

1. Company details

Name of entity:	Class Limited
ABN:	70 116 802 058
Reporting period:	For the half-year ended 31 December 2017
Previous period:	For the half-year ended 31 December 2016

2. Results for announcement to the market

			\$'000
Revenues from ordinary activities	up	21.4% to	17,196
Profit from ordinary activities after tax attributable to the owners of Class Limited	up	19.2% to	4,297
Profit for the half-year attributable to the owners of Class Limited	up	19.2% to	4,297

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2017 paid on 5 September 2017	2.00	2.00

On 8 February 2018, the Directors declared a fully franked interim dividend for the year ending 30 June 2018 of 2.5 cents per ordinary share with record date of 14 February 2018 to be paid on 7 March 2018.

Comments

Refer to 'Review of operations' in the Directors' Report for detailed commentary.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>17.72</u>	<u>16.22</u>

4. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

5. Attachments

Details of attachments (if any):

The Interim Report of Class Limited for the half-year ended 31 December 2017 is attached.

6. Signed

A handwritten signature in black ink, appearing to read 'M. Quinn'.

Signed _____

Date: 8 February 2018

Matthew Quinn
Chairman
Sydney

Class Limited

ABN 70 116 802 058

Interim Report - 31 December 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 half-year ended 31 December 2017.

Directors

The following persons were directors of Class Limited during the whole of the financial half-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
 Christopher Cuffe (appointed on 16 October 2017)

Principal activities

During the financial half-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

	31 Dec 2017 \$'000	31 Dec 2016 \$'000	Change \$'000	Change %
Sales revenue	17,010	14,028	2,982	21%
Cost of undertaking business	(9,187)	(7,670)	(1,517)	20%
EBITDA	7,823	6,358	1,465	23%
Interest revenue	186	141	45	32%
Depreciation and amortisation	(1,737)	(1,168)	(569)	49%
Tax expense	(1,975)	(1,725)	(250)	14%
Statutory net profit after tax	4,297	3,606	691	19%

The Group remains the market leader in cloud SMSF administration software and posted a 19% increase in profit on the prior corresponding period, to \$4,297,000 for the half-year ended 31 December 2017.

Sales revenue grew by 21% on the prior corresponding period, primarily driven by an increase in accounts which grew by 27,937. Based on accounts at 31 December 2017, Annualised Committed Monthly Revenue (ACMR), for the ~95% of revenue earned from software licence fees, increased to \$33,732,000 (31 December 2016: \$28,249,000).

Costs of undertaking business increased by \$1,517,000, approximately 54% of which was the result of an investment in client acquisition, increased resources and marketing spend and the Class user conference.

The industry continues to deal with the disruption caused by the Federal Government's Super Reform legislation (super reforms), as recognised by the ATO's decision to extend the SMSF lodgement deadline for the second year in a row. The Group undertook the successful 'Better Move' sales and marketing campaign to incentivise firms who were deferring the move to Class due to super reforms and who were 'too busy' to migrate in Q3/Q4 of 2017.

The Group remains committed to continued investment in product development. The increase in depreciation and amortisation expense was in relation to the significant capital expenditure for the further development of the Class Super and Class Portfolio products over the last three years.

While super reforms have disrupted the industry in the short term, we remain confident that the more stringent compliance, tracking and reporting requirements they demand will accelerate technology adoption over the next two years. This need for automation will make the use of Class Super indispensable to the running of an effective and profitable SMSF practice.

Significant changes in the state of affairs

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

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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



Matthew Quinn
Chairman



Kevin Bungard
Chief Executive Officer and Managing Director

8 February 2018
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 review of Class Limited for the half-year ended 31 December 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 review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M R Leivesley
Partner – Audit & Assurance

Sydney, 8 February 2018

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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:

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 8 February 2018. The directors have the power to amend and reissue the financial statements.

Class Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2017



		Consolidated	
	Note	31 Dec 2017	31 Dec 2016
		\$'000	\$'000
Revenue	3	17,196	14,169
Expenses			
Employee benefits expense		(6,587)	(5,924)
Depreciation and amortisation expense		(1,737)	(1,168)
Selling and marketing expenses		(913)	(560)
Occupancy expenses		(309)	(199)
Technology and data costs		(582)	(429)
Other expenses		(796)	(558)
		<hr/>	<hr/>
Profit before income tax expense		6,272	5,331
Income tax expense		(1,975)	(1,725)
		<hr/>	<hr/>
Profit after income tax expense for the half-year attributable to the owners of Class Limited		4,297	3,606
Other comprehensive income for the half-year, net of tax		-	-
		<hr/>	<hr/>
Total comprehensive income for the half-year attributable to the owners of Class Limited		<u>4,297</u>	<u>3,606</u>
		Cents	Cents
Basic earnings per share	10	3.65	3.09
Diluted earnings per share	10	3.60	3.03

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 31 December 2017



		Consolidated	
	Note	31 Dec 2017	30 Jun 2017
		\$'000	\$'000
Assets			
Current assets			
Cash and cash equivalents	4	19,965	19,413
Trade and other receivables		3,621	3,120
Other		838	732
Total current assets		<u>24,424</u>	<u>23,265</u>
Non-current assets			
Property, plant and equipment		715	835
Intangibles	5	5,886	5,025
Total non-current assets		<u>6,601</u>	<u>5,860</u>
Total assets		<u>31,025</u>	<u>29,125</u>
Liabilities			
Current liabilities			
Trade and other payables	6	2,252	2,384
Income tax provision		1,086	1,765
Provisions		656	547
Total current liabilities		<u>3,994</u>	<u>4,696</u>
Non-current liabilities			
Deferred tax liability		899	682
Provisions		294	344
Total non-current liabilities		<u>1,193</u>	<u>1,026</u>
Total liabilities		<u>5,187</u>	<u>5,722</u>
Net assets		<u>25,838</u>	<u>23,403</u>
Equity			
Issued capital	7	25,154	24,994
Reserves		1,454	1,126
Retained earnings		(770)	(2,717)
Total equity		<u>25,838</u>	<u>23,403</u>

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

Class Limited
Statement of changes in equity
For the half-year ended 31 December 2017



Consolidated	Issued capital \$'000	Other reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2016	24,260	559	(6,025)	18,794
Profit after income tax expense for the half-year	-	-	3,606	3,606
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	3,606	3,606
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	425	-	425
Dividends paid (note 8)	-	-	(2,336)	(2,336)
Balance at 31 December 2016	24,260	984	(4,755)	20,489
Consolidated	Issued capital \$'000	Other reserves \$'000	Retained earnings \$'000	Total equity \$'000
Balance at 1 July 2017	24,994	1,126	(2,717)	23,403
Profit after income tax expense for the half-year	-	-	4,297	4,297
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	4,297	4,297
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 7)	160	-	-	160
Share-based payments	-	328	-	328
Dividends paid (note 8)	-	-	(2,350)	(2,350)
Balance at 31 December 2017	25,154	1,454	(770)	25,838

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

Class Limited
Statement of cash flows
For the half-year ended 31 December 2017



	Note	Consolidated 31 Dec 2017 \$'000	31 Dec 2016 \$'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		18,322	15,017
Payments to suppliers and employees (inclusive of GST)		(10,739)	(9,150)
Interest received		74	123
Income taxes paid		<u>(2,437)</u>	<u>(1,172)</u>
Net cash from operating activities		<u>5,220</u>	<u>4,818</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(69)	(480)
Payments for intangibles	5	(2,409)	(1,513)
Payments for security deposits		<u>-</u>	<u>(63)</u>
Net cash used in investing activities		<u>(2,478)</u>	<u>(2,056)</u>
Cash flows from financing activities			
Proceeds from issue of shares		160	-
Dividends paid	8	<u>(2,350)</u>	<u>(2,336)</u>
Net cash used in financing activities		<u>(2,190)</u>	<u>(2,336)</u>
Net increase in cash and cash equivalents		552	426
Cash and cash equivalents at the beginning of the financial half-year		<u>19,413</u>	<u>15,179</u>
Cash and cash equivalents at the end of the financial half-year		<u><u>19,965</u></u>	<u><u>15,605</u></u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, 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 during the financial half-year ended 31 December 2017 and are not expected to have any significant impact for the full financial year ending 30 June 2018.

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

Note 2. 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.

Note 3. Revenue

	Consolidated	
	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
<i>Sales revenue</i>		
Software licence fees	16,087	13,221
Service fees	94	123
Commission and partner fees	829	684
	<u>17,010</u>	<u>14,028</u>
<i>Other revenue</i>		
Interest	186	141
Revenue	<u><u>17,196</u></u>	<u><u>14,169</u></u>

Note 4. Current assets - cash and cash equivalents

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Cash on hand and at bank	19,965	19,413

Note 5. Non-current assets - intangibles

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Website tools development - at cost	157	157
Less: Accumulated amortisation	(153)	(141)
	<u>4</u>	<u>16</u>
Trademark and domain names - at cost	48	46
Software development - at cost	17,885	15,828
Less: Accumulated amortisation	(12,345)	(10,909)
	<u>5,540</u>	<u>4,919</u>
Computer software - at cost	198	100
Less: Accumulated amortisation	(75)	(56)
	<u>123</u>	<u>44</u>
Contractual rights - at cost	252	-
Less: Accumulated amortisation	(81)	-
	<u>171</u>	<u>-</u>
	<u>5,886</u>	<u>5,025</u>

Reconciliations

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

Consolidated	Website tools development \$'000	Trademark and domain names \$'000	Software development \$'000	Computer software \$'000	Contractual rights \$'000	Total \$'000
Balance at 1 July 2017	16	46	4,919	44	-	5,025
Additions	-	2	2,057	98	252	2,409
Amortisation expense	(12)	-	(1,436)	(19)	(81)	(1,548)
Balance at 31 December 2017	<u>4</u>	<u>48</u>	<u>5,540</u>	<u>123</u>	<u>171</u>	<u>5,886</u>

Note 6. Current liabilities - trade and other payables

	Consolidated	
	31 Dec 2017	30 Jun 2017
	\$'000	\$'000
Trade payables	443	405
Accrued expenses	1,141	1,385
BAS payable	668	594
	<u>2,252</u>	<u>2,384</u>

Note 7. Equity - issued capital

	Consolidated			
	31 Dec 2017	30 Jun 2017	31 Dec 2017	30 Jun 2017
	Shares	Shares	\$'000	\$'000
Ordinary shares - fully paid	117,662,056	117,515,849	25,154	24,994

Movements in ordinary share capital

Details	Date	Shares	\$'000
Balance	1 July 2016	117,515,849	24,994
Shares issued on exercise of options	23 August 2017	120,000	160
Shares issued under tax exempt Employee Share Plan for nil consideration	19 December 2017	26,207	-
Balance	31 December 2017	<u>117,662,056</u>	<u>25,154</u>

Note 8. Equity - dividends

Dividends paid during the financial half-year were as follows:

	Consolidated	
	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Unfranked final dividend for the year ended 30 June 2017 of 2 cents per ordinary share (2016: 1 cent)	2,350	1,168
Unfranked interim dividend for the year ending 30 June 2018 of nil cent per ordinary share (2016: 1 cent)	-	1,168
	<u>2,350</u>	<u>2,336</u>

On 8 February 2018, the Directors declared a fully franked interim dividend for the year ending 30 June 2018 of 2.5 cents per ordinary share, to be paid on 7 March 2018 to eligible shareholders on the register as at 14 February 2018. This equates to a total estimated distribution of \$2,942,000, based on the number of ordinary shares on issue as at 31 December 2017.

Note 9. 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 are assumed to 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.

Note 10. Earnings per share

	Consolidated	
	31 Dec 2017	31 Dec 2016
	\$'000	\$'000
Profit after income tax attributable to the owners of Class Limited	<u>4,297</u>	<u>3,606</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	117,603,135	116,821,618
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	<u>1,690,643</u>	<u>2,290,165</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>119,293,778</u>	<u>119,111,783</u>
	Cents	Cents
Basic earnings per share	3.65	3.09
Diluted earnings per share	3.60	3.03

Note 11. Events after the reporting period

Apart from the dividend declared as disclosed in note 8, no other matter or circumstance has arisen since 31 December 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.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2017 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



Matthew Quinn
Chairman

8 February 2018
Sydney



Kevin Bungard
Chief Executive Officer and Managing Director

Level 17, 383 Kent Street
Sydney NSW 2000

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Independent Auditor's Review Report To the Members of Class Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Class Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2017, and 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 half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Class Limited does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors Responsibility for the Half Year Financial Report

The Directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Class Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.



Grant Thornton Audit Pty Ltd
Chartered Accountants



M R Leivesley
Partner - Audit & Assurance

Sydney, 8 February 2018