Annual Report 2018

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About Class

Class is the leading provider of cloud-based administration software for SMSFs, with around 27% of all SMSFs administered on Class Super.

We also provide Class Portfolio to streamline the administration of investment portfolios held by non-SMSF entities such as companies, trusts and individuals.

More than 169,000 accounts are administered using Class software by more than 1,300 accounting, administration and financial planning practices.

AGM Details

The 2018 Annual General Meeting (AGM) of Class Limited will be held at 3:00pm on Monday 15 October 2018 at the Hilton Sydney, 488 George Street, Sydney.

Financial highlights

Year ended 30 June 2018

$34.0M 18%

REVENUE

+4.8m from $29.2m

GROWTH IN 2018

$15.9M 14%

EBITDA

+1.9m from $14.0m

GROWTH IN 2018

$12.6M ↑ **7%**

NPBT	**+0.9m** from $11.7m

$8.7M ↑ **9%**

NPAT	**+0.7m** from $8.0m

7.4C ↑ **8%**

BASIC EPS	**+0.6c** from 6.8c

Chairman's letter

Dear Shareholder

On behalf of my fellow directors, I am pleased to present our annual report for the year ended 30 June 2018 and to announce a net profit after tax of $8.7m, up 9% on the prior year.

This is a good result given the significant disruption to our business caused by the Federal Government's Super Reforms, which led to slower adoption of new technology by the SMSF accounting profession and required us to spend approximately $2m on the development of Class Super to ensure our customers comply with the new reporting requirements.

Despite this disruption, Class continued its strong track record of growth with 22,774 new SMSF accounts added to the platform. With over 163,000 SMSFs now administered on Class, our estimated market share has increased from 24% to 27%.

Our investment in Class Portfolio is starting to pay off, with accounts growing by 83% to 5,949, and 31% of Class Super subscribers now also using Class Portfolio.

We also invested heavily in our partner program, creating a new team, led by Strategic Alliances Director Glenn Poynton, to build out our Application Programming Interface sets (APIs) and allow complementary businesses to connect their platforms to Class. Glenn also leads our engagement with the financial planning segment, leveraging Class' capabilities to help financial planners be more productive and profitable.

Accountants have again rated Class Super #1 for *Highest Overall Client Satisfaction* and #1 for *Value for Money* in the *2018 Investment Trends SMSF Software Awards*[1]. This is the fourth year in a row that Class Super has won overall first place in these independent survey-based awards.

I would like to thank our customers for such positive feedback and I reiterate our commitment to building market leading software solutions, enabling you to provide superior service to your clients and grow your businesses.

Sadly, our fellow director Tony Fenning passed away in April. Tony made an invaluable contribution to Class, including assisting with the company's IPO. His knowledge and professionalism will be missed both here at Class and across the wider industry.

On behalf of the board, I would like to thank our shareholders for your continued support and my fellow directors, the executive team and all Class employees for their dedication and commitment.

We look forward to seeing you at the Annual General Meeting on 15 October 2018.

Yours sincerely

Matthew Quinn
Chairman

1 Source: Investment Trends 2018 SMSF Accountant Report, based on a survey of 942 accountants in public practice.

CEO's report

I would like to join the Chairman in welcoming shareholders to the annual report for the year ending 30 June 2018.

Despite the industry impact of regulatory change and the exceptional workload the Federal Government's Super Reforms created for accountants, Class has continued to increase market share and deliver solid account growth.

Financial Results

Class Limited (Class) has posted a 9% increase in net profit after tax to $8.7m for the full year ended 30 June 2018 (FY18).

Earnings before interest, tax, depreciation and amortisation ('EBITDA') grew 14% to $15.9m.

Operating revenue grew by 18% to $34.0m. This was primarily driven by an increase in accounts which grew by 25,469 in the last 12 months.

Expenses excluding amortisation and depreciation increased by $3.2m. This was driven by continued investment in the Class Super product, Class Portfolio product and the building out of the partner team, including the new executive role.

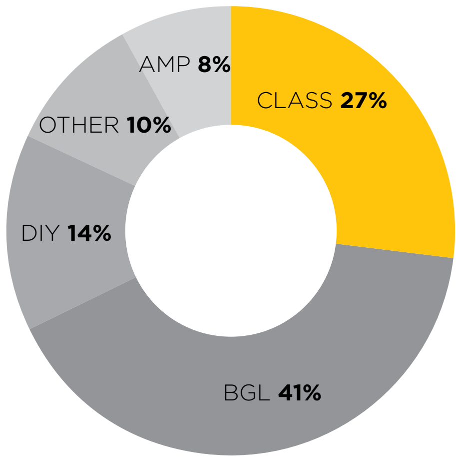
The Super Reforms have had a bigger impact on business than we expected, and we have experienced slower growth in the last quarter than in previous years. New reporting requirements and the ATO's decision to defer lodgment for SMSFs from mid-May to the end of June again this year, has affected the loading of funds on to Class while practices focused on tax lodgments. ATO data indicated that as of 21 June 2018, 35% of SMSF annual returns had still not been lodged.

We remain confident that while the Super Reforms have been incredibly disruptive for the industry in the short-term, we have seen that they have increased the need for Class software and we expect they will have a positive impact in the longer term.

Accounts and Market Share

At 30 June 2018, Class had a total of 169,413 accounts (30 June 2017: 143,944) including 163,464 Self-managed super funds (SMSFs) on the Class Super product. Class Super's estimated share of the SMSF market at 30 June 2018 was 27% (estimated total market 600,000 SMSFs).

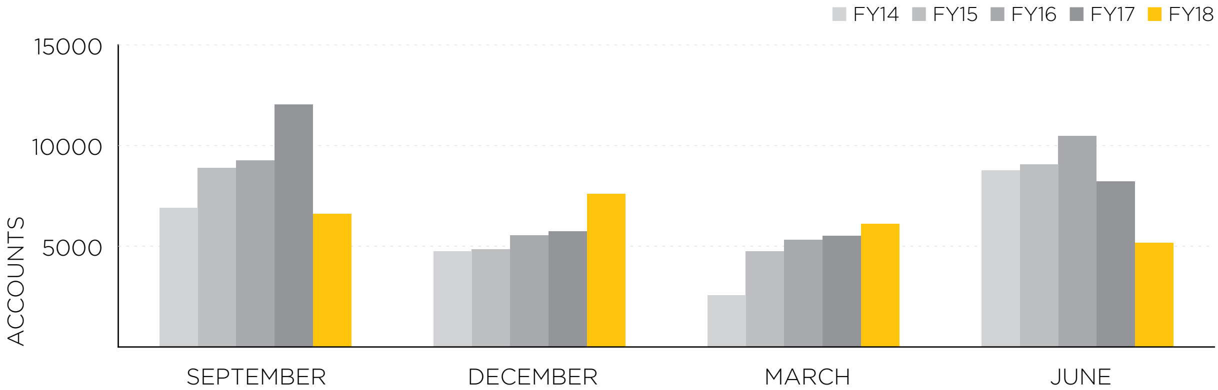
SMSF Software Market Share
est. % of SMSFs administered using each provider[1]



1 The *Investment Trends 2018 SMSF Accountant Report* is based on a detailed online survey of accountants in public practice conducted between February and March 2018. After data cleaning, validation and de-duplication a total of 942 responses were received from accountants in public practice, 871 of which were from accountants who service clients with an SMSF. DIY = SMSFs administered directly by investors. Other = SMSFs administered by accountants on Excel and general accounting software.

Class Portfolio subscriptions continue to grow steadily. At 30 June 2018, there was a total of 5,949 investment accounts (30 June 2017: 3,254), an 83% increase over the period.

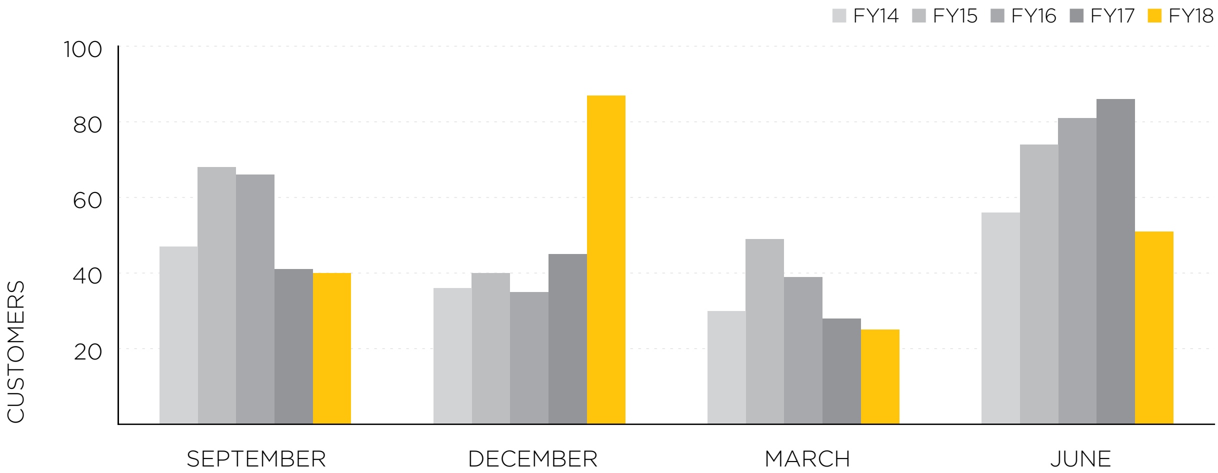
Total Account growth



SMSF Industry Consolidation and Growth

The customer growth graph below does not tell the full story about new customers added in FY18. Although Class saw 203 net new customers added, the actual number of new customers was 30% higher. The reduction was caused by a dramatic increase in consolidation of 'books of business' across the industry. Just within the Class customer base, we saw 60 consolidations in FY18, this is a 12-fold increase of the 5 consolidations that occurred in FY17.

Total Customer growth



This trend is likely to be driven by firms reassessing their commitment to SMSF administration given the higher specialisation required to manage the tighter regulations and reporting requirements rolled out since the 2016 Federal Budget. These consolidations typically involve smaller books, with an average of 74 funds each. Some of these consolidations are from outsourcing and some are due to trade sales – we think the uptick in FY18 is a continuing trend that will play out over the next year or so.

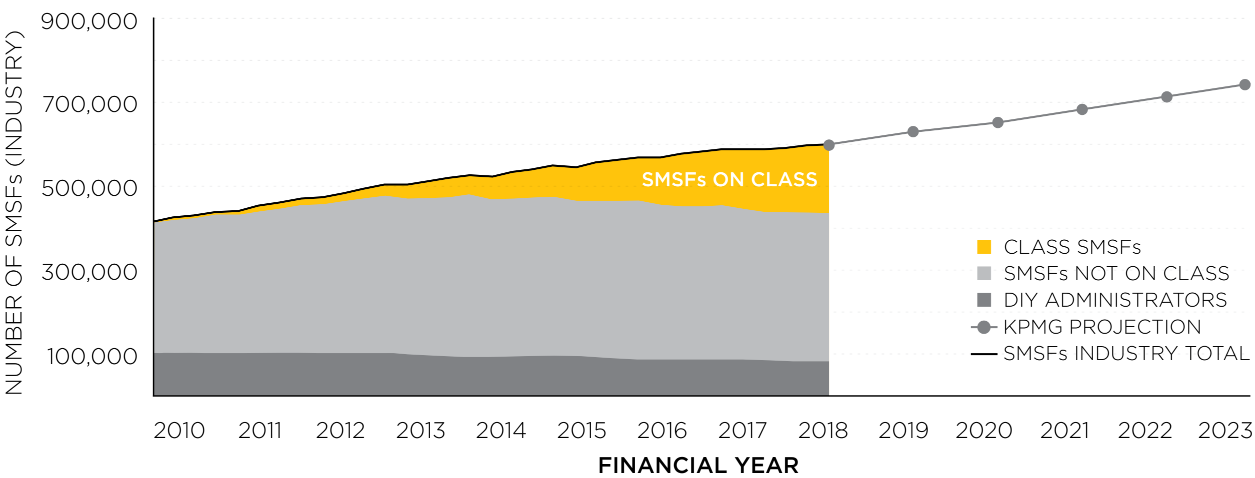
The industry consolidation trend is also a factor that helped see Class customers continue to grow at nearly three times the industry growth rate – net SMSF growth for the industry was down to just 2.3% in FY18. Established Class customers (excluding AMP) averaged 6.5% growth in their fund numbers.

Our customers' success is not just from consolidation, it is also down to the underlying industry growth and to the organic growth that firms get from leveraging the efficiencies and improved service levels from using Class, and their expertise, to win administration clients away from their industry peers.

Collectively, established customers added over 20% of Class' new fund growth in FY18. This 'organic growth', combined with our high retention rates, is set to continue to underpin growth in recurring revenue in FY19 and beyond.

KPMG analysis[1] expects to see a bounce-back in the establishments of SMSFs and, as shown below, there is still a significant number of SMSFs for Class to win, through our own sales efforts and by supporting our customers as they win or consolidate funds from the rest of the market.

KPMG Analysis



Growth from Key Segments

In terms of SMSFs added, Class customer size remained steady at around 120 funds per firm on average. Despite the growth of established customers into the 500 and 1,000+ brackets, the 25–250 range saw the most SMSFs added. As shown below, growth was nicely distributed across the key market growth segments that we are focusing on.

SMSFs Administered	SMSF Administration Segment	SMSFs on Class			Class Super % Share of Market Segment
		FY17	FY18	Growth	
1	DIY Trustee	–	–	–	0%
<25	General Accounting Practice	2,411	2,682	271	1%
25–100	**Small SMSF Practice**	**32,198**	**38,323**	**6,125**	**27%**
101–250	**Medium SMSF Practice**	**34,761**	**42,481**	**7,720**	**34%**
251–500	**Large SMSF Practice**	**27,038**	**29,905**	**2,867**	**13%**
501–1000	Emerging Administrator	7,173	10,392	3,219	14%
1000+	Major Administrator	37,109	39,681	2,572	11%

Key segments for Class Super growth

Class Share

1 *KPMG Super Insights 2018* – https://home.kpmg.com/au/en/home/insights/2018/05/superannuation-insights.html

Market Leading Features

Class Super continues to be highly regarded and was again rated #1 in customer satisfaction and value for money by Investment Trends[2]. Despite many years of development, our competitors typically lag Class' products in many key feature areas as outlined in the table below.

Class Features	Typical Competitor Features[3]
Fully automated general ledger streamlining admin, audit and actuarial services	Still requires many manual journal entries that undermine efficiency, reliability and integration
Android and Apple mobile app tailored specifically for planners and investors	Web browser interface only
ASAE 3402 audited transaction data feeds direct from providers for: • Cash accounts • Share trading • Wrap and other platforms	Transaction data feeds that aren't formally assured for use by SMSF auditors
Automated FX accounting	Foreign exchange rates need manual application
Encrypted and securely-integrated broker data feeds	Email/PDF scraped data that can't be assured as source documents for SMSF auditors
Daily broker balance confirmations	Quarterly balance confirmations from some registries, that aren't formally assured for use by SMSF auditors
Automated accounting of international share transactions and pricing conversion for 20+ exchanges	Some foreign market pricing but accounting needs to be done manually
Bulk corporate action processing with automated journaling	Fund-by-fund processing with some manual journaling
Audited, encrypted and securely-integrated data feeds for the top 20 wrap and managed account platform providers	Incomplete coverage and unaudited manual file export/import
XPLAN integration via API and data feeds	Manual file export/import to XPLAN

2 *Investment Trends 2018 SMSF Accountant Report.*

3 Some competitors may have addressed some of these differences since this table was produced.

People & Culture

At Class we have a diverse, passionate and dedicated team building and delivering excellent products. We have great people, doing great things, every day. I'm extremely proud of the team we have created and believe that our people's dedication to our customers and their passion for our product has been critical to our success.

To find, attract and retain talent in the hugely competitive technology market, we focused attention this year on building our culture to ensure Class is a great place to work, as well as reviewing how we reward and recognise our people.

In 2018 we conducted our third Great Place to Work engagement survey. I was pleased to see Class maintain and increase its high engagement level with an overall score of 90. Importantly, Class scored extremely high in the areas of diversity including age, race, gender and sexual orientation, which reflects our belief that our diverse workforce helps us improve the quality of our decisions and improve our engagement with customers.

At Class, we believe in recognising our people who strive for success. This year, I was delighted to launch our 'Best in Class' recognition program, where we recognise the best across Class in the areas of customer service, innovation, opportunity generation, brand promotion and team work. We look forward to this program becoming our formal recognition program, to shine a light on members of our team going above and beyond for our customers and for Class.

In FY18, the Nomination, Remuneration and Human Resources Committee (NRHRC) conducted a review of Class' reward framework to be rolled out in FY19. Ms Kathryn Foster, Chair of the NRHRC, outlines this review and upcoming changes to Class' remuneration framework in the Remuneration Report.

I'd like to thank every member of the team at Class for their efforts and dedication in FY18 and look forward to continuing to do great things together in the year ahead.

Thank You

Our industry continues to change and evolve, and Class is in a great position to take advantage of the challenges that creates for our customers. We have a clear and defined strategy for long term success and remain positive about the growth of the business moving in to 2019 and beyond. We will continue to provide shareholders with regular updates throughout the year.

I would like to personally acknowledge the contribution Tony Fenning made to Class and to assisting me, during his time on the board. He will be remembered fondly for his knowledge and the commitment he made to the business over the last three years, and will be sadly missed.

On behalf of the executive team I would like to thank all our shareholders, customers and partners for your continued support.

Kevin Bungard
Chief Executive Officer and Managing Director

Financial report 2018

Class Limited
Directors' Report
30 June 2018

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Class Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors

The following persons were directors of Class Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Matthew Quinn – Chairman

Kevin Bungard

Kathryn Foster

Rajarshi Ray

Nicolette Rubinsztein

Christopher Cuffe *(appointed on 16 October 2017)*

Anthony Fenning *(ceased on 11 April 2018)*

Principal activities

During the financial year the principal continuing activities of the Group were to develop and distribute cloud-based accounting, investment reporting and administration software, namely Class Super and Class Portfolio.

Review of operations

	2018 $'000	2017 $'000	Change $'000	Change %
Sales revenue	33,978	28,893	5,085	18%
Cost of undertaking business	(18,083)	(14,920)	(3,163)	21%
EBITDA	15,895	13,973	1,922	14%
Interest revenue	406	313	93	30%
Finance cost	(6)	–	(6)	–
Depreciation and amortisation	(3,736)	(2,584)	(1,152)	45%
Tax expense	(3,861)	(3,714)	(147)	4%
Statutory net profit after tax	**8,698**	**7,988**	**710**	**9%**

Refer to Chairman's letter and CEO's report for further commentary on the results

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2018 $'000	2017 $'000
Final fully franked dividend for the year ended 30 June 2017 of 2 cents per ordinary share (2017: 1 cent)	2,350	1,168
Interim fully franked dividend for the year ended 30 June 2018 of 2.5 cents per ordinary share (2017: 3 cents)	2,942	3,512
	5,292	**4,680**

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On 21 August 2018 the directors declared a final fully franked dividend for the year ended 30 June 2018 of 2.5 cents per ordinary share with a payment date of 17 September 2018 to eligible shareholders on the register as at 27 August 2018. This equates to a total distribution of $2,942,000, based on the number of ordinary shares on issue as at 30 June 2018. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2018 financial statements and will be recognised in subsequent financial reports.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

Apart from the dividend declared as discussed above, no other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information on likely developments in the operations of the Group and the expected results of those operations are contained in the Chairman's letter and CEO's report.

Environmental regulation

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name	*Matthew Quinn*
Title	Non-Executive Chairman
Qualifications	First Class Honours Degree in Chemistry & Management Science. Chartered Accountant.
Experience and expertise	Mr Quinn joined the board in July 2015. Mr Quinn was formerly the Managing Director of Stockland, an ASX top 50 company, from 2000 to 2013. He was National President of the Property Council of Australia from 2003 to 2005 and a director of the Business Council of Australia in 2012. He is now a non-executive director of CSR Limited and Regis Limited, and is Chairman of Carbonxt Group Limited. Mr Quinn is involved in a number of not-for-profits and is on the board of the Australian Business and Community Foundation.
Other current directorships	Non-executive director CSR Limited (ASX: CSR), Non-executive director Regis Healthcare Limited (ASX: REG) Non-executive director Carbonxt Group Limited (ASX: CG1)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination, Remuneration and Human Resources Committee
Interests in shares:	60,000 ordinary shares

Class Limited
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30 June 2018

Name	*Kevin Bungard*
Title	Chief Executive Office and Managing Director (CEO)
Experience and expertise	Mr Bungard is a highly regarded industry expert in cloud technology systems, with more than 30 years' experience developing software solutions and applying technology in the Australian financial services and superannuation administration industries. Mr Bungard joined the Group in 2008 as Chief Operating Officer and has overseen the commercialisation, launch and rapid growth of Class Super. In April 2014, Mr Bungard was appointed Chief Executive Officer and has continued to play an instrumental role in driving and delivering key innovation and successes for the Group. Prior to joining the Group, Mr Bungard was a General Manager at the IQ Group where he managed the delivery of technology and business process outsourcing solutions to Australia's largest superannuation funds and their administrators. Significant projects included the development, sale and commercialisation of enterprise software solutions to Bravura and Australian Unity. Prior to his role at IQ Group, Mr Bungard was involved in major projects with Westfield, AMP, Macquarie and many of Australia's largest financial institutions.
Other current directorships	None
Former directorships (last 3 years):	None
Interests in shares:	1,905,572 ordinary shares
Interests in options:	1,175,860 options over ordinary shares

Name	*Kathryn Foster*
Title	Non-Executive Director
Qualifications	Bachelor of Science (BSc) – International Marketing from Oregon State University, Associate of Science (ASc) – Computer Science and Information Systems from Shoreline Community University.
Experience and expertise	Ms Foster joined the board in July 2015 and is the Chair of the Nomination, Remuneration and Human Resources Committee. Ms Foster has over 20 years' experience creating and running large internet-based businesses. Ms Foster serves on the Nuheara (ASX: NUH) board and is an adviser to QSuper Audit and Risk Committee. Prior to becoming a professional director, Ms Foster was Senior Director of Microsoft Store online where she managed the sales and merchandising team for Microsoft Store online across 232 geographies. As the Senior Director, she was responsible for an annual revenue budget in the low billions of dollars. As Senior Director of e-commerce strategy in Supply Chain, and prior to that, for the inception of the Xbox Games Marketplace, Ms Foster set business vision, strategy and drove the technical execution around digital and physical supply chain technology and operations to enable Xbox's billion-dollar business globally.
Other current directorships	Non-executive director Nuheara (ASX: NUH)
Former directorships (last 3 years):	Iwebgate Limited (ASX: IWG)
Special responsibilities:	Chair of the Nomination, Remuneration and Human Resources Committee
Interests in shares:	162,208 ordinary shares

Name	*Rajarshi Ray*
Title	Non-Executive Director
Qualifications	Bachelor, Information Technology (BIT); Graduate Diploma Accounting (Grad Dip Acctg.); Chartered Accountants Australia and New Zealand (FCA); Financial Services Institute of Australia (FFin); Australian Institute of Company Directors (GAICD)
Experience and expertise	Mr Ray joined the board in 2008. He has over 25 years' experience in the finance and information technology (IT) sectors, having held senior management or CEO roles in Europe, Asia, North America and Australia. Mr Ray is also involved in a number of not-for-profit boards in Agriculture, Tourism and Education.
Other current directorships	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	1,248,848 ordinary shares

Name	*Nicolette Rubinsztein*
Title	Non-Executive Director
Qualifications	Qualified actuary, an executive MBA from the Australian Graduate School of Management and a graduate of the Australian Institute of Company Directors.
Experience and expertise	Ms Rubinsztein joined the board in April 2017. Ms Rubinsztein is a non-executive director of UniSuper, OnePath Insurance, CBHS Health Fund, SuperEd and is the Senior Vice President of the Actuaries Institute. In her executive career, she held senior roles at CBA/Colonial First State, BT Funds Management and Towers Perrin. Ms Rubinsztein was also a director of the Association of Superannuation Funds of Australia (ASFA) for eight years and chair of its Super System Design Council.
Other current directorships	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Committee
Interests in shares:	20,000 ordinary shares

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Name	*Christopher Cuffe*
Title	Non-Executive Director
Qualifications	Bachelor of Commerce and a Diploma from the Financial Services Institute of Australia. A Fellow of Chartered Accountants Australia and New Zealand, a Fellow of the Institute of Company Directors and an Associate of the Financial Services Institute of Australasia.
Experience and expertise	Mr Cuffe has many years experience building successful wealth management practices. Most notably he joined Colonial First State in 1988 and became CEO two years later. In 2003 Mr Cuffe became the CEO of Challenger Financial Services Group Limited and subsequently headed up Challenger's Wealth Management business. Mr Cuffe was formerly Chairman of UniSuper. He is the current Chairman of Australian Philanthropic Services and Atrium Investment Management Pty Ltd. In October 2017, Mr Cuffe was inducted into the Australian Fund Manager's RBS Hall of Fame for services to the investment industry. He is also a founder/producer of online weekly financial newsletter, *Cuffelinks*.
Other current directorships	Non-executive director Global Value Fund Limited (ASX: GVF) Non-executive director Argo Investments Limited (ASX: ARG) Non-executive director Antipodes Global Investment Company Ltd (ASX: APL)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee, Member of the Nomination, Remuneration and Human Resources Committee
Interests in shares:	10,000 ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Name	*Glenn Day*
Title	Chief Financial Officer and Company Secretary (CFO)
Qualifications	Bachelor of Business, majoring in Accounting, member of CPA Australia.
Experience and expertise	Mr Day joined the Group in September 2008. Mr Day is responsible for the financial management of the Group, its corporate affairs and company secretarial matters. Prior to joining the Group, Mr Day was the Head of Finance of an ASX-listed entity and has more than 15 years' experience in the financial services and superannuation industries.
Interests in shares:	252,500 ordinary shares

Class Limited
Directors' Report
30 June 2018

Meetings of directors

The number of meetings of the Company's Board of Directors ('the board') and of each board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Nomination, Remuneration and Human Resources Committee	
	Attended	Held	Attended	Held	Attended	Held
Matthew Quinn	9	9	–	–	4	4
Kevin Bungard	9	9	–	–	–	–
Kathryn Foster	8	9	–	–	4	4
Rajarshi Ray	9	9	4	4	–	–
Nicolette Rubinsztein	9	9	4	4	2	2
Christopher Cuffe	6	7	–	–	2	2
Anthony Fenning	5	6	4	4	–	–

Class Limited
Directors' Report
30 June 2018

A message to our shareholders

Dear Shareholder

On behalf of the Nomination, Remuneration & Human Resources Committee (NRHRC), I am pleased to present the Group's Remuneration Report for the 2018 financial year (FY18).

The Group is focused on continuing its momentum to gain a significant share of a growing market through investment in people and technology. This will enable us to deliver long-term future profitability.

Our executive remuneration framework reflects the Group's desire to attract, reward and retain the best people in a highly competitive technology sector – people who can create shareholder value, carefully manage our risks, maintain a strong corporate governance framework and most importantly, drive successful business outcomes.

Remuneration principles

We believe that performance results must drive Key Management Personnel (KMP) remuneration outcomes, with financial measures being a core component of these results. We also support the inclusion of non-financial measures to balance the needs of our shareholders, customers and employees. We believe with this balance, long term shareholder value will be created.

Our remuneration policies are designed to:

- Focus on business performance results;
- Reflect the Group's business, professional and cultural requirements;
- Align with shareholder interests; and
- Provide market competitive remuneration opportunities.

Remuneration strategic review

This year we conducted a comprehensive, strategic review of our executive remuneration programs to ensure they remain fit for purpose and aligned to the Group's strategy.

This review has been conducted to attract and retain top talent in the context of a highly competitive technology sector. During the review we considered feedback from shareholders and their advisers, internal experts and external remuneration specialists to develop a robust and market appropriate remuneration framework.

The review highlighted a number of weaknesses in the current framework:

- The pay mix for the CEO has been skewed towards fixed pay and a higher percentage should be at risk;
- Executive and shareholder interests could be better aligned and there was a need to increase equity exposure; and
- The current options scheme is no longer fit for purpose and should be replaced with a share plan with specific performance hurdles.

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Remuneration outlook – Changes in FY19

We have made significant changes to our executive remuneration framework to address these issues, which will take effect from 1 July 2018, and aim to:

- Increase sophistication of performance and reward practices, without adding complexity;
- Create long term shareholder value by focusing KMP performance on long term growth drivers; and
- Provide a compelling remuneration package in the highly competitive technology sector to attract and retain critical talent.

This will be delivered by:

- Increasing the variable component of executive target remuneration mix to place a greater share of remuneration at risk and subject to ongoing performance hurdles;
- An enhanced short term incentive (STI) program with the addition of a deferral mechanism to deliver meaningful equity exposure and provide retention for key executives; and
- Replacing the existing options scheme and introducing performance rights to focus KMP on long term value creation through performance hurdles linked to the Group's EPS and customer growth.

The NRHRC and board appreciate the feedback received throughout the year from shareholders and their advisers regarding the Group's remuneration programs. We believe these changes to the reward framework are aligned with positive shareholder outcomes and will deliver long-term valuable growth results for the Group.

Ms Kathryn Foster
Chair, Nomination, Remuneration & Human Resources Committee

Class Limited
Directors' Report
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Remuneration Report (audited)

Contents

Class Limited
Directors' Report
30 June 2018

1. Introduction

This remuneration report provides a summary of the Group's remuneration policy and practices during the past financial year as they apply to the Group's directors and executives.

The remuneration report has been prepared in accordance with the requirements of section 300A of the Corporations Act 2001 and Corporations Regulation 2M.3.03 and has been audited by the Group's external auditor.

The report contains an overview which is intended to provide a 'plain English' explanation for shareholders of the Key Management Personnel (KMP) and executives' remuneration outcomes for FY18 and the existing remuneration framework, as well as proposed changes for FY19.

2. Key Management Personnel

KMP, as defined by the Accounting Standard AASB 124 Related Party Disclosures (AASB 124), for the year ended 30 June 2018 are detailed in the table below.

Accounting standards define KMP as those executives and non-executive directors with the authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly. Given the flat organisation structure of the Group and following a review of senior executives against the criteria for determining executive KMP, it was deemed that the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) qualify as executive KMP.

Name	Position	Term
Chairman		
Matthew Quinn	Chairman	Full Year
Current non-executive directors		
Kathryn Foster	Director	Full Year
Rajarshi Ray	Director	Full Year
Nicolette Rubinsztein	Director	Full Year
Christopher Cuffe	Director	Part Year[1]
Former non-executive directors		
Anthony Fenning	Director	Part Year[2]
Executive KMP		
Kevin Bungard	Chief Executive Officer (CEO) & Managing Director	Full Year
Glenn Day	Chief Financial Officer (CFO) & Company Secretary	Full Year

1. Christopher Cuffe was appointed as a non-executive director on 16 October 2017.
2. Anthony Fenning ceased on 11 April 2018.

Class Limited
Directors' Report
30 June 2018

3. Remuneration governance

The Group has a robust remuneration governance framework overseen by the board.

Class board

- Overall responsibility for the remuneration strategy and outcomes for executives and non-executive directors.
- Reviews and, as appropriate, approves recommendations from the Group's NRHRC.

NRHRC

Management & Board Remuneration Policy

Monitors, recommends and reports to the board on:

- Alignment of remuneration incentive policies and guidelines for executive managers and senior employees with long-term growth and shareholder value;
- Superannuation arrangements;
- Employee share plans;
- Recruitment, retention and termination policies and procedures for senior management;
- Board remuneration including the terms and conditions of appointment and retirement, non-executive remuneration within the fee pool approved by shareholders;
- Induction of new non-executive directors and evaluation of board performance; and
- Remuneration of the CEO and senior executives.

Human Resources, Talent Management & Diversity

Monitors, recommends and reports to the board on:

- The adequacy of talent pools for senior management succession;
- The effectiveness of the Group's diversity policies and initiatives, including an annual assessment of performance against measurable objectives and the relative proportion of women at all levels;
- Management development frameworks and individual development progress for key talent;
- Monitoring surveys conducted by the Group in relation to the culture of the organisation;
- Initiatives to improve and drive a strong performance culture; and
- Assessing performance against the Group's compliance with external reporting requirements.

CEO & HR Director

Makes recommendations to the NRHRC for its endorsement of:

- Incentive targets and outcomes;
- Remuneration policy for all employees;
- Long term incentive participation; and
- Individual remuneration and contractual arrangements for executives.

External Advisors

Provide independent advice, market trend information and pay benchmark data relevant to remuneration decisions.

- This year the NRHRC and management reviewed previously provided information from external provider Boyden ANZ Pty Ltd related to market data and director remuneration.
- The NRHRC worked with QHR Consulting Pty Ltd in the development of the new remuneration framework.
- No external advisors provided a formal remuneration recommendation as defined under section 300a of the Corporations Act during FY18.

Managing Risk

The board retains discretion to adjust STI outcomes as deemed appropriate.

All variable remuneration outcomes are subject to board review prior to grant and/or payment.

4. Executive remuneration framework & programs FY18

Overview of existing remuneration approach and framework

The NRHRC is responsible for determining and reviewing remuneration arrangements for directors and executives. The performance of the Group depends on the quality of its directors and executives. The executive remuneration framework is designed to attract and retain high-calibre talent by rewarding them for achieving goals that are designed to deliver the Group's profitability, strategy and shareholder value.

The key features of the Group's executive remuneration and non-executive remuneration frameworks are outlined below, with further details provided in the body of the report.

Please note that the description of STI and LTI relates to the framework that applied in FY18. A description of the new framework to apply from 1 July 2018 is included in Section 8.

Remuneration Principles		
The Group's remuneration framework is based on the principles that remuneration is performance driven, aligns with shareholder interests and provides market competitive remuneration opportunities.		
Remuneration Strategy		
Performance Driven	**Aligned with Shareholders**	**Market competitive remuneration opportunities**
Remuneration should reward executives based on annual performance against business plans and longer-term shareholder returns. The variable components of remuneration (both short term and long term) are driven by challenging targets focused on both external and internal measures of financial and non-financial performance. A meaningful proportion of executive remuneration is 'at risk'.	Executives' remuneration is aligned with shareholder interests through an emphasis on variable remuneration. Incentive plans and performance measures are aligned with the Group's short and long-term success. Ownership of the Company's shares is encouraged through the use of equity as the vehicle for the long term Incentive (LTI) plan that applies to executive KMP and some executives.	Remuneration opportunities, including those elements which can be earned subject to performance, are set at competitive levels that will attract, motivate and retain high quality executives. Executive remuneration is reviewed annually. The Group aims to provide market competitive remuneration: • Fixed remuneration for executives is targeted at market median; and • Variable remuneration (through STI and LTI) provides the opportunity to earn total remuneration (fixed remuneration plus variable remuneration) that reaches the top quartile of the market for exceptional performance.

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Overview of existing remuneration approach and framework (Cont.)

Fixed Remuneration	STI (at risk)	LTI (at risk)
Fixed remuneration is made up of base salary, superannuation and other short-term benefits provided by the Group. Fixed remuneration is targeted at the median of the market for jobs of comparable size and responsibility. In some cases, strong market demand for specific job categories may justify above-median fixed remuneration. Base salary is reviewed annually. There are no guaranteed base salary increases.	STI consists of a cash bonus under the Group's STI plan. The STI plan provides rewards to KMP for achievement of business financial performance metrics (60% weighting) and individual performance goals (40% weighting).	LTIs are provided through the Employee Share Options Plan (ESOP). The ESOP is linked to performance over a three-year period with an exercise based on a 10% compounding annual growth in the share price to the last vesting date. Allocations are made at the discretion of the board.
	100% PAID AS CASH	
RECOMMENDED BY THE NRHRC		
APPROVED BY THE BOARD		

Voting and comments made at the Company's 2017 Annual General Meeting ('AGM')

At the 2017 AGM, 97.36% of shareholders voted to approve the adoption of the remuneration report for the year ended 30 June 2017. The Company did not receive any specific concerns at the AGM regarding its remuneration practices, however, the board has responded to general feedback from shareholders and their advisers in considering change for FY19.

Use of remuneration consultants

In FY18, the NRHRC engaged the services of QHR Consulting Pty Ltd (QHR) to inform and provide considerations for the development of the FY19 remuneration framework. These services included advice on executive remuneration structure, facilitation of discussion and provision of guidance on current trends in executive remuneration practices. QHR did not provide a formal remuneration recommendation as defined in section 9B of the Corporations Act 2001 during FY18. Any advice provided by QHR was used as a guide and was not used as a substitute for consideration of all the issues by each member of the NRHRC.

During the period of engagement, QHR reported directly to the Chair of the NRHRC and all advice was provided directly to the Chair. QHR was permitted to speak to management throughout the engagement to understand company processes, current remuneration practices, other business issues and to obtain management perspectives. The board is satisfied that the services were made free from undue influence from any members of the KMP.

See Section 8 of this remuneration report for greater detail on the upcoming changes to the Group's remuneration frameworks in FY19.

Composition of remuneration

The following table details the components of the Group's fixed and variable or 'at risk' remuneration (STI and LTI) for FY18:

Scheme	Overview
Fixed Remuneration	Fixed remuneration is made up of base salary, superannuation and other short-term benefits provided by the Group. Fixed remuneration is targeted at the median of the market for jobs of comparable size and responsibility. In some cases, specialist skills or expertise, scope of role or strong market demand for specific job categories may justify above-median fixed remuneration. Base salary is reviewed annually. There are no guaranteed base salary increases included in any executives' contracts.
STI (at risk)	Purpose To drive individual and team performance to deliver annual business objectives, short term profitability and increase shareholder value. Frequency and timing financial measures Awards are determined on an annual basis with performance measured over the reporting period. Payment is normally made in August following the end of the performance year. The quantum of the STI pool is determined by the board. Typically, the STI plan is weighted 60% to financial metrics and 40% to individual performance metrics. Weightings of 50% financial and 50% individual performance goals may apply to some executives. The financial targets are set each year by the CEO, in consultation with the executives and are approved by the board. The CEO's targets are set each year by the board. A financial performance gateway has been set by the board, below which no financial component can be paid. Individual objectives used (and rationale) and assessment of performance against measures Individual objectives are set for the CEO & CFO by the board and are aligned to the Group's business plan. These objectives include shareholder, customer, strategic growth, people & culture and risk goals. At the end of the Group's performance period, each participant's performance is assessed based on financial results for the Group and individual objectives. A review by the CEO is undertaken to determine performance against the relevant individual objectives for each senior executive. STI assessments and recommendations are made by the participant's immediate manager, as he or she is best placed to assess the individual's performance. All recommendations for non-executive employees are reviewed by the senior executives, the CFO and the CEO and proposed to the NRHRC. The NRHRC makes recommendations to the board regarding KMP and senior executive STIs and the overall STI pool in aggregate. The board retains discretion to adjust STI outcomes as deemed appropriate. Payment for the individual component is dependent on the business financial result. Should the Group fail to reach the financial performance gateway set by the board, then any payment for the individual component will be at the discretion of the board.

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Scheme	Overview	
LTI (at risk)	Features of the LTI Plan – a summary of the ESOP	
	Purpose	The Group's LTI program aims to: • Drive performance and deliver strategic objectives that create long-term shareholder value; • Provide executives with the opportunity to build their interests in the Group's equity; and • Attract, motivate and retain the necessary talent to deliver and sustain business performance and increase returns to shareholders. All securities referred to in this report are granted by Class Limited.
	Participation	CEO, direct reports and selected key roles are eligible, subject to approval by the board.
	Grant frequency	Grants are made on an annual basis.
	Type of award	Grants of options are subject to service requirements and performance vesting criteria. If performance conditions are met, the Company will either issue new shares or shares will be purchased on market and transferred to participants. Refer to 'Vesting and performance period' below for more detail.
	Vesting and performance period	Prior to 30 June 2017, all options were subject to a three-year vesting period. Options issued in FY18 vest in equal annual instalments, designed to be competitive with current market practices in the technology industry. All options are subject to disposal restrictions being the earlier of three years from grant date or cessation of employment. The option exercise price is determined by applying a 10% compound growth rate to the share price at the start of the period.
Other equity incentive plans	Purpose To provide employees, other than directors and senior executives, with the opportunity to own shares in the company, the Group established the Class Limited Employee Share Plan (ESP). Features The ESP enables the Group to issue shares to qualifying employees on a non-discriminatory basis. Each year, the board approves the issue of shares up to a maximum of $1,000 in value (being the limit of the tax exemption) for each eligible participant. Shares vest immediately upon acquisition by participants. The shares can only be sold three years after the date of grant, unless the participant ceases employment prior. The plans are designed to encourage share ownership for employees and therefore do not have any performance conditions attached. Participants are entitled to dividends and other distributions and have full voting rights.	

5. Performance outcomes in FY18

a) Linking remuneration to performance

A key underlying principle of the Group's executive remuneration strategy is the link between company performance and executive reward.

(i) STI financial measures

STI payments are based on a variety of performance metrics, both financial and non-financial.

The key financial measure in FY18 for determining the value of STI payments was NPBT. Other measures are selected to ensure a broader view of performance and specific strategic priorities is considered when assessing performance and incentive outcomes. The measures are aligned to the Group's business plans. The table below outlines the key objectives for the CEO for FY18. The objectives for the CFO were aligned to the CEO.

The Group continued to grow and added 25,469 new accounts to the platform and the FY18 NPBT performance of the Group increased by 7% to $12.6 million. With over 163,000 SMSFs now administered on Class, our estimated market share has increased from 24% to 27%.

The performance and specifically NPBT result was in line with targets for STIs set by the board having allowed for the industry disruption caused by the Super Reforms.

(ii) LTI financial measures

LTIs have been linked to company performance as follows:

- The value of options (under the ESOP) ultimately depends on share price performance; and
- The exercise price is based on a 10% compounding annual growth in the share price to the last vesting date.

The following table summarises the link between company performance and incentives awarded to executive KMP, senior executives and other eligible employees:

Summary of financial performance and STIs and LTIs awarded

	Financial Performance							STI[3]	
Year	Sales Revenue ('000)	EBITDA[1] ('000)	NPBT[1] ('000)	NPAT[1] ('000)	Earnings per share[1] (cents)	Dividends per share (cents)	Share price[2] ($)	Executive KMP ($)	STI paid to all eligible employees as a % of NPBT
FY18	33,978	15,895	12,559	8,698	7.39	5.00	$2.40	72,051	5.1%
FY17	28,893	13,973	11,702	7,988	6.82	5.00	$3.00	64,231	5.2%
FY16	22,563	10,051	8,588	5,827	5.19	3.75	$3.30	43,800	4.8%
FY15	15,598	5,959	5,186	3,406	3.17	2.25	N/A	40,515	4.9%

1. EBITDA, NPBT, NPAT and EPS are calculated before significant items in FY16 (FY16 STI as % of NPBT after significant items totals 5.2%).
2. Closing share price at 30 June.
3. Represents approved and expensed STI for FY18 but paid post year end. STI excludes any sales commission paid/ payable, but includes superannuation paid on bonus payments and the value of the shares issued under the ESP.

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b) CEO performance & STI outcome

The CEO remuneration structure in FY18 is as set out earlier in this report. The FY18 STI outcome of $31,536 (50% of maximum opportunity) reflects the board's assessment of the CEO's performance against the key objectives outlined below, including financial & non-financial measures.

	CEO Performance & STI Outcome			
	Non-financial Performance Measures	FY18 Objective	Outcome	Comments
Short Term Incentive	Shareholder	• NPBT • EPS	On Target	The Group continued to grow steadily with both NPBT and EPS increasing by 7% which was in line with targets set by the board having allowed for the industry disruption caused by the Super Reforms.
	Customer	• Customer Satisfaction • Retention	On Target	The Group monitors a range of customer service metrics during the year including net promoter score and customer satisfaction, which form part of the CEO's Key Performance Indicators (KPIs). These measures provide greater certainty and improved service for our customers. Accountants have again rated Class Super #1 for Highest Overall Client Satisfaction and #1 for Value for Money in the 2018 Investment Trends SMSF Software Awards. This is the fourth year in a row Class Super has taken out overall first place in these independent survey-based awards.[1]
	Strategic Growth	• New Products • New Initiatives • Market Share	On Target	The business has targets to develop and introduce new products and services including growing the partner ecosystem and leading the development of new capabilities for partner and client firms. The Super Reforms had a major impact on the Class Super product and required major product development over the period with new features added to assist customers to comply with ongoing requirements of the Super Reforms including the new transfer balance cap measure and event-based reporting framework. Despite the impact of this disruption on the workflow of SMSF administrators, our estimated market share has increased from 24% to 27% of the estimated 600,000 SMSFs. Class Portfolio grew by 83% this year. 31% of Class Super subscribers now also use Class Portfolio.

	CEO Performance & STI Outcome			
	Non-financial Performance Measures	FY18 Objective	Outcome	Comments
Short Term Incentive	People & Culture	• Succession Planning • Employee Engage-ment • Turnover	On Target	During the year the Group conducted a Succession Planning & Talent Management review. Key appointments were successfully made in the Group in FY18 to complement the existing team structures to bring new expertise into the Group to build for future success. Progress was made against development plans for identified talent and internal successors. The Group takes part in the annual Great Place to Work® Trust Index© Employee Survey which is carried out by Great Place to Work® Australia. Over 91% of employees completed the survey this year with no significant variance in engagement levels between genders. Overall employee satisfaction rating increased to 90 (2017: 89) with the company scoring extremely high in the areas of diversity including age (95), race (96), gender (97) and sexual orientation (97). The Group is committed to investing in people & culture programs to reduce turnover and associated costs. In FY18 overall turnover was 20%.
	Risk	• Product • Compliance	On Target	The board determined that the Group had met its obligations relating to product and regulatory compliance.

Source: Investment Trends 2018 SMSF Accountant Report, based on a survey of 942 accountants in public practice.

c) CFO performance & STI outcome

The CFO remuneration structure in place in FY18 is as set out earlier in this report. The FY18 STI outcome of $40,515 (75% of maximum opportunity) reflects the CEO and board's assessment of the CFO's performance against the key objectives including financial & non-financial measures.

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6. Remuneration outcomes FY18

Component	FY18 Outcomes
FY18 Fixed Remuneration (FR)	FR is reviewed annually and considers the complexity and expertise required for individual roles. FR is set in the context of the Group's competitive market. To assess the competitiveness of FR, the NRHRC considered market data and published surveys. Accordingly, the CEO's FR was reviewed and a marginal increase of 2% was applied. The CFO's remuneration was considered with regard to the scope of the role, level of skill, expertise and knowledge required to effectively perform the role. The board reviewed the CFO's remuneration to ensure fair and equitable pay in relation to market benchmarking against peers. Based on existing pay falling below desired market positioning and expanded remit of the CFO which includes company secretary responsibilities, the board approved an increase of $46,205 (20.6%) being applied. This structural correction better reflects the scope of the role requirements, the CFO's critical role in guiding the Group and decreases the retention risk for the critical CFO role.

	FY18 Fixed Remuneration Outcomes			
	FY17 FR	Increase $	Increase %	FY18 FR
CEO	308,198	6,803	2.2%	315,000
CFO	223,795	46,206	20.6%	270,000

Component	FY18 Outcomes
FY18 STI Outcomes	• STI outcomes have been improving since FY16 as the Group has moved through a period of significant growth. • During FY18 the Group's financial performance grew steadily with both NPBT and EPS increasing by 7% which was in line with targets for STIs set by the board having allowed for industry disruption cause by the Super Reforms. • The CEO delivered a commendable full year result for the Group. • Based on this and the board's assessment of the CEO & CFO against their key performance indicators the following STI's were awarded:

	FY18 STI Outcomes			FY17 STI Outcomes		
	$	% of Target	% of Maximum	$	% of Target	% of Maximum
CEO	31,536	100%	50%	30,661	100%	50%
CFO	40,515	150%	75%	33,570	150%	75%

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Component	FY18 Outcomes
FY18 LTI Grant	LTI grants were made in FY18 in accordance with the target remuneration mix for each KMP. The ESOP is linked to performance over a three-year period with an exercise based on a 10% compounding annual growth in the share price to the last vesting date. Allocations are made at the discretion of the board. In FY18: • The CEO was granted 200,000 options, valued at $68,200[1]; and • The CFO was granted 100,000 options, valued at $34,100[1]. This options program has been discontinued and, subject to shareholder approval at the AGM, will be replaced by a performance rights plan. See section 8 of this remuneration report for greater details.
Options Vesting	The options issued in FY18 vest in equal annual instalments on 1 July 2018, 1 July 2019 and 1 July 2020.
Non-Executive Director Fees	• Total fee pool available to non-executive directors is $750,000, as approved by shareholders at the Annual General Meeting in October 2017. • Total amount paid to non-executive directors in FY18 was $542,917 (FY17 $415,367). • In FY18, the board approved the introduction of sub-committee membership fees.

1 Value is based on the fair value of the option at grant date.

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Remuneration mix

The board sets a target remuneration mix. The remuneration mix is set with consideration to market benchmarking and is designed to attract and retain the calibre of executives required to deliver profit and long term, strategic objectives.

The mix that applied in FY18 is shown below:

Charts 1 & 2: CEO & CFO FY18 Target and Actual Remuneration Mix

Chart 1: CEO & CFO target remuneration mix FY18

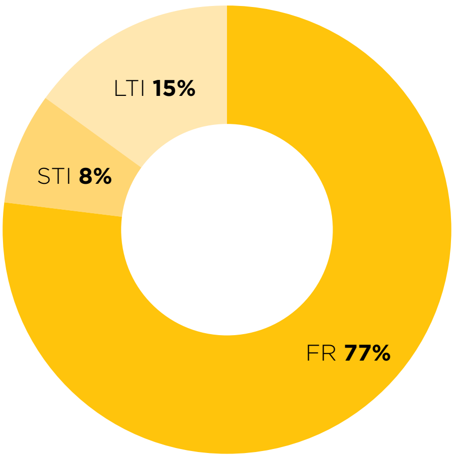
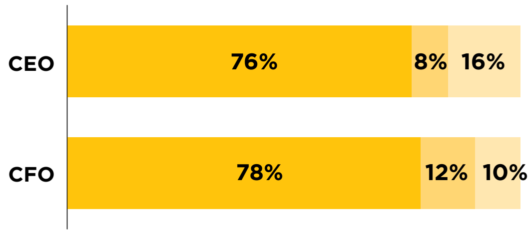


Chart 2: CEO & CFO actual remuneration mix FY18



CEO & CFO maximum STI opportunity FY18

The table below shows the FY18 maximum incentive opportunity for KMP.

Target STI[1]	Maximum STI[1]
10%	20%

1 Represented as a % of total fixed remuneration.

The review of remuneration structure conducted in FY18 highlighted that the pay mix for the KMP was skewed towards fixed remuneration with insufficient pay at risk. In FY19 a higher proportion of pay for the KMP will be at risk, a portion of STI will be subject to deferral into shares and LTI will be subject to performance hurdles.

See section 8 of this remuneration report for greater detail on the upcoming changes to the Group's remuneration frameworks in FY19.

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7. Remuneration in detail

The following table details the statutory accounting expense of all remuneration related items for the KMP. This includes remuneration costs in relation to both FY18 and FY17. The table below is different to the actual remuneration mix chart on page 32, which shows the fair value on grant date of LTI in FY18 rather than the accrual of amounts on the statutory accounting basis. The table has been developed and audited against the relevant Australian Accounting Standards. Refer to the footnotes for more detail on each remuneration type.
No termination benefits were paid to executive KMP during the year.

		Fixed Remuneration[1]						
		Short-term Benefits[2]				Long-term Benefits	Share-based Payments[14]	
		Base Remuneration[3] $	Superannuation $	STI[4] $	Other[5] $	Long Service Leave[6] $	Equity-settled $	Total Statutory Remuneration $
Non-executive directors								
Matthew Quinn[7]	2018	130,000	12,350	–	–	–	–	142,350
	2017	81,625	7,754	–	–	–	–	89,379
Christopher Cuffe[8]	2018	58,276	5,536	–	–	–	–	63,812
	2017	–	–	–	–	–	–	–
Anthony Fenning[9]	2018	62,540	5,941	–	–	–	–	68,481
	2017	65,000	6,175	–	–	–	–	71,175
Kathryn Foster	2018	82,500	7,837	–	–	–	–	90,337
	2017	65,000	6,175	–	–	–	–	71,175
Rajarshi Ray	2018	80,000	7,600	–	–	–	–	87,600
	2017	65,000	6,175	–	–	–	–	71,175
Nicolette Rubinsztein[10]	2018	82,500	7,837	–	–	–	–	90,337
	2017	20,000	1,900	–	–	–	–	21,900
Barry Lambert[11]	2018	–	–	–	–	–	–	–
	2017	55,125	5,237	–	–	–	–	60,362
Roderick Kibble[12]	2018	–	–	–	–	–	–	–
	2017	27,581	2,620	–	–	–	–	30,201
SUB TOTAL	2018	495,816	47,101	–	–	–	–	542,917
	2017	379,331	36,036	–	–	–	–	415,367

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		Fixed Remuneration[1]						
		Short-term Benefits[2]				Long-term Benefits	Share-based Payments[14]	
		Base Remuneration[3] $	Superannuation $	STI[4] $	Other[5] $	Long Service Leave[6] $	Equity-settled $	Total Statutory Remuneration $
Executive KMP								
Kevin Bungard[13]	2018	294,952	20,049	31,536	(15,274)	6,233	100,669	438,165
	2017	288,581	19,616	30,661	14,381	10,607	98,844	462,690
Glenn Day[13]	2018	249,953	20,049	40,515	7,057	11,741	47,017	376,332
	2017	204,179	19,616	33,570	(2,256)	7,776	64,800	327,685
SUB TOTAL	2018	544,905	40,098	72,051	(8,217)	17,974	147,686	814,497
	2017	492,760	39,232	64,231	12,125	18,383	163,644	790,375
GRAND TOTAL	2018	1,040,721	87,199	72,051	(8,217)	17,974	147,686	1,357,414
	2017	872,091	75,268	64,231	12,125	18,383	163,644	1,205,742

1. Fixed Remuneration comprises of Base Remuneration and Superannuation (post-employment benefit).
2. Short-term benefits include non-monetary benefits, however no non-monetary benefits were received by non-executives and executive directors during the year ended 30 June 2018.
3. Base Remuneration includes cash salary received, short-term personal compensated absences and any salary sacrificed benefits during the year.
4. Executive KMP participate in an STI plan. STI includes cash bonuses in relation to performance for the year ended 30 June.
5. Other includes short-term annual compensated absences (annual leave movement).
6. Long service entitlements accrued during the year as well as impact of changes to long service valuation assumption, which are determined in line with Australian Accounting Standards.
7. Represents remuneration during the period including from date of election of Matthew Quinn as Chairman on 9 February 2017.
8. Represents remuneration from the date of appointment as KMP for Christopher Cuffe on 16 October 2017.
9. Represents remuneration up to the date of cessation as KMP for Anthony Fenning on 11 April 2018.
10. Represents remuneration from the date of appointment as KMP for Nicolette Rubinsztein on 1 April 2017.
11. Represents remuneration up to the date of resignation as KMP for Barry Lambert on 9 February 2017.
12. Represents remuneration up to the date of resignation as KMP for Roderick Kibble on 15 December 2016.
13. Kevin Bungard and Glenn Day achieved bonuses of 50% and 75% respectively of the potential STI in both FY17 & FY18. No STI was deferred or forfeited for these periods.
14. The cost of equity-settled share-based payments recognised during the year is measured at fair value on grant date. This valuation assumption is in line with Australian Accounting Standards.

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8. Executive remuneration changes in FY19

The board continually reviews the remuneration framework to ensure it supports the overall business strategy, is aligned with shareholder interests, is competitive with market practices and is simple for both participants and shareholders to understand. It is critical that our remuneration policies evolve with the business, ensuring they remain current and competitive and continue to align to shareholder interests.

As a result, we have made significant changes to our executive remuneration approach, which will better enable the Group to attract and retain top talent in an extremely competitive candidate market, while remaining aligned with positive shareholder outcomes and driving focus on value creation through growth outcomes.

<table>
<tr><th colspan="3">ISSUES IDENTIFIED</th></tr>
<tr><th>Fixed Remuneration</th><th>STI (at risk)</th><th>LTI (at risk)</th></tr>
<tr><td>Fixed remuneration must be better targeted to comparable roles in the market and reflect role size and responsibilities to minimise retention risk of critical roles.</td><td>Remuneration mix for KMP is skewed towards fixed pay and a higher portion should be at risk.

All STI is paid in cash and there should be a portion paid in equity.</td><td>The current options scheme has no specific performance hurdles related to the business and exposes the executive to the absolute share price rather than drivers of the share price that they can influence and control, such as EPS and customer growth.</td></tr>
</table>

<table>
<tr><th colspan="3">CHANGES WE HAVE MADE</th></tr>
<tr><th>Fixed Remuneration</th><th colspan="2">Variable Remuneration</th></tr>
<tr><td rowspan="4">• The Group will continue to target fixed remuneration at the median of the market for jobs of comparable size and responsibility.

• The Group will continue to benchmark against market data to determine if it has appropriately reached its desired positioning. Strong market demand for specific job categories may justify above-median fixed remuneration for certain roles.</td><td colspan="2">• Increased variable component of executive target remuneration mix to allow a greater share of remuneration at risk and subject to performance.
• See Chart 1 for changes to CEO target remuneration mix.</td></tr>
<tr><th>STI (at risk)</th><th>LTI (at risk)</th></tr>
<tr><td>• Increased equity exposure and retention with a portion of STI paid in shares with deferred vesting.
• STI paid in shares will initially be 75% of total STI in FY19, reducing to 50% in FY20 and 25% thereafter. This transition has been applied to mitigate the increased P&L expense in the early years.
• Deferral will be by way of performance rights, vesting annually in equal instalments over a two-year period.
• The board retains discretion to review the allotment of shares at vesting through claw back provisions.
• STI hurdles will continue to be based on financial outcomes (principally NPAT) with 60% weighting and non-financial outcomes with 40% weighting.</td><td>Options scheme will be replaced with the executive LTI plan in the form of performance rights.
• Grants will be made annually with vesting after three years.
• Performance hurdles will be introduced and reviewed annually by the board to align with the Group's strategic plan. The hurdles to apply to the FY19 grant will be based on:
– Annualised Committed Monthly Revenue (ACMR) at the end of year three.
– Growth in income from partner programs and new revenue streams.
– EPS growth over the three year period.</td></tr>
<tr><td>FY19 STI
25% Cash
75% Deferred</td><td></td></tr>
</table>

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Charts 1 & 2: CEO & CFO Target Remuneration Mix Comparison (FY19 versus FY18)

Chart 1: CEO Target Remuneration Mix FY19

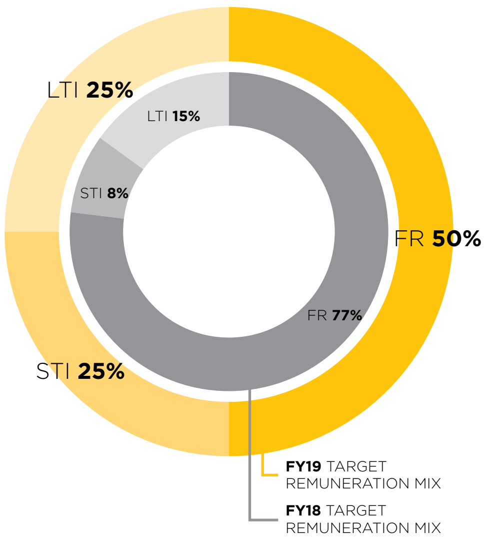
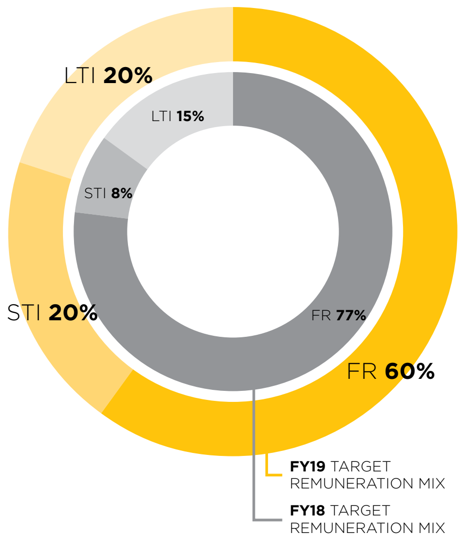


Chart 2: CFO Target Remuneration Mix FY19



Charts 3 & 4: CEO & CFO Target Remuneration Mix Comparison Cash versus Equity (FY18 to FY21)

Chart 3: CEO Target Remuneration Mix Cash vs Equity FY18 to FY21

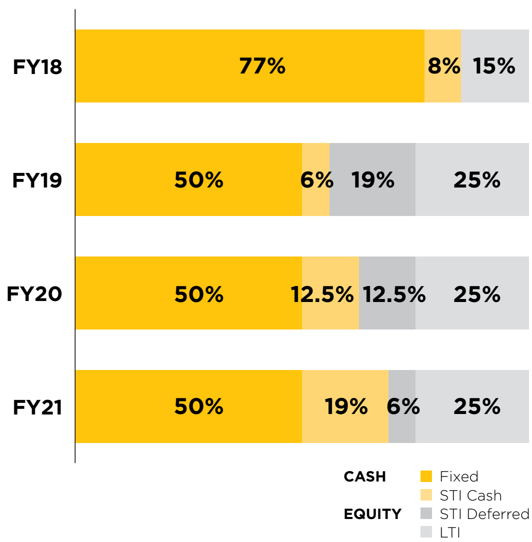
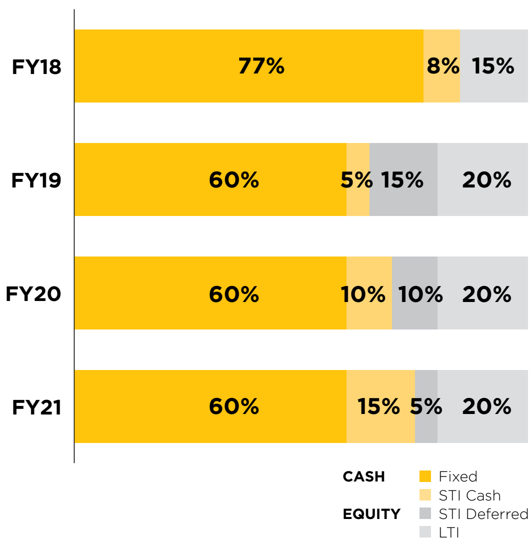


Chart 4: CFO Target Remuneration Mix Cash vs Equity FY18 to FY21



Class Limited
Directors' Report
30 June 2018

9. Non-executive remuneration

Non-executive directors are paid a base fee for service to the board.

The NRHRC may, from time to time, receive advice from independent remuneration consultants to ensure the chairman and other non-executive directors' fees and payments are appropriate and in line with the market for companies of a similar size and complexity.

The fee pool is currently $750,000 per annum including superannuation as approved at the 2017 AGM.

The Chairman is paid fees of $130,000 plus superannuation and other non-executive directors are paid fees of $80,000 plus superannuation.

In FY18, the NRHRC and management reviewed the previously provided information from external provider Boyden ANZ Pty Ltd related to remuneration market data. In order to appropriately recognise the increased responsibility and time commitment related to the board sub-committees (particularly for the chair), the board approved the introduction of sub-committee membership fees as follows, effective from 1 April 2018:

- Director fees to be inclusive of membership of one sub-committee;
- Additional fee of $5,000 plus superannuation to be paid to non-executive directors for membership of any additional sub-committee; and
- Chair of sub-committees to be paid an additional fee of $10,000 plus superannuation.

Based on the current board and sub-committee composition, total fees for FY19 would be $607,725.

Non-executive director – minimum shareholding

The board has confirmed and agreed the expectation that all non-executive directors should, within a reasonable period of their initial appointment, establish and maintain a shareholding in the Company which is at least equivalent in value based on higher of market price or purchase cost to one year's directors' fees, to further align their interests with those of other shareholders.

Class Limited
Directors' Report
30 June 2018

10. Service agreements

Non-executive directors do not have fixed term contracts with the Group. On appointment to the board, all non-executive directors enter into a service agreement in the form of a letter of appointment. The letter summarises the board policies and terms, including compensation. Non-executive directors retire by whichever is the longer period: the third annual general meeting following their appointment, or the third anniversary from the date of appointment, but may then be eligible for re-election.

Remuneration and other terms of employment for executives are formalised in service agreements, summarised as follows:

Name	**Kevin Bungard**
Title	Chief Executive Officer and Managing Director ('CEO')
Agreement Commenced	8 October 2015
Term of Agreement	Ongoing
Details	The terms of employment and remuneration of the CEO are detailed in a tailored service agreement. The agreement is not of a fixed duration and may be terminated by either party, providing a notice period of 3 months is given. The agreement entitles the individual to a base salary and superannuation contributions, as well as eligibility to participate in the Executive Incentive Plan (EIP). The board retains absolute discretion relating to the EIP, its continuance and whether any payments will be made in any given year. Upon termination, the individual is bound by restraint clauses spanning a period of up to 12 months and no less than 3 months, dependent on the circumstances surrounding the termination.
Name	**Glenn Day**
Title	Chief Financial Officer and Company Secretary ('CFO')
Agreement Commenced	8 October 2015
Term of Agreement	Ongoing
Details	The terms of employment and remuneration of the CFO are detailed in a tailored service agreement. The agreement is not of a fixed duration and may be terminated by either party, providing a notice period of 3 months is given. The agreement entitles the individual to a base salary and superannuation contributions, as well as eligibility to participate in the EIP. The board retains absolute discretion relating to the EIP, its continuance and whether any payments will be made in any given year. Upon termination, the individual is bound by restraint clauses spanning a period of up to 12 months and no less than 3 months, dependent on the circumstances surrounding the termination.

KMP have no entitlement to termination payments in the event of removal for misconduct.

Class Limited
Directors' Report
30 June 2018

11. Share based compensation

Issue of shares

There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2018.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Number granted	Grant date	Value per option at grant date ($)[1]	Value of options at grant date ($)[2]	Number vested	Exercise price ($)	Vesting and first exercise date	Last exercise date
Kevin Bungard							
495,860	30/09/2015	0.197	97,684	495,860	1.10	01/01/2017	30/09/2019
280,000	30/09/2015	0.168	47,040	–	1.33	30/09/2018	30/09/2020
200,000	29/06/2016	0.661	132,200	–	3.81	30/09/2019	30/06/2021
200,000	24/07/2017	0.341	68,200	–	3.99	[3]	15/03/2022
Glenn Day							
484,377	30/09/2015	0.197	95,422	484,377	1.10	01/01/2017	30/09/2019
120,000	30/09/2015	0.168	20,160	–	1.33	30/09/2018	30/09/2020
90,000	29/06/2016	0.661	59,490	–	3.81	30/09/2019	30/06/2021
100,000	24/07/2017	0.341	34,100	–	3.99	[3]	15/03/2022

1 The options granted are measured at the fair value on grant date. Fair value is determined using either the Binomial or Black-Scholes option pricing model that considers the exercise price, term of the option, impact of dilution, share price at grant date and expected price volatility of the underlying share, expected dividend yield and the risk-free interest rate for the term of the option, together with the non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. This valuation assumption is in line with Australian Accounting Standards.

2 The share-based payment expense of the option is recognised as an expense with a corresponding increase in equity spread over the vesting period.

3 Equal annual instalments on 1 July 2018, 1 July 2019 and 1 July 2020.

Class Limited
Directors' Report
30 June 2018

Options granted under ESOP carry no dividend or voting rights. Vesting is subject to continuity of service and there are no performance conditions.

The number of options over ordinary shares granted to and vested in directors and other KMP as part of compensation is set out below:

	Number of options granted during the year 2018	Number of options granted during the year 2017	Number of options vested during the year 2018	Number of options vested during the year 2017
Kevin Bungard	200,000	–	–	495,860
Glenn Day	100,000	–	–	484,377
	300,000	–	–	980,237

Option holding

The number of options over ordinary shares in the Company held during the financial year by each director and other members of KMP of the Group, including their personally related parties, is set out below:

Options over ordinary shares	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Kevin Bungard	975,860	200,000	–	–	1,175,860
Glenn Day	694,377	100,000	–	–	794,377
	1,670,237	300,000	–	–	1,970,237

Options over ordinary shares	Vested and exercisable	Vested and unexercisable
Kevin Bungard	495,860	–
Glenn Day	484,377	–
	980,237	–

Class Limited
Directors' Report
30 June 2018

12. Additional disclosures relating to KMP

Shares held by key management personnel

The number of ordinary shares in the Company held during the financial year by each director and other KMP, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Non-executive directors					
Matthew Quinn	60,000	–	–	–	60,000
Christopher Cuffe[1]	–	–	10,000	–	10,000
Anthony Fenning[2]	–	–	20,000	(20,000)	–
Kathryn Foster	522,208	–	–	(360,000)	162,208
Rajarshi Ray	1,248,848	–	–	–	1,248,848
Nicolette Rubinsztein	–	–	20,000	–	20,000
Executive KMP					
Kevin Bungard	1,905,572	–	–	–	1,905,572
Glenn Day	302,500	–	–	(50,000)	252,500
	4,039,128	**–**	**50,000**	**(430,000)**	**3,659,128**

1. Christopher Cuffe was appointed on 16 October 2017
2. Disposals/Other represents 20,000 shares held at cessation date.

Loans

There were no loans to KMP during the reporting period.

This concludes the remuneration report, which has been audited.

Class Limited
Directors' Report
30 June 2018

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 22 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

Officers of the Company who are former partners of Grant Thornton

There are no officers of the Company who are former partners of Grant Thornton.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

Grant Thornton continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Matthew Quinn
Chairman

Kevin Bungard
Chief Executive Officer and Managing Director

21 August 2018, Sydney

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Sydney NSW 2000

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QVB Post Office
Sydney NSW 1230

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E info.nsw@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration

To the Directors of Class Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Class Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

Grant Thornton Audit Pty Ltd
Chartered Accountants

M R Leivesley
Partner – Audit & Assurance

Sydney, 21 August 2018

Class Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Revenue	5	34,384	29,206
Expenses			
Employee benefits expense		(13,091)	(11,130)
Depreciation and amortisation expense	6	(3,736)	(2,584)
Selling and marketing expenses		(1,722)	(1,206)
Occupancy expenses		(674)	(524)
Technology and data costs		(1,053)	(940)
Other expenses		(1,543)	(1,120)
Finance costs	6	(6)	-
Profit before income tax expense		12,559	11,702
Income tax expense	7	(3,861)	(3,714)
Profit after income tax expense for the year attributable to the owners of Class Limited		8,698	7,988
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Class Limited		8,698	7,988
		Cents	Cents
Basic earnings per share	29	7.39	6.82
Diluted earnings per share	29	7.29	6.72

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

Class Limited
Statement of financial position
As at 30 June 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Assets			
Current assets			
Cash and cash equivalents	8	22,657	19,413
Trade and other receivables	9	3,229	3,120
Other	10	680	732
Total current assets		26,566	23,265
Non-current assets			
Property, plant and equipment	11	934	835
Intangibles	12	6,427	5,025
Total non-current assets		7,361	5,860
Total assets		33,927	29,125
Liabilities			
Current liabilities			
Trade and other payables	13	3,029	2,384
Income tax provision	7	1,380	1,765
Provisions	14	727	547
Total current liabilities		5,136	4,696
Non-current liabilities			
Deferred tax	7	866	682
Provisions	15	376	344
Total non-current liabilities		1,242	1,026
Total liabilities		6,378	5,722
Net assets		27,549	23,403
Equity			
Issued capital	16	25,154	24,994
Reserves	17	1,706	1,126
Retained earnings		689	(2,717)
Total equity		27,549	23,403

The above statement of financial position should be read in conjunction with the accompanying notes

Class Limited
Statement of changes in equity
For the year ended 30 June 2018

Consolidated	Issued capital $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2016	24,260	559	(6,025)	18,794
Profit after income tax expense for the year	–	–	7,988	7,988
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	7,988	7,988
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 16)	734	–	–	734
Share-based payments (note 30)	–	567	–	567
Dividends paid (note 18)	–	–	(4,680)	(4,680)
Balance at 30 June 2017	24,994	1,126	(2,717)	23,403

Consolidated	Issued capital $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2017	24,994	1,126	(2,717)	23,403
Profit after income tax expense for the year	–	–	8,698	8,698
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	8,698	8,698
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 16)	160	–	–	160
Share-based payments (note 30)	–	580	–	580
Dividends paid (note 18)	–	–	(5,292)	(5,292)
Balance at 30 June 2018	25,154	1,706	689	27,549

The above statement of changes in equity should be read in conjunction with the accompanying notes

Class Limited
Statement of cash flows
For the year ended 30 June 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		37,273	31,013
Payments to suppliers and employees (inclusive of GST)		(20,013)	(17,155)
Interest received		400	280
Interest and other finance costs paid		(6)	–
Income taxes refunded/(paid)		(4,062)	(1,626)
Net cash from operating activities	28	13,592	12,512
Cash flows from investing activities			
Payments for property, plant and equipment		(500)	(578)
Payments for intangibles		(4,770)	(3,691)
Payments for term deposits		–	(63)
Proceeds from release of term deposits		54	–
Net cash used in investing activities		(5,216)	(4,332)
Cash flows from financing activities			
Proceeds from issue of shares		160	734
Dividends paid	18	(5,292)	(4,680)
Net cash used in financing activities		(5,132)	(3,946)
Net increase in cash and cash equivalents		3,244	4,234
Cash and cash equivalents at the beginning of the financial year		19,413	15,179
Cash and cash equivalents at the end of the financial year	8	22,657	19,413

The above statement of cash flows should be read in conjunction with the accompanying notes

Class Limited
Notes to the financial statements
30 June 2018

Note 1. General information

These financial statements represent the consolidated financial statements of the Group consisting of Class Limited (the Company) and its subsidiaries. The financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

Class Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Class Limited
Level 3, 228 Pitt Street
Sydney, NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 21 August 2018. The directors have the power to amend and reissue the financial statements.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted
The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention
The financial statements have been prepared under the historical cost convention.

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 26.

Class Limited
Notes to the financial statements
30 June 2018

Note 2. Significant accounting policies (continued)

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Capitalised software development costs

Distinguishing the research and development phases of a new customised software project and determining whether the recognition requirements for the capitalisation of development costs are met requires judgement. After capitalisation, management monitors whether the recognition requirements continue to be met and whether there are any indicators that capitalised costs may be impaired.

Estimation of useful lives of assets

The Group determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated. Technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Impairment of non-financial assets

The Group assesses impairment of non-financial assets at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. If an impairment trigger exists, the recoverable amount of the asset is determined. This involves fair value less costs of disposal or value-in-use calculations, which incorporate a number of key estimates and assumptions.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement is required in determining the provision for income tax. There are many transactions and calculations undertaken during the ordinary course of business for which the ultimate tax determination is uncertain. The Group recognises liabilities for anticipated tax audit issues based on the Group's current understanding of the tax law. Where the final tax outcome of these matters is different from the carrying amounts, such differences will impact the current and deferred tax provisions in the period in which such determination is made.

Class Limited
Notes to the financial statements
30 June 2018

Note 4. Operating segments

The Group's operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The Directors have determined that there is one operating segment identified and located in Australia. The information reported to the CODM is the consolidated results of the Group.

The segment results are as shown in the statement of profit or loss and other comprehensive income. Refer to statement of financial position for segment assets and liabilities.

Accounting policy for operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the CODM. The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

Note 5. Revenue

	Consolidated	
	2018 $'000	2017 $'000
Sales revenue		
Software licence fees	32,361	27,454
Service fees	164	233
Commission and partner fees	1,453	1,206
	33,978	28,893
Other revenue		
Interest	406	313
Revenue	34,384	29,206

Accounting policy for revenue recognition
Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Software licence fees
The Group recognises revenue pursuant to software licence agreements upon the provision of access to its customers of the Group's intellectual property as it exists at any given time during the period of the license. Revenue is recognised over the duration of the agreement or for as long as the customer has been provided access, when persuasive evidence of an arrangement exists, delivery has occurred, the fee is fixed or determinable and collectability is probable.

Service fees
Fees for the provision of services are recognised as revenue as the services are rendered, in accordance with the terms and conditions of the service agreement.

Commission and partner fees
The Group recognises commission and partner fees pursuant to an agreement when it sells a third party's products to customers which provides these customers with access to products and services.

Class Limited
Notes to the financial statements
30 June 2018

Note 5. Revenue (continued)

Interest
Interest revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Other revenue
Other revenue is recognised when it is received or when the right to receive payment is established.

Note 6. Expenses

	Consolidated	
	2018 $'000	2017 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	96	66
Furniture and fittings	33	21
Computer equipment	216	214
Office equipment	23	46
Total depreciation	368	347
Amortisation		
Website tools development	16	40
Software development	3,100	2,179
Computer software	43	18
Contractual rights	209	-
Total amortisation	3,368	2,237
Total depreciation and amortisation	3,736	2,584
Rental expense relating to operating leases		
Minimum lease payments	568	483
Superannuation expense		
Defined contribution superannuation expense	1,048	911

Class Limited
Notes to the financial statements
30 June 2018

Note 7. Income tax

	Consolidated	
	2018 $'000	2017 $'000
Income tax expense		
Current tax	3,658	2,725
Deferred tax – origination and reversal of temporary differences	184	989
Adjustment recognised for prior periods	19	–
Aggregate income tax expense	3,861	3,714
Deferred tax included in income tax expense comprises:		
Increase in deferred tax liabilities	184	989
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	12,559	11,702
Tax at the statutory tax rate of 30%	3,768	3,511
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	16	14
Share-based payments	174	170
Non allowable deductions	–	19
Sundry items	(37)	–
	3,921	3,714
Adjustment recognised for prior periods	19	–
Adjustment to deferred tax balances as a result of change in statutory tax rate	(79)	–
Income tax expense	3,861	3,714

Class Limited
Notes to the financial statements
30 June 2018

Note 7. Income tax (continued)

	Consolidated 2018 $'000	Consolidated 2017 $'000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Software development – Research and Development	1,741	1,480
Employee benefits	(284)	(250)
Accrued expenses	(386)	(288)
Property, plant and equipment	(68)	-
Other	2	(32)
	1,005	910
Amounts recognised in equity:		
Transaction costs on share issue	(139)	(228)
Deferred tax liability	866	682
Movements:		
Opening balance	682	(307)
Charged to profit or loss	184	989
Closing balance	866	682

	Consolidated 2018 $'000	Consolidated 2017 $'000
Provision for income tax		
Provision for income tax	1,380	1,765

Accounting policy for income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

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Note 7. Income tax (continued)

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Class Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime with effect from 1 July 2014. The head entity and each subsidiary in the tax consolidated group continue to account for their own current and deferred tax amounts. The tax consolidated group has applied the 'separate taxpayer within group' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Note 8. Current assets – cash and cash equivalents

	Consolidated	
	2018 $'000	2017 $'000
Cash on hand and at bank	22,657	19,413

Accounting policy for cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Note 9. Current assets – trade and other receivables

	Consolidated	
	2018 $'000	2017 $'000
Trade receivables	3,172	3,099
Less: Provision for impairment of receivables	(2)	(12)
	3,170	3,087
Accrued revenue	59	33
	3,229	3,120

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Note 9. Current assets – trade and other receivables (continued)

Impairment of receivables
The Group has recognised a gain of $5,000 in profit or loss in respect of reversal of impairment of receivables for the year ended 30 June 2018 (2017: loss of $4,000).

The ageing of the impaired receivables provided for above are as follows:

	Consolidated 2018 $'000	Consolidated 2017 $'000
3 to 6 months overdue	2	5
Over 6 months overdue	-	7
	2	12

Movements in the provision for impairment of receivables are as follows:

	Consolidated 2018 $'000	Consolidated 2017 $'000
Opening balance	12	8
Additional provisions recognised	2	4
Receivables written off during the year as uncollectable	(5)	-
Unused amounts reversed	(7)	-
Closing balance	2	12

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $47,000 as at 30 June 2018 ($46,000 as at 30 June 2017).

The Group did not consider a credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

The ageing of the past due but not impaired receivables are as follows:

	Consolidated 2018 $'000	Consolidated 2017 $'000
0 to 3 months overdue	47	22
3 to 6 months overdue	-	24
	47	46

Accounting policy for trade and other receivables
Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 and 90 days.

Class Limited
Notes to the financial statements
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Note 9. Current assets – trade and other receivables (continued)

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 10. Current assets – other

	Consolidated	
	2018 $'000	2017 $'000
Prepayments	530	528
Term deposits*	150	204
	680	732

* Includes term deposit which is held as security for lease of office premises $150,000 (2017: $204,000).

Note 11. Non-current assets – property, plant and equipment

	Consolidated	
	2018 $'000	2017 $'000
Leasehold improvements – at cost	462	338
Less: Accumulated depreciation	(268)	(174)
	194	164
Furniture and fittings – at cost	504	289
Less: Accumulated depreciation	(82)	(50)
	422	239
Computer equipment – at cost	1,051	940
Less: Accumulated depreciation	(772)	(555)
	279	385
Office equipment – at cost	141	127
Less: Accumulated depreciation	(102)	(80)
	39	47
	934	835

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Note 11. Non-current assets – property, plant and equipment (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements $'000	Furniture and fittings $'000	Computer equipment $'000	Office equipment $'000	Total $'000
Balance at 1 July 2016	49	104	381	70	604
Additions	181	156	218	23	578
Depreciation expense	(66)	(21)	(214)	(46)	(347)
Balance at 30 June 2017	164	239	385	47	835
Additions	126	249	110	15	500
Disposals	–	(33)	–	–	(33)
Depreciation expense	(96)	(33)	(216)	(23)	(368)
Balance at 30 June 2018	194	422	279	39	934

Accounting policy for property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Leasehold improvements	3-5 years
Furniture and fittings	3-20 years
Computer equipment	3-5 years
Office equipment	3-10 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Class Limited
Notes to the financial statements
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Note 12. Non-current assets – intangibles

	Consolidated 2018 $'000	Consolidated 2017 $'000
Website tools development – at cost	156	157
Less: Accumulated amortisation	(156)	(141)
	–	16
Trademarks and domain names – at cost	48	46
Software development – at cost	20,246	15,828
Less: Accumulated amortisation	(14,009)	(10,909)
	6,237	4,919
Computer software – at cost	198	100
Less: Accumulated amortisation	(99)	(56)
	99	44
Contractual rights – at cost	252	–
Less: Accumulated amortisation	(209)	–
	43	–
	6,427	5,025

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Website tools development $'000	Trademarks and domain names $'000	Software development $'000	Computer software $'000	Contractual rights $'000	Total $'000
Balance at 1 July 2016	56	36	3,455	24	–	3,571
Additions	–	10	3,643	38	–	3,691
Amortisation expense	(40)	–	(2,179)	(18)	–	(2,237)
Balance at 30 June 2017	16	46	4,919	44	–	5,025
Additions	–	2	4,418	98	252	4,770
Amortisation expense	(16)	–	(3,100)	(43)	(209)	(3,368)
Balance at 30 June 2018	–	48	6,237	99	43	6,427

Accounting policy for intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

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Notes to the financial statements
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Note 12. Non-current assets – intangibles (continued)

Website tool and software development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when: it is probable that the project will be a success considering its commercial and technical feasibility; the Group is able to use or sell the asset; the Group has sufficient resources and intent to complete the internal development; and the costs incurred can be measured reliably. These capitalised costs are amortised commencing from the time the asset's development reaches the condition necessary for it to be capable of operation in the manner intended by management. Amortisation is on a straight-line basis over the period of the asset's expected benefit, being its finite useful lives of three years.

Trademarks and domain names
Significant costs associated with trademarks and domain names are capitalised. Such assets are not amortised on the basis that they are deemed to have an indefinite life. This assumption is reassessed every year. Instead, trademarks and domain names are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. They are carried at cost less accumulated impairment losses.

Computer software
Software purchased from third parties is capitalised and amortised on a straight-line basis over the period of its expected benefit of between three to five years.

Contractual rights
Costs relating to contractual rights are capitalised as an asset and are amortised on a straight-line basis over the period of their expected benefit, being their finite life of one year.

Note 13. Current liabilities – trade and other payables

	Consolidated	
	2018	2017
	$'000	$'000
Trade payables	841	405
Accrued expenses	1,438	1,385
BAS payable	750	594
	3,029	2,384

Refer to note 19 for further information on financial instruments.

Accounting policy for trade and other payables
These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Note 14. Current liabilities – provisions

	Consolidated	
	2018	2017
	$'000	$'000
Annual leave	532	458
Long service leave	195	72
Deferred lease incentives	-	17
	727	547

Class Limited
Notes to the financial statements
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Note 14. Current liabilities – provisions (continued)

Deferred lease incentives
The provision represents operating lease incentives received. The incentives are allocated to profit or loss in such a manner that the rent expense is recognised on a straight-line basis over the lease term.

Accounting policy for employee benefits

Short-term employee benefits
Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave not expected to be settled within 12 months of the reporting date but for which employees have a current entitlement is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method (refer to the accounting policy in note 15 for further details). Such amounts are presented as current liabilities as the Group does not have an unconditional right to defer settlement. However, based on past experience, the Group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

Note 15. Non-current liabilities – provisions

	Consolidated	
	2018 $'000	2017 $'000
Long service leave	307	300
Deferred lease incentives	–	21
Lease make good	69	23
	376	344

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Movements in provisions
Movements in each class of provision (current and non-current) during the current financial year, other than employee benefits, are set out below:

Consolidated – 2018	Deferred lease incentives $'000	Lease make good $'000
Carrying amount at the start of the year	38	23
Additional provisions recognised	–	46
Amounts used	(38)	–
Carrying amount at the end of the year	–	69

Accounting policy for other long-term employee benefits
The liability for long service leave not expected to be settled within 12 months of the reporting date is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Pursuant to this method, consideration is given to expected future wage and salary levels, past experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

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Note 16. Equity - issued capital

	Consolidated			
	2018 Shares	2017 Shares	2018 $'000	2017 $'000
Ordinary shares - fully paid	117,662,056	117,515,849	25,154	24,994

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 July 2016	116,820,283	24,260
Issuance of shares under Tax Exempt Employee Share Plan for nil consideration	20 December 2016	20,473	-
Issuance of shares at $1.10 per share on exercise of options	28 February 2017	484,377	527
Issuance of shares at $1.10 per share on exercise of options	7 March 2017	190,716	207
Balance	30 June 2017	117,515,849	24,994
Shares issued on exercise of options	23 August 2017	120,000	160
Shares issued under tax exempt Employee Share Plan for nil consideration	19 December 2017	26,207	-
Balance	30 June 2018	117,662,056	25,154

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure and reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

The Group has complied with the capital requirements prescribed under its Australian Financial Service Licence.

The capital risk management policy remains unchanged from the 30 June 2017 Annual Report.

Class Limited
Notes to the financial statements
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Note 16. Equity – issued capital (continued)

Accounting policy for issued capital
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 17. Equity – reserves

	Consolidated 2018 $'000	Consolidated 2017 $'000
Share-based payments reserve	1,759	1,179
Acquisition reserve	(53)	(53)
	1,706	1,126

Share-based payments reserve
The reserve is used to recognise the value of equity benefits provided to employees and directors as part of their remuneration.

Acquisition reserve
The reserve resulted from the acquisition of non-controlling interests in a subsidiary. The acquisition of non-controlling interests is not a business combination but is an equity transaction between owners. Accordingly, the difference between consideration paid and fair value of identifiable net assets of the non-controlling interest has been accounted for in the acquisition reserve.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Share-based payment reserve $'000	Acquisition reserve $'000	Total $'000
Balance at 1 July 2016	612	(53)	559
Share based payment	567	-	567
Balance at 30 June 2017	1,179	(53)	1,126
Share based payment	580	-	580
Balance at 30 June 2018	1,759	(53)	1,706

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Note 18. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2018 $'000	2017 $'000
Final fully franked dividend for the year ended 30 June 2017 of 2 cents per ordinary share (2017: 1 cent)	2,350	1,168
Interim fully franked dividend for the year ended 30 June 2018 of 2.5 cents per ordinary share(2017: 3 cents)	2,942	3,512
	5,292	4,680

On 21 August 2018, the directors declared a final fully franked dividend for the year ended 30 June 2018 of 2.5 cents per ordinary share with payment date of 17 September 2018 to eligible shareholders on the register as at 27 August 2018. This equates to a total distribution of $2,942,000, based on the number of ordinary shares on issue as at 30 June 2018. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2018 financial statements and will be recognised in subsequent financial reports.

Franking credits

	Consolidated	
	2018 $'000	2017 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	2,204	2,753

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Accounting policy for dividends
Dividends are recognised when declared during the financial year and are no longer at the discretion of the Company.

Note 19. Financial instruments

Financial risk management objectives
The Group's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and ageing analysis for credit risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the Group and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the Group's operating units.

Class Limited
Notes to the financial statements
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Note 19. Financial instruments (continued)

Market risk

Foreign currency risk
The Group is not exposed to any significant foreign currency risk.

Price risk
The Group is not exposed to any significant price risk.

Interest rate risk
The Group's exposure to interest rate risk is limited to cash at bank and short term deposits.

An official increase/decrease in interest rates of 50 (2017:50) basis points would have an adverse/favourable effect on profit before tax of $114,000 (2017: $98,000) per annum. The percentage change is based on the expected volatility of interest rates using market data and analysts' forecasts.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The Group obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral.

Liquidity risk
Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

The Group manages liquidity risk by maintaining adequate cash reserves by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Remaining contractual maturities
The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2018	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	841	-	-	-	841
Total non-derivatives	841	-	-	-	841

Consolidated - 2017	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives					
Non-interest bearing					
Trade payables	405	-	-	-	405
Total non-derivatives	405	-	-	-	405

Class Limited
Notes to the financial statements
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Note 19. Financial instruments (continued)

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 20. Fair value measurement

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value. The carrying amounts of trade and other receivables and trade and other payables approximate their fair values due to their short term nature. The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Accounting policy for fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Note 21. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2018	2017
	$	$
Short-term employee benefits	1,104,555	948,447
Post-employment benefits	87,199	75,268
Long-term benefits	17,974	18,383
Share-based payments	147,686	163,644
	1,357,414	1,205,742

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Note 22. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Grant Thornton, the auditor of the Company:

	Consolidated	
	2018 $	2017 $
Audit services - Grant Thornton		
Audit or review of the financial statements	81,542	79,118
Other services - Grant Thornton		
Tax compliance services	23,249	24,420
Taxation advisory services	14,800	15,400
	38,049	39,820
	119,591	118,938

Note 23. Contingent liabilities

The Group has given bank guarantees as at 30 June 2018 of $150,000 (2017: $204,000) to various landlords.

Note 24. Commitments

	Consolidated	
	2018 $'000	2017 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	724	638
One to five years	1,449	653
	2,173	1,291

Operating lease commitments relate to leases of office premises under non-cancellable operating leases expiring within three years with no options to extend for three years. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 25. Related party transactions

Parent entity
Class Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 27.

Key management personnel
Disclosures relating to key management personnel are set out in note 21 and the remuneration report included in the directors' report.

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Note 25. Related party transactions (continued)

Transactions with related parties
Rajarshi Ray, a director of the Company was also a director of Heffron Consulting Pty Ltd during the period, who are a major customer of the Group. Heffron Consulting Pty Ltd also provides actuarial certificates to the customers of the Group. Mr Ray is not a shareholder of Heffron, was one of three directors and is not related to any of the other directors. Transactions between Heffron Consulting Pty Ltd and the Group are at arm's length and on normal commercial terms. As at 30 June 2018, Mr Ray is no longer a director of Heffron Consulting Pty Ltd.

During the period the Group purchased $504 worth of consumables from Silos Estate, a director related entity.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 26. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of profit or loss and other comprehensive income

	Parent	
	2018 $'000	2017 $'000
Profit after income tax	6,474	5,479
Total comprehensive income	6,474	5,479

Statement of financial position

	Parent	
	2018 $'000	2017 $'000
Total current assets	15,741	14,850
Total assets	29,366	26,798
Total current liabilities	3,899	3,505
Total liabilities	5,131	4,455
Equity		
Issued capital	25,154	24,994
Share-based payments reserve	1,759	1,179
Retained earnings	(2,678)	(3,830)
Total equity	24,235	22,343

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2018 and 30 June 2017.

Contingent liabilities
The parent entity had contingent liabilities of $150,000 as at 30 June 2018 (2017: $204,000).

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Note 26. Parent entity information (continued)

Capital commitments – Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 27. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

Name	Principal place of business / Country of incorporation	Ownership interest 2018 %	Ownership interest 2017 %
Class Super Pty Limited	Australia	100%	100%
Class Investment Reporter Pty Ltd	Australia	100%	100%
Super IP Incentive Pty Ltd	Australia	100%	100%

Note 28. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2018 $'000	Consolidated 2017 $'000
Profit after income tax expense for the year	8,698	7,988
Adjustments for:		
Depreciation and amortisation	3,736	2,584
Net loss on disposal of property, plant and equipment	33	-
Share-based payments	580	567
Change in operating assets and liabilities:		
Increase in trade and other receivables	(109)	(802)
Decrease in deferred tax assets	–	307
Increase in prepayments	(2)	(173)
Increase in trade and other payables	645	116
Increase/(decrease) in provision for income tax	(385)	1,099
Increase in deferred tax liabilities	184	682
Increase in employee benefits	204	158
Increase/(decrease) in other provisions	8	(14)
Net cash from operating activities	13,592	12,512

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Note 29. Earnings per share

	Consolidated	
	2018	2017
	$'000	$'000
Profit after income tax attributable to the owners of Class Limited	8,698	7,988
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	117,632,354	117,054,948
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	1,618,087	1,806,985
Weighted average number of ordinary shares used in calculating diluted earnings per share	119,250,441	118,861,933
	Cents	Cents
Basic earnings per share	7.39	6.82
Diluted earnings per share	7.29	6.72

Accounting policy for earnings per share

Basic earnings per share
Basic earnings per share is calculated by dividing the profit attributable to the owners of Class Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

Note 30. Share-based payments

The Group has established the Class Limited Tax Exempt Employee Share Plan ('Tax Exempt ESP') to assist the Group in rewarding employees by providing them with the opportunity to own shares in the Company. The Tax Exempt ESP enables the Group to issue shares to qualifying employees on a non-discriminatory basis so as to permit the application of section 83A-35 of the Income Tax Assessment Act 1997.

The Group also has a long term incentive plan ('LTIP'), Class Limited Employee Share Option Plan ('ESOP') to assist the Group in retaining and attracting current and future employees by providing them with the opportunity to allow them to acquire options or rights as part of the remuneration for their services. The ESOP is by invitation of the Board (or a committee of the Board).

The share-based payment expense for the year was $580,000 (2017: $567,000). 1,168,000 options were granted during the year ended 30 June 2018 (2017: Nil)].

Class Limited
Notes to the financial statements
30 June 2018

Note 30. Share-based payments (continued)

Set out below is a summary of the options granted under the plan:

2018

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/09/2015	30/09/2019	$1.10	1,948,991	-	-	-	1,948,991
30/09/2015	30/09/2020	$1.33	1,058,506	-	(120,000)	-	938,506
29/06/2016	30/06/2021	$3.81	1,058,202	-	-	(30,000)	1,028,202
24/07/2017	15/03/2022	$3.99	-	1,168,000	-	(20,000)	1,148,000
			4,065,699	1,168,000	(120,000)	(50,000)	5,063,699
Weighted average exercise price			$1.87	$3.99	$1.33	$3.88	$2.35

2017

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other**	Balance at the end of the year
30/09/2015	30/09/2019	$1.10	2,624,084	-	(675,093)	-	1,948,991
30/09/2015	30/09/2020	$1.33	1,058,506	-	-	-	1,058,506
29/06/2016	30/06/2021	$3.81	1,168,202	-	-	(110,000)	1,058,202
			4,850,792	-	(675,093)	(110,000)	4,065,699
Weighted average exercise price			$1.78	$0.00	$1.10	$3.81	$1.87

The weighted average share price during the financial year was $2.81 (2017:$3.26).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2 years (2017: 3 years).

1,948,991 options outstanding as at 30 June 2018 are vested and exercisable (30 June 2017: 2,068,991).

On 24 July 2017, the Group granted 1,168,000 options which vest in three equal instalments on 1 July 2018, 1 July 2019 and 1 July 2020. Vesting of the options is subject to continuity of service and there are no performance conditions.

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
24/07/2017	15/03/2022	$3.00	$3.99	30.24%	3.45%	2.04%	$0.341

Accounting policy for share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

Class Limited
Notes to the financial statements
30 June 2018

Note 30. Share-based payments (continued)

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 31. Events after the reporting period

Apart from the dividend declared as disclosed in note 18, no other matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 32. Other accounting policies

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of Class Limited ('Company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Class Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Class Limited
Notes to the financial statements
30 June 2018

Note 32. Other accounting policies (continued)

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interests in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

Impairment of non-financial assets
Other intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Class Limited
Notes to the financial statements
30 June 2018

Note 32. Other accounting policies (continued)

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. New hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. The Group will adopt this standard from 1 July 2018 but the impact of its adoption is not expected to be material.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. AASB 15 Revenue from Contracts with Customers provides a single comprehensive model for revenue recognition based on the satisfaction of performance obligations and additional disclosures about revenue. It replaces AASB 118 Revenue and related interpretations. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group will adopt this standard from 1 July 2018, using the modified cumulative method on the date of initial application which will not require the standard to be applied to the comparative period presented.

Class Limited
Notes to the financial statements
30 June 2018

Note 32. Other accounting policies (continued)

Management have undertaken a comprehensive analysis which is detailed below:

Revenue from Software licence fees: The majority of the Group's revenue is derived from monthly licence fees which is for services provided during the month. Management does not expect the recognition and measurement of revenue to materially change under the new standard.

Revenue from service fees: Customers can request to have the Group load data from their existing system onto one of the Group's products. Under the current standards this revenue is recognised in the year the services were performed. Under AASB 15 the revenue for these services are bundled with other performance obligations, deferred and recognised over an estimated contract period which includes expectations on renewal periods beyond the initial term of the service contract. The majority of the Group's customers have 30–90 day termination notice periods, for the purpose of AASB 15 management have estimated a contract period of 5 years. The Group estimates that deferred revenue will be increased by approximately $494,000, deferred tax asset increased by $136,000 and retained earnings decreased by $358,000 on 1 July 2018.

Capitalisation of commissions and transition costs
Under AASB 15, commission and transaction costs incurred will be capitalised as an asset where such costs are incremental to obtaining a contract with a customer and where such costs are expected to be recovered. They will be amortised over the estimated life of the related service contract, being 5 years. The current accounting policy requires commissions and transition costs to be expensed to the statement of profit or loss as incurred as they did not qualify for recognition as an asset under any of the other accounting standards. The Group estimates that contract assets will be increased by approximately $2,024,000, deferred tax liability increased by $556,000 and retained earnings increased by $1,467,000 on 1 July 2018.

Presentation of contract assets and contract liabilities in the statement of financial position
AASB 15 requires separate presentation of contract assets and contract liabilities in the statement of financial position. As a result of the changes identified above, on 1 July 2018 the Group will recognise contract assets in relation to commission and transition costs and contract liabilities in relation to transition services revenue.

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. For lessee accounting, the standard eliminates the 'operating lease' and 'finance lease' classification required by AASB 117 'Leases'. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) components. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group expects to adopt this standard from 1 July 2019 and the impact of its adoption will be that operating leases, such as those detailed in note 24, will be brought onto the statement of financial position with a corresponding liability. The actual amount will depend on the operating leases held on the date of adoption and any transitional elections made.

IASB revised Conceptual Framework for Financial Reporting
The revised Conceptual Framework has been issued by the IASB, but the Australian equivalent is yet to be published. The revised framework is applicable for annual reporting periods beginning on or after 1 January 2020 and the application of the new definition and recognition criteria may result in future amendments to several accountings standards. Furthermore, entities who rely on the conceptual framework in determining their accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards may need to revisit such policies. The Group will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

Class Limited
Corporate directory
30 June 2018

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Matthew Quinn
Chairman

Kevin Bungard
Chief Executive Officer and Managing Director

21 August 2018
Sydney

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Sydney NSW 2000

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Independent Auditor's Report

To the Members of Class Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Class Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Company is in accordance with the *Corporations Act 2001*, including:

a Giving a true and fair view of the Company's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

b Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report. We are independent of the Group in accordance with the auditor independence requirements of the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Measurement and recognition of capitalised development costs – Note 12 Non-current assets - intangibles	
The Group capitalises costs incurred in the development of its software. These costs are then amortised over the estimated useful life of the software. The Group's processes for calculating the value of internally developed software involves judgement as it includes estimating the time which staff spend developing software and determining the value attributable to that time. The Group's capitalised costs are disclosed in Note 12 to the financial statements.	Our procedures included, amongst others: • agreeing a sample of internal salary costs and external contractor invoices capitalised to supporting documentation and assessing those amounts against the recognition criteria of AASB 138; • assessing the company's accounting policy for software development costs for adherence to AASB 138; • assessing the consistency of the capitalisation methodology applied by the Group in comparison to the prior reporting period; • considering the reasonableness of useful lives applied to amortise intangible assets; and • assessing the adequacy of disclosures included in the financial report for adherence to AASB 138.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report 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' for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is 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 the Australian Auditing Standards 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 this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 20 to 41 of the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Class Limited, for the year ended 30 June 2018, complies with section 300A of the Corporations Act 2001.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

M Leivesley

M R Leivesley
Partner – Audit & Assurance

Sydney, 21 August 2018

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Shareholder information

Class Limited
Shareholder information
30 June 2018

The shareholder information set out below was applicable as at 6 August 2018.

Distribution of equitable securities

Analysis of the number of equitable security holders by the size of holding:

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
100,001 and Over	54	5
10,001 to 100,000	604	26
5,001 to 10,000	828	5
1,001 to 5,000	2,372	–
1 to 1,000	1,621	–
Total	**5,479**	**36**
Holding less than a marketable parcel	239	–

Equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	21,926,159	18.63
J P MORGAN NOMINEES AUSTRALIA LIMITED	10,155,168	8.63
TRONCELL PTY LTD	8,870,944	7.54
NATIONAL NOMINEES LIMITED	8,092,846	6.88
TRONCELL PTY LTD	5,458,000	4.64
CITICORP NOMINEES PTY LIMITED	4,175,908	3.55
ARMELEK PTY LTD	3,300,000	2.8
BNP PARIBAS NOMINEES PTY LTD	3,220,152	2.74
MR JOSEPH CHARLES CAMUGLIA & MRS KIRSTEN INGRET CAMUGLIA	2,650,000	2.25
MR KEITH FINKELDE & MRS ANNE FINKELDE & MR WAYNE FINKELDE	1,923,528	1.63
BNP PARIBAS NOMS PTY LTD	1,620,101	1.38
MR RODERICK KIBBLE & MRS MICHELLE KIBBLE	1,501,652	1.28
MR PETER DORIAN KIBBLE & MRS LORRAINE LESTER	1,501,652	1.28
FYLPANE PTY LTD	1,400,000	1.19
MR KEVIN BUNGARD	1,160,912	0.99
MR RAJARSHI MANU RAY	1,000,000	0.85
CANEMOON INVESTMENTS PTY LTD	849,000	0.72
MR KEVIN BUNGARD & MRS STEPHANIE ANNE BUNGARD	744,660	0.63
MR SCOTT EDWARD LAWSON & MRS PATRICIA LAWSON	655,000	0.56
MR KEITH REX FINKELDE & MRS ANNE MARGARET FINKELDE & MR WAYNE TREVOR FINKELDE	535,277	0.45
BNP PARIBAS NOMINEES PTY LTD	519,145	0.44
	81,260,104	**69.06**

Class Limited
Shareholder information
30 June 2018

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares	5,063,699	36

Substantial holders

Pinnacle Investment Management Group Limited (and its subsidiaries) advised that as of 2 August 2018, it and its associates had an interest in 18,834,272 shares, which represented 16.01% of Class' issued capital at that time.

Spheria Asset Management Pty Ltd advised that as of 29 June 2018, it and its associates had an interest in 13,539,655 shares, which represented 11.51% of Class' issued capital at that time.

Troncell Pty Limited, Roderick Kibble, Peter Dorian Kibble, Michelle Kibble & Lorraine Lester advised that as of 21 September 2017, they and their associates had an interest in 18,239,216 shares, which represented 15.51% of Class' issued capital at that time.

Voting rights

The voting rights attached to ordinary shares are set out below:

Ordinary shares

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.

Restricted securities

Class	Expiry Date	Number of shares
Ordinary shares	13 October 2018 or the day after the date which the shareholder ceases to be an employee	190,716
Ordinary shares	14 December 2018 or the day after the date which the shareholder ceases to be an employee	29,000
Ordinary shares	20 December 2019 or the day after the date which the shareholder ceases to be an employee	15,615
Ordinary shares	19 December 2020 or the day after the date which the shareholder ceases to be an employee	24,771
Total		**260,102**

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Corporate directory 30 June 2018

Directors
Matthew Quinn
Kevin Bungard
Christopher Cuffe
Kathryn Foster
Rajarshi Ray
Nicolette Rubinsztein

Company Secretary
Glenn Day

Notice of Annual General Meeting
The details of the Annual General Meeting of Class Limited are:
Hilton Sydney
Level 1, 488 George Street
Sydney NSW 2000
Monday 15 October 2018 at 3:00pm

Registered office
Level 3
228 Pitt Street
Sydney NSW 2000
Ph: 1300 851 057

Principal place of business
Level 3
228 Pitt Street
Sydney NSW 2000
Ph: 1300 851 057

Share register
Link Market Services
Level 12
680 George Street
Sydney NSW 2000
Ph: 02 8280 7100

Auditor
Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Ph: 02 8297 2400

Solicitors
Addisons
Level 12
60 Carrington Street
Sydney NSW 2000
Ph: 02 8915 1000

Stock exchange listing
Class Limited shares are listed on the Australian Securities Exchange (ASX code: CL1)

Website
www.class.com.au

Corporate Governance Statement
The Corporate Governance Statement which was approved at the same time as the Annual Report can be found at https://investors.class.com.au

class.com.au

CLASS LIMITED
ACN 116 802 058