

C 6387

**Class Optical Manufacturing Limited
(Formerly known as Class Optical Limited)
Annual Financial Statements
for the financial year ended 31 December 2020**

Class Optical Manufacturing Limited
Annual Financial Statements for the financial year ended 31 December 2020

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Annual Financial Statements for the financial year ended 31 December 2020

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.
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Directors	Cyril Gabarretta Robert Aldo Tua John Grech Maurice Zarb Adami Kerstien Cyril Gabarretta
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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 2020

Directors' Report

The directors present the report and the audited financial statements of the Company for the financial year ended 31 December 2020.

Principal activities

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

Review of business development and state of affairs

The company registered a profit before tax of Eur 508,836. This is an increase of Eur 153,527 from the year ended 31st December 2019. This increase is mainly attributable to the decrease in management fees charges from the ultimate parent company and government incentives in relation to COVID-19. The revenue for the year ended 31st December 2020 decreased by Eur 1,972,955 from the year ended 31st December 2019. This decrease is the result of the transfer of the wholesale business to other member of the group which was done in 2019.

Dividend and Reserves

The results for the year are set out on page 4. The directors have authorised a payment of dividend of Eur 142,818 (2019: nil) 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 24 to the financial statements.

Post Balance Sheet Events

During 2021 the pandemic of Covid-19 continued to persist. Covid-19 continues to severely impact the global economy including the Maltese economy. Measures taken by authorities to contain the spread of the virus has triggered significant disruption of businesses resulting in an economic slowdown.

The Company although affected by the measure taken by the Maltese authorities, has continued to perform reasonably well considering the situation. The Company board of directors does not deem that the measures taken by authorities will result in a significant change in the company performance.

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 their reappointment will be put before the members at the next annual general meeting.



Cyril Gabarretta
Director

Date: 19 May 2021



Robert Aldo Tua
Director

Class Optical Manufacturing Limited

Directors' responsibilities for the financial year ended 31 December 2020

Company Law 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:

- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in the business;
- 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; and
- report comparative figures corresponding to those of the preceding accounting period.

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
Income statement for the financial year ended 31 December 2020

	Note	2020 Eur	2019 Eur
Revenue	4	2,016,167	3,989,122
Cost of sales		<u>(1,016,234)</u>	<u>(3,072,018)</u>
Gross profit		999,933	917,104
Sales and marketing		(46,409)	(57,441)
Administration expenses		(468,245)	(503,096)
Other income	5	31,148	32,905
Operating profit		<u>516,427</u>	<u>389,472</u>
Investment loss	6	-	(24,721)
Finance costs	7	(7,591)	(9,442)
Profit before tax	8	<u>508,836</u>	<u>355,309</u>
Income tax expense	9	(178,085)	(89,202)
Profit for the year		<u><u>330,751</u></u>	<u><u>266,107</u></u>

The notes are an integral part of these financial statements.

Class Optical Manufacturing Limited
Balance Sheet as at 31 December 2020

	Note	2020 Eur	2019 Eur
Assets			
Non-Current Assets			
Property, plant and equipment	10	402,603	517,050
Investments in associate	11	17,000	17,000
		<u>419,603</u>	<u>534,050</u>
Current Assets			
Inventories	12	390,905	343,381
Trade and other receivables	13	4,831,561	4,289,217
Current tax asset		-	8,917
Cash and bank balances		13,712	6,223
		<u>5,236,178</u>	<u>4,647,738</u>
Total Assets		<u>5,655,781</u>	<u>5,181,788</u>
Equity and Liabilities			
Capital and reserves			
Share capital	15	250,000	250,000
Other reserves	16	35,516	35,516
Retained earnings	16	3,989,870	3,801,937
		<u>4,275,386</u>	<u>4,087,453</u>
Non-Current Liabilities			
Loans and other borrowings	17	240,861	15,367
Deferred tax liability	18	65,653	75,726
		<u>306,514</u>	<u>91,093</u>
Current Liabilities			
Borrowings	17	75,924	213,012
Trade and other payables	19	976,216	790,230
Current tax liability		21,741	-
		<u>1,073,881</u>	<u>1,003,242</u>
Total Equity and Liabilities		<u>5,655,781</u>	<u>5,181,788</u>

The notes are an integral part of these financial statements. The financial statements set out on pages 4 to 22 were approved by the board of directors and authorised on issue on 19 May 2021 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 2020

	Capital redemption reserve Eur	Retained Earnings Eur	Share Capital Eur	Total Eur
Balance at 01 January 2019	35,516	3,535,830	250,000	3,821,346
Profit for the year	-	266,107	-	266,107
Balance at 31 December 2019	<u>35,516</u>	<u>3,801,937</u>	<u>250,000</u>	<u>4,087,453</u>
Balance at 01 January 2020	35,516	3,801,937	250,000	4,087,453
Profit for the year	-	330,751	-	330,751
Dividends proposed	-	(142,818)	-	(142,818)
Balance at 31 December 2020	<u>35,516</u>	<u>3,989,870</u>	<u>250,000</u>	<u>4,275,386</u>

The notes are an integral part of these financial statements.

Class Optical Manufacturing Limited
Statement of cash flows for the financial year ended 31 December 2020

	Note	2020 Eur	2019 Eur
Profit before tax		508,836	355,309
Adjustments for:			
Depreciation charge		124,497	125,033
Inventory write down		(3,776)	3,776
Impairment loss		-	(24,721)
Finance costs		7,591	9,464
		<u>637,148</u>	<u>468,861</u>
Change in inventories		(43,748)	1,947,189
Change in trade and other receivables		(542,344)	(1,656,959)
Change in trade and other payables		185,986	(729,005)
Cash generated from operations		237,042	30,086
Interest paid		(3,666)	(4,366)
Income taxes paid		(157,500)	(93,903)
		<u>75,876</u>	<u>(68,183)</u>
Net cash generated from/(used in) operating activities		75,876	(68,183)
Cash flows from investing activities			
Acquisition of property, plant and equipment		(10,049)	(172,668)
Proceeds from disposal of property, plant and equipment		-	86,883
(Acquisition)/disposal of investments		-	190,784
		<u>(10,049)</u>	<u>104,999</u>
Net cash generated from/(used in) investing activities		(10,049)	104,999
Cash flows from financing activities			
Interest paid on loans		(3,925)	(5,098)
Borrowings		232,340	(74,801)
Dividends paid		(142,818)	(147,598)
		<u>85,597</u>	<u>(227,497)</u>
Net cash generated from/(used in) financing activities		85,597	(227,497)
Net movement in cash and cash equivalents		151,424	(190,681)
Cash and cash equivalents at beginning of year		(139,081)	51,600
Cash and cash equivalents at end of year	14	<u>12,343</u>	<u>(139,081)</u>

The notes are an integral part of these financial statements.

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2020

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.

2 Basis of preparation

2.1 Statement of Compliance

These financial statements have been prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations ("GAPSME").

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

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 Eur (€), which is the Company's functional currency.

3 Significant Accounting Policies

3.1 Revenue

Revenue consists of goods sold and services provided, net of rebates, taxes and similar allowances. Revenue is measured at the fair value of the considerations received or receivable.

Sales of goods

Revenue from sales of goods is usually recognised upon delivery and transfer of ownerships of the goods pursuing all the following conditions are satisfied.

- risk and rewards of ownership of the goods is transferred to the buyer
- the Company does not retain continuing managerial involvement normally associated with ownership nor effective control over the goods sold
- revenue is measured reliably
- economic benefits associated with the transactions will flow to the Company and
- the cost incurred in respect of the transactions are measured reliably

Rendering of services

Revenue from rendering services is recognised when the amount of revenue can be measured reliably and the economic benefit associated with the service will flow to the Company.

3.2 Borrowing Costs

All borrowing costs, including costs which are directly attributable to the acquisition or production of a qualifying assets are recognised as expense in profit or loss in the period in which they are incurred.

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2020

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 balance sheet date are translated to functional currency using the closing rates of exchange at reporting date. Any exchange differences arising on the settlement of monetary assets and monetary liabilities, or on translating foreign denominated monetary assets and liabilities at the balance sheet date at rates different from those at which they were previously translated, are recognised in profit or loss.

3.5 Income taxes

Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that the tax arises from a transaction or event which is recognised directly in equity, in which case it is recognised in equity.

Current tax is based on the taxable profit for the year, as determined in accordance with tax laws, and measured using tax rates, which have been enacted or substantively enacted by the balance sheet date.

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 balance sheet date.

Deferred tax is 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 balance sheet date to determine whether future taxable profit has become probable that allows the deferred tax asset to be recovered.

3.6 Property, Plant and Equipment

The cost of an item of property, plant and equipment is recognised as an asset when 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.

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 is capitalised as part of the cost of property, plant and equipment only if it enhances the economic benefits of an asset in excess of the previously assessed standard of performance, or it replaces or restores a component that has been separately depreciated over its useful life.

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2020

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

Equipment	10% Straight line
Electronic 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.

3.7 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 associate.

Investments in associates are recognised initially at cost. After initial recognition, the investment in subsidiary 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 review for recoverability. Where an indication of impairment exists, the carrying amount of the investments is assessed and written down to its recoverable amount.

3.8 Leases

A lease is classified as a finance lease when substantially all the risks and rewards incidental to ownership are transferred to the lessee. All other leases which are not finance leases are operating leases. A lease is classified as finance or operating lease depending on the substance rather the legal form of transaction. A lease is classified at the inception of the lease and is not reclassified during the term of the lease unless the parties agrees to change the conditions of the lease.

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2020

Operating leases as a lessee

Payments done for leasing an asset under operating lease are recognised as an expense in the profit or loss on straight line basis over the lease term, unless another systematic and rational basis is more appropriate.

Operating leases as a lessor

Income received from an operating lease is recognised as income in the profit or loss on straight line basis over the lease term, unless another systematic and rational basis is more appropriate.

3.9 Inventories

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 assets and financial liabilities

A financial asset is any asset that is cash, equity instrument of another entity or a contractual right to receive cash or another financial asset or to exchange financial assets or financial liabilities with another party under potentially favourable conditions.

A financial liability is primarily a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another party under potentially unfavourable conditions.

An equity instrument is any contract that evidences the Company's residual interest in assets after deducting liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial assets and financial liabilities are recognised on the Company's balance sheet when the Company becomes a party to the contractual provision of the instrument and are derecognised if and to the extent that, it is no longer probable that any future economic benefits associated with the item will flow to or from the entity.

Financial assets

The Company's financial assets are classified as loan and receivables and are as follows:

- Trade and other receivables

Trade receivables comprise amount 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. A provision for impairment on trade receivable is established when there is an objective evidence that the Company will not be able to collect all amount due.

- Cash and bank balances

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 balance sheet.

Financial liabilities

Financial liabilities are classified as financial liabilities measured at amortised cost. The Company's financial liabilities are as follows

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2020

- Borrowings

Borrowings are classified as current liabilities when they are payable within 12 months for the balance sheet date, repayable on demand or when they have no fixed date of repayment. All other borrowings are classified as non current liabilities.

Borrowing are initially measured at fair value including transaction costs. After initial recognition borrowings are stated at amortised cost using the effective interest method, unless the effect of discounting is immaterial in which case they are stated at nominal value.

- 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 and other payables are initially measured at fair value. After initial recognition trade and other payables are stated at their nominal value unless the effect of discounting is material, in which case trade and other payables are measured at amortised cost using the effective interest method.

3.11 Share capital

Ordinary shares issued by the Company are classified as equity. Ordinary share capital is recorded at the proceeds received, net of direct issue costs. Dividends to ordinary shareholders are included directly to equity and are recognised as liabilities in the period in which they are declared.

3.12 Impairment

Impairment is recognised when the carrying value of an asset exceeds the recoverable amount. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

The Company's property, plant and equipment, investment in associate and financial assets (other than held for trading) are tested for impairment.

i) Property, plant and equipment and investment in associate

The carrying amounts of the Company's property, plant and equipment, investment in associate are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

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.

The carrying amounts of Company's assets are also reviewed at each balance sheet date to determine whether there is any indication that an impairment loss recognised in prior periods may no longer exist or may have decreased. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss previously recognised is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Impairment reversals are recognised immediately in profit or loss.

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2020

ii) Financial assets

A financial asset or a group of financial assets are impaired and impairment losses are incurred if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

All Company's financial assets are subject to impairment review at each balance sheet date. If there is an objective evidence that carrying amount of financial assets exceeds the recoverable amount, the carrying value is adjusted to reflect the recoverable amount. Any decrease in the carrying amount due to impairment is recognised in the profit or loss.

4 Revenue

The Company derives its income from the manufacturing of spectacles and other optical goods. During the prior year, the Company income included also income from the sales of sunglasses, eyewear and optical products by wholesale. The prior year wholesale revenue was sold to a fellow subsidiary.

	2020 Eur	2019 Eur
Revenue from wholesale	-	1,925,134
Revenue from manufacturing	2,016,167	2,063,988
	<u>2,016,167</u>	<u>3,989,122</u>

5 Other income

	2020 Eur	2019 Eur
Marketing contribution and similar income		1,502
Sundry income	30,886	27,321
Gain on difference on exchange	262	4,082
	<u>31,148</u>	<u>32,905</u>

6 Investment loss

	2020 Eur	2019 Eur
Impairment of financial assets	-	24,721

Class Optical Manufacturing Limited**Notes to the financial statements for the financial year ended 31 December 2020****7 Finance costs**

	2020	2019
	Eur	Eur
Interest on bank overdrafts	3,666	4,366
Interest on bank loans	3,925	5,098
	<u>7,591</u>	<u>9,464</u>

8 Profit before tax**8.1** Profit before tax is stated after charging the following:

	2020	2019
	Eur	Eur
<i>Cost of sales</i>		
Employee benefit expense	154,974	253,116
Depreciation charge	123,063	123,234
Inventory (reversal) write down	(3,776)	3,776
	<u>274,261</u>	<u>380,126</u>

	2020	2019
	Eur	Eur
<i>Expenses</i>		
Employee benefit expense	80,710	74,787
Professional fees	5,385	11,827
Management fees	326,491	346,716
Motor Vehicle Expenses	-	235
Depreciation charge	1,434	1,799
Property rentals	27,321	27,555
Offices expenses	3,403	4,907
Utilities	10,456	13,469
Repairs and replacements	6,257	8,966
Bank charges	1,078	1,371
Marketing and selling expenses	46,409	57,441
Other expenses	5,710	11,464
	<u>514,654</u>	<u>560,537</u>

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

	2020	2019
	Eur	Eur
Annual statutory audit	2,500	2,500
Other non-audit services	100	100
	<u>2,600</u>	<u>2,600</u>

Class Optical Manufacturing Limited**Notes to the financial statements for the financial year ended 31 December 2020**

	2020	2019
	Eur	Eur
8.3 Employees benefit expenses		
Wages and salaries	301,662	373,207
Social security costs	26,456	27,819
Recharges of wages	(92,434)	(73,123)
	<u>235,684</u>	<u>327,903</u>

Wages and salaries for 2020 are presented 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 was 19 (2019: 19). Fourteen (2019: 15) of the employees were employed in the laboratory section while five (2019: 4) were employed in administration.

9 Income tax expense

	2020	2019
	Eur	Eur
Tax expense	188,158	101,084
Deferred tax expense	(10,073)	(11,882)
	<u>178,085</u>	<u>89,202</u>

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

	2020	2019
	Eur	Eur
Profit before tax	508,836	355,309
Tax at 35%	<u>178,093</u>	<u>124,358</u>
Expenses not allowable for tax purposes	-	8,652
Tax credit	-	(33,960)
Amount not previously recognised	-	(9,848)
	<u>178,093</u>	<u>89,202</u>

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2020

10 Property, Plant and Equipment

	Air- Conditioners Eur	Electronic equipment Eur	Furniture & fittings Eur	Plant and equipment Eur	Total Eur
At 01 January 2020					
Revaluation/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	422	2,256	2,199	512,173	517,050
Year ended 31 December 2020					
Opening net book amount	422	2,256	2,199	512,173	517,050
Additions	-	283	-	9,766	10,049
Depreciation charge	(293)	(823)	(317)	(123,063)	(124,496)
Depreciation release	-	-	-	-	-
Closing net book amount	129	1,716	1,882	398,876	402,603
At 31 December 2020					
Revaluation/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	129	1,716	1,882	398,876	402,603

11 Investments in associate

	Eur
At 01 January 2020	
Carrying amount	17,000
Net Carrying amount	17,000
Year ended 31 December 2020	
Net Carrying amount	17,000
Net Carrying amount	17,000
At 31 December 2020	
Carrying amount	17,000
Net Carrying amount	17,000

The company's associate is as follows

	Registered Office	Class of shares held	2020	2019
Optical (CCSG) Limited	UBT 13/14, Industrial Estate, San Gwann, Malta	Ordinary shares	33%	33%

Class Optical Manufacturing Limited**Notes to the financial statements for the financial year ended 31 December 2020**

12 Inventories

	2020	2019
	Eur	Eur
Finished goods	390,905	343,381

The Company's inventories consist of lenses and other optical products. Inventory is stated net of write-downs of Eur nil (2019: Eur 3,776).

13 Trade and other receivables

	2020	2019
	Eur	Eur
Trade receivables	246,959	166,779
Amounts receivables from related parties	3,925,980	3,988,952
Accounts receivable	1,259	6,192
Prepayments	637,706	116,601
Accrued income	19,657	10,693
	<u>4,831,561</u>	<u>4,289,217</u>

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

14 Cash and cash equivalents

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

	2020	2019
	Eur	Eur
Cash at bank	10,140	1,079
Cash in hand	3,572	5,144
Bank overdraft	(1,369)	(145,304)
	<u>12,343</u>	<u>(139,081)</u>

15 Share Capital

	2020	2019
	Eur	Eur
<i>Authorised</i>		
250,000 Ordinary Shares of Eur1 each	<u>250,000</u>	<u>250,000</u>
<i>Issued</i>		
250,000 Ordinary Shares of Eur1 each	<u>250,000</u>	<u>250,000</u>

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2020

16 Reserves

16.1 Other reserves reconciliation

	Capital redemption reserve Eur	Total Eur
At 01 January 2020	35,516	35,516
At 31 December 2020	<u>35,516</u>	<u>35,516</u>

16.2 Retained earnings

Retained earnings represent accumulated profits or losses. The Company authorised a payment of dividends of Eur 142,818 ([2019]: Eur nil) out of retained earnings during the ended 31st December 2020.

17 Borrowings

Non-current Liabilities

Borrowings included under non-current liabilities on the balance sheet comprise the following amounts:

	2020 Eur	2019 Eur
Bank loans	<u>240,861</u>	<u>15,367</u>

Current liabilities

Borrowings included under current liabilities on the balance sheet comprise the following amounts:

	2020 Eur	2019 Eur
Bank overdraft	1,369	145,304
Bank loans	<u>74,555</u>	<u>67,708</u>
	<u>75,924</u>	<u>213,012</u>

The company bank loans are secured by:

- 1) General hypothec over the company's assets
- 2) Guarantees by third parties
- 3) Special hypothec on an immovable property
- 4) Pledges on insurance policies

The weighted average effective interest rate on bank loans at balance sheet date was 2.5% (2019: 4.26%).

The weighted average effective interest rate on bank overdraft at balance sheet date was 4.65% (2019: 4.65%).

Class Optical Manufacturing Limited**Notes to the financial statements for the financial year ended 31 December 2020****18 Deferred tax**

Deferred tax is attributable to the following

	2020	2019
	Eur	Eur
Temporary difference on Property, Plant and Equipment	65,653	77,040
Provisions	-	(1,322)
Others	-	8
	<u>65,653</u>	<u>75,726</u>

Movement in temporary differences during the year

	01/01/2019	Movement	31/12/2019
	Eur	Eur	Eur
Difference on Property, Plant and Equipment	87,608	(21,955)	65,653
Provisions	-	-	-
	<u>87,608</u>	<u>(21,955)</u>	<u>75,726</u>

	01/01/2020	Movement	31/12/2020
	Eur	Eur	Eur
Difference on Property, Plant and Equipment	77,040	(11,387)	65,653
Provisions	(1,322)	1,322	-
Others	8	(8)	-
	<u>75,726</u>	<u>(10,073)</u>	<u>65,653</u>

All movement in deferred tax during the year is recognised in the income statement.

19 Trade and other payables

	2020	2019
	Eur	Eur
Trade payables	797,252	712,317
Amount payable to related parties	111,912	15,000
VAT payable	7,372	18,004
Social Security and FSS due	10,126	9,010
Accruals	49,554	35,899
	<u>976,216</u>	<u>790,230</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 2020

20 Related parties

Controlling Parties and related parties

The Company forms part of a group whose ultimate parent is Class Holding Ltd. Class Finance Plc Ltd is the Company's immediate parent company. Class Holding Ltd and Class Finance Plc 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.

20.1 Transactions with related parties

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

Trading Transactions

	2020 Eur	2019 Eur
Sales to fellow subsidiaries	410,765	439,744
Sales to other related parties	560,440	614,684
Purchases from fellow subsidiaries	(41,530)	(44,243)
Transfer of investment to fellow subsidiary	-	190,784
Transfer of inventory to fellow subsidiary	-	1,925,134
Transfer of property, plant and equipment to fellow subsidiary	-	8,719
Transfer of property, plant and equipment to ultimate parent company	-	77,580
Recharge of expenses to a fellow subsidiaries	99,118	79,153
Recharge of expenses to ultimate parent company	13,368	180,548
Management fee charged by ultimate parent company	(326,491)	(346,716)

Financial Transactions

	2020 Eur	2019 Eur
Dividends to the parent company	(142,818)	(147,598)

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2020

20.2 Amounts at reporting date

The following balances were outstanding at the reporting date:

	2020	2019
	Eur	Eur
<i>Balances from trading transactions</i>		
Amounts due from fellow subsidiaries	3,348,866	3,326,924
Amounts due from other related parties	272,250	245,866
Amounts due from ultimate parent company	<u>304,863</u>	<u>416,162</u>
<i>Balances from financial transactions</i>		
Amounts due to immediate parent	(62,818)	-
Amounts due to associate	<u>(15,000)</u>	<u>(15,000)</u>

The amounts outstanding are unsecured, interest-free and repayable on demand. No guarantees have been given. No expenses have been recognised within the current year for bad or doubtful debts in respect of the amounts owed by related parties.

20.3 Transactions with key management personnel

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

21 Guarantees and contingencies

The Company has provided two guarantees for the total amount of Eur 5,750 (2019: 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.

22 Commitments

During the prior year the Company signed an agreement to rent a premises for 35 year period for a total consideration of Eur 1,088,415. As part of this agreement the Company agreed to make an investment in the property of not less than Eur 1,300,000.

23 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 2020

24 Financial risk

The Company activities 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 13. 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 balance sheet date to the contractual maturity date.

	Contractual amounts Eur	Less than 1 year Eur	Between 1 and 5 years Eur	More than 5 years Eur
At 31 December 2020				
Borrowings	316,785	75,924	240,861	-
Trade and other payables	976,216	976,216	-	-
Lease	1,034,945	26,736	137,689	870,520
	<u>2,327,946</u>	<u>1,078,876</u>	<u>378,550</u>	<u>870,520</u>
At 31 December 2019				
Borrowings	228,379	213,012	15,367	-
Trade and other payables	790,230	790,230	-	-
Lease	1,061,680	26,736	136,353	898,591
	<u>2,080,289</u>	<u>1,029,978</u>	<u>151,720</u>	<u>898,591</u>



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 22, which comprise the balance sheet as at 31 December 2020 the income statement and notes to the financial statements including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the Company as at 31 December 2020, and of its financial performance for the year then ended in accordance with the Accounting Profession (General Accounting Principles for Small and Medium-sized Entities) 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 general information. Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance conclusion thereon.

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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



Responsibilities of the Directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the General Accounting Principles for Small and Medium-sized Entities, 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.

Alexander Micallef
For Griffiths + Associates Ltd
Level 1, Casal Naxaro
Labour Avenue
Naxxar
Malta
Date: 19 May 2021

Class Optical Manufacturing Limited**Cost of Sales for the financial year ended 31 December 2020**

	2020	2019
	Eur	Eur
Cost of sales		
Opening Stock	343,381	2,294,346
Purchases of stock	744,092	681,697
Other Production expenses	20,018	32,468
Productive Wages	154,974	253,116
Rent/Lease of factory premises	9,107	9,107
Freight, Insurance & Duty on Goods	12,504	17,655
Depreciation charge	123,063	123,234
Stock Write off	(3,776)	3,776
Closing Stock	(387,129)	(343,381)
	<u>1,016,234</u>	<u>3,072,018</u>

Class Optical Manufacturing Limited**Sales and marketing and administration expenses for the financial year ended 31 December 2020**

	2020	2019
	Eur	Eur
Sales and marketing		
Advertising	105	120
Promotion	4,427	925
Meals & entertainment	219	741
Commissions payable	15,229	12,301
Travel Expenses	-	21,893
Other Selling Expenses	26,429	21,461
	<u>46,409</u>	<u>57,441</u>

Class Optical Manufacturing Limited**Sales and marketing and administration expenses for the financial year ended 31 December 2020**

	2020	2019
	Eur	Eur
Administration expenses		
Wages - Regular	80,710	74,787
Staff training & Education	-	3,354
Staff Welfare	557	613
Staff Uniforms	176	320
Professional Fees	2,885	9,327
Management and Administration Fees	326,491	346,716
Audit Fees	2,500	2,500
Fuel Costs	-	235
Repairs and maintenance - machinery and equipment	2,319	5,249
Computer-related expenses	3,938	3,717
Cleaning	3,718	2,872
Water and electricity	10,456	13,469
Office Stationery and supplies	3,403	4,907
General expenses	-	2,475
Property Rental	27,321	27,555
Membership and subscription fees	736	1,230
Licences Fees	13	-
Company Registration Fees	510	600
Depreciation	1,434	1,799
Bank charges	1,078	1,371
	<u>468,245</u>	<u>503,096</u>