Griffiths + Associates
Certified Public Accountants
& Tax Consultants

+356 2738 3631
+356 2738 3632
griffithsassoc.com
info@griffithsassoc.com
Level 1, Casal Naxaro,
Labour Avenue, Naxxar, Malta

The Directors
Class Finance p.l.c.
UBT 13/14
San Gwann Industrial Estate
San Gwann
Malta

28th December 2021

Accountant's report on the consolidated pro forma profit or loss and consolidated statement of financial position of Class Finance p.l.c.

We report on the consolidated pro forma statement of profit or loss and consolidated statement of financial position of Class Finance p.l.c. for the year ended 31 December 2020, included in Appendix A.

The Group's – which includes Class Finance p.l.c., Class Optical Ltd, Class Optical Manufacturing Ltd and Vision Opticians Ltd – consolidated financial statements have been prepared using the General Accounting Principle for Small and Medium-Sized Entities Regulations (GAPSME) as set out by subsidiary legislation 5 of Chapter 281 of the Laws of Malta.

The consolidated pro forma statement of profit or loss and consolidated statement of financial position have been prepared by the directors on the assumption that the International Financial Reporting Standards (IFRS) as adopted by the European Union have been applied for the year ended 31st December 2020.

Directors' responsibility

The Directors of Class Finance p.l.c. ("the Directors") are responsible for the preparation of the pro forma financial information, together with the material assumptions upon which they are based, in accordance with the International Financial Reporting Standards ("IFRS") as adopted by the European Union. This requirement emanates from the Prospects MTF Rules 4.01.01.01.b2, which oblige companies that previously reported under a different generally accepted accounting principles such as GAPSME, to prepare financial statements in line with IFRS as adopted by the European Union for current and future reporting.

Accountant's responsibility

Our responsibility is to express an opinion on the proper compilation of the consolidated pro forma profit or loss and consolidated statement of financial position in so far as the application of the underlying accounting policies and accuracy of calculations are concerned.

We are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the pro forma financial information. In addition, we have not performed an audit or review of the pro forma financial information and, accordingly, we do not express an opinion on the pro forma financial information.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered as a result of or in connection with our statement, required by and given solely for the purposes of complying with the above-mentioned Prospects MTF Rules.

Basis of opinion

We have conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information in a Prospectus, issued by the International Auditing and Assurance Standard Board. This standard requires that we comply with ethical requirements and plan and perform our procedures to obtain reasonable assurance about whether the Directors have applied the process to compile the pro forma financial information in accordance with the International Financial Reporting Standards as adopted by European Union.

Our work included an evaluation of the procedures undertaken by the Directors as to the proper compilation of the pro forma financial information, in so far as they have been properly compiled on the basis stated and that the basis of accounting used for their compilation is consistent with IFRSs as adopted by the European Union.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated, in so far as the application of the underlying accounting policies and accuracy of calculations are concerned.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the consolidated pro forma statement of profit or loss and consolidated statement of financial position have been properly compiled according to the International Audited and Assurance Standards Board and the accounting used is consistent with IFRS as adopted by the European Union.

Alexander Micallef
For Griffiths + Associates Ltd
Certified Public Accountants
Level 1, Casal Naxaro
Labour Avenue
Naxxar, Malta

APPENDIX A

CLASS FINANCE P.L.C.
Consolidated statement of financial position as at 31st December 2020

	GAPSME 2020 Euro	IFRS 2020 Euro
Assets		
Non-Current Assets		
Right-of-use assets	-	2,383,099
Property, plant and equipment	633,471	633,471
Investments in associate	17,268	17,268
	650,739	**3,033,838**
Current Assets		
Inventories	2,156,630	2,156,630
Trade and other receivables	3,456,832	3,445,157
Cash and bank balances	638,069	638,069
	6,251,531	**6,239,856**
Total Assets	**6,902,270**	**9,273,694**
Equity and Liabilities		
Capital and reserves		
Share capital	373,400	373,400
Other reserves	4,246,322	4,246,322
Retained earnings	242,981	155,784
Minority interest	(12,235)	(12,235)
	4,850,468	**4,763,271**
Non-Current Liabilities		
Loans and other borrowings	240,861	240,861
Lease Liability	-	2,314,735

Deferred tax liability	44,343	44,343
	285,204	**2,599,939**
Current Liabilities		
Borrowings	91,174	91,174
Trade and other payables	1,639,070	1,639,070
Current tax liability	36,354	36,354
Lease Liability	-	143,886
	1,766,598	**1,910,484**
Total Equity and Liabilities	**6,902,270**	**9,273,694**

The IFRS statement of financial position is based on the Issuer's consolidated financial position as at 31st December 2020 prepared under the GAPSME framework adjusted to reflect the effect of the difference between the IFRS and GAPSME frameworks as follows:

The application of IFRS 16 - Lease instead of Section 14 - Lease of the GAPSME rules.

IFRS 16 eliminated the distinction between operating and finance lease for the lessees and are required to include lease liabilities which reflect the future lease payment and the "right of use model".

In applying IFRS 16, the Group applied the simplified transitional method for the transition, meaning that no adjustment for comparative figures is carried out and comparison figures for FY2019 have not been restated. The reclassification and adjustments that arise because of adoption of the new lease rules are therefore recognised in the opening balance for the financial year commencing 1st January 2020.

The Group's leases consist mainly of the factory and retail outlets. Excluded from application of IFRS 16 are short-term leases which have a lease term of 12 months or less and leases of low-value assets.

Due to the adoption of IFRS 16 the Group's assets and liabilities increased initially by Eur 2.5 million. The increase of assets corresponds to the value of the lease liability at the start of the financial year and any prepaid lease payments made before 1st January 2020.

Lease liabilities were measured at the present value of the lease payment that are not paid as at 1st January 2020 and discounted by the incremental borrowing rate of 5.4%.

Following the initial recognition, the right-of-use assets have been depreciated on a straight-line basis over the lease term, while lease liabilities have been amortised using the effective interest method.

Under GAPSME framework, all Group leases were classified as operating lease as risk and rewards of the ownership of the assets were not transferred to the Issuer. Payments made under operating leases are chargeable to the statement of Profit or Loss on a straight-line basis over the period of the lease.

The application of IFRS 9 - Financial Instruments instead of Section 9 - Financial assets, financial liabilities and equity of the GAPSME rules.

IFRS 9 introduced the concept of the expected credit loss model. The expected credit loss model requires the Group to measure impairment allowance for all financial instruments from the time the asset is originated, based on the deterioration of credit risk since initial recognition.

In applying IFRS 9, the Group did not restate prior period amounts. Any difference between prior year carrying amount and those determined by IFRS 9 at the date of initial application were included in opening retained earnings.

The expected credit model is implemented for the trade receivables. For trade receivables, the Group measure impairment losses using the simplified approach. The expected credit losses on these financial assets are estimated by grouping together trade receivable based on the credit risk characteristics and credit days which are due.

Under GAPSME framework, the Group recognise impairment on financial instruments when there is objective evidence of impairment because 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.

CLASS FINANCE P.L.C.

Proforma Consolidated profit or loss for the year ending 31st December 2020

	As reported under GAPSME Eur '000	1	2	3	4	**As per IFRSs Eur '000**
Revenue	7,635					7,635
Direct costs	(4,287)	9				(4,278)
Gross Profit	**3,348**	**9**				3,357
Other Income	**192**					192
						-
Direct overheads	(1,119)	208				(911)
Indirect overheads	(1,166)				(20)	(1,186)
EBITDA	1,255	217				1,452
						-
Depreciation	(167)		(194)			(361)
Finance costs	(8)			(138)		(146)
Finance income						-
Profit before tax	1,080	217	(194)	(138)		945
Taxation	(382)					(382)
Profit after tax	698	217	(194)	(138)	(20)	563

The following is a description of the IFRS adjustments made to the results under GAPSME of Class Finance p.l.c.’s, consolidated profit or loss for the financial year ended 31 December 2020

1) Being removal of lease entries as per section 14 of GAPSME rules
2) Being deprecation on right-of-use assets
3) Being financial expense on lease liability
4) Being Impairment on Trade Receivables