Class Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Class Limited
ABN:	70 116 802 058
Reporting period:	For the year ended 30 June 2017
Previous period:	For the year ended 30 June 2016

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	28.5%	to	29,206
Net profit after tax from ordinary activities, before one-off IPO expenses, attributable to the owners of Class Limited	up	37.1%	to	7,988
Profit from ordinary activities after tax attributable to the owners of Class Limited	up	53.3%	to	7,988
Profit for the year attributable to the owners of Class Limited	up	53.3%	to	7,988

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2016 paid on 12 August 2016	1.000	-
Interim dividend for the year ending 30 June 2017 paid on 15 November 2016	1.000	-
Interim dividend for the year ending 30 June 2017 paid on 6 March 2017	1.000	1.000
Interim dividend for the year ended 30 June 2017 paid on 12 May 2017	1.000	1.000

On 15 August 2017, the directors declared a fully franked final dividend for the year ending 30 June 2017 of 2 cents per ordinary share with record date of 17 August 2017 and payment date of 5 September 2017.

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	16.22	12.77

4. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

5. Attachments

Details of attachments (if any):

The Annual Report of Class Limited for the year ended 30 June 2017 is attached.

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6. Signed

Signed

Matthew Quinn
Chairman
Sydney

Date: 15 August 2017

Annual Report 2017

CLASS LIMITED
ACN 116 802 058

Class

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Financial highlights

Year ended 30 June 2017

$29.20m **28%**

REVENUE

+6.47m from $22.73m

GROWTH **IN 2017**

$13.97m **39%**

EBITDA*

+3.92m from $10.05m

GROWTH **IN 2017**

* All references are before one-off expenses relating to the initial public offering. They are non-IFRS measures and are used internally by management to assess the performance of the business and have been extracted or derived from the full year financial report.

$11.7m	**36%**
NPBT*	**+3.1m** from $8.6m
$8.0m	**37%**
NPAT*	**+2.2m** from $5.8m
6.8c	**31%**
BASIC EPS*	**+1.6c** from 5.2c
6.7c	**31%**
DILUTED EPS*	**+1.6c** from 5.1c
5.0c	**34%**
DIVIDEND	**+1.25c** from 3.75c

* All references are before one-off expenses relating to the initial public offering. They are non-IFRS measures and are used internally by management to assess the performance of the business and have been extracted or derived from the full year financial report.

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 2017 and to announce net profit after tax of $7.988 million, up 37%[1] on the prior year.

In addition to increased profit and a record 31,503 new accounts added to the platform, we have set the company up to deliver further growth in coming years. With over 140,000 SMSFs now administered on the Class platform, our market share has increased from 19% to 24% of the estimated 594,000 SMSFs.

Continued investment in product development has been rewarded with significant industry recognition, including the Investment Trends SMSF Software Award, the third year in a row we have received this honour. We also received the SMSF Adviser SMSF Software Provider of the Year Award for the fourth year running.

As well as significant investment in the Class Super product, we continue to invest in Class Portfolio with additional staff and resources allocated to its development. Class Portfolio accounts grew by 78%, with 26% of Class Super subscribers now also using Class Portfolio.

We are moving from quarterly to six monthly dividends in line with our financial reporting periods and you will receive the equivalent of an extra quarter dividend in September to provide an orderly transition.

I would like to thank our shareholders for your continued support and we look forward to seeing you at the Annual General Meeting on 16 October 2017.

We would also like to thank our 1,164 subscribers, and to reconfirm our ongoing commitment to further developing our products to make your businesses more streamlined and profitable.

To Class employees, congratulations on another record-breaking year and thank you for your dedication to the company.

Yours sincerely

M. Quinn

Matthew Quinn

Chairman

1 Reference is before one-off expenses relating to the initial public offering. This is a non-IFRS measure and is used internally by management to assess the performance of the business and has been extracted or derived from the full year financial report.

CEO's report

I would like to join the Chairman in welcoming shareholders to the annual report for the year ending 30 June 2017, our first full year as a publicly listed company.

In a year where the industry experienced the most significant reforms in a decade, Class has continued to increase market share and deliver record results.

Financial Results

Class Limited (Class) has posted a 37%[2] increase in profit to $7.988 million for the full year ended 30 June 2017, driven by a record increase in accounts.

The increase is compared to the FY16 numbers prior to one-off costs in relation to the company's Initial Public Offering (IPO) in that year. Earnings before interest, tax, depreciation and amortisation ('EBITDA') grew 39% to $13.973 million.

Operating revenue grew by 28% to $28.893 million. This was primarily driven by an increase in accounts which grew by a record 31,503 in the last 12 months.

Expenses excluding amortisation and depreciation increased by $2.350 million, of which $1.274 million was in relation to employee costs. This was driven by continued investment in the Class Super product, Class Portfolio product and customer acquisition with the expansion and restructuring of the sales team and additional marketing and implementations staff.

The Super Reforms had a major impact on the Class Super product and required an immediate and significant investment in product development. The increased costs required have been spread across the FY17 and FY18 years.

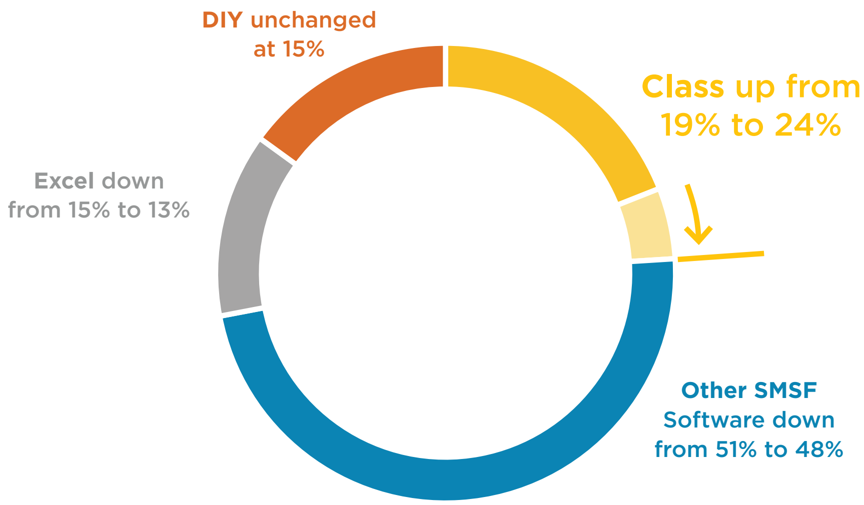
While the reforms are time consuming for the industry in the short-term, they have increased the need for Class software and we expect they will be a positive impact in the longer-term.

Accounts and Market Share

At 30 June 2017, Class had a total of **143,944** accounts (30 June 2016: 112,441) including **140,690** Self Managed Super Funds (SMSFs) on the Class Super product. Class Super's share of the SMSF market at 30 June 2017 was **23.7%** (estimated total market **594,000** SMSFs).

SMSF Software Market Share

By estimated number of SMSFs administered on each system[3]



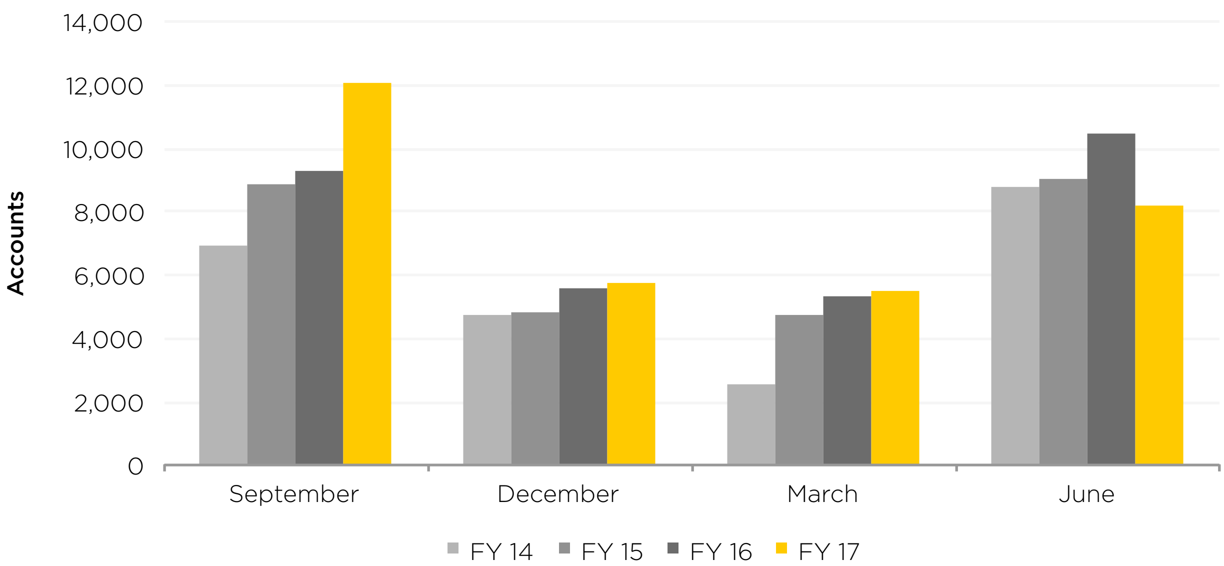
2 Reference is before one-off expenses relating to the initial public offering. This is a non-IFRS measure and is used internally by management to assess the performance of the business and has been extracted or derived from the full year financial report.

3 Estimated from company announcements and various Investment Trends surveys of SMSF Investors, Planners and Accountants in 2016 and 2017. DIY = SMSFs administered directly by investors. Excel = SMSFs administered by accountants on Excel and general accounting software.

CEO's report continued

Class Portfolio subscriptions continue to grow. At 30 June 2017, there was a total of **3,254** investment accounts (30 June 2016: **1,827**), a **78%** increase over the period.

Quarterly Net Account Growth



Operational Highlights

Class' flagship product, Class Super, has once again received significant industry recognition this year, winning the 2017 Investment Trends Highest Overall Client Satisfaction: SMSF Software Award[4] for the third year running. The award recognises that Class Super users were the most satisfied with their SMSF software compared with all other providers.

Class Super scored above average for all industry features in the Investment Trends awards again this year. These features included the product's level of automation, smartphone/tablet functionality, data feeds, integration with actuarial and other document providers, timeliness of reporting, ease of generating tax returns, value for money, quality of training for software, and technical support.

More Class Super users were able to cite new features, processes and innovations than users of any other SMSF software provider. In the past 12 months, these improvements included improved client access functionality, changes to customised reporting, increased availability of feeds and greater automation.

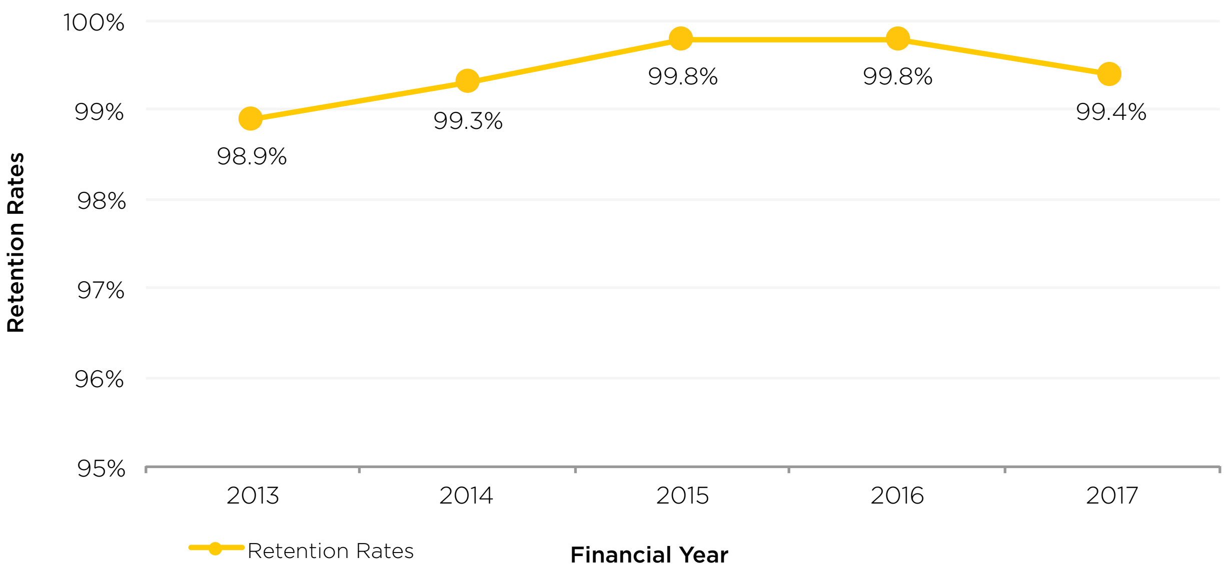
In addition to the 2017 Investment Trends award, Class also won the 2017 SMSF Adviser SMSF Software Provider of the Year Award, for the fourth year running.

As well as industry recognition, our Customer Service Satisfaction surveys continue to show that accountants and advisers rate Class very highly, particularly in the areas of ease of use, efficiency, support, staff satisfaction with Class, implementation and transitions.

These high ratings continue to be reflected in our retention rate, which has remained above 99% in terms of accounts.

4 Source: Investment Trends 2017 SMSF Accountant Report.

Retention of Accounts (%)



Retention Rate = **(Accounts for the period less Accounts lost due to subscriber terminations) / Accounts for the period**

Accounts = billable accounts, accounts lost = the maximum number of accounts the subscriber had during the year

Class has previously advised the market that AMP's SuperIQ business has provided notice on their licence agreement which covers over 5,000 SMSFs (of the approximate 11,000 SMSFs on Class Super under AMP's various licenses). We have also advised that we expected AMP to transfer all of the affected SMSFs onto its own SMSF platform by early November 2017; this is no longer the case.

Class and AMP's SuperConcepts business are finalising the consolidation of the various Class licences that SuperConcepts hold into one standard contract covering all the SuperConcepts' brands.

As a result of this change there is no longer a set end-date for the migration of the SuperIQ SMSFs off the Class platform. SuperConcepts does however retain the right, under the new agreement, to provide a standard 90 days' notice of termination which is the same as a typical Class customer.

Class onboarded a record number of SMSFs over the past 12 months. Since 1 July 2016, the total number of accounts on Class Super has grown by 27.2%. This growth was again driven by the expansion in our sales team, increased marketing efforts and an increase in the rate of cloud adoption by accountants.

Innovation

Class has twice been nominated as one of Australia's most innovative companies by The Australian Financial Review. Innovation is key to how our business is structured and is what sets us apart from our competitors.

Class Super underwent significant development during the year to help accountants and SMSF administrators manage the Super Reforms. New functionality includes bulk commutation of pension accounts, Capital Gains Tax relief report for proportionate funds and new data filters on the member console.

Class made an investment of $5.217 towards development this period, an increase of 17.3%, which included a significant commitment towards innovation.

CEO's report continued

As well as these improvements, more new features were added to Class Super during the year. A couple are listed below:

Consolidated Reporting – accountants and advisers can now administer and report on investors' SMSF and non-SMSF wealth using one software platform. They can easily report back to investors on their total investment performance and process transactions for all their accounts without moving between different platforms.

Investor communication tools – new communication channels for the timely, secure exchange of financial information, including documents; two-way messaging between accountants and investors; a dedicated mobile app for investors; and document management enhancements to facilitate simpler document exchange.

Innovation doesn't only relate to our software, it is embedded as a key part of our culture. Our internal Change Champion awards are awarded to staff annually in recognition of significant contribution to innovation and change within the business.

Thank you

The Class journey has been an exciting one so far and we are positive about the opportunities that lie ahead for further growth and success. We will continue to provide shareholders with regular updates throughout the year.

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

Kevin Bungard

Chief Executive Officer and Managing Director

Financial report 2017

Class Limited
Directors' report
30 June 2017

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 2017.

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
Anthony Fenning
Kathryn Foster
Rajarshi Ray
Nicolette Rubinsztein (appointed on 1 April 2017)
Barry Lambert (resigned on 9 February 2017)
Roderick Kibble (resigned on 15 December 2016)

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

	2017 $'000	2016 $'000	Change $'000	Change %
Sales revenue	28,893	22,563	6,330	28%
Cost of undertaking business	(14,920)	(12,512)	(2,408)	19%
EBITDA*	13,973	10,051	3,922	39%
Interest revenue	313	168	145	86%
Depreciation and amortisation	(2,584)	(1,631)	(953)	58%
Tax expense*	(3,714)	(2,761)	(953)	35%
Net profit after tax*	7,988	5,827	2,161	37%
One-off IPO expenses**	-	(617)	617	(100%)
Statutory net profit after tax	7,988	5,210	2,778	53%

* All references are before one-off initial public offering ('IPO') expenses. They are non-IFRS measures and are used internally by management to assess the performance of the business and have been extracted or derived from the financial report.
** One-off IPO expenses net of tax benefits.

Basic Earnings per share before one-off IPO expenses amounted to [6.82] cents (2016: 5.19 cents).
Basic Earnings per share after one-off IPO expenses amounted to [6.82] cents (2016: 4.64 cents).

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

Class Limited
Directors' report
30 June 2017

Dividends
Dividends paid during the financial year were as follows:

	Consolidated 2017 $'000	Consolidated 2016 $'000
Final dividend for the year ended 30 June 2016 of 1 cent per ordinary share (2016: 0.75 cents)	1,168	835
Interim dividend for the year ended 30 June 2017 of 1 cent per ordinary share (2016: 0.75 cents)	1,168	835
Interim dividend for the year ended 30 June 2017 of 1 cents per ordinary share (2016: 1 cent)	1,168	1,168
Interim dividend for the year ended 30 June 2017 of 1 cents per ordinary share (2016: 1 cent)	1,176	1,168
	4,680	4,006

On 15 August 2017, the directors declared a fully franked final dividend for the year ended 30 June 2017 of 2 cents per ordinary share with payment date of 5 September 2017 to eligible shareholders on the register as at 17 August 2017. This equates to a total distribution of $2,350,000, based on the number of ordinary shares on issue as at 30 June 2017. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2017 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 2017 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.

Class Limited
Directors' report
30 June 2017

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. He was formerly managing director of Stockland, an ASX top 50 company, from 2000 to 2013. He has an extensive background in commercial, retail, industrial and residential property investment and development. He is now a Non-Executive Director of CSR Limited and Urban Growth NSW, a state owned corporation and is Chairman of Carbonxt Group Limited and mPort Ltd. 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. 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)
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Nomination Remuneration and Human Resources Committee
Interests in shares:	60,000

Name:	Kevin Bungard
Title:	Chief Executive Officer 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. Mr Bungard also has responsibility, together with the Company Secretary, for human resource issues within 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
Interests in options:	975,860

Name:	Anthony Fenning
Title:	Non-Executive Director
Qualifications:	Bachelor of Economics (BEc), Bachelor of Laws (LLB) and an MBA in Management at the Australian Graduate School of Management.
Experience and expertise:	Mr Fenning joined the Board in July 2015. He is the former Chief Executive Officer of Shadforth Financial Group (SFG), a leading financial and business advisory firm. Appointed in 2006, he took on the role of Managing Director of SFG Australia Ltd from 2011 to 2014, before the acquisition in 2014 of the business by IOOF. Previously, he was the Chief Executive Officer at Tynan Mackenzie and before that had a career in law and banking.
Other current directorships:	None
Former directorships (last 3 years):	SFG Australia Ltd
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	None

Class Limited
Directors' report
30 June 2017

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 Class Board in July 2015. Ms Foster has over 20 years' experience creating and running large internet based businesses. 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:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairperson of the Nomination Remuneration and Human Resources Committee
Interests in shares:	522,208

Name:	Rajarshi Ray
Title:	Non-Executive Director
Qualifications:	Bachelor of Information Technology and Graduate Diploma in Accounting. Fellow of Chartered Accountants Australia and New Zealand. Graduate Diploma from the Financial Services Institute of Australia. Graduate of the Australian Institute of Company Directors.
Experience and expertise:	Mr Ray joined the Board in 2008. He is a former Director / Executive at American Express and Coopers & Lybrand. In addition to Class, he is Chairman, Venus Shell Systems; and Non-Executive Director, Heffron and is also involved in a number of not-for-profits. He holds post graduate qualifications in Information Technology, Accounting and Finance. He is a Fellow of the Institute of Chartered Accounts, a Member of the Financial Institute of Australia and a Graduate of the Australian Institute of Company Directors.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Audit and Risk Committee
Interests in shares:	1,248,848

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, SuperEd and 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:	Member of the Audit and Risk Committee and member of the Nomination Remuneration and Human Resources Committee
Interests in shares:	None

'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.

Class Limited
Directors' report
30 June 2017

Chief financial officer and company secretary

Glenn Day joined the Group in September 2008. Mr Day holds a Bachelor of Business, majoring in Accounting and is a member of CPA Australia.

Mr Day is responsible for the financial management of the Group, its corporate affairs and company secretarial matters. Mr Day also has responsibility, with the Chief Executive Officer, for human resources issues within the Group. 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.

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 2017, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Nomination Remuneration and Human Resources Committee ('NRHRC')	
	Attended	Held	Attended	Held	Attended	Held
Matthew Quinn	9	10	3	3	5	5
Kevin Bungard	10	10	-	-	-	-
Anthony Fenning	9	10	4	4	-	-
Kathryn Foster	10	10	-	-	5	5
Rajarshi Ray	10	10	4	4	1	1
Nicolette Rubinsztein	3	3	1	1	2	2
Barry Lambert	6	6	-	-	2	2
Roderick Kibble	5	5	-	-	-	1

Remuneration report (audited)

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 senior executives' actual remuneration outcomes for the year ended 30 June 2017 (FY17) and the remuneration framework including proposed changes for the financial year ended 30 June 2018 (FY18).

Key management personnel (KMP) and senior executives

KMP, as defined by the Accounting Standard AASB 124 Related Party Disclosures (AASB 124), for the year ended 30 June 2017 are detailed in the table below.

The Group's KMP are the non-executive directors, the chief executive officer/managing director and the chief financial officer. This is consistent with the assessment performed for last year.

Key management personnel

Name	Position	Term as KMP
Non-executive directors (NEDs)		
Matthew Quinn	Chairman	Full year
Anthony Fenning	Director	Full year
Kathryn Foster	Director	Full year
Rajarshi Ray	Director	Full year
Nicolette Rubinsztein	Director	Appointed 3 April 2017
Barry Lambert	Director	Resigned 9 February 2017
Roderick Kibble	Director	Resigned 15 December 2016
Executive KMP		
Kevin Bungard	Chief Executive Officer & Managing Director (CEO)	Full year
Glenn Day	Chief Financial Officer	Full year

Overview of remuneration approach and framework

The Nomination, Remuneration and Human Resources Committee (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.

Class Limited
Directors' report
30 June 2017

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. 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.

Remuneration type

The following are non-IFRS measures that are used to provide shareholders with a clear and transparent view of the remuneration structure and how remuneration was paid to the executive KMP for the year ended 30 June 2017.

Fixed Remuneration	Consists of cash salary, fees and related superannuation contributions.
Short Term Incentive	Consists of a cash bonus under the Group's 'Short Term Incentive Plan', and related superannuation contributions.
Long Term Incentive	Consists of the value of LTIs that have vested and become unrestricted during the year, calculated based on the number of options valued using the five-day volume weighted average price (VWAP) prior to the latter of the vesting of the options, or removal of disposal restrictions. Excludes the value of unvested or restricted LTIs at 30 June 2017.

The Group's executive remuneration framework

Feature	Explanation
Market positioning	Fixed remuneration is positioned at the market median against the appropriate services index for roles of comparative size, or relative to their counterparts in related industries. Variable remuneration provides executives the opportunity to earn upper quartile total remuneration for exceptional performance.
Fixed and variable pay mix	Total remuneration is comprised of fixed plus variable (or 'at risk') remuneration. A significant proportion of the total remuneration opportunity for senior executives is variable and 'at risk' based on performance.
Short term incentive (STI) plan	The STI plan provides rewards to executives for achievement of business financial performance metrics (60% weighting) and individual performance goals (40% weighting). Weightings of 50% financial and 50% individual performance goals may apply to lower job grades.
Long term incentive (LTI) plan	The Employee Share Option Plan (ESOP) provides the Group's executives with grants of options based on the recommendations of the NRHRC, having considered the individual's contribution to the Group's performance. The board may specify vesting conditions for any option granted and may, at its discretion, waive or vary these conditions in regard to any option at any time. The exercise price is based on a 10% compounding annual growth in the share price to the last vesting date.

Non-executive director remuneration framework

Feature	Explanation
Market comparison	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.
Fee pool	The fee pool is currently $500,000 per annum including superannuation.

Actual Remuneration

Actual remuneration disclosure has been prepared to provide shareholders with a clear and transparent view of the remuneration structure and how remuneration was paid to the executive KMP for FY17.

Actual remuneration received by executive KMP is set out in the table below. The remuneration disclosure is prepared on the basis summarised under remuneration types above. No termination benefits were paid to executive KMP during the year.

Actual remuneration received by executive KMP FY17

	Fixed remuneration	Short term incentive	Long term incentive	Other benefits	Total
Kevin Bungard	308,198	30,660	- *	-	338,858
Glenn Day	223,795	33,569	- *	-	257,364

* There were no vested options that became unrestricted during the year

Given the flat organisational structure of the Group and following a review of senior executives against the criteria for determining executive KMP, only the CEO and chief financial officer qualify as executive KMP.

Class Limited
Directors' report
30 June 2017

Remuneration framework changes

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. There were no significant changes to the remuneration framework as a consequence of the review undertaken for FY17.

Remuneration Policy
Remuneration governance

The Group's remuneration governance framework is set out below. Whilst the board retains ultimate responsibility, the Group's remuneration policy is implemented through the NRHRC. The composition and functions of the NRHRC, which oversees remuneration issues and human resources matters, are set out in the charter available from the Class website. The charter is reviewed each year.

Class Limited
Directors' report
30 June 2017

The Group's remuneration governance framework

The Group's 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.

Nomination, Remuneration & Human Resources Committee (NRHRC)

Management and 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 aggregate approved by shareholders.
- Overseeing induction of new non-executive directors and evaluation of board performance.
- The remuneration of the CEO and senior executives.

Human Resources, Talent Management and 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.
- Assessing performance against the Group's compliance with external reporting requirements.

CEO and Chief Financial Officer

Makes recommendations to the NRHRC on:

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

External advisors

- Provide independent advice, information and recommendations relevant to remuneration decisions.
- Throughout the year, the NRHRC and management received information from external provider Boyden ANZ Pty Ltd related to remuneration market data and director recruitment.

Class Limited
Directors' report
30 June 2017

Remuneration strategy

The core elements of the Group's remuneration strategy for the executive KMP and executives are outlined below.

Performance driven	**Alignment with shareholder interests**	**Market competitive remuneration opportunities**

Total target executive remuneration

Fixed	**At risk**	
Fixed remuneration	Short term incentive	Long term incentive
Fixed remuneration is targeted at the median of the market for jobs of comparable size and responsibility. • Base salary • Superannuation • Other short-term benefits	The Group's executives participate in an STI plan. Typically, the STI plan is weighted 60% to financial metrics and 40% to individual performance metrics. • Cash	LTIs are provided through the ESOP and are linked to performance with an exercise based on a 10% compounding annual growth in the share price to the last vesting date. • Equity

The key principles on which the Group's executive remuneration policy is based are outlined below.

Key principles of the Group's executive remuneration policy

Objective	Explanation
Performance driven	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 significant proportion of executive remuneration is 'at risk'.
Market competitive remuneration opportunities	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 against jobs of comparable size and responsibility as follows: • 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.
Alignment with shareholder interests	Executives' remuneration is aligned with shareholder interests through a significant 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 LTI plan for executive KMP and senior executives.

Composition of remuneration

The components of the fixed and variable or 'at risk' remuneration (STI and LTI) are detailed below.

(i) Fixed remuneration

Fixed remuneration is made up of base salary, superannuation and other short-term benefits provided by the Group. As outlined above, fixed remuneration is targeted at the median of the market for jobs of comparable size and responsibility. In some cases, superior performance 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.

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Directors' report
30 June 2017

Details of the short-term incentive plan

(ii) At risk remuneration – short term incentive plan

Purpose	To drive individual and team performance to deliver annual business objectives and increase shareholder value.
Frequency and timing	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.
Financial measures	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. 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)	Individual objectives are set for each participant and are aligned to the business plan. These objectives include customer satisfaction, leadership and development of people, sales targets, operational improvement, product targets, growth and other personally attributable goals.
Assessment of performance against measures	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. The NRHRC makes recommendations to the board regarding KMP and senior executive STIs and the overall STI pool in aggregate. 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 staff are reviewed and approved by the senior executives, the chief financial officer and the CEO. Payment for the individual component is normally 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.

(iii) At risk remuneration – long term incentive plan

- 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.

Features of the long-term incentive plan – summary of the Employee Share Option Plan (ESOP)

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	As at 30 June 2017, all unvested options were subject to a three-year vesting period. Future options will vest in annual instalments. All options are subject to disposal restrictions being the earlier of three years from grant date or cessation of employment.

(iv) Other equity incentive plans

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). 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.

Class Limited
Directors' report
30 June 2017

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 and LTI financial measures

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

The key financial measure in FY17 for determining the value of STI payments was NPBT.

Building on the strong financial performance in FY16, the FY17 NPBT performance of the Group improved significantly, increasing by 36% to $11.702 million (or increasing by 52% when the significant costs of the IPO are considered for FY16). The improvements in financial performance and specifically NPBT results moderately exceeded the NPBT target for STIs set by the board.

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 clear 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		LTI	
Year	Revenue ('000)	NPBT ('000)	Earnings Per Share (cents)	Dividends Per Share (cents)	Share price ($)	Executive KMP ($)	All eligible employees STI as a % of NPBT	Vested & unrestricted value – Executive KMP	Vested & unrestricted value – All eligible employees ($)
FY17	28,893	11,702	6.82	5.00	$3.00	64,229	5.2%	N/A	1,120,716
FY16	22,563	8,588	5.19	3.75	$3.30	43,800	4.8%	N/A	N/A
FY15	15,598	5,186	3.17	2.25	N/A	40,515	4.9%	N/A	N/A

1. NPBT and EPS are calculated before significant items (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 FY17 but at the time of writing this report, this amount has not yet been paid.
4. Represents the value of ESOPs which became vested and unrestricted in the period, valued using the VWAP for the five days prior, less the exercise price.
5. STI excludes any sales commission paid/ payable, but includes superannuation paid on bonus payments and the value of the shares issued under the ESP.

Class Limited
Directors' report
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(ii) STI non-financial measures

For FY17, payments approved by the board for the non-financial component of the STI averaged across executive KMP and senior executives were above target. The following table provides some examples of key performance measures used in FY17 to assess executive performance in the non-financial component of the STI.

Non-financial measures and FY17 performance

Performance area	Measure	Performance
People and Culture	Culture Leadership Development Succession Diversity	**Above target** 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 95% of staff completed the survey this year with no significant variance in engagement levels between genders. Overall employee satisfaction rating increased to 89 (2016: 86) with the company scoring extremely high in the areas of diversity including age (95), race (96), gender (97) and sexual orientation (97). Female participation in the business has remained stable overall at approximately 40% with significant increases at board and management level. The Group provides regular compulsory training to staff and management to promote appropriate behaviour in the office.
Innovation and Growth	Product Development Growth from New Business Operational improvement	**On target** The business has targets to develop and introduce new products and services. Over the period new features were added to Class Super including consolidated reporting and investor communication tools and a dedicated mobile app for investors. The Group commenced the business transformation program to accelerate innovation, growth and operational improvements.
Customer	Customer Service Customer focused culture	**Above target** The Group monitors a range of customer service metrics during the year. Class Super won the 2017 Investment Trends Highest Overall Client Satisfaction: SMSF Software Award for the third year running as well as the SMSF Adviser Software Provider of the Year Award, for the fourth year running. Specific customer objectives are now included in the FY18 STI plan. These all provide greater certainty, visibility and improved service for our customers

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Directors' report
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Use of remuneration consultants
During the financial year ended 30 June 2017, the Group engaged Boyden ANZ Pty Limited ('Boyden') to recruit a Non-Executive Director. Boyden also provided recommendations on the level of remuneration for the Group's Directors. These services were performed at no additional cost. The recommendations made by Boyden were reviewed by the NRHRC which recommended an increase in Director remuneration effective 1 April 2017. Total director fees were kept within the limits previously approved by shareholders.

Voting and comments made at the Company's 2016 Annual General Meeting ('AGM')
At the 2016 AGM, shareholders voted to approve the adoption of the remuneration report for the year ended 30 June 2016.
The Company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of statutory remuneration

Amounts of statutory remuneration
Details of the statutory remuneration of KMP of the Group are set out in the following tables.

The KMP of the Group consisted of the directors of Class Limited and the chief financial officer.

Details of remuneration

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2017	Cash salary and fees $	Cash bonus $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled options $	Total $
Non-Executive Directors:							
Matthew Quinn	81,625	-	-	7,754	-	-	89,379
Anthony Fenning	65,000	-	-	6,175	-	-	71,175
Kathryn Foster	65,000	-	-	6,175	-	-	71,175
Rajarshi Ray	65,000	-	-	6,175	-	-	71,175
Nicolette Rubinsztein*	20,000	-	-	1,900	-	-	21,900
Barry Lambert**	55,125	-	-	5,237	-	-	60,362
Roderick Kibble**	27,581	-	-	2,620	-	-	30,201
Executive Directors:							
Kevin Bungard***	305,623	28,000	-	19,616	10,607	98,844	462,690
Other Key Management Personnel:							
Glenn Day***	204,836	30,657	-	19,616	7,776	64,800	327,685
	889,790	58,657	-	75,268	18,383	163,644	1,205,742

* Represents remuneration from the date of appointment as KMP for Nicolette Rubinsztein on 1 April 2017.
** Represents remuneration up to the date of resignation as KMP for Barry Lambert on 9 February 2017 and Roderick Kibble on 15 December 2016.
*** Kevin Bungard and Glenn Day achieved bonuses of 50% and 75% respectively of the potential STI for the period. No STI was deferred or forfeited during the period.

Class Limited
Directors' report
30 June 2017

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2016	Cash salary and fees $	Cash bonus* $	Non-monetary $	Super-annuation $	Long service leave $	Equity-settled $	Total $
Non-Executive Directors:							
Barry Lambert	90,000	-	-	8,550	-	-	98,550
Roderick Kibble	60,000	-	-	5,700	-	-	65,700
Rajarshi Ray	60,000	-	-	5,700	-	-	65,700
Kathryn Foster	60,000	-	-	5,700	-	-	65,700
Matthew Quinn	60,000	-	-	5,700	-	-	65,700
Anthony Fenning	60,000	-	-	5,700	-	-	65,700
Executive Directors:							
Kevin Bungard	261,863	15,000	-	27,639	8,509	93,044	406,055
Other Key Management Personnel:							
Glenn Day	206,158	25,000	-	21,410	7,936	79,215	339,719
	858,021	40,000	-	86,099	16,445	172,259	1,172,824

Non-Executive Directors' salaries are 100% fixed. The fixed proportion and the proportion of remuneration linked to performance of Executive Directors and KMP are as follows:

Name	Fixed remuneration 2017	At risk - STI 2017	At risk - LTI 2017
Executive Directors:			
Kevin Bungard	73%	6%	21%
Other Key Management Personnel:			
Glenn Day	71%	9%	20%

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 with the Group 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.

Class Limited
Directors' report
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Remuneration and other terms of employment for Executives are formalised in service agreements. Details of these agreements are 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 is 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, it's 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, dependant 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, it's 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, dependant on the circumstances surrounding the termination.

Key management personnel have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2017.

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

Grant date	Particulars	Expiry date	Exercise price	Fair value per option at grant date
30/09/2015	Kevin Bungard: 495,860 options	30/09/2019	$1.10	$0.197
30/09/2015	Glenn Day: 484,377 options	30/09/2019	$1.10	$0.197
30/09/2015	Kevin Bungard: 280,000 options	30/09/2020	$1.33	$0.168
30/09/2015	Glenn Day: 120,000 options	30/09/2020	$1.33	$0.168
29/06/2016	Kevin Bungard: 200,000 options	30/06/2021	$3.81	$0.661
29/06/2016	Glenn Day: 90,000 options	30/06/2021	$3.81	$0.661

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

Class Limited
Directors' report
30 June 2017

The number of options over ordinary shares granted to and vested in directors and other key management personnel as part of compensation are set out below:

Name	Number of options granted during the year 2017	Number of options granted during the year 2016	Number of options vested during the year 2017	Number of options vested during the year 2016
Kevin Bungard	-	1,235,860	495,860	1,140,000
Rajarshi Ray	-	-	-	240,000
Glenn Day	-	948,356	484,377	613,979

Additional disclosures relating to key management personnel

Shareholding
The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, 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
Ordinary shares					
Matthew Quinn	50,000	-	10,000	-	60,000
Kevin Bungard	2,305,572	-	-	(400,000)	1,905,572
Kathryn Foster	783,312	-	-	(261,104)	522,208
Rajarshi Ray	1,450,740	-	-	(201,892)	1,248,848
Barry Lambert*	2,047,318	-	-	(2,047,318)	-
Roderick Kibble**	19,664,320	-	-	(19,664,320)	-
Glenn Day	402,500	-	-	(100,000)	302,500
	26,703,762	-	10,000	(22,674,634)	4,039,128

* Disposal/others represents disposal of 447,318 shares during the period and 1,600,000 shares held at resignation date.

** Disposal/others represents disposal of 2,250,000 shares during the period and 17,414,320 shares held at resignation date.

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Kevin Bungard	975,860	-	-	-	975,860
Glenn Day	694,377	-	-	-	694,377
	1,670,237	-	-	-	1,670,237

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

This concludes the remuneration report, which has been audited.

Class Limited
Directors' report
30 June 2017

Shares under option
Unissued ordinary shares of Class Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
30/09/2015	30/09/2019	$1.10	1,948,991
30/09/2015	30/09/2020	$1.33	1,058,506
29/06/2016	30/06/2021	$3.81	1,058,202
24/07/2017	15/03/2022	$3.99	1,168,000
			5,233,699

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the Company or of any other body corporate.

Shares issued on the exercise of options
The following ordinary shares of Class Limited were issued during the year ended 30 June 2017 and up to the date of this report on the exercise of options granted:

Date options granted	Exercise price	Number of shares issued
30/09/2015	$1.10	675,093

Indemnity and insurance of officers
The Company has indemnified the directors and executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against a liability to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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*.

Class Limited
Directors' report
30 June 2017

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

M. Quinn

Matthew Quinn
Chairman

Kevin Bungard
Chief Executive Officer and Managing Director

15 August 2017
Sydney

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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 2017, 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

Matthew Leivesley
Partner - Audit & Assurance

Sydney, 15 August 2017

Class Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Revenue	5	29,206	22,731
Expenses			
Employee benefits expense		(11,130)	(9,813)
Depreciation and amortisation expense	6	(2,584)	(1,631)
Selling and marketing expenses		(1,206)	(834)
Occupancy expenses		(524)	(309)
Technology and data costs		(940)	(738)
Transaction costs on initial public offering		-	(882)
Other expenses		(1,120)	(818)
Profit before income tax expense		11,702	7,706
Income tax expense	7	(3,714)	(2,496)
Profit after income tax expense for the year attributable to the owners of Class Limited		7,988	5,210
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Class Limited		7,988	5,210
		Cents	Cents
Basic earnings per share	29	6.82	4.64
Diluted earnings per share	29	6.72	4.59

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 2017

	Note	Consolidated 2017 $'000	2016 $'000
Assets			
Current assets			
Cash and cash equivalents	8	19,413	15,179
Trade and other receivables	9	3,120	2,318
Other	10	732	496
Total current assets		23,265	17,993
Non-current assets			
Property, plant and equipment	11	835	604
Intangibles	12	5,025	3,571
Deferred tax asset	7	-	307
Total non-current assets		5,860	4,482
Total assets		29,125	22,475
Liabilities			
Current liabilities			
Trade and other payables	13	2,384	2,268
Income tax provision	7	1,765	666
Provisions	14	547	434
Total current liabilities		4,696	3,368
Non-current liabilities			
Deferred tax	7	682	-
Provisions	15	344	313
Total non-current liabilities		1,026	313
Total liabilities		5,722	3,681
Net assets		23,403	18,794
Equity			
Issued capital	16	24,994	24,260
Reserves	17	1,126	559
Retained earnings		(2,717)	(6,025)
Total equity		23,403	18,794

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 2017

Consolidated	Issued capital $'000	Profit reserve $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2015	16,152	2,553	94	(9,782)	9,017
Profit after income tax expense for the year	-	-	-	5,210	5,210
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income for the year	-	-	-	5,210	5,210
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 16)	8,108	-	-	-	8,108
Share-based payments (note 30)	-	-	465	-	465
Transfer from profit reserve	-	(2,553)	-	2,553	-
Dividends paid (note 18)	-	-	-	(4,006)	(4,006)
Balance at 30 June 2016	24,260	-	559	(6,025)	18,794

Consolidated	Issued capital $'000	Profit reserve $'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

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 2017

	Note	Consolidated 2017 $'000	Consolidated 2016 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		31,013	24,168
Payments to suppliers and employees (inclusive of GST)		(17,155)	(14,661)
Interest received		280	168
Income taxes refunded/(paid)		(1,626)	(1,549)
Net cash from operating activities	28	12,512	8,126
Cash flows from investing activities			
Payments for property, plant and equipment		(578)	(318)
Payments for intangibles		(3,691)	(2,627)
Payments for term deposits		(63)	(54)
Net cash used in investing activities		(4,332)	(2,999)
Cash flows from financing activities			
Proceeds from issue of shares		734	5,429
Proceeds from treasury shares on vesting of loan funded share plan		-	2,943
Share issue transaction costs		-	(264)
Dividends paid	18	(4,680)	(4,006)
Net cash from/(used in) financing activities		(3,946)	4,102
Net increase in cash and cash equivalents		4,234	9,229
Cash and cash equivalents at the beginning of the financial year		15,179	5,950
Cash and cash equivalents at the end of the financial year	8	19,413	15,179

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

Class Limited
Notes to the financial statements
30 June 2017

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 15 August 2017. 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.

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.

Class Limited
Notes to the financial statements
30 June 2017

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.

Provision for impairment of receivables
The provision for impairment of receivables assessment requires a degree of estimation and judgement. The level of provision is assessed by taking into account the recent sales experience, the ageing of receivables, historical collection rates and specific knowledge of the individual debtor's financial position.

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.

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences and losses only if the Group considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Class Limited
Notes to the financial statements
30 June 2017

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	
	2017 $'000	2016 $'000
Sales revenue		
Software licence fees	27,454	21,432
Service fees	233	252
Commission and partner fees	1,206	879
	28,893	22,563
Other revenue		
Interest	313	168
Revenue	29,206	22,731

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.

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.

Class Limited
Notes to the financial statements
30 June 2017

Note 6. Expenses

	Consolidated 2017 $'000	Consolidated 2016 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	66	32
Furniture and fittings	21	12
Computer equipment	214	139
Office equipment	46	11
Total depreciation	347	194
Amortisation		
Website tools development	40	52
Software development	2,179	1,360
Computer software	18	25
Total amortisation	2,237	1,437
Total depreciation and amortisation	2,584	1,631
Rental expense relating to operating leases		
Minimum lease payments	483	282
Superannuation expense		
Defined contribution superannuation expense	1,425	1,058

Class Limited
Notes to the financial statements
30 June 2017

Note 7. Income tax

	Consolidated 2017 $'000	Consolidated 2016 $'000
Income tax expense		
Current tax	2,725	1,692
Deferred tax - origination and reversal of temporary differences	989	804
Aggregate income tax expense	3,714	2,496
Deferred tax included in income tax expense comprises:		
Decrease in deferred tax assets	989	804
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	11,702	7,706
Tax at the statutory tax rate of 30%	3,511	2,312
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	14	15
Share-based payments	170	150
Non allowable deductions	19	19
Income tax expense	3,714	2,496

	Consolidated 2017 $'000	Consolidated 2016 $'000
Deferred tax asset/(liability)		
Deferred tax asset comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Tax losses	-	596
Employee benefits	250	202
Accrued expenses	288	206
Software development - Research and Development	(1,480)	(1,030)
Other	32	29
	(910)	3
Amounts recognised in equity:		
Transaction costs on share issue	228	304
Deferred tax asset/(liability)	(682)	307
Movements:		
Opening balance	307	1,111
Charged to profit or loss	(989)	(804)
Closing balance	(682)	307

Class Limited
Notes to the financial statements
30 June 2017

Note 7. Income tax (continued)

	Consolidated 2017 $'000	Consolidated 2016 $'000
Provision for income tax		
Provision for income tax	1,765	666

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.

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.

Class Limited
Notes to the financial statements
30 June 2017

Note 8. Current assets - cash and cash equivalents

	Consolidated 2017 $'000	Consolidated 2016 $'000
Cash on hand and at bank	19,413	15,179

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 2017 $'000	Consolidated 2016 $'000
Trade receivables	3,099	2,307
Less: Provision for impairment of receivables	(12)	(8)
	3,087	2,299
Accrued revenue	33	19
	3,120	2,318

Impairment of receivables
The Group has recognised a loss of $4,000 (2016: $5,000) in profit or loss in respect of impairment of receivables for the year ended 30 June 2017.

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

	Consolidated 2017 $'000	Consolidated 2016 $'000
0 to 3 months overdue	-	4
3 to 6 months overdue	5	4
Over 6 months overdue	7	-
	12	8

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

	Consolidated 2017 $'000	Consolidated 2016 $'000
Opening balance	8	3
Additional provisions recognised	4	5
Closing balance	12	8

Past due but not impaired
Customers with balances past due but without provision for impairment of receivables amount to $46,000 as at 30 June 2017 ($28,000 as at 30 June 2016).

Class Limited
Notes to the financial statements
30 June 2017

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

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	
	2017	2016
	$'000	$'000
0 to 3 months overdue	22	28
3 to 6 months overdue	24	-
	46	28

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.

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	
	2017	2016
	$'000	$'000
Prepayments	528	355
Term deposits*	204	141
	732	496

*Includes term deposit which is held as security for lease of office premises $204,000 (2016: $141,000).

Class Limited
Notes to the financial statements
30 June 2017

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

	Consolidated 2017 $'000	Consolidated 2016 $'000
Leasehold improvements - at cost	338	156
Less: Accumulated depreciation	(174)	(107)
	164	49
Furniture and fittings - at cost	289	133
Less: Accumulated depreciation	(50)	(29)
	239	104
Computer equipment - at cost	940	722
Less: Accumulated depreciation	(555)	(341)
	385	381
Office equipment - at cost	127	105
Less: Accumulated depreciation	(80)	(35)
	47	70
	835	604

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 2015	81	100	233	66	480
Additions	-	16	287	15	318
Depreciation expense	(32)	(12)	(139)	(11)	(194)
Balance at 30 June 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

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.

Class Limited
Notes to the financial statements
30 June 2017

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

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.

Note 12. Non-current assets - intangibles

	Consolidated 2017 $'000	Consolidated 2016 $'000
Website tools development - at cost	157	157
Less: Accumulated amortisation	(141)	(101)
	16	56
Trademarks and domain names - at cost	46	36
Software development - at cost	15,828	12,185
Less: Accumulated amortisation	(10,909)	(8,730)
	4,919	3,455
Computer software - at cost	100	76
Less: Accumulated amortisation	(56)	(52)
	44	24
	5,025	3,571

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	Total $'000
Balance at 1 July 2015	106	36	2,200	39	2,381
Additions	2	-	2,615	10	2,627
Amortisation expense	(52)	-	(1,360)	(25)	(1,437)
Balance at 30 June 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

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.

Class Limited
Notes to the financial statements
30 June 2017

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 are capitalised and amortised on a straight-line basis over the period of their expected benefit of between three to five years.

Note 13. Current liabilities - trade and other payables

	Consolidated	
	2017	2016
	$'000	$'000
Trade payables	405	517
Accrued expenses	1,385	1,303
BAS payable	594	448
	2,384	2,268

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	
	2017	2016
	$'000	$'000
Annual leave	458	387
Long service leave	72	-
Deferred lease incentives	17	47
	547	434

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.

Class Limited
Notes to the financial statements
30 June 2017

Note 14. Current liabilities - provisions (continued)

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	
	2017 $'000	2016 $'000
Long service leave	300	285
Deferred lease incentives	21	28
Lease make good	23	-
	344	313

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 - 2017	Deferred lease incentives $'000	Lease make good $'000
Carrying amount at the start of the year	75	-
Additional provisions recognised	50	23
Amounts used	(87)	-
Carrying amount at the end of the year	38	23

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 corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 16. Equity - issued capital

	Consolidated			
	2017 Shares	2016 Shares	2017 $'000	2016 $'000
Ordinary shares - fully paid	117,515,849	116,820,283	24,994	24,260

Class Limited
Notes to the financial statements
30 June 2017

Note 16. Equity - issued capital (continued)

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 July 2015	111,350,680	18,715
Exercise price transferred on vesting of loan funded share plan	8 December 2015	-	380
Issuance of shares at $1.00 per share	14 December 2015	5,318,603	5,319
Issuance of shares in the employee offer	14 December 2015	41,000	-
Issuance of shares at $1.00 per share	24 December 2015	110,000	110
Share issue transaction costs, net of tax		-	(264)
Balance	30 June 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

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 2016 Annual Report.

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.

Class Limited
Notes to the financial statements
30 June 2017

Note 17. Equity - reserves

	Consolidated 2017 $'000	Consolidated 2016 $'000
Share-based payments reserve	1,179	612
Acquisition reserve	(53)	(53)
	1,126	559

Profit reserve
The reserve was previously used to transfer profits from retained earnings for the purpose of distributing dividends. Dividends are now distributed out of retained earnings.

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	Profit reserve $'000	Share-based payment reserve $'000	Acquisition reserve $'000	Total $'000
Balance at 1 July 2015	2,553	147	(53)	2,647
Transfer to retained earnings	(2,553)	-	-	(2,553)
Share based payment	-	465	-	465
Balance at 30 June 2016	-	612	(53)	559
Share based payment	-	567	-	567
Balance at 30 June 2017	-	1,179	(53)	1,126

Class Limited
Notes to the financial statements
30 June 2017

Note 18. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated	
	2017 $'000	2016 $'000
Final dividend for the year ended 30 June 2016 of 1 cent per ordinary share (2016: 0.75 cents)	1,168	835
Interim dividend for the year ended 30 June 2017 of 1 cent per ordinary share (2016: 0.75 cents)	1,168	835
Interim dividend for the year ended 30 June 2017 of 1 cents per ordinary share (2016: 1 cent)	1,168	1,168
Interim dividend for the year ended 30 June 2017 of 1 cents per ordinary share (2016: 1 cent)	1,176	1,168
	4,680	4,006

On 15 August 2017, the directors declared a fully franked final dividend for the year ended 30 June 2017 of 2 cents per ordinary share with payment date of 5 September 2017 to eligible shareholders on the register as at 17 August 2017. This equates to a total distribution of $2,350,000, based on the number of ordinary shares on issue as at 30 June 2017. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2017 financial statements and will be recognised in subsequent financial reports.

Franking credits

	Consolidated	
	2017 $'000	2016 $'000
Franking credits available for subsequent financial years based on a tax rate of 30%	2,753	1,454

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.

Market risk

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

Class Limited
Notes to the financial statements
30 June 2017

Note 19. Financial instruments (continued)

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 (2016:50) basis points would have an adverse/favourable effect on profit before tax of $98,000 (2016: $77,000) 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 - 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

Consolidated - 2016	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	517	-	-	-	517
Total non-derivatives	517	-	-	-	517

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

Class Limited
Notes to the financial statements
30 June 2017

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	
	2017	2016
	$	$
Short-term employee benefits	948,447	898,021
Post-employment benefits	75,268	86,099
Long-term benefits	18,383	16,445
Share-based payments	163,644	172,259
	1,205,742	1,172,824

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	
	2017	2016
	$	$
Audit services - Grant Thornton		
Audit or review of the financial statements	79,118	67,950
Other services - Grant Thornton		
Due diligence	-	40,000
Tax compliance services	24,420	15,750
Taxation advisory services	15,400	108,775
	39,820	164,525
	118,938	232,475

Class Limited
Notes to the financial statements
30 June 2017

Note 23. Contingent liabilities

The Group has given bank guarantees as at 30 June 2017 of $204,000 (2016: $141,000) to various landlords.

Note 24. Commitments

	Consolidated	
	2017 $'000	2016 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	638	517
One to five years	653	1,253
	1,291	1,770

Operating lease commitments relate to leases of office premises under non-cancellable operating leases expiring within one and three years with no options to extend. 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.

Transactions with related parties
Rajarshi Ray, a director of the Company is also a director of Heffron Consulting Pty Ltd, 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, is 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.

Barry Lambert, a former director of the Company is also a director of Countplus Limited, a major customer of the Group. Barry Lambert is one of five Directors and is not related to any of the other directors. Transactions between Countplus Limited and the Group are at arm's length and on normal commercial terms.

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

Class Limited
Notes to the financial statements
30 June 2017

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 2017 $'000	Parent 2016 $'000
Profit after income tax	5,479	4,442
Total comprehensive income	5,479	4,442

Statement of financial position

	Parent 2017 $'000	Parent 2016 $'000
Total current assets	14,850	12,849
Total assets	26,798	23,526
Total current liabilities	3,505	2,987
Total liabilities	4,455	3,300
Equity		
Issued capital	24,994	24,260
Share-based payments reserve	1,179	612
Retained earnings	(3,830)	(4,646)
Total equity	22,343	20,226

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 2017 and 30 June 2016.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2017 and 30 June 2016.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2017 and 30 June 2016.

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.

Class Limited
Notes to the financial statements
30 June 2017

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 2017 %	Ownership interest 2016 %
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 2017 $'000	Consolidated 2016 $'000
Profit after income tax expense for the year	7,988	5,210
Adjustments for:		
Depreciation and amortisation	2,584	1,631
Share-based payments	567	465
Change in operating assets and liabilities:		
Increase in trade and other receivables	(802)	(651)
Decrease in deferred tax assets	307	804
Increase in prepayments	(173)	(177)
Increase in trade and other payables	116	653
Increase in provision for income tax	1,099	143
Increase in deferred tax liabilities	682	-
Increase in employee benefits	158	95
Decrease in other provisions	(14)	(47)
Net cash from operating activities	12,512	8,126

Note 29. Earnings per share

	Consolidated 2017 $'000	Consolidated 2016 $'000
Profit after income tax attributable to the owners of Class Limited	7,988	5,210

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	117,054,948	112,336,128
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	1,806,985	1,114,769
Weighted average number of ordinary shares used in calculating diluted earnings per share	118,861,933	113,450,897

	Cents	Cents
Basic earnings per share	6.82	4.64
Diluted earnings per share	6.72	4.59

Class Limited
Notes to the financial statements
30 June 2017

Note 29. Earnings per share (continued)

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 $567,000 (2016: $465,000). No options were granted during the year ended 30 June 2017 (2016: 6,281,708).

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

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

2016

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
03/12/2013	02/06/2017	$0.61	2,400,000	-	(2,400,000)	-	-
28/04/2014	26/10/2017	$0.59	400,000	-	(400,000)	-	-
30/06/2014	28/12/2017	$0.75	400,000	-	(400,000)	-	-
17/08/2015	16/06/2017	$0.69	-	1,375,916	(1,375,916)	-	-
30/09/2015	30/09/2019	$1.10	-	2,624,084	-	-	2,624,084
30/09/2015	30/09/2020	$1.33	-	1,113,506	-	(55,000)	1,058,506
29/06/2016	30/06/2021	$3.81	-	1,168,202	-	-	1,168,202
			3,200,000	6,281,708	(4,575,916)	(55,000)	4,850,792
Weighted average exercise price			$0.62	$1.54	$0.64	$1.33	$1.78

Class Limited
Notes to the financial statements
30 June 2017

Note 30. Share-based payments (continued)

The weighted average share price during the financial year was $3.26 (2016:$2.29).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 3 years (2016: 4 years).

2,624,084 options outstanding as at 30 June 2017 are vested and exercisable (30 June 2016: Nil).

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.

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 2017 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.

Class Limited
Notes to the financial statements
30 June 2017

Note 32. Other accounting policies

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Class Limited ('Company' or 'parent entity') as at 30 June 2017 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.

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.

Class Limited
Notes to the financial statements
30 June 2017

Note 32. Other accounting policies (continued)

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.

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.

Comparatives
Comparatives in the statement of profit or loss and other comprehensive income have been realigned to current year presentation. There has been no effect on the profit for the year.

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 2017. 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. The standard provides a single standard for revenue recognition. 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 expects to adopt this standard from 1 July 2018.

Adoption of AASB 15 is not expected to significantly impact the recognition of revenue on the basis that all of the Group's revenue is recognised at the time of transfer of services to the customer which represents the satisfaction of the primary performance obligation. The main impact of adopting AASB 15 is expected to be in relation to contract acquisition costs and contract fulfilment costs directly incremental to the obtaining of a new contract. These will be recorded as an asset and then amortised on a systematic basis that is consistent with the entity's transfer of the related services to the customer. This will be a change in practice as the Group currently expenses these costs as they are incurred. The full impact is not yet known as the Group is in the process of undertaking an exercise to quantify the expected impact on the financial statements on initial adoption.

Class Limited
Notes to the financial statements
30 June 2017

Note 32. Other accounting policies (continued)

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 will adopt this standard from 1 July 2019 but the impact of its adoption is yet to be assessed by the Group.

Class Limited
Directors' declaration
30 June 2017

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 2017 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

15 August 2017
Sydney

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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 2017, 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 Class Limited is in accordance with the *Corporations Act 2001*, including:

a Giving a true and fair view of the Group's financial position as at 30 June 2017 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 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	
Capitalised software development costs had a net carrying value of $4,919,000 at 30 June 2017. AASB 138 Intangible Assets sets out the specific requirements to be met in order to capitalise development costs. Intangible assets should be amortised over their useful economic lives in accordance with AASB 138. The process to measure the amount of development costs to capitalise involves significant management judgement in assessing whether costs meet the development phase criteria described in AASB 138 and in relation to the estimate of the assets' useful lives. During the year, the Company capitalised $3,643,000 of software development costs. The capitalised software development costs are being amortised over 3 years. This area is a key audit matter due to subjectivity and management judgement applied in the assessment of whether costs meet the development phase criteria described in AASB 138.	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; • considering the reasonableness of useful lives applied; 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 Company's annual report for the year ended 30 June 2017, 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_files/ar2.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 14 to 25 of the directors' report for the year ended 30 June 2017.

In our opinion, the Remuneration Report of Class Limited, for the year ended 30 June 2017, 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

Matthew Leivesley
Partner - Audit & Assurance

Sydney, 15 August 2017

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Shareholder information

Class Limited
Shareholder information
30 June 2017

The shareholder information set out below was applicable as at 1 August 2017.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares
1 to 1,000	68	6
1,001 to 5,000	504	27
5,001 to 10,000	794	7
10,001 to 100,000	2,543	-
100,001 and over	1,604	-
	5,513	40
Holding less than a marketable parcel	-	-

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
TRONCELL PTY LTD	15,005,700	12.77
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,635,875	9.90
J P MORGAN NOMINEES AUSTRALIA LIMITED	7,939,518	6.76
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	7,105,094	6.05
MR JOSEPH CHARLES CAMUGLIA & MRS KIRSTEN INGRET CAMUGLIA	3,593,000	3.06
CITICORP NOMINEES PTY LIMITED	3,460,692	2.94
ARMELEK PTY LTD	3,300,000	2.81
NATIONAL NOMINEES LIMITED	2,837,977	2.41
BNP PARIBAS NOMINEES PTY LTD	2,818,708	2.40
BNP PARIBAS NOMS PTY LTD	2,764,888	2.35
CANEMOON INVESTMENTS PTY LTD	2,404,650	2.05
MR KEITH FINKELDE & MRS ANNE FINKELDE & MR WAYNE FINKELDE	2,054,528	1.75
MR PETER DORIAN KIBBLE & MRS LORRAINE LESTER	2,001,652	1.70
MR RODERICK KIBBLE & MRS MICHELLE KIBBLE	2,001,652	1.70
MR KEVIN BUNGARD	1,160,912	0.99
ONE MANAGED INVESTMENT FUNDS LIMITED	1,068,447	0.91
PROFITOUS PTY LTD	1,044,175	0.89
KAPITAL SUPER FUND P/L	1,007,592	0.86
MR RAJARSHI MANU RAY	1,000,000	0.85
FYLPANE PTY LTD	990,000	0.84
CITICORP NOMINEES PTY LIMITED	934,419	0.80
	75,195,060	63.99

Class Limited
Shareholder information
30 June 2017

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares	5,233,699	40

Substantial holders

Substantial holders in the Company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
TRONCELL PTY LTD	15,005,700	12.77
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	11,635,875	9.90
J P MORGAN NOMINEES AUSTRALIA LIMITED	7,939,875	6.76
RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LTD	7,105,094	6.05

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	30,000
Ordinary shares	20 December 2019 or the day after the date which the shareholder ceases to be an employee	17,697
		238,413

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Corporate directory

Corporate directory 30 June 2017

Directors

Matthew Quinn
Kevin Bungard
Anthony Fenning
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 16 October 2017 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/Investors/