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 2019
Previous period:	For the year ended 30 June 2018

2. Results for announcement to the market

The Group has adopted Accounting Standards AASB 9 'Financial Instruments' and AASB 15 'Revenue from Contracts with Customers' for the year ended 30 June 2019. The Accounting Standards were adopted using the transitional rules that allow for comparatives not to be restated.

				$'000
Revenues from ordinary activities	up	12.3%	to	38,621
Profit from ordinary activities after tax attributable to the owners of Class Limited	up	3.2%	to	8,975
Profit for the year attributable to the owners of Class Limited	up	3.2%	to	8,975

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2018 paid on 17 September 2018	2.500	2.500
Interim dividend for the year ended 30 June 2019 paid on 19 March 2019	2.500	2.500

On 20 August 2019, the directors declared a fully franked final dividend for the year ended 30 June 2019 of 2.5 cents per ordinary share with record date of 6 September 2019 and payment date of 27 September 2019.

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	19.18	18.69

The net tangible assets per ordinary share is calculated based on 116,097,056 ordinary shares on issue as at 30 June 2019 (excluding 1,565,000 treasury shares).

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 2019 is attached.

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6. Signed

Signed ____________________________ Date: 20 August 2019

Matthew Quinn
Chairman
Sydney

Class

Annual Report

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Financial highlights

Year ended 30 June 2019

$38.3M **13%**

OPERATING REVENUE

GROWTH **IN FY19**

$17.9M **13%**

EBITDA

GROWTH **IN FY19**

$9.0M 3%

NPAT

GROWTH
IN FY19

$7.6c 4%

DILUTED
EPS

GROWTH
IN FY19

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 2019.

Class was founded with a focus on streamlining and automating the accounting and administration of self-managed super funds. Our core Class Super product has cemented a very strong position in this sector, is highly valued by our customers and generates excellent returns for our shareholders.

We see great opportunity to use our product development skills and strong customer engagement in the SMSF space as a launch pad to broaden into other parts of the accounting, administration and wealth management space, and significantly increase our revenue over the next few years.

The Board decided that we needed fresh leadership and thinking to drive this strategy, resulting in the appointment of Andrew Russell as CEO. Andrew brings a wealth of knowledge and experience in technology development in the financial services sector and we are confident that under his leadership the company will go from strength to strength.

Andrew has already revamped his Executive Leadership Team (ELT), with key hires in product development, technology and sales, and has created a new level of energy and excitement in the team.

The new team has already gained traction in broadening our product offering, and last month we signed an agreement with one of our major customers, leading wealth accounting group Findex, to pilot a solution to fully automate and simplify trust accounting. This is a large market opportunity and we envisage that, over time, Class Trust will be just as valuable to our customers as Class Super.

These are important strategic steps for Class and we are excited about what the future holds.

On behalf of the Board I would like to thank our shareholders for your continued support, our customers for your loyalty and our employees for their hard work and commitment to the business.

I would also like to thank Rajarshi Ray who is retiring as a Non-Executive Director in October. Raj played a key role as CEO of the business and was instrumental in positioning the company for listing in 2015. His contribution on the Board has been invaluable over the last 10 years. And thank you to Kevin Bungard, our previous CEO, who steered Class diligently prior to Andrew's appointment.

Class is in a great position to embark on our next chapter of growth. We have the people, the technology and the strategy to take advantage of the opportunities that lie ahead.

We look forward to seeing you at the Annual General Meeting on 21 October 2019.

Yours sincerely

Matthew Quinn

Chairman

CEO’s report

The close of the 2019 financial year represents the beginning of a new chapter for Class.

When I joined the business in May I was excited by the opportunity to lead Class in a new direction and build on the strength of a great underlying business. We are in a unique and enviable position with incredibly strong recurring revenue, which allows us to embark on our next chapter of growth.

We have certainly experienced our fair share of change and disruption over the last few years, however, the business has continued to deliver strong revenue results, grow account numbers and increase market share.

Delivering on our purpose requires relationships built upon trust and integrity and we remain focussed on providing our customers with the tools they need to run their businesses efficiently and profitably.

Our clear competitive advantage is in developing complex, technical rule-based technology solutions which we will continue to do, delivering value to our customers and shareholders.

Financial Results

Operating revenue grew by 13% to $38.3m. This was driven primarily by continued account growth and partner initiatives.

Expenses (excluding amortisation and depreciation) increased by $2.3m. This was driven by continued investment and recruitment in key areas of the business including product development, the partner program, sales and marketing.

Earnings before interest, tax, depreciation and amortisation (‘EBITDA’) grew by 13% to $17.9m.

Our financial performance this year has been solid with an increase in net profit after tax to $9.0m.

Operation Highlights

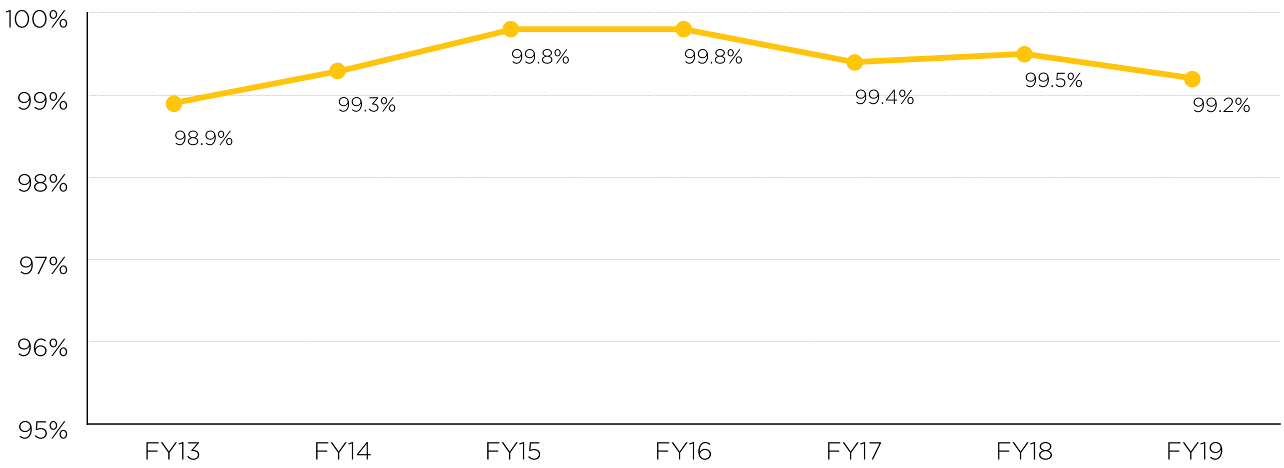
Our core product, Class Super, has been rated #1 for Highest Overall Client Satisfaction for the 5th year in a row. It’s also worth noting we’ve been voted #1 Value for Money for the 3rd year running, despite being the premium priced solution in the market.[1]

Class also won two awards in the 2019 Fintech Business Awards - Software Services Innovator of the Year (50 employees or more), and Accounting Innovator of the Year. This is the second year in a row that Class has been awarded Accounting Innovator of the Year.

1 Source: Investment Trends 2019 SMSF Accountant Report, based on a survey of 644 accountants in public practice.

Although Class doesn't focus on winning awards, what these results highlight is that our commitment to innovation and product excellence has our customers consistently rating Class Super above our competitors. This enables us to maintain our exceptional retention rate of over 99% which underpins an annualised recurring revenue of $38.2m.

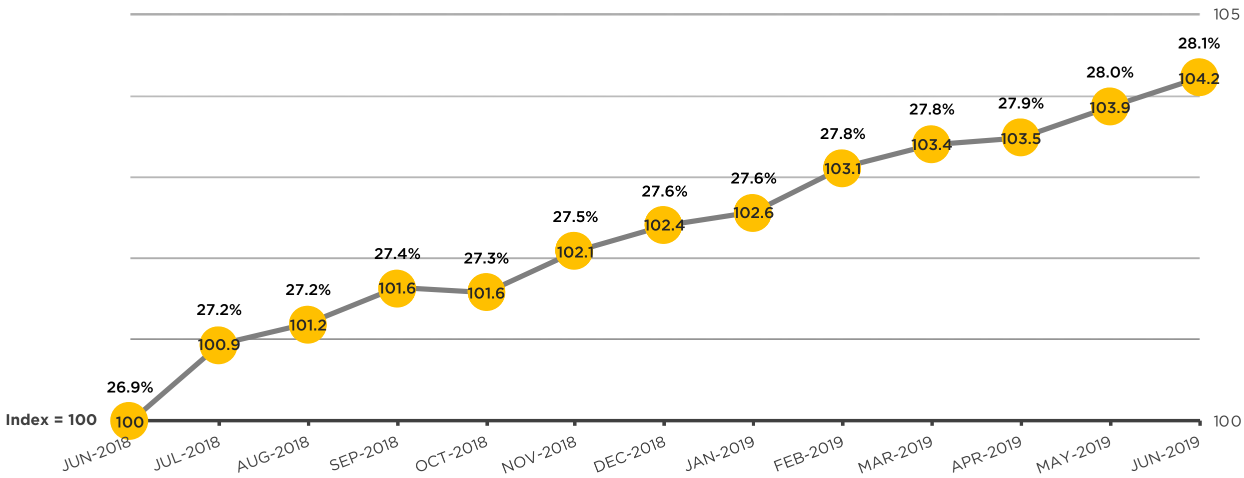
Customer Retention by Accounts (%)



Accounts and Market Share

At 30 June 2019, Class had a total of 179,082 accounts (30 June 2018: 169,413) including 171,447 self-managed super funds (SMSFs) on the Class Super product. Class Super's estimated share of the SMSF market at 30 June 2019 was 28% (estimated total market 600,000 SMSFs).

Class Market Share Index - FY19[2]
(30 Jun 2018 = 100)



Class one year growth in market share: 4.2% (or 1.1 percentage points)

2 Methodology can be found in the FY19 Results Investor Presentation available on our website.

Growth levels have certainly remained under pressure this year, but with the federal election behind us and a renewed focus on product, marketing and sales, we are in a position to build real momentum.

Product Development

Class made an investment of $9.0m towards development this period, an increase of 48%.

We released significant new product features to Class Super to support existing customers and drive prospect engagement. These include:

- **Tax statement automation** – a solution for processing tax statements, delivering significant time savings for accountants and administrators.
- **Adviser Dashboard** – an easy to use dashboard which gives advisers complete visibility of all the portfolios they're managing, helping them guide their clients' investment strategies and performance.
- **Managed accounts support** – a new integration between Class and Macquarie which leverages new, improved managed account data accounting and reporting in Class, delivering significant time savings for this feed and shortly, many others.

We have learnt important lessons from Class Portfolio and are working closely with Findex and other customers to develop a new trust accounting solution to add to our suite of products. Trusts are the primary wealth vehicle outside of SMSFs in Australia requiring complex, rule-based reporting. Class is in a great position to become the first end to end solution for Trust accounting in the Australian market.

Class Portfolio continues to grow and will remain an important part of the Class suite, providing investment administration, reporting and client view. We expect administrators and financial advisers who manage investment portfolios will be the main users of Portfolio and they remain our target market for this product.

Over the next year we expect to invest heavily in the development of the Class suite to deliver new features and capabilities in support of new products and markets.

CEO’s report continued

Reimagination

Class is reimagining itself from an SMSF administration software provider to a world class technology company. We have a renewed vision, purpose and values, all of which are focussed on customer, people and innovation.

In early March, Class announced an investment in Philo Capital Advisers (Philo), a leader in the provision of services to the rapidly growing managed discretionary account (MDA) sector.

We invested in Philo because of the strong growth in the MDA sector as well as this transaction resulting in a change in our earnings profile.

We’re excited by this investment as it supports our strategy to be a leading technology provider as well as providing an opportunity to participate in the value chain and extend our suite to support financial advisors.

As our integration capabilities increase and with a clear product focus, we are moving towards having a suite of Class products and services. We have commenced work to develop a range of features that will fully automate and simplify complex trust accounting requirements. These features will deliver unprecedented efficiencies and provide timely delivery of information to clients.

In the years ahead, we intend to continue the thoughtful execution of our growth strategy. This includes partnerships and acquisitions of quality businesses who share our vision and passion for reimagining how the use of innovative cloud-based technology can transform accounting firms in to modern, efficient, client centric organisations.

Looking ahead

As I look forward into 2020 there’s no doubt this will be a significant period for Class as we position the business for the future. We will continue to focus on delivering results and accelerating the development of the Class product suite.

We expect our margins to reduce as we invest in product development, sales and marketing to achieve customer success, however we see enormous potential for growth once these foundations are strengthened and set in place.

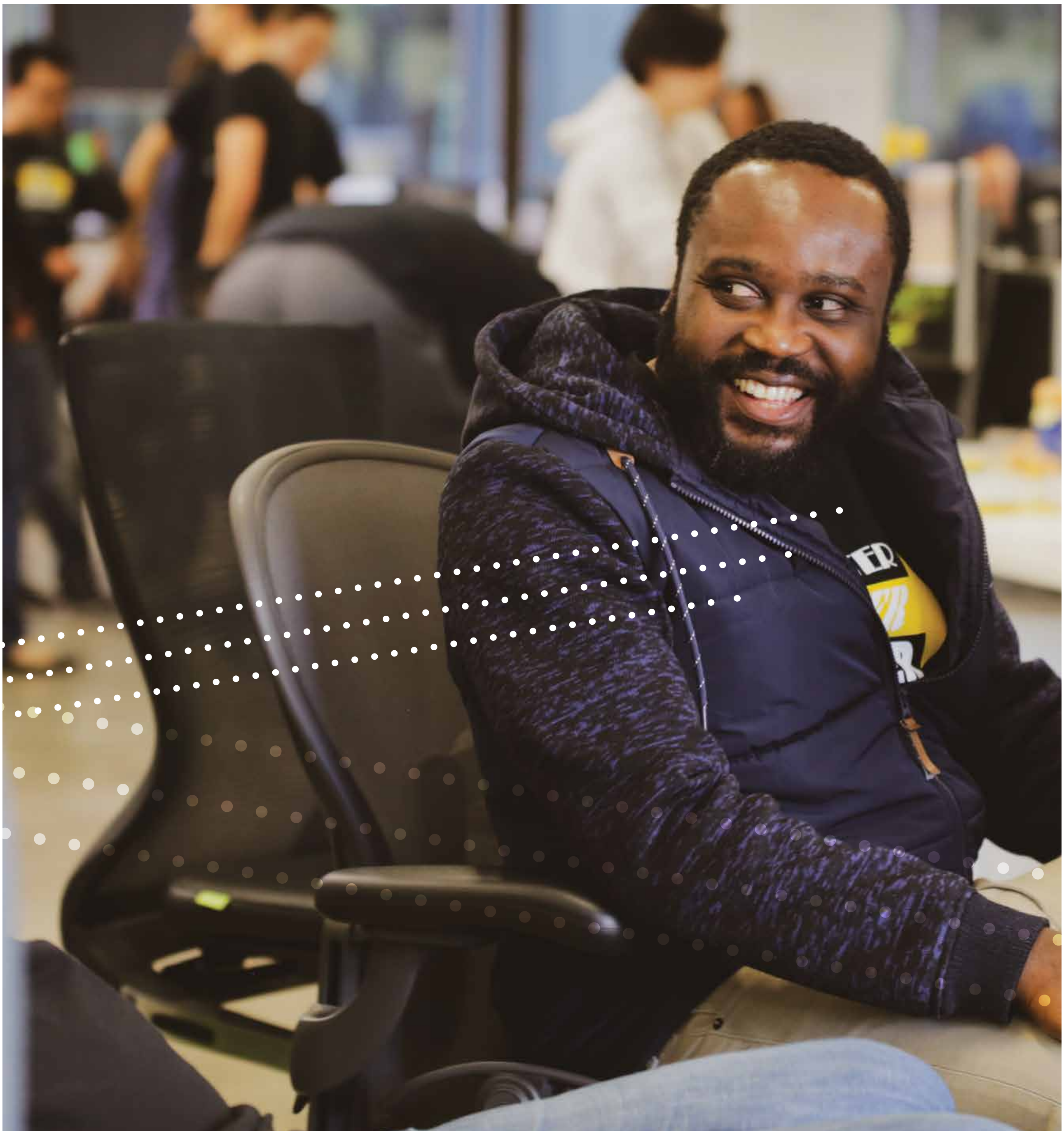
At the heart of Class is a dedicated, diverse and talented workforce. Under an extremely experienced and focused Executive Leadership Team, we are all working as one, with a clear goal of becoming a world class technology company.

We are confident we will deliver on our reimagination strategy, providing long-term value to our clients, partners and shareholders.

Thank you for your continued support.

Andrew Russell
Chief Executive Officer (CEO) & Managing Director

Financial report 2019



Directors' report

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 2019.

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

Andrew Russell (appointed on 14 May 2019)

Kathryn Foster

Rajarshi Ray

Nicolette Rubinsztein

Christopher Cuffe

Kevin Bungard (ceased on 8 November 2018)

Principal activities

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

Review of operations

	2019 $'000	2018 $'000	Change $'000	Change %
Operating revenue and other income	38,311	33,978	4,333	13%
Cost of undertaking business	(20,366)	(18,083)	(2,283)	13%
EBITDA	17,945	15,895	2,050	13%
Interest revenue	338	406	(68)	(17%)
Finance cost	–	(6)	6	(100%)
Depreciation and amortisation	(5,744)	(3,736)	(2,008)	54%
Tax expense	(3,564)	(3,861)	297	(8%)
Statutory net profit after tax	**8,975**	**8,698**	**277**	**3%**

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

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2019 $'000	2018 $'000
Final dividend for the year ended 30 June 2018 of 2.5 cents per ordinary share (2018: 2 cents)	2,942	2,350
Interim dividend for the year ended 30 June 2019 of 2.5 cents per ordinary share (2018: 2.5 cents)	2,934	2,942
	5,876	**5,292**

On 20 August 2019, the Directors declared a final dividend for the year ended 30 June 2019 of 2.5 cents per ordinary share with payment date of 27 September 2019 to eligible shareholders on the register as at 6 September 2019. This equates to a total distribution of $2,902,000, based on the number of ordinary shares on issue as at 30 June 2019. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2019 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 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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

Environmental regulation

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

Information on Directors

Matthew Quinn

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

Andrew Russell

Title:	Chief Executive Officer and Managing Director ('CEO')
Qualifications:	Innovative Technology Leader Program from the Stanford University Graduate School of Business, Authentic Leadership Development Program from the Harvard Business School Executive Education and MBA from Cass Business School, B.Econ, Economics and Political Science from Macquarie University and a graduate of the Australian Institute of Company Directors.
Experience and expertise:	Mr Russell is an experienced senior executive with expertise in developing corporate strategy, sales leadership and market entry. In his previous role at REA he helped spearhead the launch of their financial services business. Prior to joining REA, Mr Russell was GM and Interim CEO of Mortgage Choice where he led the successful launch of their wealth management and financial planning business and prior to that he was appointed by the Virgin Group to lead the Australian market entry for Virgin Money.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	None
Interests in options:	None
Interests in rights:	300,000 performance rights (Grant subject to approval of the shareholders at the next Annual General Meeting)

Christopher Cuffe

Title:	Non-Executive Director
Qualifications:	Bachelor of Commerce and a Diploma from the Financial Services Institute of Australia. A Fellow of Chartered Accountants Australia and New Zealand, a Fellow of the Institute of Company Directors and an Associate of the Financial Services Institute of Australasia.
Experience and expertise:	Mr. Cuffe has many years of experience building successful wealth management practices. Most notably he joined Colonial First State in 1988 and became CEO two years later. In 2003 Mr Cuffe became the CEO of Challenger Financial Services Group Limited and subsequently headed up Challenger's Wealth Management business. Mr. Cuffe was formerly Chairman of UniSuper. He is the current Chairman of Australian Philanthropic Services and Atrium Investment Management Pty Ltd. In October 2017, Mr Cuffe was inducted into the Australian Fund Manager's RBS Hall of Fame for services to the investment industry.
Other current directorships:	Non-executive Director Global Value Fund Limited (ASX: GVF); Non-executive Director Argo Investments Limited (ASX: ARG) and Non-executive Director Antipodes Global Investment Company Ltd (ASX: APL).
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee and member of the Nomination Remuneration and Human Resources Committee
Interests in shares:	50,000 ordinary shares
Interests in options:	None
Interests in rights:	None

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 has a strong background in technology, sales, and early-stage start-up companies. Ms. Foster has more than two decades of experience designing, building and running large internet-based businesses. Prior to becoming a professional Non-executive Director, Ms. Foster was Executive Senior Director of Xbox Games Marketplace as well as Microsoft Store online where she managed the profit and loss and global expansion in over 200 geographies with annual revenue budgets in the low billions of dollars. She has extensive technical and commercial experience in software and hardware solutions and advises companies on strategy and technology. Since moving to Australia, Ms. Foster first joined Class Ltd prior to the IPO in 2015 and is the Chair of the Nomination, Remuneration and Human Resources Committee. Ms. Foster is also a Non-executive Director for other listed and unlisted companies in Australia
Other current directorships:	Non-executive Director Nuheara Limited (ASX:NUH)
Former directorships (last 3 years):	Netlinkz Limited (ASX:NET) - resigned on 29 September 2016
Special responsibilities:	Chairperson of the Nomination Remuneration and Human Resources Committee
Interests in shares:	162,208 ordinary shares
Interests in options:	None
Interests in rights:	None

Rajarshi Ray

Title:	Non-Executive Director
Qualifications:	Bachelor of Information Technology; Graduate Diploma in Accounting; Graduate Diploma Financial Services. FCA, Chartered Accountants Australia and New Zealand; SAFin, Financial Services Institute of Australia; GAICD, Australian Institute of Company Directors.
Experience and expertise:	Mr Ray joined the Board in 2008 and was formerly a Director at American Express, and also the CEO of Class 2010 to 2014. Mr Ray has over 20 years' experience in the Australian financial and information technology (IT) sectors, having held IT and finance roles across a number of Fortune 500 companies in Europe, Asia, North America and Australia. He is now also a Non Executive Director of unlisted companies as well as not-for-profits.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee
Interests in shares:	1,248,848 ordinary shares
Interests in options:	None
Interests in rights:	None

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 Zurich Australia Limited/OnePath Insurance, UniSuper, SuperEd, The Actuaries Institute, and CBHS Health Fund Ltd. 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 their Super System Design Council.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chair of the Audit and Risk Committee
Interests in shares:	152,864 ordinary shares
Interests in options:	None
Interests in rights:	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.

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. 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 2019, 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	9	-	-	5	5
Andrew Russell	2	2	-	-	-	-
Kathryn Foster	9	9	-	-	5	5
Rajarshi Ray	9	9	5	5	-	-
Nicolette Rubinsztein	8	9	5	5	-	-
Christopher Cuffe	8	9	5	5	4	5
Kevin Bungard	3	3	-	-	-	-

Held: represents the number of meetings held during the time the Director held office or was a member of the relevant committee.

A message to our shareholders

Dear Shareholder

On behalf of the Nomination, Remuneration & Human Resources Committee (NRHRC), I am pleased to present the Group's Remuneration Report for the 2019 financial year (FY19).

The past year at Class has seen significant change across our Executive Leadership Team (ELT), bringing increased diversity and new skills to the business. These changes have increased our capacity and capability to move Class through our next phase of development and growth.

It has also been a period of change in the Group's remuneration framework. As reported in FY18, we have implemented significant changes to both our short and long term incentive plans, designed to further link remuneration with performance.

Our executive remuneration framework continues to reflect the Group's desire to attract, reward and retain the best people in the highly competitive technology sector.

The Group remains focused on continuing to grow our business through investment in people and technology. This will enable us to deliver long term future profitability.

Remuneration principles

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

Our remuneration policies are designed to:

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

Remuneration outlook – Changes in FY19

Last year we made some changes to our executive remuneration framework which aimed to:

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

This was delivered by:

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

The NRHRC and Board are confident that this new structure has achieved a balance between short and long term performance, motivates our staff to perform and aligns with shareholder value creation.

The Board is very pleased to have welcomed Andrew Russell as CEO in May. Andrew will work with the Board and ELT to strengthen the strategy for the Group and the remuneration framework will continue to support that strategy for growth.

We appreciate the feedback we have received, and the Board looks forward to continued engagement with our shareholders.

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

Remuneration report

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

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

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

Key Management Personnel (KMP)

KMP, as defined by the Accounting Standard AASB 124 Related Party Disclosures (AASB 124), for the year ended 30 June 2019 are detailed in the table below.

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

Executives and Non-Executives

Name	Position	Term
Chairman		
Matthew Quinn	Chairman	Full Year
Current Non-executive Directors		
Christopher Cuffe	Director	Full Year
Kathryn Foster	Director	Full Year
Rajarshi Ray	Director	Full Year
Nicolette Rubinsztein	Director	Full Year
Executive KMP		
Andrew Russell	CEO & Managing Director	Part Year[1]
Glenn Day	CFO & Company Secretary	Full Year[2]
Kevin Bungard	CEO & Managing Director	Part Year[3]

1 Andrew Russell joined the business on 14 May 2019.
2 Glenn Day was Acting CEO from 9 November 2018 until 13 May 2019.
3 Kevin Bungard left the business on 8 November 2018.

Remuneration governance

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

Class Board

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

Nomination, Remuneration & Human Resources Committee (NRHRC)

Management & Board Remuneration Policy

Monitors, recommends and reports to the Board on:

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

People, Culture, Talent Management & Diversity

Monitors, recommends and reports to the Board on:

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

CEO & Chief People Officer

Makes recommendations to the NRHRC for its endorsement of:

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

External Advisors

Provide independent advice, market trend information and pay benchmark data relevant to remuneration decisions. No external advisors provided a remuneration recommendation as defined under section 300a of the Corporations Act during FY19.

Managing Risk

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

All variable remuneration outcomes are subject to Board approval prior to grant and/or payment.

New CEO remuneration arrangements

Andrew Russell commenced as Chief Executive Officer (CEO) effective 14 May 2019 (Commencement Date). His remuneration arrangements are summarised in the sections below.

CEO incentives on appointment

On commencement, Mr Russell received one-off incentives in consideration for incentives forgone from his previous employer that he would have otherwise been entitled to receive

Remuneration Type	Value	Grant Date, Vesting & Conditions
Cash	$150,000 (inclusive of minimum superannuation guarantee)	Paid on commencement date
Performance Rights*	100,000 Performance Rights	One off allocation issued on commencement, grant date 21 October 2019*. Vesting 31 October 2019
Long term incentive (one-off)*	200,000 Performance Rights	One off allocation issued on commencement, grant date 21 October 2019*. Vesting three years from commencement date, subject to achieving 25% compound annual total shareholder return (TSR) over the three years, plus 40,000 Performance Rights for every additional 5% compound TSR.

*Subject to shareholder approval at the AGM on the same date.

CEO fixed remuneration

A number of factors were taken into consideration when determining the fixed remuneration package for Mr Russell, including current market practice and the necessary skills and experience required during a period of transformation. This resulted in fixed remuneration of $550,000 per annum.

CEO incentive arrangements

Mr Russell will be eligible to participate in the following incentive arrangements:

Incentive Type	Value	Payment Mechanism	Conditions
Short term incentive (From FY20 ongoing)	Up to $260,000	Cash and deferred rights, with deferral rates outlined below: • FY20 - 50% cash/50% deferred rights • FY21 and ongoing – 75% cash/25% deferred rights	Annual participation from 1 July 2019. Subject to meeting performance hurdles set by the Board. Deferred rights vest in equal annual instalments over two years.
Long term incentive (From FY20 ongoing)	$260,000	Performance Rights	Annual allocation. Vesting period of three years from grant date, subject to meeting long term performance hurdles set by the Board. Subject to shareholder approval.

Executive remuneration framework & programs FY19

Overview of existing remuneration approach and framework

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

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

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

Overview of existing remuneration approach and framework (Cont.)

<table>
<tr><th>Fixed Remuneration</th><th colspan="2">Variable Remuneration</th></tr>
<tr><td rowspan="3">Fixed remuneration is made up of base salary, superannuation and other short-term benefits provided by the Group.

Fixed remuneration is targeted at the median of the market for jobs of comparable size and

responsibility. In some cases, strong market demand for specific job categories may justify above-median fixed remuneration.

Base salary is reviewed annually. There are no guaranteed base salary increases.</td><td colspan="2">Variable component of executive target remuneration mix allows a greater share of remuneration at risk and subject to performance.</td></tr>
<tr><th>STI (at risk)</th><th>LTI (at risk)</th></tr>
<tr><td>• Increased equity exposure and retention with a portion of STI paid in shares with deferred vesting.
• STI paid in shares to executives in FY19 was 75% of total STI in FY19. This reduces to 50% in FY20 and 25% thereafter.
• Deferral is by way of performance rights, vesting annually in equal instalments over a two-year period.
• The Board retains discretion to review the allotment of shares at vesting through claw back provisions.
• STI hurdles applied in FY19 were based on financial outcomes (principally NPAT) with performance metrics typically 50% weighting and non-financial outcomes with 50% weighting.</td><td>Options scheme has been replaced with the executive LTI plan in the form of performance rights.

• Grants made annually with vesting after three years.
• Performance hurdles reviewed annually by the Board to align with the Group’s strategic plan. The hurdles applied to the FY19 grant was based on:
- Annualised Recurring Revenue (ARR) at the end of year three.
- Growth in income from partner programs and new revenue streams.
- EPS growth over the three year period.</td></tr>
</table>

Voting and comments made at the Company’s 2018 Annual General Meeting (‘AGM’)

At the 2018 AGM, 99.52% of shareholders voted to approve the adoption of the remuneration report for the year ended 30 June 2018. The Company did not receive any specific concerns at the AGM regarding its remuneration practices.

Use of remuneration consultants

Throughout FY19, the NRHRC and management received information from QHR Consulting Pty Ltd and Mercer (Australia) Pty Ltd related to remuneration market data and the design of the STI plan. No external advisors provided a remuneration recommendation as defined under section 300a of the Corporations Act during FY19.

Composition of remuneration

The following table details the components of the Group’s fixed and variable or ‘at risk’ remuneration (STI and LTI) for FY19:

Scheme	Overview
Fixed Remuneration	Fixed remuneration is made up of base salary, superannuation and other short-term benefits provided by the Group. Fixed remuneration is targeted at the median of the market for jobs of comparable size and responsibility. In some cases, specialist skills or expertise, scope of role or strong market demand for specific job categories may justify above-median fixed remuneration. Base salary is reviewed annually. There are no guaranteed base salary increases included in any executives’ contracts.

Scheme	Overview
STI (at risk)	
Aim	In FY19 an enhanced short-term incentive (STI) program was introduced with the addition of a Deferred Rights component to deliver meaningful equity exposure and provide retention for key executives. The STI aims to drive individual and team performance to deliver annual business objectives, short term profitability and increase shareholder value.
Frequency	Awards are determined on an annual basis with performance measured over the reporting period. Payment is normally made in August following the end of the performance year. The quantum of the STI is determined by the Board.
Financial measures	Typically, the STI plan is weighted 50% to financial metrics and 50% 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 performance measures	Individual objectives are set for the CEO & CFO by the Board and are aligned to the Group's business plan. These objectives are typically performance metrics that drive growth, customer and people outcomes.
Financial gateway	Should the Group fail to reach the financial performance gateway set by the Board, then payments under the STI plan will be at the discretion of the Board.
LTI (at risk)	
Aim	The LTI plan replaces the previous options scheme and introduces performance rights to focus KMP on long term value creation for shareholders by focusing KMP performance on long term growth drivers.
Participation	Participants include KMP & Executives. Participation is at the annual invitation and discretion of the Board.
Grant frequency	Annually
Grant	The Performance Rights will be granted for nil cash consideration and are not transferable. Each Performance Right converts into one fully paid ordinary share in the capital of the company, subject to the satisfaction of the Performance Criteria and the terms of the plan.
Vesting & performance period	The performance period for the FY19 Performance Rights grant is 1 July 2018 to 30 June 2021, vesting three years from grant date.
Performance criteria	The Board has set challenging targets in FY19 for growth in Annualised Recurring Revenue ARR, Partnerships & New Initiatives Revenue and Earnings Per Share (EPS), which align to the Company's strategic plan. The proportion of Performance Rights which will vest is assessed against the achievement of those targets. The specific targets for ARR and Partnerships & New Initiatives Revenue are not disclosed due to their commercial sensitivity. The EPS growth target is 16% on a compound annual basis. Whether the targets in the performance criteria have been achieved will be determined by the Board in its sole discretion, with due regard to the influence management had on current and future results.
Dividends	The Performance Rights are not entitled to dividends or voting rights.

Scheme	Overview
Legacy equity plans (ESOP)	The ESOP options program has been discontinued and was replaced in FY19 by the LTI performance rights plan. 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. The ESOP is linked to performance over a three year period with an exercise based on a 10% compounding annual growth in the share price to the last vesting date. Prior to 30 June 2017, all options were subject to a three year vesting period. Options issued in FY18 vest in equal annual instalments. All options are subject to disposal restrictions being the earlier of three years from grant date or cessation of employment.
Other equity incentive plans	**Purpose** To provide employees, other than Directors and senior executives, with the opportunity to own shares in the company, the Group established the Class Limited Employee Share Plan (ESP). **Features** The ESP enables the Group to issue shares to qualifying employees on a non-discriminatory basis. Each year, the Board approves the issue of shares up to a maximum of $1,000 in value (being the limit of the tax exemption) for each eligible participant. Shares vest immediately upon acquisition by participants. The shares can only be sold three years after the date of grant, unless the participant ceases employment prior. The plans are designed to encourage share ownership for employees and therefore do not have any performance conditions attached. Participants are entitled to dividends and other distributions and have full voting rights.

Performance outcomes in FY19

a) Linking remuneration to performance

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

(i) STI financial measures

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

Performance metrics will be reviewed annually by the Board to align with the Group's strategic plan. The key financial measure in FY19 for determining the value of STI payments was NPAT. Other measures are selected to ensure a broader view of performance and specific strategic priorities is considered when assessing performance and incentive outcomes. The measures are aligned to the Group's business plans. The table below outlines the key objectives for the CEO for FY19. The objectives for the CFO were aligned to the CEO.

(ii) LTI financial measures

Performance hurdles will be reviewed annually by the Board to align with the Group's strategic plan. The hurdles applied to the FY19 grant were based on:

- Annualised Recurring Revenue ARR at the end of year three.
- Growth in income from partner programs and new revenue streams.
- EPS growth over the three-year period.

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

Summary of financial performance and STIs and LTIs awarded:

Financial Performance								STI[4]	
Year	Sales Revenue ('000)	EBITDA[5] ('000)	NPBT[4] ('000)	NPAT[4] ('000)	Earnings per share[4] (cents)	Dividends per share (cents)	Share price[6] ($)	STI paid to Executive KMP ($)	STI paid to all eligible employees as a % of NPBT
FY19	38,311	17,945	12,539	8,975	7.66	5.00	1.50	79,040	11.4%
FY18	33,978	15,895	12,559	8,698	7.39	5.00	2.40	72,051	5.1%
FY17	28,893	13,973	11,702	7,988	6.82	5.00	3.00	64,231	5.2%
FY16	22,563	10,051	8,588	5,827	5.19	3.75	3.30	43,800	4.8%
FY15	15,598	5,959	5,186	3,406	3.17	2.25	N/A	40,515	4.9%

b) CEO performance & STI outcome

As a result of Mr Bungard's cessation of employment, he forfeited any award under the FY19 STI plan. Mr Russell was not eligible to participate in the FY19 STI plan.

c) CFO performance & STI outcome

The CFO remuneration structure in place in FY19 is as set out later in this report. The FY19 STI outcome of $79,040 (41% of maximum opportunity) reflects the CEO and board's assessment of the CFO's performance against the key objectives including financial & non-financial measures. This STI outcome is comprised of the executive KMP above of $19,760 and $59,280 in deferred rights.

4 Represents approved and expensed STI for FY19 but paid post year end including any deferred rights component. STI excludes the value of the shares issued under the ESP and sales commission paid/ payable, but includes superannuation paid on bonus payments.
5 EBITDA, NPBT, NPAT and EPS are calculated before significant items in FY16 (FY16 STI as % of NPBT after significant items totals 5.2%).
6 Closing share price at 30 June.

d) Class performance – non-financial measures.

	Class Performance		
	Non-financial Performance Measures	FY19 Objective	Outcome
Short Term Incentive	Strategic Position	• Market share	The Group's estimated market share has increased to 28% of the estimated 600,000 SMSFs.
	Growth	• New accounts • Partner program	The Group continued to grow steadily with an additional 9,669 accounts added in FY19. Further the Group's focus on delivering value through partner & strategic alliances added additional revenue streams to the Group.
	Customer	• Customer retention • Net Promoter Score	The Group monitors a range of customer service metrics during the year including net promoter score and customer satisfaction. These measures demonstrate our focus on improving service for our customers. Accountants have again rated Class Super #1 for Highest Overall Client Satisfaction and #1 for Value for Money in the 2019 Investment Trends SMSF Software Awards. This is the fifth year in a row Class Super has taken out overall first place in these independent survey-based awards.
	People	• Employee engagement	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 89% of employees completed the survey this year. The company continues to score extremely high in the areas of diversity including age (95), race (91), gender (94) and sexual orientation (96). Overall employee engagement was down this year from 90 to 83, however these results are reflective of the significant changes in leadership occurring at the time the survey was conducted.

Remuneration outcomes FY19

Component	FY19 Outcomes
FY19 Fixed Remuneration (FR)	FR is reviewed annually and considers the complexity and expertise required for individual roles. FR is set in the context of the Group's competitive market. To assess the competitiveness of FR, the NRHRC considered market data and published surveys. Accordingly, the outgoing CEO and CFO & Company Secretary's FR was reviewed and a marginal increases of 4.8% and 2.0% respectively were applied.

	FY19 Fixed Remuneration Outcomes			
	FY18 FR	Increase $	Increase %	FY19 FR
Andrew Russell	-	-	-	550,000
Kevin Bungard	315,000	15,000	4.8	330,000
Glenn Day*	270,000	5,401	2.0	275,401

*During FY19 the Group's CFO & Company Secretary was appointed to the role of Acting CEO following Mr Bungard's departure. For the period 9 November 2018 until 14 May 2019, Mr Day received fixed remuneration of $350,000 per annum (inclusive of superannuation) in recognition of the additional responsibilities associated with performing this acting role. For the avoidance of doubt, outside this period Mr Day received fixed remuneration of $275,401.

Component	FY19 Outcomes
FY19 STI outcomes	• STI outcomes have been improving since FY16 as the Group has moved through a period of significant growth. • During FY19 the Group's operating revenue increased by 13% to $38.3m. EBITDA also increased by 13% to $17.9m while both NPAT and EPS grew steadily by 3% and 4% respectively. • Based on this and the board's assessment of performance against key performance indicators the following STI's were awarded:

	FY19 STI Outcomes			FY18 STI Outcomes		
	$	% of target	% of maximum	$	% of target	% of maximum
Andrew Russell	-	-	-	-	-	-
Kevin Bungard	-	-	-	31,536	100%	50%
Glenn Day	79,040	82%	41%	40,415	150%	75%

FY19 STI had an upfront and a deferred component. The deferred component is paid using performance rights, vesting annually in equal installments over a two year period

	FY19 STI Outcomes			FY18 STI Outcomes		
	Upfront Cash (25%)	Deferred Rights (75%)	Total	Upfront	Deferred	Total
Andrew Russell	-	-	-	-	-	-
Kevin Bungard	-	-	-	31,536	-	31,536
Glenn Day	19,760	59,280	79,040	40,415	-	40,415

Component	FY19 Outcomes
FY19 LTI Grant	LTI grants were made in FY19 in accordance with the target remuneration mix for each KMP. Grants made annually with vesting after three years. The hurdles applied to the FY19 grant was based on: - ARR at the end of year three. - Growth in income from partner programs and new revenue streams. - EPS growth over the three year period. Allocations are made at the discretion of the Board. In FY19: • The CFO was granted 45,467 performance rights, valued at $72,437.
Options vesting	The options issued in FY18 vest in equal instalments on 1 July 2018, 1 July 2019 and 1 July 2020.
Non-executive Director fees	• Total fee pool available to Non-executive Directors is $750,000, as approved by shareholders at the Annual General Meeting in October 2017. • Total amount paid to Non-executive Directors in FY19 was $520,125 (FY18 $542,917).

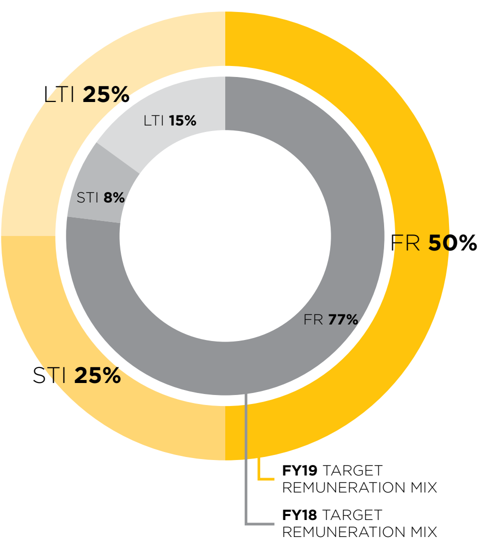
Remuneration mix

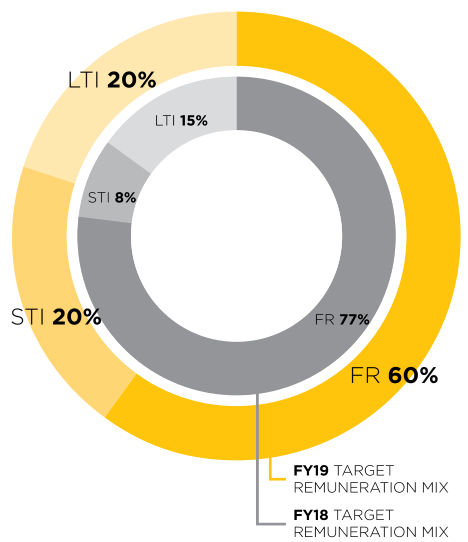
The Board sets a target remuneration mix. The remuneration mix is set with consideration to market benchmarking and is designed to attract and retain the calibre of executives required to deliver profit and long term, strategic objectives.

The mix that applied in FY19 as compared to previous year is shown below:

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

Chart 1: CEO Target Remuneration Mix FY19	Chart 2: CFO Target Remuneration Mix FY19

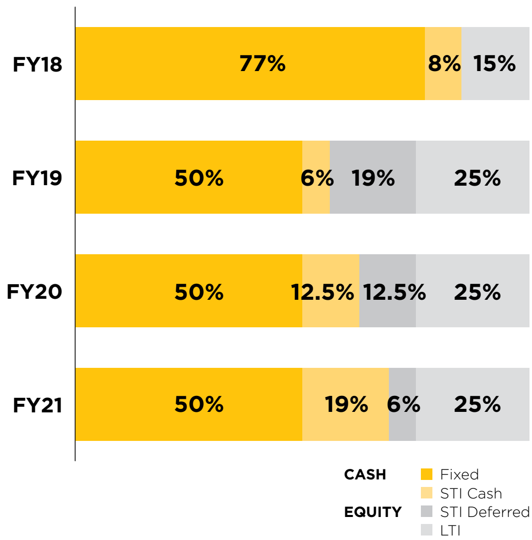


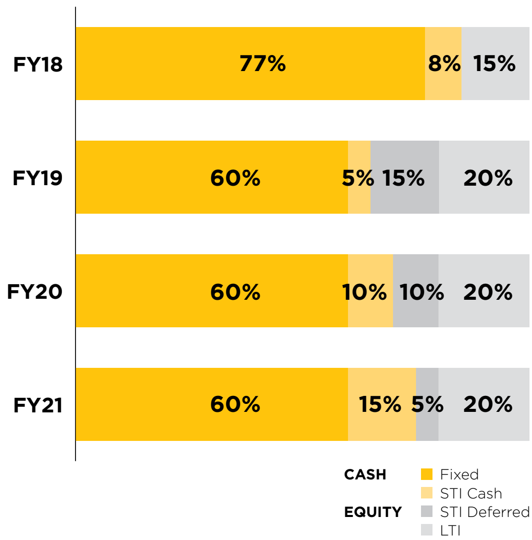


Note: Chart 1 illustrative of CEO Target Remuneration Mix FY19. As a result of Mr Bungard's cessation of employment, he forfeited any award under the FY19 STI plan. Mr Russell was not eligible to participate in the FY19 STI plan.

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

Chart 3: CEO Target Remuneration Mix Cash vs Equity FY18 to FY21	Chart 4: CFO Target Remuneration Mix Cash vs Equity FY18 to FY21





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

Remuneration in detail

The following table details the statutory accounting expense of all remuneration related items for the KMP.

This includes remuneration costs in relation to both FY19 and FY18. The table below is different to the actual remuneration mix chart on page 28, which shows the fair value on grant date of LTI in FY19 rather than the accrual of amounts on the statutory accounting basis. The table has been developed and audited against the relevant Australian Accounting Standards. Refer to the footnotes for more detail on each remuneration type.

Executive exit arrangements

The table below outlines the exit arrangements for Mr Bungard. Further detail is provided in the statutory disclosure table.

KMP	Exit arrangement
Kevin Bungard (CEO & Managing Director)	• Ceased as KMP on 8 November 2018 • Three months' payment in lieu of notice period • Non-compete payment of three months base remuneration. • Automatic vesting of: – 200,000 remaining unvested share options expiring in June 2021, exercisable at $3.81 per share; – 133,333 remaining unvested share options expiring in March 2022, exercisable at $3.99 per share; and • Provision of performance rights approved at the 2018 AGM was not awarded.

		Fixed Remuneration[7]						
		Short-term Benefits[8]				Long-term Benefits	Share-based Payments	
		Base Remuner-ation[9] $	Super-annuation $	STI[10] $	Other[11,12,13] $	Long Service Leave[14] $	Equity-settled[15] $	Total Statutory Remuner-ation $
Non-executive Directors								
Matthew Quinn	2019	130,000	12,350	–	–	–	–	142,350
	2018	130,000	12,350	–	–	–	–	142,350
Christopher Cuffe	2019	85,000	8,075	–	–	–	–	93,075
	2018	58,276	5,536	–	–	–	–	63,812
Kathryn Foster	2019	90,000	8,550	–	–	–	–	98,550
	2018	82,500	7,837	–	–	–	–	90,337
Rajarshi Ray	2019	80,000	7,600	–	–	–	–	87,600
	2018	80,000	7,600	–	–	–	–	87,600
Nicolette Rubinsztein	2019	90,000	8,550	–	–	–	–	98,550
	2018	82,500	7,837	–	–	–	–	90,337
SUB TOTAL	2019	475,000	45,125	–	–	–	–	520,125
	2018[16]	495,815	47,202	–	–	–	–	542,917
Executive KMP								
Andrew Russell[17]	2019	84,565	5,133	–	155,818	–	49,053	294,569
	2018	–	–	–	–	–	–	–
Kevin Bungard[18]	2019	116,451	15,183	–	210,970	(54,154)	75,140	363,590
	2018	294,952	20,049	31,536	(15,274)	6,233	100,669	438,165
Glenn Day[19]	2019	293,126	20,531	19,760	1,741	5,864	44,310	385,332
	2018	249,953	20,049	40,515	7,057	11,741	47,017	376,332
SUB TOTAL	2019	494,142	40,847	19,760	368,529	(48,290)	168,503	1,043,491
	2018	544,904	40,098	72,051	(8,217)	17,974	147,686	814,496
TOTAL	**2019**	**969,142**	**85,972**	**19,760**	**368,529**	**(48,290)**	**168,503**	**1,563,616**
	2018	1,040,719	87,200	72,051	(8,217)	17,974	147,686	1,357,413

7 Fixed Remuneration comprises of Base Remuneration and Superannuation (post-employment benefit).
8 Short-term benefits include non-monetary benefits, however no non-monetary benefits were received by Non-executives and Executive Directors during the year ended 30 June 2019.
9 Base Remuneration includes cash salary received, short-term personal compensated absences and any salary sacrificed benefits during the year.
10 Executive KMP participate in an STI plan. STI includes cash bonuses in relation to performance for the year ended 30 June.
11 Other includes short-term annual compensated absences (annual leave movement).
12 Other for Andrew Russell includes a cash sign on payment of $150,000.
13 Other for Kevin Bungard includes a component for a non-compete amount, as well as the payment of other entitlements on cessation of employment (refer to 'Executive exit arrangements' on page 29.
14 Long service entitlements accrued during the year as well as impact of changes to long service valuation assumption, which are determined in line with Australian Accounting Standards.
15 The cost of equity-settled share-based payments recognised during the year is measured at fair value on grant date. This valuation assumption is in line with Australian Accounting Standards.
16 Mr Anthony Fenning received $68,481 which comprised $62,540 in Base Remuneration and $5,941 in Superannuation prior to his cessation on 11 April 2018.
17 Represents remuneration from the date of appointment as KMP for Andrew Russell on 14 May 2019.
18 Represents remuneration up to the date of cessation as KMP for Kevin Bungard on 8 November 2018.
19 Fixed Remuneration for Mr Day includes $38,256 in additional pay for Acting CEO role. Fixed pay for role as CFO was $275,401.

Non-executive Directors remuneration

Non-executive Directors are paid a base fee for service to the Board.

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

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

The Chairman is paid fees of $130,000 plus superannuation and other Non-executive Directors are paid fees of $80,000 plus superannuation. In addition, Non-executive Directors will be paid sub-committee membership fees as follows:

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

Based on the current Board and sub-committee composition, total fees for FY19 was $520,125.

Non-executive Director – minimum shareholding

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

KMP – minimum shareholding

It is expected that KMP hold a minimum number of shares equivalent in value to one year's fixed remuneration. Until this minimum shareholding is accumulated KMP are not permitted to sell any shares awarded under the Performance Rights and Deferred Rights Plan. KMP must also maintain such minimum shareholding.

Service agreements

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

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

KMP	Exit arrangement
Name & Title	Andrew Russell, Chief Executive Officer & Managing Director (CEO)
Agreement commenced	14 May 2019
Term of agreement	Ongoing
Details	The terms of employment and remuneration of the CEO are detailed in a tailored service agreement. The agreement is not of a fixed duration and may be terminated by either party, providing a notice period of 6 months is given. The agreement entitles the individual to a base salary and superannuation contributions, as well as eligibility to participate in the EIP. The Board retains absolute discretion relating to the EIP, its continuance and whether any payments will be made in any given year. Upon termination, the individual is bound by restraint clauses spanning a period of up to 6 months and no less than 3 months, dependent on the circumstances surrounding the termination.

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

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

Share based compensation

Issue of shares

There were no shares issued to Directors and other KMP as part of compensation during the year ended 30 June 2019.

Options

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

Number granted	Grant date	Value per option at grant date ($)[20]	Value of options at grant date ($)[21]	Number vested	Exercise price ($)	Vesting and first exercise date	Last exercise date
Kevin Bungard							
495,860	30/09/2015	0.197	97,684	495,860	1.10	01/01/2017	30/09/2019
280,000	30/09/2015	0.168	47,040	280,000	1.33	30/09/2018	30/09/2020
200,000	29/06/2016	0.661	132,200	200,000	3.81	08/11/2019	30/06/2021
200,000	24/07/2017	0.341	68,200	200,000	3.99	08/11/2019	15/03/2022
Glenn Day							
484,377	30/09/2015	0.197	95,422	484,377	1.10	01/01/2017	30/09/2019
120,000	30/09/2015	0.168	20,160	120,000	1.33	30/09/2018	30/09/2020
90,000	29/06/2016	0.661	59,490	90,000	3.81	30/06/2019	30/06/2021
100,000	24/07/2017	0.341	34,100	33,333	3.99	[22]	15/03/2022

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

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

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

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

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

	Number of options granted during the FY19	Number of options granted during the FY18	Number of options vested during the FY19	Number of options vested during the FY18
Kevin Bungard	–	200,000	400,000	–
Glenn Day	–	100,000	123,333	–
	–	**300,000**	**523,333**	**–**

Option holding

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

Options over ordinary shares	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Kevin Bungard	1,175,880	–	–	(1,175,880)	–
Glenn Day	794,377	–	–	–	794,377
	1,970,237	**–**	**–**	**(1,175,880)**	**794,377**

Options over ordinary shares	Vested and exercisable	Vested and unexercisable
Kevin Bungard	–	–
Glenn Day	727,710	–
	727,710	**–**

* Other represents 1,175,860 option held on the date Kevin Bungard ceased to be a Director. No options expired or were forfeited during the period.

Performance Rights

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

Granted as remuneration	Grant date	Value per performance right at grant date ($)[23]	Value of performance rights at grant date ($)[24]	Number vested	Exercise price ($)	Vesting and first exercise date	Last exercise date
Andrew Russell							
100,000	21/10/2019[25]	1.625	162,500	-	0.00	31/10/2019	31/10/2019
200,000	21/10/2019[23]	0.390	78,000	-	0.00	13/05/2021	13/05/2021
Glenn Day							
45,467	01/11/2018	1.723	72,437	-	0.00	30/06/2021	30/06/2021

Performance rights granted under LTI plan carry no dividend or voting rights. Vesting is subject to continuity of service and meeting performance criteria (this excludes sign on amounts issued to Mr Russell).

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

	Number of performance rights granted during the FY19	Number of performance rights granted during the FY18	Number of performance rights vested during the FY19	Number of performance rights vested during the FY18
Andrew Russell	300,000*	–	–	–
Glenn Day	45,467	–	–	–
	345,467	**–**	**–**	**–**

* The grant of performance rights is subject to shareholder approval and to be sought in October 2019.

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

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

25 Andrew Russell has been allocated 300,000 performance rights that are subject to shareholder approval. Actual grant date will be after shareholder approval is received at the AGM to be held October 2019.

Performance right holding

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

Performance rights over ordinary shares	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Andrew Russell	–	300,000*	–	–	300,000
Glenn Day	–	45,467	–	–	45,467
	–	**345,467**	**–**	**–**	**345,467**

Performance rights over ordinary shares	Vested and exercisable	Vested and unexercisable
Andrew Russell	–	–
Glenn Day	–	–
	–	**–**

* The grant of performance rights is subject to shareholder approval and to be sought in October 2019.

Additional disclosures relating to KMP

Shares held by Key Management Personnel

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

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Non-executive Directors					
Matthew Quinn	60,000	–	–	–	60,000
Christopher Cuffe	10,000	–	40,000	–	50,000
Kathryn Foster	162,208	–	–	–	162,208
Rajarshi Ray	1,248,848	–	–	–	1,248,848
Nicolette Rubinsztein	20,000	–	132,864	–	152,864
Executive KMP					
Andrew Russell	–	–	–	–	–
Glenn Day	252,500	–	–	–	252,500
Kevin Bungard[26]	1,905,572	–	–	(1,905,572)	-
	3,659,128	**–**	**–**	**(1,905,572)**	**1,926,420**

Loans

There were no loans to KMP during the reporting period.

This concludes the remuneration report, which has been audited.

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	1,464,614
30/09/2015	30/09/2020	$1.33	793,506
29/06/2016	30/06/2021	$3.81	708,202
24/07/2017	15/03/2022	$3.99	864,667
			3,830,989

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.

26 Disposals/Other represents shares held at cessation date.

Shares under performance rights

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

Grant date	Expiry date	Exercise price	Number under rights
01/11/2008	30/06/2021	$0.00	168,664
21/10/2019*	31/10/2019	$0.00	100,000
21/10/2019*	13/05/2021	$0.00	200,000
26/07/2019	13/05/2021	$0.00	700,000
			1,168,664

*Subject to shareholder approval at the AGM on the same date.

No person entitled to exercise the performance rights had or has any right by virtue of the performance right 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 2019 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	484,377
30/09/2015	$1.33	145,000
		629,377

Shares issued on the exercise of performance rights

There were no ordinary shares of Class Limited issued on the exercise of performance rights during the year ended 30 June 2019 and up to the date of this report.

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 25 to the financial statements.

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

The Directors are of the opinion that the services as disclosed in note 25 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. Cle

Matthew Quinn
Chairman

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Sydney NSW 2000

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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 the year ended 30 June 2019, 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

Grant Thornton Audit Pty Ltd
Chartered Accountants

M Leivesley

M R Leivesley
Partner – Audit & Assurance

Sydney, 20 August 2019

Financial statements

Class Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Revenue	5	38,283	33,978
Other income	6	28	-
Interest revenue calculated using the effective interest method		338	406
Expenses			
Employee benefits expense		(14,419)	(13,091)
Depreciation and amortisation expense	7	(5,744)	(3,736)
Selling and marketing expenses		(1,801)	(1,722)
Occupancy expenses		(797)	(674)
Technology and data costs		(1,265)	(1,053)
Other expenses		(2,084)	(1,543)
Finance costs	7	-	(6)
Profit before income tax expense		12,539	12,559
Income tax expense	8	(3,564)	(3,861)
Profit after income tax expense for the year attributable to the owners of Class Limited		8,975	8,698
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Class Limited		8,975	8,698
		Cents	**Cents**
Basic earnings per share	33	7.66	7.39
Diluted earnings per share	33	7.61	7.29

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 2019

	Note	Consolidated 2019 $'000	2018 $'000
Assets			
Current assets			
Cash and cash equivalents	9	17,464	22,657
Trade and other receivables	10	3,697	3,229
Income tax receivable	8	697	-
Other	11	773	680
Total current assets		22,631	26,566
Non-current assets			
Investments	12	2,028	-
Property, plant and equipment	13	779	934
Intangibles	14	8,552	6,427
Customer acquisition costs	15	1,852	-
Total non-current assets		13,211	7,361
Total assets		35,842	33,927
Liabilities			
Current liabilities			
Trade and other payables	16	3,446	3,029
Contract liabilities	17	408	-
Income tax provision	8	-	1,380
Provisions	18	805	727
Total current liabilities		4,659	5,136
Non-current liabilities			
Deferred tax	8	1,926	866
Provisions	19	360	376
Total non-current liabilities		2,286	1,242
Total liabilities		6,945	6,378
Net assets		28,897	27,549
Equity			
Issued capital	20	22,507	25,154
Reserves	21	1,490	1,706
Retained earnings		4,900	689
Total equity		28,897	27,549

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 2019

Consolidated	Issued capital $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2017	24,994	1,126	(2,717)	23,403
Profit after income tax expense for the year	-	-	8,698	8,698
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	8,698	8,698
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 20)	160	-	-	160
Share-based payments (note 34)	-	580	-	580
Dividends paid (note 22)	-	-	(5,292)	(5,292)
Balance at 30 June 2018	25,154	1,706	689	27,549

Consolidated	Issued capital $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2018	25,154	1,706	689	27,549
Adjustment for change in accounting policy (note 2)	-	-	1,112	1,112
Balance at 1 July 2018 - restated	25,154	1,706	1,801	28,661
Profit after income tax expense for the year	-	-	8,975	8,975
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	8,975	8,975
Transactions with owners in their capacity as owners:				
Purchase of shares (note 20)	(2,647)	-	-	(2,647)
Share based payment (note 34)	-	245	-	245
Share plan settlement (note 21)	-	(461)	-	(461)
Dividends paid (note 22)	-	-	(5,876)	(5,876)
Balance at 30 June 2019	22,507	1,490	4,900	28,897

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 2019

	Note	Consolidated 2019 $'000	Consolidated 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		41,526	37,273
Payments to suppliers and employees (inclusive of GST)		(24,146)	(20,013)
Interest received		369	400
Interest and other finance costs paid		-	(6)
Income taxes refunded/(paid)		(4,825)	(4,062)
Net cash from operating activities	32	12,924	13,592
Cash flows from investing activities			
Payments for investments		(2,000)	-
Payments for property, plant and equipment		(309)	(500)
Payments for intangibles		(6,653)	(4,770)
Proceeds from disposal of property, plant and equipment		3	-
Proceeds from release of term deposits		-	54
Net cash used in investing activities		(8,959)	(5,216)
Cash flows from financing activities			
Proceeds received on exercise of employee share options		193	160
Payments for share purchase by employee share trust - treasury shares		(3,475)	-
Dividends paid	22	(5,876)	(5,292)
Net cash used in financing activities		(9,158)	(5,132)
Net increase/(decrease) in cash and cash equivalents		(5,193)	3,244
Cash and cash equivalents at the beginning of the financial year		22,657	19,413
Cash and cash equivalents at the end of the financial year	9	17,464	22,657

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

Notes to the financial statements

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 20 August 2019. 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.

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

The following Accounting Standards and Interpretations adopted during the year are most relevant to the Group:

AASB 9 Financial Instruments
The Group has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

Note 2. Significant accounting policies (continued)

AASB 15 Revenue from Contracts with Customers
The Group has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

The impact of adoption of AASB 15 on various revenue streams is as follows:
- Revenue from Software licence fees: No significant impact;
- Revenue from service fees: Customers can request to have the Group load data from their existing system onto one of the Group's products. Under the previous standards this revenue was recognised in the year the services were performed. Under AASB 15 the revenue for these services is combined with other performance obligations with other performance obligations, deferred and recognised over an estimated contract period which includes expectations on renewal periods beyond the initial term of the service contract. On 1 July 2018, the Group recognised a contract liability of $494,000, a deferred tax asset of $136,000 and a corresponding adjustment to opening retained earnings;
- Commission and partner fees: No significant impact;
- Customer acquisition costs: Under AASB 15, commission and transaction costs incurred will be capitalised as an asset where such costs are incremental to obtaining a contract with a customer and where such costs are expected to be recovered. They will be amortised over the estimated life of the related service contract, being 5 years. The previous accounting policy required commissions and transition costs to be expensed to the statement of profit or loss. On 1 July 2018, the Group recognised customer acquisition costs of $2,024,000, a deferred tax liability of $554,000 and a corresponding adjustment to opening retained earnings.

Impact of adoption
AASB 9 and AASB 15 were adopted using the transitional rules that allow for comparatives not to be restated. The impact of adoption on the opening retained earnings as at 1 July 2018 was as follows:

	1 July 2019 $'000
Capitalised customer acquisition cost (AASB 15)	2,024
Deferred revenue (AASB 15)	(494)
Tax effect on the above adjustments	(418)
Impact on opening retained profits as at 1 July 2018	1,112

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, except for investments measured at fair value.

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.

Note 2. Significant accounting policies (continued)

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 30.

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

Note 3. Critical accounting judgements, estimates and assumptions

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

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

Fair value measurement hierarchy
The Group is required to classify all assets and liabilities, measured at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being: Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and Level 3: Unobservable inputs for the asset or liability. Considerable judgement is required to determine what is significant to fair value and therefore which category the asset or liability is placed in can be subjective.

The fair value of assets and liabilities classified as level 3 is determined by the use of valuation models. These include discounted cash flow analysis or the use of observable inputs that require significant adjustments based on unobservable inputs.

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.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

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.

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.

Major customers
There are no major customers that contributed more than 10% of revenue to the Group.

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	
	2019	**2018**
	$'000	**$'000**
Revenue from contracts with customers		
Software licence fees	36,265	32,361
Service fees	192	164
Commission and partner fees	1,567	1,453
	38,024	33,978
Other revenue		
Other revenue	259	-
Revenue	38,283	33,978

Note 5. Revenue (continued)

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

Consolidated - 2019	Software licence fees $'000	Service fees $'000	Commission and partner fees $'000	Total $'000
Major product lines				
Class Super	35,246	192	1,567	37,005
Class Portfolio	858	-	-	858
Portfolio Engine	161	-	-	161
	36,265	192	1,567	38,024
Timing of revenue recognition				
Services transferred over time	36,265	192	-	36,457
Services transferred at a point in time	-	-	1,567	1,567
	36,265	192	1,567	38,024

The revenue from contracts with customers is substantially all in Australia. AASB 15 was adopted using the modified retrospective approach and as such comparatives relating to disaggregation of revenue have not been presented.

Accounting policy for revenue recognition
The Group recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the Group is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the Group: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

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, 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. Services that are combined with other performance obligations with other performance obligations are deferred and recognised over an estimated contract period which includes expectations on renewal periods beyond the initial term of the service contract.

Note 5. Revenue (continued)

Commission and partner fees
The Group recognises commission and partner fees at a point in time 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.

Note 6. Other income

	Consolidated	
	2019 $'000	2018 $'000
Net fair value gain on investments	28	-

Note 7. Expenses

	Consolidated	
	2019 $'000	2018 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	123	96
Furniture and fittings	109	33
Computer equipment	183	216
Office equipment	37	23
Total depreciation	452	368
Amortisation		
Website tools development	-	16
Software development	4,209	3,100
Computer software	47	43
Contractual rights	271	209
Customer acquisition costs	765	-
Total amortisation	5,292	3,368
Total depreciation and amortisation	5,744	3,736
Rental expense relating to operating leases		
Minimum lease payments	726	568
Superannuation expense		
Defined contribution superannuation expense	1,244	1,048
Share-based payments expense		
Share-based payments expense	245	580

Note 8. Income tax

	Consolidated 2019 $'000	Consolidated 2018 $'000
Income tax expense		
Current tax	2,759	3,658
Deferred tax - origination and reversal of temporary differences	816	184
Adjustment recognised for prior periods	(11)	19
Aggregate income tax expense	3,564	3,861
Deferred tax included in income tax expense comprises:		
Increase in deferred tax liabilities	816	184
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	12,539	12,559
Tax at the statutory tax rate of 27.5% (2018: 30%)	3,448	3,768
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	14	16
Share-based payments	66	174
Sundry items	47	(37)
	3,575	3,921
Adjustment recognised for prior periods	(11)	19
Adjustment to deferred tax balances as a result of change in statutory tax rate	-	(79)
Income tax expense	3,564	3,861

	Consolidated 2019 $'000	Consolidated 2018 $'000
Amounts credited directly to equity		
Deferred tax liabilities	(174)	-

Note 8. Income tax (continued)

	Consolidated 2019 $'000	Consolidated 2018 $'000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Customer acquisition costs	577	-
Software development - Research and Development	2,339	1,741
Employee benefits	(292)	(284)
Accrued expenses	(498)	(386)
Property, plant and equipment	(31)	(68)
Other	(100)	2
	1,995	1,005
Amounts recognised in equity:		
Transaction costs on share issue	(69)	(139)
Deferred tax liability	1,926	866
Movements:		
Opening balance	866	682
Charged to profit or loss	816	184
Credited to equity	(174)	-
Adjustment to opening retained earnings (on adoption on AASB 15)	418	-
Closing balance	1,926	866

	Consolidated 2019 $'000	Consolidated 2018 $'000
Income tax refund due		
Income tax refund due	697	-

	Consolidated 2019 $'000	Consolidated 2018 $'000
Provision for income tax		
Provision for income tax	-	1,380

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.

Note 8. Income tax (continued)

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.

Note 9. Current assets - cash and cash equivalents

	Consolidated	
	2019 $'000	2018 $'000
Cash on hand and at bank	17,464	22,657

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 10. Current assets - trade and other receivables

	Consolidated	
	2019 $'000	2018 $'000
Trade receivables	3,681	3,172
Less: Allowance for expected credit losses	(12)	(2)
	3,669	3,170
Interest receivable	28	59
	3,697	3,229

Note 10. Current assets - trade and other receivables (continued)

Allowance for expected credit losses
The Group has recognised a loss of $10,000 (2018: gain of $5,000) in profit or loss in respect of the expected credit losses for the year ended 30 June 2019.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 2019 %	Carrying amount 2019 $'000	Allowance for expected credit losses 2019 $'000
Not overdue	-	3,609	-
0 to 3 months overdue	-	60	-
3 to 6 months overdue	100%	2	2
Over 6 months overdue	100%	10	10
		3,681	12

Movements in the allowance for expected credit losses are as follows:

	Consolidated 2019 $'000	2018 $'000
Opening balance	2	12
Additional provisions recognised	10	2
Receivables written off during the year as uncollectable	-	(5)
Unused amounts reversed	-	(7)
Closing balance	12	2

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 allowance for expected credit losses. Trade receivables are generally due for settlement within 30 and 90 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 11. Current assets - other

	Consolidated 2019 $'000	2018 $'000
Prepayments	623	530
Term deposits*	150	150
	773	680

*Includes term deposit which is held as security for lease of office premises $150,000 (2018: $150,000).

Note 12. Non-current assets - investments

	Consolidated	
	2019	2018
	$'000	$'000
Convertible notes at fair value through profit or loss	2,028	-

Reconciliation
Reconciliation of the fair values at the beginning and end of the current and previous financial year are set out below:

	2019 $'000	2018 $'000
Opening fair value	-	-
Additions	2,000	-
Revaluation increments	28	-
Closing fair value	2,028	-

Refer to note 24 for further information on fair value measurement.

The Group has made an investment in Philo Capital Advisers ('Philo'), a leader in the provision of services to the rapidly growing managed discretionary account ('MDA') sector. The investment is via convertible notes, with $2,000,000 invested as at 30 June 2019. A further $2,000,000 is to be invested by 31 March 2020, subject to Philo meeting performance milestones.

Accounting policy for investments
Investments are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. Such assets are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on both the business model within which such assets are held and the contractual cash flow characteristics of the financial asset unless, an accounting mismatch is being avoided.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, its carrying value is written off.

Financial assets at fair value through profit or loss
Financial assets not measured at amortised cost or at fair value through other comprehensive income are classified as financial assets at fair value through profit or loss. Typically, such financial assets will be either: (i) held for trading, where they are acquired for the purpose of selling in the short-term with an intention of making a profit, or a derivative; or (ii) designated as such upon initial recognition where permitted or required. Fair value movements are recognised in profit or loss.

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2019 $'000	Consolidated 2018 $'000
Leasehold improvements - at cost	503	462
Less: Accumulated depreciation	(391)	(268)
	112	194
Furniture and fittings - at cost	536	504
Less: Accumulated depreciation	(191)	(82)
	345	422
Computer equipment - at cost	1,183	1,051
Less: Accumulated depreciation	(929)	(772)
	254	279
Office equipment - at cost	163	141
Less: Accumulated depreciation	(95)	(102)
	68	39
	779	934

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 2017	164	239	385	47	835
Additions	126	249	110	15	500
Disposals	-	(33)	-	-	(33)
Depreciation expense	(96)	(33)	(216)	(23)	(368)
Balance at 30 June 2018	194	422	279	39	934
Additions	41	32	163	73	309
Disposals	-	-	(5)	(7)	(12)
Depreciation expense	(123)	(109)	(183)	(37)	(452)
Balance at 30 June 2019	112	345	254	68	779

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.

Note 13. Non-current assets - property, plant and equipment (continued)

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

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

Note 14. Non-current assets - intangibles

	Consolidated 2019 $'000	Consolidated 2018 $'000
Website tools development - at cost	-	156
Less: Accumulated amortisation	-	(156)
	-	-
Trademarks and domain names - at cost	47	48
Software development - at cost	26,571	20,246
Less: Accumulated amortisation	(18,210)	(14,009)
	8,361	6,237
Computer software - at cost	198	198
Less: Accumulated amortisation	(146)	(99)
	52	99
Contractual rights - at cost	328	252
Less: Accumulated amortisation	(236)	(209)
	92	43
	8,552	6,427

Reconciliations

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

Consolidated	Website tools development $'000	Trademarks and domain names $'000	Software development $'000	Computer software $'000	Contractual rights $'000	Total $'000
Balance at 1 July 2017	16	46	4,919	44	-	5,025
Additions	-	2	4,418	98	252	4,770
Amortisation expense	(16)	-	(3,100)	(43)	(209)	(3,368)
Balance at 30 June 2018	-	48	6,237	99	43	6,427
Additions	-	-	6,375	-	278	6,653
Disposals	-	(1)	-	-	-	(1)
Transfers in/(out)	-	-	(42)	-	42	-
Amortisation expense	-	-	(4,209)	(47)	(271)	(4,527)
Balance at 30 June 2019	-	47	8,361	52	92	8,552

Note 14. Non-current assets - intangibles (continued)

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.

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

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

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

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

Note 15. Non-current assets - customer acquisition costs

	Consolidated	
	2019	2018
	$'000	$'000
Customer acquisition costs	1,852	-

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

	Consolidated
	2019
	$'000
Balance at 1 July 2018 (on adoption of AASB 15)	2,024
Additions	593
Amortisation expense	(765)
Closing balance	1,852

Note 15. Non-current assets - customer acquisition costs (continued)

Accounting policy for customer acquisition costs
Customer acquisition costs are capitalised as an asset where such costs are incremental to obtaining a contract with a customer and are expected to be recovered. Customer acquisition costs are amortised on a straight-line basis over the estimated contract life of 5 years.

Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained or which are not otherwise recoverable from a customer are expensed as incurred to profit or loss. Incremental costs of obtaining a contract where the contract term is less than one year are immediately expensed to profit or loss.

Note 16. Current liabilities - trade and other payables

	Consolidated	
	2019	2018
	$'000	$'000
Trade payables	597	841
Accrued expenses	2,113	1,438
BAS payable	736	750
	3,446	3,029

Refer to note 23 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 17. Current liabilities - contract liabilities

	Consolidated	
	2019	2018
	$'000	$'000
Contract liabilities	408	-

Accounting policy for contract liabilities
Contract liabilities represent the Group's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Group recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Group has transferred the goods or services to the customer.

Note 18. Current liabilities - provisions

	Consolidated	
	2019	2018
	$'000	$'000
Annual leave	597	532
Long service leave	208	195
	805	727

Note 18. 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 (refer to the accounting policy in note 19 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 19. Non-current liabilities - provisions

	Consolidated	
	2019	**2018**
	$'000	**$'000**
Long service leave	257	307
Lease make good	103	69
	360	376

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

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

Consolidated - 2019	**Lease make good $'000**
Carrying amount at the start of the year	69
Additional provisions recognised	34
Carrying amount at the end of the year	103

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. Pursuant to this method, consideration is given to expected future wage and salary levels, past experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 20. Equity - issued capital

	Consolidated			
	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary shares - fully paid	117,662,056	117,662,056	25,154	25,154
Less: Treasury shares	(1,565,000)	-	(2,647)	-
	116,097,056	117,662,056	22,507	25,154

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 July 2017	117,515,849	24,994
Shares issued on exercise of options	23 August 2017	120,000	160
Shares issued under tax exempt Employee Share Plan for nil consideration	19 December 2017	26,207	-
Balance	30 June 2018	117,662,056	25,154
Balance	30 June 2019	117,662,056	25,154

Movements in treasury shares

Details	Date	Shares	$'000
Balance	1 July 2017	-	-
Balance	30 June 2018	-	-
Purchase of shares by Employee Share Trust	October 2018	(236,198)	(457)
Purchase of shares by Employee Share Trust	November 2018	(500,000)	(948)
Purchase of shares by Employee Share Trust	March 2019	(524,305)	(816)
Purchase of shares by Employee Share Trust	April 2019	(583,794)	(994)
Purchase of shares by Employee Share Trust	May 2019	(152,781)	(260)
Payments from option holders on exercise of options		-	193
Less: allocation of shares on exercise of options (Note 15)		432,078	635
Balance	30 June 2019	(1,565,000)	(2,647)

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.

Treasury shares
Treasury shares relate to purchase of shares by the Employee Share Trust in the open market. The shares acquired by the Employee Share Trust are used to settle share options/awards on satisfaction of vesting conditions. The cost of purchase is funded by the Company. Un-allocated shares held by the trust are controlled by the Company and are recorded as treasury shares representing a deduction against issued capital.

Note 20. Equity - issued capital (continued)

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 2018 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.

Note 21. Equity - reserves

	Consolidated	
	2019	2018
	$'000	$'000
Share-based payments reserve	2,004	1,759
Employee share acquisition reserve	(461)	-
Acquisition reserve	(53)	(53)
	1,490	1,706

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.

Employee share acquisition reserve

The reserve is used to recognise the net cost of acquiring shares allocated by the Employee Share Trust on exercise of options. Net cost of acquisition comprises the cost of purchasing the shares in the open market less exercise price received.

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.

Note 21. Equity - reserves (continued)

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

Consolidated	Share-based payment reserve $'000	Share option purchase reserve $'000	Acquisition reserve $'000	Total $'000
Balance at 1 July 2017	1,179	-	(53)	1,126
Share based payment	580	-	-	580
Balance at 30 June 2018	1,759	-	(53)	1,706
Share based payment	245	-	-	245
Transfer from treasury shares	-	(635)	-	(635)
Tax effect on settlement	-	174	-	174
Balance at 30 June 2019	2,004	(461)	(53)	1,490

Note 22. Equity - dividends

Dividends
Dividends paid during the financial year were as follows:

	Consolidated 2019 $'000	2018 $'000
Final dividend for the year ended 30 June 2018 of 2.5 cents per ordinary share (2018: 2 cents)	2,942	2,350
Interim dividend for the year ended 30 June 2019 of 2.5 cents per ordinary share (2018: 2.5 cents)	2,934	2,942
	5,876	5,292

On 20 August 2019, the directors declared a final dividend for the year ended 30 June 2019 of 2.5 cents per ordinary share with payment date of 27 September 2019 to eligible shareholders on the register as at 6 September 2019. This equates to a total distribution of $2,902,000, based on the number of ordinary shares on issue as at 30 June 2019. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2019 financial statements and will be recognised in subsequent financial reports.

Franking credits

	Consolidated 2019 $'000	2018 $'000
Franking credits available for subsequent financial years based on a tax rate of 27.5% (2018: 30%)	4,800	2,204

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

Note 22. Equity - dividends (continued)

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

Note 23. 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.

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 (2018:50) basis points would have an adverse/favourable effect on profit before tax of $87,000 (2018: $114,000) 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.

The Group has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the Group based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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.

Note 23. Financial instruments (continued)

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 - 2019	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	597	-	-	-	597
Total non-derivatives	597	-	-	-	597

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

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

Note 24. Fair value measurement

The following table details the Group's assets, measured or disclosed at fair value, using a three level hierarchy, based on the lowest level of input that is significant to the entire fair value measurement, being:
Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly
Level 3: Unobservable inputs for the asset or liability

Consolidated - 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Convertible notes at fair value through profit or loss	-	-	2,028	2,028
Total assets	-	-	2,028	2,028

There were no transfers between levels during the financial year.

There were no assets and liabilities measured at fair value for the year ended 30 June 2018.

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.

Note 24. Fair value measurement (continued)

Valuation techniques for fair value measurements categorised within level 2 and level 3
The valuation technique used for fair value measurements categorised within level 3 was based upon a Discounted Cash Flow model and revenue multiple model using comparable revenue multiples in determining the transaction price. The convertible notes measured within this category are held for the purpose of converting into equity of Philo Capital Holdings in the future. With the transaction recently completed and issuance of the Convertible Note close to 30 June 2019 and no significant changes in the Company, the fair value has been assessed as the value of the trnsaction executed. Changes in fair value in future years will be assessed based upon forecast cash flows, revenue and Funds Under Administration ('FUA') targets.

Level 3 assets and liabilities
Movements in level 3 assets and liabilities during the current and previous financial year are set out below:

Consolidated	Convertible notes at fair value through profit or loss $'000
Balance at 1 July 2017	-
Balance at 30 June 2018	-
Additions	2,000
Gains recognised in profit or loss	28
Balance at 30 June 2019	2,028

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. 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.

Assets and liabilities measured at fair value are classified into three levels, using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. Classifications are reviewed at each reporting date and transfers between levels are determined based on a reassessment of the lowest level of input that is significant to the fair value measurement.

For recurring and non-recurring fair value measurements, external valuers may be used when internal expertise is either not available or when the valuation is deemed to be significant. External valuers are selected based on market knowledge and reputation. Where there is a significant change in fair value of an asset or liability from one period to another, an analysis is undertaken, which includes a verification of the major inputs applied in the latest valuation and a comparison, where applicable, with external sources of data.

Note 25. 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	
	2019	2018
	$	$
Short-term employee benefits	1,357,359	1,104,555
Post-employment benefits	86,044	87,199
Long-term benefits	(48,290)	17,974
Share-based payments	168,503	147,686
	1,563,616	1,357,414

Note 26. 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	
	2019	2018
	$	$
Audit services - Grant Thornton		
Audit or review of the financial statements	81,906	81,542
Other services - Grant Thornton		
Tax compliance services	18,200	23,249
Taxation advisory services	-	14,800
	18,200	38,049
	100,106	119,591

Note 27. Contingent liabilities

The Group has given bank guarantees as at 30 June 2019 of $150,000 (2018: $150,000) to various landlords.

Note 28. Commitments

Convertible note commitments
Where performance milestones have been achieved, additional amounts will be payable to Philo Capital Holdings on future convertible note subscriptions. Details of this transaction are included within note 12.

	Consolidated 2019 $'000	Consolidated 2018 $'000
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	736	724
One to five years	1,473	1,449
	2,209	2,173

Operating lease commitments relate to leases of office premises under non-cancellable operating leases expiring within three years with options to extend for three years. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 29. Related party transactions

Parent entity
Class Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 31.

Key management personnel
Disclosures relating to key management personnel are set out in note 25 and the remuneration report included in the directors' report.

Transactions with related parties
There were no transactions with related parties during the current and previous financial year.

Note 30. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2019 $'000	Parent 2018 $'000
Profit after income tax	6,974	6,474
Total comprehensive income	6,974	6,474

Note 30. Parent entity information (continued)

Statement of financial position

		Parent
	2019	2018
	$'000	$'000
Total current assets	9,726	15,741
Total assets	27,258	29,366
Total current liabilities	3,104	3,899
Total liabilities	4,788	5,131
Equity		
Issued capital	22,507	25,154
Share-based payments reserve	2,004	1,759
Employee share acquisition reserve	(461)	-
Retained earnings	(1,580)	(2,678)
Total equity	22,470	24,235

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 2019 and 30 June 2018.

Contingent liabilities
The parent entity had contingent liabilities of $150,000 as at 30 June 2019 (2018: $150,000).

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

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

Note 31. 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:

		Ownership interest	
	Principal place of business /	2019	2018
Name	Country of incorporation	%	%
Class Super Pty Limited	Australia	100%	100%
Class Investment Reporter Pty Ltd	Australia	100%	100%
Super IP Incentive Pty Ltd*	Australia	0%	100%

*Super IP Incentive Pty Ltd was voluntarily wound up on 8 March 2019.

Note 32. Reconciliation of profit after income tax to net cash from operating activities

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit after income tax expense for the year	8,975	8,698
Adjustments for:		
Depreciation and amortisation	5,744	3,736
Net loss on disposal of property, plant and equipment	10	33
Net fair value gain on investments	(28)	-
Share-based payments	245	580
Change in operating assets and liabilities:		
Increase in trade and other receivables	(468)	(109)
Increase in income tax refund due	(697)	-
Increase in prepayments	(93)	(2)
Increase in other operating assets	(593)	-
Increase in trade and other payables	417	645
Decrease in contract liabilities	(86)	-
Decrease in provision for income tax	(1,380)	(385)
Increase in deferred tax liabilities	816	184
Increase in employee benefits	28	204
Increase in other provisions	34	8
Net cash from operating activities	12,924	13,592

Note 33. Earnings per share

	Consolidated 2019 $'000	Consolidated 2018 $'000
Profit after income tax attributable to the owners of Class Limited	8,975	8,698
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	117,152,294	117,632,354
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	765,603	1,618,087
Weighted average number of ordinary shares used in calculating diluted earnings per share	117,917,897	119,250,441
	Cents	**Cents**
Basic earnings per share	7.66	7.39
Diluted earnings per share	7.61	7.29

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.

Note 33. Earnings per share (continued)

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 34. 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 had previously established the Class Limited Employee Share Option Plan ('ESOP') as a long term incentive plan ('LTIP') 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 was by invitation of the Board (or a committee of the Board).

At the 2018 AGM, the new Performance Rights and Deferred Rights Plan was approved by shareholders. The plan is by invitation of the Board (or a committee of the Board).

The share-based payment expense for the year was $245,000 (2018: $580,000). 613,291 performance rights were granted during the year ended 30 June 2019 (2018: 1,168,000 options).

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

2019

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
30/09/2015	30/09/2019	$1.10	1,948,991	-	(484,377)	-	1,464,614
30/09/2015	30/09/2020	$1.33	938,506	-	(145,000)	-	793,506
29/06/2016	30/06/2021	$3.81	1,028,202	-	-	(320,000)	708,202
24/07/2017	15/03/2022	$3.99	1,148,000	-	-	(283,333)	864,667
			5,063,699	-	(629,377)	(603,333)	3,830,989
Weighted average exercise price			$2.35	$0.00	$1.15	$3.89	$2.30

2018

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

The weighted average share price during the financial year was $1.73 (2018:$2.81).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.4 years (2018: 2 years).

3,348,986 options outstanding as at 30 June 2019 are vested and exercisable (30 June 2018: 1,948,991).

Note 34. Share-based payments (continued)

Performance rights
During the year, the Group granted 613,291 performance rights for nil cash consideration. The performance period is generally for a 3 year period between 1 July 2018 to 30 June 2021. Vesting of the performance rights is subject to meeting predetermined market and non-market conditions including Total Shareholder Return ('TSR'), revenue and EPS growth targets over the performance period.

Set out below are summaries of performance rights granted under the plan:

2019

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
01/11/2018	30/06/2021	$0.00	-	313,291	-	(144,627)	168,664
14/05/2019	31/10/2019	$0.00	-	100,000	-	-	100,000
14/05/2019	13/05/2021	$0.00	-	200,000	-	-	200,000
			-	613,291	-	(144,627)	468,664

Performance rights vested and exercisable as at 30 June 2019 Nil. The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.6 years.

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

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
01/11/2018	30/06/2021	$1.90	$0.00	39.16%	3.16%	2.00%	$1.723
14/05/2019	31/10/2019	$1.66	$0.00	39.16%	3.16%	2.00%	$1.625
14/05/2019	13/05/2021	$1.66	$0.00	37.00%	2.62%	1.24%	$0.390

300,000 performance rights granted on 14 May 2019 is subject to approval of the shareholders at the next Annual General Meeting.

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.

Note 34. Share-based payments (continued)

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 35. Events after the reporting period

Apart from the dividend declared as disclosed in note 22, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Note 36. Other accounting policies

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of Class Limited ('Company' or 'parent entity') as at 30 June 2019 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.

Note 36. Other accounting policies (continued)

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

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

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

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

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

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

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

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

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

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

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

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

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

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2019. 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.

Note 36. 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 impact of adoption of this standard as at 1 July 2019, using the modified retrospective approach, will result in the recognition of a right-of-use asset of approximately $1,491,144 with a corresponding increase in lease liability, in respect of the Group's operating leases over premises. Refer to note 28 for undiscounted commitments in relation to non-cancellable operating leases as at 30 June 2019.

New Conceptual Framework for Financial Reporting
A revised Conceptual Framework for Financial Reporting is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, also applicable from 1 January 2020, includes such amendments. Where the Group has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the Group may need to revisit such policies. The Group will apply the revised conceptual framework from 1 July 2020 and there is not expected to be any material impact.

Directors’ declaration

Class Limited
Corporate directory
30 June 2019

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 2019 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

M. Qu

Matthew Quinn
Chairman

20 August 2019
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 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

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

a Giving a true and fair view of the Company's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

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

Basis for opinion

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

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

Key audit matters

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

Key audit matter	How our audit addressed the key audit matter
Measurement and recognition of capitalised development costs – Note 14 Non-current assets - intangibles	
The Group capitalises costs incurred in the development of its software. These costs are then amortised over the estimated useful life of the software. The Group's processes for calculating the value of internally developed software involves judgement as it includes estimating the time which staff spend developing software and determining the value attributable to that time. The Group's capitalised costs and its accounting policy for intangible assets are disclosed in Note 14 to the financial statements.	Our procedures included, amongst others: • agreeing a sample of internal salary costs and external contractor invoices capitalised to supporting documentation and assessing those amounts against the recognition criteria of AASB 138; • assessing the company's accounting policy for software development costs for adherence to AASB 138; • assessing the consistency of the capitalisation methodology applied by the Group in comparison to the prior reporting period; • considering the reasonableness of useful lives applied to amortise intangible assets; and • assessing the adequacy of disclosures included in the financial report for adherence to AASB 138.

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

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

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

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

Responsibilities of the Directors' for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 18 to 36 of the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Class Limited, for the year ended 30 June 2019, 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 R Leivesley
Partner – Audit & Assurance

Sydney, 20 August 2019

Shareholder information

The shareholder information set out below was applicable as at 1 August 2019.

Distribution of equitable securities

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

	Number of holders of ordinary shares	Number of holders of options over ordinary shares	Number of holders of performance rights over ordinary shares
100,001 and Over	63	4	–
10,001 to 100,000	565	22	3
5,001 to 10,000	651	10	–
1,001 to 5,000	1,837	–	–
1 to 1,000	1,430	–	–
Total	**4,546**	**36**	**3**
Holding less than a marketable parcel	403	–	–

Equity security holders

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

Rank	Name	01 Aug 2019	%IC
1	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	25,409,887	21.60
2	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	9,456,634	8.04
3	TRONCELL PTY LTD	8,870,944	7.54
4	NATIONAL NOMINEES LIMITED	8,536,765	7.26
5	TRONCELL PTY LTD	5,458,000	4.64
6	CITICORP NOMINEES PTY LIMITED	4,398,839	3.74
7	ARMELEK PTY LTD	3,300,000	2.80
8	MR JOSEPH CHARLES CAMUGLIA & MRS KIRSTEN INGRET CAMUGLIA	2,650,000	2.25
9	BNP PARIBAS NOMS PTY LTD	1,722,984	1.46
10	BNP PARIBAS NOMINEES PTY LTD	1,623,498	1.38
11	PACIFIC CUSTODIANS PTY LIMITED	1,565,000	1.33
12	MR PETER DORIAN KIBBLE & MRS LORRAINE LESTER	1,501,652	1.28
12	MR RODERICK KIBBLE & MRS MICHELLE KIBBLE	1,501,652	1.28
13	FYLPANE PTY LTD	1,483,707	1.26
14	MR KEITH FINKELDE & MRS ANNE FINKELDE & MR WAYNE FINKELDE	1,459,427	1.24
15	MR KEVIN BUNGARD	1,023,135	0.87
16	MR RAJARSHI MANU RAY	1,000,000	0.85
17	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED-GSCO ECA	944,687	0.80
18	MR KEVIN BUNGARD & MRS STEPHANIE ANNE BUNGARD	882,437	0.75
19	MR KEITH REX FINKELDE & MRS ANNE MARGARET FINKELDE & MR WAYNE TREVOR FINKELDE	535,277	0.45
20	NEWECONOMY COM AU NOMINEES PTY LIMITED	476,415	0.40
		83,800,940	**71.22**

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares	3,830,989	36
Performance Rights over ordinary shares	168,664	3
Performance Rights over ordinary shares subject to shareholder approval	300,000	1

Substantial holders

Spheria Asset Management Pty Ltd advised that as of 15 May 2019, it and its associates had an interest in 22,611,526 shares, which represented 19.22% of Class' issued capital at that time.

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

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

Voting rights

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

Ordinary shares

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

There are no other classes of equity securities.

Restricted securities

Class	Expiry Date	Number of shares
Ordinary shares	20 December 2019 or the day after the date which the shareholder ceases to be an employee	13,880
Ordinary shares	19 December 2020 or the day after the date which the shareholder ceases to be an employee	19,386
Ordinary shares	18 December 2021 or the day after the date which the shareholder ceases to be an employee	45,156
		78,149

Corporate directory 30 June 2019

Directors

Matthew Quinn - Chairman
Andrew Russell
Kathryn Foster
Rajarshi Ray
Nicolette Rubinsztein
Christopher Cuffe

Company Secretary

Glenn Day

Notice of Annual General Meeting

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

Registered office

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

Principal place of business

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

Share register

Link Market Services Limited
Level 12
680 George Street
Sydney NSW 2000
Ph: 1300 554 474

Auditor

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000

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/

Class

CLASS LIMITED
ACN 116 802 058

class.com.au