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Schrole™

Schrole Group Ltd

ABN 27 164 440 859

Annual Report

31 December 2019

Directors' Report

Your Directors present their report, together with the financial statements of Schrole Group Ltd ("the Company") and controlled entities ("the Group") for the financial year ended 31 December 2019.

Directors

The names and the particulars of the Directors of the Company during or since the end of the financial year are:

Name	Status	Appointed	Resigned
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	29 November 2019
James King	Non-Executive Director	29 November 2019	-

Principal Activities

The principal continuing activities of the Group during the year was the provision of software solutions primarily to the education sector and provision of training services.

Dividends

There were no dividends paid or recommended during the financial year ended 31 December 2019 (2018: Nil).

Review of operations

Schrole Group Ltd reported a loss for the year ended 31 December 2019 of \$1,969,565 (2018: \$3,765,309 loss).

The net assets of the Group as at 31 December 2019 was a deficit of \$709,968 (2018 net deficit: \$675,555).

The Group's cash and cash equivalents as at 31 December was \$2,005,189 (2018: \$1,670,970).

Significant changes in the state of affairs

There were no significant changes in the state of affairs in the year ended 31 December 2019.

Highlights during the year

In the year ended 31 December 2019 the Schrole Group recorded total invoiced sales revenue of \$5,972,000 and increase of 31% from \$4,543,000 in 2018.

Annual recurring revenue, calculated as the current value of active annual software licences, increased by \$785,000 to \$4,541,000 as at 31 December 2019 compared with the prior year.

In the year ended 31 December 2019 Schrole Group has achieved an increase in income from its ISS-Schrole Advantage, Schrole Connect and Schrole Cover software platforms to approximately \$4,173,000 from \$1,835,000 in the previous corresponding period, an increase of 127%.

Schrole Group recorded total software licence sales (before adjustment for deferred revenue) of approximately \$3,541,000 in the year ended 2019 compared with approximately \$3,768,000 in 2018.

As Schrole Group's software licences typically have a 12 month term, the Company is required to defer recognition of that element of software licence income that relates to subsequent financial periods. As a result of the substantially increased software licence sales during the year to approximately \$4,638,000 compared with approximately \$3,768,000 in 2018, Schrole Group has recorded an increase in deferred revenue of approximately \$465,000.

Schrole's training activities undertaken by its wholly owned subsidiary ETAS (WA) Pty Ltd experienced an increase in revenue in the year ended 31 December 2019 to approximately \$1,309,000 from \$770,000 in the previous corresponding period, due to increased demand for training services from ETAS's key clients being WA state and Australian federal government agencies and several large Western Australian iron ore mining producers.

The launch of Schrole Verify during 2019 generated revenue of approximately \$82,000 in the year ended 31 December 2019 compared with \$16,000 the previous year.

Net assets reflect those of the consolidated entity. The net asset deficit of approximately \$709,968 at 31 December 2019 is substantially due to a deferred revenue liability of approximately \$3,009,000 as at the year end.

This liability represents the proportion of the value of annual software licences sold to clients during the year that relates to services to be delivered after 31 December 2019, and reflects the substantial increase in invoiced software licence sales during the year of approximately \$4,638,000 compared with approximately \$3,768,000 in 2018. The deferred revenue liability of \$3,009,000 as at 31 December 2019 will be recognised as revenue from ordinary activities in the year ended 31 December 2020.

The consolidated group showed a cash position of approximately \$2,005,000 at the year end.

Significant events after the reporting period

There have been no significant events after the reporting period.

Information on Directors

Mr Stuart Carmichael	Non-Executive Chairman
Qualifications	B.Com, CA
Experience	Mr Carmichael is a Chartered Accountant with over 20 years of experience in the provision of corporate advisory services both within Australia and internationally. Mr Carmichael is a principal and director of Ventnor Capital Pty Ltd and Ventnor Securities Pty Ltd which specialises in the provision of corporate and financial advice to small cap ASX listed companies including capital raisings, initial public offerings, corporate restructures and mergers and acquisitions.
Interests in shares and options at the date of this report	500,000 ordinary shares and 6,000,000 options
Special responsibilities	None
Directorships held in other listed entities (last 3 years)	Non-Executive Chairman of K-TIG Limited (ASX:KTG), Non-executive director of De.mem Limited (ASX: DEM), Osteopore Limited (ASX:OSX), ClearVue Technologies Limited (ASX:CPV) and Swick Mining Services Limited (ASX:SWK).

Mr Robert Graham	Managing Director
Qualifications	M.Ed
Experience	Mr Graham has over 30 years of experience in education and business. Mr Graham has a unique understanding of the education market through his direct involvement in recruitment and training as an international school principal and then as owner of an international school recruitment firm. His thirteen years as Managing Director of ETAS Group ensures a strong connection to the vocational education market and a close engagement with major clients.
Interests in shares and options at the date of this report	124,885,250 ordinary shares, 2,975,312 options and 235,000,000 performance shares
Special responsibilities	None
Directorships held in other listed entities (last 3 years)	None

Shaun Hardcastle	Non-Executive Director
Qualifications	LLB, B.A
Experience	Mr Hardcastle is a corporate lawyer with experience on a broad range of cross-border and domestic transactions including equity capital markets, mergers & acquisitions, project finance and corporate governance. He is a Partner of HWL Ebsworth Lawyers which predominantly advises on equity capital markets, re-compliance transactions and takeovers across a variety of industries. He has worked both domestically and internationally for top-tier law firms, and spent time as corporate counsel for a major international oil and gas company. Mr Hardcastle holds a Bachelor of Laws, and is a member of the Australian Institute of Company Directors and the Association of International Petroleum Negotiators.
Interests in shares and options at the date of this report	4,000,000 options
Special responsibilities	None
Directorships held in other listed entities (last 3 years)	Non-executive director of Hawkstone Mining Limited (ASX: HWK) and non-executive director of RareX Ltd (REE).

James King	Non-Executive Director
Qualifications	B.Com, FAICD
Experience	Mr King has over 31 years' experience as a Director and a Senior Executive in major multinational corporations in Australia and internationally. He was previously with Foster's Group Limited as Managing Director Carlton & United Breweries and Managing Director Foster's Asia. Prior to joining Foster's, he spent six years in Hong Kong as President of Kraft Foods (Asia Pacific). Previously he was a Director of ASX listed JB Hi-Fi Ltd, Trust Company Ltd, Navitas Ltd, Pacific Brands Ltd and Tattersalls Ltd. He also served as a member of the Council of Xavier College and Chairman of Juvenile Diabetes Research Foundation (Victoria).
Interests in shares and options at the date of this report	4,500,000 ordinary shares
Special responsibilities	None
Directorships held in other listed entities (last 3 years)	Lovisa Holdings Limited

Craig Read-Smith	Non-Executive Director
Qualifications	B.Sc
Experience	Mr Read-Smith is an experienced Software Development Manager and Senior Software Engineer/Architect who has significant experience in the design, development and management of software projects in the defence, investment banking and telecommunications industries. Mr Read-Smith has commercial experience in the United States of America, Australia and the United Kingdom and has helped successfully deliver many projects using the latest of technologies.
Interests in shares and options at the date of this report	4,000,000 options
Special responsibilities	None
Directorships held in other listed entities (last 3 years)	None

Information on Key Management

Peter Liddell	Chief Operating Officer
Qualifications	B.Com
Experience	Mr Liddell brings more than 20 years' experience in marketing and digital development to the Schrole team. He has overseen the implementation of a new CRM platform, along with process improvement and expansion of the sales and marketing teams. More recently, Peter has supported the implementation of an Agile development methodology for the software development team and has been instrumental in implementing user oriented development processes to prioritise system enhancements. He has also overseen the deployment of a revitalised user interface for the Advantage platform.

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Brett Tucker	Company Secretary
Qualifications	B.Com, CA, Grad Dip Applied Finance
Experience	Mr Tucker is a Chartered Accountant who has acted as Company Secretary for several ASX listed companies within various industries.

Meetings of Directors

The number of formal meetings of Directors held during the period and the number of meetings attended by each director was as follows:

Name	Appointed	Resigned	DIRECTORS' MEETINGS	
			Number eligible to attend	Number attended
Stuart Carmichael	5 October 2017		11	11
Robert Graham	5 October 2017		11	11
Shaun Hardcastle	5 October 2017		11	11
Craig Read-Smith	5 October 2017	29 November 2019	10	10
James King	29 November 2019		1	1

Options

As at the date of this report, the unissued ordinary shares of Schrole Group Ltd under option are as follows:

Option Series	Exercise Price	Grant Date	Expiry Date	Number of Options
Schrole Noteholder Options	\$ 0.020	5/10/2017	5/10/2020	23,000,000
Facilitator Options	\$ 0.020	5/10/2017	5/10/2020	25,000,000
Adviser Options	\$ 0.030	5/10/2017	5/10/2020	50,000,000
Vendor Options	\$ 0.040	5/10/2017	5/10/2020	97,000,000
Director Options (Tranche 1)	\$ 0.030	5/10/2017	5/10/2020	7,000,000
Director Options (Tranche 2)	\$ 0.040	5/10/2017	5/10/2020	7,000,000
				209,000,000

No option holder has any right under the options to participate in any other share issue of the Company or of any other entity. 2,000,000 options were exercised during the year (2018: Nil).

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:

- a. 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 2019, following satisfaction of this

milestone the 47,000,000 Series A performance shares on issue converted to the same number of ordinary shares;

- 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.

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	Number of Rights Vested	Number of Rights on Issue at 31/12/19	Exercise Price	Expiry date	Vesting Condition	Valuation \$
Tranche A	9,040,000	9,040,000	4,720,000	Nil	3 July 2023	Software licences	\$153,680
Tranche B	13,560,000	Nil	13,560,000	Nil	3 July 2023	Sales revenue over 12-month period	Nil
Tranche C	22,600,000	Nil	22,600,000	Nil	3 July 2023	EBITDA over 12-month period	Nil

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 exercise of the same number of Tranche A performance rights, with the remainder yet to convert to ordinary share capital.
- 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.

Proceedings on behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the Company or 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 any part of those proceedings. The Company was not a party to any such proceedings during the year.

Indemnifying Officers

The Company indemnifies each of its Directors, officers and company secretary. The Company indemnifies each director or officer to the maximum extent permitted by the Corporations Act 2001 from liability to third parties, except where the liability arises out of conduct involving lack of good faith, and in defending legal and administrative proceedings and applications for such proceedings.

The Company must use its best endeavours to insure a director or officer against any liability, which does not arise out of conduct constituting a wilful breach of duty or a contravention of the Corporations Act 2001. The Company must also use its best endeavours to insure a Director or officer against liability for costs and expenses incurred in defending proceedings whether civil or criminal.

Insurance premiums

During the year the Company paid insurance premiums to insure directors and officers against certain liabilities arising out of their conduct while acting as an officer of the Group. Under the terms and conditions of the insurance contract, the nature of the liabilities insured against and the premium paid cannot be disclosed.

Environmental Regulations

In the normal course of business, there are no environmental regulations or requirements to which the Company is subject.

Future Developments, Prospects and Business Strategies

The principal continuing activities of the Group is the provision of software solutions primarily to the education sector and provision of training services. The Group's future developments, prospects and business strategies are to continue to expand and develop these solutions and services.

Indemnification of auditors

To the extent permitted by law, the Company has agreed to indemnify its auditors, BDO Audit (WA) Pty Ltd, as part of the terms of its audit engagement agreement against claims by third parties arising from their report on the financial report.

Non-audit Services

During the year, BDO Audit (WA) Pty Ltd, the Company's auditor did not provide any services other than their statutory audits. Associated entities of BDO Audit (WA) Pty Ltd provided tax advisory services. Details of their remuneration can be found within the financial statements at Note 6 Auditor's Remuneration.

In the event that non-audit services are provided by BDO (WA) Pty Ltd, the Board has established certain procedures to ensure that the provision of non-audit services are compatible with, and do not compromise, the auditor independence requirements of the Corporations Act 2001. These procedures include:

- non-audit services will be subject to the corporate governance procedures adopted by the Company and will be reviewed by the Board to ensure they do not impact the integrity and objectivity of the auditor; and
- ensuring non-audit services do not involve reviewing or auditing the auditor's own work, acting in a management or decision making capacity for the Company, acting as an advocate for the Company or jointly sharing risks and rewards.

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 31 December 2019 has been received and can be found on page 17 of the financial report.

Remuneration Report (Audited)

This remuneration report for the year ended 31 December 2019 outlines the remuneration arrangements of the Group in accordance with the requirements of the Corporations Act 2001 (Cth), as amended (Act) and its regulations. This information has been audited as required by section 308(3C) of the Act.

The remuneration report is presented under the following sections:

1. Introduction
2. Remuneration governance
3. Executive remuneration arrangements
4. Non-executive Director fee arrangements
5. Details of remuneration
6. Additional disclosures relating to equity instruments
7. Loans to key management personnel (KMP) and their related parties
8. Other transactions and balances with KMP and their related parties

1. Introduction

Key Management Personnel (KMP) have authority and responsibility for planning, directing and controlling the major activities of the Group. KMP comprise the directors of the Company and identified key management personnel. Compensation levels for KMP are competitively set to attract and retain appropriately qualified and experienced directors and executives. The Board may seek independent advice on the appropriateness of compensation packages, given trends in comparable companies both locally and internationally and the objectives of the Group's compensation strategy.

KMP Name	Role	Appointed	Resigned
Non-Executive			-
Stuart Carmichael	Non-Executive Chairman	5 October 2017	-
Shaun Hardcastle	Non-Executive Director	5 October 2017	-
Craig Read-Smith	Non-Executive Director	5 October 2017	29 November 2019
James King	Non-Executive Director	29 November 2019	
Executive			
Robert Graham	Managing Director, CEO	11 September 2015	-
Peter Liddell	Chief Operating Officer	9 March 2020	-
Michael Kirkwood	General Manager	11 September 2015	21 February 2020
Nick Allan	CFO & Company Secretary	29 July 2016	3 March 2020

2. Remuneration governance

The Directors believe the Company is not currently of a size nor are its affairs of such complexity as to warrant the establishment of a separate remuneration committee. Accordingly, all matters are considered by the full Board of Directors, in accordance with a remuneration committee charter.

During the financial year, the Company did not engage any remuneration consultants.

3. Executive remuneration arrangements

The compensation structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation

packages may include a mix of fixed compensation, equity-based compensation, as well as employer contributions to superannuation funds. Shares and options may only be issued subject to approval by shareholders in a general meeting.

At the date of this report the Company has two key executives appointed, being Robert Graham as Managing Director and CEO, and Peter Liddell as Chief Operating Officer (appointed 9 March 2020). The terms of their Executive Employment Agreements with Schrole Operations Ltd are summarised in the following table:

Executive Name	Remuneration
Robert Graham	<ul style="list-style-type: none"> ▪ Executive salary of \$267,000 excluding superannuation ▪ Bonus of up to 35% of annual salary based upon company achieving revenue and capital management targets ▪ Reimbursement of reasonable business expenses incurred in the ordinary course of the business in accordance with the Group's reimbursement policies
Peter Liddell	<ul style="list-style-type: none"> ▪ Executive salary of \$175,494 excluding superannuation ▪ Bonus of 20% of annual salary based upon company achieving revenue target and customer satisfaction milestones ▪ Reimbursement of reasonable business expenses incurred in the ordinary course of the business in accordance with the Group's reimbursement policies

During the year ended 31 December 2019 the bonuses payable to all the KMPs noted above was paid based on achievement of the associated performance milestone of 215 school subscriptions to Schrole Connect or 198 subscription licences to Schrole Cover within 18 months of admission onto the ASX.

4. Relationship between remuneration and company performance

The Directors assess performance of the Group with regard to the achievement of both operational and financial targets with a current focus on software licences, sales revenue. Directors and executives are issued options and performance rights to encourage the alignment of personal and shareholder interests. At this stage the Board does not consider the Group's earnings or earnings related measures to be an appropriate key performance indicator.

Options and performance rights issued to Directors and executives may be subject to market-based price hurdles and vesting conditions and the exercise price of options is set at a level that encourages the Directors to focus on share price appreciation. The Board believes this policy will be effective in increasing shareholder wealth. Key management personnel are also entitled to participate in the employee securities incentive arrangements.

Performance rights vest on the achievement of operational and financial milestones, providing those executives holding performance rights an incentive to meet the operational and financial milestones prior to the expiry date of the performance rights.

On the resignation of Directors and executives any vested options and rights issued as remuneration are retained by the relevant party.

The Board may exercise discretion in relation to approving incentives such as options and rights. The policy is designed to reward key management personnel for performance that results in long-term growth in shareholder value.

The following table shows gross income, profits/(losses) and dividends for the last two years for the listed entity, as well as the share prices at the end of the respective financial years.

	2019 \$	2018 \$
Gross income	\$5,684,245	\$2,693,890
Net profit / (loss)	(\$1,969,565)	(\$3,765,309)
Share price at year end	\$0.023	\$0.020
Dividends paid	\$0.00	\$0.00

5. **Non-executive Director fee arrangements**

The Board policy is to remunerate Non-executive Directors at a level to comparable companies for time, commitment, and responsibilities. Non-executive Directors may receive performance related compensation. Directors' fees cover all main Board activities and membership of any committee. The Board has no established retirement or redundancy schemes in relation to Non-executive Directors.

The maximum aggregate amount of fees that can be paid to Non-executive Directors is presently limited to an aggregate of \$500,000 per annum and any change is subject to approval by shareholders at the General Meeting. Fees for Non-executive Directors are not linked to the performance of the Company. However, to align Directors' interests with shareholder interests, the Directors are encouraged to hold shares in the Company.

Total fees for the Non-executive Directors for the financial year included cash remuneration of \$120,000 including superannuation (2018: \$108,000). These Non-executive Directors fees cover main Board activities only. Non-executive Directors may receive additional remuneration for other services provided to the Group.

Performance Conditions Linked to Remuneration

The Group has established and maintains Schrole Group Employee Securities Incentive Plan (Plan) to provide ongoing incentives to Eligible Participants of the Company. Eligible Participants include:

- a Director (whether executive or non-executive) of any Group Company;
- a full or part time employee of any Group Company;
- a casual employee or contractor of a Group Company; or
- a prospective participant, being a person to whom the Offer was made but who can only accept the Offer if arrangement has been entered into that will resulting in the person becoming an Eligible Participant.

The Board adopted the Plan to allow Eligible Participants to be granted interests in securities in respect of the Company.

The purpose of the Plan is to assist in the reward and motivation of Eligible Participants and link the reward of Eligible Participants to performance and the creation of Shareholder value. It is designed to align the interest of Eligible Participants more closely to the interests of Shareholders by providing an opportunity for Eligible Participants to receive shares. It provides the Eligible Participants with the opportunity to share in any future growth in value of the Company and provides greater incentives for Eligible Participants to focus on the Company's longer-term goals.

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Pursuant to the Company's Employee Securities Incentive Plan, on 3 July 2019 Schrole Group issued a total of 11,400,000 performance rights to KMPs as follows:

Performance Rights	Number of Rights Issued	Exercise Price	Expiry Date	Vesting Condition	Valuation per right \$
Tranche A	2,280,000	Nil	3 July 2023	Software licences	\$0.017
Tranche B	4,560,000	Nil	3 July 2023	Sales revenue over 12-month period	\$0.017
Tranche C	4,560,000	Nil	3 July 2023	EBITDA over 12-month period	\$0.017
Total	11,400,000				

The terms of the performance rights are as follows:

- d. 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 2019, the Tranche A performance rights vested following satisfaction of this milestone. On 12 November 2019 the Company issued 4,320,000 ordinary shares on the exercise of the same number of Tranche A performance rights.
- e. 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.
- f. 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.

6. Details of Remuneration

The Key Management Personnel of the Group includes the current Directors of the Company and Key Management Personnel of the Group for the year ended 31 December 2019.

	Short-term salaries, fees & commissions \$	Post-employment super-annuation \$	Cash bonuses \$	Other \$	Share-based payments \$	Total \$	Performance-based remuneration %
Directors:							
Stuart Carmichael	43,836	4,164	-	-	-	48,000	0%
Robert Graham	267,000	25,365	-	6,653	-	299,018	0%
Shaun Hardcastle	36,000	-	-	-	-	36,000	0%
Craig Read-Smith	30,397	2,603	-	-	-	33,000	0%
James King	2,740	260	-	-	-	3,000	0%
Key Management:							
Michael Kirkwood	172,730	22,914	17,273	9,453	-	222,370	8%
Nick Allan	172,730	22,914	17,273	15,067	-	227,984	8%
	725,432	78,221	34,546	31,173	-	869,372	

Year ended 31 December 2018

	Short-term salaries, fees & commissions	Post-employment super-annuation	Cash bonuses	Other	Share-based payments	Total	Performance-based remuneration
	\$	\$	\$	\$	\$	\$	%
Directors:							
Stuart Carmichael	43,836	4,164	-	-	-	48,000	0%
Robert Graham	213,400	20,273	64,000	-	-	297,673	22%
Shaun Hardcastle	36,000	-	-	-	-	36,000	0%
Craig Read-Smith	32,877	3,123	-	-	-	36,000	0%
Key Management:							
Michael Kirkwood	170,850	16,231	25,600	-	29,070	241,751	23%
Nick Allan	170,850	16,231	25,600	-	29,070	241,751	23%
	667,812	60,022	115,200	-	58,140	901,175	

7. Additional disclosures relating to equity instruments

KMP Shareholdings

The number of ordinary shares in Schrole Group Ltd held by each KMP of the Group during the financial year is as follows:

	Balance at the start of the year	Granted as remuneration during the year	Issued on exercise of options during the year	Other changes during the year	Balance at the end of the year
Directors:					
Stuart Carmichael	500,000	-	-	-	500,000
Robert Graham 1	124,885,250	-	-	1,000,000	125,885,250
Shaun Hardcastle	-	-	-	-	-
Craig Read-Smith	-	-	-	-	-
James King 2	-	-	-	4,500,000	4,500,000
Key Management:					
Michael Kirkwood	7,458,953	-	-	-	7,458,953
Nick Allan	-	-	-	-	-
	132,844,203	-	-	5,500,000	138,344,203

1. The change in year was an on-market purchase.
2. Holding at date of appointment.

Options awarded, vested and lapsed during the year

The table below discloses the number of share options granted, vested or lapsed during the year. Share options do not carry any voting or dividend rights and can only be exercised once the vesting conditions have been met, until their expiry date.

KMP Options Holdings

The number of options over ordinary shares held by each KMP of the Group during the financial year is as follows:

	Balance at the start of the year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable	Vested and unexercisable
Directors:							
Stuart Carmichael	6,000,000	-	-	-	6,000,000	-	3,000,000
Robert Graham	2,975,312	-	-	-	2,975,312	-	2,975,312
Shaun Hardcastle	4,000,000	-	-	-	4,000,000	-	2,000,000
Craig Read-Smith	4,000,000	-	-	-	4,000,000	-	2,000,000
James King	-	-	-	-	-	-	-
Key Management:							
Michael Kirkwood	5,237,540	-	-	-	5,237,540	-	5,237,540
Nick Allan	-	-	-	-	-	-	-
	22,212,852	-	-	-	22,212,852	-	15,212,852

The terms of the options on issue are as follows:

Option Series	Number of Options	Grant Date	Vesting Date	Exercise Price	Expiry Date	Valuation per option \$
Vendor Options	8,212,852	5/10/2017	5/10/2017	\$ 0.040	5/10/2020	\$ 0.008
Director Options (Tranche 1)	7,000,000	5/10/2017	5/10/2017	\$ 0.030	5/10/2020	\$ 0.010
Director Options (Tranche 2)	7,000,000	5/10/2017	5/10/2017*	\$ 0.040	5/10/2020	\$ 0.008

* Director Options (Tranche 2) vest only if the 10-day VWAP of the Company's ordinary shares is \$0.04 or more prior to expiry

All options are subject to escrow agreements. See "Additional ASX Information as at 11 October 2017" for further details of the escrow terms that apply to the options

KMP performance shares holdings

The number of performance shares held by each KMP of the Group during the financial year is as follows:

	Balance at the start of the year	Granted as remuneration during the year	Other changes during the year	Balance at the end of the year
Directors:				
Stuart Carmichael	-	-	-	-
Robert Graham	235,000,000	-	-	235,000,000
Shaun Hardcastle	-	-	-	-
Craig Read-Smith	-	-	-	-
James King	-	-	-	-
Key Management:				
Michael Kirkwood	4,000,000	-	-	4,000,000
Nick Allan	-	-	-	-
	239,000,000	-	-	239,000,000

KMP performance rights holdings

The number of performance rights by each KMP of the Group during the financial year is as follows:

	Balance at the start of the year	Granted as remuneration during the year	Exercised during the year	Other changes during the year	Balance at the end of the year	Vested and exercisable	Vested and unexercisable
Directors:							
Stuart Carmichael	-	-	-	-	-	-	-
Robert Graham	-	-	-	-	-	-	-
Shaun Hardcastle	-	-	-	-	-	-	-
Craig Read-Smith	-	-	-	-	-	-	-
Key Management:							
Michael Kirkwood	4,560,000	-	-	-	4,560,000	-	-
Nick Allan	5,700,000	-	-	-	5,700,000	1,140,000	-
	10,260,000	-	-	-	10,260,000	1,140,000	-

* Conversion of Tranche A Performance Rights to ordinary shares following satisfaction of the relevant performance milestone.

The terms of the Performance Rights on issue are as follows:

Performance Rights	Number of Rights Issued	Exercise Price	Expiry Date	Vesting Condition	Valuation per right \$
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				

- 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 exercise of the same number of Tranche A performance rights;
- 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.
- 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.

8. Loans to KMP and their related parties

There were no loans made to or repaid by key management personnel during the year.

9. Other transactions and balances with KMP and their related parties

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

The Group acquired the following services from entities that are controlled by members of the group's key management personnel:

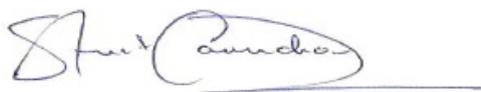
Entity	Nature of transactions	Key Management Personnel	Total Transactions		Payable Balance	
			2019	2018	2019	2018
			\$	\$	\$	\$
Bellanhouse Legal	Legal advice	Shaun Hardcastle	14,683	56,512	2,615	3,005
HWL Ebsworth	Legal advice	Shaun Hardcastle	2,308	-	2,538	

10. Voting of shareholders at last year's annual general meeting

The remuneration report for the financial year ended 31 December 2018 was approved by shareholders at the annual general meeting.

AUDITED REMUNERATION REPORT (END)

Signed in accordance with a resolution of the Board of Directors.



Stuart Carmichael
Non-Executive Chairman
 31 March 2020

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

As lead auditor of Schrole Group Ltd for the year ended 31 December 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 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 Ltd and the entities it controlled during the period.



Glyn O'Brien

Director

BDO Audit (WA) Pty Ltd

Perth, 31 March 2020

For personal use only

Schrole Group Ltd
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Year Ended 31 December 2019

	Notes	2019 \$	2018 \$
Revenue	2	5,684,245	2,693,890
Expenses			
Alliance fees	3	(2,727,381)	(1,877,513)
Employee benefits expense	3	(2,092,581)	(2,257,879)
Depreciation & amortisation expense	3	(782,199)	(253,297)
Travel expense		(260,571)	(182,186)
Share-based payments	18	-	(153,680)
Finance costs	3	(49,456)	(42,387)
Other expenses	3	(1,741,622)	(1,692,257)
		<u>(7,653,810)</u>	<u>(6,459,199)</u>
Loss before income tax expense		<u>(1,969,565)</u>	<u>(3,765,309)</u>
Income tax benefit/(expense)	4	-	-
Loss after income tax expense for the period attributable to the owners of Schrole Group Ltd		<u>(1,969,565)</u>	<u>(3,765,309)</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>(1,969,565)</u>	<u>(3,765,309)</u>
Basic earnings / (loss) per share (cents per share)	7	(0.3)	(0.6)
Diluted earnings / (loss) per share (cents per share)	7	(0.3)	(0.6)

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 Year Ended 31 December 2019

	Notes	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	8	2,005,189	1,670,970
Trade receivables	10	474,162	399,402
Other receivables	11	179,841	125,725
Total current assets		<u>2,659,192</u>	<u>2,196,098</u>
Non-current assets			
Property, plant and equipment	12	115,439	126,303
Right-of-use assets		104,545	-
Intangible assets	13	1,074,798	1,026,928
Other		1,462	1,663
Total non-current assets		<u>1,296,244</u>	<u>1,154,895</u>
Total assets		<u>3,955,436</u>	<u>3,350,992</u>
Liabilities			
Current liabilities			
Trade and other payables	14	1,239,942	1,235,686
Deferred revenue	15	3,009,493	2,544,634
Provision for employee benefits		197,819	173,636
Financial liabilities	16	193,751	-
Other		1,000	19,921
Total current liabilities		<u>4,642,005</u>	<u>3,973,877</u>
Non-current liabilities			
Provision for employee benefits		23,399	11,167
Total non-current liabilities		<u>23,399</u>	<u>52,671</u>
Total liabilities		<u>4,665,404</u>	<u>4,026,547</u>
Net assets / (deficiency)		<u>(709,968)</u>	<u>(675,555)</u>
Equity			
Issued capital	17	14,785,563	12,820,563
Reserves	19	959,223	959,223
Accumulated losses		(16,454,754)	(14,455,341)
Total equity		<u>(709,968)</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 Year Ended 31 December 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	-	-	(3,765,309)	(3,765,309)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the period	-	-	(3,765,309)	(3,765,309)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares	973,440	(973,440)	-	-
Share based payments	-	153,680	-	153,680
Balance at 31 December 2018	12,820,563	959,223	(14,455,341)	(675,555)
	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2019	12,820,563	959,223	(14,485,189)	(705,403)
Loss after income tax expense for the period	-	-	(1,969,565)	(1,969,565)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the period	-	-	(1,969,565)	(1,969,565)
<i>Transactions with owners in their capacity as owners:</i>				
Issue of shares	1,965,000	-	-	1,965,000
Balance at 31 December 2019	14,785,563	959,223	(16,454,754)	(709,968)

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 Year Ended 31 December 2019

	Notes	2019 \$	2018 \$
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		6,088,445	4,474,374
Payments to suppliers and employees (inclusive of GST)		<u>(6,949,530)</u>	<u>(4,918,312)</u>
		(861,085)	(443,938)
Interest received		<u>1,806</u>	<u>17,876</u>
Net cash generated from/(used in) operating activities	9	<u>(859,279)</u>	<u>(426,062)</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(159,795)	(30,326)
Payments for software development costs		(642,284)	(828,425)
R&D claim refund received		<u>-</u>	<u>164,031</u>
Net cash used in investing activities		<u>(802,079)</u>	<u>(694,720)</u>
Cash flows from financing activities			
Receipts from shares issued		1,965,000	-
Repayments of bank loans		-	(232,888)
Net drawdown of other financing facilities		30,576	-
Interest paid		<u>-</u>	<u>(14,774)</u>
Net cash from financing activities		<u>1,995,576</u>	<u>(247,662)</u>
Net increase/(decrease) in cash and cash equivalents		334,219	(1,368,445)
Cash and cash equivalents at the beginning of the period		<u>1,670,970</u>	<u>3,039,415</u>
Cash and cash equivalents at the end of the period	8	<u>2,005,189</u>	<u>1,670,970</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

These consolidated financial statements cover Schrole Group Ltd (**Company**) and its controlled entities as a consolidated entity (also referred to as a **Group**). Schrole Group Ltd is a company limited by shares, incorporated and domiciled in Australia. The Group is a for-profit entity.

The financial statements were issued by the board of directors of the Company on 29 March 2020.

The following is a summary of the material accounting policies adopted by the consolidated entity in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Note 1. Summary of Significant Accounting Policies

Basis of preparation of the financial report

(a) *Statement of Compliance*

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (**AASBs**) (including Australian interpretations) adopted by the Australian Accounting Standards Board (**AASB**) and the Corporations Act 2001. The financial statements have been prepared on an accruals basis and are based on historical costs.

(b) *Adoption of new and revised accounting standards*

The following new accounting standard 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 16 Leases

The impact of the adoption of this standard and the new accounting policies are disclosed in Note 1(c) 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.

(c) *Changes in accounting policies*

This note explains the impact of the adoption of AASB 16 on the group's financial statements and also discloses the new accounting policies that have been applied from 1 January 2019, where they are different to those applied in prior periods.

AASB 16 Leases – Accounting Policies Applied from 1 January 2019

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 \$12,700. This included an increased depreciation and amortisation expense of \$156,800 and increased finance costs of \$12,000, offset by a reduction in other expenses (reclassification of lease expenses) of \$181,600. As at 31 December 2019, net current assets and net assets were reduced by \$17,100 (attributable to right-of-use assets and current 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 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.

(d) Principles of Consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee,
- Rights arising from other contractual arrangements,
- The Group's voting rights and potential voting rights.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (**OCI**) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests

- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investments retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

(e) Income Tax

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised. Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

(f) Financial Instruments*Initial recognition and measurement*

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Classification and subsequent measurement

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(i) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets.)

(ii) Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Derivative instruments

The Group does not trade or hold derivatives.

Financial guarantees

The Group has no material financial guarantees.

Impairment

At the end of each reporting period, the Group undertakes an expected-loss impairment review of financial assets. This review involves an assessment of expected credit losses of all financial assets from when those assets are first recognised. The review involves an analysis of historic rates of credit losses that the Group has previously incurred, an assessment of the rate of expected credit losses based on this historic loss assessment and any other relevant factors, and the establishment of a provision based on the application of this rate of expected credit loss to the balance of financial assets at the end of the reporting period.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset.

Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

(g) Impairment of non-financial assets

At the end of each reporting period, the Directors assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information, including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits.

If any such indication exists, an impairment test is carried out on the asset by comparing the asset's recoverable amount, being the higher of its fair value less costs to sell and its value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs.

Impairment testing is performed annually for intangible assets with indefinite lives.

(h) Property, plant & equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation. The carrying amount of property, plant and equipment is reviewed for impairment when events or changes in circumstances indicate that carrying value may not be recoverable. If any such indication exists and where the carrying amount values exceeds the estimated recoverable amount the assets are written down to the recoverable amounts. The depreciable amount of all fixed assets is depreciated on a diminishing value basis reflecting the useful lives to the Company commencing from the time the asset is held ready for use. The depreciation rates used for each class of depreciable assets are:

Class of Fixed Asset	Depreciation Rate
Plant and Equipment	15% - 67%
Leasehold Improvements	7% to 28%

(i) Research & development

The Company expenses all research costs as incurred. Following initial recognition of development expenditure as a development asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when development is complete and the asset is available for use. It is amortised over the period of expected future benefit, which will normally be the useful life of the asset. Amortisation is recorded in other expenses and is currently undertaken at a rate of 20%. During the period of development, the asset is tested for impairment annually.

Expenditure on the research phase of projects to develop new customised software is recognised as an expense as incurred. Costs that are directly attributable to a project's development phase are recognised as intangible assets provided they meet the following recognition requirements

- Development costs can be reliably measured
- The project is technically and commercially feasible
- The Group intends to and has sufficient resources to complete the project

- The Group has the ability to use or sell the software.

Additionally, as part of its asset acquisition the group has committed to the development of projects which are expected to bring substantial economic benefits over the next 12-36 months. Costs relating to the acquisition and development of the products have been capitalised.

Acquired intangible assets are measured on initial recognition at cost including directly attributable costs. Intangible assets acquired in a business combination are measured on initial recognition at fair value at the acquisition date.

Intangible assets with a finite useful life are amortised over their useful life of five years and reviewed for impairment whenever there is an indication that the assets may be impaired. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each year end.

(j) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits available on demand with banks with original maturity of three months or less.

(k) Revenue Recognition

Revenue is recognised to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue relating to the provision of services reflects the identification of the contract (either written, verbal or implied) that relates to the provision of those services, the identification of the separate performance obligations within the respective contract, the determination of the transaction price, and the recognition of revenue when each performance obligation is satisfied.

Software licence fees

Revenue from software licence fees is recognised over the term of the licence, with such recognition reflecting the progressive satisfaction of the separate performance obligations within the respective licence. These performance obligations include the provision of the software licence platform for the relevant products and, in some cases, the opportunity to attend recruitment fairs that take place during the term of the licence.

Training fees

Revenue from delivery of training services is recognised upon delivery of the respective training course.

Interest revenue

Interest revenue is brought to account on an accruals basis using the effective interest rate method and, if not received at the end of the reporting period, is reflected in the statement of financial position as a receivable.

Other revenue

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

(l) Operating expenses

Operating expenses are recognised in profit or loss upon utilisation of the service or at the date of their origin.

(m) Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO).

Receivable and payables are stated inclusive of the amount of GST receivable or payable. The net amount of the GST recoverable from, or payable to, the ATO is included with other receivables and payables in the statement of financial position.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(n) Employee Benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within 12 months have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than 12 months have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows attributable to employee benefits.

Equity-settled compensation

The Group operates an employee share and option plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. The fair value of performance right options is determined using the satisfaction of certain performance criteria (Performance Milestones). The number of shares option and performance rights 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. The fair value is determined using either a Black Scholes or Monte Carlo simulation model depending on the type of share-based payment.

(o) Share-Based Payment Arrangements

Goods or services received or acquired in a share-based payment transaction are recognised as an increase in equity if the goods or services were received in an equity-settled share-based payment transaction or as a liability if the goods and services were acquired in a cash settled share-based payment transaction.

For equity-settled share-based transactions, goods or services received are measured directly at the fair value of the goods or services received provided this can be estimated reliably. If a reliable estimate cannot be made, for options and performance rights the fair value of the goods or services is determined indirectly by reference to the fair value of the option or performance right granted using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with an assessment of probability of any applicable vesting conditions of the option or performance right being satisfied.

Transactions with employees and others providing similar services are measured by reference to the fair value at grant date of the equity instrument granted using a Black-Scholes option pricing model.

(p) Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(q) Equity and reserves

Share capital represents the fair value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share capital, net of any related income tax benefits. The option reserve records the value of share-based payments.

(r) Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each entity within the Group is measured using the currency of the primary economic environment in which that entity operates.

Transaction and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the profit or loss.

Exchange differences arising on the translation of non-monetary items are recognised directly in other comprehensive income to the extent that the underlying gain or loss is recognised other comprehensive income; otherwise the exchange difference is recognised in profit or loss.

(s) 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 for the years ended 31 December 2017 and 31 December 2019 are Software and Training.

(t) Earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to member of the parent entity, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year (if any).

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares; and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(u) Critical Accounting estimates and judgements

The directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

(v) Going Concern

The financial report has been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

For the year ended 31 December 2019, the Group incurred a net loss of \$1,969,565 and experienced net cash outflows from operations of \$859,279. As at 31 December 2019, the Group had a deficiency of net assets of \$709,968 and cash balance of \$2,005,189.

The ability of the Group to continue as a going concern is dependent on the Group either achieving expected rates of renewals and securing forecast new sales of software subscription contracts and there being continued strong demand for its training services, or securing additional funding through the issue of debt and/or equity.

The World Health Organisation announced that the new coronavirus disease (COVID-19) had become a pandemic on 11 March 2020. The Group has developed policies and procedures to address the health and wellbeing of employees. The timing, extent of the impact and recovery from COVID-19 on our employees, customers and suppliers is unknown. At the date of this report, it is uncertain what the effect will be on the Group as the group is currently still ascertaining the impact of COVID-19 on its operating and financing activities.

These conditions indicate the existence of a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business

Management believe that there are sufficient funds available to continue to meet the Group's working capital requirements as at the date of this report. The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity, the realisation of assets, settlement of liabilities through the normal course of business including the presumption that sufficient funds will be available to finance the operations of the Group for the following reasons:

- The Group anticipates a high rate of renewal by existing subscription customers which will provide ongoing cash flows to support the Group's operations
- The ability of the Group to raise capital through the issuance of additional shares.

Should the entity not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern and meet its debts as and when they become due and payable.

Key Estimates and judgements

Impairment

In assessing impairment, management estimates the recoverable amount of each asset or cash-generating unit based on expected future cash flows and uses an interest rate to discount them. The company reviews intangible assets for impairment once a year or more frequently if events or changes in circumstances indicate that there is impairment.

Share based payments

Share-based payments 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. 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.

Capitalisation of Costs

The Group's accounting policy for capitalised development expenditure is set out in Note 1(j). The application of this policy necessarily requires management to make certain estimates and assumptions as to the future events and circumstances of the Company. Any such estimate and assumptions may change as new information becomes available. If, after having capitalised expenditure under this policy, it is concluded that the expenditures relate to aspects of the asset no longer utilised, or it is concluded that the expenditures are unlikely to be recovered by future exploitation or sale, then the relevant capitalised amount will be written off to the profit or loss.

Performance Rights

The value of the 45,200,000 Performance Rights issued to employees pursuant to the Employee Securities Incentive Scheme has been assessed at \$0.017 per Performance Right which reflects the market value of the underlying ordinary shares at grant date. Management assessed the probability of achieving the respective performance milestone of each tranche of Performance Rights, based on its understanding of the entity and its market, and have determined the probability of achieving the milestone for Tranche A to be 100% and the

probability of achieving the milestones for Tranche B and C to be 0%. Refer to note 19 for further details on the Performance Rights milestones.

Control of ISS-Schrole Advantage Pty Ltd

There is a significant judgement in considering the ‘relevant activities’ of ISS-Schrole Advantage Pty Ltd pursuant to AASB 10 in determining where control of that entity rests. Management has assessed the key relevant activities as being the 100% ownership of the Advantage software platform by the Group and the responsibility of the Group for the ongoing development and maintenance of the software platform. On this basis management has determined that the Company controls ISS-Schrole Advantage Pty Ltd pursuant to AASB 10.

Prior Year Performance Shares

The value of the 290,000,000 Performance Shares issued under the reverse takeover transaction has been assessed at \$0.02 per share which reflects the market value of the underlying ordinary shares at grant date. Management have assessed the probability of achieving the respective performance milestone of each tranche of Performance Shares, based on its understanding of the entity and its market, and have determined the probability of achieving the milestone for Tranche A to be 100% and the probability of achieving the milestones for Tranche B and C to be 0%. Refer to note 19 for further details on the Performance Share milestones.

Prior Year Performance Shares issued by Schrole Operations Pty Ltd

On 14 July 2017 the terms of 1,800,722 performance shares that had been issued by Schrole Operations Pty Ltd were amended. The value of these performance shares has been assessed based on the value of the underlying ordinary shares of Schrole Group at completion of the reverse acquisition and capital raising of \$0.02 per share, with an exchange ratio applied to reflect the fair value of the performance shares issued. Management have assessed the probability (as at the date of amendment) of these performance shares converting to ordinary shares in Schrole Group to be 75%. Refer to note 19 for further details on the Performance Share milestones.

Note 2. Revenue and Other Income

	2019	2018
	\$	\$
Sales revenue		
Software licence sales	4,295,441	1,851,380
Training services sales	1,308,919	770,416
	<u>5,604,360</u>	<u>2,621,796</u>
Other revenue		
Interest	1,806	17,876
Other revenue	78,079	54,218
	<u>79,885</u>	<u>72,094</u>
	<u>5,684,245</u>	<u>2,693,890</u>

Note 3. Profit / (Loss) for the year

Profits/(Loss) before income tax from continuing operations includes the following specific expenses:	2019 \$	2018 \$
Alliance and Partner Fees		
Alliance fees - ISS	2,680,018	1,877,513
Other partner fees	47,363	-
	<u>2,727,381</u>	<u>1,877,513</u>

Alliance fees represents the fees payable to International Schools Services Inc ("ISS"), pursuant to the Alliance Agreement entered into between the Company and ISS dated 31 August 2018 ("Alliance Agreement").

Pursuant to the Alliance Agreement, products and services are sold to the parties' international school clients through ISS-Schrole Advantage Pty Ltd ("ISS-Schrole Advantage"), a wholly-owned subsidiary of the Company. The Company retains control of the development and maintenance of the core Advantage software platform for ISS-Schrole Advantage and retains ownership of the intellectual software associated with the Advantage software platform. ISS provides recruitment fair and support services to ISS-Schrole Advantage clients.

The Alliance Fees are attributable to ISS are based on a sharing of the net revenue of ISS-Schrole Advantage Pty Ltd on a 50:50 basis between Schrole and ISS, subject to a transitional arrangement aimed at maintaining each party's revenue base from international schools prior to the commencement of the Alliance Agreement.

	2019 \$	2018 \$
Depreciation and amortisation		
Developed software	594,414	218,599
Leasehold improvements	-	947
Plant and equipment	187,785	33,751
	<u>782,199</u>	<u>253,297</u>
Finance costs		
Interest and bank charges	49,456	42,358
Share-based payment on conversion of convertible notes	-	-
	<u>49,456</u>	<u>42,358</u>
Employee benefits expense		
Employee benefits excluding superannuation	1,880,631	2,051,572
Defined contribution superannuation expense	211,950	206,307
	<u>2,092,581</u>	<u>2,257,879</u>
Other expenses		
Sales, marketing & commissions	119,377	224,795
Consulting fees	29,500	117,500
IT expenses	216,825	177,236
Other expenses	1,375,920	1,172,726
	<u>1,741,622</u>	<u>1,692,257</u>

Note 4. Income Tax

The financial accounts for the year ended 31 December 2019 comprise the results of Schrole Group Ltd. The legal parent is incorporated and domiciled in Australia where the applicable tax rate is 27.5%.

	2019 \$	2018 \$
(a) Income tax expense		
Current tax	-	-
Deferred tax	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
The prima facie tax payable on loss from ordinary activities before income tax is reconciled to the income tax expense as follows:		
Income tax expense / (benefit) on operating loss at 27.5% (2018: 27.5%)	(541,630)	(1,035,460)
Non-deductible items		
Non-deductible expenses	179,542	78,311
- entertainment	1,218	1,218
- expensed R&D costs	-	5,411
- depreciation on R&D assets	178,324	25,593
- share based payments	-	46,104
Temporary differences not recognised	362,088	957,149
Prior period deferred tax asset written off	-	-
	<hr/>	<hr/>
Income tax (expense) / benefit	-	-
The applicable weighted average effective tax rates are as follows:	0%	0%
Balance of franking account at year end	-	-

Potential future income tax benefits attributable to tax losses carried forward have not been brought to account at 31 December 2019, because the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

Note 5. Related Party Transactions

(a) Key Management Personnel Compensation

The current directors of Schrole Group Ltd were appointed on 5 October 2017 and entered into contracts to be paid as follows:

- Mr Carmichael as Non-Executive Director and Chairman - \$4,000 per month
- Mr Graham as Managing Director – \$207,200 per annum excluding superannuation
- Mr Hardcastle and Mr Read-Smith as Non-Executive Directors - \$3,000 per month

The totals of remuneration paid to Key Management Personnel during the year are as follows:

	2019	2018
	\$	\$
Short term salary, fees and commissions	612,460	555,100
Directors fees	112,972	101,233
Post employment benefits	78,221	59,502
Share based payments	-	58,140
Total Key Management Personnel Compensation	<u>803,653</u>	<u>773,975</u>

(b) Other related party transactions

The Group acquired the following services from entities that are controlled by members of the group's key management personnel:

Entity	Nature of transactions	Key Management Personnel	Total Transactions		Payable Balance	
			2019	2018	2019	2018
			\$	\$	\$	\$
Bellanhouse Legal	Legal advice	Shaun Hardcastle	14,683	56,512	2,615	3,005
HWL Ebsworth	Legal advice	Shaun Hardcastle	2,308	-	2,538	

Purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions.

Note 6. Auditor's Remuneration

	2019	2018
	\$	\$
Remuneration of the auditor of the Group (BDO) and associated entities:		
Audit services	47,777	55,356
Non-audit services	17,260	17,548
	<u>65,037</u>	<u>72,904</u>

Note 7. Earnings per share

	2019 \$	2018 \$
Profit/(loss) after income tax attributable to the owners of Schrole Group Ltd	<u>(1,969,565)</u>	<u>(3,765,309)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>761,382,559</u>	<u>592,863,052</u>
Adjustments for calculation of diluted earnings per share:		
In-the-money options	-	-
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>761,382,559</u>	<u>592,863,052</u>
	Cents	Cents
Basic earnings per share	(0.3)	(0.6)
Diluted earnings per share	(0.3)	(0.6)

Note 8. Cash and Cash Equivalents

	2019 \$	2018 \$
Cash at bank	<u>2,005,189</u>	<u>1,670,970</u>
Total cash and cash equivalents in the statement of cash flows	<u>2,005,189</u>	<u>1,670,970</u>

Note 9. Cash Flow Information

	2019 \$	2018 \$
Profit / (Loss) after income tax	(1,969,565)	(3,765,309)
Non-cash flows in loss after tax		
Depreciation	782,199	253,297
Discount unwind on make-good provision	-	558
Share based payment expense	-	153,680
Changes in assets and liabilities		
Increase / (decrease) in deferred revenue	464,859	1,921,164
Decrease / (increase) in receivables	128,875	58,305
(Decrease) / increase in payables	21,751	1,045,563
(Decrease) / increase in other payables	(287,398)	(93,320)
Cash flow (used in) operating activities	<u>(859,279)</u>	<u>(426,062)</u>

Note 10. Trade Receivables

	2019	2018
	\$	\$
Trade receivables	499,029	465,053
Less provision for expected credit loss	(24,867)	(65,651)
	<u>474,162</u>	<u>399,402</u>

Trade receivables are generally due for settlement within 30 days. Due to the short-term nature of the current receivables, their carrying amount is assumed to be the same as their fair value.

Information about the impairment of trade and other receivables, their credit quality and the Group's exposure to credit risk can be found in Note 22.

Note 11. Other Receivables

	2019	2018
	\$	\$
GST receivable	75,591	36,881
Term deposit	60,000	60,000
Prepayments	38,883	15,697
Other	5,367	13,147
	<u>179,841</u>	<u>125,725</u>

Note 12. Property, Plant and Equipment

	2019	2018
	\$	\$
Leasehold improvements - at cost	305,886	305,886
Less: Accumulated depreciation	(255,477)	(247,743)
	<u>50,409</u>	<u>58,143</u>
Plant and equipment - at cost		
Balance b/f	259,921	229,595
Additions	20,104	30,326
Disposal	-	-
Balance c/f	280,025	259,921
Less: Accumulated depreciation	(214,995)	(191,761)
	<u>65,030</u>	<u>68,160</u>
	<u>115,439</u>	<u>126,303</u>

Note 13. Intangible Assets

	2019	2018
	\$	\$
Developed software acquired	284,569	284,569
Total expenditure capitalised	2,462,465	1,820,180
R&D offset	<u>(362,227)</u>	<u>(362,227)</u>
	2,384,807	1,742,522
Less: Accumulated depreciation	<u>(1,312,529)</u>	<u>(718,114)</u>
	1,072,278	1,024,408
Trademark acquired	<u>2,520</u>	<u>2,520</u>
	<u>1,074,798</u>	<u>1,026,928</u>

Note 14. Trade and Other Payables

Trade payables	189,481	99,870
Provisions and accruals	863,557	1,069,108
Other	<u>186,904</u>	<u>66,708</u>
	<u>1,239,942</u>	<u>1,235,686</u>

The balance of provisions and accruals includes \$708,823 in respect of accrued service fees payable to ISS pursuant to the Alliance Agreement. Refer to Note 4 for further information.

Note 15. Deferred Revenue

	2019	2018
	\$	\$
Deferred revenue	<u>3,009,493</u>	<u>2,544,634</u>

Revenue from software service contract subscriptions is recognised when the performance obligations associated with the software service contract are satisfied, which has been assessed as being satisfied over the duration of the contract. The deferred revenue balance represents that portion of software service subscription income for which the associated performance obligations have not been satisfied as at the reporting date.

During the year ended 31 December 2019 the amount of \$2,544,634 was recognised as income. This was included in the deferred revenue balance at the beginning of the period.

The increase in the deferred revenue balance as at 31 December 2019 compared with the prior year reflects the increase in and timing of software licence sales, with the resulting increase in software licences on foot as at 31 December 2019 of 571 compared with 521 at the beginning of the period.

Note 16. Financial Liabilities

	2019 \$	2018 \$
Current Liabilities		
Lease liability - 142 Hasler Road, Osborne Park	163,175	41,504
Premium funding facility	30,576	-
	<u>193,751</u>	<u>41,504</u>

Note 17. Equity – issued capital

	31 December 2019 Shares	31 December 2018 Shares	31 December 2019 \$	31 December 2018 \$
Ordinary shares - fully paid	<u>889,620,231</u>	<u>631,370,231</u>	<u>14,785,563</u>	<u>12,820,563</u>

Movements in ordinary share capital

Details	Note	Date	Shares	\$
Balance		31/12/2017	580,050,231	11,847,123
Conversion of Performance Shares	17a	27/09/2018	47,000,000	900,000
Conversion of Performance Rights	17b	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 - private placement		3/05/2019	156,250,000	1,250,000
Share issue transaction costs, net of tax		3/05/2019		(75,000)
Issue of shares - private placement		26/09/2019	100,000,000	800,000
Share issue transaction costs, net of tax		26/09/2019		(50,000)
Exercise of options		10/12/2019	2,000,000	40,000
Balance		31/12/2019	<u>889,620,231</u>	<u>14,785,563</u>

Notes:

- 17a Conversion of Series A Performance Shares
 17b Issued on exercise of certain Tranche A Performance Rights

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.

Share buy-back

There is no current on-market share buy-back.

Note 18. Share Based Payments

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:

- a. Series A performance shares that 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;
- 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.

Management has assessed the number of performance shares that are expected to vest as nil for the Series B and Series C performance shares. Management will re-assess the number of performance shares expected to vest in subsequent financial years.

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. On 10 December 2019, 2,000,000 options with an exercise price of \$0.02 were exercised.

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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	23,000,000	\$ 0.020	5/10/2020	\$ 276,000
Facilitator Options	25,000,000	\$ 0.020	5/10/2020	\$ 300,000
Adviser Options	50,000,000	\$ 0.030	5/10/2020	\$ 500,000
Shareholder 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

The value of share-based payments using options was 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 \$0.02 (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%.

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	Number of Rights Vested	Number of Rights on Issue at 31/12/19	Exercise Price	Expiry date	Vesting Condition	Valuation \$
Tranche A	9,040,000	9,040,000	4,720,000	Nil	3 July 2023	Software licences	\$153,680
Tranche B	13,560,000	Nil	13,560,000	Nil	3 July 2023	Sales revenue over 12-month period	Nil
Tranche C	22,600,000	Nil	22,600,000	Nil	3 July 2023	EBITDA over 12-month period	Nil

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 exercise of the same number of Tranche A performance rights, with the remainder yet to convert to ordinary share capital.
- 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.

As at the date of issue, management assessed the number of performance shares that are expected to vest as 100% for the Tranche A performance rights and 0% for both the Tranche B and Tranche C performance rights. Accordingly, \$153,680 share based payment expense was recorded for the year to 31 December 2018 in relation to the issue of the Tranche A performance rights.

As at 31 December 2019, management has assessed the number of performance rights on issue that are expected to vest as 0% for both the Tranche B and Tranche C performance rights. Accordingly, nil share based payment expense was recorded for the year to 31 December 2019. Management will re-assess the number of performance rights expected to vest in subsequent financial years.

Note 19. Reserves

		2019 \$	2018 \$
Acquisition reserve	19a	(1,387,793)	(1,387,793)
Options reserve	19b	2,156,893	2,156,893
Share based payment reserve	19c	190,123	190,123
		<u>959,223</u>	<u>959,223</u>

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.	\$
Closing balance at 31 December 2018	\$ 0.033	<u>211,000,000</u>	<u>2,156,893</u>
Closing balance at 31 December 2019	\$ 0.033	<u>209,000,000</u>	<u>2,156,893</u>

The options reserve is used to recognise the fair value of options issued for services provided.

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	<u>285,680,722</u>	<u>190,123</u>
Closing balance at 31 December 2019	<u>285,680,722</u>	<u>190,123</u>

	2019	2018
	\$	\$
Expenses arising from share based payments		
Employee benefits	-	153,680
	<u>-</u>	<u>153,680</u>

The share based payment reserve is used to record the value of the share based payments through issue of performance shares. Further detail on share based payment is provided in note 18.

Note 20. 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 for the years ended 31 December 2018 and 31 December 2019 are Software and Training:

2019	Software	Training	Unallocated	Total
	\$	\$	\$	\$
Segment income				
Sales revenue	4,295,441	1,308,919	-	5,604,360
Other revenue	54,310	23,784	1,791	79,885
	<u>4,349,751</u>	<u>1,332,703</u>	<u>1,791</u>	<u>5,684,245</u>
Segment expenses				
Alliance fees	2,727,381	-	-	2,727,381
Employee benefits expense	419,378	507,942	1,165,262	2,092,582
Depreciation	610,328	15,054	156,817	782,199
Travel expenses	151,027	43,178	66,366	260,571
Finance costs	36,728	3,155	9,573	49,456
Other expenses	475,182	568,079	698,360	1,741,621
	<u>4,420,024</u>	<u>1,137,408</u>	<u>2,096,378</u>	<u>7,653,810</u>
Loss before income tax	<u>(70,273)</u>	<u>195,295</u>	<u>(2,094,587)</u>	<u>(1,969,565)</u>
Segment assets and liabilities				
Cash	1,899,126	30,421	75,642	2,005,189
Trade and other receivables	330,526	161,985	161,493	654,004
Plant and equipment	36,442	38,954	104,545	179,941
Intangibles	1,074,798	-	-	1,074,798
Trade and other creditors	(959,773)	(97,783)	(404,604)	(1,462,160)
Borrowings	-	-	(152,247)	(152,247)
Deferred revenue	(3,009,493)	-	-	(3,009,493)
Net assets	<u>(628,374)</u>	<u>133,577</u>	<u>(215,171)</u>	<u>(709,968)</u>

2018	Software \$	Training \$	Unallocated \$	Total \$
Segment income				
Sales revenue	1,851,380	770,416	-	2,621,796
Other revenue	41,022	14,098	16,974	72,094
	<u>1,892,402</u>	<u>784,514</u>	<u>16,974</u>	<u>2,693,890</u>
Segment expenses				
Alliance fees	1,877,513	-	-	1,877,513
Employee benefits expense	572,024	538,975	1,146,880	2,257,879
Depreciation	233,788	19,509	-	253,297
Travel expenses	148,189	12,869	21,128	182,186
Restructure & Listing Costs	-	-	-	-
Share based payments	-	-	153,680	153,680
Finance costs	18,916	17,294	6,177	42,387
Other expenses	599,948	224,778	867,531	1,692,257
	<u>3,450,378</u>	<u>813,425</u>	<u>2,195,396</u>	<u>6,459,199</u>
Loss before income tax	(1,557,976)	(28,911)	(2,178,422)	(3,765,309)
Segment assets and liabilities				
Cash	49,267	-	2,046	51,313
Trade and other receivables	126,899	-	33,961	160,860
Plant and equipment	126,303	-	-	126,303
Intangibles	1,026,928	-	-	1,026,928
Trade and other creditors	(310,793)	-	66,419	(244,374)
Borrowings	-	-	-	-
Deferred revenue	(512,195)	-	-	(512,195)
Net assets	506,409	-	102,426	608,835

Note 21. Financial Instruments

Financial Risk Management Policies

The Group's financial instruments consist mainly of deposits with banks, other debtors and accounts payable. The main purpose of non-derivative financial instruments is to raise finance for Group's operations.

Specific Financial Risk Exposures and Management

The main risk the Group is exposed to through its financial instruments are market risk (including fair value and interest rate risk) and cash flow interest rate risk, credit risk and liquidity risk.

(a) Interest Rate Risk

From time to time the Group has significant interest-bearing assets, but they are as a result of the timing of equity raising and capital expenditure rather than a reliance on interest income. The interest rate risk arises on the rise and fall of interest rates. The Group's income and operating cash flows are not expected to be materially exposed to changes in market interest rates in the future and the exposure to interest rates is limited to the cash and cash equivalents balances.

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is below:

	Floating interest rate	Fixed interest rate	Non- interest bearing	2019 Total	Floating interest rate	Fixed interest rate	Non- interest bearing	2018 Total
	\$	\$	\$	\$	\$	\$	\$	\$
Financial assets								
- <i>Within one year</i>								
Cash and cash equivalents	2,005,189	-	-	2,005,189	1,670,970	-	-	1,670,970
Trade and other receivables	-	-	654,003	654,003	-	-	525,128	525,128
Total financial assets	2,005,189	-	654,003	2,659,192	1,670,970	-	525,128	2,196,098
Financial liabilities								
- <i>Within one year</i>								
Lease liability	-	-	121,671	121,671	-	-	-	-
Premium funding facility	-	30,576	-	30,576	-	-	-	-
Trade and other payables	-	-	1,239,942	1,239,942	-	-	1,235,686	1,235,686
Other liabilities	-	-	1,000	1,000	-	-	19,921	19,921
	-	30,576	1,362,613	1,393,189	-	-	1,255,607	1,255,607
Total financial liabilities	-	30,576	1,362,613	1,393,189	-	-	1,255,607	1,255,607
<i>Weighted average interest rate</i>	<i>0.1%</i>				<i>0.0%</i>			
Net financial assets	2,005,189	(30,576)	(708,610)	1,266,003	1,670,970	-	(730,479)	940,491

Sensitivity Analysis

The following table illustrates sensitivities to the Consolidated Entity's exposures to changes in interest rates. The table indicates the impact on how profit and equity values reported at reporting date would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Movement in profit	Movement in equity
	\$	\$
Year ended 31 December 2019		
+/- 1% interest rate	15,848	15,848
Year ended 31 December 2018		
+/- 1% interest rate	1,276	1,276

(b) Credit Risk

The maximum exposure to credit risk is limited to the carrying amount, net of any provisions for impairment of those assets, as disclosed in the Statement of Financial Position and notes to the financial statements.

Credit risk related to balances with banks and other financial institutions is managed by the Group in accordance with approved Board policy. Such policy requires that surplus funds are only invested with counterparties with a Standard and Poor's rating of at least AA-. The following table provides information regarding the credit risk relating to cash and money market securities based on Standard and Poor's counterparty credit ratings.

	Note	2019 \$	2018 \$
Cash and cash equivalents - AA Rated	8	2,005,189	1,670,970

Credit risk related to trade and other receivables is managed by the Group in accordance with approved Board policy. The Group has assessed that there is no material impairment of the carrying value of trade and other receivables as at the reporting date.

Aged trade receivables as at 31 December 2019	2019 \$
Total 30 days overdue	90,224
Total 60 days overdue	23,600
Total 90+ days overdue	107,170
	<u>220,994</u>

The Group is satisfied that, based on prior recoveries, all amounts that have not been provided for are recoverable.

(c) Liquidity Risk

Liquidity risk arises from the possibility that the Group might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group manages liquidity risk by maintaining adequate reserves by continuously monitoring forecast and actual cash flows.

The Group has no access to credit standby facilities or arrangements for further funding or borrowings in place. The financial liabilities of the Group bank borrowings, trade and other payables as disclosed in the Statement of Financial Position. All trade and other payables are non-interest bearing and due within 12 months of the reporting date.

2019	Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount assets / (liabilities)
		\$	\$	\$	\$	\$	\$	\$
Financial liabilities at amortised cost:								
Lease liability		90,827	30,844				121,671	121,671
Premium funding facility		30,576					30,576	30,576
Trade and other payables		1,239,942					1,239,942	1,239,942
Other liabilities		1,000					1,000	1,000
		<u>1,362,345</u>	<u>30,844</u>	-	-	-	<u>1,393,189</u>	<u>1,393,189</u>

2018	Interest rate	Less than 6 months	6-12 months	1-2 years	2-5 years	Over 5 years	Total contractual cash flows	Carrying amount assets / (liabilities)
		\$	\$	\$	\$	\$	\$	\$
Financial liabilities at amortised cost:								
Trade and other payables		1,235,686					1,235,686	1,235,686
Other liabilities		19,921					19,921	19,921
		1,255,607	-	-	-	-	1,255,607	1,255,607

(d) Net fair Value of financial assets and liabilities

Fair value estimation

Due to the nature of the receivables and payables the carrying value approximates fair value.

(e) Financial arrangements

The company had no other financial arrangements in place at 31 December 2019 based on the information available to the current board.

(f) Currency risk

The currency risk is the risk that the value of financial instruments will fluctuate due to change in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. The company is exposed to foreign exchange risk as a result of its ISS-Schrole Advantage software licences being priced in US dollars

The Group's exposure to foreign currency risk with respect to the AUD/USD exchange rate was as follows:

	Value of USD expressed in AUD	
	2019	2018
	\$	\$
Net assets	1,453,190	843,644
Net profit	1,694,059	175,268

Had the Australian dollar weakened/strengthened by 10% against the US dollar with all other variables held constant, the Group's post-tax loss for the year would have been \$169,406 higher/\$169,406 lower (2018: \$17,527 higher/\$17,527 lower), and the effect on equity would have been \$145,319 higher/\$145,319 lower (2018: \$84,364 higher/\$84,364 lower).

The Company's policy is not to enter into any currency hedging transactions.

Note 22. Parent Entity Financial Information

The following information has been extracted from the books and records of the legal parent Schrole Group Ltd and has been prepared in accordance with Australian Accounting Standards and the accounting policies as outlined in note 1.

(a) Financial Position of Schrole Group Ltd

	2019	2018
	\$	\$
Assets		
Current Assets	22,639	5,813
Non-Current Assets	-	-
Total Assets	<u>22,639</u>	<u>5,813</u>
Liabilities		
Current Liabilities	15,863	24,985
Non-Current Liabilities	-	-
Total Liabilities	<u>15,863</u>	<u>24,985</u>
Net Assets	<u>6,776</u>	<u>(19,172)</u>
Equity		
Issued capital	14,304,440	12,214,440
Reserves	2,192,123	2,192,123
Accumulated losses	(16,489,787)	(14,425,735)
Total Equity	<u>6,776</u>	<u>(19,172)</u>

(b) Statement of profit or loss and other comprehensive income

	2019	2018
	\$	\$
Loss for the year	(2,064,052)	(586,039)
Other comprehensive income	-	-
Total Comprehensive Loss	<u>(2,064,052)</u>	<u>(586,039)</u>

(c) Guarantees entered into by Schrole Group Ltd for the debts of its subsidiary

There are no guarantees entered into by Schrole Group Ltd.

(d) Contingent liabilities of Schrole Group Ltd

There were no known contingent liabilities as at 31 December 2019 (2018: Nil).

(e) Commitments by Schrole Group Ltd

Known commitments as at 31 December 2019 are disclosed in the consolidated entities in Note 24 below.

Note 23. Controlled Entities

Name of entity	Place of business / country of incorporation	Ownership interest held		Principal activities
		2019	2017	
Schrole Operations Pty Ltd (ACN 43 131 115 878)	Australia	100%	0%	Administrative services
Schrole Pty Ltd (ACN 164 785 488)	Australia	100%	0%	Software and training services to international and domestic schools
ETAS (WA) Pty Ltd (ACN 065 673 896)	Australia	100%	0%	Training services to domestic and international businesses
ISS-Schrole Advantage Pty Ltd (ACN 626 113 095)	Australia	100%	0%	Software and services to international and domestic schools

Note 24. Commitments

The Group leases office space under two non-cancellable office lease expiring within two years.

	2019 \$	2018 \$
One year or less	143,334	181,581
From one to five years	406	124,240
Non-cancellable operating leases	143,740	305,821

Note 25. Events Subsequent to Reporting Date

The World Health Organisation announced that the new coronavirus disease (COVID-19) had become a pandemic on 11 March 2020. The Group has developed policies and procedures to address the health and wellbeing of employees. The timing, extent of the impact and recovery from COVID-19 on our employees, customers and suppliers is unknown. At the date of this report, it is uncertain what the effect will be on the Group as the group is currently still ascertaining the impact of COVID-19 on its operating and financing activities.

Effective 2 March 2020, the group announced the resignation of its Chief Financial Officer and Company Secretary. Brett Tucker will continue as Company secretary. The role of General Manager Operations was made redundant on 21 February 2020.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in subsequent financial years.

There have been no significant events after reporting date.

Note 26. Contingent Liabilities

The Directors are not aware of any contingent liabilities that may arise from the Group's operations as at 31 December 2019.

Note 27. New Accounting Standards for Application in Current and Future Periods

Relevant Australian accounting standards and Interpretations that have recently been issued or amended and have been adopted by the Group for the year ended 31 December 2019 are set out in the table below:

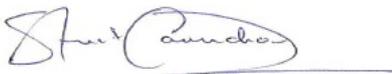
New/revised pronouncement	Explanation of amendments	Application Date of Standard and for the Group
AASB 16 Leases	<p>The key features of AASB 16 are as follows:</p> <p>Lessee accounting:</p> <ul style="list-style-type: none"> ▪ Lessees are required to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying assets is of low value. ▪ A lessee measures right-of-use assets similarly to other non-financial assets and lease liabilities similarly to other financial liabilities. ▪ Assets and liabilities arising from a lease are initially measured on present value basis. The measurement includes non-cancellable lease payments (including inflation-linked payments), and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. ▪ AASB 16 contains disclosure requirements for lessees. <p>Lessor accounting:</p> <ul style="list-style-type: none"> ▪ AASB 16 substantially carries forward the lessor accounting requirements ▪ in AASB 117. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. ▪ AASB 16 also requires enhanced disclosures to be provided by lessors that will improve information disclosed about a lessor's risk exposure, particularly to residual value risk. <p>AASB 16 supersedes:</p> <ol style="list-style-type: none"> a) AASB 117 Leases b) Interpretation 4 Determining whether an Arrangement contains a Lease c) SIC-15 Operating Leases-Incentives d) SIC-27 Evaluating the Substance of Transaction Involving the Legal Form of a Lease. 	1 Jan 2019

Directors' Declaration

In the Directors' opinion:

1. The consolidated financial statements and notes set out on pages 18 to 52 are in accordance with the Corporations Act 2001, including:
 - a. complying with Australian Accounting Standards, Corporations Regulations 2001 and other market and professional reporting requirements, noting the matters documented in Note 1 (a);
 - b. giving a true and fair view, the consolidated entity's financial position as at 31 December 2020 and of its performance for the year ended on that date; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. This declaration has been made after receiving the declaration required to be made to the directors in accordance with Section 295A of the Corporations Act 2001 for the financial year ended 31 December 2019.

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
31 March 2020

INDEPENDENT AUDITOR'S REPORT

To the members of Schrole Group Ltd

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Schrole Group Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the 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 confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Material uncertainty related to going concern

We draw attention to Note 1(V) in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

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Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Material uncertainty related to going concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Revenue Recognition

<i>Key audit matter</i>	<i>How the matter was addressed in our audit</i>
<p>The group generates revenue from the provision of software as a service and training. The group is required to record revenue in accordance with accounting standard AASB 15.</p> <p>Revenue recognition was assessed as a key audit matter due to:</p> <ul style="list-style-type: none"> • The significance of revenue to understanding the financial results for users; • The complexity involved in applying AASB 15 requirements; and • The extent of deferred revenue held by the group and the assessment of its release in line with relevant revenue recognition principles. 	<p>Our audit procedures included but were not limited to:</p> <ul style="list-style-type: none"> • Assessing the Group’s revenue recognition policy’s for compliance with Australian Accounting Standards, in particular the requirements of AASB 15 <i>Revenue From Contracts With Customers</i>; • Selecting a sample of sales transactions around year end to ensure that they have been recognised in the correct accounting period; • Analytical review procedures on all significant revenue streams on a disaggregated basis and against expected trends and prior year; • Selecting a sample of receipts and invoices from the deferred revenue schedule and recalculating the appropriate deferred portion of licence sales revenue; and • Assessing the adequacy of the related disclosures in Note 1, Note 2 and Note 15 to the Financial Statements.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group’s annual report for the year ended 31 December 2019, but does not include the financial report and the auditor’s report thereon.

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

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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Responsibilities of the directors for the Financial Report

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

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 9 to 16 of the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Schrole Group Ltd, for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO


Glyn O'Brien

Director

Perth, 31 March 2020

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Corporate Governance Statement

This Corporate Governance Statement is current as at 31 March 2019 and has been approved by the Board of the Company.

This Corporate Governance Statement discloses the extent to which the Company follows the recommendations set by the ASX Corporate Governance Council in its publication Corporate Governance Principles and Recommendations 3rd Edition (Recommendations). The Recommendations are not mandatory, however the Recommendations that have not been followed have been identified and reasons for not following them, along with what (if any) alternative governance practices have been adopted in lieu of the Recommendation.

The Company has adopted Corporate Governance Policies which provide written terms of reference for the Company's corporate governance practices and has been following these practices since 5 October 2017. The Board of the Company has not yet formed an audit committee, nomination committee, risk management committee or remuneration committee. The Company's Corporate Governance Policies are contained within the Corporate Governance Plan and available on the Company's website at www.schrole.com/corporate-governance

Principle 1: Lay solid foundations for management and oversight

Roles of the Board & Management

The role of the Board is to provide overall strategic guidance and effective oversight of management. The Board derives its authority to act from the Company's Constitution.

The Board is responsible for, and has the authority to determine all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company. The Board delegates responsibility for the day-to-day operations and administration of the Company to the Managing Director/Chief Executive Officer.

The role of management is to support the Managing Director/Chief Executive Officer and implement the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

In addition to matters it is expressly required by law to approve, the Board has reserved the following matters to itself:

- Driving the strategic direction of the Company, ensuring appropriate resources are available to meet objectives and monitoring management's performance;
- Appointment, and where necessary, the replacement, of the Managing Director/Chief Executive Officer and other senior executives and the determination of their terms and conditions including remuneration and termination;
- Approving the Company's remuneration framework;
- Monitoring the timeliness and effectiveness of reporting to Shareholders;
- Reviewing and ratifying systems of audit, risk management and internal compliance and control, codes of conduct and legal compliance to minimise the possibility of the Company operating beyond acceptable risk parameters;

- Approving and monitoring the progress of major capital expenditure, capital management and significant acquisitions and divestitures;
- Approving and monitoring the budget and the adequacy and integrity of financial and other reporting such that the financial performance of the company has sufficient clarity to be actively monitored;
- Approving the annual, half yearly and quarterly accounts;
- Approving significant changes to the organisational structure;
- Approving decisions affecting the Company's capital, including determining the Company's dividend policy and declaring dividends;
- Ensuring a high standard of corporate governance practice and regulatory compliance and promoting ethical and responsible decision making;
- Procuring appropriate professional development opportunities for Directors to develop and maintain the skills and knowledge needed to perform their role as Directors effectively;
- Ensuring that the Company acts legally and responsibly on all matters and assuring itself that the Company has adopted, and that its practice is consistent with, a number of guidelines including:
 - Statement of Values;
 - Corporate Code of Conduct;
 - Continuous Disclosure Policy;
 - Diversity Policy;
 - Performance Evaluation;
 - Risk Management;
 - Trading Policy;
 - Social Media Policy;
 - Whistleblower Policy;
 - Anti-Bribery and Corruption Policy; and
 - Shareholder Communication Strategy.

Subject to the specific authorities reserved to the Board under the Board Charter, the Board delegates to the Managing Director/Chief Executive Officer responsibility for the management and operation of the Company. The Managing Director/Chief Executive Officer is responsible for the day-to-day operations, financial performance and administration of the Company within the powers authorised to him from time-to-time by the Board. The Managing Director/Chief Executive Officer may make further delegation within the delegations specified by the Board and will be accountable to the Board for the exercise of those delegated powers.

Further details of Board responsibilities, objectives and structure are set out in the Board Charter which is contained within the Corporate Governance Plan on the Company's website at www.schrole.com/corporate-governance.

Board Committees

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of separate committees at this time including audit and risk, remuneration or nomination committees, preferring at this stage of the Company's development, to manage the Company through the full Board of Directors. The Board assumes the responsibilities normally delegated to the audit and risk, remuneration and nomination Committees.

If the Company's activities increase, in size, scope and nature, the appointment of separate committees will be reviewed by the Board and implemented if considered appropriate.

Board Appointments

The Company undertakes comprehensive reference checks prior to appointing a director, or putting that person forward as a candidate to ensure that person is competent, experienced, and would not be impaired in any way from undertaking the duties of director. The Company provides relevant information to shareholders for their consideration about the attributes of candidates together with whether the Board supports the appointment or re-election.

The terms of the appointment of a non-executive director, executive directors and senior executives are agreed upon and set out in writing at the time of appointment.

The Company Secretary

The Company Secretary is accountable directly to the Board, through the Chairman, on all matters to do with the proper functioning of the Board, including agendas, Board papers and minutes, advising the Board and its Committees (as applicable) on governance matters, monitoring that the Board and Committee policies and procedures are followed, communication with regulatory bodies and the ASX and statutory and other filings.

Diversity

The Board has adopted a Diversity Policy which provides a framework for the Company to establish and achieve measurable diversity objectives, including in respect to gender, age, ethnicity and cultural diversity. The Diversity Policy allows the Board to set measurable gender diversity objectives (if considered appropriate) and to assess annually both the objectives (if any have been set) and the Company's progress towards achieving them.

The Board considers that, due to the size, nature and stage of development of the Company, setting measurable objectives for the Diversity Policy at this time is not appropriate. The Board will consider setting measurable objectives as the Company increases in size and complexity.

The participation of women in the Company at the date of this report is as follows:

- Women employees in the Company 30%
- Women in senior management positions 0%
- Women on the Board 0%

The Company's Diversity Policy is available on its website.

Board & Management Performance Review

On an annual basis, the Board conducts a review of its structure, composition and performance.

The annual review includes consideration of the following measures:

- comparing the performance of the Board against the requirements of its Charter;
- assessing the performance of the Board over the previous 12 months having regard to the corporate strategies, operating plans and the annual budget;
- reviewing the Board's interaction with management;
- reviewing the nature and timing of information provided to the Board by management;

- reviewing management’s performance in assisting the Board to meet its objectives; and
- identifying any necessary or desirable improvements to the Board Charter.

The method and scope of the performance evaluation will be set by the Board and may include a Board self-assessment checklist to be completed by each Director. The Board may also use an independent adviser to assist in the review.

The Chairman has primary responsibility for conducting performance appraisals of Non-Executive Directors, in conjunction with them, having particular regard to:

- contribution to Board discussion and function;
- degree of independence including relevance of any conflicts of interest;
- availability for and attendance at Board meetings and other relevant events;
- contribution to Company strategy;
- membership of and contribution to any Board committees; and
- suitability to Board structure and composition.

The Board conducts an annual performance assessment of the Managing Director/Chief Executive Officer against agreed key performance indicators.

The Managing Director/Chief Executive Officer conducts an annual performance assessment of senior executives against agreed key performance indicators.

Given the fact the Company was only reinstated under its present structure on 11 October 2017, no formal appraisal of the Board or any senior executive has been conducted.

Independent Advice

Directors have a right of access to all Company information and executives. Directors are entitled, in fulfilling their duties and responsibilities, to seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairman. A copy of any such advice received is made available to all members of the Board.

Principle 2: Structure the board to add value

Board Composition

At the date of this report the Board was comprised of the following members:

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
James King	Non-Executive Director	29 November 2019

The Company has adopted a definition of 'independence' for Directors that is consistent with the Recommendations.

The Board comprises a majority of non-executive directors, all of whom are considered independent.

Robert Graham is Chief Executive Officer and Managing Director

Board Selection Process

The Board considers that a diverse range of skills, backgrounds, knowledge and experience is required in order to effectively govern the Group. The Board believes that orderly succession and renewal contributes to strong corporate governance and is achieved by careful planning and continual review.

The Board is responsible for the nomination and selection of directors. The Board reviews the size and composition of the Board regularly and at least once a year as part of the Board evaluation process.

Given the current size and stage of development of the Company, the Board has not yet established a formal Board Skills Matrix.

The Board charter requires the disclosure of each Board member's qualifications and expertise. Full details as to each Director's relevant skills and experience are available in the Director's report.

Induction of New Directors and Ongoing Development

New Directors are issued with a formal Letter of Appointment that sets out the key terms and conditions of their appointment, including Director's duties, rights and responsibilities, the time commitment envisaged, and the Board's expectations regarding involvement with any Committee work.

An induction program is in place and new Directors are encouraged to engage in professional development activities to develop and maintain the skills and knowledge needed to perform their role as Directors effectively.

Principle 3: Act ethically and responsibly

The Company has implemented a Code of Conduct, which provides a framework for decisions and actions in relation to ethical conduct in employment. It underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders.

All employees and Directors are expected to:

- behave honestly and with integrity and report other employees who are behaving dishonestly;
- carry out your work with integrity and to a high standard and in particular, commit to the Company's policy of producing quality goods and services;
- operate within the law at all times;
- act in the best interests of the Company;
- follow the policies of the Company; and
- act in an appropriate business-like manner when representing the Company in public forums.

An employee that breaches the Code of Conduct may face disciplinary action including, in the cases of serious breaches, dismissal. If an employee suspects that a breach of the Code of Conduct has occurred or will occur, he or she must report that breach to the Company Secretary, or in their absence, the Chairman. No employee will be disadvantaged or prejudiced if he or she reports in good faith a suspected breach. All reports will be acted upon and kept confidential.

Principle 4: Safeguard integrity in corporate reporting

The Board as a whole fulfils to the functions normally delegated to the Audit Committee as detailed in the Audit Committee Charter.

The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises. Candidates for the position of external auditor must demonstrate complete independence from the Company throughout the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Board.

The Board receives regular reports from management and from external auditors. It also meets with the external auditors as and when required.

The external auditors attend the Company's AGM and are available to answer questions from security holders relevant to the audit.

Prior approval of the Board must be gained for non-audit work to be performed by the external auditor. There are qualitative limits on this non-audit work to ensure that the independence of the auditor is maintained.

There is also a requirement that the lead engagement partner responsible for the audit not perform in that role for more than five years.

CEO and CFO Certifications

The Board, before it approves the entity's financial statements for a financial period, receives from its CEO and CFO (or the persons fulfilling those functions) a declaration provided in accordance with Section 295A of the Corporations Act that, in their opinion, the financial records of the entity have been properly maintained and that the financial statements comply with the appropriate accounting standards and give a true and fair view of the financial position and performance of the entity and that the opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.

Principle 5: Make timely and balanced disclosure

The Company has a Continuous Disclosure Policy which outlines the disclosure obligations of the Company as required under the ASX Listing Rules and Corporations Act. The policy is designed to ensure that procedures are in place so that the market is properly informed of matters which may have a material impact on the price at which Company securities are traded.

The Board considers whether there are any matters requiring disclosure in respect of each and every item of business that it considers in its meetings. Individual Directors are required to make such a consideration when they become aware of any information in the course of their duties as a Director of the Company.

The Company is committed to ensuring all investors have equal and timely access to material information concerning the Company.

The Board has designated the Company Secretary as the person responsible for communicating with the ASX. All key announcements at the discretion of the Managing Director are to be circulated to and reviewed by all members of the Board.

The Chairman, the Board, Managing Director and the Company Secretary are responsible for ensuring that:

- a) company announcements are made in a timely manner, that announcements are factual and do not omit any material information required to be disclosed under the ASX Listing Rules and Corporations Act; and

- b) company announcements are expressed in a clear and objective manner that allows investors to assess the impact of the information when making investment decisions.

Principle 6: Respect the rights of security holders

The Company recognises the value of providing current and relevant information to its shareholders. The Board of the Company aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs.

The Company respects the rights of its shareholders and to facilitate the effective exercise of those rights the Company is committed to:

- communicating effectively with shareholders through releases to the market via ASX, the company website, information posted or emailed to shareholders and the general meetings of the Company;
- giving shareholders ready access to clear and understandable information about the Company; and
- making it easy for shareholders to participate in general meetings of the Company.

The Company also makes available a telephone number and email address for shareholders to make enquiries of the Company. These contact details are available on the "Contact Us" page of the Company's website.

Shareholders may elect to, and are encouraged to, receive communications from Schrole Group and Schrole Group's securities registry electronically. The contact details for the registry are accessible from the "For Investors" page of the Company's website.

The Company maintains information in relation to its Constitution, governance documents, Directors and senior executives, Board and committee charters, annual reports and ASX announcements on the Company's website.

Principle 7: Recognise and manage risk

The Board is committed to the identification, assessment and management of risk throughout Schrole Group's business activities.

The Board is responsible for the oversight of the Company's risk management and internal compliance and control framework. The Company does not have an internal audit function. Responsibility for control and risk management is delegated to the appropriate level of management within the Company with the Managing Director having ultimate responsibility to the Board for the risk management and internal compliance and control framework. Schrole Group has established policies for the oversight and management of material business risks.

Schrole Group's Risk Management and Internal Compliance and Control Policy recognises that risk management is an essential element of good corporate governance and fundamental in achieving its strategic and operational objectives. Risk management improves decision making, defines opportunities and mitigates material events that may impact security holder value.

Schrole Group believes that explicit and effective risk management is a source of insight and competitive advantage. To this end, Schrole Group is committed to the ongoing development of a strategic and consistent enterprise wide risk management program, underpinned by a risk conscious culture.

Schrole Group accepts that risk is a part of doing business. Therefore, the Company's Risk Management and Internal Compliance and Control Policy is not designed to promote risk avoidance. Rather Schrole Group's approach is to create a risk conscious culture that encourages the systematic identification, management and control of risks whilst ensuring the Company does not enter into unnecessary risks or enter into risks unknowingly.

Schrole Group assesses its risks on a residual basis; that is it evaluates the level of risk remaining and considering all the mitigation practices and controls. Depending on the materiality of the risks, Schrole Group applies varying levels of management plans.

The Board has required management to design and implement a risk management and internal compliance and control system to manage Schrole Group's material business risks. It receives regular reports on specific business areas where there may exist significant business risk or exposure. The Company faces risks inherent to its business, including economic risks, which may materially impact the Company's ability to create or preserve value for security holders over the short, medium or long term. The Company has in place policies and procedures, including a risk management framework (as described in the Company's Risk Management and Internal Compliance and Control Policy), which is developed and updated to help manage these risks. The Board does not consider that the Company currently has any material exposure to environmental or social sustainability risks.

The Company's process of risk management and internal compliance and control includes:

- identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect those risks;
- formulating risk management strategies to manage identified risks, and designing and implementing appropriate risk management policies and internal controls; and
- monitoring the performance of, and improving the effectiveness of, risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board reviews the Company's risk management framework at least annually to ensure that it continues to effectively manage risk.

Management reports to the Board as to the effectiveness of Schrole Group's management of its material business risks at each Board meeting.

Principle 8: Remunerate fairly and responsibly

The Board as a whole fulfils to the functions normally delegated to the Remuneration Committee as detailed in the Remuneration Committee Charter.

Schrole Group has implemented a Remuneration Policy which was designed to recognise the competitive environment within which Schrole Group operates and also emphasise the requirement to attract and retain high calibre talent in order to achieve sustained improvement in Schrole Group's performance. The overriding objective of the Remuneration Policy is to ensure that an individual's remuneration package accurately reflects their experience, level of responsibility, individual performance and the performance of Schrole Group.

The key principles are to:

- review and approve the executive remuneration policy to enable the Company to attract and retain executives and Directors who will create value for shareholders;
- ensure that the executive remuneration policy demonstrates a clear relationship between key executive performance and remuneration;
- fairly and responsibly reward executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectations in the market;
- remunerate fairly and competitively in order to attract and retain top talent;
- recognise capabilities and promote opportunities for career and professional development; and
- review and approve equity based plans and other incentive schemes to foster a partnership between employees and other security holders.

The Board determines the Company's remuneration policies and practices and assesses the necessary and desirable competencies of Board members. The Board is responsible for evaluating Board performance, reviewing Board and management succession plans and determines remuneration packages for the Managing Director, Non-Executive Directors and senior management based on an annual review.

Schrole Group's executive remuneration policies and structures and details of remuneration paid to directors and key management personnel (where applicable) are set out in the Remuneration Report.

Non-Executive Directors receive fees (including statutory superannuation where applicable) for their services, the reimbursement of reasonable expenses and, in certain circumstances options.

Executive directors and other senior executives (where appointed) are remunerated using combinations of fixed and performance based remuneration. Fees and salaries are set at levels reflecting market rates and performance based remuneration is linked directly to specific performance targets that are aligned to both short and long term objectives.

The Company prohibits Directors and employees from entering into any transaction that would have the effect of hedging or otherwise transferring the risk of any fluctuation in the value of any unvested entitlement in the Company's securities to any other person.

Further details in relation to the company's remuneration policies are contained in the Remuneration Report, within the Directors' report.

Additional ASX Information as at 23 March 2020

The shareholder information set out below was applicable as at 23 March 2020.

As at 23 March 2020 there were 1,078 holders of Ordinary Fully Paid Shares.

Voting Rights

The voting rights of the ordinary shares are as follows:

- a) at meetings of members each member entitled to vote may vote in person or by proxy or attorney;
- b) on a show of hands each person present who is a member has one vote; and
- c) on a poll each person present in person or by proxy or by attorney has one vote for each ordinary share held.

There are no voting rights attached to any of the options and performance shares that the Company currently has on issue. Upon exercise of these options, the shares issued will have the same voting rights as existing ordinary shares.

Twenty Largest Shareholders

Holder Name	Holding	% of Issued Capital
ENERLY PTY LTD <STRONADA>	116,363,527	13.04
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	103,952,865	11.65
SARGON CT PTY LTD <CYAN C3G FUND>	52,800,000	5.92
CITICORP NOMINEES PTY LIMITED	32,301,602	3.62
TORONGA PTY LTD	24,172,020	2.71
ALTOR CAPITAL MANAGEMENT PTY LTD <ALTOR ALPHA FUND A/C>	19,095,500	2.14
MR SHANE HOEHOCK WEE <WEE FAMILY A/C>	18,000,000	2.02
CAPITAL H MANAGEMENT PTY LTD <CAPITAL H A/C>	17,071,152	1.91
MORVEN ANN SMITH ROSSDHU FAMILY	14,320,889	1.60
XCEL CAPITAL PTY LTD	12,416,667	1.39
BOND STREET CUSTODIANS LIMITED <IANLAU - D74169 A/C>	9,521,723	1.07
PATERSON ROAD INVESTMENTS PTY LTD <PATERSON ROAD INVESTMENT A/C>	8,851,068	0.99
MR SIMON ROBERT MILLER	7,102,019	0.80
IAN SYLVESTER <IAN C SYLVESTER REVOCABLE>	7,053,100	0.79
KYLE GRANT BREWERTON & CAROLINE GEORGINA BREWERTON <KCB FAMILY>	7,050,554	0.79
BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	6,718,060	0.75
ATTOLLO INVESTMENTS PTY LTD <ATTOLLO INVESTMENT A/C>	6,491,064	0.73
PINJO HOLDINGS PTY LTD <KAJAPIDA SUPER FUND A/C>	6,100,000	0.68
MR BRADLEY CLIVE MORGAN JONES & MRS LISCIA ANN JONES <BRADLEY CLIVE JONES SF A/C>	6,100,000	0.68
HM PENSION FUND PTY LTD <HM PENSION FUND A/C>	6,000,000	0.67
MR KOON LIP CHOO	5,700,000	0.64
Total	487,181,810	54.59%

Substantial Holders

Substantial shareholders disclosed to the Company as at 23 March 2020 are:

Holder Name	Holding	% of Issued Capital
ENERLY PTY LTD <STRONADA>	116,363,527	13.04%
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	103,952,865	11.65%
SARGON CT PTY LTD <CYAN C3G FUND>	52,800,000	5.92%

Distribution of Equity Securities

Ordinary Fully Paid Shares

Range	Securities	%	No. of holders
100,001 and Over	882,097,920	98.84	424
10,001 to 100,000	9,499,731	1.06	181
5,001 to 10,000	268,165	0.03	39
1,001 to 5,000	536,017	0.06	216
1 to 1,000	77,899	0.01	218
Total	892,479,732	100	1,078

Unmarketable Parcels – 505 Holders

Restricted Securities

As at 25 March 2020 there are no securities are subject to escrow.

Unquoted Securities

As at 25 March 2019 the following unquoted securities are on issue:

- 243,000,000 Performance Shares* (with 3 holders), comprising:
 - 93,000,000 Class A Performance Shares; and
 - 150,000,000 Class B Performance Shares.

Holder with more than 20%

Holder Name	Holding	% of Issued Capital
ENERLY PTY LTD <STRONADA A/C>	235,000,000	96.7%

*Conversion Terms

Class A Performance Shares convert to fully paid ordinary shares upon Schrole achieving total annual sales revenue of \$7 million over any 12 month period prior to 12 October 2020.

Class B Performance Shares convert to fully paid ordinary shares upon Schrole achieving accumulated earnings before interest, taxes, depreciation and amortisation of \$3 million over any 12 month period prior to 12 October 2021.

- 40,880,000 Performance Rights* (with 11 holders), comprising:-
 - 4,720,000 Class A Performance Rights;
 - 13,560,000 Class B Performance Rights; and
 - 22,600,000 Class C Performance Rights.

There are no holders with more than 20%

*Vesting Terms

Class A Performance Rights are convertible to fully paid ordinary shares on election by the holder.

Class B Performance Rights vest and are convertible to fully paid ordinary shares upon Schrole achieving total annual sales revenue of \$7 million over any 12 month period prior to 12 October 2020.

Class C Performance Rights vest and are convertible to fully paid ordinary shares upon Schrole achieving accumulated earnings before interest, taxes, depreciation and amortisation of \$3 million over any 12 month period prior to 12 October 2021.

- 50,000,000 Options expiring 4 October 2020 @ \$0.02 – 34 holders
There are no holders with more than 20%
- 57,000,000 Options expiring 4 October 2020 @ \$0.03 – 25 holders
There are no holders with more than 20%
- 104,000,000 Options expiring 4 October 2020 @ \$0.04 – 73 holders
There are no holders with more than 20%

On-market Buyback

There is currently no on-market buyback program.

ASX Listing Rule 4.10.19

The Company has used its cash and assets in a form readily convertible to cash that it had at the time of reinstatement of the Company's securities to quotation in a way consistent with its business objectives.