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 2021
Previous period:	For the year ended 30 June 2020

2. Results for announcement to the market

				$'000
Revenues from ordinary activities	up	24.5%	to	54,791
Profit from ordinary activities after tax attributable to the owners of Class Limited	down	46.4%	to	3,666
Profit for the year attributable to the owners of Class Limited	down	46.4%	to	3,666

Dividends

	Amount per security Cents	Franked amount per security Cents
Final dividend for the year ended 30 June 2020 paid on 18 September 2020	2.50	2.50
Interim dividend for the year ended 30 June 2021 paid on 19 March 2021	2.50	2.50

On 17 August 2021, the Directors declared a fully franked final dividend for the year ended 30 June 2021 of 2.5 cents per ordinary share with record date of 25 August 2021 and payment date of 23 September 2021.

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	(7.89)	7.77

The net tangible assets per ordinary share is calculated based on 123,493,615 (2020: 122,307,803) ordinary shares on issue as at 30 June 2021 excluding 265,219 (2020: 450,604) treasury shares.

Net tangible assets calculations above includes the right-of-use assets and lease liabilities and excludes deferred tax liabilities.

4. Control gained over entities

On 20 August 2020, the Group acquired 100% of the ordinary shares in Assuriti Pty Ltd, Company Dynamics Pty Ltd and Accounting & Legal Dynamics Pty Ltd. Refer to note 32 of the Financial Report for further details.

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5. Audit qualification or review

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

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

6. Attachments

Details of attachments (if any):

The Annual Report of Class Limited for the year ended 30 June 2021 is attached.

7. Signed

As authorised by the Board of Directors

M. Quinn

Matthew Quinn
Chairman
Sydney

Date: 17 August 2021

CLASS

2021 Annual Report

We will reimagine a simpler,
more automated world
for our customers
and they will love it!

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Message from the Chairman & CEO

Matthew Quinn

Andrew Russell

We are pleased to report that FY21 has been another successful and transformational year for Class. This marks the completion of the second year of the three-year Reimagination Strategy.

The essence of the Reimagination Strategy is to transform Class by developing new revenue streams, growing our Total Addressable Market (TAM), increasing scale and improving operating capability.

There are four areas of focus:

1. Maintaining SMSF product leadership and launching Class Trust
2. Accelerating growth through strategically aligned acquisitions
3. Growing the number of wealth accounting customer relationships
4. Creating a next generation, world class technology stack.

Our progress so far has been impressive and fast paced which has seen Class significantly increasing its TAM.

FY21 Overview

- We achieved the revenue and EBITDA targets communicated to you at the start of the year.
- Class delivered record revenue of $54.9m and 15% growth in underlying EBITDA.
- We launched Class Trust ahead of schedule.
- We acquired two businesses in the corporate compliance space and we are now the clear market leader.
- Our technology investment has been fast tracked.
- We now have over 7,700 unique customers and product relationships with 81 of the top 100 Australian accounting irms.
- We have increased the proportion of female employees to 51%.
- The Class culture is strong and we pride ourselves on being able to attract world class talent, aligned behind our core values and ways of working.

We are pleased with these achievements, demonstrating the resilience of Class even when faced with a global pandemic.

Acquisitions and Product expansion

The NowInfinity acquisition was the first step in evolving Class to an integrated multi-product offering to our professional services customers, thus reducing our sole reliance on the SMSF market and expanding our TAM.

Both of the subsequent acquisitions of Smartcorp and Reckon Docs have been sucessfully integrated under the NowInfinity banner, and we recently announced the acquisition of Top Docs, which will further enhance our market leading position.

Over the past two years, Class has funded four EPS accretive acquisitions in the corporate compliance space for a total value of $54.4m. Our acquisitions have been targeted and well executed, in line with our strategy to fast track our market entry into corporate compliance by buying businesses that are profitable and EPS accretive.

Class has funded the acquisitions primarily with cash and debt to minimise dilution for shareholders. The balance sheet is very healthy and free cash flow from operations is increasing as the business grows and achieves economies of scale. Class has identified a number of further opportunities to grow through acquisition, and the board will review the company's capital management strategy, including dividend payout, in the first half of FY22 to maintain a strong balance sheet and optimise total shareholder returns through internal funding of growth initiatives. Class paid a fully franked dividend for FY21 of 5 cents.

The launch of Class Trust was a significant milestone in the Reimagination Strategy. Our market research showed there is a key pain point for trust administration, as there was for the self-managed superannuation, which can be removed through Class software to simplify and automate processes and improve workflow efficiencies.

We are pleased with the product launch results to date and the positive feedback from our customers. Our plan to scale involves targeted 'sell through' to our large and growing customer base and the successful execution of this strategy will ensure Class Trust revenue grows over the coming years.

Strategy and Outlook

We are now turning our thinking to the next horizon and will explore opportunities to further grow our TAM and leverage our capability through:

1. Adjacencies where complex administration rules exist that can be automated by technology.
2. Opportunities in commercialising our data aggregation and analytics.
3. Offshore opportunities where our technology products can simplify and automate workflows.

Clearly there are currently some constraints with COVID, however we are building our knowledge base, and this will be followed by a structured approach for opportunity assessment and prioritisation.

Our ambition for sustainable growth is as strong as ever and we will communicate a clear strategic runway for FY23 and beyond as we complete this assessments over the next year.

In closing

Simon Martin retired as director in FY21 due to health reasons, and on behalf of the board and management we thank Simon for his contribution to Class and wish him all the best in his recovery.

We would like to thank all Class employees and our fellow board members for what we have achieved in FY21, positioning Class well to create sustainable revenue and earnings growth as a leading Australian technology business.

On behalf of the board, we would like to thank our shareholders for your ongoing support and we look forward to creating value for you in the coming years.

MATTHEW QUINN

Chairman of the Board

ANDREW RUSSELL

Chief Executive Officer and Managing Director

Reimagination Strategy

FY20
Momentum

Strengthen and Diversify

Launch new enterprise cloud based platform which strengthened our Core

Build, buy or partner new product capability

FY21
Accelerate

Enter new markets with compelling customer offerings which build towards our Class suite vision

Scaling the business through the execution of the multi product strategy accelerating the financial performance

FY22
Make our Mark

Market leadership in our all our market segments with technology solutions our customers love

Year 2 of the 3 Year Reimagination Strategy was focused on accelerating our growth, capability and improving the scale of offerings to our customers

Maintaining SMSF product leadership and Launching Class Trust

- Growth in Class products
- Successful launch of Class Trust, ahead of schedule
- Multi industry awards in FY21, 'SMSF Software provider of the Year' – SMSF Adviser & Digital Technology Awards

Accelerating Growth through strategically aligned acquisitions

- Acquisition of Smartcorp, Reckon Docs and most recently, Topdocs
- FY21 acquisitions successfully integrated and organically outperforming

Growing the number of Wealth Accounting customer relationships

- Redesign of our customer engagement and sales strategy
- Segmentation / sell through strategy to drive increased product penetration and increased Customer Lifetime Value (LTV)

Rejuvenating the Technology Stack for Next Generation, world class capabilities

- Fully ISO /27001 compliant
- ASAE3402 – security and audit review of data feeds and tax statements
- Material progress in tech and product capability transformation

Our Executive Leadership Team

Andrew Russell *Chief Executive Officer and Managing Director*

Qualifications: Innovative Technology Leader Program from the Stanford University Graduate School of Business, Authentic Leadership Development Program from the Harvard Business School and a MBA from the Cass Business School, University of London, 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, market entry and scale up. Mr Russell has held senior positions in international institutional and retail financial services organisations in both Australian and the United Kingdom. In his previous role at REA Group, Mr Russell was the founding leader who spearheaded the launch and development of their financial services business. Mr Russell was GM and Interim CEO of Mortgage Choice where he led the successful launch of their financial planning business and growth of their mortgage franchise network. Mr Russell also was appointed by the Virgin Group to lead the Australian market entry for Virgin Money superannuation and mortgages.

Panos Alexandratos *Chief Operating Officer*

Qualifications: B. Econ, Actuarial and Computer Science from Macquarie University. Affiliate of the Actuaries Institute.

Experience and expertise: Mr Alexandratos is a superannuation industry professional, with over 30 years' experience in management, operational, IT and software development consulting. Mr Alexandradtos specialises in commercialising products for market and building operational frameworks, developing solutions and bridging the gap between business aspirations and IT capabilities. Mr Alexandratos pioneered the establishment of a global IT consulting group's successful practices in both Australia and the United States. He has held trusted adviser roles with a variety of government departments and large institutions in the superannuation industry in both Australia and the United States.

Jacqui Levings *Chief People Officer*

Qualifications: Graduate Diploma in Human Resources & Industrial Relations from University of Sydney.

Experience and expertise: Ms Levings has 20 years' experience in HR executive, leadership and generalist roles with demonstrated experience in ASX listed companies. Prior to joining Class, Ms Levings held a variety of senior HR leadership roles within the Crane Group Limited & Fletcher Building Group of Companies. Ms Levings people leadership career spans a range of industries including building products, manufacturing, information management and hospitality.

Alexis Rouch *Chief Technology Officer*

Qualifications: Bachelor of Science (Honours), University of Melbourne & Graduate Diploma in Applied Information Systems, RMIT. Next Women 50, World 50.

Experience and expertise: Ms Rouch is an experienced executive with expertise in driving strategic business outcomes using technology. Ms Rouch has held a variety of senior management positions in international banking and management consulting roles, including at AMP, ANZ, First National Bank (UK), Accenture (UK) and PwC (Eastern Europe). With over 25 years' experience, Ms Rouch's career has spanned large top 20 organisations to start-ups, both locally and internationally, including executive roles in the United Kingdom, Eastern Europe and Asia.

Jason Wilson *Chief Customer Officer*

Quali ications: B. Commerce, Marketing, University Western Sydney. Harvard Business School – CBA Executive program, AGSM Influential Leadership program.

Experience and expertise: Mr Wilson is a senior executive with over 20 years' experience across a range of financial services institutions including online broking, retail banking, and wealth management. Prior to joining Class, he was a founding member of the Digital Leadership team at the Commonwealth Bank which introduced agile at scale as well as several innovations including the launch of the MyWealth investment platform. His career spans a range of marketing, customer experience and product development roles within large institutions and start up technology businesses.

Our people

At Class, our people are our number one asset.

We understand that our ability to deliver on our Reimagination strategy is underpinned by a world-class culture and highly engaged talent that deliver great customer outcomes.

To attract world-class talent, we need to have a world-class culture. In 2019, we gave every employee the opportunity to put forward their views on what Class is – and what it could be.

This feedback culminated in the development of the Class Ways of Working (WoW). Through this collaborative and employee-led process, we established that our people would champion the following values:

We are better together!	**We are better together** – defined by customer centricity, collaboration and teamwork
We get it done, with heart!	**We get it done, with heart** – defined by accountability, ownership and delivery focus
We are built on trust!	**We are built on trust** – defined by reliability, honesty and empowerment
We are always reimagining!	**We are always reimagining** – defined by curiosity, innovation and growth mindset

And because our employees created our WoW, they are our strongest culture champions.

We are Reimagineers.
Powering Technology.
Delivering with Heart.

Engagement@Class

Class takes part in the annual Best Places to Work Employee Survey which is carried out by WRK+ Australia. 80% of employees completed the survey this year.

Employee engagement in 2021 was 79%, with 82% of employees stating that the company was a 'great place to work'.

Class continues to score very well in the areas of diversity with a score of 94 for the statement 'my company encourages and promotes diversity of backgrounds, talents and perspectives'.

Additionally, we also conduct a quarterly employee Pulse Check survey, gathering regular feedback from our people to assess employee engagement.

Our employee Net Promoter Score (eNPS) in the most recent Pulse Check was +34, demonstrating high employee advocacy for Class as a great place to work.

Our Promise to Our People

At Class we are customer centric, collaborative and curious. We look for people who can bring new perspectives and life experiences into our teams. We aspire to be the place to work in Tech. We create an amazing employee experience that offers attractive of benefits, awesome people and new ways of working to help our people thrive.

Diversity@Class

We believe that diversity adds colour to life at Class and we are proud of our talented and diverse team.

We believe that the wide array of perspectives that comes from diversity sparks innovation and creativity that delivers great business outcomes. Fostering this diversity makes us more agile, flexible and productive.-

We want all employees to feel comfortable to bring their whole selves to work and to feel safe and supported in doing so. In FY21 we launched a number of new initiatives to enable this.

Understanding the diversity of our people

We created a set of information-gathering questions in our people system to better understand the backgrounds and identities of our people. The questions address ethnicity, sexual orientation, religious or spiritual belief systems, disability and gender identity. They are optional, confidential and are used to better prioritise the diversity initiatives we create for our people.

Attracting female tech talent

To attract a greater pool of female talent in the heavily male-dominated technology industry, we have adopted a 'gendered language' decoding tool to ensure our job advertisements were balanced in their terminology. Leaders are additionally coached by our talent acquisition team to eliminate bias from their decision making. The results have been significant with 60% of our new hires to 31 March 2021 being female.

Shining a light on people with a disability

In FY21 we launched biannual hearing checks at Class through a partnership with Audika.

We also celebrated the International Day for People with a Disability in 2020 with a panel of guest speakers sharing their experiences to raise disability awareness.

Building our internal female talent pool

Class is committed to gender equality. We are building solid foundations towards our path to gender equality at Class. We are proud to have a female Chief Technology Officer leading our technology team. In 2021 we achieved a significant milestone being equal female representation across Class with 51% of our staff being female.

We are also building our pool of female leaders with 35% of leaders within Class being female.

Celebrating different cultures

Class is proud of the cultural diversity of its people. Throughout the year we held many virtual and onsite celebrations such as Diwali, Eid al-Fitr, Christmas and Lunar New Year. We have raised awareness of these cultural celebrations by our people sharing their experiences through recorded videos to raise better awareness and understanding.

Inclusive Leadership

Class has launched an inclusive leadership program, aimed at raising awareness of unconscious bias with our leaders. In 2021, 34 of our leaders attended the program.

Families@Class

Class is committed to supporting our new and expectant parents during an exciting and sometimes challenging time of their lives.

We launched our Families@Class information hub to provide our people with access to a range of resources and support tools. We additionally partnered with the Gidget Foundation to launch the 'Empowered' return to work program which supports our people in their transition back to work from parental leave. During the period we were proud to achieve 100% return rate for employees who had taken parental leave.

Learning@Class

This year we launched our Learning@Class framework which creates ongoing personal growth and professional development experiences for our people.

During the period we invested in building the capabilities of our leaders and high potential talent through a six-month strengths-based development program including executive coaching.

We also designed a series of short courses run by our internal knowledge experts and external innovation speakers, held weekly during the 'Class Learning Hour' that all our people are encouraged to attend.

GiveBack@Class

In FY21 Class partnered with Solarbuddy as its first official Corporate Charity Partnership.

Solarbuddy is a global charity that produces solar lights for children to study, read and learn in energy poverty areas during the hours after dark. Class has a goal of donating 3500 lights.

To date, we have donated 1,887 lights which has improved the lives of 9,435 people.

Employees can opt into the Class workplace giving program (WPG) by donating via salary sacrifice on a regular payment plan or make a one off donation.

WELLBEING@CLASS

Mental Health: reducing the stigma

Class offers a 100% confidential, 24/7 telephone-based counselling service to our employees and their families. In 2020 during the emerging COVID-19 crisis, we additionally offered this service to our clients.

In FY21 we trained a number of our people to become RUOK? Check-In Champions to proactively reach out and support out people during the crisis.

On RUOK Day 2020 a number of our leaders shared their personal stories to help reduce the stigma around mental health and to promote awareness.

Financial: supporting our people to gain financial freedom

This year we partnered with Findex to run multiple financial education sessions for our people. The partnership also included Class funded financial advice sessions with a Findex advisor.

Physical: promoting physical health to support mental health

Class holds regular team fitness challenges to cater for the different needs of our people.

Throughout the year we sponsored membership to a range of health programs such as step challenges, nutrition advice and group sessions.

Social: maintaining healthy relationships and connection

Central to wellbeing is maintaining a sense of social connection. During the period our connected monthly virtual social events and dedicated slack channels give our people the opportunity to share personal stories and photos.

Creating our own Hybrid Playbook

Hybrid@Class

At Class, our people have flexibility to perform their work through a blend of in-office and at-home experiences.

At the outbreak of COVID-19, our people quickly and smoothly shifted to 100% remote work, whilst maintaining productivity and delivering great customer outcomes.

Over the past year, through a blend of return-to-work trials and regular feedback from our people, Class has transformed to adopt a 'hybrid way of working' model to pay respect to individual needs, work type, priorities, operational requirements.

We work in close partnership with our leaders and people to encourage meaningful conversations about work-life blend and how Class can best assist their unique needs.

Our eNPS score collected from our internal pulse check on 'I would recommend Class' flexible work program' has improved significantly as a result of these changes from -1 (May 20) to +56 (Oct 20).

Supporting our People through the pandemic

Wellbeing@Class

This year saw a rise in mental health issues related to COVID-19 and long-term remote work.

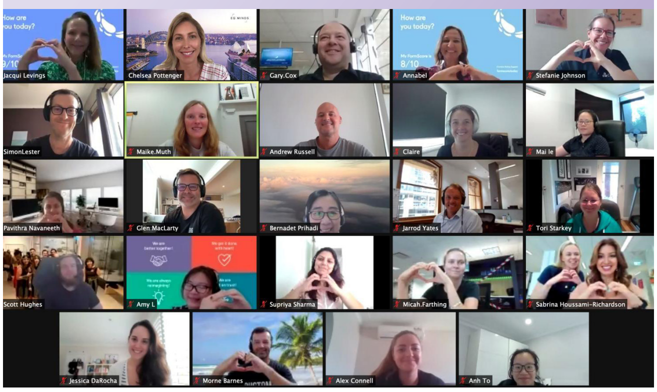
Class shifted to 100% remote work, and quickly recognised the need to support our people's wellbeing to maintain connection, productivity, and engagement.

This led to the launch of Wellbeing@Class to create a positive, healthy workplace and a culture of wellness at Class.

Our Wellbeing Statement

"At Class we aim to enhance our people's wellbeing to be their best self at Class and at home"

Wellbeing@Class is our holistic wellbeing approach under four pillars.



Financial Report

2021

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 2021.

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**
- **Robert Bazzani**
- **Kathryn Giudes (Foster)**
- **Simon Martin** (ceased on 31 May 2021)
- **Nicolette Rubinsztein**

Principal activities

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

Review of operations

	2021 $'000	2020 $'000	Change $'000	Change %
Operating revenue and other income	54,941	44,052	10,889	25%
Cost of undertaking business	(33,037)	(25,055)	(7,982)	32%
Underlying EBITDA	21,904	18,997	2,907	15%
Acquisition & Corporate Advisory Costs	(948)	(827)	(121)	15%
Loss on financial assets at fair value[1]	(3,242)	0	(3,242)	(100%)
EBITDA	17,714	18,170	(456)	(3%)
Interest revenue	7	119	(112)	(94%)
Finance cost	(451)	(140)	(311)	222%
Depreciation and amortisation	(11,438)	(8,072)	(3,366)	42%
Tax expense	(2,166)	(3,237)	1,071	(33%)
Statutory net profit after tax	3,666	6,840	(3,174)	(46%)

1 *Loss on financial assets at fair value refers to the revaluation of the Groups investment in Philo Capital.*

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

Dividends

Dividends paid during the financial year were as follows:

	2021 $'000	2020 $'000
Final dividend for the year ended 30 June 2020 of 2.5 cents per ordinary share (2020: 2.5 cents)	3,094	2,942
Interim dividend for the year ended 30 June 2021 of 2.5 cents per ordinary share (2020: 2.5 cents)	3,094	3,069
	6,188	6,011

On 17 August 2021, the Directors declared a final dividend for the year ended 30 June 2021 of 2.5 cents per ordinary share with a payment date of 23 September 2021 to eligible shareholders on the register as at 25 August 2021. This equates to a total distribution of $3,094,000 based on the number of ordinary shares on issue as at 30 June 2021. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2021 financial statements and will be recognised in subsequent financial reports.

Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not had a significant impact for the Group up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation continues to develop and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

On 2 August 2021, the Group executed the transfer of the Philo convertible notes for a cash consideration of $175,000.

On 17 August 2021, the Group announced the acquisition of all the shares in Topdocs Pty Ltd. The Share Purchase Agreement was executed on 16 August 2021 with an expected effective date of 1 September 2021 and a maximum enterprise value of $13 million. The purchase consideration is expected to be settled by $11.7 million upfront cash payment, plus $1.3 million in the Company's shares. The acquisition will be partly funded through an increase to the existing bank debt facility.

As part of the transaction, the Topdocs platform and customer base will be acquired and is expected to deliver an estimated revenue contribution of $3 million in FY22.

No other matter or circumstance has arisen since 30 June 2021 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 *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, Elders 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), Non-executive Director Regis Limited (ASX: REG) and Non-executive Director Elders Limited (ASX: ELD).

Former directorships (last 3 years): Non-executive Director Carbonxt Group Limited (ASX: CG1)

Special responsibilities: Member of the Nomination, Remuneration and Human Resources Committee and Member of the Audit and Risk Committee

Interests in shares:	Interests in options:	Interests in rights:
370,000 ordinary shares	None	None

Andrew Russell *Chief Executive Officer and Managing Director*

Qualifications: Refer to section 'Our Executive Leadership Team' on page 8.

Experience and expertise: Refer to section 'Our Executive Leadership Team' on page 8.

Other current directorships: None

Former directorships (last 3 years): None

Interests in shares:	Interests in options:	Interests in rights:
127,151 ordinary shares	None	694,626 performance rights

Robert Bazzani *Non-Executive Director*

Qualifications: Master of Business Administration (MBA), Bachelor of Law (LLB) and a Bachelor of Science (BSc).

Experience and expertise: Mr Bazzani was formerly a top level Partner with global consulting firm KPMG, where he served in multiple leadership roles including as a member of KPMG's National Executive Committee (NEC), which oversaw and was responsible for the firm's turnover, strategic decision making, profitability and operations. He has significant hands-on experience in running and growing large scale and complex businesses, and is well skilled in business strategy and management, governance, accounting and law.
He has worked extensively in corporate finance and advisory roles across a range of industries in both Australia and Asia Pacific. Mr Bazzani is an advisory board member and/or chairman on a number of private companies.

Other current directorships: Non-executive Director Mach7 Technologies (ASX: M7T), Non-executive Director Keypath Education International Inc (ASX: KED), Non-executive Chairman of ORDE Financial

Former directorships (last 3 years): None

Special responsibilities: Member of the Audit and Risk Committee and Chair of the Remuneration and Human Resources Committee from June 2021.

Interests in shares:	Interests in options:	Interests in rights:
50,000 ordinary shares	None	None

Kathryn Giudes (Foster) *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 Giudes (Foster) has a strong background in technology, sales, and early-stage start-up companies. Ms Giudes (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 Giudes (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 Giudes (Foster) first joined Class Ltd prior to the IPO in 2015 and was the Chair of the Nomination, Remuneration and Human Resources Committee until 21 June 2021, where now sits as a member. Ms Giudes (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), Non-executive Director Livehire Limited (ASX: LVH)

Former directorships (last 3 years): None

Special responsibilities: Chair of the Nomination Remuneration and Human Resources Committee until June 2021.

Interests in shares:	Interests in options:	Interests in rights:
82,208 ordinary shares	None	None

Information on Directors cont.

Nicolette Rubinsztein *Non-Executive Director*

Quali ications: BbusSc (hons), qualified actuary (FIAA), an executive MBA from the Australian Graduate School of Management and a fellow 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, Greenpeace Australia Pacific Limited 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 President of the Actuaries Institute in 2019 and 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:	Interests in options:	Interests in rights:
152,864 ordinary shares	None	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.

Company Secretary details

Mr Glenn Day was appointed Company Secretary in 2008 and retired on 28 May 2021.

Ms Jasmin Chew, General Counsel, was appointed as Acting Company Secretary on 28 May 2021.

Jasmin Chew *General Counsel & Acting Company Secretary*

Qualifications: Bachelor of Laws (LLB), Bachelor of Arts (BA), Postgraduate Diploma in Business Administration (PGDipBus)(University of Auckland, NZ); Admitted to the Supreme Court of NSW and the High Court of NZ; Member of the Australian Institute of Company Directors; State Bar of California (in progress).

Experience and expertise: Ms Chew is a practising lawyer with legal, risk management, company secretariat, corporate governance and regulatory compliance expertise. Ms Chew has held a variety of senior legal advisory, consulting and management positions at financial institutions including JPMorgan, Westpac, Standard Chartered Bank, Morgan Stanley, HSBC, Colonial First State Global Asset Management, MUFG, AMP, ANZ and corporations including Hewlett Packard, Optus, Travelex, TEG Pty Ltd (Nine Entertainment). With over 20 years o experience gained rom top tier law firms (Bell Gully, DLA Piper), international investment banks and local tech start-ups, Ms Chew's career has spanned Asia, UK & USA.

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 2021, 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	6	6	5	5
Andrew Russell	9	9	–	–	–	–
Robert Bazzani[1]	9	9	6	6	1	1[1]
Kathryn Giudes (Foster)	9	9	–	–	5	5
Simon Martin[2]	8	8	–	–	4	4
Nicolette Rubinsztein	9	9	6	6	–	–

1. *Robert Bazzani joined the NRHRC in June 2021.*
2. *Simon Martin left the Board on 31 May 2021.*

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

Message to our shareholders

Robert Bazzani

On behalf of the Nomination, Remuneration and Human Resources Committee (NRHRC), I am pleased to present the Group's Remuneration Report for the 2021 financial year (FY21). In June 2021, I was honored to take over the role of Chair of the NRHRC from Ms Kathryn Giudes (Foster). The Board wishes to thank Ms Giudes (Foster) for her guidance and governance of the NRHRC over the past 6 years.

Led by our CEO, Andrew Russell and his executive leadership team, FY21 has been pivotal to the continued transformation and growth of Class. Despite the challenges faced by the Covid-19 global pandemic, the Class team has successfully executed against its strategic plan by continuing to accelerate revenue growth and scaling the business.

Class continues to deliver strong financial outcomes for our shareholders, with 21% recurring revenue growth and 40% Underlying EBITDA margin.

The Class Reimagination Strategy has been successful in achieving its goals to date. Class is positioned for sustainable growth in FY22 and beyond following the successful and continued delivery of key strategic initiatives. Highlights this year include the launch of Class Trust and further strengthening of our market leading position in Legal Documents & Corporate Compliance through the acquisitions of Smartcorp & Reckon Docs.

Critical to sustaining this superior performance and strategy execution is Class' ability to attract and retain industry leaders and top talent to deliver against its strategic plan. As a growing technology company, the global shortage for technology talent is creating increased competition for Class to attract such talent.

Class' ability to compete for top talent is enabled by our remuneration framework and underpinned by our Ways of Working cultural framework.

The Class reward framework is 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 principles

We believe that performance results must drive key management personnel (KMP) remuneration outcomes, with financial measures being a core component of these outcomes. We also support the inclusion of non-financial measures to balance the needs of our shareholders, customers and people. We believe long-term shareholder value will be realised through this balance.

Our executive remuneration framework has been purposefully designed to enable this through:

- Fixed remuneration competitive with the market
- Short term incentives based on challenging individual and company targets, with a deferral mechanism to deliver meaningful equity exposure and retention for key executives
- Long term incentives aligned to Class' strategy that focuses executives on long-term value creation through performance hurdles linked to the Group's strategic financial and customer growth

Remuneration outlook – changes in FY22

Looking ahead, the NRHRC has considered the current remuneration framework in the context of the growing challenges faced by technology companies in attracting and retaining talent. It is critical that our remuneration policies evolve with the market to ensure they remain compelling and competitive.

Consequently, the Board has determined that the FY22 long term incentive grant to the CEO will introduce the ability for outperformance of up to 100% of fixed remuneration. This will be subject to the achievement of challenging performance hurdles set by the Board linked to the execution of strategic, transformational activities. The introduction of this change will be subject to shareholder approval at the Group's AGM in October 2021.

The NRHRC and Board consider this change together with the robustness of our existing framework will help us attract and retain the right talented people to deliver our growth aspirations.

We appreciate the ongoing feedback we receive from our shareholders and the Board looks forward to continuing this engagement.

ROBERT BAZZANI

Chair – Nomination, Remuneration and 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 that is intended to provide a 'plain English' explanation to shareholders of the Key Management Personnel and executives' remuneration outcomes for FY21 and the existing remuneration framework.

Key Management Personnel (KMP)

KMP, as defined by Accounting Standard AASB 124 Related Party Disclosures (AASB 124), for the year ended 30 June 2021 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. Following a review of senior executives against the criteria for determining Executive KMP, it was deemed that the Chief Executive Officer (CEO) and the Chief Financial Officer (CFO) qualify as executive KMP.

Executive and Non-executive KMP

	Name	Position	Term
Chairman	Matthew Quinn	Chairman	Full Year
Non-executive Directors	Robert Bazzani	Director	Full Year
	Kathryn Giudes (Foster)	Director	Full Year
	Simon Martin[1]	Director	Part Year[1]
	Nicolette Rubinsztein	Director	Full Year
Executive KMP	Andrew Russell	CEO & Managing Director	Full Year
	Glenn Day[2]	CFO & Company Secretary	Part Year[2]

1 *Simon Martin left the Board on 31 May 2021.*

2 *Glenn Day left the Group on 28 May 2021.*

Executive and Non-executive KMP

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

Class Board

- Overall responsibility for the remuneration strategy and outcomes for Executive 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 and senior leaders 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
- Remuneration of Executive KMP and other senior executives who report directly to the CEO (Senior Executives)

People, Culture, Talent Management & Diversity

Monitors, recommends and reports to the Board on:

- Talent pools available for succession planning into executive and senior leadership positions
- The effectiveness of the Group's diversity policies and initiatives, including an annual assessment and submission to the Workplace Gender Equality Agency 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 internal and external surveys conducted by the Group in relation to the culture of the organisation, including monitoring these trends over periods of time
- Initiatives to improve and drive a strong performance culture
- Assessing performance against the Group's compliance with external reporting requirements

CEO & Chief People Officer

Makes recommendations to the NRHRC for:

- Incentive targets and outcomes relating to short- and long-term incentive plans
- Remuneration policy for all employees
- Reviewing long-term incentive participation
- Individual remuneration and contractual arrangements for executives

External Advisers

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

Throughout FY21, the NRHRC and management received information from external consultants (Mercer (Australia) Pty Ltd & Boyden Australia) in relation to remuneration market data.

As part of the Group's remuneration governance framework, the NRHRC may obtain independent advice, independent of management, to ensure decisions are made in the best interest of the Group and its shareholders.

Managing Risk

The Board retains discretion to adjust variable remuneration outcomes as deemed appropriate. All variable remuneration outcomes are subject to Board approval prior to grant and/or payment. The Board retains discretion to review the allotment of shares at vesting through claw back provisions.

Executive remuneration framework and programs FY21

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 aligned to delivering profitability, strategy and shareholder value for the Group.

The key features of the Group's executive remuneration and non-executive remuneration framework is 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, aligned 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 internal and external 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 using equity as the vehicle for the long-term incentive (LTI) plan, and through the short-term incentive (STI) by a deferred mechanism that applies to Executive KMP and senior executives. Executive KMP are expected to accumulate a minimum value of shares in accordance with the Minimum Shareholding Policy.	Remuneration opportunities, including those elements that 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.)

Component	Description	Link to strategy and performance
Fixed Remuneration	• Comprises of base salary and superannuation.	Reviewed annually based on market data, individual skills, experience, accountability, performance, leadership and behaviours.
Variable Remuneration (summary)	• Variable component of executive target remuneration mix allows a greater share of remuneration to be 'at risk' and subject to performance. • Executives are rewarded based on performance against annual 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 internal and external measures of financial and non-financial performance.
Variable Remuneration – Short-term incentive (STI)	• An at-risk component set as a percentage of fixed remuneration. • Calculated based on achievement against a range of financial and non-financial measures. • Paid after a 12-month performance period. • STI enables increased equity exposure, with a portion of STI paid in equity through deferred rights, vesting annually in equal instalments over a two-year period. • STI allocated in deferred rights to executives in FY21 was 25% of total STI. • The Board retains discretion to review the allotment of shares at vesting through claw back provisions.	Rewards delivery and execution of key strategic and financial objectives in line with the Group's annual business plan.
Variable Remuneration – Long-term Incentive (LTI)	• An at-risk component set as a percentage of fixed remuneration. • Grants are made annually to eligible executives, with vesting three years from grant date. • Performance hurdles are reviewed annually by the Board to align with the Group's strategic plan. **Special Allocation** • No special allocation was made in FY21. In FY20, a special one-off LTI allocation was made to senior executives in the form of performance rights. This allocation was on the same terms and performance hurdles as the one-off allocation to the CEO in FY19 and provides alignment of interests across the executive team. • Vesting will occur three years from grant date subject to performance hurdles.	Rewards execution against long- term strategy and shareholder value creation. Creates alignment between shareholder and executive outcomes.

Voting and comments made at the Company's 2020 Annual General Meeting

At the 2020 Annual General Meeting (AGM), 99.31% of shareholders voted to approve the adoption of the remuneration report for the year ended 30 June 2020. The Company did not receive any specific concerns at the AGM regarding its remuneration practices.

Use of remuneration consultants

Throughout FY21, the NRHRC and management received information from external consultants (Mercer (Australia) Pty Ltd & Boyden Australia) in relation to remuneration market data. This forms part of the Group's remuneration governance framework. The NRHRC may obtain independent advice, independent of management, to ensure decisions are made in the best interest of the Group and its shareholders.

No external advisers provided a remuneration recommendation as defined under section 300A of the Corporations Act during FY21.

Remuneration Comparator Group

Executive remuneration is benchmarked to an ASX technology peer group that is determined to be similar to the Group's current size, scale and operations. The peer group is periodically reviewed by the Group in conjunction with an independent remuneration consultant.

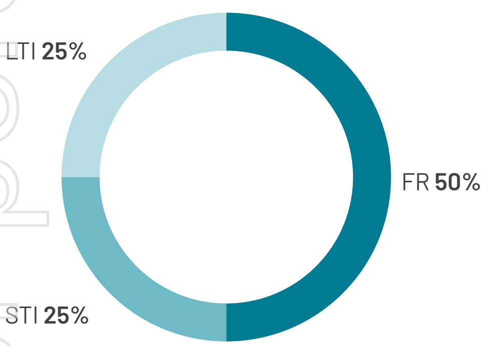
Executive remuneration framework and programs FY21

The remuneration mix is set with consideration to market benchmarking and is designed to attract and retain the calibre of executives required to deliver long-term shareholder value.

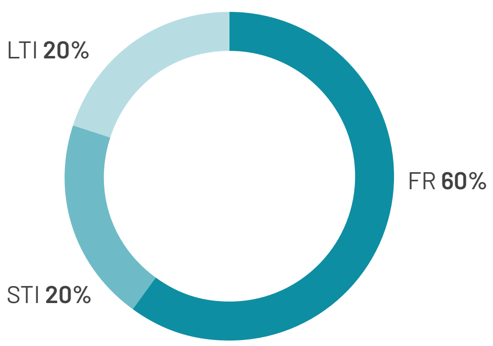
A review of the remuneration structure conducted in FY18 highlighted that the pay mix for the KMP was skewed towards fixed remuneration with insufficient pay at risk. From FY19 onwards, a higher proportion of pay for the KMP is at risk, a portion of STI is subject to deferral into shares and LTI is subject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

The current remuneration mix is shown below:

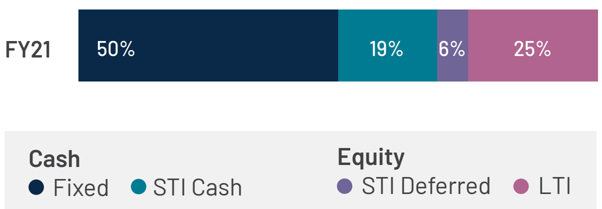
CEO Target Remuneration Mix



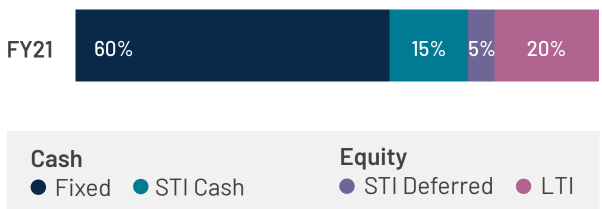
CFO Target Remuneration Mix



CEO Target Remuneration Mix Cash vs Equity



CFO Target Remuneration Mix Cash vs Equity



Composition of variable or 'at risk' remuneration

The following table details the components of the Group's variable or 'at risk' remuneration (STI and LTI) for FY21:

Scheme	Overview
STI (at risk)	
Aim	The Group's short-term incentive (STI) program aims to drive both individual and team performance to deliver annual business objectives, revenue growth, profitability and increase shareholder value. STI includes a deferred rights component to deliver meaningful equity exposure and encourage retention for senior executives.
Target Opportunity (% Fixed Remuneration)	CEO 50%, CFO 35%
Maximum Opportunity (% Fixed Remuneration)	CEO 100%, CFO 70%
Frequency	Awards are determined on an annual basis, with performance measured over the reporting period. Payment is normally made in September following the end of the performance year. The total quantum of the STI pool is determined by the Board.
Weightings	In FY21, the STI plan is weighted 50% to company financial metrics and 50% to individual performance metrics. In FY22, the STI plan will be weighted 70% to company financial metrics and 30% to individual performance metrics.
Financial measures (50%)	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.
Non-financial measures (50%)	Individual objectives are set for the CEO and CFO by the Board and are aligned to the Group's business strategy and annual business plan. In FY21, the Executive KMP's objectives were based on: • **Transformation** – developing capability to lead a world-class technology company; • **Growth** – creating value from multi-product strategy; • **Strategy** – building long term value from acquisitions; and • **People** – building a world class culture.
Financial gateway	Minimum financial performance hurdles are set by the Board, below which Board discretion is required for any payment to be made.

STI (at risk)	
Pay mechanism	The STI program includes a deferral component that aims to deliver meaningful equity exposure and encourage retention of senior executives. In FY21, 75% of STI is paid in cash, with the remaining 25% issued in deferred rights. The Board considers 25% deferral appropriate given the 100% weighting to equity in the LTI plan and as a mechanism to attract high-caliber executive talent.
Deferred rights – risk	The allotment of deferred rights at vesting is subject to forfeiture or claw back provisions subject to and determined by the Board.

Scheme	Overview
LTI – annual grant (at risk)	
Aim	Rewards delivery against longer-term strategy and sustained shareholder value creation. Provides alignment between the Group's shareholder and executive outcomes through three-year vesting. The LTI plan comprises of Performance Rights to focus Executive KMP and senior executives on creating long-term value for shareholders.
Participation	Participants include Executive KMP and other senior executives. Participation is at the annual invitation and discretion of the Board.
Target Opportunity (% Fixed Remuneration)	CEO 50%, CFO 35% (no maximum opportunity)
Maximum Opportunity (% Fixed Remuneration) – change in FY22	The NRHRC has considered the LTI in the context of the growing challenges faced by technology companies in attracting and retaining talent. As such, the Board has determined that the FY22 long term incentive grant to the CEO will introduce the ability for outperformance of up to 100% of fixed remuneration. This will be subject to the achievement of challenging performance hurdles set by the Board linked to the execution of strategic, transformational activities. The introduction of this change in FY22 will be subject to shareholder approval at the Group's AGM in October 2021. FY21 grant: CEO & CFO no maximum opportunity FY22 grant: CEO 100%, CFO (no change, no maximum opportunity)
Grant Frequency	Annually
Performance Period	The performance period for the FY21 grant is 1 July 2020 to 30 June 2023.

LTI – annual grant (at risk)	
Performance criteria	The Board set challenging targets in FY21 for growth in Roll-Forward Revenue and Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA), which align to the Company's strategic plan. The proportion of Performance Rights that will vest is assessed against the achievement of those targets. The specific targets for ARR and EBITDA are not disclosed upfront due to their commercial sensitivity and will be disclosed at the end of the performance period. 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 the performance outcomes.
Dividends	The Performance Rights are not entitled to dividends or voting rights.

Scheme	Overview
LTI – Special Allocation (at risk)	
Aim	The Special Allocation aligns Executive KMP and Senior Executives to long- term value creation for shareholders by focusing them on Total Shareholder Return (TSR).
Participation	Participants include Executive KMP and other senior executives. Participation was at the invitation and discretion of the Board.
Grant Frequency	One-off
Grant	The Performance Rights were granted for nil cash consideration and are not transferable. Each Performance Right converts into one fully paid ordinary share, subject to the satisfaction of the performance criteria and the terms of the plan.
Performance Period & Vesting	The performance period for the Special Allocation grant is 14 May 2019 to 13 May 2022. Vesting occurs at the end of the performance period.
Performance criteria	The Board set a challenging hurdle for the Special Allocation grant with vesting of the Performance Rights subject to the Company's compound annual TSR exceeding 25% over the performance period. Further, for every 5% compound annual TSR above 25%the CEO will receive 40,000 additional shares and the CFO will receive 20,000 additional shares.
Dividends	The Performance Rights are not entitled to dividends or voting rights.

LTI – Special Allocation (at risk)	
Legacy equity plans (ESOP)	The Employee Share Options Plan (ESOP) was replaced in FY19 by the Performance Rights & Deferred Rights Plan. Grants of options under the ESOP were subject to service requirements and performance vesting criteria over a three-year period requiring 10% compounding annual share price growth 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. If performance conditions are met, the Company will either issue new shares or shares will be purchased on market and transferred to participants. 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 KMP 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 issue to 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. The Group issued 63,252 shares to qualifying employees in FY21.

Performance and remuneration outcomes in FY21

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. Under the Reimagination strategy, the Group has been successful in achieving its goals to date. Through strong revenue and earnings performance the Group is building momentum for sustainable and profitable growth in FY22 and beyond.

The following table summarises the Group's performance and incentives awarded to executive KMP, Senior Executives and other eligible employees.

Summary of financial performance and STIs awarded:

	Financial Performance							STI	
Year	Sales revenue ($'000)	Underlying EBITDA ($'000)[1]	NPBT ($'000)	NPAT ($'000)	Roll forward Revenue ($'000)[2]	Earnings per share (cents)	Share price[3] ($)	STI paid to Executive KMP[4] ($)	STI paid to all eligible employees as a % of revenue
FY21	54,941	21,904	5,832[5]	3,666[5]	59,779	2.97[5]	1.66	261,000	5.2%
FY20	44,052	18,997	10,077	6,840	49,162	5.75	1.34	304,000	4.3%
FY19	38,311	17,945	12,539	8,975	38,214	7.66	1.50	79,040	3.7%
FY18	33,978	15,895	12,559	8,698	36,006	7.39	2.40	72,051	1.9%
FY17	28,893	13,973	11,702	7,988	30,853	6.82	3.00	64,231	2.1%

1 Underlying EBITDA excludes one-off acquisition related costs
2 Revenue that is recurring in nature calculated as ARR + PAYG Revenue for last 12 months
3 Closing share price at 30 June
4 Represents approved and expensed STI but paid post year end, including any deferred rights component
5 FY21 includes a one-off ($3.2m) revaluation to the investment in Philo Capital through convertible notes

b. STI performance outcomes

i. STI: financial measures & performance outcomes

Financial measures account for 50% of the STI outcome. The key financial measures in FY21 for determining the value of STI payments were recurring rollforward revenue growth and EBITDA margin.

In FY21 the Group delivered 21% recurring revenue growth and 40.0% Underlying EBITDA margin. These are strong financial outcomes and exceeded the minimum threshold requirements under the STI.

The Board determined that the Executive KMP achieved 70% of the target business performance outcome (against 100% target and 200% maximum).

ii. STI: non-financial measures & performance outcomes

Non-financial measures account for 50% of the STI outcome. The table below sets out the key non-financial measures for the Executive KMP in FY21 and outcomes achieved.

The Board determined the CEO delivered strong results against most measures within the annual business plan to achieve the Group's strategic priorities.

The Board therefore determined that the CEO achieved 120% against these non-financial measures (against 100% target and 200% maximum).

Strategic & non-financial Performance Measures	FY21 Objective	Outcome
Transformation	Develop capability to lead a world-class technology company	**Above Target** The Group continued to deliver its transformation at speed with the development of world-class practices through improved agile maturity within the technology team. Mergers & acquisitions (M&A) is now a core capability within the Group following the successful identification, execution and integration of M&A activity against agreed milestones. The Group is well placed to continue to deliver on its future growth aspirations. People capability improved considerably in FY21 with investments made in leadership development and the creation of a senior leadership team to build pipeline of internal successors for executive leadership team.
Growth	Create Value from Multi-Product Strategy	**Below Target** The Group achieved 21% recurring revenue growth in FY21 through cross sell and upsell activity across its customer bases. However, the Group did not meet the challenging performance targets set by the Board on this objective. **Existing Products** The Group continued to grow steadily, with an additional 1,624 net Class Super and Class Portfolio accounts added in FY21. **New Products** In FY21, the Group successfully launched Class Trust on time with 1,588 accounts added during the period. The Group is focused on continuing technology improvements to set up the platform for scale and future growth.
Strategy	Build long term value from acquisitions	**Above Target** The Group is delivering strong value from acquisitions with revenue contribution from its NowInfinity business performing ahead of expectations. The Group further strengthened its position in the Documents & Corporate Compliance market with the successful acquisition and integration of a further two businesses, Smartcorp & Reckon Docs which have both performed above expectations.

Strategic & non-financial Performance Measures	FY21 Objective	Outcome
People	**Build a world-class culture**	**On Target** The Group takes part in the annual Best Places to Work Employee Survey which is carried out by WRK+ Australia. 80% of employees completed the survey this year. The company continues to score extremely high in the areas of diversity with a score of 94 for the statement 'my company encourages and promotes diversity of backgrounds, talents and perspectives'. Employee engagement in 2021 was 79, with 82% of employees stating that the company was a 'great place to work'.

c. LTI performance outcomes

The FY18 (Tranche 1) performance rights vesting conditions were assessed in FY21. The Group did not meet the challenging performance hurdles set by the Board and therefore an outcome of 0% was awarded. The CEO was not a participant in the FY18 (Tranche 1) performance rights grant.

The targets for the FY18 (Tranche 1) performance rights grant are retrospectively disclosed below.

LTI – Tranche 1 Measures	Weighting	Target	Threshold %	Target %	Outcome
ACMR Target	1/3	$59.475m	90%	100%	0%
Partner & New Initiatives Revenue Target	1/3	$5.0m	80%	100%	0%
EPS Target	1/3	16% EPS Growth (CAGR)	90%	100%	0%
Total LTI Vesting Outcome					0%

Outcomes of legacy ESOP is outlined on page 38.

d. Remuneration outcomes

Component	FY21 outcomes

FY21 Fixed Remuneration (FR)

Fixed Remuneration (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.

The CEO & CFO's FR was considered against the uncertainty of the external market at the time of the FY21 remuneration review. As a result, there was no change to the FR of the Group's Executive KMP in FY21.

	FY20 FR $	Increase $	Increase %	FY21 FR $
Andrew Russell	550,000	–	0.0%	550,000
Glenn Day[1]	300,000	–	0.0%	300,000

FY22 outcomes

The Group's CEO FR has not increased since his commencement in May 2019.

To assess the competitiveness of the Group's FR in order to retain executive talent, the NRHRC considers market data and published surveys.

For the CEO, the FY22 remuneration review process resulted in his FR increasing to $600,000 as of 1 July 2021.

FY21 STI outcomes

Based on the Board's assessment of performance against key performance indicators as outlined above, the following STIs were awarded:

	FY21 STI Outcomes			FY20 STI Outcomes		
	$	% of target	% of maximum	$	% of target	% of maximum
Andrew Russell	261,000	95%	48%	220,000	80%	40%
Glenn Day[1]	–	–	–	84,000	80%	40%

The deferred component is paid using deferred rights, vesting annually in equal instalments over a two-year period.

	FY21 STI Outcomes $			FY20 STI Outcomes		
	Upfront cash (75%)	Deferred rights (25%)	Total	Upfront cash (2550%)	Deferred rights (7550%)	Total
Andrew Russell	195,750	65,250	261,000	110,000	110,000	220,000
Glenn Day[1]	–	–	–	42,000	42,000	84,000

1 *Glenn Day left the Group on 28 May 2021 and as such forfeited his STI. The Board determined within its discretion to award an ex-gratia separation payment in lieu of forfeited STI to Mr. Glenn Day.*

Component	FY21 outcomes
FY21 LTI Grant	LTI grants were made in FY21 in accordance with the target remuneration mix for each Executive KMP. The hurdles applied to the FY21 grant were based on ARR and EBITDA at the end of the three-year period. In FY21: • The CEO was granted 211,538 performance rights. • The CFO was granted 80,769 performance rights.[1]
FY20 special one-off LTI allocation	A special one-off allocation LTI grant was made in FY20 to align KMP to the special allocation granted to CEO in FY19. The grant was made as a one-off allocation with vesting in three years subject to the Company's compound annual TSR exceeding 25% over the performance period. In FY20, the CFO was granted 100,000 performance rights.[1]

1 *The Board determined that as the CFO departed in FY21 under a Qualifying Reason, a pro-rated value of 192,492 Performance Rights allocated under the Class Long Term Incentive Plan will be held in the Class Trust and be subject to continued vesting to be determined against set performance criteria and in accordance with Plan Rules.*

Non-executive Directors' remuneration

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

The NRHRC may 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. Non-executive Directors did not receive a fee increase in FY21.

In FY22,Non-executive Directors will receive an increase of 1.4% in line with the Wage Price Index (WPI), effective from 1 July 2021.

The Chairman is paid fees of $145,624 including superannuation (including committee fees).

Other Non-executive Directors are paid fees of $89,615 including superannuation and subcommittee membership fees as follows:

- Director fees to be inclusive of membership of one committee.
- Additional fee of $5,475, including superannuation for membership of any additional committee.
- Chair of committees to be paid an additional fee of $11,202 including superannuation.

In FY22, Non-executive Directors will receive an increase of 1.4% in line with the Wage Price Index (WPI), effective from 1 July 2021.

Based on the current Board and committee composition, the total fees for FY22 are anticipated to be $536,295.

Remuneration in detail

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

The table below is different to the actual remuneration mix chart on page 26, which shows the fair value on grant date of LTI in FY21 rather than the accrual of amounts on the statutory accounting basis. The table has been audited against the relevant Australian Accounting Standards.

		Short-term Benefits[1]				Long-term Benefits	Share-based Payments	
		Base Remuneration[2] $	Super-annuation $	STI[3] $	Other[4] $	Long Service Leave[5] $	Equity-settled[6] $	Total Statutory Remuneration $
Non-executive Directors								
Matthew Quinn	FY21	132,990	12,634	–	–	–	–	145,624
	FY20	132,990	12,634	–	–	–	–	145,624
Christopher Cuffe	FY21	–	–	–	–	–	–	
	FY20	43,478	4130	–	–	–	–	47,608
Rajarshi Ray	FY21	–	–	–	–	–	–	–
	FY20	25,181	2,392	–	–	–	–	27,573
Robert Bazzani	FY21	81,840	7,775	–	–	–	–	89,615
	FY20	40,920	3,887	–	–	–	–	44,807
Kathryn Giudes (Foster)	FY21	92,070	8,747	–	–	–	–	100,817
	FY20	92,070	8,747	–	–	–	–	100,817
Simon Martin[7]	FY21	75,020	7,127	–	–	–	–	82,147
	FY20	51,835	3,887	–	–	–	–	55,722
Nicolette Rubinsztein	FY21	92,070	8,747	–	–	–	–	100,817
	FY20	92,070	8,747	–	–	–	–	100,817
SUBTOTAL	FY21	473,990	45,030	–	–	–	–	519,020
	FY20	478,544	44,424	–	–	–	–	522,968
Executive KMP								
Andrew Russell	FY21	528,306	21,694	195,750	(88)	4,609	321,411	1,071,682
	FY20	528,997	21,003	110,000	11,385	1,669	221,820	894,874
Glenn Day[8]	FY21	251,383	21,694	–	80,115	(2,280)	81,149	432,061
	FY20	278,998	21,003	42,000	(10,636)	(9,694)	106,171	427,842
SUBTOTAL	FY21	779,689	43,388	195,750	80,027	2,329	402,560	1,503,743
	FY20	807,995	42,006	152,000	749	(8,025)	327,991	1,322,716
TOTAL	FY21	1,253,679	88,418	195,750	80,027	2,329	402,560	2,022,763
	FY20	1,286,539	86,430	152,000	749	(8,025)	327,991	1,845,684

1. *Short-term Benefits include non-monetary benefits; however, no non-monetary benefits were received by KMP during FY20 or FY21.*
2. *Base Remuneration includes cash salary received, short-term personal compensated absences and any salary-sacrificed benefits during FY21.*
3. *STI comprises cash bonuses in relation to performance for the year.*
4. *Other includes short-term annual compensated absences (annual leave movement) and an ex-gratia separation payment in lieu of forfeited STI granted at Board discretion.*
5. *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.*
6. *The cost of equity-settled share-based payments in relation to options and rights that are recognised during the year is measured at fair value on grant date. This valuation assumption is in line with Australian Accounting Standards.*
7. *Represents remuneration up to the date of cessation on 31 May 2021.*
8. *Represents remuneration up to the date of cessation on 28 May 2021.*

Minimum Shareholding

Non-executive Directors

The Board has 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.

Executive KMP

Executive KMP are expected to accumulate a minimum value of shares equivalent to:

- CEO: one year's fixed remuneration
- Other Executive KMP: six months' fixed remuneration

Until this minimum shareholding is accumulated, Executive KMP are not permitted to sell any shares awarded under the Performance Rights & Deferred Rights Plan except to the extent required to pay any tax liability incurred as a result of receiving those Plan Shares. Executive 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	Terms of Service Agreement
Name and title	Andrew Russell, Chief Executive Officer and 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 six months is given. The agreement entitles the individual to a base salary and superannuation contributions, as well as eligibility to participate in the STI & LTI plans. The Board retains absolute discretion relating to the STI & LTI plans, 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 six months and no less than three months, dependent on the circumstances surrounding the termination.

KMP	Terms of Service Agreement
Name and title	Glenn Day, Chief Financial Officer and Company Secretary (CFO)[1]
Agreement commenced	8 October 2015[1]
Term of agreement	Ongoing[1]
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 three months is given. The agreement entitles the individual to a base salary and superannuation contributions, as well as eligibility to participate in the STI & LTI plans. The Board retains absolute discretion relating to the STI & LTI plans, 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 three months, dependent on the circumstances surrounding the termination.

1 *Glenn Day left the Group on 28 May 2021*

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

Share-based compensation

Issue of shares

No shares were issued to Directors and other KMP as part of compensation during the year ended 30 June 2021.

Options – Legacy ESOP

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

Number granted	Grant date	Value per option at grant date ($)[1]	Value of options at grant date ($)[2]	Number vested	Exercise price ($)	Vesting and first exercise date	Last exercise date
Glenn Day							
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	66,666	3.99	[3]	15/03/2022

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

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

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

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 on the following page.

	Number of options granted during FY21	Number of options granted during FY20	Number of options vested during FY21	Number of options vested during FY20
Andrew Russell	–	–	–	–
Glenn Day	–	–	33,334	33,333
TOTAL	–	–	33,334	33,333

Option holding

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

Options over ordinary shares	Balance at the start of the year	Granted as compensation	Exercised	Expired/ forfeited/other	Balance at the end of the year
Glenn Day	310,000	–	(120,000)	(90,000)	100,000

Options over ordinary shares	Balance at the start of the year	Granted
Glenn Day	100,000	–

Performance and deferred rights

The terms and conditions of each grant of performance right and deferred right 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 right at grant date ($)	Value of rights at grant date ($)	Number vested	Vesting and first exercise date
Andrew Russell					
200,000[1]	21/10/2019	0.390	78,000	–	13/05/2022
90,000	01/11/2019	1.793	355,862	–	31/10/2022
84,615[2]	07/07/2020	1.310	110,819	–	06/07/2021
211,538[3]	20/10/2020	1.9118	404,409	–	19/10/2023

1 *Shareholders approved the grant of 200,000 performance rights, which were allocated to Mr Russell in May 2019 as part of his sign-on package on 21 October 2019.*

2 *This represents deferred rights allocated to Mr Russell on 07 July 2020 in relation to FY20 STI vesting in equal instalments on 06 July 2021 and 06 July 2022.*

3 *This represents Performance rights allocated to Mr Russell on 10 October 2020 in relation to FY20 LTIP.*

Granted as remuneration	Grant date	Value per right at grant date ($)	Value of rights at grant date ($)	Number vested	Vesting and first exercise date
Glenn Day					
45,467	01/11/2018	1.737	78,985	45,467	30/06/2021
100,000	26/07/2019	0.250	25,000	–	13/05/2022
45,252	26/08/2019	1.228	55,606	45,252	28/05/2021
80,153	01/11/2019	1.793	143,714	–	31/10/2022
32,3072[1]	07/07/2020	1.310	42,312	32,307	28/05/2021
80,769	10/10/2020	1.912	154,410	–	19/10/2023

1 This represents deferred rights allocated to Mr Day on 07 July 2020 in relation to FY20 STI vesting on 28 May 2021

Rights granted under the LTI plan and deferred rights under the STI plan are at no cost to the participant and carry no dividend or voting rights. Vesting is subject to continuity of service and meeting performance criteria.

The number of performance rights and deferred 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 FY21	Number of performance rights granted during FY20	Number of performance rights vested during FY21	Number of performance rights vested during FY20
Andrew Russell	296,153	198,473	–	100,000
Glenn Day	113,076	225,405	123,026	–
TOTAL	409,229	423,878	123,026	100,000

Performance rights holding

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

Performance rights holding

Performance rights over ordinary shares	Balance at the start of the year	Granted as compensation	Exercised	Expired/ forfeited/other	Balance at the end of the year
Andrew Russell	398,473	211,538	–	–	610,011
Glenn Day	225,620	80,769	–	(159,364)	147,025
TOTAL	624,093	292,307	–	(159,364)	757,036

Deferred rights holding

Deferred rights over ordinary shares	Balance at the start of the year	Granted as compensation	Vested & Exercised	Expired/ forfeited/other	Balance at the end of the year
Andrew Russell	–	84,615	–	–	84,615
Glenn Day[1]	45,252	32,307	(77,559)	–	–
TOTAL	45,252	116,922	(77,559)	–	84,615

1 The Board exercised its discretion to vest 54,933 Deferred Rights that were granted to the CFO under the Company's Performance Rights and Deferred Rights Plan.

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 on the exercise of rights	Additions	Disposals/ other[1]	Balance at the end of the year
Non-executive Directors	Matthew Quinn	250,000	–	120,000	–	370,000
	Robert Bazzani	–	–	50,000	–	50,000
	Kathryn Giudes (Foster)	162,208	–	–	(80,000)	82,208
	Simon Martin	157,115	–	–	(157,115)	–
	Nicolette Rubinsztein	152,864	–	–	–	152,864
Executive KMP	Andrew Russell	115,151	–	12,000	–	127,151
	Glenn Day	736,877	77,559	–	–	814,436

1 Disposals/other represent the number of shares held by the director at the date of their cessation as KMP.

Loans

There were no loans to KMP during the reporting period.

This concludes the remuneration report, which has been audited.

Shares under performance and deferred rights

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

Grant Date	Expiry date	Number under rights
14/05/2019	13/05/2022	200,000
26/07/2019	13/05/2022	366,667
26/08/2019	25/08/2021	44,977
1/11/2019	31/10/2022	500,648
2/03/2020	31/10/2022	23,411
7/07/2020	6/07/2022	102,305
29/10/2020	19/10/2023	588,729
		1,826,737

No person entitled to exercise the performance and deferred rights had or has any right by virtue of the performance and deferred right to participate in any share issue of the Company or of any other body corporate.

Rights granted under performance and deferred rights are at no cost to the employee and carry no dividend or voting rights. Vesting is subject to continuity of service and meeting performance criteria.

Shares issued on the exercise of options or performance rights

There were no ordinary shares of Class Limited issued on the exercise of options or performance rights during the year ended 30 June 2021 and up to the date of this report. All exercised options and performance rights during this period were settled by the allocation of treasury shares (note 21).

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 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 27 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 27 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

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

Officers of the Company who are former partners of Grant Thornton

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

Rounding of amounts

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

Auditor's independence declaration

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

Auditor

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

This report is made in accordance with a resolution of Directors, pursuant to section 298(2)(a) of the

Corporations Act 2001. On behalf of the Directors

MATTHEW QUINN

Chairman of the Board

17 August 2021

GrantThornton

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Auditor's Independence Declaration

To the Directors of Class Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Class Limited for the year ended 30 June 2021, 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, 17 August 2021

Class Limited ABN 70 116 802 058

Financial Statements

30 June 2021

CLASS LIMITED
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2021

	Note	Consolidated 2021 $'000	Consolidated 2020 $'000
Revenue	5	54,784	43,904
Other income	6	157	148
Interest revenue calculated using the effective interest method		7	119
Expenses			
Employee benefits expense		24,008	(18,503)
Depreciation and amortisation expense	7	(11,438)	(8,072)
Selling and marketing expenses		(1,132)	(1,542)
Occupancy expenses		(335)	(112)
Technology, product and data costs		(3,253)	(1,876)
Acquisition and corporate advisory costs		(948)	(827)
Net loss on financial assets at fair value through profit or loss	12	(3,242)	–
Other expenses		(4,309)	(3,022)
Finance costs	7	(451)	(140)
Profit before income tax expense		5,832	10,077
Income tax expense	8	(2,166)	(3,237)
Profit after income tax expense for the year attributable to the owners of Class Limited		3,666	6,840
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year attributable to the owners of Class Limited		3,666	6,840
		Cents	**Cents**
Basic earnings per share	34	2.97	5.75
Diluted earnings per share	34	2.96	5.73

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 2021

		Consolidated	
	Note	2021 $'000	2020 $'000
Assets			
Current assets	9	10,363	16,488
Cash and cash equivalents			
Trade and other receivables	10	5,042	4,018
Other assets	11	1,661	1,107
Income tax receivable	8	2,012	–
Total current assets		19,078	21,613
Non-current assets			
Investments	12	175	3,276
Property, plant and equipment	13	858	1,004
Intangibles	14	58,899	35,133
Right-of-use assets	15	6,757	973
Customer acquisition assets	11	1,847	2,078
Total non-current assets		68,536	42,464
Total assets		87,614	64,077
Liabilities			
Current liabilities			
Trade and other payables	16	9,013	4,897
Contract liabilities	17	235	610
Borrowings	18	4,932	1,000
Lease liabilities	19	1,110	832
Provisions	20	1,765	1,345
Income tax provision	8	–	735
Deferred consideration	32	–	500
Total current liabilities		17,055	9,919
Non-current liabilities			
Borrowings	18	15,215	9,000
Lease liabilities	19	5,341	97
Provisions	20	850	425
Deferred tax	8	7,511	2,971
Total non-current liabilities		28,917	12,493
Total liabilities		45,972	22,412
Net assets		41,642	41,665
Equity			
Issued capital	21	36,513	34,414
Reserves	22	1,922	1,522
Retained earnings		3,207	5,729
Total equity		41,642	41,665

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 2021

Consolidated	Issued capital $'000	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 year	–	–	6,840	6,840
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	6,840	6,840
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 21)	10,808	–	–	10,808
Share-based payments (note 35)	–	829	–	829
Share plan settlement (note 22)	1,099	(797)	–	302
Dividends paid (note 23)	–	–	(6,011)	(6,011)
Balance at 30 June 2020	34,414	1,522	5,729	41,665

Consolidated	Issued capital $'000	Reserves $'000	Retained earnings $'000	Total equity $'000
Balance at 1 July 2020	34,414	1,522	5,729	41,665
Profit after income tax expense for the year	–	–	3,666	3,666
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	3,666	3,666
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 21)	1,346	–	–	1,346
Share-based payments (note 35)	–	927	–	927
Share plan settlement (note 22)	753	(527)	–	226
Dividends paid (note 23)	–	–	(6,188)	(6,188)
Balance at 30 June 2021	36,513	1,922	3,207	41,642

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 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		58,734	48,219
Payments to suppliers and employees (inclusive of GST)		(35,381)	(29,284)
Interest received		7	147
Other revenue		16	–
Interest and other finance costs paid		(451)	(140)
Income taxes paid		(3,949)	(1,580)
Net cash from operating activities	33	18,976	17,362
Cash flows from investing activities			
Payment for purchase of subsidiary, net of cash acquired	32	(14,997)	(12,867)
Payment for prior year business combinations		(500)	–
Payments for investments	12	–	(1,100)
Payments for property, plant and equipment	13	(486)	(414)
Payments for intangibles	14	(11,447)	(7,976)
Payments for security deposits		(92)	–
Net cash used in investing activities		(27,522)	(22,357)
Cash flows from financing activities			
Proceeds received on exercise of employee share options		174	808
Payments for share purchase by employee share trust-treasury shares		(769)	–
Proceeds from borrowings	33	11,830	10,000
Repayment of borrowings	33	(1,683)	–
Repayment of lease liabilities	33	(943)	(778)
Dividends paid	23	(6,188)	(6,011)
Net cash from financing activities		2,421	4,019
Net decrease in cash and cash equivalents		(6,125)	(976)
Cash and cash equivalents at the beginning of the financial year		16,488	17,464
Cash and cash equivalents at the end of the financial year	9	10,363	16,488

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

CLASS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

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:

Level 20, 580 George 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 17 August 2021. 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 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:

Conceptual Framework for Financial Reporting (Conceptual Framework)

The Group has adopted the revised Conceptual Framework from 1 July 2020. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards, but it has not had a material impact on the Group's financial statements.

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.

Note 2. Significant accounting policies (continued)

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Parent entity information

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

Coronavirus (COVID-19) pandemic

Judgement has been exercised in considering the impacts that the Coronavirus (COVID-19) pandemic has had, or may have, on the Group based on known information. This consideration extends to the nature of the products and services offered, customers, supply chain, staffing and geographic regions in which the Group operates. Other than as addressed in specific notes, there does not currently appear to be either any significant impact upon the financial statements or any significant uncertainties with respect to events or conditions which may impact the Group unfavourably as at the reporting date or subsequently as a result of the Coronavirus (COVID-19) pandemic.

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

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

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. The valuation of the convertible notes in Philo Capital Advisers ('Philo') was determined using the consideration of $175,000 for the sale of the notes. Refer to note 37 for further information.

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.

Goodwill and other indefinite life intangible assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other indefinite life intangible assets have suffered any impairment, in accordance with the accounting policy stated in note 14. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of assumptions, including estimated discount rates based on the current cost of capital and growth rates of the estimated future cash flows.

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 assessing the value of the asset at fair value less costs of disposal and using value- in-use models which incorporate a number of key estimates and assumptions.

Income tax

The Group is subject to income taxes in the jurisdictions in which it operates. Significant judgement and estimates are required in recognising and measuring current and deferred tax amounts. For any uncertain tax treatment adopted relating to transactions or events, the Group recognises and measures tax related amounts having regard to both the probability that such amounts may be challenged by a tax authority and the expected resolution of such uncertainties. In such circumstances, tax balances are determined based on either most-likely amount or expected-value probability based outcomes. Where final tax outcomes vary from what is estimated, such differences will impact the current and deferred tax provisions recognised in the financial statements.

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 being the development and distribution of cloud based software. The information reported to the CODM is the consolidated results of the Group.

Note 4. Operating segments (continued)

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. Information about revenue from products and services is disclosed in note 5.

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	
	2021 $'000	**2020 $'000**
Revenue from contracts with customers		
Software subscription license fees	47,624	41,496
Document sales	4,885	314
Commission and partner fees	2,131	1,689
Service fees	144	178
	54,784	43,677
Other revenue		
Other revenue	–	227
Revenue	54,784	43,904

Disaggregation of revenue

The revenue from contracts with customers are all in Australia. Software subscription license fees and service fees are recognised over time. Commission and partner fees and document sales are recognised at a point in time.

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

Note 5. Revenue (continued)

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 subscription license 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 time 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.

Document sales

The Group recognises revenue at a point in time when the documents are sold to customers on a pay per use basis.

Commission and partner fees

The Group recognises commission and partner fees at the point in time of sale of a third party's products to customers which provides these customers with a right to access such products.

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 bundled 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.

Interest

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

Other revenue

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

Note 6. Other income

	Consolidated 2021 $'000	Consolidated 2020 $'000
Net fair value gain on investments from financial assets at Fair value through profit and loss	141	148
Other income	16	–
Total income	157	148

Note 7. Expenses

	Consolidated 2021 $'000	Consolidated 2020 $'000
Profit before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	100	129
Furniture and fittings	250	116
Computer equipment	248	174
Office equipment	80	48
Office premises right-of-use assets	1,102	801
Total depreciation	1,780	1,268
Amortisation		
Software development	7,089	5,268
Computer software	6	46
Contractual rights	335	336
Customer relationships	1,358	305
Customer acquisition costs	870	849
Total amortisation	9,658	6,804
Total depreciation and amortisation	11,438	8,072
Finance costs		
Interest and finance charges paid/payable on borrowings	396	123
Interest and finance charges paid/payable on lease liabilities	55	17
Finance costs expensed	451	140
Superannuation expense		
Defined contribution superannuation expense	2,088	1,657
Share-based payments expense		
Share-based payments expense	927	829

CLASS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
30 JUNE 2021

Note 8. Income tax

	Consolidated 2021 $'000	Consolidated 2020 $'000
Income tax expense		
Current tax	2,559	3,246
Deferred tax–origination and reversal of temporary differences	799	(77)
Adjustment recognised for prior periods	(9)	68
Adjustment recognised for prior period research and development tax incentive*	(1,183)	–
Aggregate income tax expense	2,166	3,237
Deferred tax included in income tax expense comprises:		
Increase/(decrease) in deferred tax liabilities	799	(77)
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	5,832	10,077
Tax at the statutory tax rate of 30% (2020: 27.5%)	1,750	2,771
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Entertainment expenses	26	29
Net loss on financial assets at fair value through profit or loss	878	–
Share-based payments	278	228
Non allowable deductions	912	–
Lease make good	(28)	–
Sundry items	(458)	141
	3,358	3,169
Adjustment recognised for prior periods	(9)	68
Adjustment recognised for prior period research and development tax incentive*	(1,183)	–
Income tax expense	2,166	3,237

* *Research and development tax incentive recognised:*

The recognised research and development tax ('R&D') incentive relates to the financial year ended 30 June 2020. The incentive has been recognised during the current financial year based on the approved application to register R&D activities with AusIndustry and expert advice with consultation on the eligibility and calculation of the incentive due for R&D activities.

CLASS LIMITED
NOTES TO THE FINANCIAL STATEMENTS
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Note 8. Income tax (continued)

	Consolidated 2021 $'000	Consolidated 2020 $'000
Deferred tax liability		
Deferred tax liability comprises temporary differences attributable to:		
Amounts recognised in profit or loss:		
Software development-research and development	4,639	2,976
Customer relationships acquired	4,428	922
Customer acquisition costs	483	572
Prepayments	2	–
Accrued expenses	(1,017)	(176)
Employee benefits	(683)	(886)
Blackhole expenditure	(149)	–
Carried forward losses on acquisition	–	(118)
Property, plant and equipment	4	(144)
Other	(33)	(107)
Transaction costs	–	(68)
Unearned revenue	(163)	–
Deferred tax liability	7,511	2,971
Movements:		
Opening balance	2,971	1,926
Charged/(credited) to profit or loss	799	(77)
Additions through business combinations (note 32)	3,741	1,122
Closing balance	7,511	2,971

	Consolidated 2021 $'000	Consolidated 2020 $'000
Income tax refund due		
Income tax refund due	2,012	—

	Consolidated 2021 $'000	Consolidated 2020 $'000
Provision for income tax		
Provision for income tax	–	735

Note 8. Income tax (continued)

Accounting policy for income tax

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

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:

- when the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

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

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

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

Class Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. 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. Cash and cash equivalents

	Consolidated	
	2021 $'000	2020 $'000
Current assets		
Cash on hand and at bank	10,363	16,488

Accounting policy for cash and cash equivalents

Cash and cash equivalents include 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. Trade and other receivables

	Consolidated	
	2021 $'000	2020 $'000
Current assets		
Trade receivables	5,093	4,026
Less: Allowance for expected credit losses	(51)	(8)
	5,042	4,018

Allowance for expected credit losses

The Group has recognised a loss of $43,000 (2020: gain of $4,000) in profit or loss in respect of the expected credit losses for the year ended 30 June 2021.

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

	Expected credit loss rate		Carrying amount		Allowance for expected credit losses	
Consolidated	2021 %	2020 %	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Not overdue	–	–	4,417	3,828	–	–
0 to 3 months overdue	3%	–	607	190	18	–
3 to 6 months overdue	35%	100%	49	3	17	3
Over 6 months overdue	80%	100%	20	5	16	5
			5,093	4,026	51	8

Note 10. Trade and other receivables (continued)

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

	Consolidated	
	2021 $'000	2020 $'000
Opening balance	8	12
Additional provisions recognised	51	–
Unused amounts reversed	(8)	(4)
Closing balance	51	8

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.

Note 11. Other assets

	Consolidated	
	2021 $'000	2020 $'000
Current assets		
Prepayments	1,111	874
Term deposits*	242	150
Other current assets	308	83
	1,661	1,107
Non-current assets		
Customer acquisition costs	1,847	2,078
	3,508	3,185

* *Includes term deposit which is held as security for lease of office premises $150,000 (2020: $150,000).*

Note 11. Other assets (continued)

Reconciliation of customer acquisition costs:

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

	Consolidated	
	2021 $'000	**2020 $'000**
Opening balance	2,078	1,852
Additions	639	649
Additions through business combinations (note 33)	–	426
Amortisation expense	(870)	(849)
Closing balance	1,847	2,078

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 five 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 12. Investments

	Consolidated	
	2021 $'000	**2020 $'000**
Non-current assets		
Convertible notes at fair value through profit or loss	175	3,276

Reconciliation

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

Opening fair value	3,276	2,028
Additions	–	1,100
Revaluation increments	141	148
Revaluation decrements	(3,242)	–
Closing fair value	175	3,276

Refer to note 25 for further information on fair value measurement.

Note 12. Investments (continued)

The Group had made an investment in Philo Capital Advisers ('Philo') by way of convertible notes prior to the reimagination strategy introduced by the Group in 2019. In advance of the convertible notes' maturity date of 30 June 2021, which was subsequently extended to 6 August 2021, the Group undertook a strategic review of Philo and concluded that it is not on strategy and continuing to invest in the Philo business is not in the best interests of the Company's shareholders. Accordingly, the Group recorded net loss on revaluation of the investment of $3,242,000 during the current financial year.

The fair value of the notes was determined by the consideration of $175,000 that the Group expected to receive in accordance with the signed Non- Binding Indicative Offer with the directors of Philo. On 2 August 2021, the Group executed the transfer of the convertible notes for a cash consideration of $175,000.

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. Fair value movements are recognised in profit or loss.

Note 13. Property, plant and equipment

	Consolidated	
	2021 $'000	2020 $'000
Non-current assets		
Leasehold improvements - at cost	636	666
Less: Accumulated depreciation	(589)	(523)
	47	143
Furniture and fittings - at cost	459	694
Less: Accumulated depreciation	(334)	(352)
	125	342

Note 13. Property, plant and equipment (continued)

	Consolidated 2021 $'000	Consolidated 2020 $'000
Computer equipment – at cost	2,300	1,590
Less: Accumulated depreciation	(1,633)	(1,161)
	667	429
Office equipment – at cost	263	233
Less: Accumulated depreciation	(244)	(143)
	19	90
	858	1,004

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 2019	112	345	254	68	779
Additions	5	7	332	70	414
Additions through business combinations (note 32)	155	106	17	–	278
Depreciation expense	(129)	(116)	(174)	(48)	(467)
Balance at 30 June 2020	143	342	429	90	1,004
Additions	–	33	447	6	486
Additions through business combinations (note 32)	4	–	39	3	46
Depreciation expense	(100)	(250)	(248)	(80)	(678)
Balance at 30 June 2021	47	125	667	19	858

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:

Note 13. Property, plant and equipment (continued)

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

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

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

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

Note 14. Intangibles

	Consolidated	
	2021 $'000	2020 $'000
Non-current assets		
Goodwill-at cost	24,974	16,520
Trademarks and domain names – at cost	65	49
Software development – at cost	49,692	38,590
Less: Accumulated amortisation	(30,569)	(23,478)
	19,123	15,112
Computer software – at cost	198	198
Less: Accumulated amortisation	(198)	(192)
	–	6
Contractual rights – at cost	704	362
Less: Accumulated amortisation	(602)	(267)
	102	95
Customer relationships	16,298	3,656
Less: Accumulated amortisation	(1,663)	(305)
	14,635	3,351
	58,899	35,133

Note 14. Intangibles (continued)

Reconciliations

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

Consolidated	Goodwill $'000	Trademarks and domain names $'000	Software development $'000	Computer software $'000	Contractual rights $'000	Customer relationships $'000	Total $'000
Balance at 1 July 2019	–	47	8,361	52	92	–	8,552
Additions	–	–	7,637	–	339	–	7,976
Additions through business combinations (note 32)	16,520	2	4,382	–	–	3,656	24,560
Amortisation expense			(5,268)	(46)	(336)	(305)	(5,955)
Balance at 30 June 2020	16,520	49	15,112	6	95	3,351	35,133
Additions	–	5	11,100	–	342	–	11,447
Additions through business combinations (note 32)	8,454	11	–	–	–	12,642	21,107
Amortisation expense			(7,089)	(6)	(335)	(1,358)	(8,788)
Balance at 30 June 2021	24,974	65	19,123	–	102	14,635	58,899

Goodwill and indefinite life intangible assets have been allocated to Document and Corporate Compliance cash-generating unit ('CGU'). The recoverable amount of the goodwill and indefinite life intangible assets of the Document and Corporate Compliance CGU has been determined by a value-in- use ('VIU') calculation using a discounted cash flow model, based on a 3 year projection period approved by management and extrapolated for a further 2 years using a steady rate, together with a terminal value.

Key assumptions

Key assumptions are those to which the recoverable amount of an asset or cash-generating units is most sensitive.

The following key assumptions were used in the VIU model for the Document and Corporate Compliance CGU.

(a) Earnings before interest, depreciation and amortisation ('EBITDA') of 49% for financial year 2022 ('FY22') and then range of 52%–53% for each year FY23–FY26;

(b) Revenue growth rate of 47% for FY22, 11% in FY23 and then 9% growth each year for FY24–FY26; and

(c) Pre-tax discount rate of 13%.

(d) Terminal growth rate of 2.5%.

The discount rate of 13% pre-tax reflects management's estimate of the time value of money and the Group's weighted average cost of capital adjusted for the risk-free rate and the volatility of the share price relative to market movements.

Note 14. Intangibles (continued)

Sensitivity analysis

Management estimates that reasonable changes in the key assumptions on which the recoverable amount of the Group's goodwill is based would not cause the cash-generating unit's carrying amount to exceed its recoverable amount.

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.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

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.

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 to ten years.

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 14. Intangibles (continued)

Customer relationships

Customer contracts and relationships acquired in a business combination are amortised on a straight-line basis over the period of their expected benefit, being their finite life of five to ten years.

Note 15. Right-of-use assets

	Consolidated	
	2021 $'000	2020 $'000
Non-current assets		
Right-of-use assets	8,738	1,850
Less: Accumulated depreciation	(1,981)	(877)
	6,757	973

The Group has leased office premises under operating leases expiring between one to five years, with options to extend. The leases have various escalation clauses. On renewal, the terms of the lease are renegotiated.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial 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	56
Additions through business combinations (note 32)	287
Depreciation expense	(801)
Balance at 30 June 2020	973
Additions	6,465
Capitalised lease make good provisions	421
Depreciation expense	(1,102)
Balance at 30 June 2021	6,757

For other AASB 16 lease-related disclosures refer to the following:

- Refer note 7 for details of depreciation on right-of-use assets and interest on lease liabilities;
- Refer note 19 and note 33 for details of lease liabilities at the beginning and end of the reporting period;

Note 15. Right-of-use assets (continued)

- Refer note 24 for the maturity analysis of lease liabilities; and
- Refer to the statement of cash flows for repayment of lease liabilities.

Accounting policy for 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 an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

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.

Note 16. Trade and other payables

	Consolidated	
	2021 $'000	2020 $'000
Current liabilities		
Trade payables	2,654	904
Accrued expenses	5,000	2,994
BAS payable	1,359	999
	9,013	4,897

Refer to note 24 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. Contract liabilities

	Consolidated	
	2021 $'000	2020 $'000
Current liabilities		
Contract liabilities	235	610

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. Borrowings

	Consolidated	
	2021 $'000	2020 $'000
Current liabilities		
Bank loans	4,932	1,000
Non-current liabilities		
Bank loans	15,215	9,000
	20,147	10,000

Refer to note 24 for further information on financial instruments.

Bank loan facilities

The existing bank loan facility of $10,000,000 is subject to an initial three year fixed rate of 2.97% per annum. The banking facility matures on 30 January 2023. Interest and fees are payable in the first year. Interest plus quarterly principal repayment of $500,000 are payable from 31 March 2021 with bullet repayment for the amount outstanding on expiry of the loan term.

The Group obtained an additional borrowing facility of $2,730,000 during the financial year which it drew upon to fund the Smartcorp business acquisition. The new facility is subject to a variable rate of 1.9% per annum. Interest plus a quarterly principal repayment of $228,000 are payable from 20 August 2020 for 3 years. The new facility matures on 19 August 2023.

The Group obtained a further borrowing facility of $9,100,000 during the financial year which it drew upon to fund Reckon Docs business acquisition. The new facility is subject to a variable rate of 2% per annum. Interest plus a quarterly principal repayment of $506,000 are payable from 1 September 2021 for 3 years. The new facility matures on 1 March 2024.

The facilities are secured by fixed and floating charges over the Group's assets.

Business overdraft facility

In addition to the above, the Group has a business overdraft facility for $2,000,000 which is repayable on call. The facility was not drawn as at 30 June 2021.

Note 18. Borrowings (continued)

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated 2021 $'000	Consolidated 2020 $'000
Total facilities		
Bank loans	20,147	10,000
Business overdraft	2,000	2,000
	22,147	12,000
Used at the reporting date		
Bank loans	20,147	10,000
Business overdraft	–	–
	20,147	10,000
Unused at the reporting date		
Bank loans	–	–
Business overdraft	2,000	2,000
	2,000	2,000

Accounting policy for borrowings

Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Note 19. Lease liabilities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Current liabilities		
Lease liability	1,110	832
Non-current liabilities		
Lease liability	5,341	97
	6,451	929

Refer to note 24 for maturity analysis of lease liabilities.

Note 19. Lease liabilities (continued)

Accounting policy for 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 20. Provisions

	Consolidated	
	2021 $'000	**2020 $'000**
Current liabilities		
Annual leave	1,345	958
Long service leave	420	224
Lease make-good	–	163
	1,765	1,345
Non-current liabilities		
Long service leave	514	415
Lease make-good	336	10
	850	425
	2,615	1,770

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Note 20. Provisions (continued)

Consolidated – 2021	Lease make-good $'000
Carrying amount at the start of the year	173
Additional provisions recognised	420
Payments	(257)
Carrying amount at the end of the year	336

Accounting policy for provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

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. 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.

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. 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.

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.

Note 21. Issued capital

	Consolidated			
	2021 Shares	2020 Shares	2021 $'000	2020 $'000
Ordinary shares–fully paid	123,758,834	122,758,407	37,095	35,154
Less: Treasury shares	(265,219)	(450,604)	(582)	(740)
	123,493,615	122,307,803	36,513	34,414

Movements in ordinary share capital

Details	Date	Shares	$'000
Balance	1 July 2019	117,662,056	25,154
Issue of shares on acquisition of NowInfinity 3505 Pty Ltd	31 January 2020	5,096,351	10,000
Balance	30 June 2020	122,758,407	35,154
Issue of shares on acquisition of Assuriti Pty Ltd (note 32)	20 August 2020	1,000,427	1,941
Balance	30 June 2021	123,758,834	37,095

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 22)	Various dates	1,114,396	1,099
Balance	30 June 2020	(450,604)	(740)
Purchase of shares by Employee Share Trust (note 22)	Various dates	(350,000)	(769)
Less: allocation of shares on exercise of options (note 22)	Various dates	535,385	753
Payments from option holders on exercise of options		–	174
Balance	30 June 2021	(265,219)	(582)

Note 21. Issued capital (continued)

Ordinary shares

Ordinary shares entitle the holder to participate in any dividends declared and any proceeds attributable to shareholders should the company be wound up in proportions that consider both the number of shares held and the extent to which those shares are paid up. 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 the 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 and performance rights on the 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.

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 Group is subject to certain covenants on its financing arrangements and meeting these is given priority in all capital risk management decisions. There have been no events of default on the financing arrangements during the financial year.

The capital risk management policy remains unchanged from the 30 June 2020 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 22. Reserves

	Consolidated 2021 $'000	Consolidated 2020 $'000
Share-based payments reserve	3,760	2,833
Employee share acquisition reserve	(1,785)	(1,258)
Acquisition reserve	(53)	(53)
	1,922	1,522

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.

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	Employee share acquisition reserve $'000	Acquisition reserve $'000	Total $'000
Balance at 1 July 2019	2,004	(461)	(53)	1,490
Share-based payments	829	–	–	829
Transfer from treasury shares	–	(1,099)	–	(1,099)
Tax effect on settlement	–	302	–	302
Balance at 30 June 2020	2,833	(1,258)	(53)	1,522
Share-based payments	927	–	–	927
Transfer from treasury shares	–	(753)	–	(753)
Tax effect on settlement	–	226	–	226
Balance at 30 June 2021	3,760	(1,785)	(53)	1,922

Note 23. Dividends

Dividends

Dividends paid during the financial year were as follows:

	Consolidated	
	2021 $'000	**2020 $'000**
Final dividend for the year ended 30 June 2020 of 2.5 cents per ordinary share (2020: 2.5 cents)	3,094	2,942
Interim dividend for the year ended 30 June 2021 of 2.5 cents per ordinary share (2020: 2.5 cents)	3,094	3,069
	6,188	6,011

On 17 August 2021, the Directors declared a final dividend for the year ended 30 June 2021 of 2.5 cents per ordinary share with payment date of 23 September 2021 to eligible shareholders on the register on 25 August 2021. This equates to a total distribution of $3,094,000, based on the number of ordinary shares on issue as at 30 June 2021. The financial effect of dividends declared after the reporting date is not reflected in the 30 June 2021 financial statements and will be recognised in subsequent financial reports.

Franking credits

	Consolidated	
	2021 $'000	**2020 $'000**
Franking credits available for subsequent financial years based on a tax rate of 30% (2020: 27.5%)	5,894	4,100

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Accounting policy for dividends

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

Note 24. 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 main interest rate risk arises from long-term borrowings. Borrowings obtained at variable rates expose the Group to interest rate risk. Borrowings obtained at fixed rates expose the Group to fair value interest rate risk.

As at the reporting date, the Group had the following variable rate borrowings outstanding:

	2021		2020	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Bank loans	1.99%	11,148	–	–
Net exposure to cash flow interest rate risk		11,148		–

An analysis by remaining contractual maturities in shown in 'liquidity and interest rate risk management' below.

An official increase/decrease in interest rates of 50 basis points would have an adverse/favourable effect on profit before tax of $56,000 per annum (2020: Not applicable). 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

Note 24. Financial instruments (continued)

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. As disclosed in note 10, due to the Coronavirus (COVID-19) pandemic, the calculation of expected credit losses has been revised as at 30 June 2021.

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 and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Financing arrangements

Unused borrowing facilities at the reporting date:

	Consolidated	
	2021 $'000	**2020 $'000**
Business overdraft	2,000	2,000

The bank overdraft facilities may be drawn at any time and may be terminated by the bank without notice.

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.

Note 24. Financial instruments (continued)

Consolidated – 2021	Weighted average interest rate %	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	–	2,654	–	–	–	2,654
Interest-bearing – variable						
Bank loans	1.99%	3,126	3,068	5,414	–	11,608
Interest-bearing – fixed rate						
Bank loans	2.97%	2,240	7,099	–	–	9,339
Lease liability	2.60%	1,133	1,180	4,826	–	7,139
Total non-derivatives		9,153	11,347	10,240	–	30,740

Consolidated – 2020	Weighted average interest rate %	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	–	904	–	–	–	904
Deferred consideration	–	500	–	–	–	500
Interest-bearing – fixed rate						
Bank loans	2.97%	1,282	2,238	7,104	–	10,624
Lease liability	4.63%	868	887	104	–	1,859
Total non-derivatives		3,554	3,125	7,208	–	13,887

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

Note 25. Fair value measurement

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 – 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Convertible notes at fair value through profit or loss	–	–	175	175
Total assets	–	–	175	175

Consolidated – 2020	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Convertible notes at fair value through profit or loss	–	–	3,276	3,276
Total assets	–	–	3,276	3,276

There were no transfers between levels during the financial year.

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.

Valuation techniques for fair value measurements categorised within level 2 and level 3

The valuation of the convertible notes was based upon the negotiated transfer price of $175,000.

As a result of the strategic review detailed in note 12, the Group recorded a loss on investment of $3,242,000 during the current financial year.

Level 3 assets and liabilities

Refer to note 12 'Investments' for movements in level 3 assets and liabilities during the current and previous financial year.

Note 25. Fair value measurement (continued)

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 used to measure fair value are those that are appropriate in the circumstances and which maximise the use of relevant observable inputs and minimise 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 26. 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	
	2021 $	**2020 $**
Short-term employee benefits	1,529,456	1,439,288
Post-employment benefits	88,418	86,430
Long-term benefits	2,329	(8,025)
Share-based payments	402,560	327,991
	2,022,763	1,845,684

Note 27. 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	
	2021 **$**	**2020** **$**
Audit services – Grant Thornton		
Audit or review of the financial statements	159,500	115,000
Other services – Grant Thornton		
Due diligence	–	84,697
Tax compliance services	51,000	59,000
	51,000	143,697
	210,500	258,697

Note 28. Contingent liabilities

The Group has given bank guarantees as at 30 June 2021 of $547,000 (2020: $150,000) to various landlords.

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 26 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.

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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	
	2021 $'000	2020 $'000
Profit/(loss) after income tax	(768)	8,127
Total comprehensive income	(768)	8,127

Statement of financial position	Parent	
	2021 $'000	2020 $'000
Total current assets	12,374	9,434
Total assets	67,570	54,937
Total current liabilities	13,250	6,730
Total liabilities	35,502	18,412
Equity		
Issued capital	36,513	34,414
Share-based payments reserve	3,760	2,833
Employee share acquisition reserve	(1,785)	(1,258)
Retained earnings	(6,420)	536
Total equity	32,068	36,525

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 2021 and 30 June 2020.

Contingent liabilities

The parent entity had contingent liabilities of $150,000 as at 30 June 2021 (2020: $150,000).

Capital commitments–Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

Note 30. Parent entity information (continued)

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, note 36 or in the respective notes, 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, note 36 or in the respective notes:

Name	Principal place of business/ Country of incorporation	Ownership interest 2021 %	Ownership interest 2020 %
Class Technology Pty Limited	Australia	100%	100%
Class Investment Reporter Pty Ltd	Australia	100%	100%
NowInfinity 3505 Pty Ltd	Australia	100%	100%
NowInfinity Pty Ltd	Australia	100%	100%
Assuriti Pty Ltd	Australia	100%	–
Company Dynamics Pty Ltd	Australia	100%	–
Accounting and Legal Dynamics Pty Ltd	Australia	100%	–

Note 32. Business combinations

Assuriti Pty Ltd ('Smartcorp')

On 20 August 2020, the Group acquired 100% of the ordinary shares of Assuriti Pty Ltd ('Smartcorp') for the total consideration of $4,846,000. Smartcorp was founded in 1979 and in 2003 launched Australia's first online company ordering and ASIC compliance system. Smartcorp is expected to complement the Group's NowInfinity business and will help in growing the Group's footprint in the document and corporate compliance market. The goodwill of $2,113,000 represents the profitability of the acquired business and the synergistic opportunities that will arise from the acquisition.

The acquired business contributed revenues of $2,040,000 to the Group for the period from 20 August 2020 to 30 June 2021. If the acquisition occurred on 1 July 2020, the full-year contributions would have been revenues of $2,378,000. Due to the business being integrated, the Group is unable to provide the impact to profit after tax attributable to Smartcorp business. The values identified in relation to the acquisition of Smartcorp are final as at 30 June 2021.

Note 32. Business combinations (continued)

Reckon Docs

On 1 March 2021, the Group acquired the assets and certain liabilities of Reckon Docs business for the total consideration of $12,473,000. The goodwill of $6,341,000 represents the profitability of the acquired business and the synergistic opportunities that will arise from the acquisition.

The acquired business contributed revenues of $1,890,000 to the Group for the period from 1 March 2021 to 30 June 2021. If the acquisition occurred on 1 July 2020, the full-year contributions would have been revenues of $4,819,000. Due to the business being integrated, the Group is unable to provide the impact to profit after tax attributable to Reckon Docs business. The values identified in relation to the acquisition of Reckon Docs are final as at 30 June 2021.

Details of the acquisition are as follows:

	Smartcorp Fair value $'000	Reckon Docs value $'000	Total $'000
Cash and cash equivalents	381	–	381
Trade receivables	73	–	73
Inventories		8	8
Prepayments	28	–	28
Other current assets	67	99	166
Plant and equipment	46	–	46
Patents and trademarks	11	–	11
Acquired customer relationships	3,882	8,760	12,642
Trade payables	(19)	–	(19)
Other payables and accruals	(188)	–	(188)
Contract liabilities	(202)	–	(202)
Provision for income tax	(72)	–	(72)
Deferred tax liability	(1,113)	(2,628)	(3,741)
Employee benefits	(161)	(107)	(268)
Net assets acquired	2,733	6,132	8,865
Goodwill	2,113	6,341	8,454
Acquisition – date fair value of the total consideration transferred	4,846	12,473	17,319
Representing:			
Cash paid or payable to vendor	2,905	12,473	15,378
Class Limited shares issued to vendor*	1,941	–	1,941
	4,846	12,473	17,319
Acquisition costs expensed to profit or loss	187	170	357
Cash used to acquire business, net of cash acquired: Cash paid to vendor	2,905	12,473	15,378
Less: cash and cash equivalents	(381)	–	(381)
Net cash used	2,524	12,473	14,997

* *Consideration for the Smartcorp acquisition included 1,000,427 shares based on a $1.47 share price before the market announcement. The fair value of shares issued to the vendor was 1.94 per share, representing the closing share price of Class Limited on acquisition date 20 August 2020. The issued capital remains unchanged.*

Note 32. Business combinations (continued)

NowInfinity 3505 Pty Ltd (comparative period)

On 31 January 2020, the Group acquired 100% of the ordinary shares of NowInfinity 3505 Pty Ltd ('NowInfinity') for the total consideration of $24,073,000. NowInfinity operates a market-leading platform that offers the Documentation Suite, Corporate Messenger, Trust Register and Super Comply products. The entity was acquired to expand the Group's product offering to the accounting and administrator segments. The goodwill of $16,520,000 represents the profitability of the acquired business and the synergistic opportunities that will arise from the acquisition.

The values identified in relation to the acquisition of NowInfinity are final as at 30 June 2020. Details of the acquisition are as follows:

	Fair value $'000
Cash and cash equivalents	706
Trade receivables	72
Prepayments	177
Other current assets	4
Customer acquisition costs	426
Plant and equipment	278
Right-of-use assets	287
Software platform acquired	4,382
Client relationships acquired	3,656
Other intangible assets	2
Trade payables	(143)
Other payables and accruals	(833)
Deferred tax liability	(1,122)
Other provisions	(60)
Lease liability	(279)
Net assets acquired	7,553
Goodwill	16,520
Acquisition - date fair value of the total consideration transferred	24,073

Note 32. Business combinations (continued)

	Fair value $'000
Representing:	
Cash paid or payable to vendor	13,573
Class Limited shares issued to vendor	10,000
Deferred consideration	500
	24,073
Acquisition costs expensed to profit or loss	539
Cash used to acquire business, net of cash acquired: Cash paid to the vendor	13,573
Less: cash and cash equivalents acquired	(706)
Net cash used	12,867

Accounting policy for business combinations

The acquisition method of accounting is used to account for business combinations regardless of whether equity instruments or other assets are acquired.

The consideration transferred is the sum of the acquisition-date fair values of the assets transferred, equity instruments issued or liabilities incurred by the acquirer to former owners of the acquiree and the amount of any non-controlling interest in the acquiree. For each business combination, the non-controlling interest in the acquiree is measured at either fair value or at the proportionate share of the acquiree's identifiable net assets. All acquisition costs are expensed as incurred to profit or loss.

On the acquisition of a business, the Group assesses the financial assets acquired and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic conditions, the Group's operating or accounting policies and other pertinent conditions in existence at the acquisition-date.

Where the business combination is achieved in stages, the Group remeasures its previously held equity interest in the acquiree at the acquisition-date fair value and the difference between the fair value and the previous carrying amount is recognised in profit or loss.

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

The difference between the acquisition-date fair value of assets acquired, liabilities assumed and any non-controlling interest in the acquiree and the fair value of the consideration transferred and the fair value of any pre-existing investment in the acquiree is recognised as goodwill. If the consideration transferred and the pre-existing fair value is less than the fair value of the identifiable net assets acquired, being a bargain purchase to the acquirer, the difference is recognised as a gain directly in profit or loss by the acquirer on the

Note 32. Business combinations (continued)

acquisition-date, but only after a reassessment of the identification and measurement of the net assets acquired, the non-controlling interest in the acquiree, if any, the consideration transferred and the acquirer's previously held equity interest in the acquirer.

Business combinations are initially accounted for on a provisional basis. The acquirer retrospectively adjusts the provisional amounts recognised and also recognises additional assets or liabilities during the measurement period, based on new information obtained about the facts and circumstances that existed at the acquisition-date. The measurement period ends on either the earlier of (i) 12 months from the date of the acquisition or (ii) when the acquirer receives all the information possible to determine fair value.

Note 33. Cash flow information

Reconciliation of profit after income tax to net cash from operating activities	**Consolidated**	
	2021 $'000	**2020 $'000**
Profit after income tax expense for the year	3,666	6,840
Adjustments for:		
Depreciation and amortisation	11,438	8,072
Net fair value gain on investments	(141)	(148)
Net fair value loss on other financial assets	3,242	–
Share-based payments	927	829
Change in operating assets and liabilities:		
Increase in trade and other receivables	(951)	(249)
Decrease/(increase) in income tax refund due	(2,012)	697
Increase in prepayments	(209)	(74)
Increase in other operating assets	(797)	(728)
Increase in trade and other payables	3,898	416
Increase/(decrease) in contract liabilities	(577)	202
Increase/(decrease) in provision for income tax	(796)	735
Increase in deferred tax liabilities	1,025	225
Increase in employee benefits	521	535
Increase/(decrease) in other provisions	(258)	10

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

	Consolidated 2021 $'000	Consolidated 2020 $'000
Net cash from operating activities	18,976	17,362

Note 33. Cash flow information (continued)

Non-cash investing and financing activities

	Consolidated 2021 $'000	Consolidated 2020 $'000
Additions to the right-of-use assets	6,465	1,487
Shares issued in relation to business combinations	1,941	10,000
	8,406	11,487

Changes in liabilities arising from financing activities

Consolidated	Bank loan $'000	Lease liabilities $'000	Total $'000
Balance at 1 July 2019	–	–	–
Adoption of AASB 16 on 1 July 2019	–	1,431	1,431
Changes through business combinations (note 32)	–	279	279
Other changes	–	(3)	(3)
Net cash from/(used in) financing activities	10,000	(778)	9,222
Balance at 30 June 2020	10,000	929	10,929
Acquisition of leases	–	6,465	6,465
Net cash from/(used in) financing activities	10,147	(943)	9,204
Balance at 30 June 2021	20,147	6,451	26,598

Note 34. Earnings per share

	Consolidated	
	2021 $'000	2020 $'000
Profit after income tax attributable to the owners of Class Limited	3,666	6,840

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	123,327,594	119,055,320
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	–	114,558
Performance rights over ordinary shares	433,021	185,029
Weighted average number of ordinary shares used in calculating diluted earnings per share	123,760,615	119,354,907

	Cents	Cents
Basic earnings per share	2.97	5.75
Diluted earnings per share	2.96	5.73

Accounting policy for earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Note 35. Share-based payments

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

The Group also has 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

Note 35. Share-based payments (continued)

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).

The share-based payment expense for the year was $927,000 (2020: $829,000). 1,006,994 performance rights were granted during the year ended 30 June 2021 (2020: 1,696,627 rights).

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

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited	Balance at the end of the year
30/09/2015	30/09/2020	$1.33	773,506	–	–	(773,506)	–
29/06/2016	30/06/2021	$3.81	708,202	–	–	(708,202)	–
24/07/2017	15/03/2022	$3.99	844,663	–	–	–	844,663
			2,326,371	–	–	(1,481,708)	844,663
Weighted average exercise price			$3.05	$0.00	$0.00	$2.52	$3.99

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited	Balance at the end of the year
30/09/2015	30/09/2019	$1.10	1,464,614	–	(1,464,614)	–	–
30/09/2015	30/09/2020	$1.33	793,506	–	(20,000)	–	773,506
29/06/2016	30/06/2021	$3.81	708,202	–	–	–	708,202
24/07/2017	15/03/2022	$3.99	864,667	–	–	(20,004)	844,663
			3,830,989	–	(1,484,614)	(20,004)	2,326,371
Weighted average exercise price			$2.30	$0.00	$1.10	$3.99	$3.05

The weighted average share price during the financial year was $1.82 (2020: $1.56).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 0.7 year (2020: 1 year).

844,663 options outstanding as at 30 June 2021 are vested and exercisable (30 June 2020: 2,105,368).

Performance rights

During the year, the Group granted 1,006,994 performance rights for nil cash consideration for the year ended 30 June 2021 (2020: 1,696,627). The performance period is generally for a 3 year period. Vesting of the performance

Note 35. Share-based payments (continued)

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:

2021

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited	Balance at the end of the year
01/11/2018	30/06/2021	$0.00	168,664	–	–	(168,664)	–
14/05/2019	13/05/2022	$0.00	200,000	–	–	–	200,000
26/07/2019	13/05/2022	$0.00	500,000	–	–	(133,333)	366,667
26/08/2019	30/06/2021	$0.00	185,029	–	(115,142)	(24,910)	44,977
01/11/2019	31/10/2022	$0.00	616,870	–	–	(116,222)	500,648
20/01/2020	31/10/2022	$0.00	24,510	–	–	(24,510)	–
02/03/2020	31/10/2022	$0.00	23,411	–	–	–	23,411
07/07/2020	07/06/2022	$0.00	–	274,227	(32,307)	(37,307)	204,613
20/10/2020	19/10/2023	$0.00	–	732,767	–	(144,038)	588,729
			1,718,484	1,006,994	(147,449)	(648,984)	1,929,045

2020

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited	Balance at the end of the year
01/11/2018	30/06/2021	$0.00	168,664	–	–	–	168,664
14/05/2019	31/10/2019	$0.00	100,000	–	(100,000)	–	–
14/05/2019	13/05/2022	$0.00	200,000	–	–	–	200,000
24/07/2019	31/10/2019	$0.00	–	26,848	(26,848)	–	–
26/07/2019	13/05/2022	$0.00	–	700,000	–	(200,000)	500,000
26/08/2019	30/06/2021	$0.00	–	224,835	–	(39,806)	185,029
01/11/2019	31/10/2022	$0.00	–	697,023	–	(80,153)	616,870
20/01/2020	31/10/2022	$0.00	–	24,510	–	–	24,510
02/03/2020	31/10/2022	$0.00	–	23,411	–	–	23,411
			468,664	1,696,627	(126,848)	(319,959)	1,718,484

Note 35. Share-based payments (continued)

Performance rights that had vested and were exercisable as at 30 June 2021 was nil (2020: nil). The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 1.4 years (2020: 0.9 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
07/07/2020	07/06/2022	$1.40	$0.00	37.00%	3.21%	0.25%	$1.310
20/10/2020	19/10/2023	$2.10	$0.00	37.00%	2.96%	0.13%	$1.912

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.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

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

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

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

Note 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 2021 and the results of all subsidiaries for the year then ended. Class Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

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

Current and non-current classification

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

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

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

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

Impairment of non-financial assets

Goodwill and 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.

Note 36. Other accounting policies (continued)

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.

Finance costs

Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

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 2021. The adoption of these Accounting Standards and Interpretations is not expected to have any significant impact on the Group's financial statements.

Note 37. Events after the reporting period

The consequences of the Coronavirus (COVID-19) pandemic are continuing to be felt around the world, and its impact on the Group, if any, has been reflected in its published results to date. Whilst it would appear that control measures and related government policies have started to mitigate the risks caused by COVID-19, it is not possible at this time to state that the pandemic will not subsequently impact the Group's operations going forward. The Group now has experience in the swift implementation of business continuation processes should future lockdowns of the population occur, and these processes continue to evolve to minimise any operational disruption. Management continues to monitor the situation both locally and internationally.

On 2 August 2021, the Group executed the transfer of the Philo convertible notes for a cash consideration of $175,000.

On 17 August 2021, the Group announced the acquisition of all the shares in Topdocs Pty Ltd. The Share Purchase Agreement was executed on 16 August 2021 with an expected effective date of 1 September 2021 and a maximum enterprise value of $13 million. The purchase consideration is expected to be settled by $11.7 million upfront cash payment, plus $1.3 million in the Company's shares. The acquisition will be partly funded through an increase to the existing bank debt facility.

Note 37. Events after the reporting period (continued)

As part of the transaction, the Topdocs platform and customer base will be acquired and is expected to deliver an estimated revenue contribution of $3 million in FY22.

Apart from the dividend declared as disclosed in note 23, no other matter or circumstance has arisen since 30 June 2021 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

CLASS LIMITED
DIRECTORS' DECLARATION
30 JUNE 2021

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 2021 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

2001. On behalf of the Directors

Matthew Quinn
Chairman

17 August 2021
Sydney

Grant Thornton

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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 2021, 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 Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2021 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 (including Independence Standards)* (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.

GrantThornton

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 software development costs – Note 14 Intangibles	
Capitalised software development costs had a net carrying value of $19,123,000 at 30 June 2021. During the year the Group capitalised $11,100,000 of software development costs. Once placed into service, these intangible assets are being amortised over a 3-10 year period. AASB 138: *Intangible Assets* sets out the specific requirements to be met in order to capitalise software development costs. Intangible assets should be amortised over their useful economic lives in accordance with AASB 138. This area is a key audit matter due to subjectivity and management judgement applied in the assessment of whether costs meet the development phase criteria described in AASB 138 and in relation to the estimate of the assets' useful lives.	Our procedures included, amongst others: • Assessing the Group's accounting policy in respect of product development costs for adherence to AASB 138; • Evaluating management's assessment of each project for compliance with the recognition criteria set out in AASB 138; • Testing a sample of amounts capitalised to supporting documentation and assessing compliance with the recognition criteria of AASB 138; • Evaluating the reasonableness of useful lives to be applied in future reporting periods; and • Assessing the adequacy of related disclosures in the financial statements.
Acquisition accounting – Note 32 Business combinations	
On 20 August 2020 the Group acquired all the shares in Assuriti Pty Ltd ('Smartcorp') and controlled entities. The purchase consideration of $4,846,000 was settled by $2,905,000 upfront cash payment and $1,941,000 in the Company's shares. On 1 March 2021 the Group acquired the assets and certain liabilities of the Reckon Docs business. The purchase consideration was settled by $12,473,000 upfront cash payment. When an acquisition meets the definition of a business combination, AASB 3: *Business Combinations* requires management to exercise judgement to determine the fair value of the purchase consideration, the fair value of acquired assets and liabilities, and the allocation of purchase consideration to separately identifiable intangible assets and goodwill. Business combinations are a key audit matter due to the size of the acquisitions and their materiality to the Group, the level of judgement required in evaluating the Group's purchase price allocation including the assessment of identifiable intangible assets arising on acquisitions. The Group has engaged an expert to assist them in determining the appropriate asset values.	Our procedures included, amongst others: • Considering the legal documents, the purchase price allocation reports, and management's position paper on the acquisitions to obtain an understanding of the transactions; • Assessing whether the acquisitions met the definition of a business in accordance with AASB 3; • Assessing management's determination of the fair value of both the purchase consideration, and the fair value of assets and liabilities acquired; • Evaluating the competence, capability and objectivity of the management's external expert and performing a detailed review of their reports to understand the scope of their engagement and any limitations in the report. In addition we held discussions with them; • With the assistance of our valuation experts: – Assessing the identification of intangible assets acquired including software development and customer relationships, along with the valuation methodologies used to value these assets; – Challenging the associated underlying forecast cash flows for the software and customer assets intangible asset valuations and comparing key assumptions to historical results;

Grant Thornton

Key audit matter	How our audit addressed the key audit matter
	– Evaluating discount rates used by assessing the cost of capital applied in each valuation by comparing them to market data and industry research; and – Testing the mathematical accuracy of the cash flow models; • Considering any tax implications related to the purchase accounting in consultation with our tax experts; • Assessing the amount and accounting treatment of acquisition costs by testing a sample of items to supporting documentation; • Testing the Group's accounting for the transactions including checking the mathematical accuracy of the calculations and associated journal entries; and • Assessing the adequacy of related disclosures in the financial statements.
Recoverable amount of intangible assets – Note 14 Intangibles	
As at 30 June 2021, the Group's intangible assets of $58,899,000 consist of goodwill, trademarks and domain names, software development, contractual rights and customer relationships. AASB 136: *Impairment of Assets* requires that intangible assets with indefinite useful life and intangible assets not yet available for use must be tested for impairment annually. AASB 136 also requires that goodwill acquired in a business combination be allocated to each of the Group's cash-generating units (CGU). Each CGU to which goodwill has been allocated must be tested for impairment annually. Management has allocated the goodwill and indefinite useful life intangible assets to the Documents and Corporate Compliance CGU and therefore management has tested this CGU for impairment by comparing its carrying amounts with its recoverable amount. The recoverable amount was determined using a value-in-use model. We have determined this is a key audit matter due to the judgements and estimates required in determining the appropriate CGUs and calculating the recoverable amount.	Our procedures included, amongst others: • Enquiring with management to obtain and document an understanding of their processes and controls related to the assessment of impairment, including identification of CGUs and the calculation of the recoverable amount for the Documents and Corporate Compliance CGU; • Obtaining management's value in use calculation to: – Test the mathematical accuracy; – Evaluate management's ability to perform accurate estimates by comparing historical forecasting to actual results; – Test forecast cash inflows and outflows to be derived by the CGU's assets; and – Agree discount rates applied to forecast future cash flows; • Evaluating the value in use model against the requirements of AASB 136, including consultation with our valuations experts; • Performing sensitivity analysis on the significant inputs and assumptions made by management in preparing the calculation; and • Assessing the adequacy of financial report disclosures.

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 2021, 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 we do not express any form of assurance conclusion thereon.

Grant Thornton

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: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 22 to 41 of the Directors' report for the year ended 30 June 2021.

In our opinion, the Remuneration Report of Class Limited, for the year ended 30 June 2021 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

C F Farley
Partner – Audit & Assurance

Sydney, 17 August 2021

Shareholder information

The shareholder information set out below was applicable as at 31 July 2021.

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	70	3	6
10,001 to 100,000	572	22	0
5,001 to 10,000	559	9	–
1,001 to 5,000	1,457	1	–
1 to 1,000	1,257	–	–
TOTAL	**3,915**	**35**	**6**
Holding less than a marketable parcel	469	–	–

Shareholder information (cont)

Equity security holders

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

Rank	Name	Number of ordinary shares	% IC
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	17,252,361	14.66
2	CITICORP NOMINEES PTY LIMITED	16,464,927	13.99
3	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	9,121,358	7.75
4	TRONCELL PTY LTD	8,870,944	7.54
5	NATIONAL NOMINEES LIMITED	8,656,736	7.36
6	TRONCELL PTY LTD	5,458,000	4.64
7	ARMELEK PTY LTD	3,000,155	2.55
8	BNP PARIBAS NOMINEES PTY LTD	2,329,665	1.98
9	BAY 88 PTY LTD	1,800,000	1.53
10	BNP PARIBAS NOMS PTY LTD	1,774,889	1.51
11	MR PETER DORIAN KIBBLE + MRS LORRAINE LESTER MR RODERICK KIBBLE + MRS MICHELLE KIBBLE	1,501,652	1.28
12	MR RAJARSHI MANU RAY	1,000,000	0.85
13	SANDHURST TRUSTEES LTD	906,092	0.77
14	MR KEVIN BUNGARD + MRS STEPHANIE ANNE BUNGARD	857,117	0.73
15	MR KEVIN BUNGARD	831,604	0.71
16	FYLPANE PTY LTD	750,000	0.64
17	GLENN DAY	686,877	0.58
18	NEWECONOMY COM AU NOMINEES PTY LIMITED	579,335	0.49
19	PACIFIC CUSTODIANS PTY LIMITED	574,116	0.49
20	BNP PARIBAS NOMINEES PTY LTD	528,078	0.45
		84,445,558	71.77

Shareholder information (cont)

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares	844,663	20
Performance Rights over ordinary shares	1,826,738	6

Substantial holders

Perennial Value Management Ltd advised that as of 9 July 2021, it and its associates had an interest in 10,019,720 shares, which represented 8.10 % of Class' issued capital at that time.

Microequities Asset Management Ltd advised that as of 26 April 2021, it and its associates had an interest in 8,660,591 shares, which represented 7 % of Class' issued capital at that time.

Spheria Asset Management Limited advised that as of 23 October 2020, it had an interest in 20,913,106 shares, which represented 16.9 % of Class' issued capital at that time.

Pinnacle Investment Management Group Limited (and its subsidiaries) advised that as of 30 July 2020, it and its associates had an interest in 7,737,515 shares, which represented 6.3 % 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	18 December 2021 or the day after the date which the shareholder ceases to be an employee	29,256
Ordinary shares	18 December 2022 or the day after the date which the shareholder ceases to be an employee	29,610
Ordinary shares	31 January 2022	6,096,778
Ordinary shares	18 December 2023 or the day after the date which the shareholder ceases to be an employee	53,212

Corporate directory

Directors

Matthew Quinn – Chairman

Andrew Russell

Kathryn Giudes (Foster)

Nicolette Rubinsztein

Robert Bazzani

Company secretary

Jasmin Chew (interim appointment)

Registered office and Principal place of business

Level 20, 580 George Street
Sydney, NSW 2000
Telephone 1300 851 057

Share register

Link Market Services Limited
Level 12, 680 George Street
Sydney, NSW 2000
Telephone 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
Telephone (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 Directors and management are committed to conducting the business of Class Limited in an ethical manner and in accordance with the highest standards of corporate governance. Class Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of its operations.

The Group's Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed and ASX Appendix 4G are released to the ASX on the same day the Annual Report is released. The Corporate Governance Statement and Corporate Governance Compliance can be found on the company's website at https://investors.class.com.au/Investors/

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