

Appendix 4D

Half Year Report to the Australian Securities Exchange

1. Company Details

Name of Entity: Schrole Group Ltd

ABN: 27 164 440 859

Reporting period: for the six months ended 30 June 2018

Previous period: for the six months ended 30 June 2017

2. Results for Announcement to the Market

	30/6/2018	30/6/2017	Change	Change
	\$	\$	\$	%
Revenue from ordinary activities	996,683	698,947	297,735	43%
Loss from ordinary activities after tax attributable to members	(1,171,700)	(769,218)	(402,481)	(52%)
Net loss attributable to members	(1,171,700)	(769,218)	(402,481)	(52%)
Dividends declared and paid	-	-	-	-

Comparisons to the previous corresponding period are comparisons to historical financial information extracted from the consolidated financial information of Schrole Operations Pty Ltd and its wholly owned subsidiaries for the half year ended 30 June 2017.

Refer to the Directors' Report which forms part of the attached Interim Financial Report for further explanation regarding the above results.

3. Net Tangible Assets

	30/06/2018	31/12/2017
	Cents	Cents
Net tangible assets / (deficit) per ordinary security	<u>0.2</u>	<u>0.4</u>

4. Attachments

Additional Appendix 4D disclosure requirements can be found in the notes to the Interim Financial Report and the Directors' Report for the half-year ended 30 June 2018. Information should be read in conjunction with Schrole Group Limited's 2017 Annual Report as well as the attached Interim Financial Report.

This report is based on the consolidated Interim Financial Report for the half-year ended 30 June 2018 which has been reviewed by BDO with the Independent Auditor's Review Report included in the Interim Financial Report.



Schrole Group Ltd

ABN 27 164 440 859

**Interim Financial Report
For the half year ended
30 June 2018**



Directors' Report

Your Directors present their report, together with the interim financial report of Schrole Group Ltd ("the Company") and controlled entities ("the Group", "Schrole") for the half year ended 30 June 2018

Directors

The names and the particulars of the Directors of the Company during the half year and to the date of this report are:

Name	Status	Appointed
Stuart Carmichael	Non-Executive Chairman	5 October 2017
Robert Graham	Managing Director	5 October 2017
Shaun Hardcastle	Non-Executive Director	5 October 2017
Craig Read-Smith	Non-Executive Director	5 October 2017

Review of results of operations

Schrole Group Ltd reported a loss for the half year ended 30 June 2018 of \$1,171,700 (2017: \$769,218).

Review of activities

During the half year ended 30 June 2018, the following activities were undertaken.

- Schrole Connect, the Group's online Software-as-a-Service recruitment platform, continued to be well received in the International Schools sector with continued organic growth taking the number of schools utilising Connect licences to 158 as at 30 June 2018, representing a year-on-year increase of 58%.
- On 5th April 2018, Schrole entered into a binding term sheet with International School Services, Inc (ISS) to provide a comprehensive recruitment service for international schools under the brand ISS-Schrole Advantage. ISS is a widely recognised, US-based not-for-profit organisation that provides a range of services (including comprehensive recruitment solutions) to international schools and educators globally.
- Schrole is progressing the development of the upgraded Software-as-a-Service platform to deliver and underpin the ISS-Schrole Advantage services for schools and candidates. From commencement in September 2018, more than 380 schools and 70,000 teachers are expected to utilise this platform, an increase of over 150% on Schrole's current international school client base, which the Company believes this will place the ISS-Schrole Advantage alliance amongst the market leaders in international school recruitment.
- Schrole Cover, a cloud-based software-as-a-service platform for the fast filling of casual staffing positions, continued its expansion into schools in Western Australia as well as active business development activity in other sectors including hospitals and aged care. The number of Schrole Cover licenses has increased to 154 as at 30 June 2018, representing a year-on-year increase of over 97%. Following the successful sale and deployment of Schrole Cover in Sir Charles Gairdner Hospital, Schrole is in ongoing active discussions with a number of other large Western Australian healthcare providers.
- In November 2017, Schrole launched a new product - Schrole Verify - and the formation of a partnership with First Advantage. The Schrole Verify product provides a comprehensive solution for schools and candidates to complete international background checks, in accordance with the unique

requirements of the International School and education sectors. The Schrole Verify background screening package has been developed in partnership with First Advantage, a leading global provider of background screening solutions headquartered in Atlanta, Georgia. During the period, Schrole reported first sales of the Schrole Verify background checking product, having been awarded a contract with American School of Doha as the preferred pre-employment screening provider for their 2018 teaching placements.

- Schrole Develop, the Company's consulting and training division (the latter trading as Schrole ETAS), continued to achieve solid enrolments for the new TAE40116 Certificate of Training & Assessment as well as increased bookings for its On-the-Job Training programs at remote sites of a major multinational mining company in Western Australia. The course development of the extended four-day program is continuing to receive positive feedback from course attendees. Schrole is also engaged in discussions with its major international school group client, Qatar Foundation, to provide accredited professional development training services that would be delivered by Schrole ETAS.

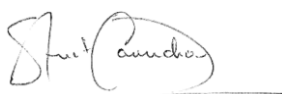
Significant events after the reporting period

On 3 July 2018 the Company issued 45,200,000 performance rights to existing employees of the Group (Performance Rights) as below. The Performance Rights were issued for nil consideration and have a nil exercise price and expire 5 years from the issue date. Please refer to the notes to the financial report for further information.

On 31 August 2018, Schrole entered into a formal agreement with ISS (**Alliance Agreement**). The Alliance Agreement formalises the commercial relationship between ISS and Schrole and reflects the terms of the binding term sheet that was entered into on 5th April 2018. The initial term of the Alliance Agreement is five years.

There have been no other matter or circumstances that have arisen since 30 June 2018.

This report is signed in accordance with a resolution of the Board of Directors.



Stuart Carmichael
Non-Executive Chairman
31 August 2018

Schrole Group Ltd
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half Year Ended 30 June 2018

		Consolidated	
		30 June	30 June
		2018	2017
	Notes	\$	\$
Revenue		996,683	698,947
Expenses			
Employee benefits expense		(1,112,425)	(651,055)
Depreciation & amortisation expense		(99,344)	(105,589)
Travel expense		(106,293)	(14,880)
Restructure & listing costs		(900)	-
Share-based payments		-	-
Finance costs		(17,037)	(63,730)
Other expenses		(832,384)	(632,648)
		<u>(2,168,382)</u>	<u>(1,467,901)</u>
Loss before income tax expense		<u>(1,171,700)</u>	<u>(768,953)</u>
Income tax benefit/(expense)		-	(265)
Loss after income tax expense for the period attributable to the owners of Schrole Group Ltd		<u>(1,171,700)</u>	<u>(769,218)</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>(1,171,700)</u></u>	<u><u>(769,218)</u></u>
Basic earnings / (loss) per share (cents per share)	7	(0.2)	(1.0)
Diluted earnings / (loss) per share (cents per share)	7	(0.2)	(1.0)

The above Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes.

Schrole Group Ltd
Consolidated Statement of Financial Position
As at 30 June 2018

		Consolidated	
	Notes	30 June 2018 \$	31 December 2017 \$
Assets			
Current assets			
Cash and cash equivalents		1,639,822	3,039,416
Trade and other receivables		284,365	235,723
R&D grant refund receivable		164,031	-
Other		191,502	231,100
Total current assets		<u>2,279,720</u>	<u>3,506,238</u>
Non-current assets			
Property, plant and equipment		129,458	130,675
Intangible assets	3	627,701	581,133
Other		1,663	1,663
Total non-current assets		<u>758,822</u>	<u>713,472</u>
Total assets		<u>3,038,541</u>	<u>4,219,710</u>
Liabilities			
Current liabilities			
Trade and other payables		329,451	281,223
Deferred revenue		592,858	623,470
Provision for employee benefits		120,797	80,735
Financial liabilities		82,471	95,192
Other		2,289	11,443
Total current liabilities		<u>1,127,866</u>	<u>1,092,064</u>
Non-current liabilities			
Provision for employee benefits		7,102	21,444
Financial liabilities		97,840	129,182
Provision for lease make-good		41,359	40,945
Total non-current liabilities		<u>146,301</u>	<u>191,572</u>
Total liabilities		<u>1,274,167</u>	<u>1,283,635</u>
Net assets		<u>1,764,374</u>	<u>2,936,074</u>
Equity			
Issued capital	4	11,847,123	11,847,123
Reserves		1,778,983	1,778,983
Accumulated losses		(11,861,732)	(10,690,032)
Total equity		<u>1,764,374</u>	<u>2,936,074</u>

The above Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes.

Schrole Group Ltd
Consolidated Statement of Changes in Equity
For the Half Year Ended 30 June 2018

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2017	3,606,123	(1,232,901)	(2,465,347)	(92,126)
Loss after income tax expense for the period	-	-	(769,218)	(769,218)
Other comprehensive income for the year, net	-	-	-	-
Total comprehensive loss for the period	-	-	(769,218)	(769,218)
Balance at 30 June 2017	<u>3,606,123</u>	<u>(1,232,901)</u>	<u>(3,234,565)</u>	<u>(861,344)</u>
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2018	11,847,123	1,778,983	(10,690,032)	2,936,074
Loss after income tax expense for the period	-	-	(1,171,700)	(1,171,700)
Other comprehensive income for the year, net	-	-	-	-
Total comprehensive loss for the period	-	-	(1,171,700)	(1,171,700)
Balance at 30 June 2018	<u>11,847,123</u>	<u>1,778,983</u>	<u>(11,861,732)</u>	<u>1,764,374</u>

The above Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Schrole Group Ltd
Consolidated Statement of Cash Flow
For the Half Year Ended 30 June 2018

	Consolidated	
	30 June	30 June
	2018	2017
Notes	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	879,645	523,716
Payments to suppliers and employees (inclusive of GST)	<u>(1,928,484)</u>	<u>(1,025,856)</u>
	(1,048,838)	(502,140)
Interest received	<u>12,600</u>	<u>506</u>
Net cash from/(used in) operating activities	<u>(1,036,238)</u>	<u>(501,634)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(17,152)	(86,680)
Payments for software development costs	(291,572)	
R&D claim refund received	<u>-</u>	<u>198,196</u>
Net cash from/(used in) investing activities	<u>(308,724)</u>	<u>111,516</u>
Cash flows from financing activities		
Repayments of bank loans	(44,812)	(42,736)
Proceeds from convertible note issue	-	440,000
Interest paid	<u>(9,819)</u>	<u>(8,424)</u>
Net cash from/(used in) financing activities	<u>(54,631)</u>	<u>388,840</u>
Net increase/(decrease) in cash and cash equivalents	(1,399,593)	(1,279)
Cash and cash equivalents at the beginning of the period	<u>3,039,416</u>	<u>48,459</u>
Cash and cash equivalents at the end of the period	<u><u>1,639,822</u></u>	<u><u>47,181</u></u>

The above Consolidated Statement of Cash Flow should be read in conjunction with the accompanying notes.

Schrole Group Ltd

Notes to the Consolidated Financial Statements

Note 1. Reporting Entity

The interim financial report (**Report**) of Schrole Group Ltd (**Company**) and its controlled entities (**Group or Consolidated Entity**) for the half year ended 30 June 2018 was authorised for issue in accordance with a resolution of the Directors on 31 August 2018.

Schrole Group Ltd is a listed public company, trading on the Australia Securities Exchange, limited by shares, incorporated and domiciled in Australia.

The Group's principal place of business and registered office is located at Ground Floor, 142 Hasler Road, Osborne Park WA 6017.

Note 2. Basis of Preparation

This Report for the half-year ended 30 June 2018 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

This Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2017 and any public announcements made by Schrole Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The Report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

The Report does not include full disclosures of the type normally included in an annual financial report. For the purposes of preparing the interim financial statements, the half-year has been treated as a discrete reporting period.

This Report has been prepared on a going concern basis, based on the Group's expected future financial performance and in particular the cash flow and profitability benefits that are expected to arise for the Group as a result of entering into the alliance with ISS. The Group expects to receive between US\$750,000 and US\$900,000 between September 2018 and December 2019 from customer invoices issued for the provision of alliance services.

The same accounting policies and methods have been consistently applied by the Consolidated Entity in these interim financial statements as compared with the most recent annual financial statements, except as follows:

(a) Adoption of new and revised accounting standards

A number of new or amended standards became applicable for the current reporting period and the Group had to change its accounting policies as a result of the adoption of the following standards:

- AASB 9 Financial Instruments; and
- AASB 15 Revenue from Contracts with Customers.

The impact of the adoption of these standards and the new accounting policies are disclosed in Note 2b below. The impact of these standards, and the other new and amended standards adopted by the Group, has not had a material impact on the amounts presented in the Group's financial statements.

(b) Changes in accounting policies

This note explains the impact of the adoption of *AASB 9 Financial Instruments* and *AASB 15 Revenue from Contracts with Customers* on the group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

AASB 9 Financial Instruments – Impact of Adoption

Impairment of financial assets

The Group's financial assets subject to AASB 9's new expected credit loss model are cash and trade receivables, which arise from the provision of services and sale of goods.

The impact of the impairment requirements of AASB 9 on trade receivables has not resulted in a material impact to the financial statements.

Under AASB 9, the Group was required to revise the impairment methodology used in the calculation of its provision for doubtful debts to the expected credit loss model. This change in methodology has not had a material impact on the financial statements. The Group applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure or a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than 120 days past due.

AASB 9 Financial Instruments – Accounting Policies Applied from 1 January 2018

Classification

From 1 January 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on how the Group manages the financial assets and the contractual terms of the cash flows. At half year end, all of the Group's financial assets have been classified as those to be measured at amortised cost.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Impairment

From 1 January 2018, the Group assesses expected credit losses associated on a forward looking basis. For trade receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

AASB 15 Revenue from Contracts with Customers – Impact of Adoption

The Group has adopted AASB 15 Revenue from Contracts with Customers from 1 January 2018 which resulted in changes to accounting policies but no adjustments to the amounts recognised in the financial statements.

AASB 15 Revenue from Contracts with Customers – Accounting policies

Group revenues consist of the following elements:

- software license fees, which are recognised over the license period;
- software licence customer setup fees, which are recognised on delivery of the service; and
- training fees, which are recognised on delivery of the relevant training course.

In relation to cloud services, software licence, and maintenance fees, the Group recognises a contract liability where payments received exceed the services rendered.

The Group has no material contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Group does not adjust any of the transaction prices for the time value of money.

Note 3. Intangible Assets

	30 June 2018 \$	31 December 2017 \$
Developed software - at cost		
Balance b/f	1,078,128	845,926
Additions	291,572	232,203
Disposal	-	-
R&D offset	(164,031)	-
Balance c/f	<u>1,205,670</u>	<u>1,078,128</u>
Less: Accumulated depreciation	<u>(580,489)</u>	<u>(499,515)</u>
	<u>625,181</u>	<u>578,613</u>
Trademark acquired	<u>2,520</u>	<u>2,520</u>
	<u><u>627,701</u></u>	<u><u>581,133</u></u>

Note 4. Equity – issued capital

	30 June 2018 Shares	31 December 2017 Shares	30 June 2018 \$	31 December 2017 \$
Ordinary shares - fully paid	<u>580,050,231</u>	<u>580,050,231</u>	<u>11,847,123</u>	<u>11,847,123</u>

Movements in ordinary share capital

Details	Note	Date	Shares	\$
Balance		1/01/2017	63,922,247	3,606,123
4:5 share consolidation	4a	14/02/2017	(12,784,448)	-
Share buyback		14/02/2017	(16,066,456)	-
Conversion of Performance Shares		5/10/2017	1,800,722	-
Elimination of Schrole Operations Ltd shares on acquisition of Schrole Group Ltd		5/10/2017	(36,872,065)	-
Deemed consideration of acquisition of Schrole Group Ltd		5/10/2017	-	41,000
Existing shares in Schrole Group Ltd		5/10/2017	123,000,392	
Share consolidation 1:60		5/10/2017	(120,950,161)	-
Issue of shares on conversion of convertible notes	4b	5/10/2017	25,000,000	500,000
Issue of shares under public offer		5/10/2017	300,000,000	6,000,000
Issue of shares to facilitators and corporate advisors		5/10/2017	95,000,000	1,900,000
Issue of shares in lieu of shareholder loan repayment		5/10/2017	8,000,000	160,000
Consideration shares		5/10/2017	150,000,000	-
Share issue transaction costs, net of tax		5/10/2017	-	(360,000)
Balance		31/12/2017	<u>580,050,231</u>	<u>11,847,123</u>
Balance		30/06/2018	<u>580,050,231</u>	<u>11,847,123</u>

Notes:

4a Share consolidation and selective share buyback.

4b Share consolidation, issue of shares and associated transaction costs arising from the reverse acquisition of Schrole Operations Ltd by Schrole Group Ltd and the related public offer. During the prior year Schrole Operations Ltd raised \$500,000 by way of an unsecured convertible note. The notes converted on completion of the reverse acquisition into ordinary shares in Schrole Group Ltd.

Note 4. Equity – issued capital cont'd

Performance shares

In addition to the number of shares disclosed above, there are also 290,000,000 performance shares which have been issued as part of the consideration on the reverse takeover transaction which completed on 5 October 2017. The performance shares will convert to ordinary shares on 1:1 basis subject to the performance milestones being met prior to expiry date.

Performance Shares	Number of Performance Shares	Expiry date	Vesting Condition
Series A	45,000,000	10 April 2019	Software licences
Series B	100,000,000	10 October 2020	Sales revenue over 12-month period
Series C	145,000,000	10 October 2021	EBITDA over 12-month period

Pursuant to the acquisition of Schrole Operations Ltd by Schrole Group Ltd and the related capital raising, on 5 October 2017 Schrole Group Ltd issued a total of 290,000,000 Series A, Series B and Series C performance shares to existing performance shareholders of Schrole Operations Ltd, in consideration for the cancellation of those existing performance shares:

- Series A 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;
- Series B 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.
- Series C 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.

Options

Pursuant to the acquisition of Schrole Operations Ltd by Schrole Group Ltd and the related capital raising, on 5 October 2017 Schrole Group Ltd issued a total of 197,000,000 options to certain original ordinary shareholders of Schrole Operations Ltd, original convertible noteholders of Schrole Operations Ltd and advisers. In addition, on 5 October 2017 Schrole Group Ltd issued a total of 14,000,000 options to the incoming non-executive directors of Schrole Group Ltd. Details of the options on issue as at the date of this report are as follows:

Option Series	Number of Options	Exercise Price	Expiry Date	Valuation \$
Schrole Noteholder Options	25,000,000	\$ 0.020	5/10/2020	\$ 300,000
Facilitator Options	25,000,000	\$ 0.020	5/10/2020	\$ 300,000
Adviser Options	50,000,000	\$ 0.030	5/10/2020	\$ 500,000
Vendor Options	97,000,000	\$ 0.040	5/10/2020	\$ 776,000
Director Options (Tranche 1)	7,000,000	\$ 0.030	5/10/2022	\$ 70,000
Director Options (Tranche 2)	7,000,000	\$ 0.040	5/10/2022	\$ 56,000
Total	211,000,000			

Note 5. Reserves

		30 June 2018 \$	31 December 2017 \$
Acquisition reserve	5a	(1,387,793)	(1,387,793)
Options reserve	5b	2,156,893	2,156,893
Share based payment reserve	5c	1,009,883	1,009,883
		1,778,983	1,778,983

a) Acquisition Reserve

This reserve has arisen on the common controlled group restructure on 31 October 2015 whereby the group acquired 100% of the issued shares of Schrole Pty Ltd

b) Options Reserve	Average exercise price	No.	\$
Opening balance at 1 January 2017	\$ 0.352	4,658,677	154,893
Cancellation of existing options in Schrole Operations Ltd on acquisition of Schrole Group Ltd 5 October 2017		(4,658,677)	-
Issue of options 5 October 2017	\$ 0.033	211,000,000	2,002,000
Closing balance at 31 December 2017		211,000,000	2,156,893
Closing balance at 30 June 2018		211,000,000	2,156,893
Weighted average life of options remaining		29 months	

c) Share based payment reserve

	No.	\$
Opening balance at 1 January 2017	-	-
Issue of performance shares 5 October 2017	290,000,000	900,000
Amendment of performance shares by Schrole Pty Ltd 14 July 2017	1,800,722	109,883
Closing balance at 31 December 2017	291,800,722	1,009,883
Closing balance at 30 June 2018	291,800,722	1,009,883

Note 6. Dividends

The Company did not pay or propose any dividends in the half year to 30 June 2018.

Note 7. Loss per Share

The following reflects income and share data used in the calculation of basic and diluted loss per share.

	30 June 2018 \$	30 June 2017 \$
Profit/(loss) after income tax attributable to the owners of Schrole Group Ltd	<u>(1,171,700)</u>	<u>(769,218)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>580,050,231</u>	<u>78,239,046</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>580,050,231</u>	<u>78,239,046</u>
	Cents	Cents
Basic earnings per share	(0.2)	(1.0)
Diluted earnings per share	(0.2)	(1.0)
Exchange ratio applied to weighted average number of ordinary shares prior to completion	N/A	4.07

The calculation of the weighted average number of ordinary shares outstanding (the denominator of the EPS Calculation) for the half year ended 30 June 2017 has been adjusted to reflect the reverse acquisition. The reverse acquisition has been disclosed in the annual financial report for the year ended 31 December 2017.

In calculating the weighted average number of ordinary shares for 30 June 2017 the number of ordinary shares outstanding from 1 January 2017 to 30 June 2017 are computed on the weighted number of ordinary shares of Schrole Operations Pty Ltd (the accounting acquirer) outstanding during the period multiplied by the exchange ratio established in the acquisition agreement.

The weighted average number of ordinary shares for 30 June 2018 is based on the weighted number of ordinary shares of Schrole Group Ltd (the legal parent) outstanding from the period of 1 January 2018 to 30 June 2018.

Note 8. Related Party Transactions

During the half year ended 30 June 2018, the following related party transactions have occurred:

- The amounts paid as directors fees for the half year ended 30 June 2018 totalled \$62,749
- The remuneration paid to the CEO during the period totalled \$116,837.

Note 9. Operating Segments

Segment Information

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The operating segments are Software and Training:

30 June 2018	Software \$	Training \$	Unallocated \$	Total \$
Segment income				
Sales revenue	582,968	353,344	-	936,312
Other revenue	40,620	7,150	12,600	60,371
	623,588	360,494	12,600	996,683
Segment expenses				
Employee benefits expense	337,832	255,094	519,498	1,112,425
Depreciation	87,732	11,611	-	99,344
Travel expenses	92,148	4,980	9,165	106,293
Restructure & Listing Costs	-	-	900	900
Share based payments	-	-	-	-
Finance costs	3,761	11,973	1,303	17,037
Other expenses	333,512	123,300	375,572	832,384
	854,986	406,958	906,438	2,168,382
Loss before income tax	(231,398)	(46,464)	(893,838)	(1,171,700)
Segment assets and liabilities				
Cash	17,891	(51,701)	1,733,632	1,699,822
Trade and other receivables	364,584	104,952	112,024	581,561
Plant and equipment	41,950	87,508	-	129,458
Intangibles	627,701	-	-	627,701
Trade and other creditors	(129,865)	(138,190)	(232,944)	(500,998)
Borrowings	-	(180,311)	-	(180,311)
Deferred revenue	(592,858)	-	-	(592,858)
Net assets	329,404	(177,742)	1,612,713	1,764,374

30 June 2017

	Software \$	Training \$	Unallocated \$	Total \$
Segment income				
Sales revenue	415,598	184,740	-	600,337
Other revenue	91,970	6,135	505	98,610
	507,568	190,874	505	698,947
Segment expenses				
Employee benefits expense	222,207	135,420	293,428	651,055
Depreciation	90,411	15,178	-	105,589
Travel expenses	6,755	1,963	6,161	14,880
Finance costs	2,750	6,940	54,040	63,730
Other expenses	210,136	132,957	289,820	632,913
	532,259	292,458	643,449	1,468,166
Loss before income tax	(24,692)	(101,583)	(642,943)	(769,218)
Segment assets and liabilities as at 31 December 2017				
Cash	-	-	3,039,416	3,039,416
Trade and other receivables	215,338	71,078	182,070	468,486
Plant and equipment	33,195	97,481	-	130,675
Intangibles	581,133	-	-	581,133
Trade and other creditors	(150,020)	(83,387)	(202,385)	(435,791)
Borrowings	-	-	(224,374)	(224,374)
Deferred revenue	(623,470)	-	-	(623,470)
Net assets / (liabilities)	56,176	85,172	2,794,727	2,936,074

Note 10. Events Subsequent to Reporting Date

On 3 July 2018 the Company issued 45,200,000 performance rights to existing employees of the Group (**Performance Rights**) as below. The Performance Rights were issued for nil consideration and have a nil exercise price and expire 5 years from the issue date. The Performance Rights are subject to the following vesting conditions:

Performance Rights	Number of Performance Rights	Expiry date	Vesting Condition
Series A ^(a)	9,040,000	3 July 2023	Software licences
Series B ^(b)	13,560,000	3 July 2023	Sales revenue over 12-month period
Series C ^(c)	22,600,000	3 July 2023	EBITDA over 12-month period

- Series A Performance Rights will vest 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;
- Series B Performance Rights will vest once the company achieves sales revenue of \$7,000,000 over any 12-month period prior to 36 months of admission onto the ASX.
- Series C Performance Rights will vest once the company achieves EBITDA of \$3,000,000 over any 12-month period prior to 48 months of admission onto the ASX.

Note 11. Contingent Liabilities

The Directors are not aware of any contingent liabilities that may arise from the Group's operations as at 30 June 2018.

DIRECTORS' DECLARATION

The Directors of Schrole Group Ltd Limited declare that:

1. The financial statements and notes, as set out on pages 4 to 16 are in accordance with the Corporations Act 2001 and:
 - a. comply with Accounting Standard AASB 134: Interim Financial Reporting and the Corporations Regulations 2001; and
 - b. give a true and fair view of the Consolidated Entity's financial position as at 30 June 2018 and of its performance for the period ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

A handwritten signature in black ink, appearing to read "Stuart Carmichael", written over a horizontal line.

Stuart Carmichael
Non-Executive Chairman
31 August 2018

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

As lead auditor for the review of Schrole Group Limited for the half-year ended 30 June 2018, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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, 31 August 2018

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Schrole Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Schrole Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2018, 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

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

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2018 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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



Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO Audit (WA) Pty Ltd

A handwritten signature in blue ink. The signature appears to be 'Glyn O'Brien' written in a cursive, flowing style. Above the signature, the letters 'BDO' are written in a simple, blocky blue font.

Glyn O'Brien

Director

Perth, 31 August 2018