

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 2019

Previous period: for the six months ended 30 June 2018

2. Results for Announcement to the Market

	30/6/2019 \$	30/6/2018 \$	Change \$	Change %
Revenue from ordinary activities	2,782,350	996,683	1,785,667	179%
Loss from ordinary activities after tax attributable to members	(21,900)	(1,171,700)	1,149,800	98%
Net loss attributable to members	(21,900)	(1,171,700)	1,149,800	98%
Dividends declared and paid	-	-	-	-

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

	30/06/2019 Cents	31/12/2018 Cents
Net tangible assets / (deficit) per ordinary security	<u>(0.1)</u>	<u>(0.3)</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 2019. Information should be read in conjunction with Schrole Group Limited's 2018 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 2019 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 2019**



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 2019.

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 2019 of \$21,900 (2018: loss of \$1,171,700).

Review of activities

During the half year ended 30 June 2019, the following activities were undertaken.

Advantage platform fully commercialised and experiencing continued growth

- ISS-Schrole Advantage, the Group's flagship Software-as-a-Service recruitment platform, strengthened its market position in the international school sector. With 361 schools actively engaged on the platform as at 30 June 2019, Schrole continued to experience positive retention rates from existing international school clients, as well as strong new business growth. Schrole also experienced continuing growth in its Premium candidates, with 4,800 paying candidates at 30 June 2019.
- Following the launch of the redeveloped Advantage platform in September 2018, Schrole's in-house software development team successfully deployed a series of major upgrades to the Advantage software platform, including a user interface redesign that enhances system usability, additional searching and filtering functions for schools that allows them to more quickly and easily find and compare teacher candidates, and a customisable 'talent pool' feature that allows each school to maintain its own list of preferred candidates for future reference.
- 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 in addition to further sales to hospitals and other health services providers, including St John of God Hospital Murdoch and the Royal Flying Doctor Service. The Company continues to see strong sales growth in Schrole Cover, with the total number of active licences growing to 182 as at 30 June 2019, representing a year-on-year increase of 20%.
- The Company commenced a major redevelopment of the Schrole Verify background screening solution. Verify will be the first module launched by the Company that will be integrated with and will leverage the existing Advantage platform. Globally schools are increasingly required to conduct background checks for all staff, and we anticipate strong take-up of this module. As part of the

launch, the Company anticipates leveraging Schrole's existing client base of 361 international schools.

- Schrole ETAS, the Company's consulting and training division, continued to achieve solid enrolments for the 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. Schrole ETAS generated sales for the half-year of over A\$600,000, representing the strongest half-year revenue for more than three years. This has been underpinned by Schrole's major public and private sector clients seeking to upgrade their training qualifications, as well as the resurgence in the iron ore and mining sectors which has driven stronger demand from ETAS's tier one clients.
- In April 2019, the Company completed a share placement, raising \$1.25m before costs via a placement to wholesale and sophisticated investors. The funds were raised to support investment in marketing as well as in-house software development capability to support the rollout of strategic initiatives, including the launch of new revenue generating products on the platform. The placement was arranged by Schrole's corporate advisers Henslow and Altor Capital.

Significant events after the reporting period

On 16 August 2019 the Company announced to ASX that it had received firm commitments to raise \$800,000 before costs by way of a placement of fully paid ordinary shares. Settlement of the placement is subject to shareholder approval and is anticipated to occur on Wednesday, 25th September 2019.

There have been no other matter or circumstances that have arisen since 30 June 2019.

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



Stuart Carmichael
Non-Executive Chairman
29th August 2019

Schrole Group Ltd
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half Year Ended 30 June 2019

		Consolidated	
		30 June	30 June
		2019	2018
	Notes	\$	\$
Revenue		2,782,350	996,683
Expenses			
Alliance fees		(540,470)	-
Employee benefits expense		(954,755)	(1,112,425)
Depreciation & amortisation expense		(337,191)	(99,344)
Travel expense		(141,757)	(106,294)
Finance costs		(26,224)	(17,037)
Other expenses		(803,853)	(833,283)
		<u>(2,804,250)</u>	<u>(2,168,383)</u>
Loss before income tax expense		<u>(21,900)</u>	<u>(1,171,700)</u>
Income tax benefit/(expense)		-	-
Loss after income tax expense for the period attributable to the owners of Schrole Group Ltd		<u>(21,900)</u>	<u>(1,171,700)</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>(21,900)</u></u>	<u><u>(1,171,700)</u></u>
Basic earnings / (loss) per share (cents per share)	7	(0.0)	(0.2)
Diluted earnings / (loss) per share (cents per share)	7	(0.0)	(0.2)

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 2019

		Consolidated	
		30 June	31 December
	Notes	2019	2018
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,365,617	1,670,970
Trade receivables		426,334	399,402
Other receivables		121,817	125,725
Total current assets		<u>1,913,768</u>	<u>2,196,098</u>
Non-current assets			
Property, plant and equipment		122,857	126,303
Property lease asset		182,953	-
Intangible assets	3	1,137,323	1,026,928
Other		1,663	1,663
Total non-current assets		<u>1,444,796</u>	<u>1,154,895</u>
Total assets		<u>3,358,564</u>	<u>3,350,993</u>
Liabilities			
Current liabilities			
Trade and other payables		732,982	1,235,686
Deferred revenue		1,720,942	2,544,634
Provision for employee benefits		190,039	173,636
Property lease financial liabilities		169,537	-
Other		708	19,921
Total current liabilities		<u>2,814,208</u>	<u>3,973,877</u>
Non-current liabilities			
Provision for employee benefits		15,880	11,167
Property lease financial liabilities		39,272	-
Provision for lease make-good		41,504	41,504
Total non-current liabilities		<u>96,656</u>	<u>52,671</u>
Total liabilities		<u>2,910,864</u>	<u>4,026,547</u>
Net assets / (deficiency)		<u>447,700</u>	<u>(675,555)</u>
Equity			
Issued capital	4	13,995,563	12,820,563
Reserves	5	959,223	959,223
Accumulated losses		(14,507,086)	(14,455,341)
Total equity		<u>447,700</u>	<u>(675,555)</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 2019

	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 period, net of tax	-	-	-	-
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>
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2019	12,820,563	959,223	(14,485,186)	(705,400)
Loss after income tax expense for the period	-	-	(21,900)	(21,900)
Other comprehensive income for the period, net of tax	-	-	-	-
Total comprehensive loss for the period	-	-	(21,900)	(21,900)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs				
Issue of shares	1,175,000	-	-	1,175,000
Balance at 30 June 2019	<u>13,995,563</u>	<u>959,223</u>	<u>(14,507,086)</u>	<u>447,700</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 2019

	Notes	Consolidated	
		30 June 2019 \$	30 June 2018 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		1,866,643	734,376
Payments to suppliers and employees (inclusive of GST)		<u>(2,891,955)</u>	<u>(1,783,215)</u>
		(1,025,312)	(1,048,839)
Interest received		<u>12</u>	<u>12,600</u>
Net cash generated from/(used in) operating activities		<u>(1,025,300)</u>	<u>(1,036,238)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(12,458)	(17,152)
Payments for software development costs		<u>(352,153)</u>	<u>(291,572)</u>
Net cash used in investing activities		<u>(364,610)</u>	<u>(308,724)</u>
Cash flows from financing activities			
Receipts from shares issued		1,175,000	-
Repayments of bank loans		-	(44,812)
Repayment of property lease financial liabilities		(82,398)	-
Interest paid		<u>(8,044)</u>	<u>(9,819)</u>
Net cash from financing activities		<u>1,084,557</u>	<u>(54,631)</u>
Net increase/(decrease) in cash and cash equivalents		(305,353)	(1,399,593)
Cash and cash equivalents at the beginning of the period		<u>1,670,970</u>	<u>3,039,416</u>
Cash and cash equivalents at the end of the period		<u><u>1,365,617</u></u>	<u><u>1,639,822</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 2019 was authorised for issue in accordance with a resolution of the Directors on 29 August 2019.

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 2019 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 2018 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 having entered into the alliance with ISS. The Group expects to receive between US\$750,000 and US\$900,000 between September 2019 and December 2019 from customer invoices issued for the provision of alliance services.

The accounting policies adopted are consistent with those adopted and disclosed in the Company's 2018 Annual Report for the year ended 31 December 2018 except for the adoption of AASB 16 Leases ("AASB 16").

The Group has adopted AASB 16 using the modified retrospective approach from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principals of AASB 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate of 5.6% as of 1 January 2019. The reclassification and the adjustments from the new leasing standard were material to the Group with an adjustment recognised to the financial statements.

AASB 16 'Leases' had a significant impact on the current period. The current profit before income tax expense was reduced by \$4,000. This included an increased depreciation and amortisation expense of

Schrole Group Ltd

Notes to the Consolidated Financial Statements

\$78,400 and increased finance costs of \$7,200, offset by a reduction in other expenses (reclassification of lease expenses) of \$89,600. As at 30 June 2019, net current assets were reduced by \$169,600 (attributable to current lease liabilities) and net assets were reduced by \$25,900 (attributable to right-of-use assets and lease liabilities).

The impact of adoption on opening retained profits as at 1 January 2019 was as follows:

	1 January 2019 \$
Operating lease commitments as at 1 January 2019 (AASB 117)	703,524
Finance lease commitments as at 1 January 2019 (AASB 117)	-
Operating lease commitments discount based on the weighted average incremental borrowing rate of 5.6% (AASB 16)	(76,255)
Short-term leases not recognised as a right-of-use asset (AASB 16)	-
Low-value assets leases not recognised as a right-of-use asset (AASB 16)	-
Accumulated depreciation as at 1 January 2019 (AASB 16)	<u>(365,907)</u>
Right-of-use assets (AASB 16)	261,362
Lease liabilities - current (AASB 16)	(169,537)
Lease liabilities - non-current (AASB 16)	(121,671)
Tax effect on the above adjustments	<u>-</u>
Reduction in opening retained profits as at 1 January 2019	<u><u>(29,846)</u></u>

Right-of-use assets

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

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

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

Lease liabilities

A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the

Schrole Group Ltd

Notes to the Consolidated Financial Statements

interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

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

Note 3. Intangible Assets

	30 June 2019 \$	31 December 2018 \$
Developed software acquired	284,569	284,569
Additional development	2,172,333	1,820,180
R&D offset	(362,227)	(362,227)
	<u>2,094,675</u>	<u>1,742,522</u>
Less: Accumulated depreciation	(959,872)	(718,114)
	<u>1,134,803</u>	<u>1,024,408</u>
 Trademark acquired	 <u>2,520</u>	 <u>2,520</u>
	<u><u>1,137,323</u></u>	<u><u>1,026,928</u></u>

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Notes to the Consolidated Financial Statements

Note 4. Equity – issued capital

	30 June 2019 Shares	31 December 2018 Shares	30 June 2019 \$	31 December 2018 \$
Ordinary shares - fully paid	<u>787,620,231</u>	<u>631,370,231</u>	<u>13,995,563</u>	<u>12,820,563</u>

Movements in ordinary share capital

Details	Note	Date	Shares	\$
Balance		1/01/2018	580,050,231	11,847,123
Conversion of Performance Shares	4a	27/09/2018	47,000,000	900,000
Conversion of Performance Rights	4b	12/11/2018	<u>4,320,000</u>	<u>73,440</u>
Balance		31/12/2018	<u>631,370,231</u>	<u>12,820,563</u>
Issue of shares under placement offer	4c	3/05/2019	<u>156,250,000</u>	<u>1,175,000</u>
Balance		30/06/2019	<u>787,620,231</u>	<u>13,995,563</u>

Notes:

- 4a Conversion of Series A Performance Shares.
 4b Issued on exercise of certain Tranche A Performance Rights.
 4c Placement of fully paid ordinary shares to sophisticated and wholesale investors at \$0.008 per share less \$75,000 capital raising costs

Performance shares

Performance Shares	Number of Performance Shares	Expiry date	Vesting Condition
Series B	93,000,000	10 October 2020	Sales revenue over 12-month period
Series C	150,000,000	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. On 27 September 2018, following satisfaction of this milestone the 47,000,000 Series A performance shares on issue converted to the same number of ordinary shares;

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- b. 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.
- c. 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			

Performance Rights

Pursuant to the Company's Employee Securities Incentive Plan, on 3 July 2018 Schrole Group issued a total of 45,200,000 performance rights to current employees of the Company and its wholly-owned subsidiaries as follows:

Performance Rights	Number of Rights Issued	Exercise Price	Expiry Date	Vesting Condition	Valuation \$
Tranche A	9,040,000	Nil	3 July 2023	Software licences	\$0.017
Tranche B	13,560,000	Nil	3 July 2023	Sales revenue over 12-month period	\$0.017
Tranche C	22,600,000	Nil	3 July 2023	EBITDA over 12-month period	\$0.017
Total	45,200,000				

The terms of the performance rights are as follows:

- a. Tranche A performance rights vesting 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. On 27 September 2018, the Tranche A performance rights vested following satisfaction of this milestone. On 12 November 2018 the Company issued 4,320,000 ordinary shares on the vesting and exercise of the same number of Tranche A performance rights. The remaining 4,720,000 Tranche A performance rights are vested but not yet exercised as at the date of this report;

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- b. Tranche B performance rights vesting once the company achieves sales revenue of \$7,000,000 over any 12-month period prior to 36 months of admission onto the ASX;
- c. Tranche C performance rights vesting once the company achieves EBITDA of \$3,000,000 over any 12-month period prior to 48 months of admission onto the ASX.

Note 5. Reserves

	30 June 2019 \$	31 December 2018 \$
Acquisition reserve	(1,387,793)	(1,387,793)
Options reserve	2,156,893	2,156,893
Share based payment reserve	190,123	190,123
	959,223	959,223

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 2018	\$ 0.033	211,000,000	2,156,893
Closing balance at 31 December 2018		211,000,000	2,156,893
Closing balance at 30 June 2019		211,000,000	2,156,893

Weighted average life of options remaining 17 months

c) Share based payment reserve

	No.	\$
Opening balance at 1 January 2018	291,800,722	1,009,883
Issue of Performance Rights 3 July 2018	45,200,000	153,680
Conversion of Performance Shares 27 September 2018	(47,000,000)	(900,000)
Conversion of Performance Rights 13 November 2018	(4,320,000)	(73,440)
Closing balance at 31 December 2018	285,680,722	190,123
Closing balance at 30 June 2019	285,680,722	190,123

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Notes to the Consolidated Financial Statements

Note 6. Dividends

The Company did not pay or propose any dividends in the half year to 30 June 2019.

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 2019 \$	30 June 2018 \$
Profit/(loss) after income tax attributable to the owners of Schrole Group Ltd	<u>(21,900)</u>	<u>(1,171,700)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>760,597,712</u>	<u>580,050,231</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>760,597,712</u>	<u>580,050,231</u>
	Cents	Cents
Basic earnings per share	(0.0)	(0.2)
Diluted earnings per share	(0.0)	(0.2)

Note 8. Related Party Transactions

During the half year ended 30 June 2019, the following related party transactions have occurred:

- The amounts paid as directors fees for the half year ended 30 June 2019 totalled \$62,749
- The remuneration paid to the Managing Director during the period totalled \$134,938.

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:

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Notes to the Consolidated Financial Statements

30 June 2019	Software \$	Training \$	Unallocated \$	Total \$
Segment income				
Sales revenue	2,090,291	631,955	-	2,722,246
Other revenue	51,899	8,205	-	60,104
	<u>2,142,190</u>	<u>640,159</u>	<u>-</u>	<u>2,782,350</u>
Segment expenses				
Alliance fees	540,470	-	-	540,470
Employee benefits expense	171,764	239,369	543,623	954,755
Depreciation	250,838	7,944	78,409	337,191
Travel expenses	84,836	15,437	41,484	141,757
Finance costs	11,706	1,751	5,569	19,026
Other expenses	202,333	269,627	331,893	803,853
	<u>1,261,947</u>	<u>534,127</u>	<u>1,008,175</u>	<u>2,804,250</u>
Profit / (Loss) before income tax	880,243	106,032	(1,008,175)	(21,900)
Segment assets and liabilities				
Cash	833,913	46,464	485,241	1,365,617
Trade and other receivables	439,291	137,092	(39,148)	537,235
Plant and equipment	38,136	84,720	182,953	305,810
Intangibles	1,137,323	-	-	1,137,323
Trade and other creditors	(734,513)	(123,665)	(110,356)	(968,534)
Financial liabilities	-	-	(208,809)	(208,809)
Deferred revenue	(1,720,942)	-	-	(1,720,942)
Net assets	(6,793)	144,611	309,881	447,700
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
	<u>623,588</u>	<u>360,494</u>	<u>12,600</u>	<u>996,682</u>
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
Finance costs	3,761	11,973	1,303	17,037
Other expenses	333,512	123,300	375,571	832,383
	<u>854,986</u>	<u>406,958</u>	<u>906,438</u>	<u>2,168,382</u>
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	581,559
Plant and equipment	41,950	87,508	-	129,458
Intangibles	627,701	-	-	627,701
Trade and other creditors	(129,865)	(138,190)	(232,942)	(500,997)
Financial liabilities	-	(180,311)	-	(180,311)
Deferred revenue	(592,858)	-	-	(592,858)
Net assets	329,403	(177,742)	1,612,713	1,764,374

Schrole Group Ltd

Notes to the Consolidated Financial Statements

Note 10. Events Subsequent to Reporting Date

On 16 August 2019 the Company announced to ASX that it had received firm commitments to raise \$800,000 before costs by way of a placement of fully paid ordinary shares. Settlement of the placement is subject to shareholder approval and is anticipated to occur on Wednesday, 25th September 2019.

There have been no other matter or circumstances that have arisen since 30 June 2019.

Note 11. Contingent Liabilities

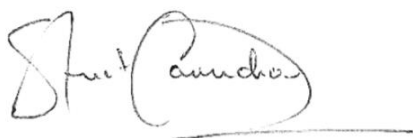
The Directors are not aware of any contingent liabilities that may arise from the Group's operations as at 30 June 2019.

Directors' Declaration

The Directors of Schrole Group Ltd declare:

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 2019 and of its performance for the period ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company 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 and is signed for and on behalf of the Directors by:



Stuart Carmichael
Non-Executive Chairman
29th August 2019

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 2019, 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, 29 August 2019

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 2019, 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 2019 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

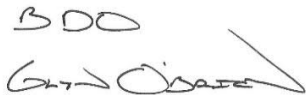
Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, 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 2019 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

The image shows a handwritten signature in black ink. Above the signature, the letters 'BDO' are handwritten in a simple, blocky style.

Glyn O'Brien

Director

Perth, 29 August 2019