



18 February 2020

The Manager – Listings
Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Via electronic lodgement

Dear Sir / Madam

Corum reports results for the half-year ended 31 December 2019

Attached in accordance with Listing Rule 4.2A is the Appendix 4D, consolidated financial report, directors' report and auditor's review report for Corum Group Limited for the half-year ended 31 December 2019.

The release of this announcement was authorised by the Board of Corum Group Limited.

Yours faithfully
Corum Group Limited

David Clarke
Company secretary



Appendix 4D

Name of entity

Corum Group Limited

ABN or equivalent company reference

25 000 091 305

Half year ended ('current period')

31 December 2019

Financial year ended
(('previous corresponding period for
Balance Sheet')

30 June 2019

Half year ended
(('previous corresponding period for
Statement of Comprehensive Income and
Cash Flow Statement')

31 December 2018

**CORUM GROUP LIMITED**ABN 25 000 091 305
AND ITS CONTROLLED ENTITIES**Results for announcement to the market**

Extracts from this report for announcement to the market

1. Revenue from ordinary activities	Down 14.3% to	\$5,011,000
2. Loss from ordinary activities after tax attributable to members		(\$304,000)
3. Loss for the period attributable to members		(\$304,000)

Statement regarding dividends	No dividends have been declared
Record date for determining entitlements to the dividend	N/A

	Current Period	Previous Corresponding Period
Net tangible assets/(liabilities) per security	2.5 cents	2.0 cents



Corum Group Limited

ABN 25 000 091 305

**Half-Yearly Report
For the Six Months Ended
31 December 2019**

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Directors' Report

The Directors present their report, together with the financial statements, on the Consolidated Entity consisting of Corum Group Limited ('Corum' or the 'Company') and the entities it controlled for the half-year ended 31 December 2019.

Directors

The names of Directors in office at any time since the beginning of the half-year up to the date of this report are:

Bill Paterson	– Chairman and Non-executive Director
Nick England	– Non-executive Director (commencing 21 November 2019)
Matthew Bottrell	– Non-executive Director
Gregor Aschoff	– Executive Director (resigned 19 November 2019)
Gregor Aschoff	– Non-executive Director (commencing 20 November 2019)

Company Secretary

The following person held the position of Company Secretary during or since the end of the half-year:

David Clarke – Company Secretary

Principal Activities

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

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

Operating Results

The underlying operating loss of the Consolidated Entity before providing for income tax and goodwill impairment amounted to \$322,000 (2018: \$319,000 profit). Net loss after taxation and goodwill impairment was \$304,000 (2018: \$2,292,000 loss). There were no changes to the operations during the financial period.

Dividends

No dividend was paid by the company in the half-year ended 31 December 2019.

Review of Operations

Revenue for the half-year was \$5,011,000, a decrease of 14.3% on the prior period. Health Services revenue fell \$603,000. Of this difference \$290,000 was attributable to one-off development revenues in the prior period and \$252,000 was due to longer timeframes for implementation of Corum Clear Dispense with contracted customers. ECommerce revenue fell \$192,000 as the business continues its trend decline. Interest income fell by \$47,000 due to lower interest rates and cash balances.

Directors' Report continued

Review of Operations continued

During the 2020 half-year Corum has achieved the following key strategic outcomes around customer acquisition, product development and business recapitalisation:

- Signed a Heads of Agreement with Pharmacy Alliance to supply solutions for both their enterprise head office and member pharmacies.
- Completed BAMB contractual negotiations for the joint development of Corum Clear Head Office, a cloud-based enterprise product, development of which is progressing well.
- Launched Corum Clear Dispense product to the market.
- Completed the \$3.66 million capital raising to strengthen the balance sheet and enable Corum to invest for the future.

Whilst significant progress has been made in positioning Corum favourably in the market with an enhanced product suite and improved organisational capability to facilitate growth, sales of Corum Clear Dispense were below expectations.

Operational and development highlights during the half-year included:

- Substantial software investment, with \$0.7 million spent on upgrading existing platforms and \$1.4 million on the development of two core products Corum Clear Dispense and Corum Clear Enterprise;
- Enhanced integration of Corum Clear Dispense with LOTS POS so it performs as seamlessly as LOTS Complete;
- Broader Corum Clear Dispense integrations with third party products and ongoing feature improvements driven by users' feedback;
- Continuing support for the LOTS suite of products with functionality enhancements and third party integrations; and
- Development of Android versions of legacy mobile platforms.

Cash held by the Company at the end of the financial period was \$4.0 million, compared to \$2.3 million at the end of June 2019. Operating cash flow was \$0.2 million, \$1.0 million below last year primarily due to lower customer receipts. The overall cash position is higher as a result of the equity raise with proceeds of \$3.66 million and tax refund (including research and development incentive) of \$1.5 million. These inflows have been partly offset by investment in new product development of \$1.6 million, revenue from an unlisted entity due but not yet received of \$0.5 million, and share issue costs of \$0.3 million.

An amount of \$2.7 million remains outstanding from the unlisted entity of which \$2.2 million relates to prior periods. The relevant unitholders involved, post the favourable Supreme Court of Victoria ruling in favour of releasing the unpaid revenue are currently engaged in mediation, after completion of which payment is expected.

Outlook

Within the Health Services business the primary focus of the second half is the ongoing integrations and upgrades to Corum Clear Dispense facilitating a faster market rollout, the phase one launch of Corum Clear Enterprise, a focus on revenue generation and executing scalable rapid deployment.

With the capital funding received, Corum will continue to seek growth opportunities, build on the Corum Clear Dispense platform, and deliver on development of Corum Clear Enterprise which will enhance our market position and our ability to grow revenue.

Directors' Report continued

Outlook continued

Key priorities for the second half of FY20 are:

1. Roll out of Corum Clear Dispense to Pharmacy Alliance sites;
2. Continued market penetration of Corum Clear Dispense;
3. Engagement of groups prior to launch of Phase 1 Corum Clear Enterprise;
4. Delivery of phase 1 Corum Clear Enterprise;
5. Expected receipt of outstanding cash from unlisted entity; and
6. Leveraging of market position in pharmacy software to related technologies.

Financial Position

The Consolidated Entity net assets are \$12,699,000 (June 2019: \$9,562,000) after raising capital of \$3,441,000 (net of transaction costs). Working capital, current assets less current liabilities, is a surplus of \$5,663,000 (June 2019: \$3,911,000). A tax refund of \$1,493,000 (2018: \$1,785,000) was received during the period ended 31 December 2019.

Going Concern

Directors have prepared these financial statements on the basis that the Company is a going concern.

Events Subsequent to Reporting Date

On the 17 February 2020 the Directors of Corum Group Limited established a Long-Term Incentive Plan (LTIP) for senior management. The plan results in up to 10,000,000 performance rights being issued over two years which are subject to the achievement of performance targets. The financial effect of the LTIP is dependent on the performance targets and service conditions being met.

Other than noted above, there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial periods.

Auditor's Independence Declaration

The auditor's independence declaration as required by section 307C of the Corporations Act 2001 is set out on page 5.

Rounding of Amounts

The Company is an entity to which ASIC legislative instrument 2016/191 applies and, accordingly, amounts in the financial statements have been rounded to the nearest thousand dollars unless otherwise stated.

This Report of the Directors is signed in Sydney in accordance with a resolution of the Board of Directors.



Bill Paterson
Chairman



Matthew Bottrell
Director

Dated: 18 February 2020

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

As lead auditor for the review of Corum Group Limited for the half-year ended 31st December 2019, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Arthur Milner
Partner

BDO East Coast Partnership

Sydney, 18 February 2020

**Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the half-year ended 31 December 2019**

	Note	2019 \$'000	2018 \$'000
Revenue	2	5,011	5,845
Expenses			
Materials and consumables		(574)	(542)
Employee benefits	3	(3,849)	(3,931)
Occupancy	3	(85)	(390)
Marketing		(239)	(262)
Depreciation and amortisation	3	(383)	(209)
Finance costs	12	(24)	-
Other		(404)	(520)
Research and development tax benefit		225	328
(Loss) / Profit before goodwill impairment and income tax expense		(322)	319
Impairment of goodwill		-	(2,450)
Loss before income tax		(322)	(2,131)
Income tax benefit / (expense)	4	18	(161)
Loss after income tax expense for the half-year attributable to the owners of Corum Group Limited		(304)	(2,292)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Corum Group Limited		(304)	(2,292)
Earnings per share	5	Cents	Cents
Basic earnings per share		(0.11)	(0.89)
Diluted earnings per share		(0.11)	(0.89)

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

**Consolidated Statement of Financial Position
as at 31 December 2019**

		31 December 2019	30 June 2019 (Restated)
	Note	\$'000	\$'000
ASSETS			
Current assets			
Cash and cash equivalents		4,025	2,333
Trade and other receivables	8	2,842	2,305
Inventories		145	68
Income tax receivable	4	843	1,501
Other assets		2,978	2,981
		10,833	9,188
Non-current assets			
Other financial assets		30	30
Property, plant and equipment	12	1,519	731
Intangibles	9	5,412	4,472
Deferred tax assets		578	469
Other assets		209	148
		7,748	5,850
Total Assets		18,581	15,038
LIABILITIES			
Current liabilities			
Trade and other payables		3,446	4,021
Deferred revenue		183	146
Provisions		1,140	1,110
Lease liability	12	401	-
		5,170	5,277
Non-current liabilities			
Provisions		183	199
Lease liability	12	529	-
		712	199
Total liabilities		5,882	5,476
Net assets		12,699	9,562
EQUITY			
Issued capital	10	89,724	86,283
Accumulated losses		(77,025)	(76,721)
Total Equity		12,699	9,562

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

**Consolidated Statement of Changes in Equity
for the half-year ended 31 December 2019**

	Issued capital \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2019 (reported)	86,283	(76,261)	10,022
Prior period adjustment	-	(460)	(460)
Balance at 1 July 2019 (restated)	86,283	(76,721)	9,562
Loss after income tax	-	(304)	(304)
Total comprehensive income for the half year	-	(304)	(304)
Issues of new capital net of transaction costs	3,441	-	3,441
Balance at 31 December 2019	89,724	(77,025)	12,699
Balance at 1 July 2018 (reported)	86,283	(72,056)	14,227
Prior period adjustment	-	(460)	(460)
Balance at 1 July 2018 (restated)	86,283	(72,516)	13,767
Loss after income tax	-	(2,292)	(2,292)
Total comprehensive income for the half year	-	(2,292)	(2,292)
Balance at 31 December 2018 (restated)	86,283	(74,808)	11,475

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

**Consolidated Statement of Cash Flows
for the half-year ended 31 December 2019**

	2019	2018
	\$'000	\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	4,935	6,062
Payments to suppliers and employees	(6,277)	(6,676)
Interest received	27	73
Research and development incentive/income tax	1,493	1,785
Net cash from operating activities	178	1,244
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for property, plant and equipment	(62)	(211)
Payments for intangible assets	(1,595)	(1,515)
Proceeds from long term deposits	51	423
Payments for long term deposits	(60)	(158)
Net cash used in investing activities	(1,666)	(1,461)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of ordinary shares	3,660	-
Share issue transaction costs	(302)	-
Principal paid on lease liabilities	(154)	-
Interest paid on lease liabilities	(24)	-
Net cash from financing activities	3,180	-
Net increase / (decrease) in cash and cash equivalents	1,692	(217)
Cash and cash equivalents at beginning of the period	2,333	4,971
Cash and cash equivalents at end of the period	4,025	4,754

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

Notes to the Consolidated Financial Statements for the half-year ended 31 December 2019

This financial report includes the consolidated financial statements and notes of Corum Group Limited and controlled entities ('Consolidated Entity'). Corum Group Limited is a listed public company, incorporated and domiciled in Australia.

The presentational currency is Australian dollars.

Note 1: Basis of preparation

a) Basis of preparation

The half-year consolidated financial statement has been prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

It is recommended that the half-year financial report be read in conjunction with the Annual Financial Report for the year ended 30 June 2019 and any public announcements made by Corum Group Limited and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the Corporations Act 2001.

The group has applied the following standards and amendments for the first time for their half-year reporting period commencing 1 July 2019:

- AASB 16 *Leases*

The group adopted AASB 16 using the modified retrospective approach, with recognition of transitional adjustments on the date of initial application (1 July 2019), without restatement of comparative figures. This is disclosed in note 12.

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

The half-year financial report does not include full disclosure of the type normally included in an annual financial report.

b) Reporting basis and conventions

The financial statements have been prepared on an accruals basis and are based on historical costs; modified where applicable by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

c) Going concern basis

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.

d) New, revised or amending Accounting Standards and Interpretations adopted

The Consolidated Entity has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

**Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2019**

Note 1: Basis of preparation continued

d) New, revised or amending Accounting Standards and Interpretations adopted continued

The impact of the adoption of these Accounting Standards and Interpretations has been disclosed in note 12.

Any new, revised or amending Accounting Standards or Interpretations that are not yet effective have not been adopted.

**Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2019**

	2019	2018
	\$'000	\$'000
Note 2: Revenue		
Sales revenue		
Rendering of services	4,330	5,070
Sales of goods	181	251
	<u>4,511</u>	<u>5,321</u>
Other revenue		
Interest	27	74
Revenue from unlisted entity	473	450
	<u>500</u>	<u>524</u>
Total revenue	<u>5,011</u>	<u>5,845</u>
 Note 3: Expenses		
Employee benefits	4,745	5,151
Less: Capitalised development costs	(896)	(1,220)
	<u>3,849</u>	<u>3,931</u>
Occupancy	103	511
Less: Capitalised development costs	(18)	(121)
	<u>85</u>	<u>390</u>
<i>Depreciation and amortisation</i>		
Property, plant and equipment	173	194
Leased assets	172	-
Software development	76	50
Less: Capitalised development costs	(38)	(35)
	<u>383</u>	<u>209</u>

**Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2019**

	2019	2018
	\$'000	\$'000
Note 4: Income tax		
The major components of income tax expense are:		
Current period income tax charge	-	161
Adjustment for current income tax of previous year	8	(28)
Relating to utilisation and reversal of temporary differences	(26)	28
Income tax (benefit) / expense	<u>(18)</u>	<u>161</u>

	31 December 2019	30 June 2019
	\$'000	\$'000
Income tax receivable		
Opening Balance	1,501	1,757
Current tax expense	-	(273)
Prior year tax adjustment	(8)	28
Research and development tax offset	843	1,774
Tax Refund	(1,493)	(1,785)
Closing balance	<u>843</u>	<u>1,501</u>

The Group generated operating losses during the period from 1 July 1997 to 30 June 2009 which resulted in the creation of substantial carried forward tax losses. These tax losses can be used as an offset against taxable income in accordance with the consolidated tax group rules.

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

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

**Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2019**

	2019 \$'000	2018 \$'000
Note 5: Earnings per share (EPS)		
<i>Reconciliation of earnings to loss:</i>		
Loss after income tax attributable to owners of the Company	(304)	(2,292)
Earnings used in the calculation of basic and diluted EPS	(304)	(2,292)
	Number	Number
Weighted average number of ordinary shares used in calculating basic and diluted EPS	288,789,331	256,167,592

Note 6: 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 review 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 retail management software applications, along with hardware, training 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.

**Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2019**

Note 6: Operating segments continued

Segment performance	Health Services \$'000	eCommerce \$'000	Intersegment eliminations /unallocated \$'000	Consolidated \$'000
Half year to 31 December 2019				
Revenue				
Rendering of services	3,378	952	-	4,330
Sales of goods	181	-	-	181
Other revenue	473	-	-	473
Interest revenue	-	3	24	27
Total revenue	4,032	955	24	5,011
Profit/(loss) before income tax expense	232	26	(580)	(322)
Depreciation and amortisation of segment assets	147	13	223	383
Total Assets	3,386	2,251	12,944	18,581
Total Liabilities	(2,124)	(2,326)	(1,432)	(5,882)
Half year to 31 December 2018				
Revenue				
Rendering of services	3,934	1,136	-	5,070
Sales of goods	251	-	-	251
Other revenue	450	-	-	450
Interest revenue	-	11	63	74
Total revenue	4,635	1,147	63	5,845
Profit/(loss) before impairment of goodwill and income tax expense	1,096	66	(843)	319
Impairment of goodwill	(2,450)	-	-	(2,450)
Profit/(loss) before income tax expense	(1,354)	66	(843)	(2,131)
Depreciation and amortisation of segment assets	72	-	137	209
As at 30 June 2019				
Total Assets	2,663	2,166	10,209	15,038
Total Liabilities (restated)	(1,669)	(2,844)	(963)	(5,476)

**Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2019**

Note 7: Dividends paid and proposed

There was no final dividend declared and paid during the half-year (2018: Nil), and there was no interim dividend proposed (2019: Nil).

	31 December 2019 \$'000	30 June 2019 \$'000
Note 8: Current assets - trade and other receivables		
Trade receivables	226	163
Less: Allowance for expected credit loss	(65)	(60)
	<u>161</u>	<u>103</u>
Other receivables (i)	2,681	2,202
	<u>2,842</u>	<u>2,305</u>

(i) Other receivables include \$2,651,000 of revenue from an unlisted entity. As reported in the 2019 Annual Report, revenue from the unlisted entity has been withheld due to a significant dispute between other investors. The dispute has been before the Supreme Court in Victoria, with the judgement recently handed down in favour of releasing the unpaid revenue. The court has subsequently ordered investors undertake mediation on unrelated matters in dispute. Mediation is being undertaken in January and February 2020. As a consequence, Corum will not receive payment before that mediation process has concluded.

	31 December 2019 \$'000	30 June 2019 \$'000
Note 9: Non-current assets - intangibles		
Software product development – at cost	9,567	7,932
Less: Research and development incentives	(3,963)	(3,345)
Less: Amortisation of software development	(192)	(115)
Total intangible assets	<u>5,412</u>	<u>4,472</u>

**Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2019**

Note 9: Non-current assets - intangibles continued

Reconciliations

Consolidated	Goodwill (i)	Software product development	Total
	\$'000	\$'000	\$'000
Balance at 31 December 2018	2,094	3,514	5,608
Goodwill impairment (i)	(2,094)	-	(2,094)
Additions (ii)	-	1,695	1,695
Research and development incentives	-	(672)	(672)
Amortisation of software development	-	(65)	(65)
Balance at 30 June 2019	-	4,472	4,472
Balance at 30 June 2019	-	4,472	4,472
Additions (ii)	-	1,635	1,635
Research and development incentives	-	(616)	(616)
Amortisation of software development	-	(79)	(79)
Balance at 31 December 2019	-	5,412	5,412

- (i) Goodwill relates to the acquisitions in 1991 of the Lockie Computer business by Pharmasol Pty Limited and the Amfac business by Amfac Pty Limited. The carrying value of goodwill was reviewed in the prior year and the impairment charge considers the impact on the existing business of new products introduced in FY20, the impact on revenue and expenses of changes in business practices and changing industry conditions.
- (ii) Research and development tax benefits are offset against related software development costs when they are capitalised. The research and development tax benefit in the Consolidated Statement of Profit or Loss and Other Comprehensive Income is reduced accordingly.

**Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2019**

	31 December 2019 \$'000	30 June 2019 \$'000
Note 10: Issued capital		
Issued capital		
402,567,592 fully paid ordinary shares (30 June 2019: 256,167,592)	89,724	86,283
Movement in ordinary share capital		
	Shares	\$'000
Balance at 1 July 2019	256,167,592	86,283
Share Issue net of transaction costs	146,400,000	3,441
Balance at 31 December 2019	402,567,592	89,724

Note 11: Commitments

The Group has a commitment to issue equity in the form of shares after the current reporting period contingent on milestones and conditions being met in respect of a contract executed with BAMB Administration Pty Ltd (BAMB). The agreement relates to the co-development of a pharmacy software solution for multi-store management and in-store operations, incorporating elements and know-how of existing software developed independently by each party. This will comprise of a new Corum Clear enterprise product which is being developed in two stages. On successful completion of each stage, acceptance by Corum and transfer of all intellectual property to Corum, the Group will issue BAMB instalments of 31,821,068 shares and 31,821,070 shares respectively for each milestone.

The number of shares to be issued is based on a price of 3 cents per share as determined at the time the agreement was formed, and represents the fair market value for the intellectual property rights being acquired. The first milestone and instalment of shares is expected to occur during the second half of FY20. The second milestones and instalment of shares is expected during the first half of FY21.

Shareholders approved these arrangements at the Company's 2019 Annual General Meeting and the Company has received a waiver from the Australian Securities Exchange from Listing Rule 7.3.2 to permit the issue of shares later than three months after the shareholders' approval.

**Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2019**

Note 12: Leases

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

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

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

The balance sheet shows the following amounts relating to leases:

As at 31 December 2019 Property, plant and equipment balance of \$1,519,000 includes \$912,000 of leased assets (30 June 2019 nil).

	Total \$'000
Right-of-Use Assets	
Balance as at Transition Date	817
Additions	267
Amortisation	(172)
At 31 December 2019	<u>912</u>
Lease liabilities	
Balance as at Transition Date	817
Additions	267
Interest expense	24
Lease payments	(178)
At 31 December 2019	<u>930</u>

	Up to 12 months \$'000	Between 1 and 5 years \$'000	Total \$'000
Lease Liabilities as at 31 December 2019	401	529	930

The profit and loss for the half year ended 31 December 2019 was impacted as follows:

	Prior to AASB16 adoption	Post AASB16 adoption	Difference
Rental Expense	(263)	(85)	178
Interest Expense	-	(24)	(24)
Amortisation Expense	-	(172)	(172)
Impact on loss for the half year	<u>(263)</u>	<u>(281)</u>	<u>(18)</u>

**Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2019**

Note 12: Leases continued

Leasing activities and accounting approach

Corum Group leases various offices in Australia. Rental contracts are typically for a period of 3 years. Until the 2019 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.

**Notes to the Consolidated Financial Statements
for the half-year ended 31 December 2019**

Note 13: Prior period adjustment

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

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

Note 14: Events after the reporting period

On the 17 February 2020 the Directors of Corum Group Limited established a Long-Term Incentive Plan (LTIP) for senior management. The plan results in up to 10,000,000 performance rights being issued over two years which are subject to the achievement of performance targets. The financial effect of the LTIP is dependent on the performance targets and service conditions being met.

Other than as noted above there has not arisen in the interval between the end of the financial period and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Consolidated Entity, the results of those operations, or the state of affairs of the Consolidated Entity, in future financial periods.

Directors' Declaration

In the opinion of the Directors of Corum Group Limited:

- (a) The financial statements and notes, set out on pages 6 to 21 are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
 - (ii) complying with Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the Board



Bill Paterson
Chairman



Matthew Bottrell
Director

Dated: 18 February 2020

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Corum Group Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Corum Group Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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 half-year then ended, and notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group is not in accordance with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Directors' responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2019 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the Group, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is



substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Group, would be in the same terms if given to the directors as at the time of this auditor's review report.

BDO East Coast Partnership

A handwritten signature in black ink, appearing to read 'AM', with a horizontal line extending to the right.

Arthur Milner
Partner

Sydney, 18 February 2020

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