Corum Group Limited

Appendix 4E

1. Company details

Name of entity:	**Corum Group Limited**
Reporting period:	**For the year ended 30 June 2019**
Previous period:	For the year ended 30 June 2018
ABN:	25 000 091 305

2. Results for announcement to the market

		$'000
Revenues from ordinary activities	down 10.6% to	11,230
Loss from ordinary activities after tax attributable to the owners of Corum Group Limited	down	(4,205)
Loss for the year attributable to the owners of Corum Group Limited	down	(4,205)

Comments

Loss after tax amounted to $4,205,000 including a goodwill impairment of $4,544,000 (2018: profit after tax $251,000).

3. Net tangible assets

	Reporting period Cents	**Previous period Cents**
Net tangible assets per ordinary security	2.17	2.73

4. Dividends

There were no dividends paid, recommended or declared during the current financial period nor the prior financial period.

5. Audit Review

The financial statements have been audited and an unmodified opinion has been issued.
Refer Note 1 in the Financial Statements.

6. Attachments

The Annual Report of Corum Group Limited for the year ended 30 June 2019 is attached.

Corum Group

2019 Annual Report

Contents

	Page
Chairman's letter to shareholders	**2**
Chief Executive Officer's report	**3**
Directors' report	**6**
Auditor's independence declaration	**15**
Statement of profit or loss and other comprehensive income	**16**
Statement of financial position	**17**
Statement of changes in equity	**18**
Statement of cash flows	**19**
Notes to the financial statements	**20**
Directors' declaration	**45**
Independent auditor's report to the members of Corum Group Limited	**46**
Shareholder information	**50**
Corporate directory	**52**

General information

The financial statements cover Corum Group Limited as a Group consisting of Corum Group Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Corum Group Limited's functional and presentation currency.

Corum Group Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 3
120 Sussex Street
Sydney NSW 2000

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2019. The directors have the power to amend and reissue the financial statements.

Chairman’s letter to shareholders

Dear Shareholders

On behalf of the Company, I comment on the progress that has been made this financial year.

It was again a challenging year that included the completion and release of the Company’s major software project, Corum Clear Dispense, albeit beyond the planned time frame. However, the modernisation of Corum is progressing and I believe the board’s intent that Corum develops long-term profitability and growth is being achieved.

The trends in community pharmacy mean digital, data and technology have an ever-increasing role in how pharmacies deliver their services to customers. As a result, pharmacies need to be more productive and are increasingly working cooperatively or joining banner groups in order to operate their business more efficiently, effectively and to improve outcomes for their customers and patients.

The directors have set management the task of capitalising on the opportunities these trends present. Management has initiated the Clear brand strategy to develop a suite of products which are now either ready or in progress to respond to these market pressures.

Corum’s full potential cannot be achieved unless the business can deploy software to large groups at a much greater speed and scale than it could previously. Significant progress has been made in developing this capability which is now substantially improved and being implemented.

Over the remainder of 2019, Corum is targeting a 3-5% net increase in pharmacist customers. Relevant to achieving this target it is pleasing to see Corum Clear Dispense is currently gaining traction in the market with a significant number of key customers.

Our board remains determined to support management in its efforts to make Corum a better business; one that benefits customers, employees, and our shareholders.

I would like to thank you for your continued support of Corum Group.

Yours sincerely

Bill Paterson
Chairman
29 August 2019

Chief Executive Officer’s report

Corum’s revenue performance for FY19 was below expectations, largely due to the new dispense product not being available when planned. Revenue consequently was $11.2 million, down $1.3 million compared to the prior year. Profit after tax and before impairment was $339,000 compared to $251,000 in the prior year. Costs were managed effectively falling 11%, offsetting the lower revenue. The legacy goodwill of $4.5 million was written off resulting in an after-tax statutory loss of $4.2 million. The Operating and Financial Review in the Directors’ Report contains further commentary on the financial results.

At the 2017 AGM, Corum outlined its focus on the three pillars of stabilising the business, transforming its operations and preparing for growth. The first was completed swiftly within that year, the second has become a continuing process and part of the business’ DNA which has enabled the business to manage its cost base and lower its cost to serve. The third pillar related to setting the foundations for the business to grow.

During the 2019 financial year the business has been preparing for its future through:

- a renewed approach to engaging with customers,
- a roadmap of product redesign and modernisation under the new Corum Clear brand,
- the development of revised go-to-market templates and channels,
- the building of capability to rapidly scale and deploy software cost-effectively, with a particular focus on large pharmacy groups,
- applying lessons from the new dispense system development to improve the management and delivery of complex projects, and
- placing an increased focus on our people and culture.

Corum has reorganised its business around three areas of expertise - Clinical, Retail and Enterprise.

Each area of expertise is targeted to provide a discrete solution to address specific challenges facing the community pharmacy sector. At the same time, we are establishing skills, products and business structures that are replicable into other segments, adjacencies or geographies.

The clinical segment is centred on dispense, medications management and other patient centred systems. During the year Corum has completed the first stage of the Corum Clear Dispense platform. This development is a significant milestone for Corum and the industry. In use since February, it is now commercially available for a wide segment of the pharmacy market and has been broadly acknowledged for its intuitive ease of use, speed of operation, stability and user-centric design that supports pharmacists to dispense quickly and safely. A more comprehensive suite of integrations with third party software providers are now in progress adding further value to our customers and broadening our accessible market.

Retail and Enterprise segments are closely linked. Retail is centred on in-store solutions, particularly point-of-sale such as LOTS POS, as well as new and emerging 'digital trends' in retail.

The Enterprise segment recognises the importance of large banner groups and other groups that require solutions to manage and support multi-store environments. Corum already has one of the leading solutions in its RPM head office software solution. Pressure on pharmacy margins is driving a focus on efficiency and store management, and we believe there are significant opportunities and gaps in this segment which are not well serviced by competitors. Corum is upgrading its capabilities in both retail and enterprise and is well advanced with a new cloud-based Corum Clear Head Office software solution, and redesigned Corum Clear Point of Sale. Both developments are benefiting from significant customer input into the design and are expected to become available through FY20 and into FY21.

The above capabilities and areas of focus are resonating with the broader market and more specifically with the significant customer groups with whom we are engaging.

The industry launch of Corum Clear Dispense has seen a significant increase of interest in Corum's solutions, particularly amongst large banner groups. The business is forging closer working ties with these groups who are contributing to the design and development of new products.

Corum has a long term and loyal customer base using its existing LOTS products and is committed to maintaining this platform. During the year upgrades to existing clinical and retail products were released to the pharmacy market including:

- MyHR integration to support submitting and reading patient records with the Government's digital platform,
- Integration with the Victorian SafeScript program to manage medications safety and particularly the monitoring of drugs of addiction, and
- Simplification of the installation process and delivering a range of enhancements based on customer feedback.

The RPM Head Office solution similarly has had significant changes designed to introduce greater flexibility and additional time saving features for enterprise customers. The Safeguard product continued to demonstrate its market leading capabilities with usage rising 8.3% compared to last year and is now in use by over 30% of Corum customers.

As Corum enters the new financial year it does so with a significant focus on people and culture. Corum Culture 2020 is a people focused and employee driven initiative that has developed the values and behaviours expected of each individual, team and management group at Corum.

Outlook

With a new Corum Clear branded product suite, and deep industry engagement, Corum is on the cusp of significant change. The recent launch of Corum Clear Dispense has seen a significant increase in interest from large banner groups in the Corum product portfolio. The team has a strong belief it can deliver to shareholders and customers alike and drive growth in customer numbers during the coming financial year.

With the substantive change achieved and underway within the business, Corum now has the capability to rapidly scale. This is essential to improve underlying profitability and undertake large scale deployments within the enterprise pharmacy sector.

The initial releases of Corum Clear products for point of sale and head office solutions are expected during fiscal 2020-21. Strategically, and building on industry and government engagement, Corum will also seek to pursue opportunities arising within the digital health and retail sector's including industry partnerships and adjacencies.

Corum has a significant opportunity for growth over the next two-three years which to achieve requires investment in product and operational execution. In order to do this Corum must address short-term capital challenges largely brought about by a lengthy delay in receipt of significant investment revenues. In the face of these challenges, Corum is seeking additional funding to support the ability to invest in new products at a rate beyond that which Corum could otherwise achieve. We expect this process to be completed in the first half of this financial year.

I wish to thank Corum's customers and business partners for their loyalty and ongoing support, and to my very committed Corum team, who have worked tirelessly to position the business for growth in 2020 and beyond.

David Clarke
Chief Executive Officer
29 August 2019

Directors' report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as 'Corum' or the 'Group') consisting of Corum Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2019.

Directors

The following persons were directors of Corum Group Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Bill Paterson (Chairman)
Gregor Aschoff
Matthew Bottrell

Information on directors

Name: **Bill Paterson**
Title: Chairman and Non-Executive Director
Qualifications: BE (Civil) Hons
Experience and expertise:
A civil engineer by training, Bill has extensive experience in the planning, design and implementation of a wide range of civil infrastructure and building projects in the commercial, industrial and residential related sectors; and is one of the initial partners of engineering consultancy firm Worley Parsons. He is also an experienced investor and entrepreneur.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities:
Member of the Audit and Risk Committee and Remuneration and Nomination Committee.
Interests in shares:
140,054,379 ordinary shares

Name: **Gregor Aschoff**
Title: Executive Director
Qualifications: BEc, MBA, GAICD
Experience and expertise:
From 2003 to 2016 Gregor served as a senior executive for a global consumer electronics and telecommunications company. He has extensive expertise in both retail and Information Technology ('IT'), including software development and system optimisation.
Other current directorships: None
Former directorships (last 3 years): None
Interests in shares:
1,546,881 ordinary shares

Name: **Matthew Bottrell**
Title: Non-Executive Director
Qualifications: BBus, MTL, ASA, GAICD
Experience and expertise:
Matthew has a background in strategy and investment management across Australia and Europe. He is currently a non-executive director of Future Capital Development Fund, an early stage technology fund, and the Chairman of MyGuestList Pty Ltd. Previously, Matthew was the executive Chairman of SMS Central.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities:
Chairman of the Audit and Risk Committee and Remuneration and Nomination Committee.
Interests in shares:
57,000 ordinary shares

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.
'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretary

David Clarke (BCom, DipGrad, CA, GAICD) is the Company Secretary and Chief Executive Officer. David has many years' experience in executive financial and company secretarial roles in Australia and overseas, and has diverse industry experience including retail and healthcare. David was the Group's Chief Financial Officer between 2013 and 2017.

Dividends

No dividends for the years ended 30 June 2019 or 30 June 2018 have been declared.

Principal activities

The Corum Group is a technology and software development company that operates two distinct business segments:

- Corum Health which develops and distributes business software for the pharmacy industry with particular emphasis on point-of-sale and pharmaceutical dispensing software, support services and computer hardware; and
- Corum eCommerce which develops and manages a financial gateway providing financial transactional processing for electronic bill payments and funds transfer services to the real estate industry and corporate and government clients.

Operating and Financial Review

Corum eCommerce's revenue is derived from recurring service charges and transaction-based fees, primarily in relation to residential rental transactions. The business includes operational and software development teams.

Revenue for Corum Health is derived from the sale of hardware, training and related services; from recurring software subscriptions; software development services; and distributions from an investment in an entity which provides other technology services to pharmacies.

The health business has an extensive product portfolio consisting of self-developed products that support pharmacy dispensing, point of sale and related activities. It also provides pharmacy groups with head office systems that assist with the management of, amongst other things, multiple stores. Corum maintains a product development function creating and updating such products, a full service call centre, along with technical and business development teams.

During the current year there were no significant changes to the operation of either business.

During the 2019 financial year Corum Health's key focus areas were:

- Partnering with customers, engaging with banner groups and industry.
- Strengthening the organisation's resources and leadership.
- Aligning the business cost structure with its revenue base.
- Building capability to scale and deploy rapidly.
- Bringing Corum Clear Dispense to the market.
- The design and development of Corum Clear Point of Sale and cloud based Corum Clear Head Office solutions; and
- People and culture.

These initiatives saw the business remain operationally profitable, consume cash across product development, and set-up the business to respond to gaps in the market.

Details of Corum's financial performance are provided in the FY19 Financial statements appended to this directors' report.

Profit

For the year ended 30 June 2019, the Group has reported an operating profit after-tax and before impairment of $339,000 which compares to $251,000 in the prior year.

The directors have addressed the issue of the remaining goodwill on Corum's balance sheet which related to legacy products from the 1990s acquisition of the Lockie Computer Business by Pharmasol Pty Ltd and the Amfac business by Amfac Pty Ltd. After considering the fair market based carrying value using the value in use methodology and with Corum Clear Dispense now in the market, the directors resolved to apply a $4.5 million impairment charge to write off the remaining balance. This resulted in a statutory loss for the financial year of $4.2 million.

The operating profit was achieved as a result of the transformation strategy applied over the past 24 months that enabled a reduction in overheads by 11% whilst maintaining service levels, updates to existing applications, and supporting investment in new products.

One-off costs during the year included $293,000 for restructuring costs and $325,000 in legal fees. Legal fees related mostly to the case in the Victoria Supreme Court, as outlined below, as well as responses to various regulatory enquiries directed toward the eCommerce business.

Operating and Financial Review continued

Revenue
Revenue for the year was $11.2 million, down $1.3 million on the previous period, or 10.6%. eCommerce revenue decreased $0.25 million, the health business by $0.8 million, and revenue from investments by $0.25 million.

eCommerce revenue reduced by 10.2% to $2.2 million compared with last year. The rate of decline in this business has slowed over the past two years with the team successfully gaining additional customers off the back of our highly regarded reputation for service. Overall the plans for the eCommerce business remain unchanged. It will continue to be supported whilst profitable, despite greater attention from regulators and banks and additional costs expected from greater compliance requirements.

The health business experienced a revenue reduction of $0.8 million. Half of this was as a result of reduced sales of hardware, a business activity which though valued by smaller customers, is costly to deliver and support. The balance of the reduction is due to a loss of sites. The industry continues to face consolidation of pharmacies into banner groups and greater levels of software compliance within those groups as they endeavour to bring efficiencies to their members. This has impacted Corum's site numbers by 5% in favour of groups Corum does not currently supply, however, it suggests an opportunity for future growth.

Cash
Substantial investment during the year was made in Corum Clear Dispense, which is now on general release, and Corum Clear Head Office. During the year $4.1 million in research and development expenditure was incurred of which $3.2 million was for new products which was capitalised. After the products reach market, they will be amortised over their expected effective life.

At the end of the financial year cash on hand was $2.3 million, as compared to $5.0 million at the end of the previous year. This reduction is due to a combination of the decline in revenue, the investment in new product development, the offset of overhead savings, and the impact of delayed receipt of revenue from Corum's investment.

Corum has expedited completion of the 2019 tax return and can confirm it has received the expected $1.5 million refund.

Cash availability was significantly impacted by a lengthy delay in receiving revenue due from the unlisted entity in which Corum has an investment. The amount outstanding at year end was $2.2 million. This receivable has been withheld as a result of a significant dispute between other co-investors in the venture. The business operations of the entity remain unaffected and it continues to successfully broaden its services within the community pharmacy sector. Corum has been unwilling to be drawn into the dispute, but has now been joined to the matter before the Supreme Court by the Court itself, incurring substantial legal costs in the process. The case is complex and it is uncertain when the matter will be resolved.

Due to both the uncertainty surrounding the timing of this receivable and the Group's level of sales revenue, Corum is embarking on a funding program to ensure it maintains and improves its capability to develop and deploy software at speed and scale. Corum is seeking to continue its development program of core clinical, retail and enterprise products in line with its strategic roadmap during the next 24 months.

Outlook
The launch of Corum Clear Dispense has developed significant market interest from all sections of the community pharmacy market. Corum in turn is completing the development of its rapid deployment strategy to meet the growth opportunity. With effective execution Corum expects to see growth in customer numbers during the coming financial year.

Resources are in place to complete development, test and launch the first releases of the new Corum Clear Point of Sale and Corum Clear Head Office products in the coming year, enhancing the ability of the Group to offer effective and market leading solutions to the community pharmacy sector. Corum expects these new products will be well received, particularly by the larger banner groups.

To realise its growth objectives over the next few years Corum's shorter-term capital challenges, which have been largely brought about by the delay in receiving investment revenue, must be addressed. In the face of these challenges, Corum is seeking additional funding to support the ability to invest in new products at a rate beyond that which Corum could otherwise achieve. The Company expects this process to be completed in the first half of this financial year.

Significant changes in the state of affairs

In the opinion of the directors, there were no significant changes in the state of affairs of the Group that occurred during the financial year under review not otherwise disclosed in the Directors' Report or the accompanying financial statements.

There were no other significant changes in the state of affairs of the Group during the financial year.

Matters subsequent to the end of the financial year

On 29 August 2019 the Company received a tax refund of $1,493,000 relating to the 2019 financial year.

Other than disclosed above, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

Information regarding likely developments, prospects or business strategies of the Group in future financial years is set out in the Operating and Financial Review and elsewhere in the Annual Report, insofar as such information does not result in unreasonable prejudice to the Group.

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2019, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held
Bill Paterson	12	12	5	5	3	3
Gregor Aschoff	12	12	–	–	–	–
Matthew Bottrell	12	12	5	5	3	3

Held: represents the number of meetings held during the time the director remained in office or was a member of the relevant committee. In addition to formal board meetings the directors were closely involved in numerous other meetings and discussions during FY19.

Indemnity and insurance of officers

The Company has indemnified the directors and some executives of the Company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith. During the financial year, the Company paid a premium in respect of a contract to insure the directors and executives of the Company against any liability to the extent permitted by the Corporations Act 2001.

Indemnity and insurance of auditor

The Company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor. During the financial year, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related entity.

Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to 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 part of those proceedings. The company was not a party to any such proceedings during the year.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 5 to the financial statements.

The directors are satisfied that the provision of non-audit services during the financial year, by the auditor (or by another person or firm on the auditor's behalf), is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The directors are of the opinion that the services as disclosed in note 5 to the financial statements do not compromise the external auditor's independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed and approved by the Audit and Risk Committee to ensure they do not impact the integrity and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants issued by the Accounting Professional and Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

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 immediately after this directors' report.

Auditor

BDO East Coast Partnership continues in office in accordance with section 327 of the Corporations Act 2001.

Corporate governance statement

The Corum Group Limited Corporate Governance Statement discloses how the Company complies with the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (3rd Edition), and sets out the Company's main corporate governance practices. This statement has been approved by the Board and is current as of 29 August 2019.

The Company's Corporate Governance Statement can be found on the Company website at: www.corumgroup.com.au/investors.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

Remuneration Report

The remuneration report details the key management personnel remuneration arrangements for the Group, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:

- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Service agreements
- Additional disclosures relating to key management personnel.

Principles used to determine the nature and amount of remuneration

The Company provides appropriate rewards to attract and retain high quality and committed employees. Base salaries of executives are determined by management having regard to the nature of each role, the experience and performance of the individual and are reviewed by the Remuneration and Nomination Committee. In considering this, the directors look to satisfy the following key criteria:

- competitiveness and reasonableness;
- acceptability to shareholders; and
- transparency.

Remuneration report (audited) continued

The Remuneration and Nomination Committee consists of two non-executive directors who are responsible for determining and reviewing remuneration arrangements for the Group's directors and executives, and oversight of hiring and remuneration practices within the Company. The remuneration philosophy is to attract, motivate and retain high-performing employees.

During the year the Remuneration Committee engaged the services of Egan Associates to provide general advice on the remuneration of directors, key management personnel and other executives, and the setting of KPI's. Egan Associates Pty Ltd was paid $51,660 for these services.

Non-executive Directors remuneration

Fees and payments to Non-executive Directors reflect the demands and responsibilities of their role. Non-executive Directors are paid an annual fee and additional fees where they act as a member of, or chairman of, a committee. Non-executive Directors fees and payments are reviewed periodically by the Remuneration and Nomination Committee. The Remuneration and Nomination Committee may, from time to time, receive advice from independent remuneration consultants to ensure Non-executive Directors fees and payments are appropriate and in line with the market. The Chairman's fees are determined independently to the fees of other Non-executive Directors based on comparative roles in the external market. The Chairman is not present at any discussions to determine their remuneration. Non-executive Directors do not currently receive share options or other incentives.

ASX listing rules require the aggregate Non-executive Directors remuneration be determined periodically by a general meeting. The shareholders have approved a maximum aggregate remuneration of $800,000 per annum.

Executive remuneration

The Company aims to reward executives based on their position and responsibility, with a level and mix of remuneration which has both fixed and variable components where appropriate.

The executive remuneration and reward framework has two components:

- base pay and non-monetary benefits; and
- other remuneration such as superannuation.

The combination of these comprises the executive's total remuneration.

Fixed remuneration, consisting of base salary, superannuation and non-monetary benefits, is reviewed annually by the Remuneration and Nomination Committee based on individual and business unit performance, the overall performance of the Group and comparable market remunerations.

Executives may receive their fixed remuneration in the form of cash or other fringe benefits (for example motor vehicle benefits) where it does not create any additional costs to the Group and provides additional value to the executive.

Voting and comments made at the Group's 2018 Annual General Meeting ('AGM')

At the 2018 AGM, 60.2% of shares voted against the adoption of the remuneration report for the year ended 30 June 2018 and the motion did not pass on a show of hands. This resulted in a second strike.

As required in this circumstance a conditional spill motion was put to shareholders which was carried on a show of hands. Corum held an Extraordinary General Meeting (EGM) on 25 February 2019 at which all directors vacated their positions and were eligible for re-election. They were voted back in to continue their current terms as directors. Motions to award shares as part remuneration to replace cash for directors was not carried. Directors had sought to more closely align their interests with those of shareholders with reduced cash entitlements.

Remuneration report (audited) continued

Details of remuneration

Amounts of remuneration

Details of the remuneration of key management personnel of the Group are set out in the following tables.

		Short term benefits			Post-employment benefits	
		Salaries and fees $	Annual Leave entitlements $	Incentives $	Superannuation $	Total $
Directors:						
Bill Paterson	2019	126,000	–	–	–	126,000
Non-executive Chairman	2018	126,000	–	–	–	126,000
Matthew Bottrell (i)	2019	90,000	–	–	8,550	98,550
Non-executive Director	2018	205,160	–	–	8,550	213,710
Gregor Aschoff	2019	200,000	(1,538)	–	19,000	217,462
Executive Director	2018	200,000	8,462	–	19,000	227,462
Other Key Management Personnel:						
David Clarke (ii)	2019	282,000	19,523	–	20,531	322,054
Chief Executive Officer	2018	282,000	21,692	–	20,049	323,741
Michael Lamb (iii)	2019	232,000	1,231	–	20,513	253,744
Chief Financial Officer	2018	–	–	–	–	–
Chris Baveystock (iv)	2019	13,089	(3,148)	–	877	10,818
Interim Chief Financial Officer	2018	40,923	3,148	–	3,888	47,959
Andrea Tustin (v)	2019	–	–	–	–	–
Interim Chief Financial Officer	2018	164,139	(5,257)	–	15,340	174,222
Anil Roychoudhry (vi)	2019	96,416	(15,688)	–	7,264	87,992
Chief Technology Officer	2018	210,000	6,058	–	19,950	236,008
Total 2019		1,039,505	380	–	76,735	1,116,620
Total 2018		1,228,222	34,103	–	86,777	1,349,102

(i) Matthew Bottrell's fees for 2018 include $115,160 of consulting fees paid direct to a related entity for extensive merger and acquisition activities, and strategy development.

(ii) Prior year comparatives have been restated by $10,000 to correct for actual remuneration paid.

(iii) Michael Lamb was appointed as Chief Financial Officer on 13 July 2018 on an annual salary of $240,000.

(iv) Chris Baveystock resigned his position effective 13 July 2018. Salaries and fees for the year include $3,858 of accrued leave entitlements.

(v) Andrea Tustin resigned her position effective 14 March 2018. Salaries and fees for the year include $286 of accrued leave entitlements.

(vi) Anil Roychoudhry resigned his position effective 15 February 2019. Salaries and fees for the year include $19,954 of accrued leave entitlements. Prior year comparatives have been restated by $10,000 to correct for actual remuneration paid.

Remuneration report (audited) continued

Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements. Details of these agreements are as follows:

Name:	David Clarke
Title:	Chief Executive Officer and Company Secretary
Agreement commenced:	24 January 2017
Term of agreement:	Ongoing

Annual base salary of $282,000, excluding statutory superannuation, reviewed annually. Either party may terminate employment with four months written notice; or immediately in the event of misconduct or other sufficient cause. Subject to certain restrictive covenants and restraints for a period up to 24 months.

Other senior executives are employed under contracts with termination periods between three and four months and are eligible for their statutory employee entitlements upon termination. Certain employees are subject to restraints and other activities for an agreed period following termination.

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the Company held during the financial year by each director and other members of key management personnel of the Group, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions [1]	Disposals/ other [2]	Balance at the end of the year
Ordinary shares:					
Bill Paterson	140,054,379	–	–	–	140,054,379
Matthew Bottrell	57,000	–	–	–	57,000
Gregor Aschoff	1,546,881	–	–	–	1,546,881
David Clarke	256,500	–	–	–	256,500
	141,914,760	–	–	–	141,914,760

[1] Additions may represent the acquisition of shares, or shareholding on commencement as a key management personnel.

[2] Disposal/other may represent the disposal of shares, or cessation as key management personnel.

None of the shares included in the table above are held by a nominee.

Remuneration report (audited) continued

Additional Information

The results of the Group for the five years to 30 June 2019 are summarised below:

	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000
Sales revenue	17,898	15,553	13,507	11,176	10,134
Profit before impairment and tax	4,415	2,688	1,673	650	561
Profit/(loss) after income tax	4,630	27	(5,877)	251	(4,205)
Total equity	19,931	19,908	13,976	14,227	10,022
Net Cash on hand	12,069	9,577	8,098	4,971	2,333

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2015	2016	2017	2018	2019
Share price at financial year end (cents)	15.0	11.0	4.0	2.5	3.0
Basic earnings per share (cents per share)	1.80	0.01	(2.30)	0.10	(1.64)

This concludes the remuneration report, which has been audited.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Bill Paterson
Chairman

Matthew Bottrell
Director

29 August 2019
Sydney

BDO

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY ARTHUR MILNER TO THE DIRECTORS OF CORUM GROUP LIMITED

As lead auditor of Corum Group Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

1. No contravention of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; or
2. No contravention of any applicable code of professional conduct in relation to the audit.

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

Arthur Milner
Partner

BDO East Coast Partnership

Sydney, 29 August 2019

Statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019 $'000	2018 $'000
Revenue	3	11,230	12,566
Expenses			
Materials and consumables		(1,142)	(1,318)
Employee benefits		(7,111)	(8,355)
Occupancy	4	(393)	(747)
Marketing		(625)	(529)
Depreciation and amortisation	4	(410)	(289)
Legal		(342)	(45)
Other		(1,074)	(1,250)
Research and development tax benefit	6	428	617
Profit before goodwill impairment and income tax expense		**561**	**650**
Impairment of goodwill	13	(4,544)	–
(Loss)/profit before tax		**(3,983)**	**650**
Income tax	6	(222)	(399)
(Loss)/profit after income tax expense for the year attributable to the owners of Corum Group Limited		**(4,205)**	**251**
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year attributable to the owners of Corum Group Limited		**(4,205)**	**251**

	Note	Cents	Cents
Basic earnings per share	7	(1.6)	0.1
Diluted earnings per share	7	(1.6)	0.1

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position

AS AT 30 JUNE 2019

	Note	Consolidated 2019 $'000	2018 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	2,333	4,971
Trade and other receivables	10	2,305	1,542
Inventories		68	102
Income tax receivable	6	1,501	1,757
Other assets	11	2,981	2,782
		9,188	**11,154**
Non-current assets			
Other financial assets		30	30
Property, plant and equipment	12	731	863
Intangibles	13	4,472	7,232
Deferred tax assets	6	469	447
Security deposits		148	–
		5,850	**8,572**
Total assets		**15,038**	**19,726**
LIABILITIES			
Current liabilities			
Trade and other payables	14	3,561	3,956
Provisions	15	1,110	1,086
Deferred revenue		146	188
		4,817	**5,230**
Non-current liabilities			
Provisions	16	199	269
		199	**269**
Total liabilities		**5,016**	**5,499**
Net assets		**10,022**	**14,227**
EQUITY			
Issued capital	17	86,283	86,283
Accumulated losses		(76,261)	(72,056)
Total equity		**10,022**	**14,227**

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of changes in equity
FOR THE YEAR ENDED 30 JUNE 2019

Consolidated	Issued capital $'000	Accumulated losses $'000	Total equity $'000
Balance at 30 June 2017	**86,283**	**(72,307)**	**13,976**
Profit after income tax expense for the year	–	251	251
Total comprehensive income for the year	–	251	251
Balance at 30 June 2018	**86,283**	**(72,056)**	**14,227**
Loss after income tax expense for the year	–	(4,205)	(4,205)
Total comprehensive income for the year	–	(4,205)	(4,205)
Balance at 30 June 2019	**86,283**	**(76,261)**	**10,022**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019 $'000	2018 $'000
Cash flows from operating activities			
Receipts from customers		11,408	12,463
Payments to suppliers and employees		(11,974)	(13,728)
Interest received		128	179
Income tax paid		(288)	(634)
Research and development incentive		2,074	2,052
Net cash from operating activities	19	**1,348**	**332**
Cash flows from investing activities			
Payments for property, plant and equipment		(269)	(277)
Payments for intangible assets		(3,143)	(3,182)
Proceeds from disposal of property, plant and equipment		4	–
Payments for security deposits		(578)	–
Net cash used in investing activities		**(3,986)**	**(3,459)**
Net decrease in cash and cash equivalents		(2,638)	(3,127)
Cash and cash equivalents at the beginning of the financial year		4,971	8,098
Cash and cash equivalents at end of the financial year	9	**2,333**	**4,971**

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements
30 JUNE 2019

Note 1. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out either in the respective notes or below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New or amended Accounting Standards and Interpretations adopted

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board that are mandatory for the current reporting period. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been adopted.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Historical cost convention

The financial statements have been prepared on an accruals basis and are based on historical costs.

Critical accounting estimates

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 2.

Going Concern

During the past year the Group invested significant capital in new product development. This has been reflected in net cash outflows from investing activities of $3,986,000 (2018: $3,459,000). Whilst the Group generated operating cash flow of $1,348,000 during the year (2018: $332,000), this was however impacted by the delay in the receipt of revenue from an investment in an unlisted entity of $2,179,000 (refer to note 10). This delay is due to a dispute amongst other unitholders of the entity which is now in the Supreme Court of Victoria. Corum's entitlement is not disputed and the entity has sufficient funds to make payment. Corum was joined to the action with the other unitholders, by the Supreme Court and the case was heard in mid-May 2019. However, it is uncertain as to when the dispute will be resolved and monies received.

The cash position, planned capital investment, the timing of the resolution of the legal dispute and receipt of outstanding revenues creates a material uncertainty that may cast significant doubt on whether the Group will continue as a going concern and, therefore, whether it will realise its assets and liabilities and commitments in the normal course of the business and at the amounts stated in the financial report.

Given the uncertainty, the Company has embarked on a capital raising to ensure the Group has adequate funds, either debt and/or equity, to continue to invest in its new product roadmap without risking going concern issues. The capital raising initiative is expected to be completed during the first half of fiscal 2020. Subsequent to the end of the financial year the Company received $1,493,000 in a tax refund payment.

Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the amounts and classification of liabilities that otherwise might be necessary if the accounts were not prepared on the basis the Company is a going concern.

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 27.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Corum Group Limited ('Company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Corum Group Limited and its subsidiaries together are referred to in these financial statements as 'Corum' or the 'Group'.

Note 1. Statement of significant accounting policies continued

Subsidiaries are all those entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

Intercompany transactions, balances and unrealised gains on transactions between entities in the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The acquisition of subsidiaries is accounted for using the acquisition method of accounting. A change in ownership interest, without the loss of control, is accounted for as an equity transaction, where the difference between the consideration transferred and the book value of the share of the non-controlling interest acquired is recognised directly in equity attributable to the parent.

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in profit or loss.

Current and non-current classification

Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Impairment of non-financial assets

Goodwill is not subject to amortisation and is tested annually for impairment, or more frequently if events or changes in circumstances indicate that it might be impaired. Other non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Goods and Services Tax ('GST') and other similar taxes

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

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

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Note 1. Statement of significant accounting policies continued

Comparative figures

Comparatives have been realigned where necessary, to agree with current year presentation. There was no change in the profit or net assets.

Rounding of amounts

The Company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities and Investments Commission, relating to 'rounding-off'. Amounts in this report have been rounded off in accordance with that Corporations Instrument to the nearest thousand dollars, or in certain cases, the nearest dollar.

New Accounting Standards effective from 1 July 2018

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 30 June 2019, and which have given rise to changes in the Group's accounting policies are:

- AASB 9 Financial Instruments
- AASB 15 Revenue from Contracts with Customers

Details of the impact of these two standards are given in each respective note. The Group has selected to adopt these two standards using the fully retrospective approach.

New Accounting Standards and Interpretations not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2019. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for leases will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term.

The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be higher as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The Group will adopt this standard from 1 July 2019 on the modified retrospective approach. On the date of application an amount equal to the lease liability, using the appropriate incremental borrowing rates, will be recognised as a right of use asset.

Assuming the Group's lease commitments remain at a similar level to those at 30 June 2019 and the incremental borrowing rate is 6%, the effect of adopting AASB 16 is expected to result in the recognition of right-of-use assets and liabilities of approximately $738,000 at 1 July 2019. Instead of recognising an operating expense for its operating lease payments, the Group will recognise interest on its lease liabilities and amortisation on its right-of-use assets. The overall financial results in the year ending 30 June 2020 are expected to be adversely impacted by approximately $23,000 due to the front-end loading of interest compared to smooth operating lease rental expenses, though this may change due to the number of leases in existence and the incremental borrowing rate in force at the time of adoption.

AASB Interpretation 23

AASB Interpretation 23 clarifies how to recognise and measure current and deferred income tax assets and liabilities when there is uncertainty over income tax treatments. This interpretation comes into effect for annual reporting periods beginning on or after 1 January 2019. The Group is yet to access the impact of this interpretation but does not expect this interpretation to have any material impact on the financial statements.

Note 2. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on various other factors, including expectations of future events, management believes to be reasonable under the circumstances. The resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Product Development Costs

The Group incurs significant costs associated with the development of products for which benefits accrue over many reporting periods. This requires management to critically review software product development (net of research and development incentives) costs to clearly delineate development and the relationship with future potential benefits that are likely to accrue. This assessment of what constitutes product development for capitalisation and the expected future benefits to derive the amortisation period, once the asset is available for use or being marketed, is a series of critical judgements management is required to make based upon historic product performance, market knowledge and analysis.

Goodwill and other intangibles assets

The Group tests annually, or more frequently if events or changes in circumstances indicate impairment, whether goodwill and other intangible assets have suffered any impairment, in accordance with the stated accounting policy. The recoverable amount of the cash-generating unit to which goodwill and other intangible assets have been allocated, has been determined based on value-in-use calculations using budgets and forward estimates. These budgets incorporate management's best estimates of projected revenues adopting growth rates based on historical experience, anticipated market growth and the expected result of the cash generating unit's initiatives. Costs are calculated taking into account historical and planned gross margins, estimated inflation rates consistent with inflation rates applicable to the locations in which the cash generating unit operates, and other planned and expected changes to the cost base.

Recovery of deferred tax assets

The value of deferred tax assets is determined based on estimates as to the extent those assets are likely to be utilised or available to be utilised in future periods.

Employee benefits provision

The liability for employee benefits expected to be settled more than 12 months from the reporting date are recognised and measured at the present value of the estimated future cash flows to be made in respect of all employees at the reporting date. In determining the present value of the liability, estimates of attrition rates and pay increases through promotion and inflation have been taken into account.

Note 3. Revenue

	Consolidated	
	2019 $'000	**2018 $'000**
Sales revenue		
Rendering of services	9,722	10,195
Sales of goods	412	981
	10,134	11,176
Other revenue		
Revenue from unlisted entity[i]	968	1,211
Interest	128	179
	1,096	1,390
Total Revenue	11,230	12,566

[i] The Group holds an investment in an unlisted entity which provides technology based services to the pharmacy industry.

Note 3. Revenue continued

Accounting policy for revenue recognition

The Group has adopted application of AASB 15 'Revenue from contracts with customers' from 1 July 2018, applying the fully retrospective method of transition. With the exception of the additional disclosure requirements, the nature of the change in accounting policy has not had a material impact on the Group's financial statements and there have not been any significant changes to the judgements resulting from this adoption. As such, there is no change in the financial line items, no change to basic and diluted earnings per share and no adjustment relating to prior periods before those presented. The core principle is that revenue should only be recognised as the client receives the benefit of the goods or services provided under a commercial contract, in an amount that reflects the consideration to which the provider expects to be entitled for the transfer of the goods or services. A practical expedient has been adopted whereby the impact of significant financing components have not been considered as the Group expected, at contract inception, that the period between the transfer of the good or service and when the customer pays for that good or service is less than one year.

Determining the transaction price

The Group's revenue is derived from fixed price agreements and therefore the amount of revenues to be earned from each agreement is determined by reference to those fixed prices. There is no variable consideration with these agreements.

Allocation of amounts to performance obligations

For most agreements, there is only one performance obligation and a fixed unit price for the good or service provided. As such, there is no judgement involved in the allocation of amounts specific performance obligations. In those instances where there is more than one performance obligation, the unit price is clearly defined and is allocated against the specific performance obligation. Some goods sold by the Group include warrantees which require the Group to either replace or mend a defective product during the warranty period if the goods fail to comply with agreed-upon specifications. In accordance with AASB 15, such warranties are not accounted for as separate obligations and hence no revenue is allocated to them.

Rendering of services

Maintenance and subscription revenue is recognised over time in line with the invoice period. Performance obligations are satisfied over time. This is a faithful depiction of the transfer of services, as customers simultaneously receive and consume services provided over the invoiced period.

Transaction processing fees for the eCommerce business are recognised upon the completion of the transfer of funds. This is when the Group meets their performance obligation under the contract to facilitate the payment.

Sale of goods

Sale of goods revenue is recognised at a point in time when the Group have met all of their performance obligations including delivery and if applicable the installation of the hardware. There is limited judgement in identifying the point control passes; once the goods are delivered or at the point of installation depending on the type of good.

Revenue from unlisted entity

Revenue is recognised at the point at which the Group in entitled to receive distributions under the agreement.

Government grants

Government grants are recognised at fair value where there is reasonable assurance the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Except for amounts received under the R&D tax incentive program, grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

Interest

Interest revenue is recognised as it accrues, taking into account the effective yield of the financial asset.

Other revenue

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

Note 4. Expenses

	Consolidated	
	2019 $'000	2018 $'000
(Loss)/profit before income tax includes the following specific expenses:		
Depreciation and amortisation		
Software development	115	–
Leasehold improvements	14	5
Plant and equipment	281	284
Total depreciation	410	289
Rental expense relating to operating leases		
Minimum lease payments	650	727

Accounting policy for operating leases

Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the lease.

Note 5. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO East Coast Partnership, the auditor of the Company:

	Consolidated	
	2019 $	2018 $
Audit or review of the financial statements	83,500	79,500
Taxation and other non-audit services(i)	84,600	50,400
	168,100	129,900

(i) Non-audit services included assistance in the areas of tax compliance, and research and development of $49,600 for 2019 and $35,000 for 2018 (2018: tax and due diligence advice of $25,400 for 2018 and research and development advice of $25,000 for 2017).

Note 6. Income tax

	Consolidated 2019 $'000	2018 $'000
Income tax expense		
Current income tax:		
Current year income tax charge	273	285
Adjustment for current income tax of previous year	(29)	(2)
Deferred tax:		
Origination and reversal of temporary differences	(22)	69
Adjustment for change in tax rate	–	47
Income tax expense	222	399
Reconciliation of income tax expense and tax at the statuatory rate		
(Loss)/profit before income tax expense	(3,983)	650
Tax at the statutory tax rate of 27.5%	(1,095)	179
Add/(deduct) tax effect of:		
Impairment of goodwill	1,250	–
Non-deductible/non-assessable items	21	1
Adjustment for current income tax of previous year	(29)	(2)
Adjustment for change in availability of prior year tax losses	(34)	(36)
Utilisation and other movement in deferred tax assets	(43)	37
Research and development tax incentive current year	152	220
Income tax expense	222	399

Research and Development Tax Incentive

Corum participates in the Australian Government's Research and Development Tax Incentive ('incentive') assistance programme. The programme provides targeted tax offsets to encourage Companies to engage in Research and Development. The incentive has been accounted for as a government grant in accordance with AASB 120 Accounting for Government Grants and Disclosure of Government Assistance, resulting in the incentive being recognised in profit or loss on a systematic basis over the period(s) in which the entity recognises, as expenses, the costs for which the incentive was intended to compensate. For the costs that have been capitalised during the period, the respective incentive has been deferred by deducting from the carrying amount of the asset.

Note 6. Income tax continued

	Consolidated 2019 $'000	Consolidated 2018 $'000
Tax losses not recognised		
Losses carried forward [i]	3,642	3,676
Capital losses carried forward [i]	184	184

[i] Losses carried forward are calculated at the current tax rate of 27.5%.

The Group generated operating losses between 1997 and 2009 which resulted in the creation of substantial carried forward tax losses. These tax losses can be used as an offset against taxable income in accordance with the consolidated tax group rules.

The potential future tax benefits arising from tax losses and temporary differences have been recognised as deferred tax assets only to the extent that:

- the Group is likely to derive future assessable income of a nature and amount sufficient to enable the benefits to be realised;
- no changes or proposed changes in legislation are likely to adversely affect the Group's ability to realise these benefits; and
- the Group is likely to continue to comply with conditions for deductibility of losses imposed by tax legislation.

	Consolidated 2019 $'000	Consolidated 2018 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Impairment of receivables	17	17
Employee benefits	365	376
Leased premises	10	25
Other provisions	77	29
Deferred tax asset	469	447
Movements:		
Opening balance	447	563
Charged to profit or loss	22	(116)
Closing balance	469	447
Income tax receivable		
Current year income tax charge	(273)	(285)
Current year research and development tax offset	1,774	2,042
	1,501	1,757

Note 6. Income tax continued

Accounting policy for income tax

The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates enacted or substantively enacted, except for:

- When the deferred income tax asset or liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting nor taxable profits; or
- When the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses, and where the availability of losses is reasonably certain.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent it is probable there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Corum Group Limited (the 'head entity') and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime with effect from July 2004. The tax consolidated group has applied the 'group allocation' approach in determining the appropriate amount of taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, the head entity also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from each subsidiary in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Note 7. Earnings per share

	Consolidated	
	2019 $'000	**2018 $'000**
(Loss)/profit after income tax attributable to the owners of Corum Group Limited	(4,205)	251
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	256,167,592	256,167,592
Weighted average number of ordinary shares used in calculating diluted earnings per share	256,167,592	256,167,592
	Cents	**Cents**
Basic earnings per share	(1.6)	0.1
Diluted earnings per share	(1.6)	0.1

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Corum Group Limited, 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 financial year.

Diluted earnings per share

Diluted earnings per share amounts are calculated by dividing the profit attributable to members of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

Note 8. Operating segments

Identification of reportable operating segments

The Group is organised into two operating segments: Health Services and eCommerce. These operating segments are based on internal reports reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. Consideration is given to the nature and distinctiveness of the products or services sold, the manner in which they are provided, and the organisational structure.

The CODM reviews profit/(loss) before income tax ('segment result'). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The Group operates predominantly in Australia.

Types of services

The principal services of each of these operating segments are as follows:

Health Services – Provides dispense, point-of-sale and head office retail management software applications, along with hardware, training and support services to Australian pharmacies; and

eCommerce – Provides individuals and businesses the opportunity to pay their rent, utilities, local government fees and commercial obligations via electronic methodologies.

Intersegment transactions

An internally determined transfer price is set for all inter-segment sales. This price is reset annually and is based on an external party at arm's length pricing. All such transactions are eliminated on consolidation.

Corporate charges are allocated to reporting segments based on the segments' overall proportion of revenue generation within the Group, or estimates of the time individuals apply to each segment, which is representative of likely consumption of head office expenditure.

For the purpose of segment reporting and the understanding of segment performance, the net benefit of research and development tax incentives are disclosed in the segment to which they relate.

Intersegment receivables, payables and loans

Intersegment loans are initially recognised at the consideration receivable or payable. Intersegment loans receivable and payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation. Interest is not charged on intercompany balances.

Segment assets and liabilities

Where an asset is used across multiple segments, the asset is allocated to that segment that receives the majority of the economic benefit from that asset. In most instances, segment assets are clearly identifiable on the basis of their nature, physical location and usage.

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the segment. Borrowings and tax liabilities are not allocated to specific segments.

Unallocated items

The following items of revenue, expenses, assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:

- Income tax expense
- Deferred tax assets and liabilities, and current tax assets and liabilities
- Cost associated with being listed on the Australian Securities Exchange
- Inter-company balances
- Other financial liabilities
- Corporate actions

Major customers

During the year ended 30 June 2019 the Group did not have any major customers that individually contributed more than 10% of total revenue (2018: none).

Note 8. Operating segments continued

Operating segment information

Consolidated – 2019	Health Services $'000	eCommerce $'000	Intersegment elimination/ unallocated $'000	Total $'000
Revenue				
Rendering of services (over time)	7,526	2,196	–	9,722
Sale of goods (point in time)	412	–	–	412
Other revenue	968	–	–	968
Interest revenue	–	21	107	128
Total revenue	8,906	2,217	107	11,230
Profit/(loss) before goodwill impairment and income tax	1,006	160	(605)	561
Impairment of goodwill	(4,544)	–	–	(4,544)
(Loss)/profit before income tax	(3,538)	160	(605)	(3,983)
Income tax	–	–	(222)	(222)
(Loss)/profit after income tax	(3,538)	160	(827)	(4,205)
Depreciation and amortisation	259	–	151	410
(Decrease) in provisions	(2)	(16)	(28)	(46)
Assets				
Segment assets	2,663	2,166	–	4,829
Unallocated assets:				
Cash and cash equivalents				2,125
Trade and other receivables				15
Property, plant and equipment				538
Deferred tax asset				469
Other assets				7,062
Total assets				15,038
Total assets include (net of research and development incentive):				
Addition of intangible asset	1,899	–	–	1,899
Addition of property, plant and equipment	187	–	82	269
Liabilities				
Segment liabilities	1,669	2,384	–	4,053
Unallocated liabilities:				
Trade and other payables				602
Provisions and other liabilities				361
Total liabilities				5,016

Note 8. Operating segments continued

Operating segment information

Consolidated – 2018	Health Services $'000	eCommerce $'000	Intersegment elimination/ unallocated $'000	Total $'000
Revenue				
Rendering of services (over time)	7,739	2,446	10	10,195
Sales of goods (point in time)	981	–	–	981
Other revenue	1,211	–	–	1,211
Interest revenue	–	22	157	179
Total revenue	9,931	2,468	167	12,566
Profit/(loss) before income tax	1,068	236	(654)	650
Income tax				(399)
Profit after income tax				251
Depreciation	112	–	177	289
(Decrease)/Increase in provisions	(31)	(13)	32	(12)
Assets				
Segment assets	6,477	2,377	–	8,854
Unallocated assets:				
Cash and cash equivalents				4,827
Trade and other receivables				29
Property, plant and equipment				602
Deferred tax asset				447
Other assets				4,967
Total assets				19,726
Total assets include:				
Addition of intangible asset	1,851	–	–	1,851
Addition of property, plant and equipment	181	–	96	277
Liabilities				
Segment liabilities	1,632	2,691	–	4,323
Unallocated liabilities:				
Trade and other payables				787
Provisions and other liabilities				389
Total liabilities				5,499

Note 9. Current assets – cash and cash equivalents

	Consolidated 2019 $'000	2018 $'000
Cash at bank	208	145
Cash on deposit	2,125	4,826
	2,333	4,971

Accounting policy for cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held with financial institutions, other short-term highly liquid investments, with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to insignificant risk of changes in value.

Note 10. Current assets – trade and other receivables

	Consolidated 2019 $'000	2018 $'000
Trade receivables	163	352
Less: Allowance for expected credit loss (2018: Provision for impairment)	(60)	(60)
	103	292
Other receivables	2,202	1,250
	2,305	1,542

Other receivables

Other receivables include $2,179,000 related to revenue receivable from an investment in an unlisted entity.

This delay is due to a dispute amongst other unitholders of the entity which is now in the Supreme Court of Victoria. Corum was joined to the action by the Court and the case was heard mid-May 2019. To 30 June 2019 Corum has incurred legal costs of approximately $211,000.

There is no dispute as to the quantum or entitlement of Corum's share and the entity has funds on hand to distribute. The timing of resolution is uncertain, despite this the business continues to operate as normal and has not been significantly impacted.

Impairment of receivables

The Group has recognised a loss of $10,224 (2018: $0) in respect of impairment of receivables for the year ended 30 June 2019.

	Consolidated 2019 $'000	2018 $'000
The ageing of the impaired receivables provided for above are as follows:		
Under 3 months overdue	16	17
3 to 6 months overdue	19	27
Over 6 months overdue	25	16
	60	60
Movements in the allowance for expected credit loss (2018: provision for impairment of trade receivables):		
Opening balance	60	60
Additional provisions recognised	–	–
Closing balance	60	60

Note 10. Current assets – trade and other receivables continued

	Consolidated	
	2019 $'000	2018 $'000
The ageing of the past due but not impaired receivables are as follows:		
Under 30 days overdue	29	68
31 to 60 days overdue	22	126
Over 60 days overdue	8	4
	59	198

The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties, and did not consider a significant credit risk on the aggregate balances after reviewing the credit terms of customers based on recent collection practices.

Accounting policy for trade and other receivables

Trade receivables to be settled within normal trading terms are carried at amounts due.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by directly reducing the carrying amount.

To measure expected credit losses on a collective basis, trade receivables are grouped based on similar credit risk and aging. The expected loss rates are based on the Group's historical credit losses experienced over the two year period prior to the period end. The historical loss rates are then adjusted for both current and forward-looking information on macroeconomic factors affecting the Group's customers.

Other receivables are recognised at amortised cost, less any provision for impairment.

Note 11: Current assets – other

	Consolidated	
	2019 $'000	2018 $'000
Prepayments and security deposits	963	544
eCommerce payments awaiting clearance [(i)]	2,018	2,238
	2,981	2,782

[(i)] These amounts are controlled by the Group and are considered to be restricted in operation to the electronic receipt of payments on behalf of the customers of real estate agents, whose monies, upon clearance in the normal course of the business banking system, are released from the bank accounts and paid to the benefit of third parties, on whose behalf the monies are received and for which an equivalent liability is recorded as shown in note 14: current liabilities – trade and other payables.

Note 12: Non-current assets – property, plant and equipment

	Consolidated 2019 $'000	Consolidated 2018 $'000
Leasehold improvements – at cost	156	69
Less: Accumulated depreciation	(80)	(66)
	76	3
Plant and equipment – at cost	2,783	2,608
Less: Accumulated depreciation	(2,128)	(1,748)
	655	860
Total property, plant and equipment	731	863

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance at 30 June 2017	8	973	981
Additions	–	277	277
Disposals	–	(12)	(12)
Depreciation capitalised	–	(94)	(94)
Depreciation expense	(5)	(284)	(289)
Balance at 30 June 2018	3	860	863
Additions	87	182	269
Disposals	–	(4)	(4)
Depreciation capitalised	–	(102)	(102)
Depreciation expense	(14)	(281)	(295)
Balance at 30 June 2019	76	655	731

Accounting policy for property, plant and equipment

Property, plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

Leasehold improvements	2-5 years
Plant and equipment	2-12 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the Group. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Note 13: Non–current assets – intangibles

	Consolidated 2019 $'000	2018 $'000
Goodwill – at cost	15,363	15,363
Less: Accumulated impairment	(15,363)	(10,819)
	–	4,544
Software product development – at cost	7,932	4,686
Less: Research and development incentives	(3,345)	(1,998)
Less: Amortisation of software development	(115)	–
	4,472	2,688
Total intangible assets	4,472	7,232

Reconciliations

Reconciliations of the values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Goodwill $'000	Software product development $'000	Total $'000
Balance at 30 June 2017	4,544	837	5,381
Additions	–	3,276	3,276
Research and development incentives	–	(1,425)	(1,425)
Balance at 30 June 2018	4,544	2,688	7,232
Additions	–	3,246	3,246
Research and development incentives	–	(1,347)	(1,347)
Amortisation of software development	–	(115)	(115)
Goodwill impairment	(4,544)	–	(4,544)
Balance at 30 June 2019	–	4,472	4,472

Goodwill relates to the acquisitions in 1991 of the Lockie Computer business by Pharmasol Pty Limited and the Amfac business by Amfac Pty Limited. Goodwill is allocated to the Health Services cash generating unit formed by the products of these businesses.

Review of carrying values

The recoverable value of the cash generating unit is determined on a value-in-use calculation (VIU). Value-in-use is calculated based on the present value of cash flow projections, approved by management, over a six year period with a terminal value of 7.5 times discounted Year 6 EBITDA. Cash flows were based on both budgets and projections using historic and long term growth rates based upon past experience and in particular expectations of external market performance considering substantively improved products in the market. The CGU (Cash Generating Unit) combines the existing Corum applications with newly-developed programs and anticipates a substantial period of transition in the marketplace as customers migrate from older dispense products to the new Corum Clear Dispense. As this transition will be spread over a number of years the full VIU will only be realised within approximately six years based on management's best estimates.

Research and development tax benefits are excluded for the purpose of EBITDA based calculations. Cash flows are discounted at 12% (2018: 12%) per annum which incorporates an appropriate equity risk premium. Costs are calculated taking into account historical and planned gross margins, estimated inflation rates for the year consistent with inflation rates applicable to the locations in which the cash generating unit operates, and other planned and expected changes to the cost base.

Note 13: Non–current assets – intangibles continued

The review of the carrying value and subsequent impairment charge of $4,544,000 resulted from the impact on the existing business of new products being introduced in FY20, the impact on revenue and expenses of changes in business practices and changing industry conditions.

Accounting policy for intangibles

Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets and assets not yet available for use in the manner intended by management are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the de-recognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Goodwill

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually for impairment or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

Software product development

Significant costs associated with software product development (net of research and development incentives) are capitalised and amortised on a straight-line basis over the period of their expected benefit. Amortisation commences when the asset is available for use in the manner intended by management.

Research and development costs

Expenditure during the research phase of a project is recognised as an expense when incurred. Development costs are capitalised only when technical feasibility studies identify that the project will deliver future economic benefits and these benefits can be measured reliably. Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Impairment of non-financial assets

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Note 14: Current liabilities – trade and other payables

	Consolidated	
	2019 $'000	**2018 $'000**
Trade payables	591	447
Sundry creditors and accruals	952	1,238
Deferred rent expense	–	33
eCommerce payments awaiting clearance	2,018	2,238
	3,561	3,956

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually settled within established terms, normally 30 days of recognition. Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost.

Note 15: Current liabilities – provisions

	Consolidated 2019 $'000	Consolidated 2018 $'000
Employee benefits	1,076	1,046
Lease make good	34	40
	1,110	1,086

Lease make good

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated – 2019	Lease make good $'000
Carrying amount at the start of the year	40
Provisions utilised	(6)
Carrying amount at the end of the year	34

Accounting policy for provisions

Provisions are recognised when the Group has a present (legal or constructive) obligation as a result of a past event, and it is probable the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using a current pre-tax rate specific to the liability. The increase in the provision resulting from the passage of time is recognised as a finance cost.

Accounting policy for short-term employee benefits

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Employee benefits relate to the Group's liability for long service leave and annual leave. The entire amount of the provision for annual leave is presented as current since the Group does not have an unconditional right to defer settlement in whole or in part of this obligation. Based on past experience the Group expects that in aggregate employees will take or receive payment for the full amount of accrued leave within the next 12 months.

Note 16: Non-current liabilities – provisions

	Consolidated 2019 $'000	Consolidated 2018 $'000
Employee benefits	196	253
Lease make good	3	16
	199	269

Note 16: Non-current liabilities – provisions continued

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

Consolidated – 2019	Lease make good $'000
Carrying amount at the start of the year	16
Provisions utilised	(13)
Carrying amount at the end of the year	3

Refer to note 15 for further details of the lease make good provision.

Accounting policy for long-term employee benefits

The liability for long service leave not expected to be settled within 12 months of the reporting date is measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

Note 17: Equity – issued capital

			Consolidated	
	2019 Shares	2018 Shares	2019 $'000	2018 $'000
Ordinary shares – fully paid	256,167,592	256,167,592	86,283	86,283

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 shall have one vote and upon a poll each share shall have one vote.

Capital risk management

The Group's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current Company's share price at the time of the investment.

Accounting policy for issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Note 18. Equity – dividends and franking credits

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year or subsequent to the end of the financial year.

Accounting policy for dividends

Dividends are recognised when declared during the financial year and no longer at the discretion of the Company.

	Consolidated	
	2019 $'000	2018 $'000
Franking credits		
Franking credits available for subsequent financial years (tax rate: 27.5% (2018: 27.5%))	1,249	1,249

The deferred franking debit account has a balance of $3,616,000 (2018: $1,831,000). The receipt by the Company of the R&D refundable tax offsets does not immediately reduce the franking account balance. However, no franking credits will arise as a result of income tax payments until the Company recovers these deferred franking debits.

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date, after recovery of all deferred franking debits.
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date.

Note 19. Reconciliation of (loss)/profit after income tax to net cash from operating activities

	Consolidated	
	2019 $'000	2018 $'000
(Loss)/profit after income tax expense for the year	(4,205)	251
Adjustments for:		
Depreciation and amortisation	410	289
Impairment of goodwill	4,544	–
Research and development tax benefit on intangibles	1,347	1,425
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(763)	(1,149)
Decrease in inventories	34	59
Decrease/(Increase) in income tax refund due	256	(341)
(Increase)/Decrease in deferred tax assets	(22)	116
Decrease/(Increase) in other operating assets	230	(36)
(Decrease) in trade and other payables	(395)	(324)
(Decrease)/Increase in other provisions	(46)	56
(Decrease) in deferred revenue	(42)	(14)
Net cash from operating activities	1,348	332

Note 20. Financial instruments

Financial risk management objectives

AASB 9 'Financial instruments' replaces AASB 139 'Financial instruments: Recognition and Measurement' with the exception of macro hedge accounting. The standard is effective for accounting periods beginning on or after 1 July 2018. The standard covers three elements:

- Classification and measurement: Changes to a principle based approach to classify financial assets as either held at amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit and loss, dependent on the business model and cash flow characteristics of the financial asset.
- Impairment: Moves to an impairment model based on expected credit losses.
- Hedge accounting: The AASB 9 hedge accounting requirements are designed to allow hedge accounting to be more closely aligned with the Group's underlying risk management.

With the exception of the additional disclosure requirements, the nature of the change in accounting policy has not had a material impact on the Group's financial statements. Classifications of the financial instruments have remained the same and as such, there is no change in the financial line items, no change to basic and diluted earnings per share and no adjustment relating to prior periods before those presented.

The Group's activities expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. Different methods are used to measure different types of risk to which the Group is exposed, such as sensitivity analysis for interest rate risk and ageing analysis for credit risk.

Market risk

Foreign currency risk

The Group has no material exposure to foreign exchange risk.

Interest rate risk

The Group's financial instrument exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities are:

	2019		2018	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Cash on deposit	2.40%	2,125	2.57%	4,826
Net exposure to cash flow interest rate risk		2,125		4,826

An official increase/(decrease) in interest rates of 24 (2018: 26) basis points would have a favourable/adverse effect on profit before tax of $5,100 (2018: $12,550) per annum. The percentage change is based on the expected volatility of interest rates of a 10% movement, using market data and analysts forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group mitigate credit risk by undertaking transactions with a large number of customers. Other than disclosed in note 10 relating to other receivables, the Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The maximum exposure to credit risk at the reporting date to recognised financial assets is 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. The Group does not hold any collateral. Trade and other receivables that are neither past due nor impaired are considered to be high credit quality. There has been no change to credit risk since initial recognition.

Note 20: Financial instruments continued

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.The Group manages liquidity risk by monitoring forecast cash flows and ensuring that adequate financial resources are maintained on an ongoing basis.

The following tables detail the Group's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid. The tables include both interest and principal cash flows disclosed as remaining contractual maturities. Therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
2019					
Non-derivatives					
Non-interest bearing					
Trade and other payables	1,543	–	–	–	1,543
Total non-derivatives	1,543	–	–	–	1,543
2018					
Non-derivatives					
Non-interest bearing					
Trade and other payables	1,685	–	–	–	1,685
Total non-derivatives	1,685	–	–	–	1,685

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Fair value of financial instruments

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 21: Contingent liabilities

The Group had no contingent liabilities at 30 June 2019 and at 30 June 2018.

Note 22: Commitments

	Consolidated 2019 $'000	2018 $'000
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	393	462
One to five years	511	2
	904	464

Operating lease commitments include contracted amounts for various offices under non-cancellable operating leases expiring within five years with, in some cases, options to extend. Lease payments comprise a base amount plus an incremental, which is either contingent or fixed. Contingent rentals are based on movements in the Consumer Price Index. On renewal, the terms of the leases are renegotiated.

Note 23: Key management personnel disclosures

Compensation

The aggregate compensation made to directors and other members of key management personnel of the Group is set out below:

	Consolidated	
	2019 $'000	2018 $'000
Short-term employee benefits	1,040	1,262
Post-employment benefits	77	87
	1,117	1,349

Included in the above are director's fees which were paid to companies associated with the directors.

Note 24. Related party transactions

Parent entity

Corum Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 25.

Key management personnel

Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the directors' report.

Transactions with related parties

Director's fees attributable to Bill Paterson of $126,000 (2018: $126,000) were paid or payable to his associate Paterson Wholohan Grill Pty Ltd. Amount payable at 30 June 2019 $34,556 (2018: $10,356).

Loans to/from related parties

There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions

All transactions were made on normal commercial terms and conditions and at market rates.

Note 25. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 1:

		Ownership interest	
	Principal place of business/ Country of incorporation	2019 %	2018 %
Amfac Pty Ltd	Australia	100%	100%
Corum Health Pty Ltd (formally Pharmasol Pty Ltd)	Australia	100%	100%
Corum eCommerce Pty Ltd	Australia	100%	100%
Corum Systems Pty Ltd	Australia	100%	100%
Corum Training Pty Ltd	Australia	100%	100%

Note 26: Share-based payments

There were no performance rights or share options granted during the financial year (2018: nil).

Note 27: Parent entity information

Set out below is the supplementary information about the parent entity.

	Parent	
	2019 $'000	**2018 $'000**
Statement of profit or loss and other comprehensive income		
Loss after income tax	(275)	(827)
Total comprehensive income for the year	(275)	(827)
Statement of financial position		
Total current assets	4,580	7,134
Total assets	15,472	16,135
Total current liabilities	851	1,073
Total liabilities	12,314	12,702
Equity		
Issued capital	86,283	86,283
Accumulated losses	(83,125)	(82,850)
Total equity	3,158	3,433

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2019 and 30 June 2018.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1.

Note 28. Events after the reporting period

On 29 August 2019 the Company received a tax refund of $1,493,000 relating to the 2019 financial year.

Other than disclosed above, no other matter or circumstance has arisen since 30 June 2019 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

Bill Paterson
Chairman

Matthew Bottrell
Director

29 August 2019
Sydney

BDO

Tel: +61 2 9251 4100
Fax: +61 2 9240 9821
www.bdo.com.au

Level 11, 1 Margaret St
Sydney NSW 2000
Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Corum Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Corum Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 30 June 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.

BDO

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and 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.

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.

Carrying value of Goodwill – impairment assessment

Key audit matter	*How the matter was addressed in our audit*
The Group is required to perform an annual impairment test on the carrying value of goodwill in accordance with AASB136 *Impairment of Assets*. The Group has tested goodwill for impairment at reporting date by comparing the carrying value to its recoverable amount. Recoverable amount has been determined through a value in use calculation. The Group's assessment of the value in use involves significant judgements such as the future results of the business, and the discount and growth rates applied to the future cash flows. Consequently, we considered this a key audit matter. Refer to Note 13 in the financial report for key disclosures relating to the impairment assessment of goodwill.	Our audit procedures included, among others: • An assessment of the historical accuracy of management's forecasts in the context of the value in use model; • Evaluating the key inputs and assumptions used in the value in use model, in particular those relating to forecast revenue, and the growth and discount rates applied; • Assessing the sensitivity of the key assumptions for reasonably possible changes in the value in use model prepared by the Group; and • Assessing the adequacy of the Group's disclosures in Note 13 in relation to the impairment testing performed and management's assessment of the sensitivity with respect to changes to key assumptions.

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 30 June 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.

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 at:

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

This description forms part of our auditor's report.

BDO

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Corum Group Limited, for the year ended 30 June 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 East Coast Partnership

Arthur Milner
Partner

Sydney, 29 August 2019

Shareholder information

The shareholder information set out below was applicable as at 28 August 2019.

Distribution of equitable securities

Analysis of number of equitable security holders by size of holding:

Range of shareholding	Number of holders of ordinary shares	Number of ordinary shares held
1 – 1,000	670	230,873
1,001 – 5,000	379	1,020,291
5,001 – 10,000	198	1,512,210
10,001 – 100,000	259	8,784,414
100,001 and over	107	244,619,804
	1,613	256,167,592
Holding less than a marketplace parcel	1,324	3,815,337

Equity security holders

Twenty largest quoted equity security holders

The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
Lujeta Pty Ltd (The Margaret Account)	140,053,379	54.67
Link Enterprises (International) Pty Ltd	13,090,345	5.11
Ginga Pty Ltd (Thomas G Klinger Family A/C)	10,810,866	4.22
BNP Paribas Nominees Pty Ltd (IB AU Noms Retail client DRP)	8,418,968	3.29
Canceler Pty Ltd (Clarence Super Fund A/C)	7,600,000	2.97
RM O'Shannassy Pty Ltd (RM Shannassy Family Account)	5,552,406	2.17
Mr Robert Martin O'Shannassy	4,789,339	1.87
Mr Michael John Farrelly	4,524,379	1.77
Ginga Pty Ltd	4,284,540	1.67
Atlas Holdings Pty Ltd (The Atlas A/C)	2,891,214	1.13
Sanberg Pty Ltd (MJ & M Badgery Family Account)	2,400,000	0.94
Mr Malcolm John Badgery	2,305,100	0.90
Mr Michael John Farrelly + Ms Madeline Zappia (Farrelly Retirement Fund A/C)	2,271,984	0.89
Navigator Australia Ltd (MLC Investment Sett A/C)	2,097,545	0.82
Mr Geoffrey John Paul (G & J Super Fund A/C)	1,790,000	0.70
Mr David Klinger	1,630,000	0.64
Mrs Kerry Elizabeth Draffin	1,575,946	0.62
Mr Gregor Aschoff	1,546,881	0.60
Emerald Shares Pty Limited (Emerald Unit Account)	1,500,000	0.59
Layuti Pty Ltd (The Mouatt Super Fund A/C)	1,444,877	0.56
	220,577,769	86.11

Substantial holders
as disclosed in substantial shareholder notices given to the Company:

	Ordinary shares	
	Number held	% of total shares issued
Lujeta Pty Ltd	140,054,379	54.67
Ginga Pty Ltd	17,277,812	6.74
Link Enterprises (International) Pty Ltd	15,333,806	5.99

Voting Rights
All ordinary shareholders carry one vote per share without restriction.

There are no other classes of equity securities.

Corporate directory

Chairman

Bill Paterson

Directors

Gregor Aschoff
Matthew Bottrell

Company Secretary

David Clarke

Registered Office

Level 3
120 Sussex Street
Sydney NSW 2000
Head office telephone +61 2 9289 4699

Share Register

Computershare Investor Services Pty Limited
60 Carrington Street
Sydney NSW 2000

Share registry telephone 1300 787 272
or +61 3 9415 4000

Auditor

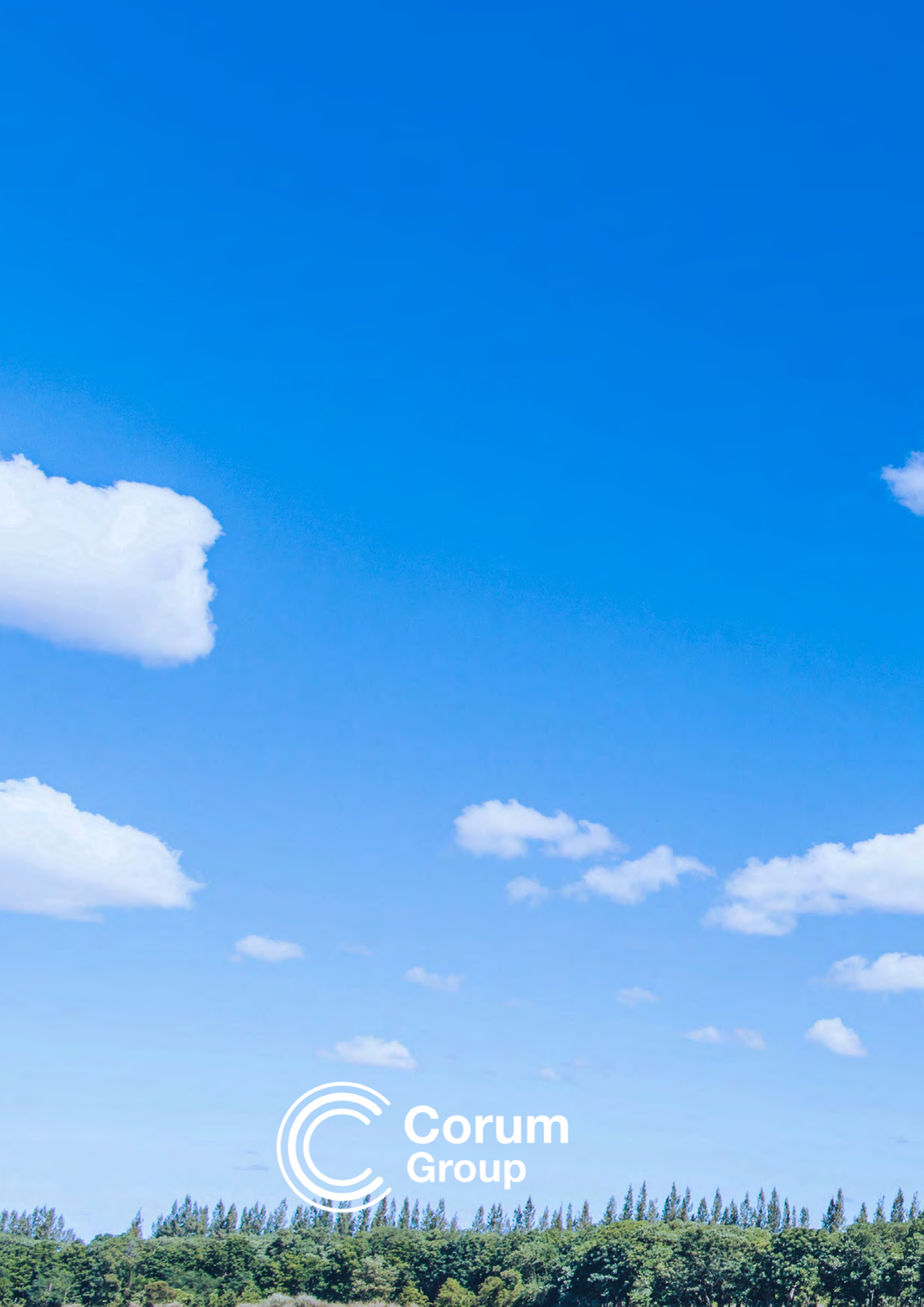
BDO East Coast Partnership
Level 11
1 Margaret Street
Sydney NSW 2000

Stock Exchange Listing

Corum Group Limited shares are listed on the Australian Securities Exchange (ASX code: COO)

Website

www.corumgroup.com.au


Corum
Group