Class Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	Class Limited
ABN:	70 116 802 058
Reporting period:	For the half-year ended 31 December 2019
Previous period:	For the half-year ended 31 December 2018

2. Results for announcement to the market

The Group has adopted Accounting Standard AASB 16 'Leases' for the half-year ended 31 December 2019 using the modified retrospective approach and as such the comparatives have not been restated.

				$'000
Revenues from ordinary activities	up	6.6%	to	20,490
Profit from ordinary activities after tax attributable to the owners of Class Limited	down	29.9%	to	3,061
Profit for the half-year attributable to the owners of Class Limited	down	29.9%	to	3,061

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2019 paid on 17 September 2019	2.50	2.50

On 18 February 2020, the Directors declared a fully franked interim dividend for the year ending 30 June 2020 of 2.5 cents per ordinary share with a record date of 28 February 2020 to be paid on 27 March 2020.

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

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	19.77	19.18

The net tangible assets per ordinary share is calculated based on 117,206,640 ordinary shares on issue as at 31 December 2019 (excluding 455,416 treasury shares).

4. Audit qualification or review

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

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

5. Attachments

Details of attachments (if any):

The Interim Report of Class Limited for the half-year ended 31 December 2019 is attached.

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6. Signed

Signed ______________________________ Date: 18 February 2020

Matthew Quinn
Chairman
Sydney

Class Limited

ABN 70 116 802 058

Interim Report - 31 December 2019

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Class Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2019.

Directors

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

Matthew Quinn - Chairman
Andrew Russell
Kathryn Foster
Nicolette Rubinsztein
Simon Martin (appointed on 19 November 2019)
Robert Bazzani (appointed on 2 January 2020)
Rajarshi Ray (resigned on 21 October 2019)
Christopher Cuffe AO (resigned on 2 January 2020)

Principal activities

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

Review of operations

The early results of our strategy to reposition the Group as a world class technology company are promising, with work on Class Trust progressing well and the acquisition of NowInfinity announced in January adding to our product suite. Momentum is building for outperformance in FY21.

It is pleasing to see the improved quarterly net account growth, which is the highest since September 2018, and an improved result on the prior corresponding period ('PCP') FY19 first half results. Class is continuing to grow its market share in the Self-Managed Super Fund ('SMSF') space.

EBITDA ('earnings before interest, taxation, depreciation and amortisation') is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-cash items, interest revenue, finance costs and tax expenses. The following table summarises key reconciling items between statutory profit after tax and EBITDA. The Directors consider EBITDA to reflect the core earnings of the Group.

	31 Dec 2019 $'000	31 Dec 2018 $'000	Change $'000	Change %
Operating revenue and other income	20,464	19,029	1,435	8%
Cost of undertaking business	(11,893)	(10,382)	(1,511)	15%
Acquisition and corporate advisory costs	(509)	-	(509)	-
EBITDA	8,062	8,647	(585)	(7%)
Interest revenue	93	197	(104)	(53%)
Depreciation and amortisation	(3,622)	(2,710)	(912)	34%
Finance costs	(4)	-	(4)	-
Tax expense	(1,468)	(1,770)	302	(17%)
Statutory net profit after tax	3,061	4,364	(1,303)	(30%)

Operating revenue grew by 8% to $20,464,000. This was driven primarily by continued account growth and partner initiatives.

Costs of undertaking business increased by $1,511,000 with increased investment in people and product to deliver on our reimagination strategy.

Earnings before interest, tax, depreciation and amortisation ('EBITDA') for the half-year was $8,062,000.

As highlighted in the FY19 results a step change in investment to deliver on Class' reimagination strategy was required for FY20. This additional investment along with the amortisation on product investment from prior years has resulted in the Group posting a 30% decrease in statutory net profit on the prior corresponding period, to $3,061,000 for the half year ended 31 December 2019.

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

Matters subsequent to the end of the financial half-year
On 28 January 2020, the Group announced the acquisition of all the shares in NowInfinity 3505 Pty Ltd ('NowInfinity'). The acquisition was completed effective on 1 February 2020 for a maximum enterprise value of $25,000,000. The purchase consideration was settled by $10,000,000 upfront cash payment, plus $10,000,000 in the Company's shares. The Company issued 5,096,351 ordinary shares which is subject to escrow for a period of two years from the completion date. There is also a deferred consideration payment of up to $5,000,000 which is contingent on successful integration and payable in April and October 2020. The acquisition was partly funded by a new three-year $10,000,000 debt facility.

Apart from the dividend declared, no other matter or circumstance has arisen since 31 December 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.

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

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

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

On behalf of the Directors

Matthew Quinn
Chairman

18 February 2020
Sydney

Grant Thornton Audit Pty Ltd
Level 17
383 Kent Street
Sydney NSW 2000
Locked Bag Q800
Queen Victoria Building NSW
1230

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Auditor's Independence Declaration

To the Directors of Class Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Class Limited for the half-year ended 31 December 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

C F Farley
Partner – Audit & Assurance

Sydney, 18 February 2020

General information

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

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

Level 3, 228 Pitt Street
Sydney, NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of Directors, on 18 February 2020. The Directors have the power to amend and reissue the financial statements.

Class Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2019

	Note	Consolidated 31 Dec 2019 $'000	Consolidated 31 Dec 2018 $'000
Revenue	3	20,397	19,029
Other income		67	-
Interest revenue calculated using the effective interest method		93	197
Expenses			
Employee benefits expense		(9,077)	(7,382)
Depreciation and amortisation expense		(3,622)	(2,710)
Selling and marketing expenses		(832)	(1,116)
Occupancy expenses		(19)	(388)
Technology and data costs		(707)	(595)
Acquisition and corporate advisory costs		(509)	-
Other expenses		(1,258)	(901)
Finance costs		(4)	-
Profit before income tax expense		4,529	6,134
Income tax expense		(1,468)	(1,770)
Profit after income tax expense for the half-year attributable to the owners of Class Limited		3,061	4,364
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Class Limited		3,061	4,364
		Cents	Cents
Basic earnings per share	12	2.62	3.71
Diluted earnings per share	12	2.62	3.68

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

	Note	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Assets			
Current assets			
Cash and cash equivalents		16,990	17,464
Trade and other receivables		3,943	3,697
Income tax receivable		419	697
Other		1,143	773
Total current assets		22,495	22,631
Non-current assets			
Investments	4	3,195	2,028
Property, plant and equipment		817	779
Right-of-use assets	5	1,118	-
Intangibles	6	9,492	8,552
Customer acquisition costs	7	1,854	1,852
Total non-current assets		16,476	13,211
Total assets		38,971	35,842
Liabilities			
Current liabilities			
Trade and other payables		3,420	3,446
Contract liabilities		358	408
Lease liabilities		360	-
Provisions		921	805
Total current liabilities		5,059	4,659
Non-current liabilities			
Lease liabilities		707	-
Deferred tax liability		2,036	1,926
Provisions		539	360
Total non-current liabilities		3,282	2,286
Total liabilities		8,341	6,945
Net assets		30,630	28,897
Equity			
Issued capital	8	24,406	22,507
Reserves	9	1,205	1,490
Retained earnings		5,019	4,900
Total equity		30,630	28,897

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

Class Limited
Statement of changes in equity
For the half-year ended 31 December 2019

Consolidated	Issued capital $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2018	25,154	1,706	1,801	28,661
Profit after income tax expense for the half-year	-	-	4,364	4,364
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	4,364	4,364
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs	(577)	-	-	(577)
Share plan settlement	-	(461)	-	(461)
Share-based payment	-	243	-	243
Dividends paid (note 10)	-	-	(2,942)	(2,942)
Balance at 31 December 2018	24,577	1,488	3,223	29,288

Consolidated	Issued capital $'000	Other reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2019	22,507	1,490	4,900	28,897
Profit after income tax expense for the half-year	-	-	3,061	3,061
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	3,061	3,061
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 8)	808	-	-	808
Share plan settlement	1,091	(791)	-	300
Share-based payment	-	506	-	506
Dividends paid (note 10)	-	-	(2,942)	(2,942)
Balance at 31 December 2019	24,406	1,205	5,019	30,630

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

	Note	Consolidated 31 Dec 2019 $'000	Consolidated 31 Dec 2018 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		21,917	20,144
Payments to suppliers and employees (inclusive of GST)		(14,771)	(12,931)
Interest received		97	222
Other revenue		220	259
Interest and other finance costs paid		(4)	-
Income taxes paid		(780)	(2,983)
Net cash from operating activities		6,679	4,711
Cash flows from investing activities			
Payments for investment property		(800)	(60)
Payments for property, plant and equipment		(223)	(176)
Payments for intangibles	6	(3,632)	(3,726)
Proceeds from disposal of property, plant and equipment		-	3
Net cash used in investing activities		(4,655)	(3,959)
Cash flows from financing activities			
Payments for share purchase by employee share trust - treasury shares		-	(1,405)
Proceeds received on exercise of employee share options		808	193
Dividends paid	10	(2,942)	(2,942)
Repayment of lease liabilities		(364)	-
Net cash used in financing activities		(2,498)	(4,154)
Net decrease in cash and cash equivalents		(474)	(3,402)
Cash and cash equivalents at the beginning of the financial half-year		17,464	22,657
Cash and cash equivalents at the end of the financial half-year		16,990	19,255

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2019 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2019 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

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 16 Leases
The Group has adopted AASB 16 from 1 July 2019. The standard replaces AASB 117 'Leases' and for lessees eliminates the classifications of operating leases and finance leases. Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Straight-line operating lease expense recognition is replaced with a depreciation charge for the right-of-use assets (included in operating costs) and an interest expense on the recognised lease liabilities (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results improve as the operating expense is now replaced by interest expense and depreciation in profit or loss. For classification within the statement of cash flows, the interest portion is disclosed in operating activities and the principal portion of the lease payments are separately disclosed in financing activities. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

Impact of adoption
AASB 16 was adopted using the modified retrospective approach and as such the comparatives have not been restated. The impact of adoption on opening retained profits as at 1 July 2019 was as follows:

	1 July 2019 $'000
Operating lease commitments as at 1 July 2019 (AASB 117)	1,496
Operating lease commitments discount based on the weighted average incremental borrowing rate of 4.63% (AASB 16)	(65)
Right-of-use assets (AASB 16)	1,431
Lease liabilities - current (AASB 16)	(724)
Lease liabilities - non-current (AASB 16)	(707)
Impact on opening retained earnings as at 1 July 2019	-

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Note 1. Significant accounting policies (continued)

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the Group expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The Group has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Note 2. Operating segments

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

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

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

Note 3. Revenue

	Consolidated	
	31 Dec 2019 $'000	31 Dec 2018 $'000
Revenue from contracts with customers		
Software licence fees	19,194	17,922
Service fees	91	99
Partner fees	892	749
	20,177	18,770
Other revenue		
Other revenue	220	259
Revenue	20,397	19,029

Note 3. Revenue (continued)

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

Consolidated - 31 Dec 2019	Software licence fees $'000	Service fees $'000	Commission and partner fees $'000	Total $'000
Major product lines				
Class Super	18,573	91	892	19,556
Class Portfolio	590	-	-	590
Class Trust	31	-	-	31
	19,194	91	892	20,177
Timing of revenue recognition				
Services transferred at a point in time	-	-	892	892
Services transferred over time	19,194	91	-	19,285
	19,194	91	892	20,177

Consolidated - 31 Dec 2018	Software licence fees $'000	Service fees $'000	Commission and partner fees $'000	Total $'000
Major product lines				
Class Super	17,471	99	749	18,319
Class Portfolio	451	-	-	451
	17,922	99	749	18,770
Timing of revenue recognition				
Services transferred at a point in time	-	-	749	749
Services transferred over time	17,922	99	-	18,021
	17,922	99	749	18,770

The revenue from contracts with customers is substantially all in Australia.

Note 4. Non-current assets - investments

	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Convertible notes at fair value through profit or loss	3,195	2,028

Refer to note 11 for further information on fair value measurement.

Note 5. Non-current assets - right-of-use assets

	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Right-of-use	1,491	-
Less: Accumulated depreciation	(373)	-
	1,118	-

The Group has leased office premises under operating lease expiring on 30 June 2021, with options to extend. The lease has various escalation clauses. On renewal, the terms of the leases are renegotiated.

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

Consolidated	Office premises $'000
Balance at 1 July 2019	-
Adoption of AASB 16 on 1 July 2019	1,431
Additions	60
Depreciation expense	(373)
Balance at 31 December 2019	1,118

Note 6. Non-current assets - intangibles

	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Trademark and domain names - at cost	47	47
Software development - at cost	29,904	26,571
Less: Accumulated amortisation	(20,720)	(18,210)
	9,184	8,361
Computer software - at cost	198	198
Less: Accumulated amortisation	(169)	(146)
	29	52
Contractual rights - at cost	321	328
Less: Accumulated amortisation	(89)	(236)
	232	92
	9,492	8,552

Note 6. Non-current assets - intangibles (continued)

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

Consolidated	Trademark and domain names $'000	Software development $'000	Computer software $'000	Contractual rights $'000	Total $'000
Balance at 1 July 2019	47	8,361	52	92	8,552
Additions	-	3,333	-	299	3,632
Amortisation expense	-	(2,510)	(23)	(159)	(2,692)
Balance at 31 December 2019	47	9,184	29	232	9,492

Note 7. Non-current assets - Customer acquisition costs

	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Customer acquisition costs	1,854	1,852

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

	Consolidated 31 Dec 2019 $'000
Balance at 1 July 2019	1,852
Additions	374
Amortisation expense	(372)
Balance at 31 December 2019	1,854

Note 8. Equity - issued capital

	Consolidated 31 Dec 2019 Shares	30 Jun 2019 Shares	31 Dec 2019 $'000	30 Jun 2019 $'000
Ordinary shares - fully paid	117,662,056	117,662,056	25,154	25,154
Less: Treasury shares	(455,416)	(1,565,000)	(748)	(2,647)
	117,206,640	116,097,056	24,406	22,507

Movements in treasury shares

Details	Date	Shares	$'000
Balance	1 July 2019	(1,565,000)	(2,647)
Payments from option holders on exercise of options	Various dates	-	808
Less: allocation of shares on exercise of options (Note 9)	Various dates	1,109,584	1,091
Balance	31 December 2019	(455,416)	(748)

Note 9. Equity - reserves

	Consolidated 31 Dec 2019 $'000	Consolidated 30 Jun 2019 $'000
Share-based payments reserve	2,510	2,004
Share option purchase reserve	(1,252)	(461)
Acquisition reserve	(53)	(53)
	1,205	1,490

Movements in reserves
Movements in each class of reserve during the current financial half-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 2019	2,004	(461)	(53)	1,490
Transfer from treasury shares	-	(1,091)	-	(1,091)
Tax effect on settlement	-	300	-	300
Share-based payment	506	-	-	506
Balance at 31 December 2019	2,510	(1,252)	(53)	1,205

Note 10. Equity - dividends

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

	Consolidated 31 Dec 2019 $'000	Consolidated 31 Dec 2018 $'000
Final dividend for the year ended 30 June 2019 of 2.5 cents per ordinary share (2018: 2.5 cents)	2,942	2,942

On 18 February 2020, the Directors declared a fully franked interim dividend for the year ending 30 June 2020 of 2.5 cents per ordinary share, to be paid on 27 March 2020 to eligible shareholders on the register as at 28 February 2020. This equates to a total estimated distribution of $2,942,000, based on the number of ordinary shares on issue as at 31 December 2019.

Note 11. Fair value measurement

Fair value hierarchy
The following tables detail the Group's assets and liabilities, 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 - 31 Dec 2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Convertible notes at fair value through profit or loss	-	-	3,195	3,195
Total assets	-	-	3,195	3,195

Consolidated - 30 Jun 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 half-year.

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 the notes into equity of Philo Capital Holdings in the future. Changes in fair value have be assessed based upon forecast cash flows, revenue and Funds Under Administration ('FUA') targets as well as any recent transaction with the investee entity.

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

Consolidated	Available-for-sale $'000
Balance at 1 July 2019	2,028
Gains recognised in profit or loss	67
Additions	1,100
Balance at 31 December 2019	3,195

Note 12. Earnings per share

	Consolidated 31 Dec 2019 $'000	Consolidated 31 Dec 2018 $'000
Profit after income tax attributable to the owners of Class Limited	3,061	4,364

Note 12. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	116,671,079	117,553,560
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	119,641	1,155,097
Performance rights over ordinary shares	224,835	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	117,015,555	118,708,657

	Cents	Cents
Basic earnings per share	2.62	3.71
Diluted earnings per share	2.62	3.68

Note 13. Events after the reporting period

On 28 January 2020, the Group announced the acquisition of all the shares in NowInfinity 3505 Pty Ltd ('NowInfinity'). The acquisition was completed effective on 1 February 2020 for a maximum enterprise value of $25,000,000. The purchase consideration was settled by $10,000,000 upfront cash payment, plus $10,000,000 in the Company's shares. The Company issued 5,096,351 ordinary shares which is subject to escrow for a period of two years from the completion date. There is also a deferred consideration payment of up to $5,000,000 which is contingent on successful integration and payable in April and October 2020. The acquisition was partly funded by a new three-year $10,000,000 debt facility.

Apart from the dividend declared as disclosed in note 10, no other matter or circumstance has arisen since 31 December 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.

In the Directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial half-year ended on that date; and

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

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

On behalf of the Directors

Matthew Quinn
Chairman

18 February 2020
Sydney

Grant Thornton

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Independent Auditor's Review Report

To the Members of Class Limited

Report on the review of the half year financial report

Conclusion

We have reviewed the accompanying half year financial report of Class Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Class Limited does not give a true and fair view of the financial position of the Group as at 31 December 2019, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial Reporting*.

Directors' responsibility for the half year financial report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Class Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

Grant Thornton

Grant Thornton Audit Pty Ltd
Chartered Accountants

C F Farley
Partner – Audit & Assurance

Sydney, 18 February 2020