



Annual Report

2021



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### **General information**

The financial statements cover Corum Group Limited as a Group which consists 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 18 August 2021. 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 the 2021 annual report for Corum Group Limited.

The year has been one of significant progress on a number of fronts with a much improved financial performance, a landmark acquisition and a strategic investment in the business by Arrotex, the largest pharmaceutical manufacturer of generic and private label medicines in Australia.

The financial highlights of the year were a 25.7% revenue increase over the prior year, driven by an increase of 34.8% in the core healthcare business. Operating cash flow was \$3.2m against \$0.4m in 2020 and statutory net profit was \$1.09m. The Group ended the year with a cash balance of \$6.5m.

In September 2020 the acquisition of the remaining shares in PharmX was completed. PharmX is the pre-eminent electronic gateway connecting pharmacies and suppliers and allows Corum to expand its technology offer within the market. The acquisition was partially funded by a capital raise which was strongly supported by existing shareholders and we were able to welcome new institutional and private investors by means of a subsequent placement.

PharmX provides Corum with a number of growth options, both within the existing supplier base and in attracting new suppliers to the platform. Management have been working on a number of new strategies and early indications are very encouraging.

During the year Corum has strengthened its Board and senior management teams. Julian Sallabank was appointed Managing Director and CEO in September 2020. Julian had served as non-executive director of Corum since April 2020. Julian had previously held roles in both private and ASX listed companies operating in the medical technology and recruitment sectors. Most recently Julian was Managing Director of an early stage medical innovation fund investing in and commercialising digital health, diagnostics, medtech and therapeutics; collaborating with the Murdoch Children's Research Institute.

The restructure of the senior management team was completed late in the financial year with the promotion of Zoe Hillier to CFO from Financial Controller and the appointment of James Nevile as COO. James, a pharmacist, joins Corum from Fred IT where he oversaw the successful roll out of their electronic prescribing initiative.

I was delighted that Jayne Shaw accepted our invitation to join the Board in October 2020. Jayne brings a wealth of healthcare and entrepreneurial experience built from a clinical nursing

background. She has established and successfully sold and listed a number of business in the health sector.

In November Arrotex Pharmaceuticals, Australia's largest manufacturer of generics and private label medicines made a strategic investment in Corum with the issue of 60m shares at 5.5c and we welcomed Dennis Bastas, Arrotex's executive Chairman onto the Board following that transaction.

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. The agreement with BAMB Group Administration Pty Ltd ('BAMB'), to develop CCE was terminated and the decision was made to take all development in-house. This resulted in a settlement payment of \$2.0m to BAMB, phased over 3 years, and the cancellation of the agreed issuance of up to 64 million shares to BAMB.

Corum remains focused on growth and achieving sustainable long term profitability. The trends in community pharmacy mean digital, data and technology play an ever-increasing role 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 cost saving programs.

In the upcoming year Corum will be focussed on realising revenues from our investment in PharmX and our 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

18 August 2021

# Managing Director's report

This is my first report as Managing Director and Chief Executive Officer and I would like firstly to thank our Board, executives, and employees for their tireless work throughout the course of this year and for the opportunity to lead this company. In addition, I would like to thank our clients, the pharmacists of Australia, for their highly valued contribution to supporting our communities as we navigate the continuing COVID pandemic. I would also like to thank our shareholders and advisors for their continuing support of our business. This year represented a significant improvement in our organisation and our results, and our Board, executive and employees are committed to ensuring that this trend continues.

## Results

Corum's revenue for the financial year was \$13.4 million, up \$2.7 million compared to the previous period, or 25.7% (2020: down 5.2%). Profit before tax, fair value adjustments and contract settlement was \$1,100,000 compared to \$144,000 in the prior year. The improvement was largely driven by the acquisition of PharmX which was completed in September 2020.

Significant increases in both revenue and operating margins were recorded in the current year with earnings before interest, tax, depreciation, amortisation and one-off items of \$4.4m, and a margin of 35% (2020: \$1.3 million and margin of 14%). These improvements delivered an operating cashflow for the year of \$3.2 million, a significant increase on the \$0.4 million in the prior year. There has been a continued focus on organisational efficiencies and revenue generation which has helped to deliver these results.

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

## Improving Our Products

Corum has continued to improve and rationalise our products throughout the financial year. Our product alignment strategy is progressing as we transition from multiple dispensing and point of sale products to our Clear Suite offering. This strategy also involved the termination of our agreement with BAMB Group Administration Pty Ltd ('BAMB'), to develop our Corum Clear Enterprise product. This resulted in an agreement being entered into for a settlement payment of \$2m to BAMB and the cancellation of the commitment to issue up to 64 million shares. We have now restructured our development team, upgraded our deployment and support technology, and enhanced our processes to support our future growth.

We also continued to improve our new Corum Clear Dispense ('CCD') product. Through our supportive customer base, we have continued to refine this product via a series of significant product upgrades which have increased pharmacy efficiencies and streamlined dispensing. CCD will progressively replace our LOTS Dispense product which will reduce operating costs and position us well to meet the demands of pharmacists both now and into the future.

Throughout the financial year Corum has continued to invest and meet the obligations associated with the electronic prescribing initiatives. Corum delivered the first electronic prescriptions in Western Australia and our seamless, integrated approach has been well received by our customers. We will continue to focus on supporting Government and industry as we move into the next phase of ePrescribing, which will incorporate the Active Script List model.





## PharmX

Established in 2006, PharmX is the pre-eminent electronic ordering gateway for Australian pharmacy with a long track record of delivering the reliability required by the high order volumes of pharmacies. Since taking ownership of PharmX there has been a renewed strategic focus and capital investment to ensure that we can achieve our significant growth ambitions for this important pillar of the pharmacy industry. These are centred on expanding the number of platform-connected suppliers and expanding a range of additional services to further improve pharmacy supply chain efficiency and profitability.

To support the growth of these initiatives a number of additional team members have been recruited into the PharmX business unit. This includes Eric Moschietto-Fransa who has joined Corum Group to lead the PharmX sales team. Eric is an experienced sales professional with a deep understanding of the pharmacy market and his previous roles include L'Oreal and PZ Cussons.

## Business Transformation and Implementing Efficiency Improvements

In September 2020 we commenced a business transformation program, which focuses on harnessing innovation and technology to strengthen our productivity, reporting, efficiencies, and growth. Since the commencement of this program we have delivered a broad range of initiatives, including real-time reporting to analyse business performance throughout our organisation. This has also included re-platforming to improve our deployment and support teams. These initiatives will continue throughout 2022 as we implement and improve our technology stack to refine and improve our operations.

During the year we also underwent a detailed security review which culminated in a range of immediate improvements to our internal and external operations. This review has ensured that in addition to increasing the data security of the business we are well placed to meet the growing digital, data and technology needs of our customers; the pharmacies and head offices of the banners, brands and groups operating within our sector.

Over the past 12 months Corum has focused on generating organisational efficiency and reducing our operating costs. The outcome of this exercise has enabled us to right size our cost base and allows us the room to now recruit new talent and skills that will assist in delivering our strategic objectives.

Our leadership team continued to evolve over the financial year with James Nevile joining Corum as Chief Operating Officer. James joined Corum from Fred IT where he oversaw the successful e-prescribing roll-out. James, a pharmacist by training, brings a wealth of experience to our team. In addition, Zoe Hillier was promoted from Financial Controller to Chief Financial Officer. Zoe has worked in the business for 2 years and led the finance team for over 12 months. These changes bolster our capabilities and add significant and relevant experience to our senior leadership team.

## The Year Ahead

I am extremely proud of our team and what we have accomplished over the last year. Our team, and company, has experienced a number of significant internal and external challenges during the year. Interruptions in operating rhythm and organisational changes, along with the on-going pandemic have provided some challenges however we have managed to advance our key strategies. We have continued to work closely with all our stakeholders and have maintained our support of those pharmacists hardest hit by the continuing COVID pandemic and the restrictions that have been imposed. Over the next year we will continue to strengthen our business, provide value to our shareholders, continue to support our customers and provide the products needed to meet their demands.

**Julian Sallabank**

Managing Director

18 August 2021

# Directors' report

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') which consists 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 2021.

## Directors

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

**Name: Nick England**

**Title:** Chairman and Non-executive Director

**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 listed directorships:** None

**Former listed directorships (last 3 years):** None

**Special responsibilities:** Member of the Audit and Risk Committee and Remuneration and Nomination Committee.

**Interests in shares:** 26,853,334 ordinary shares

**Name: Julian Sallabank**

**Title:** Managing Director

**Dates:** Appointed Managing Director on 1 September 2020, previously Non-executive Director

**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 listed directorships:** None

**Former listed directorships (last 3 years):** None

**Interests in shares:** 4,000,000 performance shares



**Name: Jon Newbery**

**Title:** Non-executive Director

**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, urban services 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 and organics. Previously Jon held roles as the 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 planning and the implementation and oversight of reporting and corporate governance structures.

**Other current listed directorships:** None

**Former listed directorships (last 3 years):** None

**Special responsibilities:** Chairman of the Audit and Risk Committee and member of the Remuneration and Nomination Committee.

**Interests in shares:** 1,713,413 ordinary shares

**Name: Jayne Shaw**

**Title:** Non-executive Director

**Dates:** Appointed as Non-Executive Director on 15 October 2020

**Experience and expertise:** Jayne has significant experience in healthcare management built from a clinical nursing background. Jayne has held senior management roles in two Australian private hospitals and established an Australian and international consulting business which was sold to Healthsouth, a large US Healthcare company. After this, Jayne became the co-founder of Vision Group, a business that was successfully listed on the ASX. Jayne has been a member of a number of private healthcare boards involved with specialist consolidation including cardiology, cancer care, orthopaedics, and women's health and has continued to work with private equity firms on local and International Healthcare transactions. Jayne also holds positions on the boards of Mable Technologies, The Woolcock Research Institute, and The Citadel Group, and as Chair of BCAL Diagnostics.

**Other current listed directorships:** BCAL Diagnostics Limited

**Former listed directorships (last 3 years):** The Citadel Group (Jayne is still a director, but the company is no longer listed)

**Special responsibilities:** Chair of the Remuneration and Nomination Committee.

**Interests in shares:** 2,780,953 ordinary shares

**Name: Dennis Bastas**

**Title:** Non-executive Director

**Dates:** Appointed as Non-executive Director on 2 December 2020

**Qualifications:** B.E., MAICD

**Experience and expertise:** Dennis has operated as an entrepreneur in Australia's pharmaceutical sector since 2002 when he founded his first generic pharmaceutical company Genepharm. Over the past two decades he has gained extensive experience in the global pharmaceutical manufacturing industry and the Australian and Asian retail pharmacy market. Dennis is currently the majority shareholder and Executive Chairman of two of Australia's leading generic pharmaceutical companies, Arrotex Pharmaceuticals and Juno Pharmaceuticals. Arrotex Pharmaceuticals, formed following the merger of Arrow Pharmaceuticals and Apotex Australia in July 2019, is Australia's largest generic pharmaceutical and private label OTC medicines company and distributes medicines that account for over 30% of all PBS prescriptions dispensed in Australian pharmacies. Juno Pharmaceuticals is Australia's second largest specialist hospital pharmaceutical company distributing a number of generic specialty oncology and anti-infective medicines. Dennis is also currently the co-founder and Chairman of myDNA – a world leading pharmacogenomic and health genomic platform company. Prior to 2002 Dennis held senior executive positions in Coles Myer and Village Roadshow where he worked in Logistics, Retail Strategy and IT.

**Other current listed directorships:** None

**Former listed directorships (last 3 years):** None

**Interests in shares:** 60,000,000 ordinary shares

**Name: David Clarke**

**Title:** Managing Director

**Dates:** Resigned as Managing Director on 31 August 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 listed directorships:** None

**Former listed directorships (last 3 years):** None

'Other current listed directorships' and 'Former listed 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

Eryl Baron (AGIA) is the Company Secretary. Eryl has an extensive background in corporate secretarial and corporate governance with listed companies in a wide range of industries.

### 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 Health now also includes PharmX, an electronic gateway that links pharmacies, pharmaceutical wholesalers and direct suppliers within the pharmacy market; and
- 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, usage fees, software development services, the sale of hardware, training and other services.

The health business product portfolio consists of 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, products that support pharmacy dispensing and point of sale and related activities. It also includes an electronic gateway which links pharmacies to suppliers with an ordering and messaging service. Corum maintains a software development function creating and updating products, a full-service support centre as well as technical and business development teams.

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

### Revenue

Revenue for the year was \$13.4 million, up \$2.7 million on the previous period, or 25.7% (2020: down 5.2%). Health revenue increased by \$3.0 million, partly offset by the decrease in eCommerce revenue of \$0.3 million.

The health business revenues improved by 34.8% to \$11.8 million compared to the previous year. This improvement has largely been driven by the acquisition of PharmX during the year. eCommerce revenue fell by 17.4% to \$1.5 million compared with last year. The business remains profitable but of secondary importance to the health business.

Corum has continued to progress new banner group relationships during the year. These represent a significant opportunity for future growth. The roll out to some of these pharmacies commenced during the year, however the move to Corum products was slower than anticipated but is expected to accelerate moving forward.

### Profit

For the year ended 30 June 2021, the Group reported an operating profit before tax, fair value adjustments and contract settlement of \$1,100,000 which compares favourably to \$144,000 in the prior year. Corum's improved revenue has been the main driver of improved operating profit, as well as disciplined cost control.

During the year, Corum acquired the 57% of PharmX that it did not already own. This resulted in a fair value adjustment of the existing investment with a positive impact of \$1,727,000 on profit. There were one-off contract settlement costs of \$1,468,000 in the period relating to a settlement agreement with BAMB Group Administration Pty Ltd ('BAMB'). The settlement costs represent the present value of the total consideration of \$2,000,000 to be paid that did not meet the asset recognition criteria to be capitalised on the balance sheet as software product development.

The statutory profit for the financial year of \$1,091,000 after tax, compared favourably to \$176,000 in the prior year.





## Operating and Financial Review continued

Significant increases in both revenue and operating margins were recorded in the current year. The improvement in operating margin was achieved despite higher one-off expenses related to legal fees and redundancy costs of \$1,373,000 in total (2020: \$321,000). The legal fees were incurred mainly in relation to PharmX matters and the settlement arrangement with BAMB. The redundancy costs were in relation to a restructure that took place during the year to enable the Group to build a more effective and appropriate structure for future growth. These costs are considered non-recurring. Communication, cloud and technology costs have increased in the current year due to a focus on cyber security and implemented improvements. Amortisation costs have also increased compared to the previous year due to the acquisition of PharmX intangible assets and the commencement of amortisation of Corum Clear Dispense as the product is now in market.

### *Cash and investment*

Operating cash flow for the year was \$3.2 million compared to \$0.4 million in the prior year. Increased revenue inflows and savings in overheads, particularly employment costs, are the main contributors to the positive result.

Substantial investment continued throughout the year in both Corum Clear Dispense and Corum Clear Enterprise. During the year \$5.0 million of research and development expenditure was incurred with \$3.5 million being capitalised. There has been considerable focus on completing the development required to make Corum's dispensing products ready for the Government's e-prescribing rollout and in enhancing the richer feature-sets and third-party integrations of Corum Clear Dispense. Development has also continued on Retail Pharmacy Manager ('RPM'), which has undergone upgrades and specific functionality development to assist in the deployment into larger group environments as a precursor to transitioning to Corum Clear Enterprise.

During the year the acquisition of the remaining shares in PharmX was completed. PharmX is the pre-eminent electronic gateway that links pharmacies, pharmaceutical wholesalers and direct suppliers within the pharmacy market. This strategic acquisition

has better positioned Corum Health to expand our technology platform offering. The acquisition of the remaining shares in PharmX resolved the matter of outstanding distributions that were due from PharmX to Corum. The impact of the purchase price paid by Corum, taking into consideration the cash on hand of PharmX at acquisition (mainly the outstanding distributions), was a net outflow of \$2.1 million.

To help fund the PharmX acquisition, the Company successfully completed a capital raising in September 2020. This was by means of an entitlement offer at 4.2 cents per share that was strongly supported by our existing shareholders with a subsequent placement that was taken up by new private and institutional investors, raising \$5.6 million before costs.

In November, the Company raised a further \$3.3m at 5.5 cents per share via a placement as Arrotex Pharmaceuticals made a strategic investment in Corum.

In October 2020 an agreement was reached with BAMB on the development of Corum Clear Enterprise, our cloud-based head office solution. Under the agreement, BAMB will no longer be involved in the development and the proposed issue of 63.6 million shares will no longer take place. In consideration for the development work completed to date and the associated intellectual property and other commercial rights being granted, Corum agreed to pay BAMB \$800,000 in November 2020, with 3 further payments of \$400,000 to be made annually thereafter.

At the end of the financial year cash on hand was \$6.5 million, up \$4.2m on the previous year.

### *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 Retail and other products, while maintaining high standards of delivery and a focus on key enterprise relationships. Corum is also investing in enhancing the capabilities and value of the PharmX platform to gain more users and generate additional revenue with existing customers. Corum's continued investment in the Clear suite of products will establish a foundation for Corum's longer-term future in retail pharmacy and digital healthcare.

### 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 2021, 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
Nick England	11	11	3	3	2	2
Jon Newbery	11	11	3	3	2	2
Julian Sallabank	11	11	–	–	–	–
Jayne Shaw	8	8	–	–	2	2
Dennis Bastas	6	6	–	–	–	–
David Clarke	2	2	–	–	–	–

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 was in office or was a member of the relevant committee. In addition to formal board meetings the directors held numerous other meetings and informal discussions during the financial year.

### Significant changes in the state of affairs

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

### Matters subsequent to the end of the financial year

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had minimal financial effect for the consolidated entity up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian and State Governments and the Governments of other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

### 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 \$48,000 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 Group, or to intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or part of those proceedings. The Group was not a party to any such proceedings during the year.



### **Environmental regulations**

The Group is not subject to any significant environmental regulation under Australian Commonwealth or State law.

### **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.

### **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 Group, acting as advocate for the Group or jointly sharing economic risks and rewards.

### **Corporate governance statement**

The Corum Corporate Governance Statement discloses how the Group complies with the ASX Corporate Governance Council Corporate Governance Principles and Recommendations (4th Edition) and sets out the Group's main corporate governance practices. This statement has been approved by the Board and is current as of 18 August 2021.

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

The Remuneration and Nomination Committee consists of three non-executive directors who are responsible for determining and reviewing remuneration arrangements for the Group's directors and executives and has 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 Limited. Egan Associates Pty Limited was paid \$3,150 for these services. The process of the engagement was managed by the Chairman of the Board 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*

A performance evaluation of the Board is currently underway. A performance evaluation of the senior executives including the Managing Director has been conducted. The review includes consideration of their function, achievement of individual targets and agreed objectives and the overall performance of the Group.





## 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	Total \$
		Salaries and Fees <sup>(1)</sup> \$	Incentives \$	Superannuation \$	Performance rights <sup>(2)</sup> \$	
<i>Directors:</i>						
Nick England (i)	2021	124,000	–	11,870	–	135,870
<i>Non-executive Chairman</i>	2020	58,499	–	5,468	–	63,967
Julian Sallabank (ii)	2021	323,466	65,625	20,407	17,905	427,403
<i>Non-executive Director</i>	2020	14,000	–	1,330	–	15,330
Jon Newbery (iii)	2021	96,342	–	–	–	96,342
<i>Non-executive Director</i>	2020	25,628	–	–	–	25,628
Jayne Shaw (iv)	2021	58,333	–	5,542	–	63,875
<i>Non-executive Director</i>	2020	–	–	–	–	–
Dennis Bastas (v)	2021	46,247	–	–	–	46,247
<i>Non-executive Director</i>	2020	–	–	–	–	–
David Clarke (vi)	2021	226,860	–	17,860	(13,052)	231,668
<i>Managing Director</i>	2020	280,456	–	21,003	13,052	314,511
Bill Paterson (vii)	2021	–	–	–	–	–
<i>Non-executive Chairman</i>	2020	80,434	–	–	–	80,434
Matthew Bottrell (viii)	2021	–	–	–	–	–
<i>Non-executive Director</i>	2020	60,000	–	5,700	–	65,700
Gregor Aschoff (ix)	2021	–	–	–	–	–
<i>Non-executive Director</i>	2020	133,098	–	12,084	–	145,182
<i>Other Key Management Personnel:</i>						
Michael Lamb (x)	2021	–	–	–	–	–
<i>Chief Financial Officer</i>	2020	229,989	–	21,003	–	250,992
Total 2021		875,248	65,625	55,679	4,853	1,001,405
Total 2020		882,104	–	66,588	13,052	961,744

<sup>(1)</sup> Salaries and fees include leave payments and movements in annual leave accruals.

<sup>(2)</sup> 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) Julian Sallabank was appointed Non-executive Director on 16 April 2020. He was then appointed to Chief Executive Officer and Managing Director on 1 September 2020.
- (iii) Jon Newbery was appointed Non-executive Director on 25 February 2020.
- (iv) Jayne Shaw was appointed non-executive director on 15 October 2020.
- (v) Dennis Bastas was appointed non-executive director on 2 December 2020.
- (vi) David Clarke resigned his position as Managing Director on 31 August 2020. Salaries and fees for the year include \$287,465 payment in lieu of notice and accrued annual leave entitlements, and movement in annual leave accruals.
- (vii) Bill Paterson resigned his position as Non-executive Chairman on 19 February 2020.
- (viii) Matthew Bottrell resigned his position as Non-executive Director on 24 February 2020.
- (ix) 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 prior year include \$49,596 payment in lieu of notice and accrued annual leave entitlements.
- (x) 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 prior year include \$63,220 payment in lieu of notice and accrued annual leave entitlements.

**Remuneration report (audited) continued****Fixed and variable remuneration**

All remuneration in the above table is fixed apart from the incentives and share based payments. Incentives are discretionary based on performance, and the performance rights vest based on certain performance hurdles, service conditions and exercise conditions being achieved. Refer to note 30 for further details.

**Service agreements**

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

<b>Name:</b>	Julian Sallabank
<b>Title:</b>	Managing Director
<b>Agreement commenced:</b>	1 September 2020
<b>Term of agreement:</b>	Ongoing

**Details:** Julian was appointed Managing Director on 1 September 2020. He has an annual base salary of \$350,000, plus statutory superannuation, to be reviewed annually. Either party may terminate the employment with six months written notice or immediately in the event of misconduct. The remuneration package also includes short-term and long-term incentive components. A short-term incentive of up to 50% of base salary requires the achievement of individual targets and agreed objectives, and the overall performance of the Group. A long-term incentive of 4,000,000 performance rights has also been granted.

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 2021.

*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.

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
Julian Sallabank	17 November 2020	4,000,000	\$121,800	16 April 2023

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 2020	Number Granted	Lapsed / Exercised	Held at 30 June 2021	Vested and exercisable at 30 June 2021
David Clarke	3,200,000	–	(3,200,000)	–	–
Julian Sallabank	–	4,000,000	–	4,000,000	–

**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 <sup>1</sup>	Disposals/other <sup>2</sup>	Balance at the end of the year
<i>Ordinary shares:</i>					
Nick England	20,065,000	–	6,788,334	–	26,853,334
Julian Sallabank	–	–	–	–	–
Jon Newbery	1,004,947	–	708,466	–	1,713,413
Jayne Shaw	–	–	2,780,953	–	2,780,953
Dennis Bastas	–	–	60,000,000	–	60,000,000
David Clarke	573,142	–	–	(573,142)	–
	21,643,089	–	70,277,753	(573,142)	91,347,700

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

<sup>2</sup> 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 2021 are summarised below:

	2017 \$'000	2018 \$'000	2019 (Restated) <sup>1</sup> \$'000	2020 \$'000	2021 \$'000
Sales revenue	13,507	11,176	10,134	9,116	12,700
Profit before impairment, fair value and tax	1,673	650	561	144	1,100
Profit/(loss) after income tax	(5,877)	251	(4,205)	176	1,091
Total equity	13,976	14,227	9,562	13,197	22,930
Net Cash on hand	8,098	4,971	2,333	2,323	6,478

<sup>1</sup> Retained earnings was restated as a result of a one-off non-recurring adjustment identified during a review of banking arrangements and internal IT transactional applications.

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

	2017	2018	2019	2020	2021
Share price at financial year end (cents)	4.0	2.5	3.0	4.3	8.7
Basic earnings per share (cents per share)	(2.3)	0.1	(1.6)	0.1	0.2

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

18 August 2021  
Sydney

Jon Newbery  
Director



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

Level 11, 1 Margaret St  
Sydney NSW 2000  
Australia

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

As lead auditor of Corum Group Limited for the year ended 30 June 2021, I declare that, to the best of my knowledge and belief, there have been:

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

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

Name of engagement partner  
**Director**

**BDO Audit Pty Ltd**

Sydney

18 August 2021

BDO Audit Pty Ltd ABN 33 134 022 870 is a member of a national association of independent entities which are all members of BDO Australia Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit Pty Ltd and BDO Australia Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation.





# Statement of profit or loss and other comprehensive income

FOR THE YEAR ENDED 30 JUNE 2021

	Note	Consolidated	
		2021 \$'000	2020 \$'000
<b>Revenue</b>	3	13,382	10,643
<b>Expenses</b>			
Materials and consumables		(1,935)	(1,203)
Employee benefits	4	(7,064)	(7,176)
Occupancy		(106)	(124)
Marketing		(164)	(474)
Depreciation and amortisation	4	(1,826)	(801)
Finance costs		(136)	(50)
Share-based payments	22	–	(18)
Technology, communication and cloud costs		(918)	(594)
Legal		(667)	(491)
Other		(81)	(156)
Research and development tax benefit		615	588
<b>Profit before fair value adjustments, contract settlement, impairment and income tax expense</b>		<b>1,100</b>	<b>144</b>
Fair value adjustment of investments	12	1,727	1,781
Contract settlement	18	(1,468)	–
Impairment of intangibles		–	(1,467)
<b>Profit before tax</b>		<b>1,359</b>	<b>458</b>
Income tax	6	(268)	(282)
<b>Profit after income tax expense for the year attributable to the owners of Corum Group Limited</b>		<b>1,091</b>	<b>176</b>
Other comprehensive income for the year, net of tax		–	–
<b>Total comprehensive income for the year attributable to the owners of Corum Group Limited</b>		<b>1,091</b>	<b>176</b>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	7	0.20	0.05
Diluted earnings per share	7	0.20	0.05

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 2021

	Note	Consolidated	
		2021 \$'000	2020 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	9	6,478	2,323
Trade and other receivables	10	864	3,826
Inventories		34	64
Income tax receivable	6	1,548	1,700
Other assets	11	1,492	1,928
		<b>10,416</b>	<b>9,841</b>
<b>Non-current assets</b>			
Investments	12	–	2,686
Property, plant and equipment	13	495	525
Right of use assets	14	296	702
Intangibles	15	19,285	4,674
Deferred tax assets	6	804	551
Security deposits		51	199
		<b>20,931</b>	<b>9,337</b>
<b>Total assets</b>		<b>31,347</b>	<b>19,178</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	16	4,953	3,628
Provisions	17	1,054	1,202
Lease liability	14	280	422
Deferred revenue		100	226
		<b>6,387</b>	<b>5,478</b>
<b>Non-current liabilities</b>			
Other payables	18	726	–
Provisions	19	120	192
Deferred tax liability	12	1,143	–
Lease liability	14	41	311
		<b>2,030</b>	<b>503</b>
<b>Total liabilities</b>		<b>8,417</b>	<b>5,981</b>
<b>Net assets</b>		<b>22,930</b>	<b>13,197</b>
<b>EQUITY</b>			
Issued capital	20	98,366	89,724
Reserves	22	18	18
Accumulated losses		(75,454)	(76,545)
<b>Total equity</b>		<b>22,930</b>	<b>13,197</b>

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 2021

<b>Consolidated</b>	<b>Issued capital \$'000</b>	<b>Share-based Payments Reserve \$'000</b>	<b>Accumulated losses \$'000</b>	<b>Total equity \$'000</b>
<b>Balance at 30 June 2019 reported</b>	<b>86,283</b>	<b>–</b>	<b>(76,261)</b>	<b>10,022</b>
Prior period adjustment	–	–	(460)	(460)
<b>Balance at 30 June 2019 restated</b>	<b>86,283</b>	<b>–</b>	<b>(76,721)</b>	<b>9,562</b>
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	3,441	–	–	3,441
Performance rights issued	–	18	–	18
<b>Balance at 30 June 2020</b>	<b>89,724</b>	<b>18</b>	<b>(76,545)</b>	<b>13,197</b>
Profit after income tax expense for the year	–	–	1,091	1,091
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	–	–	1,091	1,091
Issue of new capital, net of transaction costs	20 8,642	–	–	8,642
Performance rights lapsed	22 –	(18)	–	(18)
Performance rights issued	22 –	18	–	18
<b>Balance at 30 June 2021</b>	<b>98,366</b>	<b>18</b>	<b>(75,454)</b>	<b>22,930</b>

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 2021

	Note	Consolidated	
		2021 \$'000	2020 \$'000
<b>Cash flows from operating activities</b>			
Receipts from customers		13,887	9,773
Payments to suppliers and employees		(12,534)	(11,238)
Interest and other revenue received		108	341
Income tax paid		(272)	(281)
Research and development incentive		1,973	1,774
<b>Net cash from operating activities</b>	23	<b>3,162</b>	<b>369</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	13	(300)	(156)
Payments for intangible assets		(3,789)	(3,128)
Acquisition of subsidiary	12	(2,097)	–
Proceeds from security deposits		–	874
Payment for security deposits		–	(51)
Investment in unlisted entity		–	(875)
<b>Net cash used in investing activities</b>		<b>(6,186)</b>	<b>(3,336)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares	20	8,936	3,660
Share issue transaction costs		(392)	(302)
Principal paid on lease liabilities		(434)	(351)
Distributions paid	12	(896)	–
Interest paid on lease liabilities		(35)	(50)
<b>Net cash from financing activities</b>		<b>7,179</b>	<b>2,957</b>
Net increase/(decrease) in cash and cash equivalents		4,155	(10)
Cash and cash equivalents at the beginning of the financial year		2,323	2,333
<b>Cash and cash equivalents at end of the financial year</b>	9	<b>6,478</b>	<b>2,323</b>

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





# Notes to the financial statements

30 JUNE 2021

## **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*

The financial statements have been prepared on the going concern basis, which contemplates continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

## **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 2021 and the results of all subsidiaries for the year then ended. Corum Group Limited and its subsidiaries together are referred to in these financial statements as the 'Group'.

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

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

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

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

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.

**Note 1. Statement of significant accounting policies continued****Current and non-current classification**

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

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

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

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

**Impairment of non-financial assets**

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

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

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

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

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

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

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

**Comparative figures**

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

**Rounding of amounts**

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

**New Accounting Standards effective from 1 July 2020**

There are no new standards impacting the Group that have been adopted in the annual financial statements for the year ended 30 June 2021 which have given rise to changes in the Group's accounting policies.

The following new standards have been implemented but have not had an impact on the Group:

Amendment	Effective date
AASB 16 Amendment – Covid-19 Related Rent Concessions	1/07/2020
AASB 3 Amendment – Definition of A Business	1/07/2020

**Note 1. Statement of significant accounting policies continued****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 2021.

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 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 on 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**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Revenue from contracts with customers</i>		
Rendering of services	12,365	8,651
Sales of goods	335	465
	12,700	9,116
<i>Other revenue</i>		
Revenue from unlisted entity	574	1,434
Interest and other revenue	108	93
	682	1,527
 Total Revenue	 13,382	 10,643

*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 to 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 on 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 is 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	
	2021	2020
	\$'000	\$'000
Profit before income tax includes the following specific expenses:		
<i>Depreciation and amortisation</i>		
Software development	1,180	167
Leased assets	428	382
Property, plant and equipment	335	344
Capitalised depreciation costs	(117)	(92)
Total depreciation and amortisation	<u>1,826</u>	<u>801</u>
<i>Employee benefits expenses</i>		
Employee benefits expenses	7,064	7,176
Capitalised development costs	1,955	1,937
Total Employee benefits	<u>9,019</u>	<u>9,113</u>

**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	
	2021	2020
	\$	\$
Audit or review of the financial statements	104,500	88,500
Taxation and other non-audit services <sup>(i)</sup>	69,253	35,000
	<u>173,753</u>	<u>123,500</u>

<sup>(i)</sup> Non-audit services included assistance in the areas of tax compliance, tax and accounting implications of the PharmX acquisition and research and development.



**Note 6. Income tax**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Income tax expense</b>		
<i>Current income tax:</i>		
Current year income tax charge	422	273
Adjustment for current income tax if items credited directly to equity, capital raising costs	36	17
Adjustment for current income tax of previous year	–	8
<i>Deferred tax:</i>		
Origination and reversal of temporary differences	(211)	(45)
Adjustment for change in tax rate	21	29
Income tax expense	<u>268</u>	<u>282</u>
<b>Statement of changes in equity</b>		
Deferred income tax related to items credited directly to equity, capital raising costs	61	63
Total deferred income tax related to items credited directly to equity	<u>61</u>	<u>63</u>
<b>Reconciliation of income tax expense and tax at the statutory rate</b>		
Profit/(Loss) before income tax expense	1,359	458
Tax at the statutory tax rate of 26% (2020: 27.5%)	353	126
Add/(deduct) tax effect of:		
Impairment of intangibles	–	403
Fair value adjustment of investments	(517)	(490)
Non-deductible/non-assessable items	408	52
Adjustment for current income tax of previous year	–	8
Adjustment for use of prior year tax losses	(30)	(28)
Adjustment for current income tax of items credited directly to equity, capital raising costs	36	17
Utilisation and other movement in deferred tax assets	(211)	(45)
Movement in deferred tax assets due to adjustment for change in tax rate	21	29
Research and development, non-assessable income and non-deductible expenditure	208	210
Income tax expense	<u>268</u>	<u>282</u>

**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**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Tax losses not recognised</b>		
Losses carried forward <sup>(i)</sup>	3,256	3,416
Capital losses carried forward <sup>(i)</sup>	167	174

<sup>(i)</sup> 2021 losses carried forward are calculated at the 2022 tax rate of 25% (2020: 26%)

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 utilisation of these losses is expected to be minimal due to the application of the available fraction which has been impacted by capital raises in recent years.

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.

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Deferred tax assets</b>		
Deferred tax assets comprise temporary differences attributable to:		
Impairment of receivables	21	29
Employee benefits	285	371
Leased premises	6	4
Capital raising costs	123	63
Deferred settlement payments	348	–
Other provisions	21	84
	804	551
<b>Movements:</b>		
Opening balance	551	469
Credited to profit or loss	192	19
Credited directly to equity	61	63
Closing balance	804	551
<b>Income tax receivable</b>		
Current year income tax charge	(422)	(273)
Current year research and development tax offset	1,970	1,973
	1,548	1,700

**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	
	2021 \$'000	2020 \$'000
Profit after income tax attributable to the owners of Corum Group Limited	1,091	176
	<b>Number</b>	<b>Number</b>
Weighted average number of ordinary shares used in calculating basic earnings per share	542,627,946	345,376,592
Weighted average number of ordinary shares used in calculating diluted earnings per share	546,899,727	347,124,969
	<b>Cents</b>	<b>Cents</b>
Basic earnings per share	0.2	0.1
Diluted earnings per share	0.2	0.1

*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 an electronic ordering gateway, 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 intersegment 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 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 2021 the Group did not have any major customers that individually contributed more than 10% of total revenue (2020: none).





**Note 8. Operating segments continued**

**Operating segment information**

Consolidated – 2021	Health Services \$'000	eCommerce \$'000	Intersegment elimination/ unallocated \$'000	Total \$'000
<b>Revenue</b>				
Rendering of services	10,858	1,507	–	12,365
Sale of goods	335	–	–	335
Interest and other revenue	578	–	104	682
<b>Total revenue</b>	<b>11,771</b>	<b>1,507</b>	<b>104</b>	<b>13,382</b>
<b>Profit/(Loss) before fair value adjustments, contract settlement and income tax expense</b>				
	1,618	13	(531)	1,100
Fair value adjustment of investments	1,727	–	–	1,727
Contract settlement	–	–	(1,468)	(1,468)
<b>Profit/(Loss) before income tax expense</b>	<b>3,345</b>	<b>13</b>	<b>(1,999)</b>	<b>1,359</b>
Income tax expense	–	–	(268)	(268)
<b>Profit/(Loss) after income tax expense</b>	<b>3,345</b>	<b>13</b>	<b>(2,267)</b>	<b>1,091</b>
Depreciation and amortisation expense	1,719	52	55	1,826
<b>Assets</b>				
Segment assets	21,442	1,422	–	22,864
<i>Unallocated assets:</i>				
Cash and cash equivalents				5,377
Property, plant and equipment				171
Right of use assets				177
Deferred tax asset				804
Other assets				1,954
<b>Total assets</b>				<b>31,347</b>
<i>Total assets include (net of research and development incentive):</i>				
Addition of intangible asset	15,791	–	–	15,791
Addition of property, plant and equipment	301	–	10	311
<b>Liabilities</b>				
Segment liabilities	4,821	1,506	–	6,327
<i>Unallocated liabilities:</i>				
Trade and other payables				985
Provisions and other liabilities				1,105
<b>Total liabilities</b>				<b>8,417</b>

**Note 8. Operating segments continued****Operating segment information continued**

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

**Note 9. Current assets – cash and cash equivalents**

	Consolidated	
	2021 \$'000	2020 \$'000
Cash at bank	587	443
Cash on deposit	5,891	1,880
	<u>6,478</u>	<u>2,323</u>

*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	
	2021 \$'000	2020 \$'000
Trade receivables	903	301
Allowance for expected credit loss	(77)	(97)
	<u>826</u>	<u>204</u>
Other receivables	38	3,622
	<u>864</u>	<u>3,826</u>

*Other receivables*

As reported in the 2020 annual report, other receivables included revenue receivable from PharmX. During the current financial year, Corum acquired the remaining share of PharmX which resolved the matter of outstanding distributions that were due from PharmX to Corum.

	Consolidated	
	2021 \$'000	2020 \$'000
The ageing of the impaired trade receivables is as follows:		
Less than 3 months overdue	37	25
3 to 6 months overdue	16	29
Over 6 months overdue	24	43
	<u>77</u>	<u>97</u>

**Note 10. Current assets – trade and other receivables continued**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
<i>Movements in the allowance for expected credit loss:</i>		
Opening balance	97	60
Bad debts written off	(48)	(24)
Additional provisions recognised	28	61
Closing balance	<u>77</u>	<u>97</u>

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

Less than 30 days overdue	37	6
31 to 60 days overdue	34	89
Over 60 days overdue	13	21
	<u>84</u>	<u>116</u>

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**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Prepayments and security deposits	298	106
eCommerce payments awaiting clearance (i)	1,194	1,822
	<u>1,492</u>	<u>1,928</u>

<sup>(i)</sup> 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: Business combinations**

On 4 September 2020, Corum Group Limited acquired the remaining 57% interest that it did not already own in PharmX Pty Ltd and PharmX Unit Trust (PharmX) for total consideration of \$7,900,000. PharmX is the pre-eminent gateway that links pharmacies, pharmaceutical wholesalers and direct suppliers within the pharmacy market. Corum views this as a significant strategic asset in the community pharmacy ecosystem. The fair value of assets identified in relation to the acquisition of PharmX are preliminary as at 30 June 2021 and will be finalised within 12 months from the date of acquisition.

Details of the assets and liabilities acquired are as follows:

	<b>Fair Value \$'000</b>
<b>Assets</b>	
Cash and cash equivalents	5,975
Trade and other receivables	694
Other assets	22
PharmX gateway software	6,922
Customer relationships and contracts	3,833
PharmX brand	739
	<u>18,185</u>
<b>Liabilities</b>	
Trade and other payables	(508)
Provisions	(59)
Unit holder entitlements	(6,106)
Deferred tax liability	(1,143)
	<u>(7,816)</u>
<b>Total identifiable net assets acquired at fair value</b>	<b><u>10,369</u></b>
Goodwill arising on acquisition	2,115
<b>Fair value of PharmX at acquisition</b>	<b><u>12,484</u></b>

The net assets recognised in the 30 June 2021 financial statements are based on a provisional assessment of their fair value.

The fair value of trade receivables is \$694,000, which is equal to the gross contractual amount, all of which has been collected subsequent to acquisition.

The deferred tax liability is due to the tax effect of recognising acquired intangible assets, in a business combination.

Unit holder entitlements of \$896,000 have been paid to external parties subsequent to acquisition.

	<b>Fair Value \$'000</b>
Consideration (Cash) paid for 57% remaining interest	7,900
Book value of 43% investment held in PharmX prior to acquisition	2,686
Fair value step-up of existing 43%	1,988
Prior period capitalised transaction costs, expensed in the current period	(90)
<b>Value of investment held</b>	<b><u>12,484</u></b>
<b>Impact on Statement of profit and loss</b>	
Fair value step-up of existing 43%	1,988
Transaction costs expensed	(261)
	<u>1,727</u>



**Note 12: Business combinations continued**

Cash used to acquire business, net of cash acquired:

	<b>Cash flow on acquisition \$'000</b>
Cash paid	(7,900)
Net cash acquired with the subsidiary	5,975
Transaction costs paid	(172)
	<b>(2,097)</b>

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

	<b>Consolidated</b>	
	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Leasehold improvements – at cost	87	87
Accumulated depreciation	(56)	(34)
	<u>31</u>	<u>53</u>
Plant and equipment – at cost	2,602	2,416
Accumulated depreciation	(2,138)	(1,944)
	<u>464</u>	<u>472</u>
Total property, plant and equipment	<u>495</u>	<u>525</u>

**Reconciliations**

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

<b>Consolidated</b>	<b>Leasehold improvements \$'000</b>	<b>Plant and equipment \$'000</b>	<b>Total \$'000</b>
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
Additions	–	311	311
Disposals	–	(6)	(6)
Depreciation capitalised	(5)	(112)	(117)
Depreciation expense	(17)	(201)	(218)
Balance at 30 June 2021	<u>31</u>	<u>464</u>	<u>495</u>

*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**

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

**Right of use asset**

<b>Consolidated</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
Leased assets – at cost	1,106	1,084
Accumulated amortisation	(810)	(382)
Right of use asset	296	702
<i>Movement:</i>		
Opening balance	702	817
Additions	22	267
Amortisation	(428)	(382)
Closing balance	296	702

**Lease liability**

<b>Consolidated</b>	<b>Up to 12 months \$'000</b>	<b>Between 1 and 5 years \$'000</b>	<b>Total \$'000</b>
Lease Liabilities as at 30 June 2021	280	41	321

<b>Consolidated</b>	<b>2021 \$'000</b>	<b>2020 \$'000</b>
<i>Movement:</i>		
Opening balance	733	817
Additions	–	267
Rent adjustments	(13)	–
Interest expense	35	50
Lease principal payments	(434)	(401)
Balance as at 30 June	321	733

**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**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Goodwill – at cost	2,115	–
Accumulated impairment	–	–
	2,115	–
Software product development – at cost	21,611	11,152
Customer Contracts/Relationships - at cost	3,833	–
PharmX Brand - at cost	739	–
Accumulated impairment	(1,467)	(1,467)
Research and development incentives	(6,084)	(4,729)
Amortisation of software development	(1,462)	(282)
	17,170	4,674
Total intangible assets	19,285	4,674

**Reconciliations**

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

<b>Consolidated</b>	<b>Goodwill</b>	<b>Software product development</b>	<b>Brand</b>	<b>Customer Contracts/ Relationships</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
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
Additions	2,115	10,459	739	3,833	17,146
Research and development incentives	–	(1,355)	–	–	(1,355)
Impairment	–	–	–	–	–
Amortisation of software development	–	(952)	–	(228)	(1,180)
Balance at 30 June 2021	2,115	12,826	739	3,605	19,285

*Review of carrying values*

Where there are any indicators of impairment, or for any intangible assets not yet in use or with an indefinite useful life (including goodwill), the recoverable value of the intangible asset 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

assets reviewed include the existing Corum applications, assets acquired and newly-developed programs. The review anticipates a substantial period of transition in the marketplace as customers migrate from older products to the new Corum Clear suite of products. This transition will be spread over a number of years.

Research and development tax benefits are excluded from the terminal value for the purpose of EBITDA based calculations. Cash flows are discounted at 12% (2020: 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

**Note 15: Non-current assets – intangibles continued**

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 resulted in no assets being impaired. 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 derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

*Goodwill*

Goodwill arises on the acquisition of a business. Goodwill is not amortised. Instead, goodwill is tested annually

for impairment or more frequently if events or changes in circumstances indicate that it might be impaired and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are taken to profit or loss and are not subsequently reversed.

*Software product development*

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

*Research and development costs*

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

*Impairment of non-financial assets*

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

**Note 16: Current liabilities – trade and other payables**

	Consolidated	
	2021 \$'000	2020 \$'000
Trade payables	435	361
Sundry creditors and accruals	3,324	1,445
eCommerce payments awaiting clearance	1,194	1,822
	<u>4,953</u>	<u>3,628</u>

*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**

	<b>Consolidated</b>	
	<b>2021</b>	<b>2020</b>
	<b>\$'000</b>	<b>\$'000</b>
Employee benefits	1,032	1,197
Lease make good	22	5
	1,054	1,202

*Lease make good*

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

**Movements in provisions**

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

<b>Consolidated – 2021</b>	<b>Lease make good \$'000</b>
Carrying amount at the start of the year	5
Provision transitioned from non-current to current	17
Carrying amount at the end of the year	22

*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: Contract settlement**

As announced on 30 October 2020, agreement has been reached with BAMB Group Administration Pty Ltd ('BAMB') regarding the development of a cloud-based head office solution. The 63,642,138 fully paid ordinary shares that were to be issued to BAMB pursuant to resolution 4 adopted at the 2019 Corum Annual General Meeting, will not now be issued.

In consideration for the assignment of the development work completed to date and associated IP and the other commercial rights being granted, Corum has paid

BAMB \$800,000 in November 2020, with three further payments of \$400,000 to be made annually thereafter.

This resulted in one-off non-trading costs of \$1,468,000. This is the present value of the total consideration of \$2,000,000 to be paid that has not met the asset recognition criteria to be capitalised on the balance sheet as software product development.

The present value of the non-current liability recognised that relates to future payments to be made to BAMB is \$726,000 at 30 June 2021.

**Note 19: Non-current liabilities – provisions**

	Consolidated	
	2021 \$'000	2020 \$'000
Employee benefits	117	180
Lease make good	3	12
	<u>120</u>	<u>192</u>

**Movements in provisions**

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

Consolidated – 2021	Lease make good \$'000
Carrying amount at the start of the year	12
Provision transitioned from non-current to current	(17)
Additional provisions recognised	8
Carrying amount at the end of the year	<u>3</u>

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 20: Equity – issued capital**

	Consolidated	
	Shares	\$'000
Ordinary shares – fully paid		
Balance at 1 July 2020	402,567,592	89,724
Share issue	194,189,197	8,936
Transaction costs	–	(294)
Balance at 30 June 2021	596,756,789	98,366

*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 21. 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.

	Consolidated	
	2021 \$'000	2020 \$'000
<i>Franking credits</i>		
Franking credits available for subsequent financial years	1,249	1,249

The deferred franking debit account has a balance of \$6,810,000 (2020: \$5,109,000). 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 22. Equity – reserves**

	Consolidated	
	2021 \$'000	2020 \$'000
Performance rights reserve	18	18
<i>Movement in performance rights reserve</i>		
Balance at the beginning of the financial year	18	–
Performance rights expense	18	18
Reversal of expense associated with performance rights which have lapsed	(18)	–
Balance at the end of the financial year	18	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 23. Cash flow**

	Consolidated	
	2021 \$'000	2020 \$'000
<b>Reconciliation of profit after income tax to net cash from operating activities</b>		
Profit after income tax expense for the year	1,091	176
Adjustments for:		
Depreciation and amortisation	1,826	801
Impairment of intangibles	–	1,467
Fair value adjustment of investments	(1,727)	(1,781)
Contract settlement	1,468	–
Research and development tax benefit on intangibles	1,355	1,384
Net loss on disposal of non-current assets	(6)	11
Interest on lease and other liabilities	63	50
Income tax related to transaction costs in equity	20	20
Share based payments	–	18
Change in operating assets and liabilities:		
Decrease / (Increase) in trade and other receivables	3,656	(1,521)
Decrease in inventories	30	12
Decrease / (Increase) in income tax refund due	153	(199)
(Increase) in deferred tax assets	(175)	(19)
Decrease in other operating assets	606	178
(Decrease) in trade and other payables	(4,793)	(393)
(Decrease) / Increase in other provisions	(279)	85
(Decrease) / Increase in deferred revenue	(126)	80
Net cash from operating activities	3,162	369
<b>Non-cash investing and financing activities</b>		
Additions to the right of use assets (note 14)	22	267
Leasehold improvements – lease make good (note 17 and note 19)	8	(20)
Performance rights issued/lapsed (note 22)	–	18
	30	265

**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.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

**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	2021		2020	
	Weighted average interest rate %	Balance \$'000	Weighted average interest rate %	Balance \$'000
Cash on deposit	0.50%	5,891	0.55%	1,880
Net exposure to cash flow interest rate risk		5,891		1,880

An official increase/(decrease) in interest rates of 5.0 (2020: 5.5) basis points would have a favourable/adverse effect on profit before tax of \$2,946 (2020: \$1,034) per annum. The percentage change is based on the expected volatility of interest rates of a 10% movement, using market data and analysts forecasts.

**Credit risk**

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

<b>Consolidated</b>	<b>1 year or less \$'000</b>	<b>Between 1 and 2 years \$'000</b>	<b>Between 2 and 5 years \$'000</b>	<b>Over 5 years \$'000</b>	<b>Remaining contractual maturities \$'000</b>
<b>2021</b>					
<b>Financial assets</b>					
Cash	587	–	–	–	587
Cash on deposit	5,891	–	–	–	5,891
Trade and other receivables	864	–	–	–	864
Security deposits	161	51	–	–	212
eCommerce payments awaiting clearance	1,194	–	–	–	1,194
	8,697	51	–	–	8,748
<b>Financial liabilities</b>					
Trade payables and accruals	3,759	–	–	–	3,759
eCommerce payments awaiting clearance	1,194	–	–	–	1,194
Lease liabilities	280	41	–	–	321
Deferred settlement payments	400	356	370	–	1,126
	5,633	397	370	–	6,400
<b>2020</b>					
<b>Financial assets</b>					
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
<b>Financial liabilities</b>					
Trade payables and accruals	1,806	–	–	–	1,806
eCommerce payments awaiting clearance	1,822	–	–	–	1,822
Lease liabilities	422	270	41	–	733
	4,050	270	41	–	4,361

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 2021 and at 30 June 2020.

**Note 26: Commitments**

The Group had no material commitments as at 30 June 2021.



**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	
	2021 \$'000	2020 \$'000
Short-term employee benefits	940	882
Post-employment benefits	56	67
Performance rights	5	13
	<u>1,001</u>	<u>962</u>

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 nil (2020: \$80,434) were paid to his associate Paterson Wholohan Grill Pty Ltd.

Consultancy fees for the corporate actions and capital raise process of nil (2020: \$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:

	Principal place of business/ Country of incorporation	Ownership interest	
		2021 %	2020 %
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%
PharmX Pty Ltd	Australia	100%	43%

**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.

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:

<b>Consolidated 2021</b>							
<b>Grant date</b>	<b>Vesting date</b>	<b>Exercise price</b>	<b>Opening Balance 1 July</b>	<b>Rights issued</b>	<b>Rights vested</b>	<b>Rights lapsed</b>	<b>Closing Balance 30 June</b>
17 Feb 2020	September 2021 to February 2023	\$0	4,800,000	–	–	(4,800,000)	–
17 Nov 2020	16 April 2023	\$0	–	4,000,000	–	–	4,000,000
			<u>4,800,000</u>	<u>4,000,000</u>	<u>–</u>	<u>(4,800,000)</u>	<u>4,000,000</u>

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 2021, no performance rights can be exercised. The performance rights have a useful life based on vesting date of 16 April 2023, once service and exercise conditions are achieved.

**Note 31: Parent entity information**

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

	2021 \$'000	Parent 2020 \$'000
<b>Statement of profit or loss and other comprehensive income</b>		
Loss after income tax	(1,812)	(2,095)
Total comprehensive income for the year	<u>(1,812)</u>	<u>(2,095)</u>
<b>Statement of financial position</b>		
Total current assets	<u>7,282</u>	<u>3,746</u>
Total assets	<u>20,064</u>	<u>15,293</u>
Total current liabilities	<u>1,343</u>	<u>1,144</u>
Total liabilities	<u>8,712</u>	<u>10,771</u>
Equity		
Issued capital	98,366	89,724
Reserves	18	18
Accumulated losses	<u>(87,032)</u>	<u>(85,220)</u>
Total equity	<u>11,352</u>	<u>4,522</u>

*Contingent liabilities*

The parent entity had no contingent liabilities as at 30 June 2021 and 30 June 2020.

*Capital commitments – Property, plant and equipment*

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2021 and 30 June 2020.

*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**

The impact of the Coronavirus (COVID-19) pandemic is ongoing and while it has had minimal financial effect for the consolidated entity up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation is rapidly developing and is dependent on measures imposed by the Australian and State Governments and the Governments of other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.



## 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 2021 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*

18 August 2021  
Sydney

## 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 2021, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, 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 2021 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.





**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.

**Impairment of intangible assets**

<i><b>Key audit matter</b></i>	<i><b>How the matter was addressed in our audit</b></i>
<p>The group is required under Australian Accounting Standard AASB 136 Impairment of Assets to complete each year an impairment assessment of intangibles assets such as goodwill, brand names and intangibles under development.</p> <p>The group has tested the assets by comparing the carrying value to its recoverable amount. The Group determined the recoverable amount through a value in use calculation with reference to discounted cash flow forecasts. The forecasts involve judgements and estimates, specifically in relation to revenue growth and discount rates.</p>	<p>Our audit procedures included, among others:</p> <ul style="list-style-type: none"> <li>• Challenging the determination of cash generating units and associated assets to be included in the carrying value of the cash generating units;</li> <li>• 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;</li> <li>• Assessing the sensitivity of the key assumptions for reasonable possible changes in the value in use model prepared by the Group; and</li> <li>• Assessing the adequacy of key disclosures within the financial statements.</li> </ul>

**Accounting for the business combination of PharmX**

<i><b>Key audit matter</b></i>	<i><b>How the matter was addressed in our audit</b></i>
<p>As disclosed in note 12 of the financial report, the group acquired the business of Pharmx Pty Ltd and Pharmx Unit Trust (Pharmx) during the year and has applied provisional accounting of the acquisition at 30 June 2021.</p> <p>The accounting for this business acquisition is a key audit matter due to the size of the acquisition and the significant judgements and assumptions made by management, including the estimation of the fair value of assets acquired and liabilities assumed.</p>	<p>Our procedures included, but were not limited to the following:</p> <ul style="list-style-type: none"> <li>• Reviewing the key executed transaction documents to understand the key terms and conditions of the acquisition;</li> <li>• Challenging the methodology and assumptions utilised to identify and determine the fair value of the assets and liabilities acquired; and</li> <li>• Assessing the adequacy of the group's disclosures in Note 12 of the financial report.</li> </ul>



### **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 2021, but does not include the financial report and the auditor's report thereon.

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

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

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

### **Responsibilities of the directors for the Financial Report**

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

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

### **Auditor's responsibilities for the audit of the Financial Report**

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

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

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](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 11 to 14 of the directors' report for the year ended 30 June 2021.


In our opinion, the Remuneration Report of Corum Group Limited, for the year ended 30 June 2021, 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  


Leah Russell  
Director

Sydney, 18 August 2021

## Shareholder information

The shareholder information set out below was applicable as at 12 August 2021.

### 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	657	223,639
1,001 – 5,000	353	931,750
5,001 – 10,000	308	2,238,538
10,001 – 100,000	430	16,039,829
100,001 and over	206	577,323,033
	1,954	596,756,789
Holding less than a marketplace parcel	1,107	1,701,494

### 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)	95,746,043	16.0
Arrotex Investments Holding 1 Pty Ltd	60,000,000	10.1
National Nominees Limited	38,033,657	6.4
Mersault Pty Ltd (The England Family S/F A/C)	26,766,667	4.5
Benki Pty Ltd	19,655,748	3.3
Mr David Gerald Manuel & Ms Anne Elizabeth Leary (Manuel Super Fund A/C)	18,666,667	3.1
Lyell Pty Ltd (Genesis Super Fund A/C)	17,388,974	2.9
Milburn Pty Ltd	16,088,895	2.7
Mr John Lagana	15,621,734	2.6
Ginga Pty Ltd (Thomas G Klinger Family A/C)	14,414,488	2.4
Mrs Penelope King	13,333,334	2.2
Sandhurst Trustees Ltd (Cyan C3G Fund A/C)	13,283,372	2.2
Link Enterprises (International) Pty Ltd	13,090,345	2.2
Mr Grant Povey	12,000,000	2.0
Seveniron Pty Ltd (Sedgwick Super A/C)	12,000,000	2.0
Lyell Pty Ltd (Hayman A/C)	10,666,666	1.8
Canceler Pty Ltd (Clarence Super Fund A/C)	9,150,000	1.5
Mr David Gerald Manuel & Ms Anne Elizabeth Leary (Manuel Family A/C)	8,000,000	1.3
Mr Tyson Wellman	8,000,000	1.3
Gabodi Pty Limited (Gabodi Pty Ltd S/F A/C)	7,197,334	1.2
	429,103,924	71.9



**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	95,747,043	16.04
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)	81,488,974	13.66
Arrotex Investments Holding 1	60,000,000	10.05
National Nominees Limited	38,033,657	6.37

**Unquoted equity securities**

	Number of Securities	Number of holders
<i>Employee incentive scheme</i> Performance rights to acquire ordinary shares	4,000,000	1

**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)  
Julian Sallabank (Managing Director and CEO)  
Jon Newbery (Non-executive Director)  
Jayne Shaw (Non-executive Director)  
Dennis Bastas (Non-executive Director)

## Company Secretary

Eryl Baron

## Registered Office

Level 3  
120 Sussex Street  
Sydney NSW 2000  
Telephone +61 2 9289 4699

## Website

[www.corumgroup.com.au](http://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: COO)

## Share Registry

Automic Group  
Level 5, 126 Phillip Street  
Sydney NSW 2000  
Telephone 1300 288 664  
or +61 2 9698 5414

