

**C 6387**  
**Class Optical Manufacturing Limited**  
**Annual Report and Financial Statements**  
**for the financial year ended 31 December 2021**

**Class Optical Manufacturing Limited**  
**Annual Financial Statements for the financial year ended 31 December 2021**

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## **Class Optical Manufacturing Limited**

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

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### **General information**

Status	Class Optical Manufacturing 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 6387
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 Manufacturing Limited**  
**Directors' report for the financial year ended 31 December 2021**

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**Directors' report**

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

**Principal activities**

The company is mainly engaged in manufacturing of spectacles and other optical goods.

**Business review and financial performance**

The company registered a profit before tax of Eur 459,699. This is a decrease of Eur 52,619 from the year ended 31st December 2020. This decrease is mainly attributable to the increase in management fees charges from the ultimate parent company and decrease government incentives in relation to COVID-19. The revenue for the year ended 31st December 2021 increased by Eur 266,536 from the year ended 31st December 2020 and also exceeding the pre pandemic revenue of 2019.

**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 150,000 (2020: 142,818) 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 27 to the financial statements.

**Events after year end**

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


**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.



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Cyril Gabarretta  
Director  
Date: 30 April 2022



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Robert Aldo Tua  
Director

## **Class Optical Manufacturing Limited**

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

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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 Manufacturing Limited**  
**Statement of comprehensive income**  
**for the financial year ended 31 December 2021**

	<b>Note</b>	<b>2021 Euro</b>	<b>2020 Euro</b>
Revenue	<b>5</b>	2,282,703	2,016,167
Cost of sales		<u>(1,209,007)</u>	<u>(1,014,148)</u>
Gross profit		1,073,696	1,002,019
Distribution expenses		(30,550)	(26,429)
Administrative expenses		(592,715)	(460,904)
Net impairment losses of financial and contract assets	<b>7</b>	(20,188)	-
Other income	<b>6</b>	63,479	31,329
Operating profit		<u>493,722</u>	<u>546,015</u>
Finance costs	<b>8</b>	(34,023)	(33,697)
<b>Profit before tax</b>	<b>9</b>	<u>459,699</u>	<u>512,318</u>
Income tax expense	<b>10</b>	(147,397)	(178,085)
<b>Profit for the year - Total comprehensive income</b>		<u><u>312,302</u></u>	<u><u>334,233</u></u>

The notes set on 8 to 27 are an integral part of these financial statements.

**Class Optical Manufacturing Limited**  
**Statement of financial position as at 31 December 2021**

	Note	2021 Euro	2020 Euro
<b>ASSETS</b>			
<b>Non-current assets</b>			
Right-of-use assets	11	435,290	442,311
Property, plant and equipment	12	1,264,720	402,603
Investment in associate	13	17,000	17,000
Total non-current assets		<u>1,717,010</u>	<u>861,914</u>
<b>Current assets</b>			
Inventories	14	491,127	390,905
Trade and other receivables	15	3,948,949	4,819,864
Cash and cash equivalents		25,636	13,712
Total current assets		<u>4,465,713</u>	<u>5,224,481</u>
<b>Total assets</b>		<u><u>6,182,723</u></u>	<u><u>6,086,395</u></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	17	250,000	250,000
Capital redemption reserve	18	35,516	35,516
Retained earnings	18	4,155,654	3,993,352
<b>Total equity</b>		<u>4,441,170</u>	<u>4,278,868</u>
<b>Non-current liabilities</b>			
Borrowings	19	162,404	240,861
Lease liabilities	11	440,464	441,171
Deferred tax liability	20	78,939	65,653
<b>Total non-current liabilities</b>		<u>681,807</u>	<u>747,685</u>
<b>Current liabilities</b>			
Borrowings	19	88,935	75,924
Lease liabilities	11	707	667
Trade and other payables	21	966,536	961,510
Current tax liability		3,568	21,741
<b>Total current liabilities</b>		<u>1,059,746</u>	<u>1,059,842</u>
<b>Total equity and liabilities</b>		<u><u>6,182,723</u></u>	<u><u>6,086,395</u></u>

The notes are an integral part of these financial statements. The financial statements set out on pages 4 to 27 were approved by the board of directors and authorised for issue on 30 April 2022 and signed on its behalf by:

  
**Cyril Gabarretta**  
**DIRECTOR**

  
**Robert Aldo Tua**  
**DIRECTOR**

**Class Optical Manufacturing Limited**  
**Statement of changes in equity for the financial year ended 31 December 2021**

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	<b>Capital redemption reserve Euro</b>	<b>Retained earnings Euro</b>	<b>Share capital Euro</b>	<b>Total Euro</b>
<b>Balance at 01 January 2020</b>	<b>35,516</b>	<b>3,801,937</b>	<b>250,000</b>	<b>4,087,453</b>
Profit for the year - Total comprehensive income	-	334,233	-	334,233
<b>Transactions with owners in their capacity as owners</b>				
Dividends paid	-	(142,818)	-	(142,818)
<b>Balance at 31 December 2020</b>	<b>35,516</b>	<b>3,993,352</b>	<b>250,000</b>	<b>4,278,868</b>
<b>Balance at 01 January 2021</b>	<b>35,516</b>	<b>3,993,352</b>	<b>250,000</b>	<b>4,278,868</b>
Profit for the year - Total comprehensive income	-	312,302	-	312,302
<b>Transactions with owners in their capacity as owners</b>				
Dividends paid	-	(150,000)	-	(150,000)
<b>Balance at 31 December 2021</b>	<b>35,516</b>	<b>4,155,654</b>	<b>250,000</b>	<b>4,441,170</b>

The notes set on 8 to 27 are an integral part of these financial statements.

**Class Optical Manufacturing Limited**  
**Statement of cash flows for the financial year ended 31 December 2021**

	<b>Note</b>	<b>2021 Euro</b>	<b>2020 Euro</b>
Profit before tax		459,699	512,318
Adjustments for:			
Depreciation of property, plant and equipment	12	116,637	124,496
Depreciation of right-of-use assets	11	7,021	7,021
Impairment of financial assets	7	20,188	-
Inventory write down		-	(3,776)
Bad debts written off	7	13,118	
Finance costs	8	34,023	33,697
		650,686	673,756
Change in inventories		(100,222)	(43,748)
Change in trade and other receivables		837,609	(542,344)
Change in trade and other payables		5,026	113,295
Cash generated from operations		1,393,098	200,959
Interest and finance charges paid		(769)	(3,666)
Income taxes paid		(152,284)	(157,500)
Net cash generated from operating activities		<b>1,240,046</b>	<b>39,793</b>
<b>Investing activities</b>			
Acquisition of property, plant and equipment	12	(978,754)	(10,049)
Net cash used in investing activities		<b>(978,754)</b>	<b>(10,049)</b>
<b>Financing activities</b>			
Interest paid on loans and borrowings		(7,185)	(3,925)
Interest paid on lease liabilities	11	(26,069)	(26,106)
Proceeds from borrowings		-	300,000
Repayment of borrowings		(67,433)	(67,660)
Principal element of lease payments	11	(667)	(630)
Dividends paid to equity holders of the parent	18	(150,000)	(80,000)
Net cash generated from/(used in) financing activities		<b>(251,354)</b>	<b>121,679</b>
Net movement in cash and cash equivalents		9,938	151,423
Cash and cash equivalents at beginning of year		12,342	(139,081)
Cash and cash equivalents at end of year	16	22,280	12,342

The notes set on 8 to 27 are an integral part of these financial statements.

## **Class Optical Manufacturing Limited**

### **Notes to the financial statements for the financial year ended 31 December 2021**

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#### **1 General information**

Class Optical Manufacturing 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 manufacturing of spectacles 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 New standards and amendments and interpretation to published standards not yet effective**

The directors anticipate that the adoption of other standards that were in issue at the date of authorisation of these financial statements, but not yet effective, will have no material impact on the financial statements of the Company 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 services provided in the ordinary course of the Company's activities. Revenue consists primarily of income derived from services provided in relation to optical lenses and products.

Revenue is recognised when the customer gains control over the service and has the opportunity to benefit from the service. Control is transferred at the same point that the good on which the service was performed is delivered to the customer.

##### **3.2 Government grants**

Government 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. Government grants that compensate for an expense are recognised in profit or loss on a systematic basis as a deduction from the related expense in the same periods in which the expense is incurred. Grants receivable as a financial support with no future related costs are recognised in profit or loss as part of other income in the period in which they become receivable.

## **Class Optical Manufacturing Limited**

### **Notes to the financial statements for the financial year ended 31 December 2021**

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#### **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 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.

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

#### **3.6 Income taxes**

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

Current tax is based on the taxable profit for the year. Taxable profit may differ from profit before tax as reported in profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Company's 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.

## **Class Optical Manufacturing Limited**

### **Notes to the financial statements for the financial year ended 31 December 2021**

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#### **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 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.

#### **3.8 Property, plant and equipment**

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

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

##### *Depreciation*

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

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

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

##### *Depreciation method, useful life and residual value*

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

##### *Derecognition of property, plant and equipment*

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

## **Class Optical Manufacturing Limited**

### **Notes to the financial statements for the financial year ended 31 December 2021**

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#### **3.9 Investment in 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.

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

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

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

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

#### **3.10 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 calculates 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.

#### **3.11 Inventories**

Inventories consist mainly of items used in the provision of rendering services. 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.

#### **3.12 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.

## **Class Optical Manufacturing Limited**

### **Notes to the financial statements for the financial year ended 31 December 2021**

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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.

#### *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 trade receivables, the Company 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 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.

## **Class Optical Manufacturing Limited**

### **Notes to the financial statements for the financial year ended 31 December 2021**

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#### *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.

#### *- 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 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 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.

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.

## **Class Optical Manufacturing Limited**

### **Notes to the financial statements for the financial year ended 31 December 2021**

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#### *- 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.

### **3.13 Share capital**

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

## **4 Critical accounting estimates and judgements**

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

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

#### **IFRS 16 - Leases**

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

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

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

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

**Class Optical Manufacturing Limited****Notes to the financial statements for the financial year ended 31 December 2021**

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**5 Revenue**

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

	<b>2021</b>	<b>2020</b>
	<b>Euro</b>	<b>Euro</b>
Revenue from manufacturing	2,282,703	2,016,167

**6 Other income**

	<b>2021</b>	<b>2020</b>
	<b>Euro</b>	<b>Euro</b>
Government grants received	12,165	-
Marketing contribution and similar income	250	1,502
Sundry income	50,629	27,321
Gain on difference on exchange	435	262
	<u>63,479</u>	<u>31,329</u>

**7 Net impairment losses of financial and contract assets**

This movement in impairment losses consists of the following:

	<b>2021</b>	<b>2020</b>
	<b>Euro</b>	<b>Euro</b>
Increase in impairment on trade and other receivables	33,306	-
Trade and other receivables written off	(13,118)	-
Increase in loss allowance recognised in profit or loss during the year	<u>20,188</u>	<u>-</u>

**8 Finance costs**

	<b>2021</b>	<b>2020</b>
	<b>Euro</b>	<b>Euro</b>
Interest on bank overdrafts	769	3,666
Interest on bank loans	7,185	3,925
Interest on lease	26,069	26,106
	<u>34,023</u>	<u>33,697</u>

## Class Optical Manufacturing Limited

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

#### 9 Profit before tax

##### 9.1 Profit before tax is stated after charging the following:

	2021 Euro	2020 Euro
<i>Cost of sales</i>		
Employee benefit expense	253,578	154,974
Depreciation of property, plant and equipment (Note 12)	84,326	123,063
Deprecation of right-of-use asset (Note 11)	7,021	7,021
Inventory (reversal) write down	-	(3,776)
	<u>344,925</u>	<u>281,282</u>

	2021 Euro	2020 Euro
<i>Expenses</i>		
Employee benefit expense	118,156	95,939
Professional fees	9,518	5,385
Management fees	346,716	326,491
Depreciation of property, plant and equipment (Note 12)	32,311	1,434
Repairs and replacements	27,425	6,257
Bank charges	1,876	1,078
Distribution expenses	30,550	26,429
Other expenses	56,714	24,320
	<u>623,265</u>	<u>487,333</u>

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

	2021 Euro	2020 Euro
Annual statutory audit	5,000	2,500
Other non-audit services	100	100
	<u>5,100</u>	<u>2,600</u>
	<u>2021 Euro</u>	<u>2020 Euro</u>

##### 9.3 Employee benefit expense

Wages and salaries	462,130	316,891
Social security costs	26,456	26,456
Recharges of wages	(116,852)	(92,434)
	<u>371,734</u>	<u>250,913</u>

**Class Optical Manufacturing Limited****Notes to the financial statements for the financial year ended 31 December 2021**

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

The average number of persons employed by the Company during the year were 20 (2020: 19). Sixteen (2020: 14) of the employees were employed in the laboratory section while four (2020: 5) were employed in administration.

**10 Income tax expense**

	<b>2021</b>	<b>2020</b>
	<b>Euro</b>	<b>Euro</b>
Current tax expense	134,111	188,158
Deferred tax expense	13,286	(10,073)
	<u>147,397</u>	<u>178,085</u>

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

	<b>2021</b>	<b>2020</b>
	<b>Euro</b>	<b>Euro</b>
Profit before tax	459,699	512,318
Tax at 35%	<u>160,895</u>	<u>179,311</u>
Expenses not allowable for tax purposes	415	-
Other differences	(2,145)	-
Amount not previously recognised	<u>(11,768)</u>	<u>(1,226)</u>
	<u>147,397</u>	<u>178,085</u>

## Class Optical Manufacturing Limited

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

### 11 Leases

#### Right-of-use assets

	Land and buildings Euro	Total Euro
At 01 January 2020		
Cost amounts	449,332	449,332
Accumulated depreciation	-	-
Accumulated impairment	-	-
Net book amount	<u>449,332</u>	<u>449,332</u>
Year ended 31 December 2020		
Opening net book amount	449,332	449,332
Depreciation	(7,021)	(7,021)
Closing net book amount	<u>442,311</u>	<u>442,311</u>
At 01 January 2021		
Cost amounts	449,332	449,332
Accumulated depreciation	(7,021)	(7,021)
Net book amount	<u>442,311</u>	<u>442,311</u>
Year ended 31 December 2021		
Opening net book amount	442,311	442,311
Depreciation	(7,021)	(7,021)
Closing net book amount	<u>435,290</u>	<u>435,290</u>
At 31 December 2021		
Cost amounts	449,332	449,332
Accumulated amortisation	(14,042)	(14,042)
Net book amount	<u>435,290</u>	<u>435,290</u>

Right-of-use asset consists of a temporary emphyteusis of factory land and buildings. The lease agreement ends in 2054 with a lessee option to extend it to 2084. The Company's management intention is lease the land and buildings until the end of the option term.

## Class Optical Manufacturing Limited

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

#### Lease liability

	2021 Euro	2020 Euro
Current	707	667
Non-current	440,464	441,171
	<b>441,171</b>	<b>441,838</b>

The finance lease interest charged to profit or loss for the year is Eur 26,069 (2020: Eur 26,106).

The cash outflow for the year related to lease payments amounted to Euro 26,736 (2020: Euro 26,736).

## 12 Property, plant and equipment

	Air- conditioners Euro	Computer equipment Euro	Furniture & fittings Euro	Equipment Euro	Buildings Euro	Total Euro
At 01 January 2020						
Cost amounts	3,831	4,872	3,172	1,326,624	-	1,338,499
Accumulated depreciation	(3,409)	(2,616)	(973)	(814,451)	-	(821,449)
Net book amount	<u>422</u>	<u>2,256</u>	<u>2,199</u>	<u>512,173</u>	<u>-</u>	<u>517,050</u>
Year ended 31 December 2020						
Opening net book amount						
Additions	-	283	-	9,766	-	10,049
Depreciation charge	(293)	(823)	(317)	(123,063)	-	(124,496)
Closing net book amount	<u>129</u>	<u>1,716</u>	<u>1,882</u>	<u>398,876</u>	<u>-</u>	<u>402,603</u>
At 01 January 2021						
Cost amounts	3,831	5,155	3,172	1,336,390	-	1,348,548
Accumulated depreciation	(3,702)	(3,439)	(1,290)	(937,514)	-	(945,945)
Net book amount	<u>129</u>	<u>1,716</u>	<u>1,882</u>	<u>398,876</u>	<u>-</u>	<u>402,603</u>
Year ended 31 December 2021						
Opening net book amount	129	1,716	1,882	398,876	-	402,603
Additions	-	1,155	191,682	12,546	773,372	978,754
Depreciation charge	(129)	(1,015)	(10,281)	(84,326)	(20,885)	(116,637)
Closing net book amount	<u>-</u>	<u>1,856</u>	<u>183,282</u>	<u>327,096</u>	<u>752,487</u>	<u>1,264,720</u>
At 31 December 2021						
Cost amounts	3,831	6,310	194,854	1,348,936	773,372	2,327,302
Accumulated depreciation	(3,831)	(4,454)	(11,571)	(1,021,840)	(20,885)	(1,062,582)
Net book amount	<u>-</u>	<u>1,856</u>	<u>183,282</u>	<u>327,096</u>	<u>752,487</u>	<u>1,264,720</u>

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

## Class Optical Manufacturing Limited

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

#### 13 Investment in associate

	2021 Euro	2020 Euro
At 01 January		
Carrying amount	17,000	17000
Net Carrying amount	17,000	17000
Year ended 31 December		
Net Carrying amount	17,000	17,000
Net Carrying amount	17,000	17,000
At 31 December		
Carrying amount	17,000	17,000
Net Carrying amount	17,000	17,000

The company's associate is as follows:

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

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

#### 14 Inventories

	2021 Euro	2020 Euro
Finished goods	491,127	390,905

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

#### 15 Trade and other receivables

	2021 Euro	2020 Euro
Trade receivables	122,261	246,959
Amounts receivable from related parties	3,649,749	3,925,980
Accounts receivable	-	1,259
Prepayments	175,363	631,022
Accrued income	1,577	14,644
	3,948,949	4,819,864

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

Trade receivable are stated net of loss allowance of Euro 20,188 (2020: Nil).

**Class Optical Manufacturing Limited****Notes to the financial statements for the financial year ended 31 December 2021**

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**16 Cash and cash equivalents**

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

	<b>2021</b>	<b>2020</b>
	<b>Euro</b>	<b>Euro</b>
Cash at bank	22,367	10,140
Cash in hand	3,269	3,572
Bank overdraft	(3,356)	(1,369)
	<u>22,280</u>	<u>12,343</u>

**17 Share capital**

	<b>2021</b>	<b>2020</b>
	<b>Euro</b>	<b>Euro</b>
<i>Authorised</i>		
250,000 Ordinary Shares of Euro1 each	<u>250,000</u>	<u>250,000</u>
<i>Issued</i>		
250,000 Ordinary Shares of Euro1 each	<u>250,000</u>	<u>250,000</u>

**18 Reserves****18.1 Capital redemption reserve reconciliation**

	<b>Capital redemption reserve</b>	<b>Total</b>
	<b>Euro</b>	<b>Euro</b>
At 01 January 2021	35,516	35,516
Movement current year	-	-
At 31 December 2021	<u>35,516</u>	<u>35,516</u>

**18.2 Retained earnings**

Retained earnings represent accumulated profits. The Company authorised a payment of dividends of Eur 150,000 (2020: Euro 142,818) out of retained earnings during the year ended 31st December 2021.

## Class Optical Manufacturing Limited

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

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#### 19 Borrowings

##### *Non-current liabilities*

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

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

##### *Current liabilities*

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

	<b>2021</b>	<b>2020</b>
	<b>Euro</b>	<b>Euro</b>
Bank overdraft	3,356	1,369
Bank loans	85,579	74,555
	88,935	75,924

The company bank loan is secured by:

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

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

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

The amount shown as overdraft consists of credit card balances.

## Class Optical Manufacturing Limited

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

#### 20 Deferred tax liability

Deferred tax is attributable to the following:

	2021 Euro	2020 Euro
Temporary difference on property, plant and equipment	90,463	65,653
Temporary difference on lease and right-of-use asset	(4,461)	-
Temporary difference on financial assets	(7,066)	-
Others	3	-
	<u>78,939</u>	<u>65,653</u>

Movement in temporary differences during the year:

	01/01/2020 Eur	Movement Eur	31/12/2020 Eur
Difference on property, plant and equipment	87,608	(21,955)	65,653
Others	-	-	-
	<u>87,608</u>	<u>(21,955)</u>	<u>65,653</u>
	01/01/2021 Eur	Movement Eur	31/12/2021 Eur
Difference on property, plant and equipment	65,653	24,810	90,463
Difference on lease and right-of-use asset	-	(4,461)	(4,461)
Difference on financial assets	-	(7,066)	(7,066)
Others	-	3	3
	<u>65,653</u>	<u>13,286</u>	<u>78,939</u>

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

#### 21 Trade and other payables

	2021 Euro	2020 Euro
Trade payables	750,927	797,252
Amount payable to related parties	122,792	111,912
Deposits received	7,799	-
Indirect taxation payable	28,303	7,372
Other taxation payable	13,157	10,126
Accruals	43,559	34,848
	<u>966,536</u>	<u>961,510</u>

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

## Class Optical Manufacturing Limited

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

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## 22 Related parties

### *Controlling parties and related parties*

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

### 22.1 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.

	2021 Euro	2020 Euro
Sales to fellow subsidiaries	473,229	410,765
Sales to other related parties	640,686	560,440
Purchases from fellow subsidiaries	(9,286)	(41,530)
Recharge of expenses to a fellow subsidiaries	137,249	99,118
Recharge of expenses to ultimate parent company	37,003	13,368
Management fee charged by ultimate parent company	(346,716)	(326,491)

#### *Financial transactions*

	2021 Euro	2020 Euro
Dividend paid to the parent company	(150,000)	(142,818)

### 22.2 Amounts at the end of the reporting period

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

	2021 Euro	2020 Euro
<i>Balances from trading transactions</i>		
Amounts due from fellow subsidiaries	3,016,445	3,348,866
Amounts due from other related parties	283,336	272,250
Amounts receivable from ultimate parent company	349,969	304,863
Amount to ultimate parent	-	(34,094)
Amounts due to fellow subsidiaries	(44,975)	-

## **Class Optical Manufacturing Limited**

### **Notes to the financial statements for the financial year ended 31 December 2021**

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#### ***Balances from financial transactions***

Amounts due to immediate parent	(62,818)	(62,818)
Amounts due to associate	(15,000)	(15,000)

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

#### **22.3 Transactions with key management personnel**

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

#### **23 Guarantees and contingencies**

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

#### **24 Commitments**

During 2019, the Company signed an agreement to rent a premises for 35 year period for a total consideration of Euro 1,088,416. As part of this agreement the Company agreed to make an investment in the property of not less than Euro 1,300,000 by 31st August 2022. It also agreed to invest Euro 2,100,000 in plant, machinery and equipment over a period of three years.

#### **25 Events after the end of the reporting period**

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

#### **26 Comparative figures**

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

## Class Optical Manufacturing Limited

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

#### 27 Financial risk management

The Company's activities are exposed to a number of financial risks, including credit risk and liquidity 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 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 note 14. Credit risk in respect of amount due to related parties is considered to be limited considering that the majority of the amount receivable consists of balances with members of the group.

##### *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 borrowings.

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 2021				
Borrowings	215,338	88,935	162,404	-
Trade and other payables	966,536	966,536	-	-
Lease	1,008,208	26,736	110,954	870,518
	<u>2,190,082</u>	<u>1,082,207</u>	<u>273,358</u>	<u>870,518</u>
At 31 December 2020				
Borrowings	316,785	213,012	15,367	-
Trade and other payables	961,510	961,510	-	-
Lease	1,034,945	26,736	109,617	898,592
	<u>2,313,240</u>	<u>1,201,258</u>	<u>124,984</u>	<u>898,592</u>

#### 28 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.

## **Class Optical Manufacturing Limited**

### **Notes to the financial statements for the financial year ended 31 December 2021**

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#### **29 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 Manufacturing Limited

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Class Optical Manufacturing Limited set out on pages 4 to 27, which comprise the statement of financial position as at 31 December 2021 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 2021, and of its financial performance for the year then ended in accordance with the International Financial Reporting Standards as adopted by the EU and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386).

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company 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.



### 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.



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Date: 30 April 2022

**Class Optical Manufacturing Limited**  
**Cost of Sales for the financial year ended 31 December 2021**

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	<b>2021</b>	<b>2020</b>
	<b>Euro</b>	<b>Euro</b>
<b>Cost of sales</b>		
Opening Stock	390,905	343,381
Purchases of stock	912,435	744,092
Other Production expenses	35,928	20,018
Productive Wages	253,578	154,974
Freight, Insurance & Duty on Goods	15,941	12,504
Depreciation charge	91,347	130,084
Stock Write off	-	(3,776)
Closing Stock	(491,127)	(387,129)
	<u>1,209,007</u>	<u>1,014,148</u>

**Class Optical Manufacturing Limited****Distribution and administration expenses for the financial year ended 31 December 2021**

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	<b>2021</b>	<b>2020</b>
	<b>Euro</b>	<b>Euro</b>
<b>Distribution expenses</b>		
Other Selling Expenses/Distribution expenses	30,550	26,429
	<u>30,550</u>	<u>26,429</u>

	<b>2021</b>	<b>2020</b>
	<b>Euro</b>	<b>Euro</b>
<b>Administration expenses</b>		
Wages - Regular	102,834	80,710
Management Salaries	15,322	15,229
Staff Welfare	356	557
Staff Uniforms	828	176
Professional Fees	4,518	2,885
Management and Administration Fees	346,716	326,491
Audit Fees	5,000	2,500
Insurance	3,407	-
Motor running expenses	350	-
Repairs and maintenance - machinery and equipment	24,452	2,319
Computer-related expenses	2,974	3,938
Cleaning	5,095	3,718
Water and electricity	16,669	10,456
Office Stationery and supplies	4,207	3,403
General expenses	395	-
Hotel Expenses	628	-
Membership and subscription fees	855	736
Licences Fees	13	13
Company Registration Fees	510	510
Bad Debts written off	13,118	-
Depreciation	32,311	1,434
Bank charges	1,876	1,078
Advertising	4,199	105
Promotion	2,990	4,427
Meals & entertainment	1,357	219
Travel Expenses	1,736	-
	<u>592,715</u>	<u>460,904</u>

