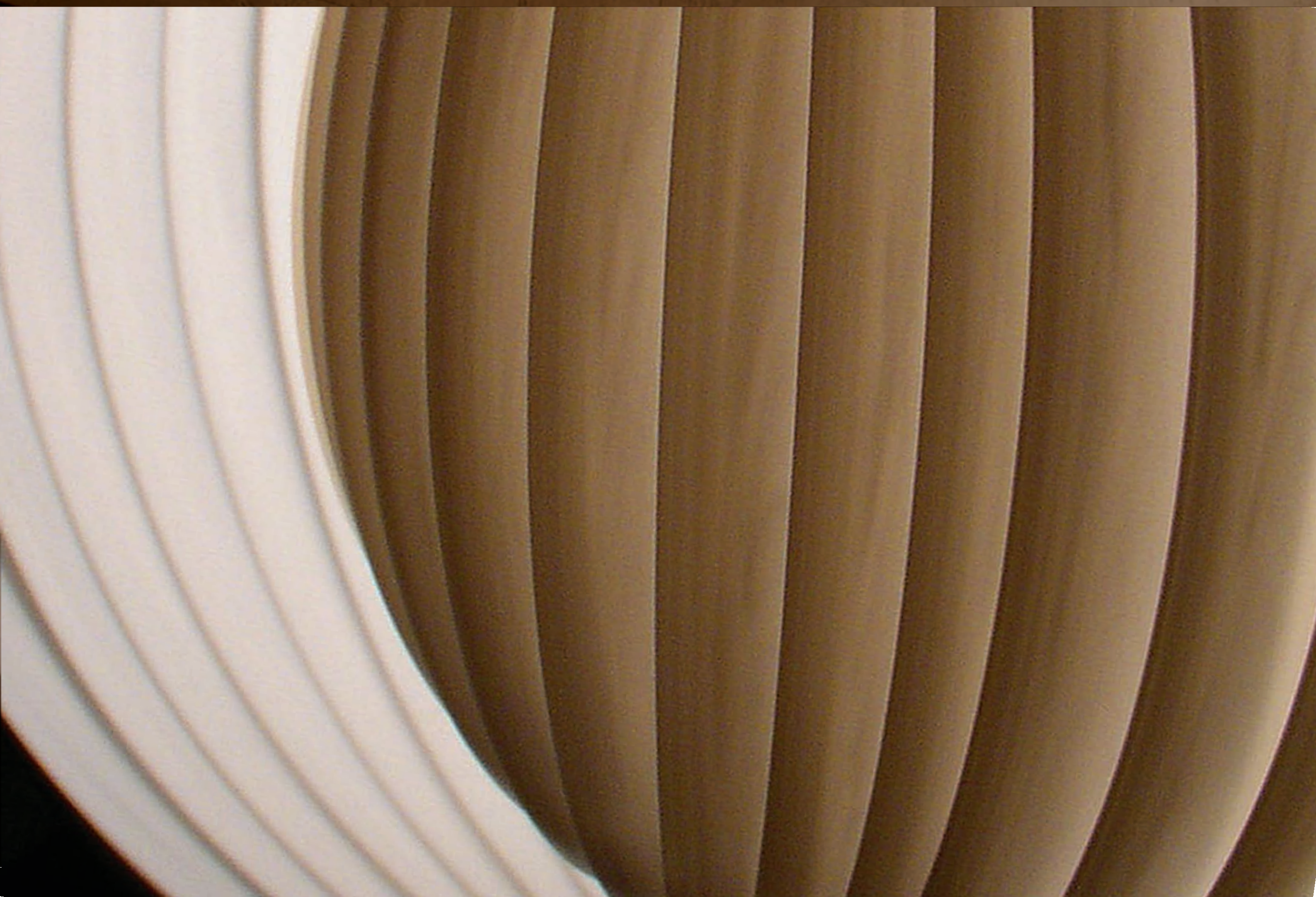
Corum Group

2007 Annual Report

Corum Group



Corum Group

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MANAGING DIRECTOR'S REPORT

- **Revenue up 9.2%**
- **Business earnings (EBITDA) up 34%**
- **Profit after tax on a normalised basis up 79%**

Following our rebranding as Corum Group Limited in November 2006 we have continued to invest in infrastructure, systems and personnel to substantially reinforce our foundation for solution and performance enhancements for customers and to improve our financial performance and returns to shareholders.

We continue to strengthen the value of our diverse businesses by leveraging the assets, intellectual property, relationships, experience and knowledge within each business.

- **Corum eCommerce** provides payment solutions to many of Australia's best known corporate entities like AGL and Federal Express, plus government councils.
- **Corum Health Services** is a leading provider of pharmacy software solutions. Dispense, point-of-sale, stock control and management solutions enhance the operation, service and profitability of nearly 50% of Australian pharmacies.
- **Corum Real Estate Services** processes rent payments for tenants of the 18 major franchise groups and independent agents.
- **Corum Training** is a licensed Registered Training Organisation delivering training to real estate professionals.

Strategic developments

At the Annual General Meeting on 3 November 2006 we changed our name to Corum Group Limited. A complete rebranding process across the group included new logos, websites and distinct identities for our operating divisions: Corum eCommerce, Corum Real Estate Services, Corum Health Services and Corum Training. Accompanying solution developments and marketing campaigns have helped to improve the image of these businesses.

25 January 2007 marked the completion and drawdown of the Westpac banking facility. The $5 million facility, in conjunction with available funds, was used to repay the outstanding $6.84 million of secured convertible notes. This has significantly reduced Corum's cost of borrowing. A placement of shares to predominantly institutional investors was made in February 2007 to raise $2 million for future development of the group's business.

Divisional performance

Westpac also became the clearing bank for the Corum eCommerce and Corum Real Estate Services transaction processing businesses, and facilitated the implementation of BPAY and POSTbillpay in-person payment options for tenants in early June.

This service enhancement created a more robust business model and, combined with marketing campaigns, is contributing to significant growth in tenant and agent clients. We anticipate this to continue throughout the current year and contribute additional revenue of $1.5 million for Corum Real Estate Services.

During the course of the year, Corum Health Services developed a major enhancement to its various dispense solutions to facilitate PBS Online, the Commonwealth Government initiative to increase efficiency in the PBS system. We finished deploying this major software upgrade to more than 1,400 pharmacies in the latter half of the year. The net result will be a significant new revenue stream of approximately $2 million per annum.

Corum Health's joint venture investment, PharmX, the internet ordering gateway enabling pharmacists to order electronically from suppliers, has experienced significant growth with the addition of further major customers. This business is expected to become profitable in the current financial year.

In 2006 Corum Training was established and accredited as a Registered Training Organisation to deliver industry qualification and skill-development training to real estate professionals, leveraging the client base of Corum Real Estate Services. This division has been contributing to revenues and profits since early 2007.

New executive director

Corum has enhanced its commercial and technical expertise with the appointment of Mr. Craig Glendenning as Executive Director. Craig has over 20 years of experience in the electronic payment industry and has been responsible for the analysis and development of Branch Security Networks, Card Management Systems, BPAY and, most recently, Visa International's global contactless card and mobile phone payment solutions.

Looking forward

Corum continues to invest in developing appropriate infrastructure, systems, procedures and personnel. It is expected that this investment will ultimately deliver shareholders a company that can be relied upon for sustainable growth in revenues and profits, while becoming a leading participant in its chosen markets.

Mark Winnett
Managing Director

CORUMECOMMERCE

> Providing payment solutions to a number of Australia's best known corporates and local councils.

Corum eCommerce provides payment solutions to a number of Australia's best known corporate entities like AGL and Federal Express, plus government councils. Solutions are founded on a scalable, flexible platform facilitating a secure, fully integrated revenue collection process to streamline receivables management.

By automating this exchange between an organisation, its customers and its bank, we are able to assist our clients to dramatically reduce transaction and billing costs incurred in administration, delivery, reconciliation and reporting.

We continue to offer multiple solutions addressing our clients' unique requirements including customised branding, credit card surcharging, and electronic bill presentment and payment (EBPP).

On 1 May 2007, Westpac became the clearing bank for all our transaction processing giving us the opportunity to offer additional payment options to our clients.

CORUM HEALTH SERVICES

A leading provider of pharmacy software servicing nearly 50% of Australian pharmacies.

Corum Health Services is a leading provider of pharmacy software and hardware solutions. Dispense, point-of-sale, stock control and management solutions enhance the operation, service and profitability of nearly 50% of Australian pharmacies.

Product development
During the course of the year we developed and implemented a major enhancement to our various dispense solutions to facilitate PBS Online, a Commonwealth Government initiative to increase efficiencies in the PBS system. PBS Online significantly improves the claiming process for pharmacies, enabling pharmacists to electronically transmit scripts to Medicare Australia at the time of drug dispensing to verify patient entitlements and instantly claim rebates.

The associated maintenance fees from PBS Online installations add a significant new revenue stream of approximately $2 million per annum.

Other significant, cost reducing product enhancements included streamlining our supply of drug interaction data and an automatic messaging service for software updates, eliminating the distribution of CD updates.

Product releases
Three significant new products were released throughout the year.

1. Corum Retail Pharmacy Manager (RPM): this head office software centralises pricing and stock decision making to increase efficiency and profitability across a group of pharmacies.
2. Corum Benchmarking: designed to facilitate informed business decisions and improve retail profitability, Benchmarking comprises detailed management reports showing comparisons against other pharmacies and national averages on a wide range of criteria.
3. Corum BackUp: this automated backup solution is customised and fully supported to safeguard crucial pharmacy data.

PharmX
Corum Health's joint venture investment, PharmX, the internet ordering gateway enabling pharmacists to order electronically from suppliers, has experienced significant growth with the addition of further major customers. This business is expected to become profitable in the current financial year.

CORUMREAL ESTATE SERVICES

Significant growth in both tenant and agent clients

New BPAY and POSTbillpay in-person payment options for tenants

Corum Real Estate Services provides branded rent card solutions to 18 major Australian franchise groups and independent agents which facilitate a streamlined rent payment and reconciliation process. Automating this process significantly reduces agents' costs in banking, reconciliation, administration and reporting, while multiple payment options provide easy, convenient and secure ways for tenants to pay rent.

Westpac became the clearing bank for Corum Real Estate's transaction processing on 1 May 2007 resulting in the implementation of cleared funds processing and additional payment options for tenants on 4 June – BPAY and POSTbillpay in-person.

This solution enhancement has created a more robust business model and, combined with other upgrades and marketing campaigns, continues to lead to significant growth in tenant and agent clients. As we continue to rollout upgrades across the various franchise groups, we expect to see significant revenue increases in the 2008 financial year.

Clients include: L.J. Hooker, Raine & Horne, Laing + Simmons, Stockdale & Leggo, Richardson & Wrench, Elders, RE/MAX, PRD Nationwide, Rental Express, Harcourts and many independent agents.

CORUMTRAINING

With a solid foundation and credibility now well established we expect continuing profitable growth in 2008

Delivering qualification and skill development training to real estate professionals.

A logical extension of Corum's involvement in and understanding of the real estate industry, Corum Training was officially launched in November 2006 after receiving accreditation as a Registered Training Organisation.

Highly regulated by the Office of Fair Trading, real estate professionals in sales and property management must undertake training to obtain and continue to hold mandatory certificate or licence qualifications. Corum Training delivers this training in classroom and distance education formats, as well as skill development training and coaching.

Considerable time and effort has been invested in developing a highly professional, respected organisation that is ideally positioned for growth throughout Australia and New Zealand. Close relationships with industry associations and key franchise client relationships are already providing strong referral and repeat business opportunities.

With a solid foundation and credibility now well established we expect continuing profitable growth in 2008; the division has been contributing to profits since early 2007.

CORPORATE GOVERNANCE STATEMENT

The Corum board is committed to ensuring its policies and practices reflect good corporate governance and recognises that for the success of the Company an appropriate culture needs to be nurtured and developed throughout all levels of the Company.

This statement outlines the Company's corporate governance practice as espoused by the current board. The Company has substantially adopted the ASX Corporate Governance Council's "Principles of Good Corporate Governance and Best Practice Recommendations" for the entire financial period unless otherwise stated. Where the recommendations have not been adopted by the Company, this is identified and explained below.

1 Lay solid foundations for management and oversight

The board is ultimately responsible for the operations, management and performance of the Company and is accountable to shareholders. The managing director is a member of the board but does not hold the position of chairman.

The main responsibilities of the board are to:

- determine corporate strategies, policies and guidelines for the successful performance of the Company;
- monitor the performance and management of the Company;
- ensure proper corporate governance;
- ensure that appropriate risk management procedures, compliance frameworks and internal control systems are in place and operating effectively;
- monitor financial results; and
- ensure the Company maintains an honest and ethical culture.

2 Structure the board to add value

In accordance with the Company's constitution, the board should comprise no fewer than three and no more than ten directors. At the date of this report, the board consists of three executive directors Mr. M. Winnett, Mr. M. Rowley and Mr. C. Glendenning and one non-executive director Mr. M. Shehadie who is also chairman.

Under ASX Best Practice Recommendations Mr. Shehadie may not be independent as his legal firm currently receives fees in respect of professional services provided to the Company. Currently, the Company does not have a majority of independent non-executive directors. It is the intention of the Board to appoint additional independent, non-executive directors when suitable candidates can be identified who are willing to accept the responsibility that the position entails.

Whilst the directors cannot be considered independent in accordance with ASX Best Practice recommendations, all directors are expected to bring their independent views and judgement to the board and, in accordance with the Corporations Act 2001, must inform the board if they have any interest that could conflict with those of the Company. Where the board considers that a significant conflict exists it may exercise its discretion to determine whether the director concerned may be present at the meeting while the item is considered.

In the discharge of their duties and responsibilities, the directors individually (as well as the board) have the right to seek independent professional advice at the Company's expense. However, for advice to an individual director, prior approval of the chairman is required, which would not be unreasonably withheld. The chairman is entitled to receive a copy of any such advice obtained.

The current board has not established a nomination committee which it considers is not appropriate for the Company with its present minimal board membership. Accordingly, the functions of the nomination committee are carried out by the full board in normal session.

Directors are initially appointed by the full board, subject to election by shareholders at the next general meeting. Under the Constitution, one third of the board retire from office each year and submit themselves for re-election by shareholders at the Annual General Meeting.

The business of the Company is conducted by or under the supervision of the managing director and by executives to whom management functions have been delegated by the managing director. The managing director is accountable to the board for the management of the Company and must consult the board on matters that are sensitive, extraordinary or of a material strategic nature.

3 Promote ethical and responsible decision making

The Company has established a code of conduct dealing with matters of integrity and ethical standards. All directors, executives and employees are expected to abide by the code of conduct, which covers a number of areas, including the following:

- professional conduct and ethical standards;
- standards of workplace behaviour and equal opportunity;
- relationships with customers, suppliers and competitors;
- confidentiality and continuous disclosure;
- anti-discrimination and harassment;
- trading in Company securities;
- the environment.

CORPORATE GOVERNANCE STATEMENT

The main principles of the Company's share trading policy are summarised as follows:

- the policy extends to officers, employees and consultants of the Company and their associates;
- short term trading is prohibited;
- trading is prohibited when directors or other persons are in possession of price sensitive information, which is not available to the public.
- trading is prohibited in the six week period prior to either the final results announcement or the half yearly results announcement;
- share trading is permitted at other times only if seven days prior notice in writing is given to the Company.

4 Safeguard integrity in financial reporting

The board has established an audit committee, which has defined authority, responsibilities and reporting requirements. The current members of the audit committee are Mr. M. Shehadie and Mr. M. Winnett. The chief financial officer, financial controller and company secretary routinely attend audit committee meetings by invitation. For the reasons stated in 2 above, it is not considered appropriate at this time to adopt a formal charter with which the committee is unable to comply. This does not mean, however, that the audit committee is any the less diligent in its operation.

For the reasons set out in 2 above, the Company does not comply with ASX Best Practice Recommendation 4.3 in so far as the audit committee does not have a majority of independent directors, does not comprise only non-executive directors, does not have an independent chairperson and does not comprise at least three board members.

The external auditors (Hall Chadwick) are requested by the audit committee to attend the appropriate meetings to report on the results of their half-year review and full year audit. The external auditors have direct access to the audit committee if required.

The function of the audit committee is to assist the board in fulfilling its statutory and fiduciary responsibilities relating to:

- the external reporting of financial information, including the selection and application of accounting policies and compliance with relevant accounting standards;
- the independence and effectiveness of the external auditors;
- the effectiveness of internal control processes and management of information systems;
- compliance with the Corporations Act 2001, ASX Listing Rules and any other applicable requirements; and
- the application and adequacy of risk management systems within the Company.

The managing director and financial controller of the Company are required to state in writing to the board, by submission to the audit committee, that the Company's financial statements present a true and fair view, in all material respects, of the Company's financial position and operational results and that they are in accordance with relevant accounting standards.

5 Make timely and balanced disclosure

The Company has established procedures and policies designed to ensure compliance with the ASX Listing Rules disclosure requirements. The company secretary is the nominated continuous disclosure officer for the Company. The board authorises all disclosures necessary to ensure that:

- all investors have equal and timely access to material information concerning the Company including its financial situation, performance, ownership and governance; and
- Company announcements are factual and presented in a clear and balanced way.

6 Respect the rights of shareholders

The board is committed to ensuring that, subject to privacy laws and the need to act in the best interests of the Company by protecting confidential commercial information, shareholders, the stock market and other interested parties are fully informed of all material matters affecting the Company. The dissemination of information is mainly achieved as follows:

- an annual report is distributed to shareholders in October each year;
- a commentary is usually provided on the quarterly statements submitted to the Australian Stock Exchange;
- where possible, significant information is posted on the Company's internet website as soon as it is disclosed to the market;
- the external auditor is requested to attend the annual general meeting to answer shareholders' questions about the conduct of the audit and the content of the auditors' report.

CORPORATE GOVERNANCE STATEMENT

7 Recognise and manage risk

The Company is committed to identifying and managing areas of significant business risk to protect shareholders, employees, earnings and the environment. Arrangements in place include:

- regular detailed financial budgetary and management reporting;
- procedures to identify and manage operational and financial risks;
- established organisational structures, procedures and policies dealing with the areas of health and safety, environmental issues, industrial relations and legal and regulatory matters;
- comprehensive insurance and risk management programmes;
- procedures requiring board approval for all borrowings, guarantees, material contracts and capital expenditure beyond minor levels;
- where applicable, the use of specialised staff and external advisors.

The executive director and financial controller of the Company are required to state in writing to the board, by submission to the audit committee, that the risk management and internal control compliance systems implemented by the board are operating efficiently and effectively. The board has responsibility for assessing compliance and control procedures in conjunction with outside advisors if required.

The consolidated entity's operations are not subject to significant environmental regulation under either Commonwealth or State legislation.

8 Encourage enhanced performance

The performance of the Company's executive directors and senior executive staff is evaluated regularly by the board. There has been no formal performance evaluation of the current board undertaken in the reporting period.

9 Remunerate fairly and responsibly

The remuneration committee consists of Mr. M. Shehadie, Mr. M. Winnett and Mr. M. Rowley. For the reasons stated in 2 above, the composition of the remuneration committee does not accord with ASX Best Practice Recommendation 9.2 in that the number of board members is less than three and the chairman is not independent. The main responsibility of the committee is to make recommendations to the full board on remuneration matters and other terms of employment for executive directors, senior executives and non-executive directors.

Non-executive directors' fees are reviewed annually by the full board after taking into account the Company's performance, market rates, level of responsibility and the recommendations of the remuneration committee. The aggregate amount of fees, which may be paid to non-executive directors, is subject to approval of shareholders at the annual general meeting. Non-executive directors do not receive retiring allowances.

The Company has an equity based remuneration arrangement in place in the form of an employee option plan. Remuneration of executives is structured to link rewards to performance while maintaining a proper balance between fixed and incentive based remuneration, which may include the grant of options.

Further information on directors' and executives' remuneration is set out in the notes to the financial statements.

10 Recognise the legitimate interest of stakeholders

In this Corporate Governance Statement, reference has already been made to the code of conduct under which the Company operates. The code is designed to comply with the legal and other obligations of legitimate stakeholders and other interested parties and to foster a culture of compliance and proper behaviour.

DIRECTORS' REPORT

The directors of Corum Group Limited ("Corum" or the "Company", formerly Cosmos Limited) present their report together with the financial statements of the parent entity and its controlled entities for the financial year ended 30 June 2007 together with the auditor's report thereon.

Directors

The following directors of the Company have held office since the start of the financial year to the date of this report unless otherwise stated. None of the directors hold directorships in other listed entities.

Michael John Shehadie, LLB
Non-executive director and chairman, member of the audit committee and remuneration committee

Mr. Shehadie is a solicitor of over 25 years' standing.

Mr. Shehadie has an interest in 200,000 options to subscribe for shares in the Company.

Mark William Winnett

Managing director, member of the audit committee and remuneration committee

Mr. Winnett has held senior executive positions in a range of industries with a predominant focus on the IT and telecommunications sectors. He has particular skills in business development, marketing and human resource management.

Mr. Winnett has an interest in 5,249,795 shares in the Company.

Michael John Rowley, MBA
Appointed executive director 30 November 2005, member of the remuneration committee

Mr. Rowley has held senior executive positions in a number of multi-national companies. He has had significant experience in the management of human resources within high technology companies.

Mr. Rowley has an interest in 159,041 shares and 1,350,000 options to subscribe for shares in the Company.

Craig Allen Glendenning
Appointed executive director 10 April 2007.

Mr. Glendenning has over 20 years experience in the electronic payments industry, including executive appointments with Commonwealth Bank, Mondex and Visa International.

Mr. Glendenning has an interest in 1,000,000 options to subscribe for shares in the Company.

Peter James Kelly
Non-executive director

Mr. Kelly has significant experience in the telecommunications and computer industries. Mr. Kelly retired as a director on 3 November 2006.

Directors' meetings

The number of directors' meetings, including meetings of the audit, remuneration, and nomination Committees, and the number of meetings attended by each director are shown in the table below:

	Directors' Meetings		Audit Committee		Remuneration Committee	
	Eligible to attend	Attended	Eligible to attend	Attended	Eligible to attend	Attended
Mr M Shehadie	5	5	2	2	2	2
Mr M Winnett	5	5	2	2	1	1
Mr M Rowley	5	5	–	–	2	2
Mr C Glendenning	–	–	–	–	–	–
Mr P Kelly	2	–	–	–	–	–

Company secretary

Julian Michael Sydney Walter, MA, MBA, FCA
The services of Mr Walter as company secretary are provided by Fordholm Investments Pty Ltd.

Mr. Walter has over 30 years' experience in corporate finance and has held senior positions in banking, industry and commerce.

Principal activities

The principal activities of the consolidated entity during the financial year were:

- the operation of a retail technology business providing point-of-sale software, pharmaceutical dispensing software, computer hardware and support services to the pharmacy industry;
- the operation of a transaction processing business providing electronic bill payment, funds transfer and processing services to the real estate industry and other corporate and local government clients;
- the provision of accredited training services to the real estate industry through the group's Registered Training Organisation.

DIRECTORS' REPORT

Review of operations

The directors are pleased to announce a profit after income tax of $0.41 million (2006 $1.06 million). The 2007 annual financial results show a 9.2% increase in revenues to $17.83 million (2006 $16.33 million) offset by increases in operating and financing costs, giving an operating profit before tax of $0.41 million. EBITDA for the year increased 34% to $2.79 million compared with $2.09 in 2006.

On a normalised basis, i.e. excluding legacy litigation costs and other non-recurring items of income and expenditure, earnings before and after tax for 2007 increased by 79% to $968k compared with $540k in 2006.

On 3 November 2006, the Company changed its name to Corum Group Limited. This name change was accompanied by a full corporate re-branding including a change of logo and new website.

The Company completed a refinancing of its secured convertible notes in January 2007. A term loan facility for $5.0 million was provided by Westpac Banking Corporation which, together with the Company's own funds, was used to redeem $6.85 million of secured and unsecured convertible notes. A placement of shares was made in February 2007 to raise $2.0 million for further development of the group's businesses.

Westpac also became the clearing bank for the group's Corum eCommerce and Corum Real Estate Services transactions and has implemented the addition of BPay and Over-the-Counter payment facilities for the Real Estate rental payments business resulting in a more robust business model for that division.

Following the implementation of the additional Wespac payment facilities in early June and the ensuing marketing campaign, there has been significant growth in tenant and agent numbers. It is anticipated that this will continue throughout the current year and result in at least an additional $1.5 million of revenue for the eCommerce Real Estate division in the 2008 financial year.

Corum's investment in the PharmX internet ordering gateway continues to be justified with the addition of further major customers. The business is expected to become profitable in the current financial year.

Corum has invested in the establishment of a Registered Training Organisation known as Corum Training focused on servicing Corum Real Estate clients. This division is already contributing to revenues and profits.

The board has also enhanced its commercial and technical expertise with the appointment of Mr. Craig Glendenning as Executive Director. Craig has over 20 years of experience in the electronic payment industry and has been responsible for the analysis and development of Branch Security Networks, Card Management Systems, BPay and, most recently, Visa International's global contactless card and mobile phone payment solutions. The focus of the board will remain on the Company's core businesses in order to derive maximum benefit from its own intellectual property and market share.

State of affairs

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

Dividends

No dividends have been paid or declared by the Company during the current or prior financial year.

Events subsequent to reporting date

Subsequent to 30 June 2007, Pharmasol Pty Ltd and Amfac Pty Ltd entered into contracts with Medicare Australia for the provision of support services for PBS Online. These contracts run for a period of approximately two years and will generate ongoing revenues of approximately $2 million per year.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

Future developments, prospects and business strategies

The directors and senior management are focused on optimising the current businesses of the group and developing additional income streams. The Company intends to build upon its existing business foundations and progressively expand its activities.

As described in the review of operations, the new alliance with Westpac has helped strengthen the business model of Corum eCommerce. Accordingly, the Company intends to market its products strongly to the real estate industry in the next two years as this is perceived to be a major opportunity for growth.

The directors are also allocating money to product development and expanding into new markets for existing products within the pharmacy and other industries.

DIRECTORS' REPORT

Remuneration report

Remuneration policy
The remuneration structures for executive officers are designed to provide incentives based on measurable results such as sales targets, as well as linking rewards to the longer term performance of the Company. Such structures take into account current market practice and remuneration levels for comparable positions. Non-executive directors do not receive performance-based remuneration other than participation in the Company's option scheme.

Company performance
The directors believe that the interests of the Company and its executive directors are strongly aligned and that the implementation of an Employee Share Ownership Scheme and other such arrangements will serve both to reward and provide necessary incentives for enhanced future performance by both directors and executives.

Employment contracts

Executive employment contracts generally stipulate a one month resignation period. The Company may terminate an employment contract without cause by providing not less than the stipulated period of notice or making payment in lieu of notice; redundancy payments may or may not apply depending on the circumstances. Termination payments are not generally payable on resignation or dismissal for serious misconduct.

The services of the executive directors are currently retained under contracts which expire on 1 September 2009 and provide for two year notice periods.

Remuneration paid
Details of the nature and amount of each major element of the compensation of key management personnel of the Company and the consolidated entity are:

	Short term benefits		Post Employment benefits	Equity based payments	
	Salaries and fees $	**Bonuses $**	**Superannuation $**	**Options $**	**Total $**
M Shehadie, *Chairman*	60,000	–	–	3,042	63,042
M Winnett, *Managing Director*	360,150	–	–	–	360,150
M Rowley, *Executive Director*	299,880	–	–	36,007	335,887
C Glendenning, *Executive Director*	79,300	–	–	13,739	93,039
J Kelly, *Non-executive Director*	–	–	–	–	–
J Walter, *Company Secretary*	253,325	–	–	38,280	291,605
G Arnold, *National Sales Manager*	149,574	–	13,462	–	163,036
P Alexander, *General Manager Technology*	100,000	–	9,000	–	109,000

Directors' indemnification and insurance

Indemnification
The Company, in accordance with Article 23 of its Constitution, has agreed to indemnify officers of the Company against all liabilities that may arise from their position as officers of the Company except where the liability arises out of conduct involving a lack of good faith. The Company will also meet the amount of any costs and expenses incurred in defending proceedings in which judgment is given in their favour, they are acquitted or the case is withdrawn.

Insurance
During the year the Company incurred a premium cost of $2,000 respect of an insurance policy for directors' and officers' liability and legal expenses.

Non-audit services

The board of directors, in accordance with advice from the audit committee, is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the audit committee to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

DIRECTORS' REPORT

Non-Audit services (continued)

Fees for non-audit services payable to the external auditors during the year ended 30 June 2007 were as follows:

Taxation services	26,000
Due diligence review	3,000
Pre-lending review	3,000
Sundry Items	2,000
Total	$34,000

Rounding of amounts

The Company is an entity to which ASIC Class Order 98/100 applies and, accordingly, amounts in the financial statements and director's report have been rounded to the nearest thousand dollars unless otherwise stated.

Auditor's independence declaration

The auditor's independence declaration made under section 307C of the Corporations Act 2001 is set out on page 13 and forms part of this report.

Dated the 17th day of September 2007.

Signed in Sydney in accordance with a resolution of the directors.

Michael Shehadie
Chairman

Mark Winnett
Managing Director

AUDITOR'S INDEPENDENCE DECLARATION

Corum Group Limited (formerly Cosmos Limited)
and its controlled entities for the year ended 30 June 2007

Hall Chadwick

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2007 there have been:

(a) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit, and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

Hall Chadwick
Level 29, St Martins Tower
31 Market Street, SYDNEY NSW 2001

Drew Townsend
Dated: 17 September 2007

CONSOLIDATED INCOME STATEMENT

Corum Group Limited (formerly Cosmos Limited)
and its controlled entities for the year ended 30 June 2007

		CONSOLIDATED		COMPANY	
	Note	**2007 $000s**	2006 $000s	**2007 000s**	2006 $000s
Revenue from sale of goods	2	1,058	961	–	–
Revenue from rendering of services	2	16,093	14,760	1,800	1,800
Other revenue	2	681	608	455	21
Total revenues		**17,832**	**16,329**	**2,255**	**1,821**
Materials and consumables used		(2,062)	(2,291)	–	–
Employee expenses	3	(9,185)	(9,373)	(2,445)	(1,941)
Occupancy costs	3	(703)	(697)	(187)	(155)
Legal expenses		(616)	–	(529)	–
Marketing expenses		(527)	(433)	(60)	(138)
Depreciation and amortisation expense	3	(701)	(347)	(177)	(45)
Borrowing costs	3	(1,683)	(679)	(1,683)	(902)
Writeback of provisions	3	–	–	–	16,068
Provision against loan to joint venture		(126)	–	–	–
Other expenses	3	(1,820)	(1,445)	(480)	(462)
Profit before income tax expense		**409**	1,064	**(3,306)**	14,246
Income tax expense	**5**	–	–	–	–
Profit attributable to members of the parent entity		**409**	1,064	**(3,306)**	14,246
Earnings per share		$	$		
Basic profit per share	6	0.005	0.016		
Diluted profit per share	6	0.007	0.015		

The consolidated income statement should be read in conjunction with the notes to the financial statements.

CONSOLIDATED BALANCE SHEET

Corum Group Limited (formerly Cosmos Limited)
and its controlled entities for the year ended 30 June 2007

		CONSOLIDATED		COMPANY	
	Note	**2007 $000s**	2006 $000s	**2007 $000s**	2006 $000s
CURRENT ASSETS					
Cash and cash equivalents	8	3,898	3,643	678	2,887
Trade and other receivables	9	3,027	1,501	–	–
Inventories	10	102	73	–	–
Other	11	521	365	419	243
Total Current Assets		**7,548**	5,582	**1,097**	3,130
NON-CURRENT ASSETS					
Trade and other receivables	9	–	–	11,163	10,949
Financial assets	12	–	30	5,264	5,264
Property, plant and equipment	13	907	767	312	245
Intangible assets	14	18,267	16,633	10	10
Other assets		54	65	–	–
Total Non-Current Assets		**19,228**	17,495	**16,749**	16,468
Total Assets		**26,776**	23,077	**17,846**	19,598
CURRENT LIABILITIES					
Trade and other payables	15	4,851	3,107	1,651	1,622
Deferred revenue	15	1,798	1,876	–	–
Financial liabilities	16	469	6,854	469	6,854
Provisions	17	763	587	115	68
Total Current Liabilities		**7,881**	12,424	**2,235**	8,544
NON-CURRENT LIABILITIES					
Financial liabilities	16	11,231	6,700	11,231	6,700
Provisions	17	117	147	13	14
Total Non-Current Liabilities		**11,348**	6,847	**11,244**	6,714
Total Liabilities		**19,229**	18,271	**13,479**	15,258
Net Assets (Liabilities)		**7,547**	3,806	**4,367**	4,340
EQUITY					
Issued capital	18	77,223	74,107	77,223	74,107
Reserves	19	230	13	230	13
Accumulated losses		(69,906)	(70,314)	(73,085)	(69,780)
Total Equity		**7,547**	3,806	**4,367**	4,340

The consolidated balance sheet should be read in conjunction with the notes to the financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Corum Group Limited (formerly Cosmos Limited)
and its controlled entities for the year ended 30 June 2007

	ORDINARY SHARE CAPITAL $000s	OPTION RESERVE $000s	RETAINED LOSSES $000s	TOTAL $000s
CONSOLIDATED ENTITY				
Balance at 1 July 2005	73,462	–	(71,378)	2,084
Shares issued during the period	720	–	–	720
Capital raising costs	(75)	–	–	(75)
Recognition of share option expense	–	13	–	13
Profit attributable to members of parent entity	–	–	1,064	1,064
Balance at 30 June 2006	74,107	13	(70,314)	3,806
Shares issued during the period	3,203	–	–	3,203
Capital raising costs	(87)	–	–	(87)
Recognition of share option expense	–	217	–	217
Profit attributable to members of parent entity	–	–	409	409
Balance at 30 June 2007	**77,223**	**230**	**(69,906)**	**7,547**
PARENT ENTITY				
Balance at 1 July 2005	73,462	–	(84,026)	(10,564)
Shares issued during the period	720	–	–	720
Capital raising costs	(75)	–	–	(75)
Recognition of share option expense	–	13	–	13
Profit attributable to members of parent entity	–	–	14,246	14,246
Balance at 30 June 2006	74,107	13	(69,780)	4,340
Shares issued during the period	3,203	–	–	3,203
Capital raising costs	(87)	–	–	(87)
Recognition of share option expense	–	217	–	217
Profit attributable to members of parent entity	–	–	(3,306)	(3,306)
Balance at 30 June 2007	**77,223**	**230**	**(73,085)**	**4,367**

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

Corum Group Limited (formerly Cosmos Limited)
and its controlled entities for the year ended 30 June 2007

		CONSOLIDATED		COMPANY	
	NOTE	**2007 $000s**	2006 $000s	**2007 $000s**	2006 $000s
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers		17,815	18,152	380	–
Payments to suppliers and employees		(14,749)	(20,298)	(2,041)	(1,611)
Interest received		109	49	76	21
Interest and other cost of finance paid		(525)	(35)	(526)	(257)
Net cash generated by / (used in) operating activities	24	**2,650**	(2,132)	**(2,111)**	(1,847)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment in joint venture		–	(30)	–	–
Loan to joint venture		(66)	(30)	–	–
Payments for intangible assets		(1,753)	(10)	–	(10)
Payment for property, plant and equipment		(721)	(452)	(244)	(213)
Net cash used in investing activities		**(2,540)**	(522)	**(244)**	(223)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from issues of securities (shares and convertible notes)		2,000	6,700	2,000	6,700
Proceeds from borrowings		5,000	200	5,000	200
Repayment of borrowings		(6,855)	(2,217)	(6,855)	(1,945)
Net cash provided by financing activities		**145**	4,683	**145**	4,955
Net increase / (decrease) in cash held		**255**	2,029	**(2,210)**	2,885
Cash at beginning of the financial year		3,643	1,614	2,887	2
Cash at end of the financial year	8	**3,898**	3,643	**677**	2,887

The consolidated cash flow statement should be read in conjunction with the notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standards including Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial report covers the consolidated group of Corum Group Limited and controlled entities and Corum Group Limited as an individual parent entity. Corum Group Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of Corum Group Limited and controlled entities and Corum Group Limited as an individual parent entity complies with International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied to all years presented, unless otherwise stated.

a) Basis of preparation

Reporting basis and conventions
This financial report has been prepared on an accruals basis and is based on historical costs; except where stated, it does not take into account changing money values or fair values of assets or liabilities.

Comparative figures
When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

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

New standards and interpretations not yet adopted
The following Australian Accounting Standards and amendments to standards have been identified as those which may impact the parent company and consolidated group in the period of initial application. They are available for early adoption at 30 June 2007 but have not been applied in preparing this financial report:

- AASB 7 Financial Instruments: Disclosures (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Company's financial instruments and share capital.
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosure and Presentation, AASB 101 Presentation of Financial Statements, AASB 14 Segment Reporting, AASB 117 Leases, AASB 133 Earnings Per Share, AASB 139 Financial Instruments: Recognition and Measurement, AASB 1 First Time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts arising from the release of AASB 7. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the financial report.
- AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable to annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company as the standard is only concerned with disclosure.
- AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 17 Leases, AASB 118 Revenue, AASB 120 Accounting for Government Grants and Disclosures of Government Assistance, AASB 121 The Effects of Changes in Foreign Exchange Rates, AASB 127 Consolidated and Separate Financial Statements, AASB 131 Interest in Joint Ventures, and AASB 139 Financial Instruments Recognition and Measurement. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as Interpretation 12 Service Concession Arrangements.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 Non-current Assets Held for Sale and Discontinued Operations, AASB 6 Exploration for and Evaluation of Mineral Resources, AASB 107 Cash Flow Statements, AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements, AASB 134 Interim Financial Reporting, AASB 136 Impairment of Assets. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be adopted in conjunction with AASB 8 Operating Segments. This standard is only expected to impact disclosures contained within the financial report.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

b) Principles of consolidation

Controlled entities
The financial statements of controlled entities are included in the consolidated financial statements from the date control commences until the date control ceases.

Transactions eliminated on consolidation
Transactions, unrealised gains and losses resulting from transactions and inter-entity balances with or between controlled entities are eliminated in full on consolidation.

c) Revenue recognition

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

Sale of goods
Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of the goods passes to the customer.

Rendering of services
Revenue from rendering services is recognised in proportion to the stage of contract completion when the stage of contract completion can be reliably measured.

Deferred maintenance revenue is recognised by amortising the payment on a straight-line basis over the life of the contract as the maintenance services are performed.

Government grants
Government grants are recognised at fair value where there is a reasonable assurance that 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. 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 revenue
Interest revenue is recognised as it accrues, taking into account the effective yield of the financial asset.

Sale of non-current assets
The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

d) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the ATO. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated in the balance sheet inclusive of GST.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

e) Foreign currency transactions and balances

Foreign currency transactions during the year are translated into Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are recognised in the income statement in the financial period in which the exchange rate changes.

f) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, ancillary costs incurred in connection with arrangement of borrowings and finance lease charges.

Borrowing costs are expensed as incurred unless they relate to qualifying assets.

g) Taxation

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

The Company and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. The group notified the Australian Taxation Office on 14 September 2006 that it had formed an income tax consolidated group to apply from 1 July 2004. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group. No deferred tax assets have been recognised at the financial year end.

h) Impairment of assets

At each reporting date, the group reviews the carrying value of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value-in-use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

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

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

i) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments with maturities of less than one year.

j) Receivables

Trade debtors

Trade debtors that are to be settled within normal trading terms are carried at amounts due. The recoverability of debts is assessed at balance date and specific provision is made for any doubtful accounts.

k) Inventories

Inventories are measured at the lower of cost and net realisable value. Cost includes expenditure incurred in acquiring inventories and bringing them to their present location and condition.

l) Financial assets

Investments in controlled entities are carried in the Company's balance sheet at the lower of cost and recoverable amount.

Other unlisted investments are carried at the lower of cost and recoverable amount.

m) Leased assets

Leases under which the Company or its controlled entities assume substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease. Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

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 leased property.

Lease incentives are recognised as liabilities. Lease rental payments are allocated between rental expense and reduction of the liability, on a straight line basis over the period of the lease.

n) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the amount recoverable from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' deployment and subsequent disposal.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

The expected net cash flows have been discounted to their present values in determining recoverable amounts.

o) Depreciation and amortisation

Plant and equipment, leasehold improvements and equipment under finance lease are stated at cost less accumulated depreciation and impairment losses.

Such depreciable assets are depreciated using the diminishing value method over their estimated useful lives, with the exception of leased assets which are amortised over the term of the relevant lease or, where it is likely the consolidated entity will obtain ownership of the asset, the useful life of the asset.

Estimated useful lives, residual values and depreciation rates and methods are reviewed annually. When changes are made, adjustments are reflected prospectively in current and future periods only. The following estimated useful lives are used in the calculation of depreciation:

- Leasehold improvements 1 to 5 years
- Plant and equipment 1 to 12 years

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

p) Intangibles

Intellectual Property

Intellectual property rights comprise various applications, intellectual knowledge and know-how. The value of intellectual property consists of the capitalised cost incurred in acquiring intellectual property less amortisation.

Goodwill

Goodwill and goodwill on consolidation represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Any impairment loss is written off immediately in the income statement.

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.

q) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade accounts payable are normally settled within established terms.

r) Borrowings

Bank and other loans are shown in the balance sheet at their principal amounts. Interest payable is accrued at the contracted rate and expensed in the income statement. Notes payable are recognised when issued at the net proceeds received, with the premium or discount on issue amortised over the period to maturity.

s) Employee benefits

Wages, salaries and annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date. These are calculated as undiscounted amounts based on remuneration wage and salary rates that the consolidated entity expects to pay as at the reporting date, including related on-costs such as workers compensation insurance and payroll tax.

Long service leave

The provision for employee benefits for long service leave represents the present value of the estimated future cash outflows resulting from employees' services provided to reporting date.

The provision is calculated using expected future increases in wage and salary rates including related on-costs over the vesting periods and is discounted to present value using a probability weighted discount rate reflecting staff turnover history. The unwinding of the discount is treated as long service leave expense.

Equity-settled compensation

Where shares or options are issued to employees as remuneration, the difference between fair value or bonus element of the shares or options issued and the consideration received, if any, from the employee is expensed over the vesting period. The fair value of the shares or options issued is recorded in contributed equity.

Superannuation schemes

The Company and controlled entities contribute to several employee superannuation funds. The contributions are recognised as an expense as they are made. The Company and its controlled entities have no legal or constructive obligation to fund any deficit in any fund.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

t) Provisions

A provision is recognised when there are legal or constructive obligations as a result of past events and it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

If the effect is material, a provision is determined by discounting the expected future cash flows (adjusted for expected future risks) required to settle the obligation at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability most closely matching the expected future payments, except where noted below. The unwinding of the discount is treated as part of the expense related to the particular provision.

u) Financial instruments issued

Where financial instruments, such as preference shares and convertible notes issued by the Company, give rise to a contractual obligation to deliver cash to the holder, they are classified as liabilities to the extent of the obligation.

Where financial instruments are redeemable but either the holder or the Company has an option to convert them into ordinary shares of the Company, they are classified as compound financial instruments. The liability component is measured as the present value of the principal and interest obligations, discounted at the prevailing market rate for a similar liability that does not have an equity component. The residual of the net proceeds received on issuing the instrument is classified as equity.

Interest expense on compound instruments is determined based on the liability component and includes the actual interest paid to holders. The liability accretes over the life of the instruments to the original face value if they are not previously converted. There are no dividends associated with the equity component.

v) Investments in associates and joint ventures

Investments in associated companies and joint ventures are recognised in the financial statements by applying the equity method of accounting. The equity method of accounting recognises the group's share of post-acquisition reserves of its associates and joint ventures.

y) Comparative figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	CONSOLIDATED		COMPANY	
	2007 $000s	2006 $000s	2007 $000s	2006 $000s
NOTE 2: REVENUE				
Sales of goods	1,058	961	–	–
Rendering of services	16,093	14,760	1,800	1,800
Interest received from other parties	109	49	75	21
Other revenue	572	559	380	–
Total revenue	17,832	16,329	2,255	1,821

	CONSOLIDATED		COMPANY	
	2007 $000s	2006 $000s	2007 $000s	2006 $000s
NOTE 3: PROFIT FOR THE YEAR				
The profit before income tax expense has been arrived at after charging/(crediting) the following items:				
Depreciation				
Plant and equipment	453	286	84	37
Amortisation				
Leased plant and equipment	–	35	–	3
Leasehold improvements	128	26	93	5
Development expenditure	120	–	–	–
Total depreciation and amortisation	701	347	177	45
Borrowing costs				
Borrowing costs – convertible notes	1,042	994	1,042	994
Borrowing costs – other debt	641	(315)	641	(92)
Total borrowing costs	1,683	679	1,683	902
Other items				
Net (profit) / loss on disposal of non-current assets	1	8	1	(1)
Research and development costs	133	54	–	–
Movement in provision for doubtful debts	39	(618)	–	–
Employee entitlement provisions	180	(40)	45	147)
Operating lease rental expense	516	610	60	142
Investment in former controlled entity written off	–	–	–	110
Provision against investment in controlled entity	–	–	–	(5,264)
Provision against loans to controlled entities	–	–	–	(10,804)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	CONSOLIDATED		COMPANY	
	2007 $000s	2006 $000s	2007 $000s	2006 $000s
NOTE 4: AUDITOR'S REMUNERATION				
Company auditor – Hall Chadwick				
Audit and review of financial reports	102	90	102	90
Taxation services	26	25	26	25
Due diligence	3	–	3	–
Pre-lending review	3	–	3	–
Other services	2	–	2	–

	CONSOLIDATED		COMPANY	
	2007 $000s	2006 $000s	2007 $000s	2006 $000s
NOTE 5: TAXATION				
(a) The components of income tax expense comprise:				
Current tax	350	(79)	(819)	(755)
Deferred tax	(145)	416	(102)	223
Utilisation of prior year deferred tax assets not recognised	(205)	(337)	–	–
Current year deferred tax assets not recognised	–	–	921	532
Income tax expense / (benefit)	–	–	–	–
(b) The prima facie tax on profit (loss) is reconciled as follows:				
Prima facie income tax (benefit) on profit / (loss) at 30% (2006: 30%)	123	319	(992)	4,274
Add (deduct) tax effect of:				
Non-allowable items	17	14	5	11
Share options expensed	65	4	65	4
Provisions on inter-company assets		–	1	(4,821)
Deferred tax assets not recognised	(205)	–	921	532
Prior year tax deferred assets not previously recognised	–	(337)	–	–
Income tax expense	–	–	–	–
Deferred tax assets not taken into account				
Losses carried forward	12,086	12,438	12,086	12,438
Temporary differences carried forward	638	468	375	246
Capital losses carried forward	3,184	3,184	3,184	3,184

The deferred tax benefit arising from tax losses and temporary differences has not been recognised as an asset as at 30 June 2007.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	2007 $000s	2006 $000s
NOTE 6: EARNINGS PER SHARE AND DIVIDENDS		
Earnings reconciliation		
Basic profit after taxation	409	1,064
Adjustment for interest on convertible notes	670	242
Diluted earnings	1,079	1,306
Weighted average number of ordinary shares used as the denominator	Number	Number
Number for basic earnings per share	78,634,695	65,779,114
Adjustment for convertible notes	67,000,000	23,679,452
Number for diluted earnings per share	145,634,695	89,458,566
Earnings per share	$	$
Basic profit per share after taxation	0.005	0.016
Diluted profit per share	0.007	0.015

Dividends

No dividends have been paid or declared for payment during the current financial year.

NOTE 7: SEGMENT REPORTING

Major products / services for each industry segment

The consolidated entity has the following business segments:

- a retail technology business providing Dispense and Point of Sale software, hardware and support services to the retail industry through its controlled entities, Pharmasol Pty Ltd and Amfac Pty Limited;
- a transaction processing business providing electronic funds transfer and processing services principally to rental tenants through the real estate industry through its controlled entity Corum eCommerce Pty Ltd; and
- an accredited training business through its Registered Training Organisation, Corum Training Pty Ltd.

The consolidated entity operates predominately in Australia. More than 95% of the profit and segment assets relate to operations in Australia.

	$000s	$000s	$000s	$000s	$000s

NOTE 8

Statement of operations by segments

Business segments – 2007	Transaction Processing	Retail Technology	Training	Eliminations	Consolidated
Segment revenue	4.391	12.728	224	–	17.343
Unallocated revenue					489
Total revenue					17.832
Segment result	306	3.506	(137)	–	3.675
Unallocated expenses					(3.266)
Profit after income tax					409
Segment assets	4,610	17,236	80	(1,165)	20,761
Unallocated assets					7,991
Total assets					26,776
Segment liabilities	(1,483)	(4,675)	(8)	1,823	(4,343)
Unallocated liabilities					(14,886)
Total liabilities					(19,229)
Depreciation and amortisation	218	305	–	–	701
Acquisition of non-current assets	698	1,532	–	–	2,474
Other non-cash expenses	(36)	316	–	–	311

Geographic segments – 2007	NSW	Victoria	Eliminations	Consolidated
Segment revenue	8,630	8,713	–	17.343
Other unallocated revenue				489
Total revenue				17.832
Segment result	1,432	2,243	–	3.675
Unallocated expenses				(3.266)
Profit after income tax				409
Segment assets	8,749	13,177	(1,165)	20,761
Unallocated assets				6,015
Total assets				26,776
Segment liabilities	(4,382)	(3,191)	1,823	(4,343)
Unallocated liabilities				(14,886)
Total liabilities				(19,229)
Depreciation and amortisation	28	243	–	701
Acquisition of non-current assets	1,093	1,138	–	2,474
Other non-cash expenses	15	265	–	311

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

NOTE 8 (CONTINUED)

Business segments – 2006	Transaction Processing $000s	Retail Technology $000s	Training $000s	Eliminations $000s	Consolidated $000s
Segment revenue	4,959	11,321	–	–	16,280
Unallocated revenue					49
Total revenue					16,329
Segment result	990	1,671	–	–	2,661
Unallocated expenses					(1,597)
Profit after income tax					1,064
Segment assets	2,108	13,622	–	(644)	15,086
Unallocated assets					7,991
Total assets					23,077
Segment liabilities	(2,661)	(11,267)	–	9,916	(4,012)
Unallocated liabilities					(15,259)
Total liabilities					(19,271)
Depreciation	152	150	–	–	347
Acquisition of non-current assets	64	181	–	–	462
Other non-cash expenses	7	(193)	–	–	(658)

Geographic segments – 2006	NSW	Victoria		Eliminations	Consolidated
Segment revenue	9,177	7,103			16,280
Other unallocated revenue					49
Total revenue					16,329
Segment result	1,411	1,250		–	2,661
Unallocated expenses					(1,597)
Profit after income tax					1,064
Segment assets	5,298	10,432		(644)	15,086
Unallocated assets					7,991
Total assets					23,077
Segment liabilities	(7,787)	(6,141)		9,916	(4,012)
Unallocated liabilities					(15,259)
Total liabilities					(19,271)
Depreciation	198	105		–	347
Acquisition of non-current assets	78	167		–	462
Other non-cash expenses	19	(205)		–	(658)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	CONSOLIDATED		COMPANY	
	2007 $000s	2006 $000s	2007 $000s	2006 $000s
NOTE 8: CASH AND CASH EQUIVALENTS				
Cash at bank	3,814	1393	594	637
Cash on deposit	84	2,250	84	2,250
	3,898	3,643	678	2,887

NOTE 9: TRADE AND OTHER RECEIVABLES

	2007	2006	2007	2006
Current				
Trade receivables	3,112	1,547	–	–
Provision for doubtful debts	(85)	(46)	–	–
	3,027	1,501	–	–
Non-current				
Amounts receivable from wholly owned subsidiaries	–	–	13,468	13,249
Provision for non-recovery of debt owing by wholly-owned subsidiaries	–	–	(2,305)	(2,300)
	–	–	11,163	10,949

NOTE 10: INVENTORIES

	2007	2006	2007	2006
Finished goods at cost	102	73	–	–

NOTE 11: OTHER CURRENT ASSETS

	2007	2006	2007	2006
Prepayments	206	209	199	193
Other assets	315	106	220	–
Other debtors	300	350	300	350
Less: provision for doubtful debt	(300)	(300)	(300)	(300)
	521	365	419	243

Other debtors include amounts due from a former director.

NOTE 12: FINANCIAL ASSETS

	2007	2006	2007	2006
Investment in joint venture at cost	30	30	–	–
Shares in controlled entities, unlisted at cost (Note 23)	–	–	11,264	11,264
Provision for diminution of carrying values	(30)	–	(6,000)	(6,000)
	30	30	5,264	5,264

The consolidated group has a 30% interest in PharmX Pty Ltd. The consolidated group's share of assets and liabilities is not material to the group.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	CONSOLIDATED		COMPANY	
	2007 $000s	2006 $000s	2007 $000s	2006 $000s
NOTE 13: PROPERTY, PLANT & EQUIPMENT				
Leasehold improvements at cost	296	261	194	69
Accumulated amortisation	(169)	(163)	(119)	(25)
	127	98	75	44
Plant and equipment at cost	3,522	2,998	528	439
Accumulated depreciation	(2,742)	(2,329)	(291)	(238)
	780	669	237	201
Total property plant & equipment	907	767	312	245

Reconciliations

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Leasehold improvements				
Carrying amount at beginning of year	98	58	44	6
Additions	157	66	124	43
Disposals	–	–	–	–
Amortisation	(128)	(26)	(93)	(5)
Carrying amount at end of year	127	98	75	44
Plant and equipment				
Carrying amount at beginning of year	669	598	201	64
Additions	568	396	122	173
Disposals	(4)	(7)	(2)	–
Depreciation	(453)	(318)	(84)	(36)
Carrying amount at end of year	780	669	237	201
Leased plant and equipment				
Carrying amount at beginning of year	–	6	–	6
Additions	–	–	–	–
Disposals	–	(3)	–	(3)
Amortisation	–	(3)	–	(3)
Carrying amount at end of year	–	–	–	–

	CONSOLIDATED		COMPANY	
	2007 $000s	2006 $000s	2007 $000s	2006 $000s
NOTE 14: INTANGIBLE ASSETS				
Goodwill				
At cost	15,363	15,363	–	–
Accumulated amortisation	–	–	–	–
Total goodwill	15,363	15,363	–	–
Intellectual property				
At cost	1,270	1,270	10	10
Accumulated amortisation	–	–	–	–
Total intellectual property	1,270	1,270	10	10
Development costs				
At cost	1,754	–	–	–
Accumulated amortisation	(120)	–	–	–
Total development costs	1,634	–	–	–
Total intangible assets	18,267	16,633	10	10
Reconciliation of movement in development costs				
Opening balance	–	–	–	–
Addition in the period	1,754	–	–	–
Amortisation in the period	(120)	–	–	–
Closing balance	1,634	–	–	–

Goodwill

Goodwill relates to the acquisitions of the Lockie Computer business by Pharmasol Pty Ltd and the Amfac business by Amfac Pty Ltd and goodwill arising on consolidation of Corum eCommerce Pty Ltd.

Intellectual property

The intellectual property relates to the transaction processing business of Corum eCommerce Pty Ltd.

Development Costs

Development costs relate to computer software programs developed by Pharmasol Pty Ltd, Amfac Pty Ltd and Corum eCommerce Pty Ltd.

Review of carrying values

The recoverable value of each cash-generating unit above is determined based on value-in-use calculations. Value-in-use is calculated based on the present value of cash flow projections over a five year period with the period extending beyond five years being represented by a terminal value of 8 times EBITDA. The cash flows are discounted at a rate of 15% per annum which incorporates an appropriate risk premium.

Management has based the value-in-use calculations on budgets for each reporting segment. These budgets incorporate management's best estimates of projected revenues using growth rates based on historical experience, anticipated market growth and the expected effect of Company initiatives. Costs are calculated taking into account historical gross margins as well as estimated weighted average inflation rates of the period consistent with inflation rates applicable to the locations in which the segments operate.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	CONSOLIDATED		COMPANY	
	2007 $000s	2006 $000s	2007 $000s	2006 $000s
NOTE 15: CURRENT LIABILITIES				
Trade and other payables				
Trade creditors	1,162	1,632	632	651
Sundry creditors and accruals	3,689	1,475	1,019	971
	4,851	3,107	1,651	1,622
Deferred revenue				
Deferred software maintenance revenue	1,798	1,876	–	–

NOTE 16: FINANCIAL LIABILITIES

Current				
Convertible notes	–	6,854	–	6,854
Bank loan facility - secured (1)	469	–	469	–
Total current financial liabilities	469	6,854	469	6,854
Non-current				
Bank loan facility - secured (1)	4,531	–	4,531	–
Convertible notes (2)	6,700	6,700	6,700	6,700
Total non current interest bearing liabilities	11,231	6,700	11,231	6,700

(1) Bank loan facility

The bank loan facility is secured by fixed and floating charges over the assets of the consolidated entity.

(2) Convertible notes

As at 30 June 2007 the Company had outstanding 6,700,000 Unsecured Convertible Redeemable Notes of $1, each converting at any time until 30 September 2008 into 10 shares at $0.10 per share and attracting interest at 10% p.a. payable in shares.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	CONSOLIDATED		COMPANY	
	2007 $000s	2006 $000s	2007 $000s	2006 $000s
NOTE 17: PROVISIONS				
Current				
Employee entitlements	746	536	100	53
Make good provisions	17	51	15	15
	763	587	115	68
Non-current				
Employee entitlements	117	147	12	14
Total Provisions	880	734	127	82

Movement in provisions	CONSOLIDATED				COMPANY			
	Annual Leave $000s	Long Service Leave $000s	Make good $000s	Total $000s	Annual leave $000s	Long service leave $000s	Make good $000s	Total $000s
Opening balance at 1 July 2006	536	147	51	734	53	14	15	82
Additional provisions	520	60	2	582	81	2	–	83
Provisions used	(382)	–	(21)	(403)	(38)	–	–	(38)
Unused provisions reversed	–	(18)	(14)	(32)	–	–	–	–
Closing balance at 30 June 2007	674	189	17	880	96	16	15	127

	30 June 2007 $000s	30 June 2006 $000s
NOTE 18: ISSUED CAPITAL		
Issued capital		
89,174,271 fully paid ordinary shares (2006: 67,663,163)	77,223	74,107

Movement in ordinary share capital	$000s	Number
Issued shares at 1 July 2005	73,462	610,713,903
Effect of share consolidation on 28 October 2005	–	(584,519,368)
Shares issued in the year	645	41,468,628
Balance at 30 June 2006	74,107	67,663,163
4 July 2006 - shares issued for interest	210	2,102,192
2 August 2006 - shares issued for interest	343	2,909,618
29 January 2007 - shares issued for interest	335	3,349,806
2 February 2007 - shares issued for interest	251	2,513,520
14 February 2007 -shares issued for interest	64	635,972

NOTE 18: ISSUED CAPITAL (CONTINUED)

Movement in ordinary share capital (continued)	$000s	Number
20 February 2007 - shares issued for cash	1,370	6,850,000
23 February 2007 - shares issued for cash	630	3,150,000
Capital raising costs	(87)	–
Balance at 30 June 2007	77,223	89,174,271

The Company has an authorised capital of 250,000,000 shares.

Terms and conditions

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds of liquidation.

Options on issue

At 30 June 2007 there were on issue the following options to subscribe for ordinary shares in the Company.

Number	*Expiry Date*	*Exercise Price*
7,800,000	24/1/2010	$0.40
1,350,000	28/11/2010	$0.12
200,000	30/11/2010	$0.12
250,000	28/02/2011	$0.25
1,500,000	3/11/2011	$0.15
1,000,000	4/3/2012	$0.26

Further details of the terms and conditions of issue relating to the options may be found in Notes 25 and 27 to the financial statements.

	CONSOLIDATED		COMPANY	
	2007 $000s	2006 $000s	2007 $000s	2006 $000s
NOTE 19: RESERVES				
Option reserve	230	13	230	13

The option reserve records items recognised as expenses on valuation of share options issued.

NOTE 20: FINANCIAL INSTRUMENTS

Interest rate risk

The consolidated entity's financial instruments, exposure to interest rate risk and the effective weighted average interest rate for classes of financial assets and liabilities are set out in the tables below:

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	Weighted avg interest rate %	Floating interest rate $000s	1 year or less $000s	1–5 years $000s	More than 5 years $000s	Non-interest bearing $000s	Total $000s
2007							
Financial assets							
Cash	5.2	3,814	–	–	–	–	3,814
Cash on deposit	3.0	84	–	–	–	–	84
Trade and other receivables	–	–	–	–	–	3,027	3,027
		3,898	–	–	–	3,027	6,925
Financial Liabilities							
Convertible notes	10.00	–	–	6,700	–	–	6,700
Bank borrowings	8.50	–	469	4,531	–	–	5,000
Trade and other payables	–	–	–	–	–	6,649	6,649
		–	469	11,231	–	6,649	18,349
2006							
Financial assets							
Cash	1.25	1,393	–	–	–	–	1,393
Cash on deposit	4.5	2,250					2,250
Trade and other receivables	–	–	–	–	–	1,501	1,501
		3,643				1,501	5,144
Financial Liabilities							
Convertible notes	10.00	–	6,854	6,700	–	–	13,554
Trade and other payables	–	–	–	–	–	4,983	4,983
		–	6,854	6,700	–	4,983	18,537

Net fair values of financial assets and liabilities

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date approximate their carrying amounts.

Foreign exchange risk

The Company has no exposure to foreign exchange risk.

Credit risk

The credit risk of financial assets, excluding investments, of the consolidated entity, which have been recognised in the balance sheet, is the carrying amount, net of any provision for doubtful debts. The consolidated entity minimises the concentration of credit risk by undertaking transactions with a large number of customers.

Liquidity risk

The Company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate financial resources are maintained on an ongoing basis.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

	CONSOLIDATED		COMPANY	
	2007 $000s	2006 $000s	2007 $000s	2006 $000s
NOTE 21: COMMITMENTS				
Non-cancellable operating lease expense commitments				
Payable				
not later than 1 year	499	345	321	273
later than 1 year but not later than 5 years	1,209	1,266	861	1,156
later than 5 years	–	–	–	–
Minimum lease payments	1,708	1,611	1,182	1,429

The consolidated entity leases property under non-cancellable operating leases expiring within five years. Leases generally provide the consolidated entity with a right of renewal at which time all terms are renegotiated. Lease payments comprise a base amount plus an incremental contingent rental. Contingent rentals are based on either movements in the Consumer Price Index or operating criteria.

NOTE 22: CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Company is currently involved in several litigation matters. The directors have provided in full for all litigation costs that they believe might arise. The Company has various rights of recovery in regard to certain losses incurred in past financial years. No value will be ascribed to recoveries until received.

	Country of incorporation	% owned 2007	% owned 2006
NOTE 23: CONTROLLED ENTITIES			
Particulars of controlled entities			
Amfac Pty Ltd (formerly Dynsol Pty Ltd)	Australia	100%	100%
Pharmasol Pty Ltd	Australia	100%	100%
Corum eCommerce Pty Ltd (formerly Cosmos E-C Commerce Pty Ltd)	Australia	100%	100%
Corum Systems Pty Ltd	Australia	100%	100%
Corum Training Pty Ltd	Australia	100%	100%

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

NOTE 24: NOTES TO THE CASH FLOW STATEMENT

For the purposes of the cash flow statement, cash includes cash on hand and at bank and short term deposits at call, net of outstanding bank overdrafts. The reconciliation of profit and operating cash flow as shown in the cash flow statement is shown below.

	CONSOLIDATED		COMPANY	
	2007 $000s	2006 $000s	2007 $000s	2006 $000s
Reconciliation of profit (loss) after tax to net cash used in operating activities:				
Profit (Loss) from ordinary activities after income tax	409	1,064	(3,306)	14,246
Add/(Deduct) non-cash items:				
Depreciation and amortisation of property plant and equipment	701	347	177	45
Net increase/(decrease) in provisions	311	(655)	35	(16,359)
Equity issued in settlement of operating liabilities	1,115	645	1,115	645
Share options expensed	217	13	217	13
Changes in assets and liabilities, net of the effects of purchase and disposal of subsidiaries:				
(Increase)/decrease in trade debtors	(1,564)	447	–	–
(Increase)/decrease in inventories	(29)	122	–	–
(Increase)/decrease in other assets	(176)	(15)	(379)	–
Increase/(decrease) in trade creditors and accruals	1,744	(3,897)	30	(437)
Increase/(decrease) in deferred revenue	(78)	(203)	–	–
Net cash provided by/(used in) operating activities	2,650	(2,132)	(2,111)	(1,847)

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

NOTE 25: SHARE BASED PAYMENTS

Share option plan

The Directors may in their sole discretion select eligible employees, directors or associates to whom options are to be issued and determine the number of options to be offered. The maximum number of shares in respect of which options may be issued pursuant to the plan shall not exceed 5% of the number of shares in the Company on issue. The right to exercise the options is subject to a number of conditions, including the participant remaining an eligible participant during the vesting period.

Grant Date	Vested	Expiry Date	Exercise Price $	Options at start of year	Options Lapsed	Options Exercised	Options at year end
Consolidated and Company 2007							
28/11/05	Yes	28/11/10	0.12	1,350,000	–	–	1,350,000
30/11/05	Yes	30/11/10	0.12	200,000	–	–	200,000
							1,550,000
Consolidated and Company 2006							
08/01/03	No	28/11/05	0.065	2,000,000	2,000,000	–	–
08/01/03	No	28/11/05	0.13	2,000,000	2,000,000	–	–
28/11/05	No	28/11/10	0.12	–	–	–	1,350,000
30/11/05	No	30/11/10	0.12	–	–	–	200,000
							1,550,000

Other options issued

The following options were not issued under the Share option plan

Grant Date	Vested	Expiry Date	Exercise Price $	Options at start of year	Options Lapsed	Options Exercised	Options at year end
Consolidated and Company 2007							
4/7/07	Yes	28/2/11	0.25	–	–	–	70,000
20/7/07	Yes	28/2/11	0.25	–	–	–	70,000
20/9/06	Yes	3/11/11	0.15	–	–	–	1,500,000
25/1/07	Yes	24/1/10	0.40	–	–	–	7,800,000
5/3/07	No	4/3/12	0.26	–	–	–	1,000,000
							10,440,000
Consolidated and Company 2006							
11/3/06	Yes	28/2/11	0.25	–	–	–	40,000
31/3/06	Yes	28/2/11	0.25	–	–	–	70,000
							110,000

Each of the above options is convertible to one ordinary share. There are no voting or dividend rights attached to the options. There are no voting rights attached to the unissued ordinary shares. Voting rights will be attached to the unissued ordinary shares when the option has been exercised.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

NOTE 25: SHARE BASED PAYMENTS (CONTINUED)

The fair value of the options granted during the year was calculated by using a Black Scholes option pricing model applying the following inputs:

Grant Date	Expiry Date	Life of option - Yrs	Exercise Price $	Underlying share price $	Risk free interest rate	Expected share price volatility
4/7/07	28/2/11	4.66	0.25	0.113	5.5%	30%
20/7/07	28/2/11	4.61	0.25	0.12	5.5%	30%
20/9/06	3/11/11	5.12	0.15	0.12	5.5%	30%
25/1/07	24/1/10	3	0.40	0.12	6.0%	30%
5/3/07	4/3/12	5	0.26	0.185	5.5%	30%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future behaviour, which may not eventuate. The fair value of the options is expensed over the vesting period.

NOTE 26: SUPERANNUATION FUNDS

Superannuation funds

The consolidated entity contributes to a number of superannuation funds. The funds are not sponsored by the consolidated entity and are accumulation funds providing benefits on retirement, disability or death. Employer contributions are based on the statutory percentage of the employee's gross salaries. The consolidated entity does not have any legal obligations to make up any shortfall of assets in the accumulation funds.

NOTE 27: KEY MANAGEMENT PERSONNEL COMPENSATION

Compensation practices

Remuneration levels are competitively set to attract and retain appropriately qualified and experienced directors and senior executives. Remuneration packages include a mix of fixed, performance based, and equity based remuneration and are reviewed / compared to comparative companies and positions.

Executive directors and senior executives may receive bonuses based on the achievement of specific performance hurdles, which are a mixture of divisional results and the overall consolidated result of the consolidated entity, agreed with the Managing Director and consistent with the consolidated entity's direction. The performance hurdles are quantifiable and reviewed as part of a formal performance appraisal process. Options may be issued under the Corum share option plan, which provides for directors to issue options to employees and associates not exceeding 5% of the total number of shares on issue in any given year.

The following tables provide the details of all key management personnel of the Company and of the consolidated entity and the nature and the amount of the components of their compensation charged in the years ended 30 June 2007 and 30 June 2006.

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

NOTE 27: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Key management personnel	Short term benefits		Post employment	Equity based payments	
	Salary & Fees $	Bonus $	Superannuation $	Options $	Total $
2007					
M Shehadie, Chairman	60,000	–	–	3,042	63,042
M Winnett, Managing Director	360,150	–	–	–	360,150
M Rowley, Executive Director	299,880	–	–	36,007	335,887
C Glendenning, Executive Director (appointed 10 April 2007)	79,300	–	–	13,739	93,039
P Kelly Non-executive Director (retired 3 November 2006)	–	–	–	–	–
J Walter, Company Secretary	253,325	–	–	38,280	291,605
G Arnold, National Sales Manager	149,574	–	13,462	–	163,036
P Alexander, General Manager Technology	100,000	–	9,000	–	109,000
2006					
M Shehadie, Chairman	60,000	–	–	2,654	62,654
M Winnett, Managing Director	328,000	–	–	–	328,000
M Rowley, Executive Director	287000	–	–	8,008	295,008
P Kelly, Non-executive Director	60,000	–	–	–	60,000
J Walter, Company Secretary	227,220	–	–	10,011	237,231
W Botros, Group Financial Controller	108,691	45,000	6,831	–	160,522
G Arnold, National Sales Manager	101,250	42,000	13,790	–	157,040
C Rollinson Chief Financial Officer	53,153	–	–	–	53,153

Employment Contracts

Executive employment contracts generally stipulate a one month resignation period. The Company may terminate an employment contract without cause by providing not less than the stipulated period of notice or making payment in lieu of notice; redundancy payments may or may not apply depending on the circumstances. Termination payments are not generally payable on resignation or dismissal for serious misconduct.

The services of the executive directors are currently retained under contracts which expire on 1 September 2009 and provide for two year notice periods.

NOTE 27: KEY MANAGEMENT PERSONNEL COMPENSATION (CONTINUED)

Option holdings

The movement during the reporting period in the number of options over ordinary shares in the Company held, directly, indirectly or beneficially, by key management personnel, including their personally related entities, is as follows:

Key management personnel	Held at 1 July 2006	Granted as remuneration	Exercised	Held at 30 June 2007	Vested and exercisable at 30 June 2007
M Shehadie	200,000	–	–	200,000	200,000
M Rowley	600,000	750,000	–	1,350,000	1,350,000
C Glendenning	–	1,000,000	–	1,000,000	–
J Walter	750,000	750,000	–	1,500,000	1,500,000

Equity holdings and transactions

The movement during the reporting period in the number of ordinary shares in the Company held, directly, indirectly or beneficially, by key management personnel, including their personally related entities, is as follows:

Key management personnel	Held at 1 July 2006	Acquisitions	Disposals	Held at 30 June 2007
M Winnett	3,922,603	827,192	–	4,749,795
M Rowley	9,041	100,000	–	109,041
J Walter	600,000	600,000	–	1,200,000

NOTE 28: RELATED PARTY TRANSACTIONS

Loans and other transactions with directors

An unsecured loan of $25,000 was made to Winmark Investment Group Pty Ltd, an entity associated with Mr. Mark Winnett, on normal commercial terms. This loan was outstanding at the end of the year.

An agreement is in place for Michie, Shehadie & Co, of which Mr. Michael Shehadie is a partner, to provide legal services to the Company on normal commercial terms. In the period to 30 June 2007, $1,232 was charged in respect of such services.

During the year, interest of $82,719 was paid to Winmark investment Group Pty Ltd, being an entity associated with Mr. Mark Winnett, interest of $10,000 was paid to Oliveprince Pty Ltd, an entity associated with Mr. Michael Rowley, and interest of $7,481 was paid to Fordholm Investments Pty Ltd, an entity associated with Mr. Julian Walter, all amounts being in respect of convertible notes held by those parties.

Wholly-owned group

Details of interests in wholly owned controlled entities are set out in Notes 12 and 23 to the financial statements. Loans between related parties are interest free.

Balances with entities within the consolidated entity

The aggregate amount receivable by the Company from controlled entities at balance date was $11,163,000 (2006: $10,949,000) (see also Note 9).

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2007

NOTE 29: EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to 30 June 2007, Pharmasol Pty Ltd and Amfac Pty Ltd entered into contracts with Medicare Australia for the provision of support services for PBS Online. These contracts run for a period of approximately two years and will generate ongoing revenues of approximately $2 million per year.

Other than the matters referred to above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity, in future financial years.

NOTE 30: COMPANY DETAILS

The registered office of the Company and its controlled entities is:

Level 17
24 Campbell Street
Sydney, NSW 2000

The principal places of business are:

Head office:
Level 17
24 Campbell Street
Sydney, NSW 2000

State offices:

NSW:
Unit 8
171 Kingsgrove Road
Kingsgrove, NSW 2208

VIC:
7 Business Park Drive
Notting Hill, VIC 3168

SA:
133A Unley Road
Unley, SA 5061

WA:
Suite 1
41 Walters Drive
Osborne Park, WA 6017

QLD:
Suite 1
1 Swann Road
Taringa, QLD 4068

DIRECTORS' DECLARATION

The directors of Cosmos Limited (the "Company") declare that:

1. The financial statements and notes set out on pages 14 to 41 are in accordance with the Corporations Act 2001, and:
   (a) comply with Accounting Standards and the Corporations Regulations 2001; and
   (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the Company and consolidated group.
2. The Chief Executive Officer and Chief Financial Officer have each declared that:
   (a) the financial records of the Company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
   (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
   (c) the financial statements and notes for the financial year give a true and fair view.
3. In the opinion of the directors, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the board of directors.

Signed in Sydney

M. Shehadie.

Michael Shehadie
Chairman

Mark Winnett
Director

Dated the 17th day of September, 2007

INDEPENDENT AUDIT REPORT

Hall Chadwick

Report on the Financial Report

We have audited the accompanying financial report of Corum Group Limited (the company) and Corum Group Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Corum Group Limited on 17 September 2007 would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In our opinion:

(a) the financial report of Corum Group Limited and Corum Group Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and

ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with International financial Reporting Standards as disclosed in Note 1.

Hall Chadwick
Level 29, St Martins Tower
31 Market Street, SYDNEY NSW 2001

Drew Townsend
Partner
Date: 17 September 2007

SHAREHOLDER INFORMATION

Voting rights

Ordinary shares carry the right to one vote per share.

Distribution of shareholders at 31 August 2007

The number of shares held by substantial shareholders and their associates are set out below:

RANGE OF SHAREHOLDING	NO OF HOLDERS	SHARES HELD	% OF CAPITAL
1 – 1,000	811	305,795	0.33
1,001 – 5,000	551	1,523,589	1.65
5,001 – 10,000	203	1,711,763	1.85
10,001 – 100,000	251	9,076,449	9.81
100,001 – over	90	79,906,675	86.36
Total	**1,906**	**92,524,271**	**100.00**

The number of shareholdings held in less than marketable parcels is 1,194.

Twenty largest shareholders as at 31 August 2007

NAME	SHARES HELD	% OF CAPITAL
Link Enterprises (International) Pty Ltd	13,468,266	14.56
UBS Wealth Management Australia Nominees Pty Ltd	9,397,846	10.16
OE Pty Ltd	5,713,626	6.18
Tesla Nominees Pty Ltd <Tesla Investments A/c>	4,322,235	4.67
ANZ Nominees Limited <Cash Income A/c>	2,872,700	3.10
IFTC Broking Service Ltd	2,747,518	2.97
Lujeta Pty Ltd	2,625,000	2.84
OE Pty Ltd	2,290,579	2.48
UBS Nominees Pty Ltd	2,082,453	2.25
Jaronach Pty Ltd <Lynda Adler Family A/c>	2,000,000	2.16
Atlas Ventures (Nominee) Pty Ltd	1,676,014	1.81
Mr Mark Cohen	1,476,921	1.60
Mr Michael John Farrelly	1,449,471	1.57
Dr Henry Preston	1,368,519	1.48
Winmark Investment Group Pty Ltd	1,349,795	1.46
Dr Henry Preston	1,349,776	1.46
Link Traders (Aust) Pty Ltd	1,250,000	1.35
Indubilla Pty Ltd <MSH Super Fund A/c>	1,026,952	1.11
Intercity Development Corp P/L <Samuel Landau Family A/c>	1,000,000	1.08
Mrs Effie Marion Walter	1,000,000	1.08
Total	**60,368,804**	**65.37**

Substantial shareholders (notices received as at 31 August 2007)

Link Enterprises (International) Pty Ltd	11,722,231	18.05
Kerry Ann Preston, Regatim Investments Pty Ltd, TDH No 2 Investments Pty Ltd, TDH Investments No 3 Pty Ltd, OE Pty Ltd, Kierford Arch Pty Ltd	8,285,907	12.25
Thomas Klinger, Elizabeth Klinger and Ginga Pty Ltd	6,907,531	9.95
Lujeta Pty Ltd	6,719,549	9.63
Tesla Nominees Pty Ltd	5,346,893	7.36

Company Particulars

Directors
Mr Michael Shehadie (Chairman)
Mr Mark Winnett
Mr Michael Rowley
Mr Craig Glendenning

Company Secretary
Mr Julian Walter

Registered Office
Corum Group Limited
Level 17
24 Campbell Street
Sydney NSW 2000 Australia
Telephone +61 2 9289 4699
Facsimile +61 2 9212 5931

www.corumgroup.com.au

Auditor
Hall Chadwick
Level 29
St Martins Tower
31 Market Street
Sydney NSW 2000

Banker
Westpac Banking Corporation
275 Kent Street
Sydney NSW 2000

Share Registry
Computershare Registry Services
Level 3, 60 Carrington Street
Sydney NSW 2000
Telephone +61 2 8234 5222
Facsimile +61 2 8234 5050

Shareholders with questions regarding their shareholding should contact the Share Registry on:

Within Australia ***1300 850 505***

Outside Australia ***+61 3 9415 4000***

Shareholders who have changed address should advise the Share Registry in writing at the address above.

Stock Exchange Listing and Share Price

The ordinary shares of Corum Limited are listed on the Australian Stock Exchange.

The share price is quoted daily in national newspapers as well as on a number of information services and websites including www.asx.com.au. The price can also be obtained by phoning MarketCall on 1902 941 520, quoting code 6102. This call attracts a charge from your telephone service provider.

Corum Group Limited

ABN 25 000 091 305

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