Corum Group Limited
Appendix 4E
Preliminary final report

Corum Group

1. Company details

Name of entity:	**Corum Group Limited**
Reporting period:	**For the year ended 30 June 2018**
Previous period:	For the year ended 30 June 2017
ABN:	25 000 091 305

2. Results for announcement to the market

			$'000
Revenues from ordinary activities	down	14.8% to	12,566
Profit from ordinary activities after tax attributable to the owners of Corum Group Limited	up		251
Profit for the year attributable to the owners of Corum Group Limited	up		251

Comments
Profit after tax amounted to $251,000 (2017: profit of $400,000 before impairment of goodwill)

A commentary on these results and additional Appendix 4E disclosures is appended. This preliminary final report is based on the consolidated financial statements of Corum Group Limited.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	2.73	3.36

4. Dividends

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

5. Audit Review

The financial statements are being audited and are subject to the issuance of the final audit report, with no modified opinion expected.

6. Issue Date

29 August 2018

Corum Group

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

- Revenue for the year of $12.6 million was down $2.2 million on the previous period.
- Health revenue reduced by $1.8 million largely due to the impact of several pharmacy groups implementing prior decisions to change software platforms.
- Enhanced Corum product has raised customer satisfaction. Cross selling of peripheral products to existing customers rose strongly in the second half.
- eCommerce revenue reduced slightly to $2.5 million, $0.3 million less than the prior period. Increased sales activity in the second half raised customer numbers.
- Continuing automation and productivity programs have and will continue to positively impact the future performance and the operating cost base of the business, which at $11.9 million was $1.2 million less than last year.
- The Company was very active in evaluating merger, acquisition and partnering opportunities during the year.
- Operating cash flow of $0.3 million for the year has been impacted by a delay in distributions receivable of $1.2 million at year end.
- Overall cash balance at 30 June 2018 was $5.0 million after investing and capitalising $3.2 million for the development of new applications and after the expense of $1.5 million for enhancing core products.
- Net assets of $14.2 million have increased $0.3 million.

In FY19 Corum will focus on marketing of Corum Clear Dispense and other upgraded software products.

Bill Paterson
Chairman

About Corum Group
Corum Group is a leading provider of retail software solutions to community pharmacies and pharmacy groups in Australia. Dedicated to the success of community pharmacy and the care of their patients, Corum's heritage dates back over 35 years to the pioneering developments of pharmacy software. Today Corum's point of sale, dispense, head office management and associated software systems are in use by leading pharmacies across Australia, underpinning their businesses and supporting the health care of millions of Australians.

Forward Looking Statements
This commentary may contain forward-looking statements including statements regarding our intent, belief or current expectations with respect to Corum Group Limited's business and operations, market conditions, results of operations and financial condition, specific provisions and risk management practices. When used, the words, '*will* or *anticipate* or *expect* or *may* or *should* or *continuation or activity* or *further* or *secure* or *transformation*,' and similar expressions, as they relate to Corum Group Limited and its management, are intended to identify forward-looking statements. Forward-looking statements involve known and unknown risks, uncertainties and assumptions and other important factors that could cause the actual results, performances or achievements of Corum Group Limited to be materially different from future results, performances or achievements expressed or implied by such statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date thereof.

Corum Group

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General information

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

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

Level 20
347 Kent Street
Sydney NSW 2000

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 29 August 2018. The directors have the power to amend and reissue the financial statements.

Corum Group Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2018

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

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

Corum Group Limited
Statement of financial position
As at 30 June 2018

Corum Group

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

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

Corum Group Limited
Statement of changes in equity
For the year ended 30 June 2018

Consolidated	Issued capital $'000	Share-based payment reserve $'000	Accumulated losses $'000	Total equity $'000
Balance at 1 July 2016	86,283	90	(66,465)	19,908
Loss after income tax expense for the year	-	-	(5,877)	(5,877)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(5,877)	(5,877)
Transactions with owners in their capacity as owners:				
Share-based payments	-	(55)	-	(55)
Performance rights exercised	-	(35)	35	-
Balance at 30 June 2017	86,283	-	(72,307)	13,976
Profit after income tax expense for the year	-	-	251	251
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	251	251
Balance at 30 June 2018	86,283	-	(72,056)	14,227

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

Corum Group Limited
Statement of cash flows
For the year ended 30 June 2018

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 1. 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 and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2018. The Group's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the Group, are set out below.

Note 1. Significant accounting policies (continued)

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The Group will adopt this standard from 1 July 2018 and it is anticipated that the adoption of this standard in future periods will have no material financial impact on the financial statements of the Group.

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

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

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligation in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or over time as) the entity satisfies performance obligations.

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

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

Corum Group

Note 2. Critical accounting judgements, estimates and assumptions

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

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

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

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

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

Note 3. Revenue

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

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

Note 3. Revenue (continued)

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

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

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

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

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

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

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

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

Note 4. Expenses

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

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

Note 5. Remuneration of auditors

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

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

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

Note 6. Income tax

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

Research and Development Tax Incentive

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

Note 6. Income tax (continued)

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

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

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

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

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

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

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

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.

Note 6. Income tax (continued)

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

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

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

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that 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 that it is probable there are future taxable profits available to recover the asset.

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

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

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

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

Note 7. Earnings per share

	Consolidated	
	2018	**2017**
	$'000	**$'000**
Profit/(loss) after income tax attributable to the owners of Corum Group Limited	251	(5,877)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	256,167,592	256,065,537
Weighted average number of ordinary shares used in calculating diluted earnings per share	256,167,592	256,065,537
	2018	**2017**
	Cents	**Cents**
Basic earnings per share	0.1	(2.3)
Diluted earnings per share	0.1	(2.3)

Note 7. Earnings per share (continued)

Accounting policy for earnings per share

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

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

Note 8. Operating segments

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

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

The Group operates predominantly in Australia.

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

Health Services	Provides dispense, point-of-sale and head office management software applications, along with hardware and support services to Australian pharmacies; and
eCommerce	Provides individuals and businesses the opportunity to pay their rent, utilities, local government fees and commercial obligations via electronic methodologies.

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

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

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

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

Note 8. Operating segments (continued)

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

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

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

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

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

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Note 8. Operating segments (continued)

Operating segment information

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

Note 8. Operating segments (continued)

Operating segment information (continued)

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

Note 9. Current assets - cash and cash equivalents

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

Accounting policy for cash and cash equivalents

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

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Note 10. Current assets - trade and other receivables

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

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

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

	Consolidated	
	2018	2017
The ageing of the impaired receivables provided for above are as follows:	$'000	$'000
Under 3 months overdue	17	21
3 to 6 months overdue	27	21
Over 6 months overdue	16	18
	60	60

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

	2018	2017
Opening balance	60	38
Additional provisions recognised	-	22
Closing balance	60	60

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

	2018	2017
Under 30 days overdue	68	60
31 to 60 days overdue	126	207
Over 60 days overdue	4	-
	198	267

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

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Note 10. Current assets - trade and other receivables (continued)

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

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

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

Note 11. Current assets - other

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

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

Note 12. Non-current assets - property, plant and equipment

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

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Note 12. Non-current assets - property, plant and equipment (continued)

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

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

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

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

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

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

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

Note 13. Non-current assets - intangibles

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

Note 13. Non-current assets - intangibles (continued)

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

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

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

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

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

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

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

Note 13. Non-current assets - intangibles (continued)

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

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

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

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

Note 14. Current liabilities - trade and other payables		**Consolidated**
	2018	**2017**
	$'000	**$'000**
Trade payables	447	382
Sundry creditors and accruals	1,238	1,638
Deferred rent expense	33	100
eCommerce payments awaiting clearance	2,238	2,160
	3,956	4,280

Refer to note 20 for further information on financial instruments.

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

Note 15. Current liabilities - provisions		**Consolidated**
	2018	**2017**
	$'000	**$'000**
Employee benefits	1,046	939
Lease make good	40	133
	1,086	1,072

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

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Note 15. Current liabilities - provisions (continued)

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

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

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

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

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

Note 16. Non-current liabilities - provisions

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

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

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

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

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Note 16. Non-current liabilities - provisions (continued)

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

Note 17. Equity - issued capital

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

Movements in ordinary share capital

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

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

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

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

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

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

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

Accounting policy for issued capital
Ordinary shares are classified as equity.

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

Note 18. Equity – dividends and franking credits

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

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

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

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

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

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

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

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

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Note 20. Financial instruments

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

Market risk

Foreign currency risk
The Group has no material exposure to foreign exchange risk.

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

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

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

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

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

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

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

Note 20. Financial instruments (continued)

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

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

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

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

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

Note 21. Contingent liabilities

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

Note 22. Commitments

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

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

Note 23. Key management personnel disclosures

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

	Consolidated	
	2018	2017
	$'000	$'000
Short-term employee benefits	1,571	1,620
Post-employment benefits	106	140
Share-based payments	-	5
Termination benefits	-	135
	1,677	1,900

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

Note 24. Related party transactions

Parent entity
Corum Group Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 25.

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

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

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

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

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

Note 25. Interests in subsidiaries

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

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

Note 26. Share-based payments

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

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

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

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

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

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

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

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

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

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

Note 27. Parent entity information

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

	Parent	
	2018	2017
Statement of profit or loss and other comprehensive income	**$'000**	**$'000**
Loss after income tax	(827)	(1,115)
Total comprehensive income for the year	(827)	(1,115)

Statement of financial position		
Total current assets	7,134	9,593
Total assets	16,135	17,375
Total current liabilities	1,073	1,100
Total liabilities	12,702	13,115
Equity		
Issued capital	86,283	86,283
Accumulated losses	(82,850)	(82,023)
Total equity	3,433	4,260

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

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

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

Note 28. Events after the reporting period

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