Corum Group

2018
Annual Report

Contents

General information

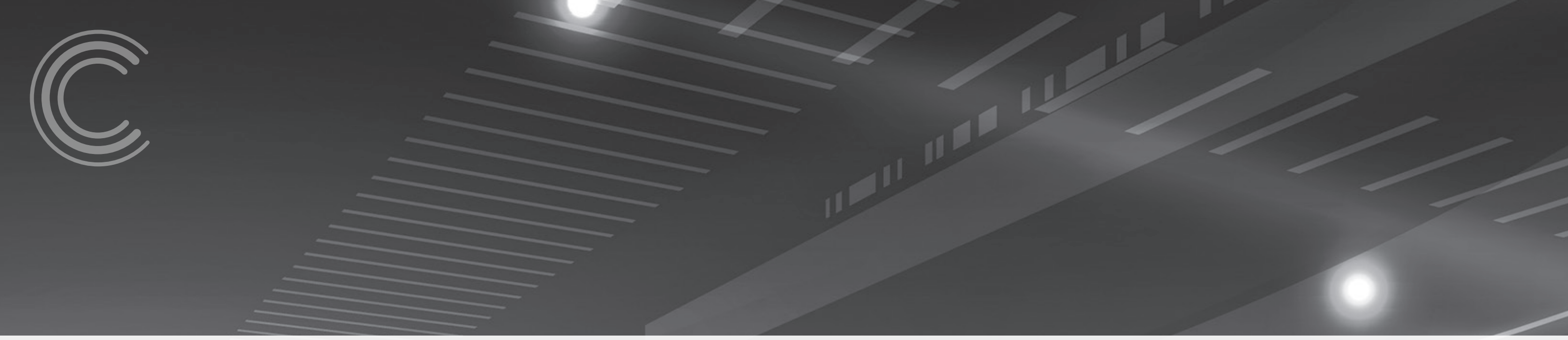
The financial statements cover Corum Group Limited as a Group consisting of Corum Group Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Corum Group Limited's functional and presentation currency.

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

Level 20
347 Kent Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 26 September 2018. The directors have the power to amend and reissue the financial statements.



Chairman's letter to shareholders

Dear Shareholders

On behalf of the board, management and Corum staff, thank you for your continued support of the Company.

Throughout the year Corum continued to build a platform for organic growth through new product development, industry engagement and existing product and process improvements.

The keystone investment has been the three-year software modernisation project. As part of this project, Corum Clear Dispense is now in testing across pharmacies in Australia and is expected to be operational in late 2018.

The *Corum Clear Dispense* product will benefit pharmacists through its enhanced contextual workflow, speed of dispensing, ease of use, modular design and flexibility. It is also designed to evolve to future industry demands and integrate easily with third party products.

With this strong, innovative and class leading product in place, Corum will continue to focus on improving its retail products, most notably Corum's corporate head office solutions used by pharmacy groups to manage and support their members.

Corum has continued to be an active participant with industry and government to understand and shape initiatives in digital health including My Health Record, Real Time Prescription Monitoring and ePrescribing. This enables Corum to have input into the design and direction of the initiatives that affect community pharmacy and to contribute to resolving industry issues.

On numerous occasions, Corum has mentioned the efficiency program underway. This program of work is a journey of milestones, an emphasis on constant improvement to make the business more efficient and more profitable.

During the year the business continued to concentrate on re-engineering processes, improving productivity and streamlining the organisation to be more efficient. Follow-on benefits from this work will be reflected throughout the 2019 financial year, with a cost reduction of approximately 15% expected.

While reducing its cost base over the past 12 months, Corum has at the same time, honed the performance of its products. Several revisions for the core *LOTS* programs with enhanced capabilities have been released over the year. These updates brought market best performance, greater reliability and new features to customers. Corum's software engineers also automated many processes relating to installation and support. This resulted in quicker product installations and more effective product support.

With work on product improvement and internal efficiency well progressed, the Company is focused on acquisition of new customers and a net increase in the customer base.

Customer movement between pharmacy groups results in regular changes to Corum's customer base. Corum is responding to this churn and is determined to grow revenue; the Company is targeting net new customers to increase by 10% in the coming financial year.

Value added solutions to the core point-of-sale and dispense systems now create more than 25% of Corum's recurring revenue. These include the business recovery Safeguard product, the cloud archiving tool *ScriptARC*, script exchange services and the cash-flow management tool *Corum Bill Payment*.

Corum has also established a program which identifies, seeks out and reviews inorganic growth (merger, acquisition and partnering) opportunities. Numerous opportunities have been pursued and considered during the year. Although some were not a commercial proposition, a number remain live at this stage. These endeavours have and continue to require the extensive involvement of all Board members.

Although Corum will pursue new inorganic growth opportunities, it will also continue to work with and monitor existing opportunities for the possibility that they may offer benefits to Corum's shareholders and customers. Corum remains positioned to participate in any industry consolidation and for any partnership opportunities.

The Board and management remain committed to Corum customers, shareholders and staff.

Yours sincerely

Bill Paterson
Chairman
26 September 2018

Chief Executive Officer's report

Technology and innovation play significant roles in transforming business and the way we live our lives. In health there are a myriad of applications competing to connect and support digitally, healthcare providers and individuals. Reference to the "healthcare industry" does not do justice to the complex and fragmented nature of the sector and the challenges facing the industry as it attempts to deliver on the promise of enhanced communication and digital technology.

The Government's focus on reducing the cost of the PBS has driven the pharmacy sector to seek revenue growth outside traditional sources, with emphasis on professional services and retail operations. To support this, banner groups with strong clinical programs, buying and marketing power, and a disciplined approach to retailing are proving attractive to many independent pharmacies.

During such changes, Corum remains focused on putting our customers first to support their success and the care of their patients.

Corum is at the centre of community pharmacy; providing the core software that helps pharmacists run their businesses successfully and connect seamlessly with other services, systems and data repositories. As a result of this positioning, Corum is well placed to introduce further solutions to pharmacies either directly or by way of partnerships.

Pharmacy groups play a key role in the industry and Corum supports them through our integrated and sophisticated head office solutions that assist them to manage and have visibility of their network of members. Corum is continuing to focus on these groups and is further developing products that support them.

Profit

For the year ended 30 June 2018, the Group achieved a statutory after tax profit of $251,000 compared to a prior year loss of $5.9 million after goodwill impairment.

During the year Corum has focused on addressing the underlying causes of revenue decline, automating and streamlining internal operations, investing in new products and capabilities, investigating growth opportunities and engaging more closely with industry and government.

Revenue

Revenue for the year of $12.6 million was down $2.2 million on the previous period. The health business accounted for $1.8 million of the decrease. Most of the current year revenue decline is attributable to banner group decisions in 2015 and 2016 to standardise on other software products. Much of the revenue change occurred in the first half of the financial year. Increased market presence, branding, the delivery of new products, and the release of new features in existing products are delivering greater customer and revenue stabilisation and stimulating more interest from potential customers and banner groups.

Other Revenue has been generated by the new *Safeguard Plus* and *ScriptARC* products, which are Corum proprietary and complementary products to our core dispense and point of sale solutions. *Safeguard Plus* has been taken up by nearly 30% of customers after a year in the market.

eCommerce revenue reduced slightly to $2.5 million, $0.3 million less than the prior period. Improved sales in the second half raised customer numbers. This lift in numbers was driven primarily by strong service levels leading to referral business from existing customers.

Product Development

During the financial year the Company capitalised $3.3 million (FY17: $1.4 million) for the development of new applications, in particular the new *Corum Clear* dispensing system and head office products. The new dispense system is currently in trial at a number of pharmacies in preparation for government PBS certification and fully operational pilots are scheduled in October 2018. *Corum Clear Dispense* underpins Corum's future commitment to the pharmacy sector.

In addition to its immediate user benefits, *Corum Clear Dispense* has been designed with the long term in mind. While it is structured as a cloud based application, it will be deployed locally as Corum believes national telecommunication networks do not yet have the reliability to support it. The application has deep standardised third party integration capabilities so future products can be added easily. The framework simplifies future changes and decreases the effort required for upgrades. With its short development time *Corum Clear Dispense* has been able to utilise the latest in application technology, putting it well ahead of competitors.

In the past two years, Corum has developed strong expertise in cloud services. The *Safeguard Plus*, *ScriptARC*, and *Corum Clear Reports* products all use cloud services and technology. Cloud introduces different security and data protection risks which Corum has addressed with external audits, secure by design development practices, and certification of its cloud infrastructure, internal systems and data security protocols. This approach has placed Corum at the forefront of health data security.

The investment in ancillary products extends the solutions Corum has for pharmacies:

- *Safeguard Plus* incorporates a device installed in the pharmacy to run their core systems while at the same time providing seamless, rapid, pro-active business recovery tools that perform well beyond the traditional daily backup. No other competing product offers such features.
- *ScriptARC* enables pharmacies to digitise paper prescriptions for easy, secure storage and retrieval in the cloud. It eliminates the need for boxes of scripts to be held in the store and the integration with dispense enables missing documents to be quickly identified.

Investment in existing applications is expensed as it is incurred and in FY18 was $1.4 million (FY17: $1.6 million). The core *LOTS* programs had three major enhancements in the past 18 months, with a focus on performance, additional features and new partner integrations. Recent enhancements for installation, support and software updates were included, having been identified by Corum's internal efficiency program. The products can be installed remotely, allowing shorter cycle times for new feature releases, and for improved ease of support.

Hardware and related activity has been significantly modified during the year with range standardisation, factory imaged products, centralised deployment and remote support, all successfully rolled out. These changes are expected to better support our customers' and streamline Corum's operations.

Cost

The internal efficiency programs have addressed the necessary changes to reshape the cost base while minimising the impact on customer experience through strong organisational and product performance. The program has focused on re-engineering processes, improving productivity, and increasing automation. These programs have and will continue to positively impact the operating cost base of the business, which at $11.9 million was $1.2 million less than last year.

Cash

Operating cash flow was $0.3 million for the financial year. It was constrained by a delay in distributions receivable of $1.2 million at year end.

The cash balance at 30 June 2018 was $5.0 million. Cash at the end of the first quarter of FY19 is anticipated to be $6.7 million, including receipts of unpaid distributions and the research and development tax incentive.

Net assets at 30 June 2018 of $14.2 million have increased by $0.3 million.

Outlook

Extensive work in improving the operational performance of the business and its products, has been substantially completed.

Whilst the efficiencies effort will be ongoing, the emphasis is now switching to revenue growth across key customer segments, including banner groups and independent pharmacies. *Corum Clear Dispense* will be a key feature in a year in which the Company will also focus on further improving its head office and retail store solutions.

Corum has increased its industry presence and will continue to pursue opportunities for industry partnerships, and revenue growth in the evolving digital health sector and related adjacencies.

Corum appreciates the contribution of its strong and loyal team and their commitment to our future.

David Clarke
Chief Executive Officer
26 September 2018

Directors' report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of Corum Group Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2018.

Directors

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

Bill Paterson (Chairman)
Gregor Aschoff
Matthew Bottrell

Information on directors

Name: **Bill Paterson**
Title: Chairman and Non-Executive Director
Qualifications: BE (Civil) Hons
Experience and expertise:
A civil engineer by training, Bill has extensive experience in the planning, design and implementation of a wide range of civil infrastructure and building projects in the commercial, industrial and residential related sectors; and is one of the initial partners of engineering consultancy firm Worley Parsons. He is also an experienced investor and entrepreneur.
Other current directorships: None
Former directorships (last 3 years):
Former non-executive director of Intra Energy Corporation Limited (ASX: IEC) (resigned 7 October 2015).
Special responsibilities:
Member of the Audit and Risk Committee and Remuneration and Nomination Committee.
Interests in shares:
140,054,379 ordinary shares

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

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

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

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

Company Secretary

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

Dividends

No dividends for the years ended 30 June 2018 or 30 June 2017 have been declared.

Principal activities

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

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

Operating and Financial Review

Corum Health revenue flows from the sale of software, hardware and related services, from recurring subscription and support fees and from an investment in an entity which provides other technology services to pharmacies.

The business has an extensive, self-developed, product catalogue that supports pharmacies dispensing and point-of-sale lines of businesses and associated activities. It also provides solutions for pharmacy groups by way of head office systems that assist with the management of stores in group networks. The business has a product development function creating and maintaining these products, providing a full service call centre for real time product support, and state-based technical, sales and business development teams.

Corum eCommerce revenue is derived from recurring service charges and transaction-based fees. The business includes an operations team and transactional systems development.

There was no significant change to the nature of operations in either business during the financial period.

FY18 saw the application of the strategy which encompassed:

- Improving internal productivity and adapting the organisation;
- Investing in new and existing product; and
- Seeking out opportunities to grow from organic and in-organic activity

Each of these strategic pillars was pursued during the year.

Details of Corum financial performance are provided in the FY18 Financial Statements appended to this Directors' Report.

Net profit after tax amounted to $251,000 compared to a loss of $5.9 million last year which included a goodwill impairment of $6.3 million.

Revenue for the year was $12.6 million a decrease of 14.8% on the prior period.

Health Services revenue of $10 million was impacted by previously foreshadowed customer group changes, including Chemist Warehouse whose adoption of an in-house solution impacted health revenues by 4.9%. The loss of tenders in 2015 and 2016 for several banner groups also impacted revenue as they transitioned their members, with varying degrees of success. Revenue decline has been partially mitigated by the introduction of new complementary products that leverage the core point-of-sale and dispense offering.

Ecommerce revenue for FY18 was $2.5 million, a 10% decrease on the prior period. The eCommerce business markedly slowed its rate of decline in the last half of the year. There are signs of a tightening compliance regime as the banking royal commission puts the spotlight on the financial services. The business remains profitable, though compliance changes may impact its revenue stream and profitability.

The Company's previously announced transformational and efficiency program was advanced during FY18. The primary focus was on enhancing existing products, re-engineering processes, improving productivity, and reshaping and aligning the organisation to its revenue base. While work remains, the initial transformational project is substantially complete with ongoing benefits expected during FY19.

During FY18 the Company's major dispense and point of sale products were significantly enhanced with improvements and new features. These updates were deployed to all customers and also incorporated changes that improved the efficiency of product support.

Review of operations continued

Investment has been applied to the development of both existing and new products, including the new *Corum Clear Dispense*. This dispense system is nearing completion and remains on track for government approval and fully operational in pharmacies in the first half of FY19. The Company applied $4.7 million (FY17: $3.3 million) to research and development during FY18, of which $3.3 million was for new products which were capitalised as intangible assets. These products target specific needs within the pharmacy space and enable the Company to provide a broader base of solutions to the market.

Major overhead expense categories were lower or flat compared to last year, with overall costs down by $1.2 million supported by the efficiency projects which are producing sustainable reductions in the cost base.

Cash held by Corum at the end of the financial year was $5.0m, compared with $8.1m at the end of June 2017. The reduction in cash is mainly due to lower revenue, increased investment in new and enhanced products, and the timing of an amount receivable, as detailed in the notes to the financial statements. Both the research and development tax incentive and the receivable are expected to add $2.9m to the Company's cash flow position in the first half of FY19.

Outlook

Corum completed a strategic business review in late FY17, the recommendation of which was adopted by management and the board to focus resources on the Health Services segment. With the business investing in Corum Health during FY18, the focus has been the ongoing transformation and a return to growth.

Underpinning Corum's investment is the new Dispense system, *Corum Clear*, which underwrites Corum's future commitment to the pharmacy sector. Coupled with the dispense application, Corum is improving its retail solutions, in particular the corporate head office product which assists groups managing store networks.

The results of the revised strategy and business transformation will provide Corum with greater opportunities assisted by consolidating its position in community pharmacy, leading industry consolidation, playing a significant role in the evolving digital health landscape and the pursuit of other adjacent opportunities to leverage the Company's strengths.

Significant changes in the state of affairs

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

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

Matters subsequent to the end of the financial year

On 17 September 2018 the Company received an income tax refund of $1,785,000 relating to the 2018 financial year.

Other than disclosed above, no matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Likely developments and expected results of operations

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

Meetings of Directors

The number of meetings of the Company's Board of Directors ('the Board') and of each Board committee held during the year ended 30 June 2018, and the number of meetings attended by each director were:

	Full Board		Audit and Risk Committee		Remuneration and Nomination Committee	
	Attended	Held	Attended	Held	Attended	Held
Bill Paterson	10	12	5	5	3	3
Gregor Aschoff	12	12	–	–	–	–
Matthew Bottrell	11	12	5	5	3	3

Held: represents the number of meetings held during the time the director remained in office or was a member of the relevant committee. In addition to formal board meetings the directors were closely involved in numerous other meetings and discussions during FY18.

Indemnity and insurance of officers

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

Indemnity and insurance of auditor

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

Proceedings on behalf of the Company

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

Non-audit services

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

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

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

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

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

Corporate governance statement

The Corum Group Limited Corporate Governance Statement discloses how the Company complies with the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (3rd Edition), and sets out the Company's main corporate governance practices. This statement has been approved by the Board and is current as of 26 September 2018.

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

Rounding of amounts

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

Remuneration report (audited)

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

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors. Following a review of the Key Management Personnel disclosed in the 30 June 2017 annual report, some of the roles and personnel included have been revised or are no longer relevant.

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

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

Principles used to determine the nature and amount of remuneration

The Company provides appropriate rewards to attract and retain high quality and committed employees. Base salaries and any incentives of executives are determined by management having regard to the nature of each role, the experience and performance of the individual and are reviewed by the Remuneration and Nomination Committee. The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. In considering this, the directors look to satisfy the following key criteria:

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

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

Non-executive Directors remuneration

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

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

Remuneration report (audited) continued

Executive remuneration

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

The executive remuneration and reward framework has three components:

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

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

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

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

The short-term incentives ('STI') in the form of short-term bonuses may be paid either in cash or equity rights and are at the discretion of the Remuneration and Nomination Committee and are dependent on the performance of the individual, business unit performance, and the overall performance of the Group. The long-term incentives ('LTI') can be in the form of equity based instruments, though may not be awarded without Corum achieving progressive improvement in outcomes. The maximum number of equity instruments that may be issued by the directors pursuant to the respective plan shall not exceed 5% of the shares in issue.

No short-term or long-term incentives incorporating performance rights or share options were granted during the financial year.

Voting and comments made at the Group's 2017 Annual General Meeting ('AGM')

At the 2017 AGM, 76.3% of shares voted against the adoption of the remuneration report for the year ended 30 June 2017 while 23.7% voted in favour of the report.

At this meeting a group of shareholders (in person and by proxy) expressed their dissatisfaction with the Company's performance and the level of directors fees. Although the board sought to explain its performance and the level of directors fees, the shareholder group were not satisfied by these explanations.

Directors considered the feedback from shareholders. Given the extensive involvement and time commitment of directors during the financial year it was judged that directors fees were appropriate. For future periods directors have instigated a review of the amount and structure of both director and executive remuneration, assisted with information provided by Egan Associates.

Director's involvement includes; working with management to strengthen the team; participation in strategy development, supporting inorganic growth activities and engaging closely with management to support delivery of the agreed strategic objectives.

Remuneration report (audited) continued

Details of remuneration

Amounts of remuneration

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

		Short term benefits			Post-employment benefits	Share-based payments	
		Salaries and fees $	Annual Leave entitlement $	Incentive $	Superannuation $	Equity settled $	Total $
Directors:							
Bill Paterson	2018	126,000	–	–	–	–	126,000
Non-executive Chairman	2017	126,000	–	–	–	–	126,000
Matthew Bottrell (i)	2018	205,160	–	–	8,550	–	213,710
Non-executive Director	2017	90,000	–	–	8,550	–	98,550
Gregor Aschoff	2018	200,000	8,462	–	19,000	–	227,462
Executive Director	2017	198,461	(3,964)	–	18,854	–	213,351
Other Key Management Personnel:							
David Clarke (ii)	2018	282,000	21,692	10,000	20,049	–	333,741
Chief Executive Officer	2017	258,469	9,103	–	21,473	4,794	293,839
Chris Baveystock (iii)	2018	40,923	3,148	–	3,888	–	47,959
Interim Chief Financial Officer							
Andrea Tustin (iv)	2018	164,139	(5,257)	–	15,340	–	174,222
Interim Chief Financial Officer	2017	80,249	5,257	–	7,624	–	93,130
Anil Roychoudhry (v)	2018	210,000	6,058	10,000	19,950	–	246,008
Chief Technology Officer	2017	209,192	9,630	–	19,873	–	238,695
Peter Wilton (vi)	2017	228,647	–	–	21,122	–	249,769
Former Chief Executive Officer							

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

(ii) David Clarke was appointed as Chief Executive Officer on 24 January 2017 and was previously Chief Financial Officer. Performance related remuneration in 2017 was 2%.

(iii) Chris Baveystock was appointed as Chief Financial Officer on 30 April 2018 on an annual base salary of $240,000.

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

(v) Anil Roychoudhry was appointed 4 July 2016.

(vi) Peter Wilton resigned on 24 January 2017 and ceased employment 24 April 2017. Salaries and fees include accrued leave entitlements of $6,308.

Remuneration report (audited) continued

Service agreements

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

Name:	David Clarke
Title:	Chief Executive Officer and Company Secretary
Agreement commenced:	24 January 2017
Term of agreement:	Ongoing
Details:	Annual base salary of $282,000, excluding statutory superannuation, reviewed annually. Either party may terminate employment with four months written notice; or immediately in the event of misconduct or other sufficient cause. Subject to certain restrictive covenants and restraints for a period of up to 24 months.

Other senior executives are employed under contracts with termination periods between one and four months and are eligible for their statutory employee entitlements upon termination. Certain employees are subject to restraints and other activities for an agreed period following termination. The executives may also participate in the Group's short-term incentive scheme as applicable from time to time and at discretion of the board.

Additional disclosures relating to key management personnel

Shareholding

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

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

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

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

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

Remuneration report (audited) continued

Additional Information

The results of the Group for the five years to 30 June 2018 are summarised below:

	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000
Sales revenue	18,890	17,898	15,553	13,507	11,176
Profit/(loss) after income tax	4,274	4,630	27	(5,877)	251
Total equity	18,874	19,931	19,908	13,976	14,227
Cash on hand	11,913	12,069	9,577	8,098	4,971
Borrowings	–	–	–	–	–
Capitalised development costs	–	–	–	837	1,851

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

	2014	2015	2016	2017	2018
Share price at financial year end (cents)	14.0	15.0	11.0	4.0	2.5
Basic earnings per share (cents per share)	1.70	1.80	0.01	(2.30)	0.10

This concludes the remuneration report, which has been audited.

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

On behalf of the directors

Bill Paterson
Chairman

Matthew Bottrell
Director

26 September 2018
Sydney

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

As lead auditor of Corum Group Limited for the year ended 30 June 2018, I declare that, to the best of my knowledge and belief, there have been:

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

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

Arthur Milner
Partner

Sydney, 26 September 2018

Statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated 2018 $'000	2017 $'000
Revenue	3	12,566	14,756
Expenses			
Materials and consumables used		(1,318)	(1,419)
Employee benefits expenses	4	(8,336)	(9,990)
Occupancy costs	4	(747)	(1,045)
Marketing expenses		(529)	(539)
Depreciation and amortisation expense	4	(289)	(409)
Loss on disposal of fixed assets		–	(219)
Share-based payments		–	55
Research and development tax benefit	6	617	2,252
Other expenses		(1,314)	(1,769)
Profit before impairment and income tax expense		**650**	**1,673**
Impairment of goodwill	13	–	(6,277)
Profit/(loss) before income tax expense		**650**	**(4,604)**
Income tax expense	6	(399)	(1,273)
Profit/(loss) after income tax expense for the year attributable to the owners of Corum Group Limited		**251**	**(5,877)**
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year attributable to the owners of Corum Group Limited		**251**	**(5,877)**
		Cents	**Cents**
Basic earnings per share	7	0.1	(2.3)
Diluted earnings per share	7	0.1	(2.3)

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

Statement of financial position
AS AT 30 JUNE 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	4,971	8,098
Trade and other receivables	10	1,542	393
Inventories		102	149
Income tax receivable	6	1,757	1,416
Other	11	2,782	2,359
		11,154	**12,415**
Non-current assets			
Other Financial assets		30	30
Property, plant and equipment	12	863	981
Intangibles	13	7,232	5,381
Deferred tax assets	6	447	563
Security deposits		–	387
		8,572	**7,342**
Total assets		**19,726**	**19,757**
LIABILITIES			
Current liabilities			
Trade and other payables	14	3,956	4,280
Provisions	15	1,086	1,072
Deferred revenue		188	202
		5,230	**5,554**
Non-current liabilities			
Provisions	16	269	227
		269	**227**
Total liabilities		**5,499**	**5,781**
Net assets		**14,227**	**13,976**
EQUITY			
Issued capital	17	86,283	86,283
Accumulated losses		(72,056)	(72,307)
Total equity		**14,227**	**13,976**

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

Statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2018

Consolidated	Issued capital $'000	Share-based payment reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 30 June 2016	**86,283**	**90**	**(66,465)**	**19,908**
Loss after income tax expense for the year	–	–	(5,877)	(5,877)
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	(5,877)	(5,877)
Transactions with owners in their capacity as owners:				
Share-based payments	–	(55)	–	(55)
Performance rights exercised	–	(35)	35	–
Balance at 30 June 2017	**86,283**	**–**	**(72,307)**	**13,976**
Profit after income tax expense for the year	–	–	251	251
Other comprehensive income for the year, net of tax	–	–	–	–
Total comprehensive income for the year	–	–	251	251
Balance at 30 June 2018	**86,283**	**–**	**(72,056)**	**14,227**

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

Statement of cash flows
FOR THE YEAR ENDED 30 JUNE 2018

	Note	Consolidated 2018 $'000	Consolidated 2017 $'000
Cash flows from operating activities			
Receipts from customers		12,463	14,727
Payments to suppliers and employees		(13,728)	(16,272)
Interest received		178	236
Other revenue		1	24
Distributions received		–	989
Income tax paid		(634)	(1,156)
Research and development incentive		2,052	1,701
Net cash from operating activities	19	**332**	**249**
Cash flows from investing activities			
Payments for property, plant and equipment	12	(277)	(692)
Payments for intangible assets		(3,182)	(1,410)
Proceeds from disposal of property, plant and equipment		–	292
Proceeds from release of security deposits		–	82
Net cash used in investing activities		**(3,459)**	**(1,728)**
Cash flows from financing activities			
Net cash from financing activities		–	–
Net decrease in cash and cash equivalents		(3,127)	(1,479)
Cash and cash equivalents at the beginning of the financial year		8,098	9,577
Cash and cash equivalents at end of the financial year	9	**4,971**	**8,098**

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

Notes to the financial statements

30 JUNE 2018

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Parent entity information

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

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Corum Group Limited ('Company' or 'parent entity') as at 30 June 2018 and the results of all subsidiaries for the year then ended. Corum Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

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

Note 1. Statement of significant accounting policies continued

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

Current and non-current classification

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

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

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

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

Impairment of non-financial assets

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

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

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

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

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

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

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

Comparative figures

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

Rounding of amounts

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

New Accounting Standards and Interpretations not yet mandatory or early adopted

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

AASB 9 Financial Instruments

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'.

Note 1. Statement of significant accounting policies continued

AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 and it is anticipated that the adoption of this standard in future periods will have no material financial impact on the financial statements of the Group.

AASB 15 Revenue from Contracts with Customers

This standard establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. AASB 15 supersedes existing guidance in AASB 118 Revenue and AASB 11 Construction Contracts and is applicable to annual reporting periods beginning on or after 1 January, 2018.

The core principle of AASB 15 is that an entity should recognise revenue to depict the transfer of promised goods and/or services to customers in an amount that reflects the consideration to which an entity expects to be entitled to receive for those goods and/or services. Specifically, the standard introduces a 5-step revenue recognition and any associated costs:

Step 1: Identify the contract(s) with a customer

Step 2: Identify the performance obligation in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognise revenue when (or over time as) the entity satisfies performance obligations.

In Corum's case AASB 15 would recognise revenue when (or as) our performance obligations are satisfied, for example when "control" as in the case of hardware sales or the ability to access and utilise the software licences is granted. The group is still assessing the impact of implementing AASB 15 as such the impact is not currently reasonably estimable.

AASB 16 Leases

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A liability corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, EBITDA (Earnings Before Interest, Tax, Depreciation and Amortisation) results will be higher as the operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases. The Group will adopt this standard from 1 July 2019 and the actual impact will depend on the operating lease assets held by the Group as at 1 July 2019 and the transitional elections made at that time.

Note 2. Critical accounting judgements, estimates and assumptions

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

Product Development Costs

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

Goodwill and other intangibles assets

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

Recovery of deferred tax assets

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

Employee benefits provision

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

Note 3. Revenue

	Consolidated	
	2018 $'000	**2017 $'000**
Sales revenue		
Rendering of services	10,195	12,373
Sales of goods	981	1,134
	11,176	13,507
Other revenue		
Revenue from unlisted entity[i]	1,211	989
Interest	178	236
Other revenue	1	24
	1,390	1,249
Total Revenue	12,566	14,756

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

Note 3. Revenue continued

Accounting policy for revenue recognition

Revenue is recognised when it is probable the economic benefit will flow to the group and that revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, net of goods and services tax (GST).

Rendering of services

Revenue from rendering of services is recognised in proportion to the stage of contract completion.

Maintenance and subscription revenue is recognised by amortising the payments received on a straight-line basis over the life of the contract as the performance obligations are satisfied.

Sale of goods

Sale of goods revenue is recognised when the risks and rewards are transferred to the customer. Amounts disclosed as revenue are net of sales returns and trade discounts.

Revenue from unlisted entity

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

Government grants

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

Interest

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

Other revenue

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

Note 4. Expenses

	Consolidated	
	2018 $'000	**2017 $'000**
Profit/(loss) before income tax includes the following specific expenses:		
Depreciation		
Leasehold improvements	5	4
Plant and equipment	284	405
Total depreciation	289	409
Rental expense relating to operating leases		
Minimum lease payments	727	805
Employee benefits expense including superannuation		
Employee benefits expense including superannuation	8,336	9,990

Accounting policy for operating leases

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

Note 5. Remuneration of auditors

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

	Consolidated	
	2018	2017
	$	$
Audit or review of the financial statements	79,500	82,554
Taxation and other non-audit services[i]	50,400	31,154
	129,900	113,708

[i] Non-audit services in 2018 included assistance with areas of tax compliance, due diligence and research and development claim.

Note 6. Income tax

	Consolidated	
	2018	2017
	$'000	$'000
Income tax expense		
Current income tax:		
Current year income tax charge	285	718
Adjustment for current income tax of previous year	(2)	444
Deferred tax:		
Origination and reversal of temporary differences	69	3
Utilisation of tax losses	–	108
Adjustment for change in tax rate	47	–
Income tax expense	399	1,273
Reconciliation of income tax expense and tax at the statuatory rate		
Profit/(loss) before income tax expense	650	(4,604)
Tax at the statutory tax rate of 27.5% (FY17: 30%)	179	(1,381)
Add/(deduct) tax effect of:		
Impairment of goodwill	–	1,883
Non-deductible/non-assessable items	1	(12)
Adjustment for current income tax of previous year	(2)	(90)
Utilisation and other movement in deferred tax assets	1	15
Research and development tax incentive current year	220	324
Adjustment for research and development tax incentive of previous year	–	534
Income tax expense	399	1,273

Research and Development Tax Incentive

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

Note 6. Income tax continued

	Consolidated 2018 $'000	2017 $'000
Tax losses not recognised		
Losses carried forward (i)	3,676	4,049
Capital losses carried forward (i)	184	201

(i) Losses carried forward have been adjusted to reflect current tax rate of 27.5% (FY17: 30%)

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

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

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

The Group has tax losses for which no deferred tax asset is recognised in the statement of profit or loss and other comprehensive income.

	Consolidated 2018 $'000	2017 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Impairment of receivables	17	45
Property, plant and equipment	–	(10)
Employee benefits	376	383
Leased premises	25	90
Other provisions	29	55
Deferred tax asset	447	563
Movements:		
Opening balance	563	674
Charged to profit or loss	(116)	(111)
Closing balance	447	563
Income tax receivable		
Current year income tax charge	(285)	(718)
Current year research and development tax offset	2,042	2,052
Current year instalments paid	–	82
	1,757	1,416

Note 6. Income tax continued

Accounting policy for income tax

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

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

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

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses, and where the availability of losses is reasonably certain. In particular, the potential future tax benefits arising from tax losses and temporary differences have been recognised as deferred tax assets only to the extent that the Group is likely to continue to comply with conditions for deductibility of losses imposed by tax legislation.

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

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

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

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

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

Note 7. Earnings per share

	Consolidated 2018 $'000	Consolidated 2017 $'000
Profit/(loss) after income tax attributable to the owners of Corum Group Limited	251	(5,877)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	256,167,592	256,065,537
Weighted average number of ordinary shares used in calculating diluted earnings per share	256,167,592	256,065,537

	Cents	Cents
Basic earnings per share	0.1	(2.30)
Diluted earnings per share	0.1	(2.30)

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to the owners of Corum Group Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share

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

Note 8. Operating segments

Identification of reportable operating segments

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

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

The Group operates predominantly in Australia.

Types of services

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

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

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

Intersegment transactions

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

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

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

Intersegment receivables, payables and loans

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

Segment assets and liabilities

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

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

Unallocated items

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

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

Major customers

During the year ended 30 June 2018 the Group did not have any major customers that individually contributed more than 10% of total revenue (2017: none).

Note 8. Operating segments continued

Operating segment information

Consolidated – 2018	Health Services $'000	eCommerce $'000	Intersegment elimination/ unallocated $'000	Total $'000
Revenue				
Sales to external customers	8,720	2,446	10	11,176
Other revenue	1,211	–	1	1,212
Interest revenue	–	22	156	178
Total revenue	9,931	2,468	167	12,566
Profit/(loss) before income tax expense	1,068	236	(654)	650
Income tax expense				(399)
Profit after income tax expense				251
Depreciation expense	112	–	177	289
(Decrease)/Increase in provisions	(31)	(13)	32	(12)
Assets				
Segment assets	6,477	2,377	–	8,854
Unallocated assets:				
Cash and cash equivalents				4,827
Trade and other receivables				29
Property, plant and equipment				602
Deferred tax asset				447
Other assets				4,967
Total assets				19,726
Total assets include (net of research and development incentive):				
Addition of intangible asset	1,851	–	–	1,851
Addition of property, plant and equipment	181	–	96	277
Liabilities				
Segment liabilities	1,632	2,691	–	4,323
Unallocated liabilities:				
Trade and other payables				787
Provisions and other liabilities				389
Total liabilities				5,499

Note 8. Operating segments continued

Operating segment information continued

Consolidated – 2017	Health Services $'000	eCommerce $'000	Intersegment elimination/ unallocated $'000	Total $'000
Revenue				
Sales to external customers	10,768	2,739	–	13,507
Other revenue	989	–	24	1,013
Interest revenue	–	23	213	236
Total revenue	11,757	2,762	237	14,756
Profit/(loss) before impairment of goodwill and income tax expense	1,990	220	(537)	1,673
Impairment of goodwill	(6,277)	–	–	(6,277)
(Loss)/profit before income tax expense	(4,287)	220	(537)	(4,604)
Income tax expense				(1,273)
Loss after income tax expense				(5,877)
Depreciation expense	239	–	170	409
Increase in provisions	70	8	85	163
Assets				
Segment assets	6,227	2,348	–	8,575
Unallocated assets:				
Cash and cash equivalents				7,903
Trade and other receivables				20
Property, plant and equipment				778
Deferred tax asset				563
Other assets				1,918
Total assets				19,757
Total assets include:				
Addition of intangible asset	837	–	–	837
Addition of property, plant and equipment	101	1	561	663
Liabilities				
Segment liabilities	2,110	2,608	–	4,718
Unallocated liabilities:				
Trade and other payables				815
Provisions and other liabilities				248
Total liabilities				5,781

Note 9. Current assets – cash and cash equivalents

	Consolidated	
	2018 $'000	2017 $'000
Cash at bank	145	220
Cash on deposit	4,826	7,878
	4,971	8,098

Accounting policy for cash and cash equivalents

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

Note 10. Current assets – trade and other receivables

	Consolidated	
	2018 $'000	2017 $'000
Trade receivables	352	392
Less: Provision for impairment of receivables	(60)	(60)
	292	332
Other receivables	1,250	61
	1,542	393

Other receivables

Other receivables include $1,211,000 related to distributions receivable from the investment in an unlisted entity at 30 June 2018.

Impairment of receivables

The Group has recognised a loss of $0 (2017: $22,000) in respect of impairment of receivables for the year ended 30 June 2018.

The ageing of the impaired receivables provided for above are as follows:

Under 3 months overdue	17	21
3 to 6 months overdue	27	21
Over 6 months overdue	16	18
	60	60

Movements in the provision for impairment of receivables are as follows:

Opening balance	60	38
Additional provisions recognised	–	22
Closing balance	60	60

The ageing of the past due but not impaired receivables are as follows:

Under 30 days overdue	68	60
31 to 60 days overdue	126	207
Over 60 days overdue	4	–
	198	267

Note 10. Current assets – trade and other receivables continued

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

Accounting policy for trade and other receivables

Trade receivables to be settled within normal trading terms are carried at amounts due, which is considered to be reflective of fair value given their short term nature.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is raised when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

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

Note 11: Current assets – other

	Consolidated 2018 $'000	2017 $'000
Prepayments and security deposits	544	199
eCommerce payments awaiting clearance [i]	2,238	2,160
	2,782	2,359

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

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

	Consolidated	
	2018 $'000	2017 $'000
Leasehold improvements – at cost	69	81
Less: Accumulated depreciation	(66)	(73)
	3	8
Plant and equipment – at cost	2,608	2,347
Less: Accumulated depreciation	(1,748)	(1,374)
	860	973
Total property, plant and equipment	863	981

Reconciliations

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

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance at 1 July 2016	7	1,320	1,327
Additions	5	658	663
Disposals	–	(600)	(600)
Depreciation expense	(4)	(405)	(409)
Balance at 30 June 2017	8	973	981
Additions	–	277	277
Disposals	–	(12)	(12)
Depreciation capitalised	–	(94)	(94)
Depreciation expense	(5)	(284)	(289)
Balance at 30 June 2018	3	860	863

Accounting policy for property, plant and equipment

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

Depreciation is calculated on the diminishing value method for assets acquired up to June 2010 and the straight-line basis thereafter to write off the net cost of each item of plant and equipment over their expected useful lives as follows:

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

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

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

Note 13: Non–current assets – intangibles

	Consolidated 2018 $'000	2017 $'000
Goodwill – at cost	15,363	15,363
Less: Impairment	(10,819)	(10,819)
	4,544	4,544
Software product development – at cost	4,686	1,410
Less: Research and development incentives	(1,998)	(573)
	2,688	837
	7,232	5,381

Reconciliations

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

Consolidated	Goodwill $'000	Software product development $'000	Total $'000
Balance at 1 July 2016	10,821	–	10,821
Additions	–	1,410	1,410
Research and development incentives	–	(573)	(573)
Impairment of goodwill	(6,277)	–	(6,277)
Balance at 30 June 2017	4,544	837	5,381
Additions	–	3,276	3,276
Research and development incentives	–	(1,425)	(1,425)
Balance at 30 June 2018	4,544	2,688	7,232

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

Review of carrying values

The recoverable value of the cash generating unit is determined on a value-in-use calculation (VIU). Value-in-use is calculated based on the present value of cash flow projections, approved by management, over a seven year period with a terminal value of 7.5 times discounted Year 7 EBITDA. Cash flows were based on both budgets and projections using historic and long term growth rates based upon past experience and in particular expectations of external market performance considering substantively improved products in the market. The CGU (Cash Generating Unit) combines the existing Corum applications with newly-developed programs and anticipates a substantial period of transition in the marketplace as customers migrate from older dispense products to the new *Corum Clear Dispense*. As this transition will be spread over a number of years the full VIU will only be realised within approximately seven years based on management's best estimates.

Research and development tax benefits are excluded for the purpose of EBITDA based calculations. Cash flows are discounted at 12% (2017: 12%) per annum which incorporates an appropriate equity risk premium. Costs are calculated taking into account historical and planned gross margins, estimated inflation rates for the year consistent with inflation rates applicable to the locations in which the cash generating unit operates, and other planned and expected changes to the cost base.

The review of the carrying value, and subsequent the need for no impairment charge resulted from taking into account the impact on the existing business of new products being introduced in FY19, the impact on revenue and expenses of changes in business practices and changing industry conditions.

Note 13: Non–current assets – intangibles continued

Accounting policy for intangibles

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

Goodwill

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

Software product development

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

Research and development costs

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

Impairment of non-financial assets

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

Note 14: Current liabilities – trade and other payables

	Consolidated	
	2018 **$'000**	**2017** **$'000**
Trade payables	447	382
Sundry creditors and accruals	1,238	1,638
Deferred rent expense	33	100
eCommerce payments awaiting clearance	2,238	2,160
	3,956	4,280

Refer to note 20 for further information on financial instruments.

Accounting policy for trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. The amounts are unsecured and are usually settled within established terms, normally 30 days of recognition.

Note 15: Current liabilities – provisions

	Consolidated	
	2018 $'000	2017 $'000
Employee benefits	1,046	939
Lease make good	40	133
	1,086	1,072

Lease make good

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

Movements in provisions

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

Consolidated – 2018	Lease make good $'000
Carrying amount at the start of the year	133
Provisions utilised	(93)
Carrying amount at the end of the year	40

Accounting policy for provisions

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

Accounting policy for short-term employee benefits

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

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

Note 16: Non-current liabilities – provisions

	Consolidated	
	2018 $'000	2017 $'000
Employee benefits	253	219
Lease make good	16	8
	269	227

Note 16: Non–current liabilities - provisions continued

Movements in provisions

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

Consolidated – 2018	Lease make good $'000
Carrying amount at the start of the year	8
Additional provisions recognised	8
Carrying amount at the end of the year	16

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

Accounting policy for long-term employee benefits

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

Note 17: Equity – issued capital

			Consolidated	
	2018 Shares	2017 Shares	2018 $'000	2017 $'000
Ordinary shares – fully paid	256,167,592	256,167,592	86,283	86,283

Movements in ordinary share capital

	Date	Shares	$'000
Balance	1 July 2016	255,917,592	86,283
Performance rights exercised	26 November 2016	250,000	–
Balance	30 June 2017	256,167,592	86,283
Balance	30 June 2018	256,167,592	86,283

Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the Company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the Company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting shall have one vote and upon a poll each share shall have one vote.

Capital risk management

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

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

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

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

Accounting policy for issued capital

Ordinary shares are classified as equity.

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

Note 18. Equity – dividends and franking credits

Dividends

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

Accounting policy for dividends

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

	Consolidated	
	2018 $'000	2017 $'000
Franking credits		
Franking credits available for subsequent financial years (tax rate: 27.5% (FY17: 30%))	1,249	1,337

The deferred franking debit account has a balance of $1,831,000 (FY17: $501,000). The receipt by the company of the R&D refundable tax offsets does not immediately reduce the franking account balance. However, no franking credits will arise as a result of income tax payments until the company recovers these deferred franking debits.

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

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

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

	Consolidated	
	2018 $'000	2017 $'000
Profit/(loss) after income tax expense for the year	251	(5,877)
Adjustments for:		
Depreciation and amortisation	289	409
Impairment of goodwill	–	6,277
Net loss on disposal of non-current assets	–	219
Share–based payments	–	(55)
Research and development tax benefit on intangibles	1,425	573
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(1,149)	(109)
Decrease in inventories	59	34
(Increase) in income tax refund due	(341)	(1,118)
Decrease in deferred tax assets	116	111
(Increase) in other operating assets	(36)	(8)
(Decrease) in trade and other payables	(324)	(329)
Increase in other provisions	56	162
(Decrease) in deferred revenue	(14)	(40)
Net cash from operating activities	332	249

Note 20. Financial instruments

Financial risk management objectives

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

Market risk

Foreign currency risk

The Group has no material exposure to foreign exchange risk.

Interest rate risk

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

	2018		2017	
Consolidated	Weighted average interest rate %	Balance $'000	Weighted average interest rate %	Balance $'000
Cash on deposit	2.57%	4,826	2.26%	7,878
Net exposure to cash flow interest rate risk		4,826		7,878

An official increase/(decrease) in interest rates of 26 (2017: 27) basis points would have a favourable/adverse effect on profit before tax of $12,550 (2017: $21,300) per annum. The percentage change is based on the expected volatility of interest rates of a 10% movement, using market data and analysts forecasts.

Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group mitigate credit risk by undertaking transactions with a large number of customers. The Group has no significant concentration of credit risk with respect to any single counterparty or group of counterparties. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The Group does not hold any collateral. Trade and other receivables that are neither past due nor impaired are considered to be high credit quality.

Liquidity risk

Vigilant liquidity risk management requires the Group to maintain sufficient liquid assets (mainly cash and cash equivalents) to be able to pay debts as and when they become due and payable.

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

Remaining contractual maturities

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

Note 20: Financial instruments continued

Liquidity risk continued

Consolidated	1 year or less $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
2018					
Non-derivatives					
Non-interest bearing					
Trade and other payables	1,685	–	–	–	1,685
Total non-derivatives	1,685	–	–	–	1,685
2017					
Non-derivatives					
Non-interest bearing					
Trade and other payables	2,020	–	–	–	2,020
Total non-derivatives	2,020	–	–	–	2,020

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

Fair value of financial instruments

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

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

Note 21: Contingent liabilities

The Group had no contingent liabilities at 30 June 2018 and at 30 June 2017.

Note 22: Commitments

	Consolidated 2018 $'000	2017 $'000
Lease commitments – operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	462	861
One to five years	2	402
	464	1,263

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

Note 23: Key management personnel disclosures

Compensation

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

	Consolidated	
	2018 $'000	2017 $'000
Short-term employee benefits	1,282	1,216
Post-employment benefits	87	97
Share-based payments	–	5
Termination benefits	–	–
	1,369	1,318

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

Note 24. Related party transactions

Parent entity

Corum Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 25.

Key management personnel

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

Transactions with related parties

Director's fees attributable to Bill Paterson of $126,000 (2017: $126,000) were paid or payable to his associate Paterson Wholohan Grill Pty Ltd. Amount payable at 30 June 2018 $10,356 (FY17: $21,058).

Consultancy fees attributable to Matthew Bottrell of $115,160 (2017: NIL) were paid or payable to his associate Creideas Asset Management Pty Ltd. Consultancy fees relate to services provided to the Board in relation to merger and acquisition activity, in addition to those responsibilities of a director.

Loans to/from related parties

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

Terms and conditions

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

Note 25. Interests in subsidiaries

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

		Ownership interest	
	Principal place of business/ Country of incorporation	2018 %	2017 %
Amfac Pty Ltd	Australia	100%	100%
Corum Health Pty Ltd (formally Pharmasol Pty Ltd)	Australia	100%	100%
Corum eCommerce Pty Ltd	Australia	100%	100%
Corum Systems Pty Ltd	Australia	100%	100%
Corum Training Pty Ltd	Australia	100%	100%

Note 26: Share-based payments

The Group has a performance rights plan, an employee share scheme plan and a share option plan. Unless prior shareholder approval is obtained, the maximum number of performance rights, shares or share options that may be issued by the directors pursuant to the respective plan shall not exceed 5% of the number of shares on issue. There are no voting or dividend rights attached to performance rights or options prior to their exercise.

There were no performance rights or share options granted during FY18 (2017: nil).

Set out below are summaries of performance rights previously granted under the plan:

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Vested	Lapsed	Balance at the end of the year
2017							
27/11/2013	26/11/2016	$0.00	250,000	–	(250,000)	–	–

Accounting policy for share-based payments for employment services

Equity-settled transactions are awards of performance rights, options over shares, or shares that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is determined using pricing models such as the Binomial or Black-Scholes option pricing model which incorporates all market vesting conditions, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions in determining fair value.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met provided all other conditions are satisfied.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Note 27: Parent entity information

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

	Parent	
	2018 $'000	2017 $'000
Statement of profit or loss and other comprehensive income		
Loss after income tax	(827)	(1,115)
Total comprehensive income for the year	(827)	(1,115)
Statement of financial position		
Total current assets	7,134	9,593
Total assets	16,135	17,375
Total current liabilities	1,073	1,100
Total liabilities	12,702	13,115
Equity		
Issued capital	86,283	86,283
Accumulated losses	(82,850)	(82,023)
Total equity	3,433	4,260

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2018 and 30 June 2017.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2018 and 30 June 2017.

Significant accounting policies

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

Note 28. Events after the reporting period

On 17 September 2018 the Company received an income tax refund of $1,785,000 relating to the 2018 financial year.

Other than disclosed above, no matter or circumstance has arisen since 30 June 2018 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.

Directors' declaration

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Australian Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 1 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the financial year ended on that date; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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

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

On behalf of the directors

Bill Paterson
Chairman

Matthew Bottrell
Director

26 September 2018
Sydney

BDO

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Australia

INDEPENDENT AUDITOR'S REPORT

To the members of Corum Group Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Corum Group Limited (the Company) and its subsidiaries (the Group), which comprises the statement of financial position as at 30 June 2018, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

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

(i) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

BDO

Impairment assessment of intangible assets

Key audit matter	*How the matter was addressed in our audit*
The Group has recognised intangible assets comprising capitalised development costs and goodwill of $4,686,000 and $4,544,000 (refer to Note 13) respectively. The assessment of impairment of the Group's intangible assets is a key audit matter due to the materiality of these assets to the financial statements and the significant judgments and estimates required to be made by the Group in particular in the determination of future discounted cash flows.	Our audit procedures to address the key audit matter included but were not limited to: • Assessing the appropriateness of identified CGU's and the allocation of carrying value of assets to the identified CGU; • Critically evaluating whether the value in use model prepared by management comply with the requirement of AASB 136 Impairment of Assets; • Corroborating the key assumptions applied in the value in use model, including forecast growth rates, discount rates, EBITDA multiples and cost assumptions; • Performing tests over the mathematical accuracy of the model and underlying calculations; • Performing a sensitivity analysis on the key financial assumptions in the model; • Assessing the adequacy of the Group's disclosures in the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

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

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

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of Corum Group Limited, for the year ended 30 June 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

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

BDO East Coast Partnership

BDO

Arthur Milner
Partner

Sydney, 26 September 2018

Shareholder information

The shareholder information set out below was applicable as at 14 September 2018.

Distribution of equitable securities

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

Range of shareholding	Number of holders of ordinary shares	Number of ordinary shares held
1 – 1,000	676	234,333
1,001 – 5,000	393	1,063,451
5,001 – 10,000	206	1,577,252
10,001 – 100,000	287	9,964,443
100,001 and over	110	243,328,113
	1,672	256,167,592
Holding less than a marketplace parcel	1,326	3,491,582

Equity security holders

Twenty largest quoted equity security holders

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

	Ordinary shares	
	Number held	% of total shares issued
Lujeta Pty Ltd (The Margaret Account)	140,054,379	54.67
Link Enterprises (International) Pty Ltd	13,090,345	5.11
Ginga Pty Ltd (Thomas G Klinger Family A/C)	10,810,866	4.22
Canceler Pty Ltd (Clarence Super Fund A/C)	7,600,000	2.97
BNP Paribas Nominees Pty Ltd (IB AU Noms Retailclient DRP)	6,270,287	2.45
Mr Robert Martin O’Shannassy	4,579,824	1.79
Mr Michael John Farrelly	4,524,379	1.77
Ginga Pty Ltd	4,284,540	1.67
R M O’Shannassy Pty Ltd (R M O’Shannassy Family A/C)	4,248,109	1.66
Atlas Holdings Pty Ltd (The Atlas A/C)	2,891,214	1.13
Moore and Badgery Pty Ltd	2,400,000	0.94
Mr Michael John Farrelly + Ms Madeline Zappia (Farrelly Retirement Fund A/C)	2,271,984	0.89
Mr Malcolm John Badgery	2,196,671	0.86
Navigator Australia Ltd (MLC Investment Sett A/C)	2,097,545	0.82
Connaught Consultants (Finance) Pty Ltd (Super Fund A/C)	1,865,000	0.73
Mr Geoffrey John Paul (G & J Super Fund A/C)	1,790,000	0.70
Mr David Klinger	1,630,000	0.64
Mrs Kerry Elizabeth Draffin	1,575,946	0.62
Mr Gregor Aschoff	1,546,881	0.60
Layuti Pty Ltd (The Mouatt Super Fund A/C)	1,444,877	0.56
	217,172,847	84.80

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

	Ordinary shares	
	Number held	% of total shares issued
Lujeta Pty Ltd	140,054,379	54.67
Ginga Pty Ltd	16,592,608	6.48
Link Enterprises (International) Pty Ltd	13,097,145	5.11

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

There are no other classes of equity securities.

Corporate Directory

Directors

Bill Paterson (Chairman)
Gregor Aschoff
Matthew Bottrell

Company Secretary

David Clarke

Registered Office

Level 20
347 Kent Street
Sydney NSW 2000

Head office telephone	+61 2 9289 4699

Share Register

Computershare Investor Services Pty Limited
60 Carrington Street
Sydney NSW 2000

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

Auditor

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

Stock Exchange Listing

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

Website

www.corumgroup.com.au

Corum Group