

**C 21530**  
**Class Optical Limited**  
**(Formerly known as Class Manufacturing Company Limited)**  
**Annual Financial Statements**  
**for the financial year ended 31 December 2020**

# **Class Optical Limited**

## **Annual Financial Statements for the financial year ended 31 December 2020**

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## **Class Optical Limited**

### **Annual Financial Statements for the financial year ended 31 December 2020**

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#### **General information**

Status	Class Optical Limited is a limited liability company registered in Malta under the Companies Act 1995 Chapter 386 of the Laws of Malta.
Directors	Cyril Gabarretta Robert Aldo Tua John Grech Maurice Zarb Adami Kerstien Cyril Gabarretta
Company number	C 21530
Auditors	Griffiths + Associates Ltd Level 1, Casal Naxaro Labour Avenue Naxxar Malta info@griffithsassoc.com
Business Address	UBT 13/14 San Gwann Industrial Estate San Gwann Malta

## **Class Optical Limited**

### **Directors' report for the financial year ended 31 December 2020**

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#### **Directors' Report**

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

#### **Principal activities**

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

#### **Review of business development and state of affairs**

The company registered a profit before tax of Eur 270,849. This is a decrease from the financial year ended 31st December 2019. The decrease in profits is mainly attributable to decrease in revenue.

#### **Dividend and Reserves**

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

The directors have paid an interim dividend of Eur 165,000 during the year. They do not recommend a final dividend.

#### **Financial Risk Management**

The financial risk management objectives and policies are set out in note 16 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 a economic slowdown.

The Company although affected by the measure taken by the Maltese authorities, has continued to perform in line with the management expectations. 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 they reappointment will be put before the members at the next annual general meeting.



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**Cyril Gabarretta**  
Director  
Date: 19 May 2021



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**Robert Aldo Tua**  
Director

## **Class Optical Limited**

### **Directors' responsibilities for the financial year ended 31 December 2020**

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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 Limited**  
**Income statement for the financial year ended 31 December 2020**

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	<b>Note</b>	<b>2020 Eur</b>	<b>2019 Eur</b>
Revenue	<b>4</b>	4,612,452	5,276,821
Cost of sales		<u>(3,394,120)</u>	<u>(3,751,539)</u>
Gross profit		1,218,332	1,525,282
Sales and marketing expenses		(63,926)	(106,594)
Administration expenses		(938,331)	(1,033,460)
Other income	<b>5</b>	54,928	73,032
Operating profit		<u>271,003</u>	<u>458,260</u>
Finance costs		(154)	-
<b>Profit before tax</b>	<b>6</b>	<u>270,849</u>	<u>458,260</u>
Income tax expense	<b>7</b>	(94,797)	(162,784)
<b>Profit for the year</b>		<u><u>176,052</u></u>	<u><u>295,476</u></u>

The notes are an integral part of these financial statements.

**Class Optical Limited**  
**Balance Sheet as at 31 December 2020**

	Note	2020 Eur	2019 Eur
<b>Assets</b>			
<b>Non-Current Assets</b>			
Property, plant and equipment	8	10,925	13,490
Deferred tax	9	5,236	2,795
		<u>16,161</u>	<u>16,285</u>
<b>Current Assets</b>			
Inventories	10	1,757,164	2,210,321
Trade and other receivables	11	1,771,013	1,610,718
Current tax asset		2,762	-
Cash and bank balances		342,995	77,615
		<u>3,873,934</u>	<u>3,898,654</u>
<b>Total Assets</b>		<u><u>3,890,095</u></u>	<u><u>3,914,939</u></u>
<b>Equity and Liabilities</b>			
<b>Capital and reserves</b>			
Share capital	13	11,647	11,647
Retained earnings		290,185	279,133
		<u>301,832</u>	<u>290,780</u>
<b>Current Liabilities</b>			
Trade and other payables	14	3,588,263	3,608,580
Current tax liability		-	15,579
		<u>3,588,263</u>	<u>3,624,159</u>
<b>Total Equity and Liabilities</b>		<u><u>3,890,095</u></u>	<u><u>3,914,939</u></u>

The notes are an integral part of these financial statements. The financial statements set out on pages 4 to 19 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 Limited**  
**Statement of Changes in Equity for the financial year ended 31 December 2020**

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		<b>Retained Earnings Eur</b>	<b>Share Capital Eur</b>	<b>Total  Eur</b>
Balance at 01 January 2019		(16,343)	11,647	(4,696)
Profit for the year	-	295,476	-	295,476
Balance at 31 December 2019		<u>279,133</u>	<u>11,647</u>	<u>290,780</u>
Balance at 01 January 2020		279,133	11,647	290,780
Profit for the year		176,052	-	176,052
Balance at 31 December 2020		<u>290,185</u>	<u>11,647</u>	<u>301,832</u>

The notes are an integral part of these financial statements.



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

	<b>Note</b>	<b>2020 Eur</b>	<b>2019 Eur</b>
Profit before tax		270,849	458,260
Adjustments for:			
Depreciation charge		5,510	5,101
Inventory write down		6,299	62,009
		<u>282,812</u>	<u>525,370</u>
Change in inventories		446,858	(2,272,330)
Change in trade and other receivables		(160,295)	(1,610,718)
Change in trade and other payables		(20,317)	3,603,884
Cash generated from operations		549,058	246,206
Income taxes paid		<u>(115,579)</u>	<u>(150,000)</u>
Net cash generated from operating activities		<b>433,479</b>	<b>96,206</b>
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		<u>(2,945)</u>	<u>(18,591)</u>
Net cash used in investing activities		<b>(2,945)</b>	<b>(18,591)</b>
<b>Net movement in cash and cash equivalents</b>		<u>265,380</u>	<u>77,615</u>
<b>Cash and cash equivalents at end of year</b>	<b>12</b>	<u><u>342,995</u></u>	<u><u>77,615</u></u>

The notes are an integral part of these financial statements.

# **Class Optical Limited**

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

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### **1 General Information**

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

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

### **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 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

#### **3.2 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.

## **Class Optical Limited**

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

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#### **3.3 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.

#### **3.4 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.

#### **3.5 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 all property, plant and equipment are stated at cost less accumulated depreciation, and accumulated impairment.

## **Class Optical Limited**

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

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#### *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

Electronic equipment	25% Straight line
Furniture & fittings	10% Straight line
Air-Conditioners	16.67% Straight line

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

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

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

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

### **3.6 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.

### **3.7 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.

### **3.8 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.

## **Class Optical Limited**

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

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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.

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 bank balances includes cash in hand, deposits held at call with banks and other institutions.

#### *Financial liabilities*

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

##### *- 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.

### **3.9 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.

### **3.10 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 and financial assets (other than held for trading) are tested for impairment.

#### *i) Property, plant and equipment*

The carrying amounts of the Company's property, plant and equipment 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.

## Class Optical Limited

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

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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.

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, unless they relate to an asset which is carried at revalued amount, in which case they are

#### *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.

A reversal of impairment is recognised when in a subsequent period, the amount of impairment loss previously recognised decreases. A reversal of impairment loss is recognised in profit or loss.

## 4 Revenue

The Company derives its income from of sunglasses, eyewear and optical products by wholesale.

	2020 Eur	2019 Eur
Revenue from wholesale	4,612,452	5,276,821

## Class Optical Limited

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

#### 5 Other income

	2020 Eur	2019 Eur
Management fees receivable	8,748	8,748
Marketing contribution and similar income	46,180	64,255
Gain on difference on exchange	-	29
	<u>54,928</u>	<u>73,032</u>

#### 6 Profit before tax

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

	2020 Eur	2019 Eur
<i>Cost of sales</i>		
Inventory write off and write down	6,299	62,009

	2020 Eur	2019 Eur
<i>Expenses</i>		
Employee benefit expense	294,134	355,433
Professional fees	17,035	18,422
Management fees	506,498	542,676
Insurance	75	100
Motor Vehicle Expenses	24,939	25,416
Depreciation charge	5,510	5,101
Property rentals	61,215	61,162
Offices expenses	6,376	3,783
Utilities	11,714	12,342
Repairs and replacements	6,413	3,591
Bank charges	442	288
Marketing and selling expenses	63,926	106,594
Other expenses	3,980	5,146
	<u>1,002,257</u>	<u>1,140,054</u>

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

	2020 Eur	2019 Eur
Annual statutory audit	3,000	3,000
Other non-audit services	100	100
	<u>3,100</u>	<u>3,100</u>

## Class Optical Limited

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

	2020 Eur	2019 Eur
<b>6.3 Employees benefit expenses</b>		
Wages and salaries	239,125	315,049
Social security costs	27,371	27,819
Recharges of wages	27,638	12,565
	<u>294,134</u>	<u>355,433</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 17 (2019: 18). All Company employees were employed in the wholesale section.

## 7 Income tax expense

	2020 Eur	2019 Eur
Tax expense	97,238	165,579
Deferred tax expense	(2,441)	(2,795)
	<u>94,797</u>	<u>162,784</u>

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

	2020 Eur	2019 Eur
Profit before tax	270,849	458,260
Tax at 35%	<u>94,797</u>	<u>160,391</u>
Expenses not allowable for tax purposes	-	2,393
	<u>94,797</u>	<u>162,784</u>



# Class Optical Limited

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

### 8 Property, Plant and Equipment

	Air- Conditioners Eur	Electronic equipment Eur	Furniture & fittings Eur	Total Eur
At 01 January 2020				
Revaluation/cost amounts	958	15,370	2,263	18,591
Accumulated depreciation	(237)	(4,560)	(304)	(5,101)
Net book amount	<u>721</u>	<u>10,810</u>	<u>1,959</u>	<u>13,490</u>
Year ended 31 December 2020				
Opening net book amount	721	10,810	1,959	13,490
Additions	-	2,945	-	2,945
Depreciation charge	(238)	(4,968)	(304)	(5,510)
Closing net book amount	<u>483</u>	<u>8,787</u>	<u>1,655</u>	<u>10,925</u>
At 31 December 2020				
Revaluation/cost amounts	958	18,315	2,263	21,536
Accumulated depreciation	(475)	(9,528)	(608)	(10,611)
Net book amount	<u>483</u>	<u>8,787</u>	<u>1,655</u>	<u>10,925</u>

### 9 Deferred tax

Deferred tax is attributable to the following

	2020 Eur	2019 Eur
Temporary difference on property, plant and equipment	496	306
Temporary difference on provisions	4,740	2,489
	<u>5,236</u>	<u>2,795</u>

Movement in temporary differences during the year

	01/01/2020 Eur	Movement Eur	31/12/2020 Eur
Difference on property, plant and equipment	306	190	496
Difference on provisions	2,489	2,251	4,740
	<u>2,795</u>	<u>2,441</u>	<u>5,236</u>

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

## Class Optical Limited

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

#### 10 Inventories

	2020 Eur	2019 Eur
Finished goods	1,757,164	2,210,321
	<u>1,757,164</u>	<u>2,210,321</u>

The Company's inventories consist of sunglasses and eyewear and other optical products. Inventory is stated net of write-downs of Eur 13,412 (2019: Eur 7,113).

#### 11 Trade and other receivables

	2020 Eur	2019 Eur
Trade receivables	805,446	725,940
Amounts receivables from related parties	729,574	504,323
Accounts receivable	44,333	36,309
Prepayments	143,557	148,037
Accrued income	48,103	196,109
	<u>1,771,013</u>	<u>1,610,718</u>

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

#### 12 Cash and cash equivalents

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

	2020 Eur	2019 Eur
Cash at bank	<u>342,995</u>	<u>77,615</u>

#### 13 Share Capital

	2020 Eur	2019 Eur
<i>Authorised</i>		
50,000 Ordinary Shares of Eur2.329373 each	<u>116,469</u>	<u>116,469</u>
<i>Issued</i>		
5,000 Ordinary Shares of Eur2.329373 each	<u>11,647</u>	<u>11,647</u>

## Class Optical Limited

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

#### 14 Trade and other payables

	2020 Eur	2019 Eur
Trade payables	448,476	487,614
Amount payable to related parties	2,951,370	2,925,453
VAT payable	78,435	71,505
Social Security and FSS due	6,529	8,250
Accruals	103,453	115,758
	<u>3,588,263</u>	<u>3,608,580</u>

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

#### 15 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.

##### 15.1 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	576,062	709,052
Sales to ultimate parent	1,899	-
Sales to other related parties	1,039,213	991,645
Recharges to fellow subsidiaries	6,654	44,970
Management fee charged to fellow subsidiary	8,748	8,748
Recharge of expenses to/(from) parent company	(14,718)	19,148
Transfer of inventory from fellow subsidiary	-	(1,925,134)
Transfer of property, plant and equipment from fellow subsidiary	-	(8,719)
Property rental from a fellow subsidiary	(60,684)	(60,546)
Recharge of expenses from fellow subsidiaries	(19,574)	(20,561)
Management fee charged by parent company	(506,498)	(542,676)

## Class Optical Limited

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

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#### *Financial Transactions*

	2020 Eur	2019 Eur
Dividends to the parent company	(165,000)	-

#### 15.2 Amounts at reporting date

The following balances were outstanding at the reporting date:

	2020 Eur	2019 Eur
<i>Balances from trading transactions</i>		
Amounts due from fellow subsidiaries	254,928	199,374
Amounts due from other related parties	474,113	304,949
Amounts due from/(to) ultimate parent company	533	(196,476)
Amounts due to fellow subsidiaries	(2,951,370)	(2,728,977)

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.

#### 15.3 Transactions with key management personnel

There were no transactions with key management employees during the year.

#### 16 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 trade and other receivables and cash and cash equivalents. The maximum exposure to credit risk at the end of reporting period with respect trade and other receivables is disclosed in note 11. Trade and other receivable consist mainly on trade amounts receivable from third party and amounts due from related parties.

Credit risk with respect of trade amounts receivable from third parties is considered to be low considering the significant amount of clients. Credit risk in respect of amount due to related parties is considered to be limited considering that that a significant of the amount receivable consists of balances with members of the group.

The Company's cash and cash equivalents are managed by banks with an investment rating of investment grade or better.

## **Class Optical Limited**

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

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#### *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. All Company's financial liabilities fall due within one year and consist only of trade and other payables



## Independent Auditor's Report

To the Shareholders of Class Optical Limited

Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Class Optical Limited set out on pages 4 to 19, 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 Limited****Cost of Sales for the financial year ended 31 December 2020**

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	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
<b>Cost of sales</b>		
Opening Stock	2,210,321	-
Purchases of stock	2,937,553	5,955,098
Other Production expenses	3,410	6,762
Stock Write off	6,299	62,009
Closing Stock	(1,763,463)	(2,272,330)
	<u>3,394,120</u>	<u>3,751,539</u>

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

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	<b>2020</b>	<b>2019</b>
	<b>Eur</b>	<b>Eur</b>
<b>Sales and marketing</b>		
Advertising	32,663	47,606
Promotion	6,720	17,711
Meals & entertainment	2,943	3,568
Travel Expenses	2,147	10,268
Other Selling Expenses	19,453	27,441
	<u>63,926</u>	<u>106,594</u>

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

	2020	2019
	Eur	Eur
<b>Administration expenses</b>		
Wages - Regular	280,071	329,085
Employers' Share of NI Contributions	14,063	26,348
Staff training & Education	-	2,300
Staff Welfare	306	39
Staff Uniforms	275	182
Professional Fees	14,035	15,422
Management and Administration Fees	506,498	542,676
Audit Fees	3,000	3,000
Insurance	75	100
Motor Vehicle Rentals	-	15,735
Fuel Costs	7,697	9,681
Motor running expenses	17,242	-
Repairs and maintenance - machinery and equipment	2,949	1,090
Computer-related expenses	3,464	2,501
Laundry	-	28
Cleaning	225	217
Loose Tools	-	17
Water and electricity	10,051	10,197
Telephone and Communications	1,663	2,145
Office Stationery and supplies	6,376	3,783
General expenses	2,058	1,763
Property Rental	61,215	61,162
Membership and subscription fees	606	-
Company Registration Fees	510	600
Depreciation	5,510	5,101
Bank charges	442	288
	<u>938,331</u>	<u>1,033,460</u>