472,568</u>	<u>358,744</u>
Income tax expense	10	(160,447)	(110,067)
Profit for the year - Total comprehensive income		<u><u>312,121</u></u>	<u><u>248,677</u></u>

The notes set on 8 to 25 are an integral part of these financial statements.

Class Optical Limited
Statement of financial position as at 31 December 2022

	Note	2022 Euro	2021 Euro
ASSETS			
Non-current assets			
Right-of-use assets	11	811,377	828,640
Property, plant and equipment	12	124,662	136,376
Deferred tax	13	43,921	43,087
Total non-current assets		979,960	1,008,103
Current assets			
Inventories	14	1,922,506	1,654,880
Trade and other receivables	15	1,881,795	1,517,623
Cash and cash equivalents		12,272	356,533
Total current assets		3,816,573	3,529,036
Total assets		4,796,533	4,537,139
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	11,647	11,647
Retained earnings	18	606,793	364,672
Total equity		618,440	376,319
Non-current liabilities			
Lease liabilities	11	849,741	853,391
Total non-current liabilities		849,741	853,391
Current liabilities			
Lease liabilities	11	3,650	3,447
Trade and other payables	19	3,207,195	3,214,081
Refund liabilities	20	74,845	74,845
Current tax liability		42,662	15,056
Total current liabilities		3,328,352	3,307,429
Total equity and liabilities		4,796,533	4,537,139

The notes are an integral part of these financial statements. The financial statements set out on pages 4 to 25 were approved by the board of directors and authorised for issue on 26 April 2023 and signed on its behalf by:



Cyril Gabarretta
DIRECTOR



Robert Aldo Tua
DIRECTOR

Class Optical Limited**Statement of changes in equity for the financial year ended 31 December 2022**

	Retained earnings Euro	Share capital Euro	Total Euro
Balance at 01 January 2021	275,995	11,647	287,642
Profit for the year - Total comprehensive income	248,677	-	248,677
Transactions with owners in their capacity as owners			
Dividends paid	(160,000)	-	(160,000)
Balance at 31 December 2021	364,672	11,647	376,319
Balance at 01 January 2022	364,672	11,647	376,319
Profit for the year - Total comprehensive income	312,121	-	312,121
Transactions with owners in their capacity as owners			
Dividends paid	(70,000)	-	(70,000)
Balance at 31 December 2022	606,793	11,647	618,440

The notes set on 8 to 25 are an integral part of these financial statements.

Class Optical Limited

Statement of cash flows for the financial year ended 31 December 2022

	Note	2022 Euro	2021 Euro
Profit before tax		472,568	358,744
Adjustments for:			
Depreciation of property, plant and equipment	12	20,049	20,737
Depreciation of right-of-use assets	11	17,263	17,263
(Reversal)/Increase in Impairment of financial assets	7	(5,865)	65,799
Inventory write down	9	17,914	34,962
Bad debts written off		-	1,178
Finance costs	8	50,553	50,745
		<u>572,482</u>	<u>549,428</u>
Change in inventories		(285,540)	67,322
Change in trade and other receivables		(358,307)	186,413
Change in trade and other payables and refund liability		(6,886)	(299,338)
Cash generated from operations		(78,251)	503,825
Tax refund received		2,762	-
Income taxes paid		<u>(136,437)</u>	<u>(130,100)</u>
Net cash generated from/(used in) operating activities		(211,926)	373,725
Investing activities			
Acquisition of property, plant and equipment	12	<u>(8,335)</u>	<u>(146,187)</u>
Net cash used in investing activities		(8,335)	(146,187)
Financing activities			
Principal element of lease payments	11	(54,000)	(54,000)
Dividends paid to equity holders of the parent	18	<u>(70,000)</u>	<u>(160,000)</u>
Net cash used in financing activities		(124,000)	(214,000)
Net movement in cash and cash equivalents		(344,261)	13,538
Cash and cash equivalents at beginning of year		<u>356,533</u>	<u>342,995</u>
Cash and cash equivalents at end of year	16	<u><u>12,272</u></u>	<u><u>356,533</u></u>

The notes set on 8 to 25 are an integral part of these financial statements.

Class Optical Limited

Notes to the financial statements for the financial year ended 31 December 2022

1 General information

Class Optical Limited (the Company) is a limited liability company incorporated in Malta. The address of its registered office is UBT 13/14, San Gwann Industrial Estate, San Gwann, Malta.

The company is mainly engaged in the importation and distribution of sunglasses, eyewear and other optical goods.

These financial statements present information about the Company as an individual undertaking.

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.

2.3 Functional and presentation currency

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

2.4 Standards, interpretations and amendments to published standards effective in 2022

In 2022, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2022. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies impacting the 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 Company's accounting periods beginning after 1 January 2022. The 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.

Class Optical Limited

Notes to the financial statements for the financial year ended 31 December 2022

3 Significant accounting policies

3.1 Revenue

Revenue consists of the fair value of the consideration received or receivable for goods delivered in the ordinary course of the Company's activities. Revenue consists primarily of income derived from the sale of sunglasses, frames and other optical products. The Company's revenue is stated net of rebates, returns, taxes and similar allowances.

Revenue is recognised when the customer gains control over the service and has the opportunity to benefit from the service. Control is transferred when good is delivered to the customer.

Certain wholesale sales are sold to the customers with a right of return. Right to the returned goods are recognised as refund liability for the products that are expected to be returned. The Company 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 Company presented refund liabilities separately in the statement of financial position.

3.2 Institutional grants

Institutional grants are recognised when there is reasonable assurance that the Company 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 Employee benefits

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

3.4 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 financial reporting date at rates different from those at which they were previously translated, are recognised in profit or loss.

Class Optical Limited

Notes to the financial statements for the financial year ended 31 December 2022

3.5 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 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 recognises 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 re-assesses 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.

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

Class Optical Limited

Notes to the financial statements for the financial year ended 31 December 2022

3.7 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

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

3.8 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 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.

Class Optical Limited

Notes to the financial statements for the financial year ended 31 December 2022

3.9 Inventories

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

3.10 Financial instruments

Financial assets and liabilities are recognised when the Company 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 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 has not retained control over the asset.

Financial assets measured at amortised cost

The Company classifies its 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 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 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.

Class Optical Limited

Notes to the financial statements for the financial year ended 31 December 2022

Impairment on financial assets

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

For cash and cash equivalents, the Company considers 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 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.

- 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 Company uses the incremental borrowing rate as the discount rate. The Company'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 Company if it is reasonable certain to assess that option; and
- any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

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

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

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

Class Optical Limited

Notes to the financial statements for the financial year ended 31 December 2022

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 Company 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 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.

3.11 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.

5 Revenue

The Company derives its income from the manufacturing of spectacles and other optical goods. Revenue is stated net of any indirect taxes.

	2022	2021
	Euro	Euro
Revenue from wholesale	<u>5,827,615</u>	<u>5,525,314</u>

The Company's revenue arises from one revenue segment. Accordingly, the presentation of segment information as required by IFRS 8, Operating segment, within these financial statements is not deemed applicable.

Class Optical Limited**Notes to the financial statements for the financial year ended 31 December 2022**

6 Other income

	2022	2021
	Euro	Euro
Management fees receivable	9,600	8,748
Sundry income	846	-
Marketing contribution and similar income	71,284	46,486
Gain on difference on currency exchange	7	293
	<u>81,737</u>	<u>55,527</u>

7 Net impairment losses of financial and contract assets

This movement in impairment losses consists of the following:

	2022	2021
	Euro	Euro
(Decrease)/Increase in impairment on trade and other receivables	(5,865)	66,977
Trade and other receivables written off	-	(1,178)
Increase in loss allowance recognised in profit or loss during the year	<u>(5,865)</u>	<u>65,799</u>

8 Finance costs

	2022	2021
	Euro	Euro
Interest on lease liability	<u>50,553</u>	<u>50,745</u>

Class Optical Limited**Notes to the financial statements for the financial year ended 31 December 2022****9 Profit before tax****9.1** Profit before tax is stated after charging the following:

	2022	2021
	Euro	Euro
<i>Cost of sales</i>		
Inventory write down	17,914	34,962
	<u>17,914</u>	<u>34,962</u>
	2022	2021
	Euro	Euro
<i>Expenses</i>		
Employee benefit expense	369,598	379,626
Professional fees	14,130	24,448
Management fees	746,211	542,676
Depreciation of property, plant and equipment (Note 12)	20,049	20,737
Deprecation of right-of-use asset (Note 11)	17,263	17,263
Property rentals	63,381	20,864
Repairs and replacements	13,932	3,633
Bank charges	712	725
Distribution expenses	25,122	23,876
Other expenses	148,515	115,409
	<u>1,418,913</u>	<u>1,149,257</u>

9.2 The remuneration paid to the Company's auditors during the year amounts:

	2022	2021
	Euro	Euro
Annual statutory audit	5,000	6,000
Other non-audit services	200	300
	<u>5,200</u>	<u>6,300</u>

Class Optical Limited**Notes to the financial statements for the financial year ended 31 December 2022**

	2022	2021
	Euro	Euro
9.3 Employee benefit expense		
Wages and salaries	304,020	321,061
Social security costs	24,993	27,381
Recharges of wages	40,585	31,184
	<u>369,598</u>	<u>379,626</u>

Wages and salaries for both 2022 and 2021 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 16 (2021: 17). All employees for both year ended 31st December 2022 and 31st December 2021 were employed in the wholesale operations.

10 Income tax expense

	2022	2021
	Euro	Euro
Current tax expense	161,281	147,918
Deferred tax expense	(834)	(37,851)
	<u>160,447</u>	<u>110,067</u>

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

	2022	2021
	Euro	Euro
Profit before tax	472,568	358,744
Tax at 35%	<u>165,399</u>	<u>125,560</u>
Expenses not allowable for tax purposes	6,024	-
Tax credit	(11,017)	(10,528)
Amount not previously recognised	41	(4,965)
	<u>160,447</u>	<u>110,067</u>

Class Optical Limited

Notes to the financial statements for the financial year ended 31 December 2022

11 Leases

Right-of-use assets

	Buildings Euro	Total Euro
At 01 January 2021		
Cost amounts	863,166	863,166
Accumulated depreciation	-	-
Net book amount	<u>863,166</u>	<u>863,166</u>
Year ended 31 December 2021		
Opening net book amount	863,166	863,166
Depreciation	(34,526)	(34,526)
Closing net book amount	<u>828,640</u>	<u>828,640</u>
At 01 January 2022		
Cost amounts	863,166	863,166
Accumulated depreciation	(34,526)	(34,526)
Net book amount	<u>828,640</u>	<u>828,640</u>
Year ended 31 December 2022		
Opening net book amount	828,640	828,640
Depreciation	(17,263)	(17,263)
Closing net book amount	<u>811,377</u>	<u>811,377</u>
At 31 December 2022		
Cost amounts	863,166	863,166
Accumulated amortisation	(51,789)	(51,789)
Net book amount	<u>811,377</u>	<u>811,377</u>

Right-of-use assets consists of lease of the warehouse.

Lease liability

	2022 Euro	2021 Euro
Current	3,650	3,447
Non-current	<u>849,741</u>	<u>853,391</u>
	<u>853,391</u>	<u>856,838</u>

The finance lease interest charged to profit or loss for the year is Eur 50,553 (2021: Eur 50,745).

The cash outflow for the year related to lease payments amounted to Euro 54,000 (2120: Euro 54,000).

Class Optical Limited

Notes to the financial statements for the financial year ended 31 December 2022

12 Property, plant and equipment

	Air- conditioners Euro	Computer Equipment & software Euro	Motor vehicles Euro	Furniture & fittings Euro	Total Euro
At 01 January 2021					
Cost amounts	958	18,315	-	2,263	21,536
Accumulated depreciation	(475)	(9,528)	-	(608)	(10,611)
Net book amount	<u>483</u>	<u>8,787</u>	<u>-</u>	<u>1,655</u>	<u>10,925</u>
Year ended 31 December 2021					
Opening net book amount					
Additions	-	146,187	-	-	146,187
Depreciation charge	(237)	(20,196)	-	(303)	(20,736)
Closing net book amount	<u>246</u>	<u>134,778</u>	<u>-</u>	<u>1,352</u>	<u>136,376</u>
At 01 January 2022					
Cost amounts	958	164,502	-	2,263	167,723
Accumulated depreciation	(712)	(29,724)	-	(911)	(31,347)
Net book amount	<u>246</u>	<u>134,778</u>	<u>-</u>	<u>1,352</u>	<u>136,376</u>
Year ended 31 December 2022					
Opening net book amount	246	134,778	-	1,352	136,376
Additions	-	5,157	3,178	-	8,335
Depreciation charge	(82)	(19,027)	(636)	(304)	(20,049)
Closing net book amount	<u>164</u>	<u>120,908</u>	<u>2,542</u>	<u>1,048</u>	<u>124,662</u>
At 31 December 2022					
Cost amounts	958	169,659	3,178	2,263	176,058
Accumulated depreciation	(794)	(48,751)	(636)	(1,215)	(51,396)
Net book amount	<u>164</u>	<u>120,908</u>	<u>2,542</u>	<u>1,048</u>	<u>124,662</u>

Class Optical Limited

Notes to the financial statements for the financial year ended 31 December 2022

13 Deferred tax

Deferred tax is attributable to the following

	2022 Euro	2021 Euro
Temporary difference on Property, Plant and Equipment	(14,961)	(6,775)
Temporary difference on lease and right-of-use asset	14,705	9,869
Temporary difference on financial assets	20,977	23,030
Temporary difference on provisions	23,200	16,931
Others	-	32
	<u>43,921</u>	<u>43,087</u>

Movement in temporary differences during the year

	01/01/2021 Euro	Movement Euro	31/12/2021 Euro
Difference on Property, Plant and Equipment	496	(7,271)	(6,775)
Difference on lease and right-of-use asset	-	9,869	9,869
Difference on financial assets	-	23,030	23,030
Difference on provisions	4,470	12,461	16,931
Others	-	32	32
	<u>4,966</u>	<u>38,121</u>	<u>43,087</u>

	01/01/2022 Euro	Movement Euro	31/12/2022 Euro
Difference on Property, Plant and Equipment	(6,775)	(8,186)	(14,961)
Difference on lease and right-of-use asset	9,869	4,836	14,705
Difference on financial assets	23,030	(2,053)	20,977
Difference on provisions	16,931	6,269	23,200
Others	32	(32)	-
	<u>43,087</u>	<u>834</u>	<u>43,921</u>

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

14 Inventories

	2022 Euro	2021 Euro
Finished goods	<u>1,922,506</u>	<u>1,654,880</u>

Inventories consists of sunglasses, frames and other optical products. Inventories are stated net of write-downs of Euro 66,288 (2021: Euro 48,374).

Class Optical Limited**Notes to the financial statements for the financial year ended 31 December 2022****15 Trade and other receivables**

	2022	2021
	Euro	Euro
Trade receivables	588,447	739,218
Amounts receivable from related parties	958,799	547,649
Accounts receivable	78,913	82,452
Prepayments	67,623	57,858
Accrued income	172,499	156,245
Deposits Paid	15,514	-
	<u>1,881,795</u>	<u>1,583,422</u>

Amounts receivables from related parties are unsecured, interest free and repayable on demand. They are stated net of loss allowance of Euro 6,378 (2021: Eur 16,289)

Trade receivable are stated net of loss allowance of Euro 53,556 (2021: 49,510).

16 Cash and cash equivalents

Cash and cash equivalents included in the statement of cash flow comprise the following statement of financial position amounts:

	2022	2021
	Euro	Euro
Cash at bank	<u>12,272</u>	<u>356,533</u>

17 Share capital

	2022	2021
	Euro	Euro
<i>Authorised</i>		
50,000 Ordinary Shares of Euro2.329373 each	<u>116,469</u>	<u>116,469</u>
<i>Issued</i>		
5,000 Ordinary Shares of Euro2.329373 each - 100% paid-up	<u>11,647</u>	<u>11,647</u>

18 Reserves**18.1 Retained earnings**

Retained earnings represent accumulated profits. The Company authorised a payment of dividends of Euro 70,000 (2021: Euro 160,000) out of retained earnings during the year ended 31st December 2021.

Class Optical Limited**Notes to the financial statements for the financial year ended 31 December 2022**

19 Trade and other payables

	2022	2021
	Euro	Euro
Trade payables	307,935	364,659
Amount payable to related parties	2,801,280	2,693,771
Deposits received	4,208	3,259
Indirect taxation payable	36,805	87,612
Other taxation payable	5,861	7,178
Accruals	51,106	57,602
	<u>3,207,195</u>	<u>3,214,081</u>

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

20 Refund liabilities

	2022	2021
	Euro	Euro
Arising from right of return	<u>74,845</u>	<u>74,845</u>

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

21 Related parties***Controlling parties and related parties***

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

As at 31 December 2022, 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 Company.

Class Optical Limited**Notes to the financial statements for the financial year ended 31 December 2022****21.1 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.

	2022	2021
	Euro	Euro
Sales to fellow subsidiaries	866,645	697,124
Sales to ultimate parent	539	260
Sales to other related parties	1,797,530	1,695,620
Management fee charged to fellow subsidiary	9,600	8,748
Purchases from fellow subsidiaries	(10,290)	-
Recharge of payroll from the ultimate parent company	(21,574)	(8,091)
Recharge of payroll from other related party	(17,028)	(23,093)
Recharge of payroll from a fellow subsidiary	(1,983)	-
Recharges of other expenses from fellow subsidiaries	-	(12,402)
Property rental from a fellow subsidiary	(61,567)	(14,181)
Property rental from other related party	(54,000)	(54,000)
Management fee charged by ultimate parent company	(746,211)	(542,676)

Financial transactions

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

	2022	2021
	Euro	Euro
Dividend paid to the parent company	(70,000)	(160,000)

21.2 Amounts at the end of the reporting period

The following balances were outstanding at the end of the reporting period:

	2022	2021
	Euro	Euro
Amounts due from fellow subsidiaries	8,128	173,969
Amounts receivable from ultimate parent company	-	1,014
Amounts due from other related parties	1,004,227	356,377
Amount due to ultimate parent	(1,871)	(1,391)
Amounts due to other related parties	(31)	(173)
Amounts due to fellow subsidiaries	(2,799,378)	(2,692,207)

The amounts outstanding are unsecured, interest-free and repayable on demand. No guarantees have been given. No amounts (2021: Euro nil) have been recognised a bad debt during the current year. An amount of Euro 53,556 (2021: Euro 16,289) have been recognised as loss allowance during the current year in respect of amounts owed by related parties.

Class Optical Limited

Notes to the financial statements for the financial year ended 31 December 2022

21.3 Transactions with key management personnel

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

22 Financial risk management

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

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 Company's functional currency. The Company has no significant currency risk since substantially all assets and liabilities are denominated in Euro.

(ii) Interest rate risk

of financial assets and liabilities and future cash flows.

In the opinion of the directors, the Company is not exposed to cash flow interest rate risk.

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 to incur a financial loss.

The Company's credit risk arises mainly from trade and other receivables and amount owned from related parties. The maximum exposure to credit risk at the end of reporting period with respect bank balances is disclosed in note 15.

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 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.

The Company's bank balances are managed by depositing amounts in banks with a reputation equivalent to the globally understood definition of 'investment grade'.

Class Optical Limited

Notes to the financial statements for the financial year ended 31 December 2022

Liquidity risk

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

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

	Contractual amounts Euro	Less than 1 year Euro	Between 1 and 5 years Euro	More than 5 years Euro
At 31 December 2022				
Trade and other payables	<u>3,207,195</u>	<u>3,207,195</u>	<u>-</u>	<u>-</u>
At 31 December 2021				
Trade and other payables	<u>3,214,081</u>	<u>3,207,195</u>	<u>-</u>	<u>-</u>

23 Fair value estimation

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

24 Capital risk management

The Company's objective when managing capital are:

- to safeguard the Company'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.

The Company'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 Company may adjust the amount of dividend paid to shareholders, issue new shares or sell assets. The Company's equity as disclosed in the statement of financial position, constitute its capital. The Company maintains 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 Optical Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Class Optical Limited set out on pages 4 to 25, which comprise the statement of financial position as at 31 December 2022 the statement of comprehensive income, statement of changes in equity and statement of cashflows 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 as at 31 December 2022, 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 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. 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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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.

Report on Other Legal and Regulatory Requirements

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.



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



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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.

Alexander Micallef
For Griffiths + Associates Ltd
Level 1, Casal Naxaro
Labour Avenue
Naxxar
Malta
info@griffithsassoc.com
Date: 26 April 2023

Class Optical Limited**Cost of Sales for the financial year ended 31 December 2022**

	2022	2021
	Euro	Euro
Cost of sales		
Opening Stock	1,654,880	1,757,164
Purchases of stock	4,235,651	3,849,829
Other Production expenses	5,157	4,219
Stock Write off	17,914	34,962
Closing Stock	(1,940,419)	(1,689,842)
	<u>3,973,183</u>	<u>3,956,332</u>

Class Optical Limited**Distribution and administration expenses for the financial year ended 31 December 2022**

	2022	2021
	Euro	Euro
Distribution expenses		
Other Selling Expenses/Distribution expenses	25,122	23,876
	<u>25,122</u>	<u>23,876</u>
	2022	2021
	Euro	Euro
Administration expenses		
Wages - Regular	344,604	352,245
Employers' Share of NI Contributions	24,993	27,381
Staff Welfare	1,231	175
Staff Uniforms	-	318
Professional Fees	9,130	18,448
Management and Administration Fees	746,211	542,676
Audit Fees	5,000	6,000
Insurance	838	-
Insurance - Motor Vehicles	392	-
Fuel Costs	4,940	6,083
Motor running expenses	13,851	16,260
Repairs and maintenance - machinery and equipment	2,165	1,687
Computer-related expenses	11,767	1,946
Cleaning	1,091	550
Water and electricity	11,874	11,263
Telephone and Communications	846	1,024
Office Stationery and supplies	8,845	4,071
General expenses	23,158	12,095
Property Rental	63,381	20,864
Membership and subscription fees	604	617
Company Registration Fees	510	510
Bad Debts written off	-	1,178
Depreciation	37,312	38,000
Bank charges	712	725
Advertising	58,090	39,710
Promotion	7,771	17,936
Meals & entertainment	2,903	906
Travel Expenses	11,572	2,713
	<u>1,393,791</u>	<u>1,125,381</u>