

1. Name of Entity

Schrole Group Ltd (ABN 27 164 440 859)

Reporting Period

Previous Corresponding Reporting Period

Half-year ended 30 June 2021

Half-year ended 30 June 2020

2. Results for Announcement to Market

Financial results	Up / Down	Change %	2021 \$	2020 \$
Revenue from ordinary activities	Down	10	2,718,772	3,005,507
(Loss) after tax from ordinary activities attributable to members	Down	24	(706,755)	(934,677)
(Loss) attributable to members	Down	24	(706,755)	(934,677)

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 asset backing per ordinary share – current reporting period

0.07

Net tangible (liability) backing per ordinary share – previous reporting period

(0.09)

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

8. Foreign Entities

Foreign entities to disclose which accounting standards are used in compiling the report	N/A
--	-----

9. Review Opinion

Details of any audit dispute or qualification	There are no audit disputes or qualifications to the review opinion.
---	--

Stuart Carmichael
Non-Executive Chairman
30 August 2021



Schrole Group Ltd

ABN 27 164 440 859

Interim Financial Report
for the half year ended
30 June 2021

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 2021.

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	Resigned
Stuart Carmichael	Non-Executive Chairman	5 October 2017	
Robert Graham	Managing Director	5 October 2017	
Shaun Hardcastle	Non-Executive Director	5 October 2017	18 May 2021
James King	Non-Executive Director	29 November 2019	
Guy Perkins	Non-Executive Director	27 October 2020	

Principal Activities

The principal continuing 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 an improved position for the half year ended 30 June 2021 with the loss of \$706,755 (2020: loss of \$934,677) being a 24% improvement on the previous corresponding period. Lower revenues of \$2,718,772, reflecting the impact of the COVID-19 pandemic on subscription renewal rates from international schools in the second half of 2020, are offset by increased margins as a result of the renegotiation of the arrangement with ISS and the continued strong focus on cost control during the period.

During the half year ended 30 June 2021, Schrole's increased investment in people, platforms and product is enabling the Company to progress its vision of transitioning to full global HR SaaS for teachers and educational organisations. The successful release on 1 July 2021 of Schrole Connect 3.0 is the first part of a series of planned upgrades and releases of the Schrole HR SaaS suite. Schrole HR will integrate Schrole's current and new product offerings to provide a full suite of human resources Software as-a-Service (SaaS) offerings, comprising Schrole Connect, Verify, Engage, Cover and Develop. Schrole HR creates significant cross and upsell revenue growth opportunities.

Schrole continues to strengthen its market position in the domestic and international school sector, with over 600 school customers. Schrole Community, a leading indicator of future revenue, achieved a record high of 187,938 community members as at 30 June 2021. This represents a 21% growth in numbers over the 12-month period.

Schrole Connect

With 386 schools actively engaged on the Connect platform as at 30 June 2021, including a growing number of school groups, Schrole continues to experience positive renewal rates from existing international school clients, strong new sales, the return of some schools who let subscriptions lapse amidst the uncertainty of the pandemic and improved engagement with the platform. Connect school customers have increased by 10% from a low of 350 schools in September 2020, to 386 schools at the end of June. This was supported by a renewal rate of 81% and strong sales of 68 licences including a group sale of 20 licences to Aldar Education in the United Arab Emirates over the period from January to June 2021. A significant upgrade (Connect 3.0) was released with new functionality and enhanced existing features on 1 July 2021, which has been well received by customers.

The termination of the agreement with ISS is seeing a successful transition with strong customer renewals and an expansion in Schrole's share of margin. Over the 24-month transitional period, the share of revenues is:

- 12 months to 30 June 2021: 50-50 share of new sales and renewals
- 12 months to 30 June 2022: 50-50 share of renewals, 100% of new Schrole sales to Schrole
- Sharing of any sales/revenues terminates on 30 June 2022

Schrole Cover

Schrole Cover, a cloud-based SaaS platform for the fast filling of casual staffing positions, continued its expansion into schools in Western Australia with further sales to new schools and additional hospital clients during the half-year. Interest is growing from international schools, who are familiar with Connect and keen to explore additional Schrole products, resulting in the first international sale to a school in Japan in June.

Schrole Verify

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 a range of locations including China, Qatar, Brazil, Hong Kong, Indonesia, Philippines, Japan and Ethiopia. This product is proving a strong 'cross sell' for existing customers.

Schrole Develop

Schrole Develop 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 recovered relative to the pandemic affected prior period. The International Diploma in Leadership & Management contextualised for delivery to international schools continues to grow in profile, with delivery to the Cognita group of schools commencing in May 2021.

Significant Events After the Reporting Period

There were no material events subsequent to the reporting date.

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 18.

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



Stuart Carmichael
Non-Executive Chairman
30 August 2021

Schrole Group Ltd
Consolidated Statement of Profit or Loss and Other Comprehensive Income
For the Half Year Ended 30 June 2021

	Notes	30 Jun 2021 \$	30 Jun 2020 \$
Revenue		2,718,772	3,005,507
Expenses			
Alliance fees		(565,245)	(958,647)
Employee benefits expense		(1,644,569)	(1,495,226)
Depreciation & amortisation expense		(151,193)	(482,365)
Travel expense		(1,763)	(195,438)
Share-based payments		(385,973)	(116,114)
Finance costs		44,746	(60,993)
Other expenses		(721,530)	(631,401)
		<u>(3,425,527)</u>	<u>(3,940,184)</u>
Loss before income tax expense		<u>(706,755)</u>	<u>(934,677)</u>
Income tax benefit/(expense)			-
Loss after income tax expense for the period attributable to the owners of Schrole Group Ltd		<u>(706,755)</u>	<u>(934,677)</u>
Other comprehensive income for the period, net of tax		-	-
Total comprehensive income/(loss) for the period attributable to the owners of Schrole Group Ltd		<u><u>(706,755)</u></u>	<u><u>(934,677)</u></u>
Basic earnings / (loss) per share (cents per share)	12	(0.05)	(0.10)
Diluted earnings / (loss) per share (cents per share)	12	(0.05)	(0.10)

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

Schrole Group Ltd
Consolidated Statement of Financial Position
As at 30 June 2021

	Notes	30 Jun 2021 \$	31 Dec 2020 \$
Assets			
Current assets			
Cash and cash equivalents		3,276,194	5,107,987
Trade receivables	3	757,465	561,510
Other receivables	4	168,835	195,005
Total current assets		4,202,494	5,864,502
Non-current assets			
Property, plant and equipment	5	130,502	89,211
Right-of-use assets	6	258,566	285,259
Intangible assets	7	906,865	502,644
Total non-current assets		1,295,933	877,114
Total assets		5,498,427	6,741,616
Liabilities			
Current liabilities			
Trade and other payables	8	835,589	1,209,076
Deferred revenue		2,125,470	2,718,447
Provision for employee benefits		284,094	239,847
Financial liabilities	9	163,861	148,336
Other		-	1,000
Total current liabilities		3,409,014	4,316,706
Non-current liabilities			
Provision for employee benefits		27,516	22,847
Financial liabilities	9	193,569	212,955
Total non-current liabilities		221,085	235,802
Total liabilities		3,630,099	4,552,508
Net assets / (deficiency)		1,868,328	2,189,108
Equity			
Issued capital	10	19,952,805	19,805,751
Reserves	11	(1,012,363)	(1,141,400)
Accumulated losses		(17,072,114)	(16,475,243)
Total equity		1,868,328	2,189,108

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 2021

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2020	14,785,563	959,223	(16,454,754)	(709,968)
Loss after income tax expense for the period	-	-	(934,677)	(934,677)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the period	-	-	(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)

	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2021	19,805,751	(1,141,400)	(16,475,243)	2,189,108
Loss after income tax expense for the period	-	-	(706,755)	(706,755)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive loss for the period	-	-	(706,755)	(706,755)
<i>Transactions with owners in their capacity as owners:</i>				
Cancellation of performance rights		(86,190)	-	(86,190)
Transfer share based payments reserve to earnings		(109,884)	109,884	-
Options issued		21,174	-	21,174
Performance rights vested		450,991	-	450,991
Performance rights exercised	147,054	(147,054)	-	-
Balance at 30 June 2021	19,952,805	(1,012,363)	(17,072,114)	1,868,328

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 2021

	30 Jun 2021	30 Jun 2020
	\$	\$
Cash flows from operating activities		
Receipts from customers	1,843,641	2,171,466
Payments to suppliers and employees	(3,172,960)	(3,547,038)
	(1,329,319)	(1,375,572)
Government grants	7,200	-
Interest received	571	557
Net cash (used in) operating activities	(1,321,548)	(1,375,015)
Cash flows from investing activities		
Payments for property, plant and equipment	(15,799)	(19,470)
Payments for software development costs	(498,628)	(134,365)
Proceeds from disposal of property, plant and equipment	800	-
Net cash (used in) investing activities	(513,627)	(153,835)
Cash flows from financing activities		
Receipts from shares issued	-	1,412,442
Receipts from convertible notes	-	2,895,000
Share/convertible note issue transaction costs	-	(154,578)
Net drawdown/(repayment) of other financing facilities	-	(30,576)
Interest paid	(6,146)	(1,061)
Finance lease costs	(36,587)	(80,045)
Net cash from financing activities	(42,733)	4,041,182
Net increase/(decrease) in cash and cash equivalents	(1,877,908)	2,512,332
Cash and cash equivalents at the beginning of the period	5,107,987	2,005,189
Effects of exchange rate changes on cash and cash equivalents	46,115	40,648
Cash and cash equivalents at the end of the period	3,276,194	4,558,169

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 2021 was authorised for issue in accordance with a resolution of the Directors on 30 August 2021.

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 2021 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 2020 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 2020 Annual Report for the year ended 31 December 2020, 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 2021, the Group incurred a net loss of \$706,755 and experienced net cash outflows from operations of \$1,321,548. As at 30 June 2021, the Group had net assets of \$1,868,328 and cash balance of \$3,276,194.

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. 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. As at the date of this report, management believes that there are sufficient funds available to continue to meet the Group's working capital requirements and support planned technical and product development and cross selling initiatives, to underpin the Group's future growth.

New, Revised or Amended Accounting Standards and Interpretations Applicable

In the half-year ended 30 June 2021, 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 2021. 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 2021. There are no new or amended Accounting Standards and Interpretations that are relevant to the Group.

Note 3. Trade Receivables

	30 Jun 2021	31 Dec 2020
	\$	\$
Trade receivables	757,465	567,580
Less allowance for expected credit loss	-	(6,070)
	<u>757,465</u>	<u>561,510</u>

Note 4. Other Receivables

	30 Jun 2021	31 Dec 2020
	\$	\$
GST receivable	23,675	42,871
Term deposit	60,000	60,000
Prepayments	28,357	35,331
Other	56,803	56,803
	<u>168,835</u>	<u>195,005</u>

Note 5. Property, Plant and Equipment

	30 Jun 2021	31 Dec 2020
	\$	\$
Leasehold improvements - at cost	268,988	269,859
Less: Accumulated depreciation	(227,744)	(225,163)
	<u>41,244</u>	<u>44,696</u>
Plant and equipment - at cost	163,220	180,971
Less: Accumulated depreciation	(73,962)	(136,456)
	<u>89,258</u>	<u>44,515</u>
	<u>130,502</u>	<u>89,211</u>

Note 6. Right-of-use Assets

	30 Jun 2021	31 Dec 2020
	\$	\$
Land and buildings - right-of-use	397,036	354,115
Less: Accumulated depreciation	(138,470)	(68,856)
	<u>258,566</u>	<u>285,259</u>

Note 7. Intangible Assets

	30 Jun 2021	31 Dec 2020
	\$	\$
Software	3,243,685	2,745,057
Less: Accumulated depreciation	(2,339,340)	(2,244,933)
	<u>904,345</u>	<u>500,124</u>
Trademark acquired	<u>2,520</u>	<u>2,520</u>
	<u>906,865</u>	<u>502,644</u>

Note 8. Trade and Other Payables

	30 Jun 2021	31 Dec 2020
	\$	\$
Trade payables	215,097	126,678
Provisions and accruals	531,437	883,005
Other	89,055	199,393
	<u>835,589</u>	<u>1,209,076</u>

Note 9. Financial Liabilities

	30 Jun 2021	31 Dec 2020
	\$	\$
Current Liabilities		
Lease liability	<u>163,861</u>	<u>148,336</u>
Non-Current Liabilities		
Lease liability	<u>193,569</u>	<u>212,955</u>

Note 10. Issued Capital

	30 Jun 2021	31 Dec 2020	30 Jun 2021	31 Dec 2020
	Shares	Shares	\$	\$
Ordinary shares - fully paid	1,389,987,330	1,473,183,763	19,952,805	19,805,751

Movements in ordinary share capital

Details	Note	Date	Shares	\$
Balance		31/12/2019	889,620,231	14,785,563
Issue of shares - employee incentive	10a	03/03/2020	2,859,501	51,471
Conversion of performance rights	10b	20/04/2020	880,000	14,960
Issue of shares - placement	10c	21/05/2020	133,249,243	1,412,442
Share issue transaction costs				(100,741)
Issue of shares - placement	10d	10/07/2020	66,750,757	707,558
Share issue transaction costs				(63,433)
Issue of shares - employee incentive	10e	03/08/2020	7,697,489	81,593
Conversion of performance rights	10f	11/08/2020	680,000	14,960
Issue of Series B performance shares	10g	27/08/2020	93,000,000	-
Redemption of convertible note	10h	01/09/2020	273,113,208	2,895,000
Convertible note issue transaction costs				(100,289)
Exercise of options	10i	01/09/2020	5,333,334	106,667
Balance		31/12/2020	1,473,183,763	19,805,751
Cancellation of Series B performance shares	10j	26/02/2021	(93,000,000)	-
Conversion of performance rights	10k	21/04/2021	1,820,000	27,300
Conversion of performance rights	10l	21/04/2021	7,983,567	119,754
Balance		30/06/2021	1,389,987,330	19,952,805

Notes:

- 10a Fully paid ordinary shares to employees under incentive scheme in lieu of salary
- 10b Conversion of Tranche A Performance Rights
- 10c Placement of fully paid ordinary shares to sophisticated and professional investors at \$0.0106 per share
- 10d Placement of fully paid ordinary shares to sophisticated and professional investors at \$0.0106 per share
- 10e Fully paid ordinary shares to employees under incentive scheme in lieu of salary
- 10f Conversion of Tranche A Performance Rights
- 10g Issue of shares on achievement of milestone, shares subsequently cancelled in February 2021
- 10h Election by Faria to convert notes to equity
- 10i Exercise of options granted 5 October 2017 on achieving exercise price
- 10j Cancelled upon approval at meeting of members
- 10k Conversion of Tranche A Performance Rights
- 10l Conversion of Tranche D Performance Rights

Note 11. Reserves

	Note	30 Jun 2021	31 Dec 2020
		\$	\$
Acquisition reserve		(1,387,793)	(1,387,793)
Options reserve	11a	21,174	-
Share based payment reserve	11b	354,256	246,393
		<u>(1,012,363)</u>	<u>(1,141,400)</u>

a) Options Reserve

	Date	No.	\$
Balance	31/12/2019	209,000,000	2,156,893
Exercise of options	01/09/2020	(5,333,334)	-
Expiry of options	05/10/2020	(203,666,666)	-
Transfer reserve to retained earnings	31/12/2020	-	(2,156,893)
Balance	31/12/2020	-	-
Granting of options	31/05/2021	54,000,000	21,174
Balance	30/06/2021	54,000,000	21,174

Options

Pursuant to a resolution at the 31 May 2021 Annual General Meeting, approval was granted to issue 54,000,000 options to the Company's Non-Executive Directors. The Options will vest following the Holder's continuous engagement as a Director with the Company for a period 12 months from the 31 May 2021 Annual General Meeting. The total of the fair value of the securities will be allocated over the applicable vesting periods, with an expense of \$21,174 recognised for the half year ended 30 June 2021.

Option Series	Number of Options	Exercise Price	Expiry Date	Valuation \$	Number of Options Vested & Exercisable
Director Options (Class A)	18,000,000	\$0.030	31/12/2023	93,221	0
Director Options (Class B)	18,000,000	\$0.045	31/12/2023	73,540	0
Director Options (Class C)	18,000,000	\$0.060	31/12/2024	87,332	0
Total	54,000,000				0

b) Share based payment reserve

	Date	No.	\$
Balance	31/12/2019	285,680,722	190,123
Conversion of Tranche A performance rights	20/04/2020	(880,000)	(14,960)
Partial vesting of Tranche B performance rights	30/06/2020	-	64,643
Conversion of performance rights	11/08/2020	(680,000)	(14,960)
Vesting of remainder of Tranche B performance right	30/09/2020	-	21,547
Balance	31/12/2020	284,120,722	246,393
Vesting of Tranche D performance rights	30/03/2021	12,714,641	239,035
Conversion of Tranche D performance rights	21/04/2021	(7,983,567)	(119,754)
Conversion of Tranche A performance rights	21/04/2021	(1,820,000)	(27,300)
Cancellation of Tranche B performance rights	21/04/2021	-	(64,643)
Cancellation of Tranche B performance rights	21/04/2021	-	(21,547)
Partial vesting of Classes A to F performance rights	11/06/2021	-	211,955
Transfer balance of reserve to retained earnings for Series A to C performance shares		(1,800,722)	(109,883)
Balance	30/06/2021	285,231,074	354,256

Performance shares

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 that 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. On 27 August 2020, following satisfaction of this milestone, the Company issued an aggregate of 93,000,000 Shares on conversion of the Series B Performance Shares (Conversion Shares) to the holders of the Series B performance shares (Recipients). Through no admission of liability on behalf of the Company or the Recipients and following discussions with the Recipients, the Company entered into deeds of cancellation with each of the Recipients, pursuant to which the parties agreed that, subject to shareholder approval, the 93,000,000 Conversion Shares would be cancelled. It was resolved at a General Meeting on 12 February 2021 that the 93,000,000 Conversion Shares be cancelled and accordingly, the Conversion Shares were cancelled on 26 February 2021.
- c. Series C performance shares that 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. It was resolved at a General Meeting on 31 May 2021 that the 150,000,000 Conversion Shares be cancelled and accordingly, the Conversion Shares were cancelled on 17 June 2021.

Consequently, as at 30 June 2021 there were no performance shares on issue.

Performance Rights

On 3 July 2018, pursuant to the Company's Employee Securities Incentive Plan, Schrole Group issued a total of 45,200,000 performance rights to current employees of the Company and its wholly-owned subsidiaries with the following terms:

- a. 9,040,000 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. 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. Subsequently the Company has issued 7,700,000 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. 13,560,000 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. During the year ended 31 December 2020, the Tranche B performance rights vested following satisfaction of the milestone. Accordingly, \$86,190 share based payment expense was recorded in relation to the issue of the Tranche B performance rights. Subsequently, the Company has entered into deeds of cancellation with each of the holders of the Tranche B performance rights, pursuant to which the

parties have agreed that the 5,070,000 Tranche B performance rights would be cancelled. The Tranche B performance rights were cancelled on 16 February 2021.

- c. 22,600,000 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 0% for Tranche C performance rights.

On 29 March 2021, pursuant to the Company's Employee Securities Incentive Plan, Schrole Group issued a total of 12,714,641 Tranche D performance rights to current employees of the Company and its wholly-owned subsidiaries as bonuses. Subsequently the Company has issued 7,983,567 ordinary shares on the exercise of the same number of Tranche D performance rights, with the remainder yet to convert to ordinary share capital.

Pursuant to a resolution at the 31 May 2021 Annual General Meeting, approval was granted to issue 133,800,000 options to the Company's Managing Director with the following terms:

- a. 30,000,000 Class A performance rights vesting once the Company achieves release of three Schrole HR software modules prior to 30 September 2021, 31 December 2021 and 31 March 2022 respectively. As at 30 June 2021, management has assessed the number of performance shares that are expected to vest as 100% for Class A performance rights.
- b. 36,000,000 Class B performance rights vesting once the company achieves revenue of between \$6,000,000 and \$8,000,000 in any 12-month period to December 2022. As at 30 June 2021, management has assessed the number of performance shares that are expected to vest as between 60% and 90% for Class B performance rights.
- c. 26,400,000 Class C performance rights vesting once the company achieves revenue for the year ended 31 December 2023 of between \$10,000,000 and \$12,000,000. As at 30 June 2021, management has assessed the number of performance shares that are expected to vest as 25% for Class C performance rights.
- d. 13,200,000 Class D performance rights vesting one the company achieves a 30 day VWAP exceeding \$0.03
- e. 13,200,000 Class E performance rights vesting one the company achieves a 30 day VWAP exceeding \$0.045
- f. 15,000,000 Class D performance rights vesting one the company achieves a 30 day VWAP exceeding \$0.06

As at 30 June 2021 the performance rights on issue were as follows:

Performance Rights	Number of Rights Issued	Exercise Price	Expiry Date	Grant Date	Number of Rights Vested at 30/6/2021	Number of Rights on Issue at 30/6/2021	Valuation \$
Tranche A	9,040,000	Nil	03/07/2023	03/07/2018	9,040,000	1,340,000	\$0.0170
Tranche C	22,600,000	Nil	03/07/2023	03/07/2018	Nil	8,450,000	\$0.0170
Tranche D	12,714,641	Nil	30/03/2023	03/07/2018	12,714,641	4,731,074	\$0.0188
Class A	30,000,000	Nil	31/12/2023	31/05/2021	Nil	30,000,000	\$0.0130
Class B	36,000,000	Nil	31/12/2023	31/05/2021	Nil	36,000,000	\$0.0130
Class C	26,400,000	Nil	31/12/2024	31/05/2021	Nil	26,400,000	\$0.0130
Class D	13,200,000	Nil	31/12/2023	31/05/2021	Nil	13,200,000	\$0.0093
Class E	13,200,000	Nil	31/12/2023	31/05/2021	Nil	13,200,000	\$0.0076
Class F	15,000,000	Nil	31/12/2024	31/05/2021	Nil	15,000,000	\$0.0083
Total	178,154,641					148,321,074	

The values of the Performance Rights have been estimated using the Black-Scholes option pricing model and a barrier up-and-in trinomial option pricing model with a Parisian barrier adjustment.

Expenses arising from share based payments

	30 Jun 2021 \$	30 Jun 2020 \$
Options	21,174	-
Performance rights	211,954	64,643
Employee benefits	152,845	51,471
	<u>385,973</u>	<u>116,114</u>

Note 12. Earnings per Share

	30 Jun 2021 \$	30 Jun 2020 \$
Profit/(loss) after income tax attributable to the owners of Schrole Group Ltd	<u>(596,871)</u>	<u>(934,677)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>1,413,262,491</u>	<u>921,871,435</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>1,413,262,491</u>	<u>921,871,435</u>
	Cents	Cents
Basic earnings per share	(0.04)	(0.10)
Diluted earnings per share	(0.04)	(0.10)

Note 13. Dividends

The Company did not pay or propose any dividends in the half year to 30 June 2021.

Note 14. Related Party Transactions

During the half-year ended 30 June 2021, 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 2020 Annual Report.

Entity	Nature of transactions	Key Management Personnel	Transactions \$	Payable Balance \$
HWL Ebsworth**	Legal advice	Shaun Hardcastle	26,586	-
Ventnor Capital	Company secretarial services	Stuart Carmichael	25,361	-

** amounts up to the effective date of Mr Hardcastle's resignation of 18 May 2021

Note 15. Operating Segments

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

30 June 2021	Software	Training	Unallocated	Total
	\$	\$	\$	\$
Segment income				
Sales revenue	2,125,304	584,684	-	2,709,988
Other revenue	525	1,059	7,200	8,784
	<u>2,125,829</u>	<u>585,743</u>	<u>7,200</u>	<u>2,718,772</u>
Segment expenses				
Alliance fees	(565,245)	-	-	(565,245)
Employee benefits expense	(557,012)	(459,238)	(628,319)	(1,644,569)
Depreciation	(67,415)	(1,113)	(82,664)	(151,193)
Travel expenses	-	-	(1,763)	(1,763)
Share-based payments	(97,832)	(54,195)	(233,946)	(385,973)
Finance costs	(12,787)	(1,738)	59,271	44,746
Other expenses	(140,529)	(46,247)	(533,798)	(720,574)
	<u>(1,440,820)</u>	<u>(562,531)</u>	<u>(1,421,219)</u>	<u>(3,424,570)</u>
Loss before income tax	685,009	23,212	(1,414,019)	(705,798)
Segment assets and liabilities				
Cash	180,506	18,557	3,077,130	3,276,193
Trade and other receivables	547,654	205,022	173,625	926,301
Plant and equipment	-	-	130,502	130,502
Right-of-use assets	-	-	258,566	258,566
Intangibles	906,865	-	-	906,865
Trade and other creditors	(553,003)	(145,711)	(448,484)	(1,147,198)
Borrowings	-	(41,504)	(315,926)	(357,430)
Deferred revenue	(2,000,577)	(124,894)	-	(2,125,471)
Net assets	(918,555)	(88,530)	2,875,413	1,868,328

30 June 2020	Software	Training	Unallocated	Total
	\$	\$	\$	\$
Segment income				
Sales revenue	2,407,904	415,545	-	2,823,449
Other revenue	49,901	68,370	63,787	182,058
	<u>2,457,805</u>	<u>483,915</u>	<u>63,787</u>	<u>3,005,507</u>
Segment expenses				
Alliance fees	(958,647)	-	-	(958,647)
Employee benefits expense	(630,217)	(227,860)	(637,149)	(1,495,226)
Depreciation	(479,501)	(2,864)	-	(482,365)
Travel expenses	(56,061)	(27,184)	(112,193)	(195,438)
Share-based payments	-	-	(116,114)	(116,114)
Finance costs	(24,752)	(3,474)	(32,767)	(60,993)
Other expenses	(155,596)	(111,432)	(364,373)	(631,401)
	<u>(2,304,774)</u>	<u>(372,814)</u>	<u>(1,262,596)</u>	<u>(3,940,184)</u>
Loss before income tax	153,031	111,101	(1,198,809)	(934,677)
Segment assets and liabilities				
Cash	669,276	71,339	3,817,554	4,558,169
Trade and other receivables	1,634,693	115,407	100,699	1,850,799
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 creditors	(536,188)	(70,178)	(365,428)	(971,794)
Borrowings	-	(41,504)	(3,190,422)	(3,231,926)
Deferred revenue	(3,544,695)	-	-	(3,544,695)
Net assets	(1,094,157)	170,646	706,681	(216,830)

Note 16. Significant Events After the Reporting Period

There were no material events subsequent to the reporting date.

Note 17. Contingent Assets or Liabilities

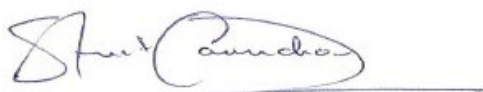
The Directors are not aware of any contingent liabilities that may arise from the Group's operations as at 30 June 2021.

Directors' Declaration

The Directors of Schrole Group Ltd declare:

1. The financial statements and notes, as set out on pages 3 to 16 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 2021 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
30 August 2021

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 2021, 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, 30 August 2021

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 2021, 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 significant 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 2021 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.

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 2021 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, appearing to read 'Ashleigh Woodley', is written over a faint, stylized 'BDO' logo.

Ashleigh Woodley

Director

Perth, 30 August 2021