

Schrole Group Ltd and its Controlled Entities
Appendix 4D

1. Name of Entity

Schrole Group Ltd (ABN 27 164 440 859)

Reporting Period

Previous Corresponding Reporting Period

Half-year ended 30 June 2020

Half-year ended 30 June 2019

2. Results for Announcement to Market

Financial results	Up / Down	Change %	2020 \$	2019 \$
Revenue from ordinary activities	Up	8	3,005,507	2,782,350
(Loss) after tax from ordinary activities attributable to members	Up	4110	(934,677)	(21,900)
(Loss) attributable to members	Up	4110	(934,677)	(21,900)

Final and interim dividends

Record date for determining entitlements to the dividend

Brief explanation of any of the figures reported above

No dividends or distributions are payable.

N/A

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

3. Net Tangible Asset Backing per Ordinary Share

	Cents
Net tangible (liability) backing per ordinary share – current reporting period	(0.09)
Net tangible asset backing per ordinary share – previous reporting period	0.1

4. Control Gained Over Entities

Details of entities over which control has been gained or lost

N/A

5. Dividends Paid and Payable

Details of dividends or distribution payments

No dividends or distributions are payable.

6. Dividend Reinvestment Plans

Details of dividend or distribution reinvestment plans

N/A

7. Details of Associates

Details of associates and joint venture entities

N/A

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8. Foreign Entities

Foreign entities to disclose which accounting standards are used in compiling the report	N/A
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9. Review Opinion

Details of any audit dispute or qualification	There are no audit disputes or qualifications to the review opinion.
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Stuart Carmichael
Non-Executive Chairman
27 August 2020

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Schrole™



Schrole Group Ltd

ABN 27 164 440 859



**Interim Financial Report
For the half year ended
30 June 2020**



Directors' Report

Your Directors present their report, together with the interim financial report of Schrole Group Ltd ("the Company") and controlled entities ("the Group", "Schrole") for the half year ended 30 June 2020.

Directors

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

Name	Status	Appointed
Stuart Carmichael	Non-Executive Chairman	5 October 2017
Robert Graham	Managing Director	5 October 2017
Shaun Hardcastle	Non-Executive Director	5 October 2017
James King	Non-Executive Director	29 November 2019

Principal Activities

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

Review of Operations

Schrole Group Ltd reported a loss for the half year ended 30 June 2020 of \$934,677 (2019: loss of \$21,900). During the half year ended 30 June 2020, the following activities were undertaken.

Schrole continues to strengthen its market position in the international school sector. With 388 schools actively engaged on the platform as at 30 June 2020, Schrole continues to experience positive retention rates from existing international school clients and improved engagement with the platform.

Schrole demonstrated resilience during the first six months of the year and it adapted to the challenges associated with COVID-19. Despite significant economic disruption, travel restrictions and school closures the Company reported Annual Recurring Revenue of \$3m at 30 June 2020 an increase of 8.0% compared to the comparable prior period.

On 13 May 2020, Schrole announced a partnership with Faria, representing a major milestone that is expected to transform the business. Faria is highly regarded in the global education sector with an extensive school network comprising over 3,000 international schools across 130 countries.

As part of the partnership, Faria invested \$2.9m in Schrole via a convertible note, which will convert into a 19.99% strategic stake. This was approved by Shareholders on 2 July 2020. Schrole also successfully completed a placement to sophisticated and professional investors raising \$2.12m.

Schrole and Faria have a highly complementary service offering and initial technical integrations have been completed incorporating a Single-Sign-On to allow users to move seamlessly from Faria into Schrole's ISS-Schrole Advantage and Verify services. Combined marketing activities will commence by October 2020. The partnership is expected to deliver significant growth for Schrole and represents a major milestone in the Company's history.

Advantage platform

International schools were impacted by border closures as a result of COVID-19 during the half-year. While the number of schools fell by 2.3% to 388 schools, overall engagement was high and the number of teacher candidates engaged on the platform continued to increase. As at 30 June 2020, the Company had 6,600 premium candidates (on a rolling twelve-month basis). School groups continue to represent a major growth opportunity for Schrole. There are over 70 international school groups that consist of ten or more schools, representing over 2,000 schools.

The school group functionality that was launched on the Advantage platform in December 2019 allows for these school groups to manage their staff recruitment activities across multiple school locations in different jurisdictions.

Schrole Cover

Schrole Cover, a cloud-based software as a Service platform for the fast filling of casual staffing positions, continued its expansion into schools in Western Australia with further sales to new schools, as well as confirmed renewals of key hospital clients during the half-year. The Company has seen sales growth in Schrole Cover, with the total number of active licences growing to 301 as at 30 June 2020, representing a year on year increase of 65%.

Schrole Verify

Schrole Verify continues to receive a positive response from customers and the Company has continued to invest in marketing this product during the year. The demand for Schrole Verify continues to increase globally as schools are increasingly compelled to undertake reference checks for their existing and prospective teachers as well as for non-teaching staff members. Throughout the half-year sales were made to schools in the Caribbean, Oman, Hong Kong and Cambodia.

Schrole ETAS / Develop

Schrole ETAS is the consulting and training division of the Company, providing nationally recognised training qualifications in training, leadership and management to major multinational mining companies and government agencies in Western Australia. Sales during the half-year were impacted by reduced training activity as a result of COVID-19 and the transition to online. Schrole ETAS generated sales for the half-year of over \$415,545, representing a decline of 34% compared to the prior period. Pleasingly, under the new brand “Schrole Develop”, the first sale was made in Q2 FY20 to an international school in China for the Diploma of Leadership and Management.

Significant Events After the Reporting Period

On 2 July 2020, the shareholders of Schrole resolved to approve the issue of 2,895,000 Convertible Notes as equity securities to Faira Education Limited.

On 8 July 2020, Schrole announced that it had agreed to terminate its agreement in June 2022 with International Schools Service Inc (“ISS”) for sales of ISS-Schrole Advantage Platform (“Advantage”). The agreement with ISS was revised for a transition period of 48 months during which Schrole and ISS will split revenues for new sales and renewals as follows:

- 12 months to 30 June 2021 – Fixed 50-50 basis for new sales and renewals
- 12 months to 30 June 2022 – New sales by Schrole to be allocated 100% to Schrole and renewals to be split 50-50 (ISS / Schrole). Agreement to be terminated from 30 June 2022.

On 10 July 2020, Schrole completed its capital raising and issued 66,750,757 ordinary shares at \$0.0106 per share to raise \$707,558 (before costs). On 11 August 2020, the Company issued 680,000 ordinary shares on the vesting and exercise of the same number of Tranche A performance rights.

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has not significantly impacted the Group up to 30 June 2020, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

COVID Update

With the spread of COVID-19 causing significant volatility in Australian and international markets, there is uncertainty around the breadth and impact on the Group, as well as its impact on the Australian and international economies and, as such, the Company is unable to determine if it will have a material impact to its operations. During the half-year ended 30 June 2020, school numbers declined marginally to 388 during the, however this was offset by a solid retention rate of existing customers. Training revenues dropped reflecting the negative impact of COVID-19 restrictions, however there was growth of 4% in revenues in June 2020 compared to June 2019, as customers took up the online training option. Management does not expect there to be a material impact from COVID-19 on the Group's financial statements.

Dividends

There were no dividends paid, recommended or declared during the half-year.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out at on page 19.

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



Stuart Carmichael
Non-Executive Chairman
27 August 2020

Schrole Group Ltd
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half Year Ended 30 June 2020

	Notes	Consolidated	
		30 Jun 2020 \$	30 Jun 2019 \$
Revenue		3,005,507	2,782,350
Expenses			
Alliance fees		(958,647)	(540,470)
Employee benefits expense		(1,495,226)	(954,755)
Depreciation and amortisation expense		(482,365)	(337,191)
Travel expense		(195,438)	(141,757)
Share-based payments		(116,114)	-
Finance costs		(60,993)	(26,224)
Other expenses		(631,401)	(803,853)
Loss before income tax expense		<u>(934,677)</u>	<u>(21,900)</u>
Income tax benefit / (expense)		-	-
Loss after income tax expense attributable to the owners of Schrole Group Ltd		<u>(934,677)</u>	<u>(21,900)</u>
Other comprehensive income, net of tax		-	-
Total comprehensive loss		<u><u>(934,677)</u></u>	<u><u>(21,900)</u></u>
Basic loss per share (cents)	10	(0.10)	(0.003)
Diluted loss per share (cents)	10	(0.10)	(0.003)

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

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Schrole Group Ltd
Consolidated Statement of Financial Position
As at 30 June 2020

	Notes	Consolidated	
		30 Jun 2020	31 Dec 2019
		\$	\$
Current assets			
Cash and cash equivalents		4,558,169	2,005,189
Trade receivables	3	1,749,677	474,162
Other receivables		101,122	179,841
Total current assets		<u>6,408,968</u>	<u>2,659,192</u>
Non-current assets			
Property, plant and equipment		100,408	115,439
Right-of-use assets	4	344,278	104,545
Intangible assets	5	677,931	1,074,798
Other		-	1,462
Total non-current assets		<u>1,122,617</u>	<u>1,296,244</u>
Total assets		<u>7,531,585</u>	<u>3,955,436</u>
Current liabilities			
Trade and other payables	6	746,404	1,239,942
Contract Liability		3,544,695	3,009,493
Provision for employee benefits		206,394	197,819
Financial liabilities	7	2,902,223	193,751
Other		1,865	1,000
Total current liabilities		<u>7,406,581</u>	<u>4,642,005</u>
Non-current liabilities			
Provision for employee benefits		17,131	23,399
Financial liabilities	7	324,703	-
Total non-current liabilities		<u>341,834</u>	<u>23,399</u>
Total liabilities		<u>7,748,415</u>	<u>4,665,404</u>
Net (liabilities)		<u>(216,830)</u>	<u>(709,968)</u>
Equity			
Issued capital	8	16,112,224	14,785,563
Reserves	9	1,060,377	959,223
Accumulated losses		(17,389,431)	(16,454,754)
Total equity		<u>(216,830)</u>	<u>(709,968)</u>

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

Schrole Group Ltd
Consolidated Statement of Changes in Equity
For the Half Year Ended 30 June 2020

	Issued Capital \$	Reserves \$	Accumulated Losses \$	Total Equity \$
Balance at 1 January 2019	12,820,563	959,223	(14,485,186)	(705,400)
Loss after income tax expense	-	-	(21,900)	(21,900)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss	-	-	(21,900)	(21,900)
<i>Transactions with owners in their capacity as owners</i>				
Issue of shares	1,175,000	-	-	1,175,000
Balance at 30 June 2019	13,995,563	959,223	(14,507,086)	447,700
Balance at 1 January 2020	14,785,563	959,223	(16,454,754)	(709,968)
Loss after income tax expense	-	-	(934,677)	(934,677)
Other comprehensive income, net of tax	-	-	-	-
Total comprehensive loss	-	-	(934,677)	(934,677)
<i>Transactions with owners in their capacity as owners</i>				
Issue of shares	1,311,701	-	-	1,311,701
Performance shares issued	-	51,471	-	51,471
Performance rights vested	-	64,643	-	64,643
Performance rights exercised	14,960	(14,960)	-	-
Balance at 30 June 2020	16,112,224	1,060,377	(17,389,431)	(216,830)

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

Schrole Group Ltd
Consolidated Statement of Cash Flow
For the Half Year Ended 30 June 2020

	Consolidated	
	30 Jun 2020	30 Jun 2019
	\$	\$
Cash flows from operating activities		
Receipts from customers	2,171,466	1,866,643
Payments to suppliers and employees	(3,547,038)	(2,891,955)
Interest received	557	12
Net cash (used in) operating activities	<u>(1,375,015)</u>	<u>(1,025,300)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(19,470)	(12,458)
Payments for software development costs	(134,365)	(352,153)
Net cash (used in) investing activities	<u>(158,835)</u>	<u>(364,611)</u>
Cash flows from financing activities		
Receipts from shares issued (net of costs)	1,311,701	1,175,000
Receipts from convertible notes (net of costs)	2,841,163	-
Repayment of property lease financial liabilities	(80,045)	(82,398)
Repayment of other financing facilities	(30,576)	-
Interest paid	(1,061)	(8,044)
Net cash generated by financing activities	<u>4,041,182</u>	<u>1,084,558</u>
Net increase / (decrease) in cash and cash equivalents	2,512,332	(305,353)
Cash and cash equivalents at the beginning of the period	2,005,189	1,670,970
Effects of exchange rate changes on cash and cash equivalents	40,648	-
Cash and cash equivalents at the end of the period	<u>4,558,169</u>	<u>1,365,617</u>

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

Schrole Group Ltd

Notes to the Consolidated Financial Statements

Note 1. Reporting Entity

The interim financial report (**Report**) of Schrole Group Ltd (**Company**) and its controlled entities (**Group or Consolidated Entity**) for the half year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Directors on 27 August 2020.

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

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

Note 2. Basis of Preparation

This Report for the half-year ended 30 June 2020 has been prepared in accordance with the Corporations Act 2001, AASB 134 *Interim Financial Reporting* and other applicable accounting standards. Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with IAS 34 'Interim Financial Reporting'.

This Report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 31 December 2019 and any public announcements made by Schrole Group Limited during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

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

The accounting policies adopted are consistent with those adopted and disclosed in the Company's 2019 Annual Report for the year ended 31 December 2019, unless otherwise stated.

This Report has been prepared on a going concern basis, based on the Group's expected future financial performance and in particular the cash flow and profitability benefits that are expected to arise for the Group.

For the period ended 30 June 2020, the Group incurred a net loss of \$934,677 and experienced net cash outflows from operations of \$1,375,015. As at 30 June 2020, the Group had a deficiency of net assets of \$216,830 and cash balance of \$4,558,169.

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.

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.
- In May 2020, the Group raised \$1.4 million from sophisticated investors. In addition, the Group received \$2.895 million from the proceeds of a convertible note subject to shareholder approval. This approval was received on 2 July 2020.

Government Grants

Government grants are recognised when there is reasonable assurance that the grant will be received, and all attaching conditions will be compiled with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit and loss over the expected useful life of the relevant asset by equal annual instalments. When the grant relates to operating expenditure, the grant income is recognised on a systematic basis in the statement of profit and loss over the periods necessary to match the related cost which they are intended to compensate.

Convertible Notes

The component of the convertible notes that exhibits characteristics of a liability is recognised as a liability in the statement of financial position, net of transaction costs.

On the issue of the convertible notes the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond and this amount is carried as a non-current liability on the amortised cost basis until extinguished on conversion or redemption. The increase in the liability due to the passage of time is recognised as a finance cost. The remainder of the proceeds are allocated to the conversion option that is recognised and included in shareholders equity as a convertible note reserve, net of transaction costs. The carrying amount of the conversion option is not remeasured in the subsequent years. The corresponding interest on convertible notes is expensed to profit or loss.

New, Revised or Amended Accounting Standards and Interpretations Applicable

In the half-year ended 30 June 2020, the Directors have reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to the Group and effective for the half-year reporting periods beginning on or after 1 January 2020. There was no material impact on the financial statements.

New, Revised or Amended Accounting Standards and Interpretations Not Yet Mandatory

Any new and revised Standards and Interpretations issued but not yet mandatory, have not been early adopted by the Group for the half-year reporting period 30 June 2020. There are no new or amended Accounting Standards and Interpretations that are relevant to the Group.

Note 3. Trade Receivables

	Consolidated	
	30 Jun 2020	31 Dec 2019
	\$	\$
Trade receivables	1,775,444	499,029
Less provision for expected credit loss	(25,767)	(24,867)
	1,749,677	474,162

Note 4. Right-of-use Asset

	Consolidated	
	30 Jun 2020	31 Dec 2019
	\$	\$
Right-of-use asset - cost	354,115	627,269
Accumulated depreciation	(9,837)	(522,724)
	<u>344,278</u>	<u>104,545</u>
<i>Movements in cost</i>		\$
Balance at 1 January 2020		627,269
Impact of lease modification		(273,154)
Balance at 30 June 2020		<u>354,115</u>
<i>Movements in accumulated depreciation</i>		
Balance at 1 January 2020		522,724
Depreciation expense		75,177
Impact of lease modification		(588,064)
Balance at 30 June 2020		<u>9,837</u>

During the half-year, the Group exercised its option as lessee to extend the term of the leasing agreement for the office at 142 Hasler Road, Osborne Park. The terms of the agreement were renegotiated and differed from those at the date of initial application. The Group has determined this to be a modification of the agreement under AASB 16 Leases and a revaluation and a reassessment of the resulting lease liability and right-of-use asset was performed at that time. The revaluation was based on the present value of lease payments, using an incremental borrowing rate of 4.00%.

Note 5. Intangible Assets

	Consolidated	
	30 Jun 2020	31 Dec 2019
	\$	\$
Developed software acquired	284,569	284,569
Expenditure capitalised	2,578,869	2,462,465
R&D offset	(362,227)	(362,227)
	<u>2,501,211</u>	<u>2,384,807</u>
Less accumulated amortisation	(1,825,800)	(1,312,529)
	<u>675,411</u>	<u>1,072,278</u>
Trademark acquired	2,520	2,520
	<u>677,931</u>	<u>1,074,798</u>

Note 6. Trade and Other Payables

	Consolidated	
	30 Jun 2020	31 Dec 2019
	\$	\$
Trade payables	176,251	189,481
Provisions and accruals	395,767	863,557
Other	174,386	186,904
	<u>746,404</u>	<u>1,239,942</u>

The balance of provisions and accruals includes \$326,044 (31 Dec 2019: \$708,823) in respect of accrued service fees payable to ISS pursuant to the Alliance Agreement.

Note 7. Financial Liabilities

	Consolidated	
	30 Jun 2020	31 Dec 2019
	\$	\$
Current liabilities		
Lease liability	66,061	163,175
Convertible note	2,895,000	-
Transaction costs on convertible note	(53,838)	-
Premium funding facility	-	30,576
	<u>2,907,223</u>	<u>193,751</u>
Non-current liabilities		
Lease liability	<u>324,703</u>	-
	<u>324,703</u>	-

On 13 May 2020, Schrole issued a convertible note to Faria Education Ltd (“Noteholder”), which will convert into a 19.99% strategic stake subject to shareholder approval. The convertible notes will convert to 273,113,208 ordinary shares at a deemed price of 1.06 cents. The convertible notes, subject to shareholder approval, will be convertible into ordinary shares in the Company at the election of the Noteholder, or will convert automatically if Schrole’s 60-day VWAP is equal to or higher than 1.37 cents. The maturity of the convertible notes is 3 years from the date of issue, at which time any unconverted convertible notes will automatically convert into ordinary shares at the conversion price. Interest will accrue from the date that is six months after the execution of the convertible note agreement and is payable on the face value of each convertible note at a rate of 8.0% per annum. Interest is payable in cash or otherwise agreed. If interest is agreed to be paid in ordinary shares, then the conversion price of 1.06 cents will be used. The convertible note agreement is subject to industry standards events of default, upon which, the Noteholder would have the right to redeem the amount outstanding under the convertible note. The convertible notes were subsequently approved by shareholders on the 2 July 2020.

	Consolidated	
	30 Jun 2020	30 Jun 2019
	\$	\$
<i>Amounts recognised in the statement of profit and loss</i>		
Depreciation expense on right-of-use asset (Note 4)	75,177	78,409
Interest expense	3,318	7,198
<i>Movements in lease liability</i>		
Balance at 1 January 2020		\$ 163,175
Principal repayments		(80,368)
Lease modification		307,957
Balance at 30 June 2020		<u>390,764</u>

Note 8. Issued Capital

	30 Jun 2020	31 Dec 2019	30 Jun 2020	31 Dec 2019
	Shares	Shares	\$	\$
Ordinary shares – fully paid	<u>1,026,608,975</u>	<u>889,620,231</u>	<u>16,112,224</u>	<u>14,785,563</u>
<i>Movements in issued capital</i>				
	Note	Date	Shares	\$
Balance		1/1/2019	631,370,231	12,820,563
Issue of shares – private placement		3/5/2019	156,250,000	1,250,000
Share issue transaction costs (net of tax)		3/5/2019	-	(75,000)
Issue of shares – private placement		26/9/2019	100,000,000	800,000
Share issue transaction costs (net of tax)		26/9/2019	-	(50,000)
Exercise of options		10/12/2019	2,000,000	40,000
Balance		31/12/2019	889,620,231	14,785,563
Issue of shares – employee incentive	8a	3/3/2020	2,859,501	-
Conversion of performance rights	8b	20/4/2020	880,000	14,960
Issue of shares – placement	8c	21/5/2020	133,249,243	1,412,442
Share issue transaction costs			-	(100,741)
Balance		30/6/2020	<u>1,026,608,975</u>	<u>16,112,224</u>

Notes:

- 8a Fully paid ordinary shares to employees under incentive scheme in lieu of salary
- 8b Conversion of Tranche A Performance Rights
- 8c Placement of fully paid ordinary shares to sophisticated and professional investors at \$0.0106 per share

Note 9. Reserves

	Note	30 Jun 2020 \$	31 Dec 2019 \$
Acquisition reserve		(1,387,793)	(1,387,793)
Options reserve	9a	2,156,893	2,156,893
Share based payment reserve	9b	291,277	190,123
		<u>1,060,377</u>	<u>959,223</u>

a) Options Reserve

	Date	Options	\$
Balance	1/1/2019	211,000,000	2,156,893
Exercise of options	10/12/2019	(2,000,000)	-
Balance	31/12/2019	209,000,000	2,156,893
Balance	30/6/2020	<u>209,000,000</u>	<u>2,156,893</u>

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. 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
Vendor Options	97,000,000	\$ 0.040	5/10/2020	776,000
Director Options (Tranche 1)	7,000,000	\$ 0.030	5/10/2022	70,000
Director Options (Tranche 2)	7,000,000	\$ 0.040	5/10/2022	56,000
Total	209,000,000			

b) Share Based Payment Reserve

	Date	Rights	\$
Balance	1/1/2019	285,680,722	190,123
Balance	31/12/2019	285,680,722	190,123
Issue of shares – employee incentive	3/3/2020	-	51,471
Conversion of Tranche A performance rights	20/4/2020	(880,000)	(14,960)
Partial vesting of Tranche B performance rights	30/6/2020	-	64,643
Balance	30/6/2020	<u>284,800,722</u>	<u>291,277</u>

Performance Shares

Performance Shares	Number of Performance Shares	Expiry date	Vesting Condition
Series B	93,000,000	10 October 2020	Sales revenue over 12-month period
Series C	150,000,000	10 October 2021	EBITDA over 12-month period

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

- Series A performance shares will convert into an equal number of ordinary shares once the company achieves 215 school subscriptions to Schrole Connect or 198 subscription licences to Schrole Cover within 18 months of admission onto the ASX. On 27 September 2018, following satisfaction of this milestone the 47,000,000 Series A performance shares on issue converted to the same number of ordinary shares;
- Series B performance shares will convert into an equal number of ordinary shares once the company achieves sales revenue of \$7,000,000 over any 12-month period prior to 36 months of admission onto the ASX.
- Series C performance shares will convert into an equal number of ordinary shares once the company achieves EBITDA of \$3,000,000 over any 12-month period prior to 48 months of admission onto the ASX.

As at 30 June 2020, management assessed the number of performance shares that are expected to vest as 100% for Tranche A, 100% for Tranche B, and 0% for Tranche C. Accordingly, nil share based payment expense was recorded for the half-year ended 30 June 2020.

Performance Rights

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

Performance Rights	Number of Rights Issued	Exercise Price	Expiry Date	Number of Rights Vested	Number of Rights on Issue at 30/6/2020	Valuation \$
Tranche A	9,040,000	Nil	3 July 2023	9,040,000	3,840,000	\$0.017
Tranche B	13,560,000	Nil	3 July 2023	Nil	13,560,000	\$0.017
Tranche C	22,600,000	Nil	3 July 2023	Nil	22,600,000	\$0.017

The terms of the performance rights are as follows:

- Tranche A performance rights vesting once the company achieves 215 school subscriptions to Schrole Connect or 198 subscription licences to Schrole Cover within 18 months of admission onto the ASX. On 27 September 2018, the Tranche A performance rights vested following satisfaction of this milestone. On 12 November 2018, the Company issued 4,320,000 ordinary shares on the vesting and exercise of the same number of Tranche A performance rights. On 20 April 2020, the Company issued 880,000 ordinary shares on the vesting and exercise of the same number of Tranche A performance rights. On 11 August 2020, the Company issued 680,000 ordinary shares on the vesting and exercise of the same number of Tranche A performance rights. The remaining 3,160,000 Tranche A performance rights are vested but not yet exercised as at the date of this report;
- 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 30 June 2020, management assessed the number of performance rights that are expected to vest as 100% for Tranche A, 100% for Tranche B, and 0% for Tranche C. Accordingly, \$64,643 share based payment expense was recorded for the half-year ended 30 June 2020 in relation to the partial vesting of the Tranche B performance rights.

Note 10. Loss per Share

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

	Consolidated	
	30 Jun 2020 \$	30 Jun 2019 \$
Loss after income tax expense	(934,677)	(21,900)
	Number	Number
Weighted average number of ordinary shares	921,871,435	760,597,712
	Cents	Cents
Basic loss per share	(0.10)	(0.003)
Diluted loss per share	(0.10)	(0.003)

Note 11. Dividends

The Company did not pay or propose any dividends in the half year to 30 June 2020.

Note 12. Related Party Transactions

During the half-year ended 30 June 2020, the Group acquired the following services from entities that are controlled by members of the Group's key management personnel as below. There are no other material changes to the Group's related party transactions to those disclosed in the 31 December 2019 Annual Report.

Entity	Transaction	Key Management Personnel	Transactions (\$)	Payable Balance (\$)
HWL Ebsworth	Legal advice	Shaun Hardcastle	147,072	93,966
Ventnor Capital Pty Ltd	Company secretarial and advisory services	Stuart Carmichael	22,530	11,327

Note 13. Operating Segments

Segment Information

Identification of reportable segments

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

	Software \$	Training \$	Unallocated \$	Total \$
30 June 2020				
Segment income				
Sales revenue	2,407,904	415,545	-	2,823,449
Other revenue	49,901	68,370	63,787	182,058
Segment expenses				
Alliance fees	(958,647)	-	-	(958,647)
Employee benefits expense	(630,217)	(227,860)	(637,149)	(1,495,226)
Depreciation and amortisation expense	(479,501)	(2,864)	-	(482,365)
Travel expense	(56,061)	(27,184)	(112,193)	(195,438)
Share-based payment	-	-	(116,114)	(116,114)
Finance costs	(24,752)	(3,474)	(32,767)	(60,993)
Other expenses	(155,596)	(111,432)	(364,373)	(631,401)
Profit / (loss) before income tax	153,031	111,101	(1,198,809)	(934,677)
Segment assets and liabilities				
Cash and cash equivalents	669,276	71,339	3,817,554	4,558,169
Trade and other receivables	1,634,693	115,407	100,699	1,850,799
Property, plant and equipment	4,826	95,582	-	100,408
Right-of-use assets	-	-	344,278	344,278
Intangibles	677,931	-	-	677,931
Trade and other payables	(477,804)	(43,019)	(227,446)	(748,269)
Deferred revenue	(3,544,695)	-	-	(3,544,695)
Provision for employee benefits	(58,384)	(27,159)	(137,982)	(223,525)
Financial liabilities	-	(41,504)	(3,190,422)	(3,231,926)
Net assets / (liabilities)	(1,094,157)	170,646	706,681	(216,830)
30 June 2019				
Segment income				
Sales revenue	2,090,291	631,955	-	2,722,246
Other revenue	51,899	8,205	-	60,104
Segment expenses				
Alliance fees	(540,470)	-	-	(540,470)
Employee benefits expense	(171,764)	(239,369)	(543,623)	(954,755)
Depreciation and amortisation expense	(250,838)	(7,944)	(78,409)	(337,191)
Travel expense	(84,836)	(15,437)	(41,484)	(141,757)
Finance costs	(11,706)	(1,751)	(5,569)	(26,224)
Other expenses	(202,333)	(269,627)	(331,893)	(803,853)
Profit / (loss) before income tax	880,243	106,032	(1,008,175)	(21,900)

31 December 2019	Software	Training	Unallocated	Total
	\$	\$	\$	\$
Segment assets and liabilities				
Cash and cash equivalents	1,899,126	30,421	75,642	2,005,189
Trade and other receivables	330,526	161,985	161,493	654,004
Property, plant and equipment	36,442	38,954	-	75,396
Right-of-use assets	-	-	104,545	104,545
Intangibles	1,074,798	-	-	1,074,798
Trade and other payables	(959,773)	(97,783)	(183,386)	(1,240,942)
Deferred revenue	(3,009,493)	-	-	(3,009,493)
Provision for employee benefits	-	-	(221,218)	(221,218)
Financial liabilities	-	-	(152,247)	(152,247)
Net assets / (liabilities)	(628,374)	133,577	(215,171)	(709,968)

Note 14. Significant Events After the Reporting Period

On the 2 July the shareholders of Schrole resolved to approve the issue of 2,895,000 Convertible Notes as equity securities to Faira Education Limited.

On 8 July 2020, Schrole announced that it had agreed to terminate its agreement in June 2022 with International Schools Service Inc (“ISS”) for sales of ISS-Schrole Advantage Platform (“Advantage”). The agreement with ISS was revised for a transition period of 48 months during which Schrole and ISS will split revenues for new sales and renewals as follows:

- 12 months to 30 June 2021 – Fixed 50-50 basis for new sales and renewals
- 12 months to 30 June 2022 – New sales by Schrole to be allocated 100% to Schrole and renewals to be split 50-50 (ISS / Schrole). Agreement to be terminated from 30 June 2022.

On 10 July 2020, Schrole completed its capital raising and issued 66,750,757 ordinary shares at \$0.0106 per share to raise \$707,558 (before costs). On 11 August 2020, the Company issued 680,000 ordinary shares on the vesting and exercise of the same number of Tranche A performance rights.

With the spread of COVID-19 causing significant volatility in Australian and international markets, there is uncertainty around the breadth and impact on the Group, as well as its impact on the Australian and international economies and, as such, the Company is unable to determine if it will have a material impact to its operations. During the half-year ended 30 June 2020, school numbers declined marginally to 388 during the, however this was offset by a solid retention rate of existing customers. Training revenues dropped reflecting the negative impact of COVID-19 restrictions, however there was growth of 4% in revenues in June 2020 compared to June 2019, as customers took up the online training option. Management does not expect there to be a material impact from COVID-19 on the Group’s financial statements.

There were no other material events subsequent to the reporting date.

Note 15. Contingent Assets or Liabilities

The Directors are not aware of any contingent liabilities that may arise from the Group’s operations as at 30 June 2020.

Directors' Declaration

The Directors of Schrole Group Ltd declare:

1. The financial statements and notes, as set out on pages 3 to 17 are in accordance with the Corporations Act 2001 and:
 - a. Comply with Accounting Standard AASB 134: Interim Financial Reporting, the Corporations Regulations 2001, and other mandatory professional reporting requirements; and
 - b. Give a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the period ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors by:



Stuart Carmichael
Non-Executive Chairman
27 August 2020

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DECLARATION OF INDEPENDENCE BY ASHLEIGH WOODLEY TO THE DIRECTORS OF SCHROLE GROUP LIMITED

As lead auditor for the review of Schrole Group Limited for the half-year ended 30 June 2020, I declare that, to the best of my knowledge and belief, there have been:

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

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



Ashleigh Woodley
Director

BDO Audit (WA) Pty Ltd

Perth, 27 August 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Schrole Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Schrole Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of statement of accounting policies and other explanatory information, and the directors' declaration.

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

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2020 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

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

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Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2020 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

BDO Audit (WA) Pty Ltd

A handwritten signature in black ink. The signature starts with 'BDO' in a stylized, blocky font, followed by a large, sweeping flourish that extends upwards and to the right, and then the name 'Ashleigh Woodley' written in a cursive script.

Ashleigh Woodley
Director

Perth, 27 August 2020