Corum Group

2020 Annual Report

Contents

	Page
Chairman's letter to shareholders	**2**
Managing Director's report	**3**
Directors' report	**5**
Auditor's independence declaration	**15**
Statement of profit or loss and other comprehensive income	**16**
Statement of financial position	**17**
Statement of changes in equity	**18**
Statement of cash flows	**19**
Notes to the financial statements	**20**
Directors' declaration	**50**
Independent auditor's report to the members of Corum Group Limited	**51**
Shareholder information	**55**
Corporate directory	**57**

General information

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

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

Level 3
120 Sussex Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 24 August 2020. The directors have the power to amend and reissue the financial statements.

Chairman's letter to shareholders

Dear fellow shareholders

It gives me great pleasure to present to you my first report as Chairman of Corum Group Limited.

Since joining the Board in November 2019 and being elected Chairman in February 2020, I have overseen significant behind the scenes progress as Corum positions itself for sustainable profitable growth.

Firstly, a new Board of Directors has been established. Bill Paterson retired in February 2020 after five years as Chairman of the Board but remains a significant shareholder. Jon Newbery and Julian Sallabank have joined the Board as non-executive directors replacing Matthew Bottrell and Gregor Aschoff. The new directors bring a fresh perspective and valuable experience across both the healthcare and technology sectors. David Clarke, our CEO, has also joined the Board as Managing Director. In addition, there have been key changes amongst the leadership team with new functional heads of sales, software development and finance being appointed.

Secondly, Corum has continued its investment in the product portfolio with major functionality and integration improvements in our newest product Corum Clear Dispense ('CCD') and the continued development of Corum Clear Enterprise ('CCE'), our multi-store cloud-based platform. During the year Corum entered into a development agreement with BAMM Group Administration Pty Ltd ('BAMM'), to develop CCE. Disappointingly, the first milestone was not met and consequently, the arrangements between the parties for the further development of the product are being reviewed.

Thirdly, significant work has been undertaken to prepare the business for the launch of electronic prescriptions. Corum has been an integral part of both the government and industry's effort to design and implement this initiative. Corum has developed, achieved conformance, and now deployed a flexible and innovative solution that retains all elements within the one system.

Corum also undertook a capital raising during the year, raising $3.66 million through a share placement. This funding was partly used to increase its investment in PharmX to 43%. PharmX is the pre-eminent electronic gateway that links pharmacies, pharmaceutical wholesalers and direct suppliers within the pharmacy market. There are still some remaining matters between Fred IT and PharmX continuing before the courts and the historical unpaid revenue due from PharmX remains outstanding.

Corum remains focused on growth and achieving long term profitability. The trends in community pharmacy mean digital, data and technology have an ever-increasing role to play in how pharmacies deliver their services to customers. There is a continuing trend towards pharmacies joining larger groups, which offers significant growth potential for Corum not only with our existing core dispensing and point of sale solutions but also our new developments, including Corum Clear Enterprise.

As with many businesses the COVID-19 pandemic has had an impact on operations and the safety of our people has been paramount. New ways of supporting our customers and managing our internal processes have been introduced. Whilst the financial effect to date has been modest, Corum has taken a prudent view given the potential economic impact and implemented a cost saving programme in the June quarter.

In the upcoming year Corum will be focussed on realising revenues from our investment in new products and exploring new growth opportunities in the healthcare technology sector.

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

Yours sincerely

Nick England
Chairman
24 August 2020

Managing Director's report

The 2020 financial year has been a transitional period for Corum with new investors, a new Board, new products, and engagement with new enterprise customers.

Results

Corum's revenue for the financial year was $10.6 million, down $0.6 million compared to last year. Profit before tax, fair value adjustments and impairment was $144,000 compared to $561,000 in the prior year. Revenue opportunities were impacted by the incomplete feature set of the new dispense system, and delays in the completion of the new enterprise cloud platform; both key components of the Clear Suite of products and expected drivers of revenue growth. Both matters are discussed further below.

Net profit after tax, fair value adjustments and impairment is $176,000, compared to a $4.2 million loss in the prior year. The directors have considered the carrying value of capitalised product development and concluded that $1.5 million of intangible assets are impaired. These are older legacy products which are in the process of being updated by the Corum Clear Suite. The directors also revalued to fair value the investment in the unlisted entity, PharmX, resulting in a positive profit impact of $1.8 million based on the price paid for the additional investment made during the year.

For further detail on the financial results refer to the Review of Operations in the Directors' Report.

Software products

Corum Clear Dispense has been in the market since early 2019 and has since undergone a series of significant upgrades after feedback from early adopters. The product is now on general release and its flexibility and intelligent design has been well received. With phase one of electronic prescribing completed, our focus is to accelerate all of the richer feature-sets and third-party integrations needed to meet the requirements of every pharmacy.

Corum Clear Enterprise is an exciting new product that allows pharmacy groups to more effectively support and manage their store networks, increase efficiency and visibility at head office, and drive improved profitability for their members. These outcomes are achieved through intelligent tools, automation and connected data technologies. It establishes a cloud platform that will be utilised to deploy additional digital assets, including eCommerce and other integrations, into head office or directly to stores. The work is being undertaken in partnership with BAMM, who is a significant customer of Corum and who already uses Corum's RPM head office software extensively. The development program is taking longer than anticipated and as a consequence, the projected milestone dates have not been met, resulting in arrangements between the parties being reviewed. As an interim measure, Corum's existing enterprise product, RPM, has been upgraded and is being deployed into large group environments as a precursor to transitioning to the new product.

The other significant development program in FY20 has been electronic prescribing, a national initiative to provide a legal electronic alternative to a paper prescription. It has the potential to significantly change the landscape for community pharmacy and patient engagement. Corum has been deeply involved throughout this effort, including chairing the software industry working group. Considerable resources have been applied to ensure LOTS and Corum Clear dispense systems can dispense electronic scripts in a seamless manner, within the one system. Phase 1 (the Token model) of electronic prescribing is operational in geographic pilot sites around Australia and will roll-out more broadly in the first half of FY21. During that time phase 2 development (the Active Script List model) will commence, with an expected timeframe for community testing toward the end of the year. In ePrescribing we have produced an innovative solution that, for Corum Clear in particular, is expandable, flexible and intelligent, and greatly simplifies the process and adoption of this new opportunity for pharmacies.

Overheads

Operating costs have been reduced following a cost saving program implemented in the June quarter. Savings have been targeted across all expense categories. Legal costs, however, continue to be high at $0.5 million largely due to the ongoing Victorian Supreme Court proceedings relating to PharmX. Revenue due from PharmX for over three financial years remains unpaid as a consequence of that action.

Capital raise and purchase of additional equity in PharmX

As anticipated in last year's report Corum completed a capital raise for $3.66 million in November 2019 to strengthen its balance sheet for the continuing investment in the Corum Clear suite of pharmacy software platforms, resource strategic initiatives and other operational requirements. Through the capital raise Corum has also broadened its share register, with Bill Paterson's Lujeta Pty Ltd still having a significant but reduced position in the Company. It also enabled the strategic purchase of additional equity in PharmX.

The purchase of additional equity in PharmX diversifies Corum's revenue base and allows it to have an expanded role in the custodianship of this important piece of pharmacy infrastructure in Australia.

COVID-19

The pandemic has had a nuanced effect on community pharmacy performance, dependent on factors such as location, supply arrangements and operational decisions. Overall the industry has fared better than most. However, the disruptiveness of the pandemic, particularly supply and demand fluctuations in pharmacy, has caused a drop in business system decisions in the last quarter of FY20. We expect this to improve in FY21 but have chosen to prudently manage our costs in any case.

One impact has been the rapid rise of telehealth and remote dispensing driven by COVID-19 isolation and temporary government allowance for imaged-based prescription dispensing. We expect pharmacies and groups to be reviewing their digital options, particularly as ePrescribing becomes more widespread and the demand for click and collect or home delivery medicines gathers pace. Corum Clear, with its integration partners, is specifically designed to assist pharmacies to take advantage of this trend.

The pandemic has had a significant effect on how businesses operate and Corum is no exception. Corum has rapidly adapted to an environment where almost all employees are working from their home, including customer contact and support centre staff. Employee well-being and safety have been a priority with COVID-19 health and safety protocols established in offices and for staff visiting pharmacy locations. Pharmacy is a critical component of our national health response to the pandemic and Corum is acutely aware of the role it plays in supporting pharmacy operations.

Outlook

Corum Clear Dispense and Clear Enterprise have attracted significant interest from large banner groups and others in Community Pharmacy. The immediate focus for the upcoming year is to develop this interest into profitable revenue growth supported by the expansion of the dispense system features, the timely progression of Corum Clear Enterprise and Point-of-Sale products, and high standards of execution. Corum's investment in these activities will establish a foundation for Corum's longer-term future in retail pharmacy and digital healthcare.

I wish to thank our customers and business partners for their commitment and support. I pass on my great appreciation to the team at Corum, whose dedication, flexibility and adaptability in the face of very challenging work circumstances highlights their dedication to the success of our customers and the welfare of all Australians.

David Clarke
Managing Director
24 August 2020

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 2020.

Directors

The following were directors of Corum Group Limited during the financial year and up to the date of this report for the periods stated:

Name: Nick England
Title: Chairman and Non-executive Director
Dates: Appointed Non-executive Director on 21 November 2019; appointed Chairman on 19 February 2020
Qualifications: B. Sc (Pharm), Graduate of the Advanced Management Programme at Harvard Business School in 2003.
Experience and expertise: Nick has over 35 years of experience and high level global relationships formed through his consulting and senior management roles in Australia, the UK and Europe. He held senior management roles with the global health and beauty company Alliance UniChem PLC (now Walgreens Boots Alliance) which operates 13,000 pharmacies and distributes across 11 countries. As Group Director for Alliance UniChem Nick was responsible for merger, acquisition and service agreement opportunities with key global network partners. Previously, Nick was also CEO of Alliance UniChem Retail International with responsibility for 300 pharmacies across Europe.
He is currently a Principal of Sydney-based international retail pharmacy consultancy IQ Consulting.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of the Audit and Risk Committee and Remuneration and Nomination Committee.
Interests in shares: 20,065,000 ordinary shares

Name: Jon Newbery
Title: Non-executive Director
Dates: Appointed Non-executive Director on 25 February 2020
Qualifications: Fellow of ICAEW, GAICD
Experience and expertise: Jon has over 30 years experience in senior executive and Board roles for ASX listed companies operating in the technology, telecommunications, engineering and facilities management sectors. Jon is currently Head of Corporate Finance & Projects for ASX listed Downer EDI Limited responsible for strategic acquisitions and disposals for the group. He is also Chairman of Repurpose It Pty Ltd, a Victorian-based business focused on the recycling of construction and demolition materials for reuse in the construction industry. Previously Jon held roles as Chief Executive Officer of ASX listed Clarity OSS Limited which developed operational support systems for global telecommunications service providers and as Non-Executive Chairman of UK based banknote trading system platform developer IMX Software. Primary areas of expertise include mergers and acquisitions, corporate finance, financial and strategic direction and the implementation and oversight of reporting and corporate governance structures.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chairman of the Audit and Risk Committee and Remunerations and Nomination Committee.
Interests in shares: 1,004,947 ordinary shares

Name: Julian Sallabank
Title: Non-executive Director
Dates: Appointed Non-executive Director on 16 April 2020
Qualifications: Master's in Business and Technology (Australian Graduate School of Management / Australian Business School)
Experience and expertise: Julian brings to Corum vast experience in senior executive and Board roles for both private and ASX listed companies across a number of sectors including medical technology. His primary areas of expertise are strategic planning, commercialisation and organisational development of both domestic and international businesses. Julian is currently Managing Director of a privately-owned early stage medical research impact and innovation Fund. The Fund collaborates with the Murdoch Children's Research Institute and has developed a varied portfolio including Therapeutics, Diagnostics and Digital Health.
Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: Nil

Name: David Clarke
Title: Managing Director
Dates: Appointed Managing Director on 19 February 2020
Qualifications: BCom, DipGrad, CA, GAICD
Experience and expertise: David was appointed Chief Executive Officer of Corum in January 2017 after four years as Chief Financial Officer. In February 2020 he was appointed Managing Director. Prior to Corum David held senior executive roles in financial, technology and operational positions in publicly listed companies across the health technology, retail, wholesale distribution, and manufacturing sectors. His Australian experience includes Medtronic, Fisher & Paykel, and Nick Scali Furniture.
Other current directorships: None
Former directorships (last 3 years): None
Interests in shares: 573,142 ordinary shares

Name: Bill Paterson
Title: Chairman and Non-executive Director
Dates: Resigned as Chairman and Non-executive Director on 19 February 2020
Qualifications: BE (Civil) Hons
Experience and expertise: A civil engineer by training, Bill has extensive experience in the planning, design and implementation of a wide range of civil infrastructure and building projects in the commercial, industrial and residential related sectors; and is one of the initial partners of engineering consultancy firm Worley Parsons. He is also an experienced investor and entrepreneur.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Member of the Audit and Risk Committee and Remuneration and Nomination Committee.

Name: Gregor Aschoff
Title: Non-executive Director
Dates: Resigned his Executive position on 19 November 2019 and resigned as Non-executive Director 3 April 2020
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 experience in both retail and Information Technology ('IT').
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: None

Name: Matthew Bottrell
Title: Non-executive Director
Dates: Resigned as Non-executive Director on 24 February 2020
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 director of Future Capital Development Fund, an early stage technology fund. Matthew is also the Chairman of MyGuestList Pty Ltd and Redcat Pty Ltd.
Other current directorships: None
Former directorships (last 3 years): None
Special responsibilities: Chairman of the Audit and Risk Committee and Remunerations and Nomination Committee.

'Other current directorships' and 'Former directorships (last 3 years)' quoted above are current or former directorships 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. David has many years' experience in executive financial and company secretarial roles in Australia and overseas, and was the Group's Chief Financial Officer between 2013 and 2017.

Dividends

No dividends have been declared.

Principal activities

Corum Group Limited (ASX:COO) is a technology and software development business. The key business activities relate to:

- Corum Health which develops and distributes business software for the pharmacy industry with emphasis on point-of-sale and pharmaceutical dispensing software, multi-site retail management, support services and computer hardware.
- Corum eCommerce operates a payment gateway primarily for the real estate and pharmacy sectors.

Operating and Financial Review

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

The health business product portfolio consists of self-developed products that support pharmacy dispensing, point of sale and related activities. It includes enterprise systems that assist with the management of multiple stores within pharmacy groups, with the flexibility to address the varied and complex ownership and management structures common to many of these groups. Corum maintains a software development function creating and updating products, a full-service support centre, and technical and business development teams.

Corum eCommerce revenue is derived from recurring service charges and transaction-based fees for payment services largely for residential real estate rentals. The business includes operational and software development teams.

Revenue

Revenue for the year was $10.6 million, down $0.6 million on the previous period, or 5.2% (2019: 10.6%). eCommerce revenue decreased $0.4 million, the health business by $0.6 million, offset by improved revenue from health-related investments of $0.4 million.

eCommerce revenue reduced by 17.7% to $1.8 million compared with last year. The business remains profitable but of secondary importance to the healthcare business.

The health business experienced a revenue reduction of $643,000 (8.1%) to $7.3 million compared to last year. The health business revenues have been impacted by slower than anticipated adoption of the Corum Clear Dispense platform due to feature and integration shortfalls, and the later than expected completion of phase I for the new enterprise cloud platform, Corum Clear Enterprise.

Corum has put in place new banner group agreements during the current year. These represent a significant opportunity for future growth, however, benefits were not realised in the FY20 financial year as the process of transition is being undertaken with caution.

Profit

For the year ended 30 June 2020, the Group has reported an operating profit before tax, fair value adjustments and impairment of $144,000 which compares to $561,000 in the prior year. Corum's decline in revenue has been the main impact on operating profit, along with several one-off costs, mainly in relation to legal fees and organisational restructure.

The directors have addressed the carrying value of legacy products on Corum's balance sheet and impaired capitalised software development assets by $1.5 million. This relates to older products that will be replaced with Corum Clear Dispense now in the market and with Corum Clear Enterprise once development is completed. Due to the increased investment in the unlisted entity, PharmX, the fair value of the investment was assessed and adjusted, which had a positive impact of $1.8 million on profit. The result is a statutory profit for the financial year of $176,000 after tax, compared to a $4.2 million loss in the prior year (which included a $4.5 million impairment of goodwill relating to legacy businesses).

Operating and Financial Review continued

The operating costs were contained at a similar level to the prior year despite some significant one-off expenses, including legal fees of $491,000, mainly in relation to the PharmX matter. Otherwise major overhead expense categories were lower or flat compared to last year, with costs $0.5 million less overall supported by changes which are producing sustainable reductions in the cost base, much of which was realised in the last quarter of FY20.

FY20 also saw the introduction of the new accounting treatment for leases. This has the effect of introducing finance costs and increased depreciation to the statement of profit or loss and comprehensive income, whilst at the same time reducing occupancy expenses. This is explained in more detail in note 14 of the financial statements.

Cash and investment
Operating cash flow was $0.4 million compared to $1.4 million in the prior year. Reduced revenue inflows have been offset by savings in overheads, particularly employment costs in the last quarter.

Substantial investment continued in Corum Clear Dispense and Corum Clear Enterprise. During the year $4.4 million of research and development expenditure was incurred with $3.1 million being capitalised.

During the year, Corum invested an additional $875,000 to increase its interest in PharmX, the pre-eminent electronic gateway that links pharmacies, pharmaceutical wholesalers and direct suppliers to the pharmacy market. This investment, which increased the Group's shareholding from 30% to 43%, is expected to be cashflow accretive in the first year and is a strategic step in Corum broadening its industry presence and securing additional revenue streams.

Corum raised capital of $3.4 million net of transaction costs through a share placement of $3.66 million (146.4 million shares) during the year. The funds have been used to meet the development costs of the Corum Clear suite of pharmacy software platforms, resource strategic initiatives such as the investment in PharmX, and fund the working capital.

At the end of the financial year cash on hand was $2.3 million, in line with the previous year.

Cash availability has been significantly impacted by a lengthy delay in receiving unpaid revenue from PharmX. The amount outstanding is now $3.6 million. This receivable has been withheld as a result of a significant dispute between other investors in the unlisted entity. The business operations of PharmX remain unaffected and it continues to successfully broaden its services within the community pharmacy sector. Corum has been joined to the matter before the Supreme Court, incurring substantial legal costs in the process.

Outlook
Corum is focused on increasing the market penetration of Corum Clear Dispense, completing the development of Corum Clear Enterprise and increasing revenue generated through Corum Clear POS and other products, while maintaining high standards of delivery and a focus on key enterprise relationships. Corum's continued investment in it's Clear suite of products will establish a foundation for Corum's longer-term future in retail pharmacy and digital healthcare.

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.

Matters subsequent to the end of the financial year

There are no matters or circumstances that have arisen since 30 June 2020 that have 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.

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 2020, 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	9	9	3	3	1	1
Gregor Aschoff	12	12	–	–	–	–
Matthew Bottrell	9	9	3	3	1	1
Nick England	8	8	1	1	–	–
Jon Newbery	5	5	1	1	–	–
Julian Sallabank	2	2	–	–	–	–
David Clarke	5	5	–	–	–	–

The Managing Director is invited to and attends meetings of both committees, where appropriate.

Held: represents the number of formal 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 held numerous other meetings and discussions during the financial year.

Likely developments and expected results of operations

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

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 of $36,000 in respect of a contract to insure the directors and executives of the Company against any liability to the extent permitted by the Corporations Act 2001.

Indemnity and insurance of auditor

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

Proceedings on behalf of the Company

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

Non-audit services

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

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

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

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

Auditor's independence declaration

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

Auditor

BDO East Coast Partnership continued in office until 3 August 2020 in accordance with section 327 of the Corporations Act 2001. Due to the corporatisation of the partnership, they resigned and were replaced by BDO Audit Pty Ltd from that date.

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 24 August 2020.

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.

Principles used to determine the nature and amount of remuneration

The Group provides appropriate rewards to attract and retain high quality and committed employees.

Base salaries of executives are determined by management having regard to the nature of each role, the experience and performance of the individual and are reviewed by the Remuneration and Nomination Committee. In considering this, the directors look to satisfy the following key criteria:

- Competitiveness and reasonableness;
- Acceptability to shareholders; and
- Transparency.

Remuneration report (audited) continued

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

During the year the Remuneration Committee engaged the services of Egan Associates to provide advice on a long-term equity based incentive plan for the leadership team of Corum Group Ltd. Egan Associates Pty Limited was paid $12,600 for these services. The process of the engagement was managed by the Chairman of the Remuneration Committee independently of the individuals (management) to whom the recommendations relate. Due to the process adopted in the engagement and presentation of the recommendations, the Board is satisfied that the recommendations were prepared and presented free of undue influence by any persons.

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 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.

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

Executive remuneration

The Group 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 the following components:

- Base pay and non-monetary benefits;
- Other remuneration such as superannuation; and
- Incentives.

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 where it does not create any additional costs to the Group and provides additional value to the executive.

Performance evaluation

During the year, there has been no performance evaluation of the Board and Senior Executives. All current members of the Board only started their positions during the current financial year, a review will be performed in due course.

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[1] $	Superannuation $	Performance rights[2] $	Total $
Directors:					
Nick England (i)	2020	58,499	5,468	–	63,967
Non-executive Chairman	2019	–	–	–	–
Jon Newbery (ii)	2020	25,628	–	–	25,628
Non-executive Director	2019	–	–	–	–
Julian Sallabank (iii)	2020	14,000	1,330	–	15,330
Non-executive Director	2019	–	–	–	–
Bill Paterson (iv)	2020	80,434	–	–	80,434
Non-executive Chairman	2019	126,000	–	–	126,000
Matthew Bottrell (v)	2020	60,000	5,700	–	65,700
Non-executive Director	2019	90,000	8,550	–	98,550
Gregor Aschoff (vi)	2020	133,098	12,084	–	145,182
Non-executive Director	2019	198,462	19,000	–	217,462
David Clarke (vii)	2020	280,456	21,003	13,052	314,511
Managing Director	2019	301,523	20,531	–	322,054
Other Key Management Personnel:					
Michael Lamb (viii)	2020	229,989	21,003	–	250,992
Chief Financial Officer	2019	233,231	20,513	–	253,744
Chris Baveystock (ix)	2020	–	–	–	–
Interim Chief Financial Officer	2019	9,941	877	–	10,818
Anil Roychoudhry (x)	2020	–	–	–	–
Chief Technology Officer	2019	80,728	7,264	–	87,992
Total 2020		882,104	66,588	13,052	961,744
Total 2019		1,039,885	76,735	–	1,116,620

(1) Salaries and fees include annual leave payments and movements in annual leave accruals.

(2) The value of the performance rights disclosed is the fair value of the instruments allocated to profit and loss this reporting period.

(i) Nick England was appointed Non-executive Director on 21 November 2019. He was then appointed Non-executive Chairman on 19 February 2020.

(ii) Jon Newbery was appointed Non-executive Director on 25 February 2020.

(iii) Julian Sallabank was appointed Non-executive Director on 16 April 2020.

(iv) Bill Paterson resigned his position as Non-executive Chairman on 19 February 2020.

(v) Matthew Bottrell resigned his position as Non-executive Director on 24 February 2020.

(vi) Gregor Aschoff resigned his position as Non-executive Director effective 3 April 2020. Prior to this he was an Executive Director. Salaries and fees for the year include $49,596 payment in lieu of notice and accrued annual leave entitlements.

(vii) David Clarke was appointed Managing Director on 19 February 2020. There was no change to his remuneration.

(viii) Michael Lamb was appointed as Chief Financial Officer on 13 July 2018. He ceased his position effective 27 March 2020. Salaries and fees for the year include $63,220 payment in lieu of notice and accrued annual leave entitlements.

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

(x) Anil Roychoudhry ceased his position effective 15 February 2019. Salaries and fees for the prior year include $19,954 of accrued leave entitlements.

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:	Managing Director
Agreement commenced:	24 January 2017
Term of agreement:	Ongoing

Details: When David was appointed Managing Director on 19 February 2020, his remuneration and service agreement remained unchanged. 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. Subject to certain restrictive covenants and restraints for a period up to 24 months.

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

Share-based compensation

Issue of shares

There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2020.

Performance rights

The Corum Group Omnibus Equity Plan ("the Plan") allows the Company (Corum Group Limited) to grant performance rights to Participants. A performance right is a right to acquire a Share (being a "Plan Share"), subject to the satisfaction of certain conditions which will be set out in each invitation to acquire performance rights. Together, the maximum number of performance rights and share options which may be issued by the directors pursuant to the respective plans shall not exceed 5% of the number of shares on issue.

The Board has discretion to make grants at any time, including on the commencement of employment by a person deemed by the Board to be eligible to participate in the Plan. The terms of any future offers may vary.

There are no voting or dividend rights attached to the performance rights.

The number and value of performance rights granted during the year in relation to key management personnel are as follows:

	Grant Date	Number Granted	Fair Value at grant date	Vesting Date
David Clarke	17 February 2020	3,200,000	$87,360	30 September 2021 – 30 September 2022

The number of performance rights granted reflects the extent to which performance hurdles, service conditions and exercise conditions associated with the grant are achieved.

The performance rights are subject to a service condition of continuous employment for three consecutive years. Performance hurdles and exercise conditions are based on achievement of certain earnings per share targets. There is no exercise price associated with these performance rights.

Performance rights holding

The number of performance rights over ordinary 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:

	Held at 1 July 2019	Number Granted	Lapsed / Exercised	Held at 30 June 2020	Vested and exercisable at 30 June 2020
David Clarke	–	3,200,000	–	3,200,000	–

Remuneration report (audited) continued

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:					
Nick England	–	–	20,065,000	–	20,065,000
Jon Newbery	–	–	1,004,947	–	1,004,947
David Clarke	256,500	–	316,642	–	573,142
Bill Paterson	140,054,379	–	–	(140,054,379)	–
Matthew Bottrell	57,000	–	–	(57,000)	–
Gregor Aschoff	1,546,881	–	–	(1,546,881)	–
Michael Lamb	–	–	493,827	(493,827)	–
	141,914,760	–	21,880,416	(142,152,087)	21,643,089

[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.

Additional Information

The results of the Group for the five years to 30 June 2020 are summarised below:

	2016 $'000	2017 $'000	2018 $'000	2019 (Restated) $'000	2020 $'000
Sales revenue	15,553	13,507	11,176	10,134	9,116
Profit before impairment, fair value and tax	2,688	1,673	650	561	144
Profit/(loss) after income tax	27	(5,877)	251	(4,205)	176
Total equity	19,908	13,976	14,227	9,562	13,197
Net Cash on hand	9,577	8,098	4,971	2,333	2,323

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

	2016	2017	2018	2019	2020
Share price at financial year end (cents)	11.0	4.0	2.5	3.0	4.3
Basic earnings per share (cents per share)	0.0	(2.3)	0.1	(1.6)	0.1

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

Nick England
Chairman

Jon Newbery
Director

24 August 2020
Sydney

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Australia

DECLARATION OF INDEPENDENCE BY LEAH RUSSELL TO THE DIRECTORS OF CORUM GROUP LIMITED

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

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

This declaration is in respect of Company Name and the entities it controlled during the period.

L Russell

Leah Russell
Director

BDO Audit Pty Ltd

Sydney

24 August 2020

Statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated 2020 $'000	2019 $'000
Revenue	3	10,643	11,230
Expenses			
Materials and consumables		(1,203)	(1,142)
Employee benefits	4	(7,176)	(7,111)
Occupancy		(124)	(393)
Marketing		(474)	(625)
Depreciation and amortisation	4	(801)	(410)
Finance costs		(50)	–
Share-based payments	21	(18)	–
Technology, communication and cloud costs		(594)	(536)
Legal		(491)	(342)
Other		(156)	(538)
Research and development tax benefit		588	428
Profit before impairment, fair value adjustments and income tax expense		**144**	**561**
Fair value adjustment of investments	12	1,781	–
Impairment of intangibles	15	(1,467)	(4,544)
Profit/(Loss) before tax		**458**	**(3,983)**
Income tax	6	(282)	(222)
Profit/(Loss) after income tax expense for the year attributable to the owners of Corum Group Limited		**176**	**(4,205)**
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year attributable to the owners of Corum Group Limited		**176**	**(4,205)**

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

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 2020

	Note	Consolidated 2020 $'000	Consolidated 2019 (Restated) $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	2,323	2,333
Trade and other receivables	10	3,826	2,305
Inventories		64	68
Income tax receivable	6	1,700	1,501
Other assets	11	1,928	2,981
		9,841	**9,188**
Non-current assets			
Investments	12	2,686	30
Property, plant and equipment	13	525	731
Right of use assets	14	702	–
Intangibles	15	4,674	4,472
Deferred tax assets	6	551	469
Security deposits		199	148
		9,337	**5,850**
Total assets		**19,178**	**15,038**
LIABILITIES			
Current liabilities			
Trade and other payables	16	3,628	4,021
Provisions	17	1,202	1,110
Lease liability	14	422	–
Deferred revenue		226	146
		5,478	**5,277**
Non-current liabilities			
Provisions	18	192	199
Lease liability	14	311	–
		503	**199**
Total liabilities		**5,981**	**5,476**
Net assets		**13,197**	**9,562**
EQUITY			
Issued capital	19	89,724	86,283
Reserves	21	18	–
Accumulated losses		(76,545)	(76,721)
Total equity		**13,197**	**9,562**

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 2020

Consolidated		Issued capital $'000	Share-based Payments Reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 30 June 2018 reported		**86,283**	**–**	**(72,056)**	**14,227**
Prior period adjustment	23	–	–	(460)	(460)
Balance at 30 June 2018 restated		**86,283**	**–**	**(72,516)**	**13,767**
Loss after income tax expense for the year		–	–	(4,205)	(4,205)
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		–	–	(4,205)	(4,205)
Balance at 30 June 2019 reported		**86,283**	**–**	**(76,261)**	**10,022**
Prior period adjustment	23	–	–	(460)	(460)
Balance at 30 June 2019 restated		**86,283**	**–**	**(76,721)**	**9,562**
Profit after income tax expense for the year		–	–	176	176
Other comprehensive income		–	–	–	–
Total comprehensive income for the year		–	–	176	176
Issue of new capital net of transaction costs	19	3,441	–	–	3,441
Performance rights issued	21	–	18	–	18
Balance at 30 June 2020		**89,724**	**18**	**(76,545)**	**13,197**

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 2020

	Note	Consolidated 2020 $'000	2019 $'000
Cash flows from operating activities			
Receipts from customers		9,773	11,408
Payments to suppliers and employees		(11,238)	(11,974)
Interest and other revenue received		341	128
Income tax paid		(281)	(288)
Research and development incentive		1,774	2,074
Net cash from operating activities	22	**369**	**1,348**
Cash flows from investing activities			
Payments for property, plant and equipment	13	(156)	(265)
Payments for intangible assets		(3,128)	(3,143)
Proceeds from security deposits		874	–
Payment for security deposits		(51)	(578)
Investment in unlisted entity	12	(875)	–
Net cash used in investing activities		**(3,336)**	**(3,986)**
Cash flows from financing activities			
Proceeds from issue of ordinary shares	19	3,660	–
Share issue transaction costs		(302)	–
Principal paid on lease liabilities		(351)	–
Interest paid on lease liabilities		(50)	–
Net cash from financing activities		**2,957**	**–**
Net decrease in cash and cash equivalents		(10)	(2,638)
Cash and cash equivalents at the beginning of the financial year		2,333	4,971
Cash and cash equivalents at end of the financial year	9	**2,323**	**2,333**

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

Notes to the financial statements
30 JUNE 2020

Note 1. Significant accounting policies

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

New or amended Accounting Standards and Interpretations adopted

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

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

Basis of preparation

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

Historical cost convention

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

Critical accounting estimates

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

Going Concern

During the past year the Group invested significant capital in new product development. This has been reflected in net cash outflows from investing activities of $3,336,000 (2019: $3,986,000). Whilst the group generated operating cash flow of $369,000 during the year, this was however impacted by the delay in the receipt of revenue of approximately $3,613,000 from an investment in an unlisted entity (refer to note 10 in the annual report). This delay is due to a dispute which has been before the Supreme Court of Victoria, with the judgement handed down in December 2019 in favour of releasing the unpaid revenue. The court subsequently ordered parties to enter mediation on related matters but this was unsuccessful. As a result, there is a further Victoria Supreme Court hearing to be held in the coming months to address this issue. The Group's entitlement is not disputed and the unlisted entity has sufficient funds to make payment. However, it is uncertain as to when the dispute will be resolved or when the unpaid revenue will be received.

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

Subsequent to the end of the financial year the Group is expecting to receive $1,700,000 in a tax refund payment. The outstanding unpaid revenue is also expected to be received in the coming months.

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

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 31.

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 2020 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

Note 1. Statement of significant accounting policies continued

involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

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

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

Where the Group loses control over a subsidiary, it derecognises the assets including goodwill, liabilities and non-controlling interest in the subsidiary together with any cumulative translation differences recognised in equity. The Group recognises the fair value of the consideration received and the fair value of any investment retained together with any gain or loss in the statement of 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 apart from as disclosed in note 23 as a prior period adjustment.

Note 1. Statement of significant accounting policies continued

Rounding of amounts

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

New Accounting Standards effective from 1 July 2019

New standards impacting the Group that have been adopted in the annual financial statements for the year ended 30 June 2020, and which have given rise to changes in the Group's accounting policies are:

- AASB 16 Leases

The group adopted AASB 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 July 2019), without restatement of comparative figures. This is disclosed in note 14.

This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for leases eliminates the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset has been 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 has been replaced with an amortisation 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 have been separated into both a principal (financing activities) and interest (either operating or financing activities) component.

Apart from AASB 16 Leases, the full-year financial statements have been prepared using the same accounting policies consistently applied by the entities in the Group as used in the annual financial statements for the year ended 30 June 2019.

New Accounting Standards and Interpretations not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2020.

The Group is yet to access the impact of these new or amended Accounting Standards and Interpretations but does not expect them to have any material impact on the financial statements.

Amendment	Effective date
AASB 16 Amendment – Covid-19 Related Rent Concessions	1/07/2020
AASB 3 Amendment – Definition of A Business	1/07/2020
AASB 101 Amendment – Classification of Liabilities As Current Or Non-Current	1/07/2022

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	
	2020 $'000	2019 $'000
Revenue from contracts with customers		
Rendering of services	8,651	9,722
Sales of goods	465	412
	9,116	10,134
Other revenue		
Revenue from unlisted entity[i]	1,434	968
Interest and other revenue	93	128
	1,527	1,096
Total Revenue	10,643	11,230

[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 as the client receives the benefit of the goods or services provided under a commercial contract, in an amount that reflects the consideration to which the provider expects to be entitled for the transfer of the goods or services.

Determining the transaction price

The Group's revenue is derived from fixed price agreements and therefore the amount of revenues to be earned from each agreement is determined by reference to those fixed prices. There is no variable consideration with these agreements. All consideration is due within 12 months and is therefore not discounted.

Allocation of amounts to performance obligations

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

Rendering of services

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

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

Sale of goods

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

Revenue from an unlisted entity

Revenue is recognised at the point at which the group in entitled to receive it.

Government grants

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

Interest

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

Other revenue

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

Note 4. Expenses

	Consolidated	
	2020 $'000	2019 $'000
Profit/(Loss) before income tax includes the following specific expenses:		
Depreciation and amortisation		
Software development	167	115
Leased assets	382	–
Property, plant and equipment	344	397
Capitalised depreciation costs	(92)	(102)
Total depreciation and amortisation	801	410
Employee benefits expenses		
Employee benefits expenses	7,176	7,111
Capitalised development costs	1,937	2,296
Total Employee benefits	9,113	9,407

Note 5. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by BDO Audit Pty Ltd (previously BDO East Coast Partnership), the auditor of the Group:

	Consolidated	
	2020 $	2019 $
Audit or review of the financial statements	88,500	83,500
Taxation and other non-audit services[i]	35,000	84,600
	123,500	168,100

[i] Non-audit services included assistance in the areas of tax compliance, and research and development.

Note 6. Income tax

	Consolidated 2020 $'000	2019 $'000
Income tax expense		
Current income tax:		
Current year income tax charge	273	273
Adjustment for current income tax if items credited directly to equity, capital raising costs	17	–
Adjustment for current income tax of previous year	8	(29)
Deferred tax:		
Origination and reversal of temporary differences	(45)	(22)
Adjustment for change in tax rate	29	–
Income tax expense	282	222
Statement of changes in equity		
Deferred income tax related to items credited directly to equity, capital raising costs	63	–
Total deferred income tax related to items credited directly to equity	63	–
Reconciliation of income tax expense and tax at the statutory rate		
Profit/(Loss) before income tax expense	458	(3,983)
Tax at the statutory tax rate of 27.5%	126	(1,095)
Add/(deduct) tax effect of:		
Impairment of intangibles	403	1,250
Fair value adjustment of investments	(490)	–
Non-deductible/non-assessable items	52	21
Adjustment for current income tax of previous year	8	(29)
Adjustment for use of prior year tax losses	(28)	(34)
Adjustment for current income tax of items credited directly to equity, capital raising costs	17	–
Utilisation and other movement in deferred tax assets	(45)	(43)
Movement in deferred tax assets due to adjustment for change in tax rate	29	–
Research and development, non-assessable income and non-deductible expenditure	210	152
Income tax expense	282	222

Research and Development Tax Incentive

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

Note 6. Income tax continued

	Consolidated	
	2020 $'000	2019 $'000
Tax losses not recognised		
Losses carried forward [i]	3,416	3,642
Capital losses carried forward [i]	174	184

[i] 2020 losses carried forward are calculated at the 2021 tax rate of 26% (2019 27.5%)

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

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

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

	Consolidated	
	2020 $'000	2019 $'000
Deferred tax asset		
Deferred tax asset comprises temporary differences attributable to:		
Impairment of receivables	29	17
Employee benefits	371	365
Leased premises	4	10
Capital raising costs	63	–
Other provisions	84	77
	551	469
Movements:		
Opening balance	469	447
Charged to profit or loss	19	22
Credited directly to equity	63	–
Closing balance	551	469
Income tax receivable		
Current year income tax charge	(273)	(273)
Current year research and development tax offset	1,973	1,774
	1,700	1,501

Note 6. Income tax continued

Accounting policy for income tax

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

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

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

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

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

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

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

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

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

Note 7. Earnings per share

	Consolidated 2020 $'000	2019 $'000
Profit/(Loss) after income tax attributable to the owners of Corum Group Limited	176	(4,205)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	345,376,592	256,167,592
Weighted average number of ordinary shares used in calculating diluted earnings per share	347,124,969	256,167,592

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

Accounting policy for earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit or loss 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. Potential ordinary shares are only treated as dilutive when they would decrease earnings per share.

Note 8. Operating segments

Identification of reportable operating segments

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

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

Types of services

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

Health Services – which develops and distributes business software for the pharmacy industry with emphasis on point-of-sale and pharmaceutical dispensing software, multi-site retail management, support services and computer hardware.

eCommerce – which operates a payment gateway primarily for the real estate and pharmacy sectors.

Intersegment transactions

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

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

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

Intersegment receivables, payables and loans

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

Segment assets and liabilities

Where an asset is used across multiple segments, the asset is allocated to that segment that receives the majority of the economic benefit from that asset. In most instances, segment assets are clearly identifiable on the basis of their nature, physical location and usage. They do not include intercompany balances.

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

Unallocated items

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

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

Major customers

During the year ended 30 June 2020 the Group did not have any major customers that individually contributed more than 10% of total revenue (2019: none).

Note 8. Operating segments continued

Operating segment information

Consolidated – 2020	Health Services $'000	eCommerce $'000	Intersegment elimination/ unallocated $'000	Total $'000
Revenue				
Rendering of services	6,830	1,821	–	8,651
Sale of goods	465	–	–	465
Interest and other revenue	1,434	3	90	1,527
Total revenue	8,729	1,824	90	10,643
Profit/(Loss) before impairment, fair value adjustments and income tax expense	697	10	(563)	144
Fair value adjustment of investments	1,781	–	–	1,781
Impairment of intangibles	(1,467)	–	–	(1,467)
Profit/(Loss) before income tax expense	1,011	10	(563)	458
Income tax expense	–	–	(282)	(282)
Profit/(Loss) after income tax expense	1,011	10	(845)	176
Depreciation and amortisation expense	690	70	41	801
Assets				
Segment assets	11,819	2,005	–	13,824
Unallocated assets:				
Cash and cash equivalents				1,882
Property, plant and equipment				353
Right of use assets				505
Deferred tax asset				551
Other assets				2,063
Total assets				19,178
Total assets include (net of research and development incentive):				
Addition of intangible asset	1,836	–	–	1,836
Addition of property, plant and equipment	130	1	25	156
Liabilities				
Segment liabilities	2,298	2,280	–	4,578
Unallocated liabilities:				
Trade and other payables				497
Provisions and other liabilities				906
Total liabilities				5,981

Note 8. Operating segments continued

Operating segment information continued

Consolidated – 2019	Health Services $'000	eCommerce $'000	Intersegment elimination/ unallocated $'000	Total $'000
Revenue				
Rendering of services	7,526	2,196	–	9,722
Sale of goods	412	–	–	412
Interest and other revenue	968	21	107	1,096
Total revenue	8,906	2,217	107	11,230
Profit/(Loss) before impairment and income tax expense	1,006	160	(605)	561
Impairment of intangibles	(4,544)	–	–	(4,544)
Profit/(Loss) before income tax expense	(3,538)	160	(605)	(3,983)
Income tax expense	–	–	(222)	(222)
Profit/(Loss) after income tax expense	(3,538)	160	(827)	(4,205)
Depreciation and amortisation expense	259	–	151	410
Assets				
Segment assets	7,135	2,166	–	9,301
Unallocated assets:				
Cash and cash equivalents				2,125
Trade and other receivables				15
Property, plant and equipment				538
Deferred tax asset				469
Other assets				2,590
Total assets				15,038
Total assets include (net of research and development incentive):				
Addition of intangible asset	1,899	–	–	1,899
Addition of property, plant and equipment	187	–	82	269
Liabilities (restated)				
Segment liabilities	1,669	2,844	–	4,513
Unallocated liabilities:				
Trade and other payables				602
Provisions and other liabilities				361
Total liabilities				5,476

Note 9. Current assets – cash and cash equivalents

	Consolidated 2020 $'000	Consolidated 2019 $'000
Cash at bank	443	208
Cash on deposit	1,880	2,125
	2,323	2,333

Accounting policy for cash and cash equivalents

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

Note 10. Current assets – trade and other receivables

	Consolidated 2020 $'000	Consolidated 2019 $'000
Trade receivables	301	163
Allowance for expected credit loss	(97)	(60)
	204	103
Other receivables	3,622	2,202
	3,826	2,305

Other receivables

Other receivables include $3,613,000 related to revenue receivable from an investment in an unlisted entity.

As reported in the 2019 Annual Report, revenue from the unlisted entity has been withheld due to a dispute between the other investors in the entity. The dispute has been before the Supreme Court in Victoria.

Subsequent mediation in early 2020 was unsuccessful and as a result there are further Victoria Supreme Court hearings to be held in the coming months.

There is no dispute as to the quantum or entitlement of the Group's unpaid revenue and the entity has the funds on hand to make payment. However, the timing of resolution is uncertain. The business itself continues to operate as normal providing services to the pharmacy sector and has not been significantly impacted by the dispute among the investors.

	Consolidated 2020 $'000	Consolidated 2019 $'000
The ageing of the impaired trade receivables is as follows:		
Less than 3 months overdue	25	16
3 to 6 months overdue	29	19
Over 6 months overdue	43	25
	97	60

Note 10. Current assets – trade and other receivables continued

	Consolidated	
	2020 $'000	2019 $'000
Movements in the allowance for expected credit loss:		
Opening balance	60	60
Bad debts written off	(24)	(10)
Additional provisions recognised	61	10
Closing balance	97	60

	Consolidated	
	2020 $'000	2019 $'000
The ageing of the past due but not impaired trade receivables are as follows:		
Less than 30 days overdue	6	29
31 to 60 days overdue	89	22
Over 60 days overdue	21	8
	116	59

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

Accounting policy for trade and other receivables

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

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

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

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

Note 11: Current assets – other

	Consolidated	
	2020 $'000	2019 $'000
Prepayments and security deposits	106	963
eCommerce payments awaiting clearance (i)	1,822	2,018
	1,928	2,981

(i) These amounts are controlled by the Group and are considered to be restricted in operation to the electronic receipt of payments on behalf of the customers of real estate agents, whose monies, upon clearance in the normal course of the business banking system, are released from the bank accounts and paid to the benefit of third parties, on whose behalf the monies are received and for which an equivalent liability is recorded as shown in note 16.

Note 12: Investments

During the year, the Group paid $875,000 to increase the holding in the investment in an unlisted entity from 30% to 43%, and Corum gained significant influence as a result of this acquisition. This resulted in the investment now being accounted for as an associate. As a consequence, a fair value adjustment of $1,781,000 was made during the year.

	Consolidated	
	2020 $'000	2019 $'000
Investments	–	30
Investments in associates	2,686	–
	2,686	30

Associates

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends or other revenue received or receivable from associates reduce the carrying amount of the investment.

When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Associates are assessed for indicators of impairment each year. There were no impairment indicators.

Judgement and Estimates

On 2 April 2020 the Group's interest in the unlisted entity was increased by 13%. Immediately prior to acquisition the initial investment was revalued to fair value. It was then included as part of the consideration of the total 43% investment in the unlisted entity now accounted for as an associate.

Judgement was required in assessing the fair value, and the rate used correlates to the rate paid for the 13% which was consistent with the rate paid by all parties involved in the transaction. This rate was based on a calculation stipulated by the stapled securities agreement between investors in the unlisted entity using four times the average normalised earnings of the entity over the past two financial years.

Information relating to associates

Interests in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

Name:	Pharmx Pty Ltd as trustee of the Pharmx Unit Trust which operates the PharmX business (collectively "PharmX")
Principle place of business:	Australia
Ownership interest:	43%

The unlisted entity has nil profit at the end of the financial year (2019: nil) as all funds are distributed annually. Revenue generated was $1,434,000 (2019: $968,000).

Note 13: Non-current assets – property, plant and equipment

	Consolidated 2020 $'000	2019 $'000
Leasehold improvements – at cost	87	156
Accumulated depreciation	(34)	(80)
	53	76
Plant and equipment – at cost	2,416	2,783
Accumulated depreciation	(1,944)	(2,128)
	472	655
Total property, plant and equipment	525	731

During the current year, leasehold improvements and plant and equipment with a nil written down value were written off which reduced leasehold improvements at cost by $69,000 and plant and equipment at cost by $499,000, with a corresponding reduction in accumulated depreciation.

Reconciliations

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

Consolidated	Leasehold improvements $'000	Plant and equipment $'000	Total $'000
Balance at 30 June 2018	3	860	863
Additions	87	182	269
Disposals	–	(4)	(4)
Depreciation capitalised	–	(102)	(102)
Depreciation expense	(14)	(281)	(295)
Balance at 30 June 2019	76	655	731
Additions	–	156	156
Disposals	–	(18)	(18)
Depreciation capitalised	(5)	(87)	(92)
Depreciation expense	(18)	(234)	(252)
Balance at 30 June 2020	53	472	525

Accounting policy for property, plant and equipment

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

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

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 14: Leases

AASB 16 was adopted 1 July 2019 without restatement of comparative figures. The Group elected to apply the practical expedient not to reassess whether a contract is or contains a lease at the date of initial application. The definition of a lease under AASB 16 was applied only to contracts as at 1 July 2019. On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117 Leases.

All leases are accounted for by recognising a right of use asset and a lease liability except for the following where certain practical expedients have been adopted:

- Leases of low value assets; and
- Leases with a duration of 12 months or less at initial application date.

Amortisation of right of use assets is calculated on a straight-line basis to write off the net cost over the expected useful lives as follows (this involves judgement):

Lease right of use assets – Over the expected life of the lease

The balance sheet shows the following amounts relating to leases:

Right of use asset

Consolidated	**$'000**
Leased assets – at cost	1,084
Accumulated amortisation	(382)
Right of use asset as at 30 June 2020	702
Movement:	
Balance as at Transition Date	817
Additions	267
Amortisation	(382)
At 30 June 2020	702

Lease liability

Consolidated	**Up to 12 months $'000**	**Between 1 and 5 years $'000**	**Total $'000**
Lease Liabilities as at 30 June 2020	422	311	733

Consolidated	**$'000**
Movement:	
Balance as at Transition Date	817
Additions	267
Interest expense	50
Lease payments	(401)
At 30 June 2020	733
Impact at transition date:	
Operating leases disclosed under AASB 117 as at 30 June 2019	904
Effect of discounting	(92)
Effect of short-term lease exemptions	(67)
Effect of increase in lease payments	72
Balance recognised at transition date 1 July 2019	817

Note 14: Leases continued

The profit for the year ended 30 June 2020 was impacted as follows:

Consolidated	Prior to AASB16 adoption	Post AASB16 adoption	Difference
Rental Expense	(525)	(124)	401
Interest Expense	–	(50)	(50)
Amortisation Expense	–	(382)	(382)
Impact on profit for the year	(525)	(556)	(31)

Leasing activities and accounting approach

The Group leases various offices in Australia. Rental contracts are typically for a period of 3 years. Until the 2020 financial year, leases of property were classified as operating leases. From 1 July 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group where such leases meet the requirements of AASB 16.

Assets and liabilities are initially measured on a present value basis. The lease payments are discounted using an indicative incremental borrowing rate of 6.0%.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising of the amount of the initial measurement of the lease liability. Right-of-use assets are depreciated over the lease term on a straight-line basis.

Payments associated with short-term leases are recognised on a straight-line basis as an expense in the profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Note 15: Non–current assets – intangibles

	Consolidated	
	2020 $'000	2019 $'000
Goodwill – at cost	–	15,363
Accumulated impairment	–	(15,363)
	–	–
Software product development – at cost	11,152	7,932
Impairment	(1,467)	–
Research and development incentives	(4,729)	(3,345)
Amortisation of software development	(282)	(115)
	4,674	4,472
Total intangible assets	4,674	4,472

Note 15: Non–current assets – intangibles continued

Reconciliations

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

Consolidated	Goodwill $'000	Software product development $'000	Total $'000
Balance at 30 June 2018	4,544	2,688	7,232
Impairment	(4,544)	–	(4,544)
Additions	–	3,246	3,246
Research and development incentives	–	(1,347)	(1,347)
Amortisation of software development	–	(115)	(115)
Balance at 30 June 2019	–	4,472	4,472
Additions	–	3,220	3,220
Research and development incentives	–	(1,384)	(1,384)
Impairment	–	(1,467)	(1,467)
Amortisation of software development	–	(167)	(167)
Balance at 30 June 2020	–	4,674	4,674

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 five-year period with a terminal value of 7.5 times discounted Year 5 EBITDA. Cash flows were based on both budgets and projections using historic and long-term growth rates based on 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 five 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% (2019: 12%) per annum which incorporates an appropriate equity risk premium. The impact of Covid-19 was also considered in determining the appropriate discount rate, however due to the limited impact on the business, it was considered appropriate to maintain 12%. 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 impairment charge of $1,467,000 resulted from the impact on the existing business of new products being introduced in FY20 and FY21, the impact on revenue and expenses of changes in business practices and changing industry conditions. The impairment was calculated through the review of the value in use of older assets. There were a number of intangible assets held on the balance sheet for products that are no longer being actively marketed and sold. The direction of the business is to focus on our newly developed products in the Corum Clear suite as these are the areas where the Group has a competitive advantage and the best potential to grow. This assessment requires judgement around forecasted revenue and costs and historical and planned cashflows have been considered in the assessment.

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.

Note 15: Non–current assets – intangibles continued

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 16: Current liabilities – trade and other payables

	Consolidated	
	2020	2019 (Restated)
	$'000	$'000
Trade payables	361	591
Sundry creditors and accruals	1,445	952
eCommerce payments awaiting clearance	1,822	2,478
	3,628	4,021

Accounting policy for trade and other payables

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

Note 17: Current liabilities – provisions

	Consolidated	
	2020	2019
	$'000	$'000
Employee benefits	1,197	1,076
Lease make good	5	34
	1,202	1,110

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.

Note 17: 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 – 2020	Lease make good $'000
Carrying amount at the start of the year	34
Provision no longer required	(27)
Provisions utilised	(2)
Carrying amount at the end of the year	5

Accounting policy for provisions

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

Accounting policy for short-term employee benefits

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

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

Note 18: Non-current liabilities – provisions

	Consolidated 2020 $'000	2019 $'000
Employee benefits	180	196
Lease make good	12	3
	192	199

Movements in provisions

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

Consolidated – 2020	Lease make good $'000
Carrying amount at the start of the year	3
Additional provisions recognised	9
Carrying amount at the end of the year	12

Refer to note 17 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. The calculation involves judgements and estimates, and 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 19: Equity – issued capital

	Consolidated	
	Shares	**$'000**
Ordinary shares – fully paid		
Balance at 1 July 2019	256,167,592	86,283
Share issue	146,400,000	3,660
Transaction costs	–	(219)
Balance at 30 June 2020[1]	402,567,592	89,724

[1] In September 2019 the Group entered an agreement with BAMM Administration Pty Ltd (BAMM) for the co-development of a cloud based enterprise software solution, with the resulting intellectual property to reside with the Group. The development comprises two milestones stages. Subject to conditions being achieved, the agreement provides for the issue of 63,642,138 fully paid ordinary shares to BAMM in equal parts at each milestone, upon acceptance of the software and assignment of the intellectual property rights. A resolution to this effect was approved by shareholders at the Company's AGM in November 2019, and a waiver from listing rule 7.3.2 was granted by the ASX, provided that the shares are issued for each tranche by 30 June 2020 and 31 January 2021. The conditions for the first milestone were not met, so no shares were issued under the current shareholder approval. As a consequence, the contractual commitments with BAMM are being reviewed.

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 20. 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	
	2020 $'000	**2019 $'000**
Franking credits		
Franking credits available for subsequent financial years	1,249	1,249

The deferred franking debit account has a balance of $5,109,000 (2019: $3,616,000). 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 21. Equity – reserves

	Consolidated	
	2020 $'000	**2019 $'000**
Performance rights reserve	18	–
Movement in performance rights reserve		
Balance at the beginning of the financial year	–	–
Performance rights expense	18	–
Balance at the end of the financial year	18	–

The performance rights reserve is used to recognise the fair value of performance rights issued. For further information regarding the performance rights refer to note 30.

Note 22 Reconciliation of (loss)/profit after income tax to net cash from operating activities

	Consolidated	
	2020 $'000	2019 $'000
Profit/(Loss) after income tax expense for the year	176	(4,205)
Adjustments for:		
Depreciation and amortisation	801	410
Impairment of intangibles	1,467	4,544
Fair value adjustment of investments	(1,781)	–
Research and development tax benefit on intangibles	1,384	1,347
Net loss on disposal of non-current assets	11	–
Interest on lease liabilities	50	–
Income tax related to transaction costs booked in equity	20	–
Share based payments	18	–
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	(1,521)	(763)
Decrease in inventories	12	34
(Increase) / Decrease in income tax refund due	(199)	256
(Increase) in deferred tax assets	(19)	(22)
Decrease in other operating assets	178	230
(Decrease) in trade and other payables	(393)	(395)
Increase / (Decrease) in other provisions	85	(46)
Increase / (Decrease) in deferred revenue	80	(42)
Net cash from operating activities	369	1,348

Note 23. Prior period adjustment

During the reporting period historic one-off, non-recurring liabilities were recognised and paid. The liability was identified during a review of banking arrangements and internal IT transactional applications. The review included banking and system development records back to 2008 and the findings identified liabilities arising since early 2013 corresponding with system changes made at that time. The understatement has been corrected with an adjustment to retained earnings. The impact is as follows:

	30 June 2019 Reported $'000	Adjustment $'000	30 June 2019 Restated $'000
Statement of financial position (Extract)			
Liabilities and Net Assets			
Trade and other payables	3,561	460	4,021
Total Current Liabilities	4,817	460	5,277
Total Liabilities	5,016	460	5,476
Net Assets	10,022	(460)	9,562
Equity			
Accumulated losses	(76,261)	(460)	(76,721)
Total Equity	10,022	(460)	9,562

Note 24. 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 for interest rate risk and ageing analysis for credit risk.

Market risk

Foreign currency risk

The Group has no material exposure to foreign exchange risk.

Interest rate risk

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

Consolidated	2020 Weighted average interest rate %	2020 Balance $'000	2019 Weighted average interest rate %	2019 Balance $'000
Cash on deposit	0.55%	1,880	2.40%	2,125
Net exposure to cash flow interest rate risk		1,880		2,125

An official increase/(decrease) in interest rates of 5.5 (2019: 24) basis points would have a favourable/adverse effect on profit before tax of $1,034 (2019: $5,100) per annum. The percentage change is based on the expected volatility of interest rates of a 10% movement, using market data and analysts forecasts.

Credit risk

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

Liquidity risk

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

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

Note 24: 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
2020					
Financial assets					
Cash	443	–	–	–	443
Cash on deposit	1,880	–	–	–	1,880
Trade and other receivables	3,826	–	–	–	3,826
Security deposits	11	199	–	–	210
eCommerce payments awaiting clearance	1,822	–	–	–	1,822
	7,982	199	–	–	8,181
Financial liabilities					
Trade payables and accruals	1,806	–	–	–	1,806
eCommerce payments awaiting clearance	1,822	–	–	–	1,822
	3,628	–	–	–	3,628
2019					
Financial assets					
Cash	208	–	–	–	208
Cash on deposit	2,125	–	–	–	2,125
Trade and other receivables	2,305	–	–	–	2,305
Security deposits	884	148	–	–	1,032
eCommerce payments awaiting clearance	2,018	–	–	–	2,018
	7,540	148	–	–	7,688
Financial liabilities					
Trade payables and accruals	1,543	–	–	–	1,543
eCommerce payments awaiting clearance	2,478	–	–	–	2,478
	4,021	–	–	–	4,021

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 25: Contingent liabilities

The Group had no contingent liabilities at 30 June 2020 and at 30 June 2019.

Note 26: Commitments

The group had no material commitments as at 30 June 2020.

Note 27: 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	
	2020 $'000	2019 $'000
Short-term employee benefits	882	1,040
Post-employment benefits	67	77
Performance rights	13	–
	962	1,117

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

Note 28. Related party transactions

Parent entity

Corum Group Limited is the parent entity.

Subsidiaries

Interests in subsidiaries are set out in note 29.

Key management personnel

Disclosures relating to key management personnel are set out in note 27 and the Remuneration Report included in the Directors' Report.

Transactions with related parties

Director's fees attributable to Bill Paterson of $80,434 (2019: $126,000) were payable to his associate Paterson Wholohan Grill Pty Ltd.

Consultancy fees for the corporate actions and capital raise process (H1 2020) of $27,273 were paid to Creideas Asset Management Pty Ltd, a related party to Matthew Bottrell.

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 29. 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	2020 %	2019 %
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 30: Share-based payments

Equity-settled compensation

The Group operates employee performance rights schemes. The fair value of the equity to which employees become entitled is measured at grant date and recognised as an expense over the vesting period, with a corresponding increase to an equity account. The fair value is ascertained using a pricing model which incorporates all market vesting conditions. The number of performance rights expected to vest is reviewed and adjusted at the end of each reporting date such that the amount recognised as consideration for the equity instruments granted shall be based on the number of equity instruments that eventually vest.

Performance rights plan

The Corum Group Omnibus Equity Plan ("the Plan") allows the Company (Corum Group Limited) to grant performance rights to Participants. A performance right is a right to acquire a Share (being a "Plan Share"), subject to the satisfaction of certain conditions which is set out in each invitation to acquire performance rights. Together, the maximum number of performance rights and share options which may be issued by the directors pursuant to the respective plans shall not exceed 5% of the number of shares on issue.

The Board has discretion to make grants at any time, including on the commencement of employment by a person deemed by the Board to be eligible to participate in the Plan. The terms of any future offers may vary.

There are no voting or dividend rights attached to the performance rights.

The movement and balance of performance rights approved and granted to officers, directors and employees of the Group by the Board are as follows:

Grant date	Vesting date	Exercise price	Opening Balance 1 July	Rights issued	Rights vested	Closing Rights lapsed	Balance 30 June
Consolidated 2020							
17 Feb 2020	September 2021 to February 2023	$0	–	4,800,000	–	–	4,800,000

The number of performance rights granted reflects the extent to which performance hurdles, service conditions and exercise conditions associated with the grant are achieved.

The performance rights are subject to a service condition of continuous employment for three consecutive years. Performance hurdles and exercise conditions are based on achievement of certain earnings per share targets. There is no exercise price associated with these performance rights.

As at 30 June 2020, no performance rights can be exercised. The performance rights have varying useful lives based on vesting dates between September 2021 and February 2023, once service and exercise conditions are achieved.

Note 31: Parent entity information

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

	Parent	
	2020 $'000	2019 $'000
Statement of profit or loss and other comprehensive income		
Loss after income tax	(2,095)	(275)
Total comprehensive income for the year	(2,095)	(275)
Statement of financial position		
Total current assets	3,746	4,580
Total assets	15,293	15,472
Total current liabilities	1,144	851
Total liabilities	10,771	12,314
Equity		
Issued capital	89,724	86,283
Reserves	18	–
Accumulated losses	(85,220)	(83,125)
Total equity	4,522	3,158

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2020 and 30 June 2019.

Capital commitments – Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2020 and 30 June 2019.

Significant accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 1 and throughout all notes to the financial statements.

Note 32. Events after the reporting period

No matters or circumstances have arisen since 30 June 2020 that have 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 2020 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

Nick England
Chairman

Jon Newbery
Director

24 August 2020
Sydney

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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 consolidated statement of financial position as at 30 June 2020, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the 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 2020 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 (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

BDO

Material uncertainty related to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the group's ability to continue as a going concern and therefore the group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our opinion is not modified in respect of this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

Impairment of intangible assets

Key audit matter	*How the matter was addressed in our audit*
The group is required under Australian Accounting Standard AASB 136 Impairment of Assets to identify if any impairment indicators exist at the year end. Management have determined that impairment indicators existed and performed an impairment assessment on the Health Services cash generating unit (CGU). As disclosed in note 15 of the financial statements the group has recognised an impairment charge of $1,467,000. The group has prepared a value in use calculation and recognised an impairment charge to adjust the group's assets to their recoverable amount. This area is considered a key audit matter due to the high degree of estimation and significant judgements including the expected levels of future cash flows, growth rates and the discount rate applied.	Our audit procedures included, among others: • Evaluating the key inputs and assumptions used in the value in use model, in particular those relating to forecast revenue, expenses and discount rates applied; and • Assessing the sensitivity of the key assumptions for reasonable possible changes in the value in use model prepared by the Group. • Assessing the adequacy of disclosures within the financial statements in respect to the impairment charge identified.

BDO

Accounting for additional investment in Pharmx

Key audit matter	*How the matter was addressed in our audit*
The group has increased its holding in Pharmx from 30% to 43% after paying consideration of $785k for the additional interest. As part of this transaction the number of unit holders within Pharmx has decreased from four to three which increases the group's influence over Pharmx as each unit holder has board representation. The group is required to account for investments with which it has significant influence using the equity method in accordance with AASB 138 Investments on Associates and Joint Ventures. This is considered an area of focus due to the level of judgement required in determining if the group has significant influence.	Our audit procedures included, among others: • Reviewing management's assessment of the change in interest and the impact this has on the group's significant influence over Pharmx. • Consulted with our internal technical accounting experts to assess management's position that significant influence had been gained. • Assessing the adequacy of disclosures within the financial statements in respect to the associate. • Ensuring accounting treatment is in compliance with AASB 138.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 30 June 2020, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Report

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

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

Auditor's responsibilities for the audit of the Financial Report

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

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at:
https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.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 pages 10 to 14 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Corum Group Limited, for the year ended 30 June 2020, 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 Audit Pty Ltd

BDO

L Russell

Leah Russell
Director

Sydney, 24 August 2020

Shareholder information

The shareholder information set out below was applicable as at 19 August 2020.

Distribution of equity securities

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

Range of shareholding	Number of holders of ordinary shares	Number of ordinary shares held
1 – 1,000	665	227,847
1,001 – 5,000	365	962,521
5,001 – 10,000	198	1,509,633
10,001 – 100,000	264	9,441,618
100,001 and over	143	390,425,973
	1,635	402,567,592
Holding less than a marketplace parcel	1,233	2,752,065

Top twenty equity security holders

The twenty largest security holders of quoted equity securities are:

	Ordinary shares	
	Number held	% of total shares issued
Lujeta Pty Ltd (Margaret A/C)	136,558,391	33.9
Mersault Pty Ltd (The England Family S/F A/C)	20,000,000	5.0
Mr David Gerald Manuel + Ms Anne Elizabeth Leary (Manuel Super Fund A/C)	14,000,000	3.5
Link Enterprises (International) Pty Ltd	13,090,345	3.3
Benki Pty Ltd	12,389,500	3.1
Lyell Pty Ltd (Genesis Super Fund A/C)	12,000,000	3.0
Milburn Pty Ltd	11,510,172	2.9
Ginga Pty Ltd (Thomas G Klinger Family A/C)	10,810,866	2.7
Mrs Penelope King	10,000,000	2.5
Mr Grant Povey	9,000,000	2.2
Seveniron Pty Ltd (Sedgwick Super A/C)	9,000,000	2.2
Lyell Pty Ltd (Hayman A/C)	8,000,000	2.0
Canceler Pty Ltd (Clarence Super Fund A/C)	7,500,000	1.9
Mr Tyson Wellman	7,000,000	1.7
Bamm Group Administration Pty Ltd	6,400,000	1.6
Mr David Gerald Manuel + Ms Anne Elizabeth Leary (Manuel Family A/C)	6,000,000	1.5
Gabodi Pty Limited (Gabodi Pty Ltd S/F A/C)	5,398,000	1.3
Gc Retirement Fund Pty Ltd (Gc Retirement Fund A/C)	5,000,000	1.2
Mr Michael John Farrelly	4,200,000	1.0
Mr George John Kounis + Mrs Amanda Elise Kounis (G & A Kounis Investment A/C)	4,000,000	1.0
	311,857,274	77.5

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

	Ordinary shares	
	Number of Securities	% of total shares issued
Lujeta Pty Ltd	140,054,379	34.79
Mersault Pty Ltd (The England Family S/F A/C), Mr David Gerald Manuel + Ms Anne Elizabeth Leary (Manuel Super Fund A/C) and (Manuel Family A/C), Lyell Pty Ltd (Genesis Super Fund A/C) and (Hayman A/C)	60,000,000	14.90

Equity securities subject to escrow

	Number of Securities	End date of Escrow
Ordinary shares subject to voluntary escrow	66,400,000	20 November 2020

Unquoted equity securities

	Number of Securities	Number of holders
Employee incentive scheme		
Performance rights to acquire ordinary shares	4,800,000	2

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

There are no voting rights attached to performance rights.

Corporate directory

Directors

Nick England (Chairman and Non-executive Director)
Jon Newbery (Non-executive Director)
Julian Sallabank (Non-executive Director)
David Clarke (Managing Director and CEO)

Company Secretary

David Clarke

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Website

www.corumgroup.com.au

Auditor

BDO Audit Pty Ltd
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)

Share Registry

Computershare Investor Services Pty Limited
60 Carrington Street
Sydney NSW 2000

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