

Schrole Operations Ltd (formerly Schrole Group Ltd)

ABN 43 131 115 878

Annual Report – 30 June 2017

Schrole Operations Ltd (formerly Schrole Group Ltd)

Directors' report

30 June 2017

The directors present their report, together with the financial statements, on the consolidated entity consisting of Schrole Operations Ltd (formerly Schrole Group Ltd) ("the company") and the entities it controlled at the end of, or during, the year ended 30 June 2017 ("period"). Throughout the report, the consolidated entity is referred to as the Group

Directors

The following persons were directors of the company during the whole of the financial year and up to the date of this report, unless otherwise stated:

Robert Graham	
Gregory Smith	appointed 12 November 2015, resigned 10 August 2016, reappointed 7 September 2016
Michael Kirkwood	appointed 17 June 2016, resigned 10 August 2016, reappointed 7 September 2016
Gregory Wheeler	appointed 10 August 2016, resigned 7 September 2016
Sam McDonagh	appointed 10 August 2016, resigned 6 September 2016
Gary Martin	appointed 10 August 2016, resigned 7 September 2016
Robert Breden	appointed 10 August 2016, resigned 7 September 2016

Principal activities

During the period the principal continuing activities of the company was as a holding company of a Group that provides software, consulting and training services to international and domestic schools and businesses and training services to individuals.

Dividends

No dividends were declared or paid in the current period (2016: \$650,000 declared and paid)

Review of operations

The loss for the Group after providing for income tax amounted to \$1,519,232 (2016: profit of \$1,324,691).

Significant changes in the state of affairs

The company has concluded a seed capital raise of \$522,734 (net of costs) which settled on 12 July 2016.

The company converted from a Proprietary Limited company to a Public company on 5 August 2016.

The company received the final \$198,196 payment from the Refundable R&D offset claim in relation to the year ended 30 June 2016 on 9 January 2017.

In November 2016 the company planned to list on the Australian Stock Exchange and undertake an Initial Public Offer (**IPO**) to raise between \$5,000,000 and \$6,000,000. In preparation for this listing event, the company lodged a Notice of Meeting and Explanatory Memorandum with ASIC on 20 January 2017 and it was distributed to shareholders on 23 January 2017 to restructure the share capital. The shareholders unanimously approved all resolutions at the general meeting held on 13 February 2017, which included the following:

1. consolidate the existing shares of the company through the conversion of every five (5) shares held into four (4) shares;
2. the company selectively buy-back and cancel 16,066,456 shares held by Enerly Pty Ltd, a related party of Robert Graham, and create and issue 24,099,684 performance shares allocated into three equal tranches.
3. the performance shares expire 5 years from their date of issue and all have performance milestones as follows:
 - a. 8,033,228 Series B performance shares will convert into an equal number of ordinary shares once the company achieves 215 school subscriptions to Schrole Connect or 198 subscription licences to Schrole Cover within 18 months of admission onto the ASX;
 - b. 8,033,228 Series C performance shares will convert into an equal number of ordinary shares once the company achieves sales revenue of \$7,000,000 over any 12-month period prior to 36 months of admission onto the ASX; and
 - c. 8,033,228 Series C performance shares will convert into an equal number of ordinary shares once the company achieves earnings before interest, tax, depreciation and amortisation (EBITDA) of \$3,000,000 over any 12-month period prior to 48 months of admission onto the ASX.

On 15 March 2017 the company entered into an advisory mandate with Alto Capital in order to pursue a reverse takeover transaction and capital raising instead of an IPO. In June 2017 the company entered into an acquisition agreement with Schrole Group Ltd (formerly Aquaint Capital Holdings Limited) (**Aquaint**), an ASX-listed company subject to a deed of company arrangement and whose securities were suspended from trading on ASX, subject inter alia to the completion by Aquaint of a prospectus capital raising of up to \$6m.

Matters subsequent to the end of the period

A general meeting of shareholders of the company was held on 12 July 2017 which approved a number of resolutions required for the acquisition of the company by Aquaint to be completed, including:

1. Cancellation of existing Series B, C and D performance shares
2. Variation of the terms of the Series A performance shares such that they convert to ordinary shares on completion of the acquisition of the company by Aquaint
3. Change of name of the company to Schrole Operations Ltd.

On 25th July 2017 the company changed its name to Schrole Operations Ltd.

On 5th October 2017 the acquisition of the company by Aquaint was completed including the completion of the \$6m prospectus capital raising.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the company's operations, the results of those operations, or the company'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 operations have not been included in this report because the directors believe it would be likely to result in unreasonable prejudice to the Group.

Schrole Operations Ltd (formerly Schrole Group Ltd)**Directors' report****30 June 2016****Environmental regulation**

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

Shares under option

At the date of this report, there were 3,799,998 (2016: nil) unissued ordinary shares under option.

Shares issued

The company issued 4,663,336 fully paid ordinary shares pursuant to the seed capital raise of \$522,734 (net of costs) settled on 12 July 2016.

No options were exercised in the period.

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 Group 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 period, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Auditor's independence declaration

A copy of the auditor's independence declaration is set out on the following page.

This report is made in accordance with a resolution of the directors.

On behalf of the directors



Robert Graham
Director

10 October 2017

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF SCHROLE OPERATIONS LIMITED

As lead auditor of Schrole Operations Limited for the year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Schrole Group Limited and the entities it controlled during the period.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 10 October 2017

Schrole Operations Ltd (formerly Schrole Group Ltd)

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General information

Schrole Operations Ltd (formerly Schrole Group Ltd) ("the company") is a company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business are:

Registered office

Ground Floor
142 Hasler Road
Osborne Park WA 6014

Principal place of business

Ground Floor
142 Hasler Road
Osborne Park WA 6014

The consolidated financial statements of the company comprise the company and its subsidiaries (together referred to as the "Group"). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

A description of the nature of the company and 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 10 October 2017. The directors have the power to amend and reissue the financial statements.

Schrole Operations Ltd (formerly Schrole Group Ltd)
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Revenue	3	1,616,989	1,779,506
Expenses			
Employee benefits expense		(1,381,119)	(1,409,257)
Depreciation expense		(238,439)	(104,538)
Travel expense	4	(104,011)	(142,220)
Other expenses		<u>(1,404,346)</u>	<u>(1,284,282)</u>
		<u>(3,127,914)</u>	<u>(2,940,298)</u>
Loss before income tax expense		<u>(1,510,925)</u>	<u>(1,160,792)</u>
Income tax benefit/(expense)		(8,307)	(163,899)
Loss after income tax expense for the period attributable to the owners of Schrole Group Ltd		<u>(1,519,232)</u>	<u>(1,324,691)</u>
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/(loss) for the period attributable to the owners of Schrole Group Ltd		<u><u>(1,519,232)</u></u>	<u><u>(1,324,691)</u></u>

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

Schrole Operations Ltd (formerly Schrole Group Ltd)
Consolidated statement of financial position
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents		47,181	11,246
Trade and other receivables		115,121	355,076
Income tax refund receivable		111,517	-
Other		1,063	1,189
Total current assets		<u>274,882</u>	<u>367,511</u>
Non-current assets			
Property, plant and equipment	5	112,809	143,213
Intangible assets	6	425,025	609,978
Other		1,399	1,397
Total non-current assets		<u>539,233</u>	<u>754,587</u>
Total assets		<u>814,115</u>	<u>1,122,098</u>
Liabilities			
Current liabilities			
Trade and other payables	7	218,131	231,458
Deferred revenue		307,781	293,878
Provision for employee benefits		87,548	47,895
Financial liabilities	8	581,791	99,663
Related party loans		260,613	276,621
Other		1,000	13,861
Total current liabilities		<u>1,456,864</u>	<u>963,375</u>
Non-current liabilities			
Provision for employee benefits		2,544	32,209
Financial liabilities	8	175,519	250,531
Provision for lease make-good		40,532	39,721
Total non-current liabilities		<u>218,595</u>	<u>322,461</u>
Total liabilities		<u>1,675,459</u>	<u>1,285,836</u>
Net assets		<u>(861,344)</u>	<u>(163,739)</u>
Equity			
Issued capital	9	3,606,123	2,939,389
Equity reserve	10	(1,232,900)	(1,387,793)
Accumulated losses	11	(3,234,567)	(1,715,335)
Total equity		<u>(861,344)</u>	<u>(163,739)</u>

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

Schrole Operations Ltd (formerly Schrole Group Ltd)
Consolidated statement of changes in equity
For the year ended 30 June 2017

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	2,939,389	(1,387,793)	(1,715,335)	(163,739)
Dividends paid			-	-
Shares issued 1 August 2016	522,734	-	-	522,734
Shares issued for services to 31 December 2016	144,000	-	-	144,000
Issue of options	-	154,893	-	154,893
Loss after income tax expense for the period	-	-	(1,519,232)	(1,519,232)
Other comprehensive income/(loss) for the period, net of tax	-	-	-	-
Total comprehensive loss for the period	-	-	(1,519,232)	(1,519,232)
Balance at 30 June 2017	<u>3,606,123</u>	<u>(1,232,900)</u>	<u>(3,234,567)</u>	<u>(861,344)</u>

	Issued capital \$	Equity reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	1	-	259,356	259,357
Dividends paid			(650,000)	(650,000)
Share exchange to acquire Schrole Pty Ltd	1,600,001	-	-	1,600,001
Shares issued 24 December 2015	1,091,440	-	-	1,091,440
Shares issued 24 March 2016	60,001	-	-	60,001
Shares issued 30 June 2016	20,000	-	-	20,000
Shares issued for services to 30 June 2016	167,946	-	-	167,946
Acquisition of Schrole Pty Ltd	-	(1,387,793)	-	(1,387,793)
Loss after income tax expense for the period	-	-	(1,324,691)	(1,324,691)
Other comprehensive income/(loss) for the period, net of tax	-	-	-	-
Total comprehensive loss for the period	-	-	(1,324,691)	(1,324,691)
Balance at 30 June 2016	<u>2,939,389</u>	<u>(1,387,793)</u>	<u>(1,715,335)</u>	<u>(163,739)</u>

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

Schrole Operations Ltd (formerly Schrole Group Ltd)
Consolidated statement of cash flows
For the year ended 30 June 2017

	Note	2017 \$	2016 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,993,143	1,818,039
Payments to suppliers and employees (inclusive of GST)		<u>(3,015,727)</u>	<u>(2,669,919)</u>
		(1,022,584)	(851,880)
Interest received		617	56
Income tax paid		-	(3,678)
Other		<u>-</u>	<u>62,413</u>
Net cash from/(used in) operating activities		<u>(1,021,967)</u>	<u>(793,089)</u>
Cash flows from investing activities			
Cash from acquisition of Schrole Pty Ltd		-	167,643
Receipts on sale of property plant and equipment		-	32,047
Payments for property, plant and equipment and intangibles		(2,988)	(220,475)
R&D claim refund received		<u>229,377</u>	<u>-</u>
Net cash from/(used in) investing activities		<u>226,388</u>	<u>(20,785)</u>
Cash flows from financing activities			
Receipts from Shares issued		522,734	1,171,441
Dividends paid		-	(650,000)
Repayments of bank loans		(99,968)	(375,116)
Proceeds from bank loans		-	410,000
Enerly Pty Ltd loan proceeds		-	477,670
Enerly Pty Ltd loan repayments		(27,600)	(204,493)
Proceeds from convertible note issue		440,000	-
Interest paid		(3,653)	(14,258)
Finance lease costs		<u>-</u>	<u>(105,671)</u>
Net cash from/(used in) financing activities		<u>831,513</u>	<u>709,573</u>
Net increase/(decrease) in cash and cash equivalents		35,935	(104,301)
Cash and cash equivalents at the beginning of the period		<u>11,246</u>	<u>115,547</u>
Cash and cash equivalents at the end of the period		<u><u>47,181</u></u>	<u><u>11,246</u></u>

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

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

The company has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

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

Basis of preparation

In the directors' opinion, the company is not a reporting entity because there are no users dependent on general purpose financial statements.

These are consolidated special purpose financial statements that have been prepared for the purposes of distributing to the owners. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the owners of Schrole Operations Ltd (formerly Schrole Group Ltd).

These consolidated financial statements have been prepared in accordance with the recognition and measurement requirements specified by the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Statement of Cash Flows', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1048 'Interpretation of Standards' and AASB 1054 'Australian Additional Disclosures', as appropriate for for-profit oriented entities.

Historical cost convention

The financial statements have been prepared under the historical cost convention.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interest in the acquire; plus
- If the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquire; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts generally are recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with the business combination are expensed as incurred.

Note 1. Significant accounting policies (continued)

Business combinations involving entities under common control

In the case of acquisitions of businesses or entities under common control the acquired assets and liabilities are initially recognised in the consolidated financial statements at their predecessor carrying amounts, which are the carrying amounts from the consolidated financial statements at the highest level of common control as at the date of acquisition. The difference between the cost of acquisition and the share of the carrying amounts of the acquired net assets is recognised directly in equity.

The profit or loss of the entity joining the group under common control is included from the date of the acquisition.

Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains an interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Transaction eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transitions, are eliminated in preparing the consolidated financial statement.

Going Concern

The directors acknowledge the group has a net asset deficiency of \$861,344 and incurred a loss of \$1,519,232. However the directors believe there are sufficient funds to meet the entity's working capital requirements and as at the date of this report can meet all liabilities as and when they fall due because of the completion of the \$6m prospectus capital raising by Schrole Group Ltd (formerly Aquaint capital Holdings Ltd) and its acquisition of the Group, which was completed on 5th October 2017 with all conditions precedent to the acquisition having been satisfied.

The financial statements have been prepared on the basis that the Group is a going concern as a result of the \$6m prospectus capital raising by Schrole Group Ltd (formerly Aquaint capital Holdings Ltd) and its acquisition of the Group.

Revenue recognition

Revenue is recognised when it is probable that the economic benefit will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable.

Rendering of services

Revenue relating to the provision of services is determined with reference to the stage of completion of the transaction at reporting date and where the outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

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.

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.

Note 1. Significant accounting policies (continued)

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 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 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.

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable may be impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

Other receivables are recognised at amortised cost, less any provision for impairment.

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 to write off the net cost of each item of property, plant and equipment (excluding land) over their expected useful lives as follows:

Category	Depreciation Method	Useful Life
Developed software	Straight line	4 years – 5 years
Plant and equipment	Diminishing value	6 years

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

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

Note 1. Significant accounting policies (continued)

Intangible Assets

Goodwill

Goodwill that arises on the acquisition of subsidiaries is presented with intangible assets. For the measurement of goodwill at initial recognition, see the note on **Business combinations**.

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses.

Other intangible assets

Other intangible assets that are acquired by the Group, and have finite useful lives, are measured at cost less accumulated amortisation and accumulated impairment losses.

Computer software development

Internally developed computer software is initially capitalised at cost, which includes direct expenditure by external developers, employees and on-costs that can be reliably measured and directly attributable to creating the asset for its intended use. Costs associated with maintaining the computer software are recognised as an expense when incurred. Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure, including expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation

Except for goodwill, intangible assets are amortised on a straight line basis in profit or loss over their estimated useful lives, from the date they are available for use.

The estimate useful lives for the current and comparative period are as follows:

- Capitalised software development costs 4 years – 5 years

Leases

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

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

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

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

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

Impairment of non-financial assets

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 1. Significant 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.

Trade and other payables

These amounts represent liabilities for goods and services provided to the company 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.

Employee benefits

Short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits

The liability for annual leave and long service leave not expected to be settled within 12 months of the reporting date are measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Defined contribution superannuation expense

Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

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.

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.

Note 1. Significant accounting policies (continued)

R&D Incentives

Refundable tax incentives are accounted for as government grants under AASB 120. Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. . Refundable tax incentives are recognised as Other Income to the extent that the claim relates to costs which have been expensed in the Statement of Profit/(Loss) and Other Comprehensive Income. For refundable tax incentives which relate to costs which have been capitalised to an asset, the tax incentive is offset against the carrying amount of the asset.

Share Based Payments

Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

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 company for the annual reporting period ended 30 June 2017. The company has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

Note 2. Critical accounting judgements, estimates and assumptions

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

Provision for impairment of receivables

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

Estimation of useful lives of assets

The company 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 lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Valuation of share based payments

The value of share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The fair value of options is determined using the Black-Scholes pricing model. For share-based payments with non-market performance conditions, management estimate the number of equity instruments expected to vest at each reporting date.

Schrole Operations Ltd (formerly Schrole Group Ltd)
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30 June 2017

Note 2. Critical accounting judgements, estimates and assumptions (continued)

Employee benefits provision

As discussed in note 1, the liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Deferred taxes

The company has not recognised deferred tax assets relating to income tax timing and carried forward tax losses as there is not sufficient certainty that they can be utilised. Utilisation of the tax losses depends on the ability to satisfy certain tests at the time the losses are recouped. Due to the completed acquisition of the Group by Aquaint on 5 October 2017, there are concerns that the company may fail to satisfy the continuity of ownership test and same business test. As a result, the company has not recognised any consolidated deferred tax assets relating to carried forward tax losses or income tax timing.

Note 3. Revenue

	2017	2016
	\$	\$
Sales revenue		
Rendering of services	1,512,621	1,703,466
Other revenue		
Foreign currency exchange		28,242
Interest	617	56
Other revenue	103,751	47,742
	<u>104,368</u>	<u>76,040</u>
Revenue	<u>1,616,989</u>	<u>1,779,506</u>

Note 4. Expenses

	2017	2016
	\$	\$
Costs of sales		
Costs of sales	<u>202,657</u>	<u>409,409</u>
Depreciation		
Developed software	205,047	51,398
Leasehold improvements	14,564	24,430
Plant and equipment	18,828	28,710
Total depreciation	<u>238,439</u>	<u>104,538</u>
Rental expense relating to operating leases		
Lease payments	199,180	291,121
Discount unwind on make-good provision	810	796
	<u>199,991</u>	<u>291,917</u>
Finance costs		
Interest and bank charges	<u>89,392</u>	<u>28,228</u>
Superannuation expense		
Defined contribution superannuation expense	<u>113,604</u>	<u>159,972</u>

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Note 5. Non-current assets - property, plant and equipment

	2017	2016
	\$	\$
Leasehold improvements - at cost	305,886	305,886
Less: Accumulated depreciation	<u>(226,202)</u>	<u>(206,495)</u>
	<u>79,684</u>	<u>99,391</u>
Plant and equipment - at cost	197,933	194,944
Less: Accumulated depreciation	<u>(164,808)</u>	<u>(151,123)</u>
	<u>33,124</u>	<u>43,821</u>
	<u><u>112,809</u></u>	<u><u>143,212</u></u>

Note 6. Intangible assets

	2017	2016
	\$	\$
Developed software acquired	284,569	284,569
Additional development	755,967	426,161
R&D offset	<u>(361,587)</u>	<u>(51,875)</u>
	678,949	658,855
Less: Accumulated depreciation	<u>(256,444)</u>	<u>(51,397)</u>
	422,505	607,458
Trademark acquired	<u>2,520</u>	<u>2,520</u>
	<u><u>425,025</u></u>	<u><u>609,978</u></u>

Note 7. Current liabilities - trade and other payables

	2017	2016
	\$	\$
Trade payables	162,609	109,203
Other	<u>55,521</u>	<u>122,255</u>
	<u><u>218,131</u></u>	<u><u>231,458</u></u>

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Note 8. Financial liabilities

	2017 \$	2016 \$
Current Liabilities		
Bank loan	91,791	99,663
Convertible note ⁽¹⁾	490,000	-
	<u>581,791</u>	<u>99,663</u>
Non-Current Liabilities		
Bank loan	<u>175,519</u>	<u>250,531</u>

Note:

- (1) In April 2017 the company entered into a convertible note deed with Alto Capital pursuant to which Alto Capital undertook to arrange a capital raising in the amount of up to \$500,000 by way of the issue of convertible notes by the company. In accordance with the terms of the convertible notes as part of the completion of the acquisition of the company by Aquaint on 5 October 2017 the convertible notes converted into fully paid ordinary shares in Aquaint at \$0.02 per share and convertible noteholders were issued options to acquire shares in Aquaint at an exercise price of \$0.02 per share and with a 3 year expiry date. Convertible noteholders are also entitled to an interest payment equal to 10% of the amount invested under the convertible note. The balance of \$490,000 includes \$50,000 of accrued interest.

Note 9. Equity - issued capital

	Shares	\$
30 June 2015 Ordinary shares - fully paid	1	1
31 October 2015 Ordinary shares - share split	65,612,258	-
31 October 2015 Ordinary shares - share exchange	32,000,020	1,600,001
24 December 2015 Ordinary shares - private placement	15,592,006	1,091,440
24 March 2016 Ordinary shares - private placement	857,153	60,001
29 April 2016 Ordinary shares - equity for services ⁽¹⁾	2,314,287	162,000
29 April 2016 Ordinary shares - equity for services ⁽¹⁾	2,057,143	-
29 April 2016 Ordinary shares - equity for services ⁽²⁾	64,330	4,502
2 May 2016 Ordinary shares - equity for services ⁽²⁾	20,625	1,444
29 June 2016 1 for 2 ordinary share consolidation	(59,258,912)	-
30 June 2016 Ordinary shares - private placement	166,666	20,000
30 June 2016 Ordinary shares	<u>59,425,577</u>	<u>2,939,389</u>
1 August 2016 Ordinary shares - private placement	4,496,670	522,734
To 31 December 2016 - equity for services ⁽¹⁾	-	144,000
14 February 2017 4 for 5 ordinary share consolidation ⁽³⁾	(12,784,448)	-
14 February 2017 share buyback ⁽³⁾	(16,066,456)	-
30 June 2017 Ordinary shares - fully paid	<u>35,071,343</u>	<u>3,606,123</u>

Note:

- (1) The company signed an agreement with its software developer to issue equity in exchange for the provision of services in the development of the Schrole Cover software. The company issued 4,371,430 shares at a value of \$0.07 cents per share on 29 April 2016 and 13 June 2016 to cover the value of the services provided from April 2016 to September 2016 inclusive. 2,057,143 of these shares were unpaid at 30 June 2016, awaiting the provision of future development services. At the date of this report, these shares are fully paid. The value was based on the

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supplier invoices, which were charged at their commercially available rates, and the previous private placement share price in December 2015 and March 2016 of \$0.07 cents per share.

- (2) 84,955 shares at a value of \$0.07 cents per share were issued between 29 April 2016 and 2 May 2016 for financial consultative services
- (3) On 14 February 2017 (as approved by shareholders at the general meeting held on 13 February 2017) the company undertook the following capital restructure in preparation for the anticipated IPO of the company:
 - a. Consolidation of the existing shares of the company through the conversion of every five (5) shares held into four (4) shares;
 - b. The selective buy-back and cancellation of 16,066,456 shares held by Enerly Pty Ltd, a related party of Robert Graham, and the issue of 24,099,684 performance shares allocated into three equal tranches with a 5 year expiry date and performance milestones as follows:
 - i. 8,033,228 Series B performance shares will convert into an equal number of ordinary shares once the company achieves 215 school subscriptions to Schrole Connect or 198 subscription licences to Schrole Cover within 18 months of admission onto the ASX;
 - ii. 8,033,228 Series C performance shares will convert into an equal number of ordinary shares once the company achieves sales revenue of \$7,000,000 over any 12-month period prior to 36 months of admission onto the ASX; and
 - iii. 8,033,228 Series D performance shares will convert into an equal number of ordinary shares once the company achieves earnings before interest, tax, depreciation and amortisation (EBITDA) of \$3,000,000 over any 12-month period prior to 48 months of admission onto the ASX.

Management has assessed that these performance conditions will not be met, therefore there has been no reduction in share capital or increase in reserves.

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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

Performance shares

Performance Shares	Number of performance shares	Expiry date	Vesting Condition
Series A	1,800,722	31 December 2017	ASX listing
Series B	8,933,589	30 June 2017	Accumulated EBITDA over 12 months
Series C	8,933,589	30 June 2018	Accumulated EBITDA over 12 months
Series D	8,033,228	30 June 2018	Accumulated EBITDA over 12 months

At a general meeting held on 13 February 2017, the shareholders approved the consolidation of existing shares, the variation of the vesting conditions of the Series B and Series C performance shares and the issue of Series D performance shares as follows:

- a. consolidate the existing shares of the company through the conversion of every five (5) shares held into four (4) shares;
- b. Series B performance shares will convert into an equal number of ordinary shares once the company achieves 215 school subscriptions to Schrole Connect or 198 subscription licences to Schrole Cover within 18 months of admission onto the ASX;
- c. Series C performance shares will convert into an equal number of ordinary shares once the company achieves sales revenue of \$7,000,000 over any 12-month period prior to 36 months of admission onto the ASX.
- d. Series D performance shares will convert into an equal number of ordinary shares once the company achieves EBITDA of \$3,000,000 over any 12-month period prior to 48 months of admission onto the ASX.

Management has assessed the number of performance shares that are expected to vest as nil for each series. Therefore, nil share based payment expense has been recorded for the year to 30 June 2017. These performance shares were modified subsequent to year end, management will re-assess the number expected to vest in the subsequent financial year.

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30 June 2017

Note 10. Equity Reserves

Effective close of business 31 October 2015, the Company acquired 100% of the issued shares of Schrole Pty Ltd through a fully paid Share Exchange Agreement (Note 9). This involved the acquisition of an entity under common control.

The carrying amounts of the assets and liabilities of Schrole Pty Ltd on the date of acquisition were as follows:

	31 October 2015 \$
<i>Consideration</i>	
Fair value of shares issued	(1,600,001)
<i>Value of assets and liabilities acquired</i>	
Cash and cash equivalent	167,643
Trade debtors	148,758
Property, plant and equipment	2,501
Intangible assets	287,089
Trade creditors	(110,542)
Income in advance	(346,636)
Sundry creditors	(11,863)
Deferred tax asset	115,345
Deferred tax liability	-
Provision for income tax	(40,087)
	<u>212,208</u>
Acquisition reserve	<u>(1,387,793)</u>
 Options reserve	
Options issued to employees	107,667
Options issued for services	47,227
Options reserve	<u>154,893</u>
 Total reserves	<u>(1,232,900)</u>

Options

The value of share-based payments using options is measured at the fair value of the equity instruments issued using the Black-Scholes pricing model applying the relevant expiry date, exercise price, a spot price of \$0.12 (the most recent price for the issue of ordinary shares), a raw risk free rate of between 1.39% and 1.56% and a volatility of 90%.

Option Instrument	Number of Options	Expiry date	Exercise Price	Value \$
Employee – Tranche 1	1,266,666	30 June 2017	\$0.25	20,266
Employee – Tranche 2	1,266,666	30 June 2018	\$0.30	36,733
Employee – Tranche 3	1,266,666	30 June 2019	\$0.35	50,667
Supplier	858,679	19 August 2019	\$0.20	47,227

Following completion of the 4-for-5 share consolidation on 14 February 2017, the number of options on issue and respective exercise price of each tranche of options were amended as below in accordance with the terms of the options:

Option Instrument	Post-Consolidation Number of Options	Expiry date	Exercise Price
Employee – Tranche 1	1,013,332	30 June 2017	\$0.3125
Employee – Tranche 2	1,013,332	30 June 2018	\$0.3750
Employee – Tranche 3	1,013,332	30 June 2019	\$0.4375
Supplier	686,943	19 August 2019	\$0.25

Schrole Operations Ltd (formerly Schrole Group Ltd)
Notes to the financial statements
30 June 2017

Note 11. Equity – accumulated losses

	2017	2016
	\$	\$
Accumulated losses at the beginning of the financial year	(1,715,335)	259,356
Dividends paid	-	(650,000)
Loss after income tax expense for the period	<u>(1,519,232)</u>	<u>(1,324,691)</u>
Accumulated losses at the end of the financial year	<u>(3,234,567)</u>	<u>(1,715,335)</u>

Note 12. Equity - dividends

	2017	2016
	\$	\$
<i>Dividends</i>		
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>-</u>	<u>650,000</u>
<i>Franking credits</i>		
Franking credits available for subsequent financial years based on a tax rate of 30%	<u>-</u>	<u>-</u>

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

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

Note 13. Parent Entity

The immediate parent entity is Enerly Pty Ltd (incorporated in Australia), which at 30 June 2017 owned 47.6% (30 June 2016: 69.1%) of the issued share capital of the company.

Note 14. Interests in other entities

Name of entity	Place of business / country of incorporation	Ownership interest held	Principal activities
Schrole Pty Ltd (ACN 164 785 488)	Australia	100%	Software and training services to international and domestic schools
ETAS (WA) Pty Ltd (ACN 065 673 896)	Australia	100%	Training services to domestic and international businesses

Note 14. Commitments and contingencies

The Company has operating leases on office accommodation that expires 31 October 2018.

	2017	2016
	\$	\$
One year or less	171,195	294,267
From one to five years	<u>394,267</u>	<u>357,045</u>
Operating leases	<u>565,462</u>	<u>651,312</u>

Schrole Operations Ltd (formerly Schrole Group Ltd)

Directors' declaration

30 June 2017

In the directors' opinion:

- the company and Group is not a reporting entity because there are no users dependent on general purpose financial statements. Accordingly, as described in note 1 to the financial statements, the attached special purpose consolidated financial statements have been prepared for the purposes of preparing and distributing financial statements to the owners of Schrole Operations Ltd (formerly Schrole Group Ltd);
- the attached financial statements and notes comply with the Accounting Standards as described in note 1 to the financial statements, and other mandatory professional reporting requirements;
- the attached consolidated financial statements and notes present fairly the Group's financial position as at 30 June 2017 and of its performance for the financial period ended on that date; and
- there are reasonable grounds to believe that the company and the Group will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors

On behalf of the directors



Robert Graham
Director

10 October 2017

INDEPENDENT AUDITOR'S REPORT

To the members of Schrole Operations Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Schrole Operations Limited (the Entity) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the and the directors' declaration.

In our opinion the accompanying financial report presents fairly, in all material respects, the financial position of the Group as at 30 June 2017 and of its financial performance and its cash flows for the year then ended in accordance with the basis of accounting described in note 1.

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 ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of matter - Basis of accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared to assist the Group to meet the requirements shareholders. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Other information

Those charged with governance are responsible for the other information. The other information obtained at the date of this auditor's report is information included in the Annual report, but does not include the financial report and our auditor's report thereon.

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



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

If, based on the work we have performed on the other information obtained prior to the date of this auditor's report, 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 management and those charged with governance for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report, and have determined that the basis of preparation described in Note 1 is appropriate to meet the requirements of shareholders and for such internal control as management determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar3.pdf

This description forms part of our auditor's report.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink, appearing to read 'Glyn O'Brien', is written over a faint blue stamp that includes the letters 'BDO'.

Glyn O'Brien

Director

Perth, 10 October 2017