

C 6387

**Class Optical Manufacturing Limited
(Formerly known as Class Optical Limited)
Annual Financial Statements
for the financial year ended 31 December 2019**

Class Optical Manufacturing Limited
Annual Financial Statements for the financial year ended 31 December 2019

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Class Optical Manufacturing Limited

Annual Financial Statements for the financial year ended 31 December 2019

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 2019

Directors' Report

The directors present the report and the audited financial statements of the Company for the financial year ended 31 December 2019.

Principal activities

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

Review of business development and state of affairs

In the beginning of the financial year the Company transferred its wholesale operation to another member of the group, consequently the financial statement for year ended 31st December 2019 includes only profits generated from the manufacturing operation. The manufacturing operation revenue and direct costs are in line with prior period. For the year ended 31st December 2019 the Company registered a profit before tax of Eur 355,309.

Dividend and Reserves

The results for the year are set out on page 4.

The directors have not paid an interim dividend 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.

Post Balance Sheet Events

In 2020 the world experienced the spread of the pandemic of Covid-19. This has severely impacted many local economies around the globe. Measures taken by the Maltese authorities to contain the spread of the virus has triggered significant disruption of local business resulting in an economic slowdown.

The Company was affected by the measures taken by the Maltese authorities which resulted in reduction in business activity. The Company's board of directors does not deem that this situation will affect the Company's ability to continue as a going concern.

Directors

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

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

Auditors

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



Cyril Gabarretta
Director

Date: 15 June 2020



Robert Aldo Tua
Director

Class Optical Manufacturing Limited

Directors' responsibilities for the financial year ended 31 December 2019

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 2019

	Note	2019 Eur	2018 Eur
Revenue	4	3,989,122	7,180,730
Cost of sales		<u>(3,146,805)</u>	<u>(4,832,305)</u>
Gross profit		842,317	2,348,425
Sales and marketing		(57,441)	(237,679)
Administration expenses		(428,309)	(1,391,965)
Other income	5	32,927	369,331
Operating profit		<u>389,494</u>	<u>1,088,112</u>
Investment income	6	-	246,153
Investment loss	7	(24,721)	-
Finance costs	8	(9,464)	(9,619)
Profit before tax	9	<u>355,309</u>	<u>1,324,646</u>
Income tax expense	10	(123,162)	(455,021)
Profit for the year		<u><u>232,147</u></u>	<u><u>869,625</u></u>

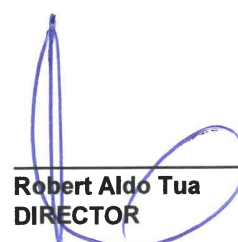
The notes are an integral part of these financial statements.

Class Optical Manufacturing Limited
Balance Sheet as at 31 December 2019

	Note	2019 Eur	2018 Eur
Assets			
Non-Current Assets			
Property, plant and equipment	11	517,050	556,298
Investments in subsidiaries	12	-	160,784
Investments in joint ventures	13	-	30,000
Investments in associate	14	17,000	17,000
		<u>534,050</u>	<u>764,082</u>
Current Assets			
Inventories	15	343,381	2,294,346
Trade and other receivables	16	4,289,217	2,607,537
Current tax asset		-	7,181
Cash and bank balances		6,223	51,600
		<u>4,638,821</u>	<u>4,960,664</u>
Total Assets		<u>5,172,871</u>	<u>5,724,746</u>
Equity and Liabilities			
Capital and reserves			
Share capital	18	250,000	250,000
Other reserves	19	35,516	35,516
Retained earnings	19	3,767,977	3,535,830
		<u>4,053,493</u>	<u>3,821,346</u>
Non-Current Liabilities			
Loans and other borrowings	20	15,367	83,043
Deferred tax liability	21	75,726	87,608
		<u>91,093</u>	<u>170,651</u>
Current Liabilities			
Borrowings	20	213,012	65,916
Trade and other payables	22	790,230	1,666,833
Current tax liability		25,043	-
		<u>1,028,285</u>	<u>1,732,749</u>
Total Equity and Liabilities		<u>5,172,871</u>	<u>5,724,746</u>

The notes are an integral part of these financial statements. The financial statements set out on pages 4 to 25 were approved by the board of directors and authorised on issue on 15 June 2020 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 2019

	Capital redemption reserve Eur	Retained Earnings Eur	Share Capital Eur	Total Eur
Balance at 01 January 2018	35,516	3,101,018	250,000	3,386,534
Profit for the year	-	869,625	-	869,625
Dividends paid	-	(434,813)	-	(434,813)
Balance at 31 December 2018	<u>35,516</u>	<u>3,535,830</u>	<u>250,000</u>	<u>3,821,346</u>
Balance at 01 January 2019	35,516	3,535,830	250,000	3,821,346
Profit for the year	-	232,147	-	232,147
Balance at 31 December 2019	<u>35,516</u>	<u>3,767,977</u>	<u>250,000</u>	<u>4,053,493</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 2019

	Note	2019 Eur	2018 Eur
Profit before tax		355,309	1,324,646
Adjustments for:			
Depreciation charge		125,033	148,998
Inventory write down		3,776	25,110
Impairment loss		(24,721)	-
Change in provisions		-	(10,234)
Finance costs		9,464	9,619
Investment income		-	(246,153)
Gain on disposal of property, plant and equipment		-	(51,280)
		<u>468,861</u>	<u>1,200,706</u>
Change in inventories		1,947,189	(178,282)
Change in trade and other receivables		(1,656,959)	(545,331)
Change in trade and other payables		(729,005)	290,388
Cash generated from operations		30,086	767,481
Interest paid		(4,366)	(1,630)
Income taxes paid		(102,820)	(470,211)
Net cash generated from/(used in) operating activities		<u>(77,100)</u>	<u>295,640</u>
Cash flows from investing activities			
Dividend received		-	246,153
Acquisition of property, plant and equipment		(172,668)	(297,838)
Proceeds from disposal of property, plant and equipment		86,883	56,680
(Acquisition)/disposal of investments		190,784	(37,500)
Net cash generated from/(used in) investing activities		<u>104,999</u>	<u>(32,505)</u>
Cash flows from financing activities			
Interest paid on loans		(5,098)	(7,989)
Borrowings		(65,884)	(68,943)
Dividends paid		(147,598)	(449,888)
Net cash used in financing activities		<u>(218,580)</u>	<u>(526,820)</u>
Net movement in cash and cash equivalents		<u>(190,681)</u>	<u>(263,685)</u>
Cash and cash equivalents at beginning of year		51,600	315,285
Cash and cash equivalents at end of year	17	<u>(139,081)</u>	<u>51,600</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 2019

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").

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, returns, 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.

Dividends

Dividends received by the Company are recognised when the inflow of economic benefits associated with the transaction is probable and the amount of income can be measured reliably. Dividends are recognised when the Company's rights to receive the dividends are established. Dividends are included in profit or loss as part of investment income.

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2019

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.

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 which related to investment of foreign subsidiaries and are accounted under the equity method are translated into the Company's presentation currency using exchange rate at the end of the reporting date. Share of profits/loss of foreign operation are translated in to Company's presentation currency using the average exchange rates of the period. Exchange differences arising are recognised directly to equity as foreign currency translation reserve.

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.

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2019

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.

After initial recognition, property, plant and equipment may be carried under the cost model, that is at cost less any accumulated depreciation and any accumulated impairment losses, or under the revaluation model, that is at their fair value at the date of revaluation less any accumulated depreciation and any accumulated impairment losses.

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 Subsidiaries

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2019

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

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.

3.8 Investment in Joint ventures

Joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control.

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

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

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.

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 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.

3.10 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.

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.

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2019

3.11 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.

3.12 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

- 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.

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2019

- 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.

3.13 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.

3.14 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 subsidiaries, joint ventures and associate and financial assets (other than held for trading) are tested for impairment.

i) Property, plant and equipment and investment in subsidiaries, joint ventures and associate

The carrying amounts of the Company's property, plant and equipment, investment in subsidiaries, joint ventures and 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.

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.

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2019

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.

	2019	2018
	Eur	Eur
Revenue from wholesale	1,925,134	5,115,927
Revenue from manufacturing	2,063,988	2,064,803
	<u>3,989,122</u>	<u>7,180,730</u>

5 Other income

	2019	2018
	Eur	Eur
Gain on disposal of property, plant and equipment	-	51,280
Management fees receivable	-	28,500
Marketing contribution and similar income	1,502	289,378
Sundry income	27,321	-
Gain on difference on exchange	4,104	173
	<u>32,927</u>	<u>369,331</u>

6 Investment income

	2019	2018
	Eur	Eur
Dividends from subsidiaries	-	246,153

7 Investment loss

	2019	2018
	Eur	Eur
Impairment of financial assets	24,721	-

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2019

8 Finance costs

	2019 Eur	2018 Eur
Interest on bank overdrafts	4,366	1,630
Interest on bank loans	5,098	7,989
	<u>9,464</u>	<u>9,619</u>

9 Profit before tax

9.1 Profit before tax is stated after charging the following:

	2019 Eur	2018 Eur
<i>Cost of sales</i>		
Employee benefit expense	327,903	318,697
Depreciation charge	123,234	111,145
Inventory write down	3,776	-
	<u>454,913</u>	<u>429,842</u>

	2019 Eur	2018 Eur
<i>Expenses</i>		
Employee benefit expense	-	792,372
Directors fees	-	126,000
Director remuneration	-	85,759
Professional fees	11,827	91,629
Management fees	346,716	-
Insurance	-	24,694
Motor Vehicle Expenses	235	49,909
Depreciation charge	1,799	37,853
Property rentals	27,555	56,515
Offices expenses	4,907	23,714
Utilities	13,469	39,547
Repairs and replacements	8,966	34,496
Bank charges	1,371	2,423
Marketing and selling expenses	57,441	237,679
Other expenses	11,464	27,054
	<u>485,750</u>	<u>1,629,644</u>

Class Optical Manufacturing Limited**Notes to the financial statements for the financial year ended 31 December 2019****9.2** The remuneration paid to the Company's auditors during the year amounts:

	2019	2018
	Eur	Eur
Annual statutory audit	2,500	4,000
Other non-audit services	100	100
	<u>2,600</u>	<u>4,100</u>

9.3 Employees benefit expenses

	2019	2018
	Eur	Eur
Wages and salaries	373,207	1,124,958
Social security costs	27,819	85,429
Recharges of wages	(73,123)	(99,318)
	<u>327,903</u>	<u>1,111,069</u>

The average number of persons employed by the Company during the year was 12 (2018: 64). Eleven of the employees were employed in the laboratory section while one was employed in administration.

10 Income tax expense

	2019	2018
	Eur	Eur
Tax expense	135,044	463,030
Deferred tax expense	(11,882)	(8,009)
	<u>123,162</u>	<u>455,021</u>

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

	2019	2018
	Eur	Eur
Profit before tax	355,309	1,324,646
Tax at 35%	<u>124,358</u>	<u>463,626</u>
Expenses not allowable for tax purposes	8,652	629
Tax credit	-	(9,234)
Amount not previously recognised	<u>(9,848)</u>	<u>-</u>
	<u>123,162</u>	<u>455,021</u>

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2019

11 Property, Plant and Equipment

	Air- Conditioners Eur	Electronic equipment Eur	Furniture & fittings Eur	Plant and equipment Eur	Total Eur
At 01 January 2019					
Revaluation/cost amounts	50,899	113,388	229,955	1,157,024	1,551,266
Accumulated depreciation	(8,665)	(78,343)	(216,743)	(691,217)	(994,968)
Net book amount	<u>42,234</u>	<u>35,045</u>	<u>13,212</u>	<u>465,807</u>	<u>556,298</u>
Year ended 31 December 2019					
Opening net book amount	42,234	35,045	13,212	465,807	556,298
Additions	-	1,208	1,860	169,600	172,668
Disposals	(47,068)	(109,724)	(228,643)	-	(385,435)
Depreciation charge	(729)	(753)	(317)	(123,234)	(125,033)
Depreciation release	5,985	76,480	216,087	-	298,552
Closing net book amount	<u>422</u>	<u>2,256</u>	<u>2,199</u>	<u>512,173</u>	<u>517,050</u>
At 31 December 2019					
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	<u>422</u>	<u>2,256</u>	<u>2,199</u>	<u>512,173</u>	<u>517,050</u>

12 Investments in subsidiaries

	Eur
At 01 January 2019	
Carrying amount	<u>160,784</u>
Net Carrying amount	<u>160,784</u>
Year ended 31 December 2019	
Net Carrying amount	160,784
Disposals	(160,784)
Net Carrying amount	<u>-</u>
At 31 December 2019	
Carrying amount	-
Net Carrying amount	<u>-</u>

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2019

The company's subsidiaries are as follows

	Registered Office	Class of shares held	2019	2018
Class Optical Limited	UBT 13/14, Industrial Estate, San Gwann, Malta	Ordinary shares	0%	99%
Class Properties Limited	UBT 13/14, Industrial Estate, San Gwann, Malta	Ordinary shares	0%	99%
Vision Opticions Limited	UBT 13/14, Industrial Estate, San Gwann, Malta	Ordinary shares	0%	100%
Class Medical Limited	UBT 13/14, Industrial Estate, San Gwann, Malta	Ordinary A shares	0%	70%

13 Investments in joint ventures

	Eur
At 01 January 2019	
Carrying amount	30,000
Accumulated impairment	-
Net Carrying amount	30,000
Year ended 31 December 2019	30,000
Disposals	(30,000)
Net Carrying amount	-
At 31 December 2019	
Carrying amount	-
Net Carrying amount	-

The company's joint ventures are as follows

	Registered Office	Class of shares held	2019	2018
Vision (Gozo) Limited	42, Agius de Soldanis Street, Victoria, Gozo, Malta	Ordinary A shares	0%	50%
Eye space Limited	11, Lascaris Buildings, Lascaris Wharf, Valletta, Malta	Ordinary A shares	0%	50%

Class Optical Manufacturing Limited**Notes to the financial statements for the financial year ended 31 December 2019****14 Investments in associate**

	Eur
At 01 January 2019	
Carrying amount	17,000
Net Carrying amount	17,000
Year ended 31 December 2019	
Net Carrying amount	17,000
Net Carrying amount	17,000
At 31 December 2019	
Carrying amount	17,000
Net Carrying amount	17,000

The company's associate is as follows

	Registered Office	Class of shares held	2019	2018
Optical (CCSG) Limited	UBT 13/14, Industrial Estate, San Gwann, Malta	Ordinary shares	33%	33%

15 Inventories

	2019	2018
	Eur	Eur
Finished goods	343,381	2,294,346

The Company's inventories consist of lenses and other optical products. The prior year, inventories consisted also of sunglasses and eyewear. Inventory is stated net of write-downs of Eur 3776 (2018: Eur25,110).

16 Trade and other receivables

	2019	2018
	Eur	Eur
Trade receivables	166,779	934,636
Amounts receivables from related parties	3,988,952	1,443,661
Accounts receivable	6,192	35,332
Prepayments	116,601	84,216
Accrued income	10,693	109,692
	4,289,217	2,607,537

Amounts receivables from 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 2019

17 Cash and cash equivalents

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

	2019 Eur	2018 Eur
Cash at bank	1,079	45,834
Cash in hand	5,144	5,766
Bank overdraft	(145,304)	-
	<u>(139,081)</u>	<u>51,600</u>

18 Share Capital

	2019 Eur	2018 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>

19 Reserves

19.1 Other reserves reconciliation

	Capital redemption reserve Eur	Total Eur
At 01 January 2019	35,516	35,516
At 31 December 2019	<u>35,516</u>	<u>35,516</u>

19.2 Retained earnings

Retained earnings represent accumulated profits or losses. There were no dividends paid out of retained earnings during the ended 31st December 2019 ([2018]: Eur 434,813).

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2019

20 Borrowings

Non-current Liabilities

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

	2019 Eur	2018 Eur
Bank loans	15,367	83,043

Current liabilities

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

	2019 Eur	2018 Eur
Bank overdraft	145,304	-
Bank loans	67,708	65,916
	213,012	65,916

The company bank loans are secured by:

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

The weighted average effective interest rate on bank loans at balance sheet date was 4.26% (2018: 3.88%).

The weighted average effective interest rate on bank overdraft at balance sheet date was 4.65% (2018: nil).

21 Deferred tax

Deferred tax is attributable to the following

	2019 Eur	2018 Eur
Temporary difference on Property, Plant and Equipment	77,040	87,608
Provisions	(1,322)	-
Others	8	-
	75,726	87,608

Class Optical Manufacturing Limited**Notes to the financial statements for the financial year ended 31 December 2019**

Movement in temporary differences during the year

	01/01/2018 Eur	Movement Eur	31/12/2018 Eur
Difference on Property, Plant and Equipment	99,199	(11,591)	87,608
Provisions	(3,582)	3,582	-
	<u>95,617</u>	<u>(8,009)</u>	<u>87,608</u>
	01/01/2019 Eur	Movement Eur	31/12/2019 Eur
Difference on Property, Plant and Equipment	87,608	(10,568)	77,040
Provisions	-	(1,322)	(1,322)
Others	-	8	8
	<u>87,608</u>	<u>(11,882)</u>	<u>75,726</u>

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

22 Trade and other payables

	2019 Eur	2018 Eur
Trade payables	712,317	1,240,513
Amount payable to related parties	15,000	15,000
Dividends payable	-	147,598
VAT payable	18,004	173,932
Social Security and FSS due	9,010	30,115
Accruals	35,899	59,675
	<u>790,230</u>	<u>1,666,833</u>

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

23 Related parties***Controlling Parties and related parties***

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

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2019

23.1 Transactions with related parties

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

Trading Transactions

	2019 Eur	2018 Eur
Sales to fellow subsidiaries	439,744	1,283,471
Sales to other related parties	614,684	1,803,809
Purchases from fellow subsidiaries	(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 parent company	77,580	-
Management fee charged to fellow subsidiary	-	24,000
Recharge of expenses to a fellow subsidiaries	79,153	-
Recharge of expenses to parent company	180,548	-
Management fee charged by parent company	(346,716)	-

Financial Transactions

	2019 Eur	2018 Eur
Dividends to the parent company	(147,598)	-
Dividends to shareholders	-	(162,673)

23.2 Amounts at reporting date

The following balances were outstanding at the reporting date:

	2019 Eur	2018 Eur
Balances from trading transactions		
Amounts due from fellow subsidiaries	3,326,924	909,151
Amounts due from other related parties	245,866	534,510
Amounts due from parent company	416,162	-
Balances from financial transactions		
Amounts due to associate	(15,000)	(15,000)

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.

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2019

23.3 Transactions with key management personnel

During the year, there were no transactions with key management employees. During the prior period directors were paid Eur 85,757 in remuneration and Eur 126,000 in directors' fees.

24 Dividends

A final dividend in respect of the year ended 31st December 2019 of Eur 0.57 per share, amounting to Eur 142,852 was proposed by the Board of Directors subsequent to the end of the reporting period. The financial statement do not reflect this proposed dividend.

25 Events after year end

In 2020 the world experienced the spread of the pandemic of Covid-19. This has severely impacted many local economies around the globe. Measures taken by the authorities to contain the spread of the virus has triggered significant disruption of local business resulting in an economic slowdown.

The Company was affected by the measures taken by the Maltese authorities which resulted in reduction in business activity during months of partial lockdown. The Company has taken a number of measures to limit the affect of the pandemic. The Company's board of directors does not deem that the Covid-19 situation will affect the Company's ability to continue as going concern..

26 Comparative figures

Certain comparative figures have been changed to conform with the current year's presentation.

27 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 on cash at bank and amounts due from related parties. The maximum exposure to credit risk at the end of reporting period in respect of cash and cash equivalents is equivalent to the carrying amount as disclosed in note 17. The Company banks only with local quality financial institutions with high standing or rating.

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 16. 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.

Class Optical Manufacturing Limited

Notes to the financial statements for the financial year ended 31 December 2019

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. Trade and other payables consist mainly of amount due to related parties.

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 2019				
Borrowings	228,379	213,012	15,367	-
Trade and other payables	815,273	815,273	-	-
Lease	2,341,198	26,736	108,280	2,206,182
	<u>3,384,850</u>	<u>1,055,021</u>	<u>123,647</u>	<u>2,206,182</u>
At 31 December 2018				
Borrowings	148,959	65,916	83,043	-
Trade and other payables	1,666,833	1,666,833	-	-
	<u>1,815,792</u>	<u>1,732,749</u>	<u>83,043</u>	<u>-</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 25, which comprise the balance sheet as at 31 December 2019 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 2019, 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.

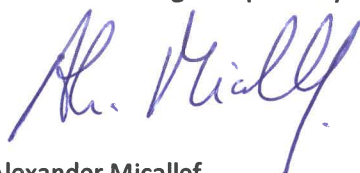
We communicate with the directors regarding, among other matters, the planned scope and timing of the audit findings, including any significant deficiencies in internal control that we identify during our audit.

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
info@griffithsassoc.com
Date: 15 June 2020

Class Optical Manufacturing Limited
Cost of Sales for the financial year ended 31 December 2019

	2019	2018
	Eur	Eur
Cost of sales		
Opening Stock	2,294,346	2,141,174
Purchases of stock	681,697	4,516,509
Other Production expenses	32,468	34,036
Productive Wages	327,903	318,697
Rent/Lease of factory premises	9,107	2,515
Freight, Insurance & Duty on Goods	17,655	2,575
Depreciation charge	123,234	111,145
Stock Write off	3,776	-
Closing Stock	(343,381)	(2,294,346)
	<u>3,146,805</u>	<u>4,832,305</u>

Class Optical Manufacturing Limited**Sales and marketing and administration expenses for the financial year ended 31 December 2019**

	2019	2018
	Eur	Eur
Sales and marketing		
Advertising	120	121,319
Promotion	925	20,875
Meals & entertainment	741	25,523
Commissions payable	12,301	11,595
Travel Expenses	21,893	16,305
Other Selling Expenses	21,461	42,062
	<u>57,441</u>	<u>237,679</u>

Class Optical Manufacturing Limited**Sales and marketing and administration expenses for the financial year ended 31 December 2019**

	2019	2018
	Eur	Eur
Administration expenses		
Wages - Regular	-	696,346
Fringe Benefits	-	10,597
Directors' Salaries and remuneration	-	85,759
Directors' fees	-	126,330
Employers' Share of NI Contributions	-	85,429
Staff training & Education	3,354	402
Staff Welfare	613	5,923
Staff Uniforms	320	618
Professional Fees	9,327	87,629
Management and Administration Fees	346,716	-
Audit Fees	2,500	4,000
Insurance	-	24,694
Motor Vehicle Rentals	-	32,080
Fuel Costs	235	17,829
Repairs and maintenance - machinery and equipment	5,249	9,964
Repairs and maintenance - buildings	-	467
Computer-related expenses	3,717	24,065
Cleaning	2,872	9,267
Water and electricity	13,469	30,155
Telephone and Communications	-	9,392
Office Stationery and supplies	4,907	23,714
General expenses	2,475	3,858
Property Rental	27,555	56,515
Membership and subscription fees	1,230	4,063
Company Registration Fees	600	-
Donations	-	1,796
Bad Debts written off	-	11,031
Provision for Bad Debts	-	(10,234)
Depreciation	1,799	37,853
Bank charges	1,371	2,423
	428,309	1,391,965