Alcidion Group Limited (ASX:ALC)

Annual Report 2016

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Corporate Directory

Current Directors (Alcidion Group Limited)

Name	Position	Date of Appointment
Mr. Ray Blight	Executive Chairman	22/02/2016
Prof. Malcolm Pradhan	Executive Director	22/02/2016
Mr. Nathan Buzza	Executive Director	22/02/2016
Mr. Brian Leedman	Non-Executive Director	28/07/2016
Mr. Nick Dignam	Non-Executive Director	22/02/2016
Mr. Josh Puckridge	Non-Executive Director	09/03/2015

Previous Directors (Naracoota Resources Limited)

Name	Position	Date of Resignation
Mr. Gavin Wates	Non-Executive Director	23/02/2016
Mr. Thomas Bahen	Non-Executive Director	22/02/2016

Registered office and principal place of office

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🖷 +61 8 6489 1601

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Bankers

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Australian Securities Exchange Limited
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ASX Code: ALC

Company Secretary

Miss Loren Anne Jones

Registers of securities

Computershare Investor Services Pty Ltd
Level 11, 172 St Georges Terrace,
Perth WA 6000

Chairman's Letter

Dear Fellow Shareholders,

Alcidion Group Limited (**Alcidion** or **Company**) is pleased to present its Annual Report for the financial year ended 30 June 2016 (**FY16** or **Period**).

Alcidion is focussed on anticipating the needs of the health care industry and we are focused on accelerating the commercialization of our innovative technologies that help create a healthier tomorrow, today.

Our mission remains to help our clients achieve, and sustain, high performance hospital services – by utilising our intelligent software to transform and improve patient care, staff productivity and service performance.

The core of Alcidion's business model is to create intellectual property in the form of Clinical Decision Support software (**CDSS**) to improve the quality of care for all patients and improve the productivity of clinicians and care teams.

On 29 February 2016, the Company listed on the Australian Securities Exchange (**ASX**) via a reverse takeover of Naracoota Resources Limited.

The Company secured $2m of new equity upon the completion of the reverse takeover. The Company finishes the Period in a healthy financial position, with $5.85m in cash, minimal debt and a $1m provision for the R&D Tax Incentive.

The Company is pleased to report on the key highlights for FY16:

- Completion of the ASX listing as Alcidion Group Limited (ASX: ALC).
- Deployment of three new products (Clinic, Best Practice Orders Sets and Access Bed Management) to paid beta site customer environments.
- Deployment of our Critical Test Results Management technology across the NT.
- Strengthened our relationship with Fujifilm Australia securing additional sales of the intelligent Cardiovascular Information System (**iCVIS**).
- Development of a cloud based Data Acquisition Technology for the National Echocardiogram Database of Australia.
- Appointment of Resapp Health co-founder Mr. Brian Leedman to the Board.

Additionally, after the close of FY16, we announced that we had entered into a MoU with Western Health for a five year, $2.35m contract signifying the transition of our Patient Flow and Bed Management Solutions from pilot installation to commercial deployment.

In FY16, the Company invested $2.24m in Research and Development. Alcidion made significant progress over the course of the Period in the adoption of industry standard technologies into its Miya Platform and Integration Engine.

The move to standardise these technologies has resulted in substantial efficiency gains in the Company's software development and has seen a substantial decrease in the cost of deployment.

"This has skyrocketed the **efficiency** in **patient care** as well as the **safety**"

Professor Tissa Wijerante
Consulting Neurologist
Director of the Stroke & Neuroscience Unit

Alcidion invested $1.5m in developing a Computerized Physician Order Entry (CPOE) platform, in the form of a Best Practice Pathology Ordering platform that automates the electronic ordering of pathology tests for Emergency Department physicians.

With the strong position afforded by the Company's financial, technological and corporate achievements of 2016, the Company is poised to target the following milestones by 30 June 2017:

- Preparation for our planned North American expansion in 2018.
- Deployment of cloud based, low cost, product modules.
- Establish reference customers in each state in Australia and New Zealand.
- Engage Private Hospital Groups in Australia and New Zealand.
- Forge Strategic Partnerships with healthcare technology partners.

While Alcidion is an early stage technology Company, it maintains an ambition to rapidly grow its revenue by leveraging its technical developments, leveraging selected M&A opportunities, and targeting significant new markets, such as North America and New Zealand.

Yours faithfully,

Mr. Raymond Blight
B Tech, B Ec, MBM, FIE (Aust), FAICD
Chief Executive Officer & Chairman
Alcidion Group Limited

Business Strategy

In this, the first public Annual Report of Alcidion Group Limited, we will start with an overview of the Alcidion advanced health informatics software business.

Australia is struggling to combat issues such as escalating healthcare costs, poor or inconsistent quality of healthcare, rapid expansion in healthcare insurance, and changing healthcare reform mandates. These issues are further exacerbated by growing consumerism, globalization, changing demographics, lifestyles, and growing incidences of diseases that are expensive to treat. Resolving these issues is a daunting task faced by healthcare stakeholders, highlighting the need for proactive, collaborative, and systemic models. Several initiatives and healthcare reforms have been developed in order to support the adoption and implementation of CDSS solutions.

Healthcare IT solutions such as Electronic Health Record (EHR), Clinical Decision Support systems, Computerized Physicians Order Entry (CPOE) and others have emerged as lucrative solutions to counter the increasing healthcare cost and manage scattered patient data. Although, the adoption of Healthcare IT (HCIT) is slower than expected, factors such as healthcare reforms, unprecedented investments in healthcare IT, and government initiatives to promote implementation of HCIT solutions will reshape the healthcare system. Moreover, the deployment of the clinical information system on the cloud model will further add significant value to healthcare systems, thereby reducing healthcare costs and enhancing the opportunity to integrate healthcare systems.

Fundamentally, Alcidion was born out of passion for a better healthcare system – and who better placed to enact this vision, than the former Chief Executive of South Australia Health and former Chair of the Australian Health Ministers' Advisory Council, Mr Ray Blight.

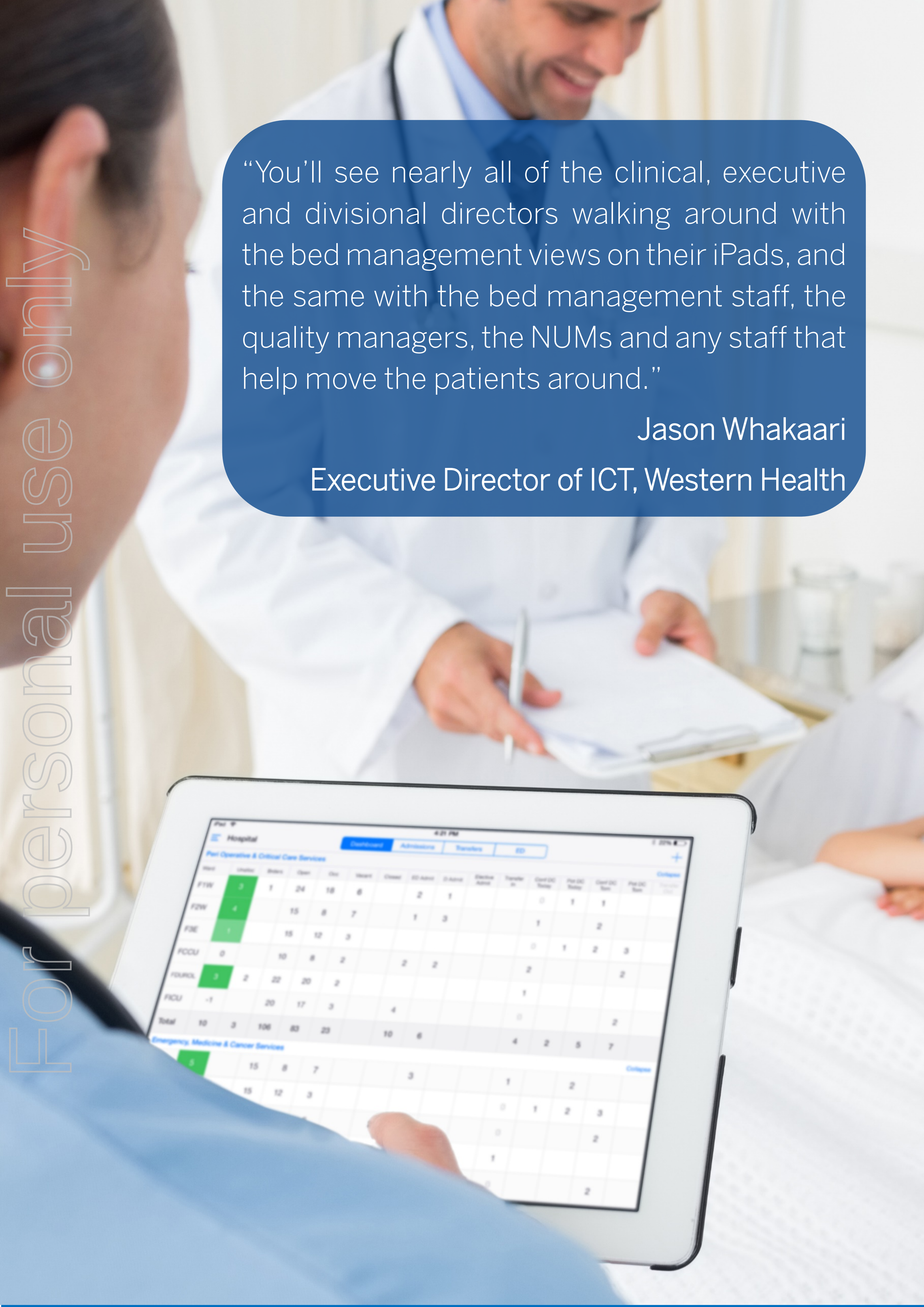
It is this conviction that Alcidion's product portfolio, based upon the Miya Clinical Decision Support and Smartform technology, hold the promise for a better tomorrow, a fundamental paradigm shift that will result in national savings in healthcare mounting into the hundreds of millions of dollars annually.

Australia is struggling to combat issues such as escalating healthcare costs, poor or inconsistent quality of healthcare, rapid expansion in healthcare insurance, and changing healthcare reform mandates

These are understandably strong words, making bold claims – but Alcidion is a bold company. Already, The Department of Health in Tasmania and the Department of Health in the Northern Territory are systemically deploying Alcidion's technology.

Miya Smartforms will play a pivotal role in addressing these challenges, by bringing key clinical information to the clinician in a way that highlights key risks. By using structured clinical data, Miya Smartforms can use patient and clinical context to improve the signal to noise ratio. The Miya platform has been designed to present relevant data to highlight clinical risks, not extraneous data. This in turn, can present the medical and clinical risk data and provide relevant guidance as to the best care options. The clinician still makes the decision, but once they have done so Miya can track the implementation of the decision.

Almost diametrically opposed to the pressure of reducing operational expenditure within the Australian healthcare system, is the requirement to improve the quality of care for all Australians.



"You'll see nearly all of the clinical, executive and divisional directors walking around with the bed management views on their iPads, and the same with the bed management staff, the quality managers, the NUMs and any staff that help move the patients around."

Jason Whakaari

Executive Director of ICT, Western Health

The Australian health care system has many excellent attributes but it has many problems that remain unresolved:

- Thousands of preventable deaths and iatrogenic injuries each year.
- 5-10% of hospital budgets consumed in - fixing iatrogenic injury.
- High demand on Emergency Departments and inpatient services.
- Wide variation between best evidence and clinical practice.
- Clinical workforce shortages and recruitment/retention problems.
- More clinician time needed to process greater volumes of clinical data.
- Poor management of clinical risk and associated litigation risk.
- Over reliance on human memory and pen and paper control systems.
- Inability to adequately capture Clinical Coding Data for insurance claims.

According to the Australian Patient Safety Foundation, Iatrogenic injury is costly; at least 10% of admissions to acute-care hospitals in Australia are associated with a preventable adverse event. It has been estimated that the direct medical costs of these events exceeds $4 billion per year and that the total life-time cost of such preventable injury may be twice that amount; there is also a heavy toll in human costs on both those who are harmed and those who care for them.

There are ethical, humanitarian and financial imperatives to find out what is going wrong, collate and analyse the information and devise and implement strategies to better detect, manage and prevent these problems. Failure to do this will result in escalating costs, as the factors contributing to iatrogenic injury will become more prevalent, not less, in the coming years.

Alcidion Solutions

Alcidion's software solutions apply clinical knowledge to pertinent clinical data and deliver at the point of care clinical guidance and clinical decision support. Alcidion aims to reduce the clinician's risk exposure and improve patient outcomes with less clinician time at the computer and more with the patient.

Alcidion technology focuses on the clinical decision and assembles the pertinent clinical data for such events: highlighting clinical risk and guiding clinicians in delivering evidence based medicine. The platform provides for the automation of complex clinical processes – it prompts standardized patient pathways at the point of care and makes it easy for clinicians to customise a process to the needs of their patient.

Alcidion's CDSS platform:

- Eliminates missed test results.
- Promote a team approach to managing key clinical information.
- Provide fast access to risk rated results, with all elements of the assay risk rated.
- Access to all digital results at the point of care (Pathology, Radiology, Digital ECG).

Alcidion's mission is to help our customers achieve, and sustain, high performance hospital services – by using our intelligent software to transform and improve patient care, staff productivity and service performance.

What do we mean by intelligent software?

Our software works 24/7 in the background, continually processing patient data to build clinical intelligence that will help clinicians/care teams to make the best possible clinical decision for a patient, as soon as possible, and preferably at the point of care. Our intelligent software is focused on the Clinical Decision Support space: this is because the clinical decision drives many important factors in care delivery such as quality of clinical outcomes, patient safety, cost of service and so on.

Without intelligent software, clinicians have to remember where patient data may be found, go to some effort to try and retrieve it, most likely be bombarded with data that is not germane to the problem they are dealing with, and then sort through the dumped data to find that which is useful to them, at that point in time.

The purpose of Alcidion's intelligent software is to automatically *push* high value, clinical intelligence to the care team (a hand's off approach) which is in contrast to the majority of health IT systems wherein clinicians have to know what they are looking for and figure out how to *pull* it from one or more data sources (hands on).

How does Alcidion software transform patient care?

Simply put, by making the patient journey safer by reducing the preventable errors that lead to death and injury.

Alcidion's intelligent software is able to monitor clinical risk against clinical standards, detect emerging clinical risk in clinical data sources, escalate the risk exposure to the care team and provide guidance on clinical risk management according to approved best practice clinical guidelines.

How does Alcidion software transform staff productivity?

By making it easier for staff to get the information they need to assess, monitor and manage patient clinical risk, giving them a time savings every time they use Alcidion software.

Staff satisfaction flows from using software that makes it easier for them to give the right care, first time: this contributes to motivated, less stressed staff, satisfied with doing a great job.

ALCIDION

How does Alcidion software transform service performance?

Accountability for overall hospital performance sits with hospital executives, who are held accountable against a variety of KPI's, some of which are similar across both public and private sectors (for example, length of stay in hospital).

Alcidion has seen an opportunity to leverage the highly granular clinical and logistics data generated from within its Patient Flow solution too present KPI feedback for both performance monitoring and performance management. Alcidion will continue to work with customers to build the hard evidence of performance improvement in costs, service quality and efficiency.

In summary, the Alcidion business is the supply of advanced health informatics to turbo charge hospitals towards high performance – safer, faster, more efficient and effective services.

During the period, Alcidion has added major new products into its health informatics software arsenal and each of them is in, or will shortly be in, a paid beta site deployment. On top of the existing product set, they will provide additional sales ammunition going forward in pursuit of accelerated revenue growth.

As these hospital focused products are maturing in the market place, Alcidion will research the morphing of our hospital based products into services/products to supply high performance health care in the out-of-hospital sector.

Miya Platform

At the heart of Alcidion's software, is an advanced, health informatics platform to deliver clinical decision support into the Alcidion product line – Miya Platform.

Hospitals are built upon an eco-system of disparate Clinical Information Systems (CIS), workflows are inherently complex and fluctuate based on each patient's differential diagnosis and modality.

Alcidion's Miya Platform integrates disparate CIS and is able to assemble, keep up to date and present in real time, a package of data that is then used to build clinical intelligence to support better care whilst Patients are in the hospital.

This clinical intelligence is focused on detecting and mitigating patient clinical risk and is pushed to the clinicians and care teams via continuum of devices, from large format digital displays through web browsers through to mobile devices.

Clinical Decision Support

Over the past decade, Alcidion has invested in excess of $18.60m in the Research & Development of the cutting edge Clinical Decision Support System (CDSS) that is embedded in the Miya Platform suite. The rationale for this investment being the strong signs of maturing market interest in the need for CDSS. For example, beginning from 2016, the US Federal Government will progressively reduce funding to hospitals that have not adopted and deployed this technology. As a result, IndustryARC estimates that the CDSS market will grow at a Compound Annual Growth Rate of 21.5% from $USD1.18b to $USD4.65b by the end of the decade.

The work of healthcare professionals and clinicians is largely a world of making decisions and solving problems. It is a world of choosing issues that require attention, setting goals, finding and designing suitable courses of action and evaluating and choosing among alternative actions. Clinicians must choose from and interpret a myriad of clinical data, while facing pressure to decrease uncertainty, risks to patients and costs. The true essence of healthcare delivery is decision making — what information to gather, which tests to order, how to interpret and integrate this information into diagnostic hypotheses and what treatments to administer. Despite great steps forward, however, uncertainty still plays a pivotal role in most aspects of medical decision making. This uncertainty is compounded by the information overload that characterises modern medicine. Today's clinician needs close to 2 million pieces of information to practice medicine and doctors subscribe to an average of seven journals, representing over 2,500 new articles each year, making it impossible to keep abreast with the latest information about diagnosis, prognosis, therapy and related health issues.

Furthermore, the interpretation of patient data is difficult and complicated, due to the mainly because the required expert knowledge in each of many different medical fields is enormous and the information available for the individual patient is multidisciplinary, imprecise and very often incomplete.

Co-Founder, Prof. Malcolm Pradhan studied medicine at the University of Adelaide and obtained a PhD in Medical Informatics from Stanford University, CA.

This is further complicated with a rising level of co-morbidities systemically across the population — an ever increasing level of patient complexity, with a rapidly expanding global population. Simply put — the current healthcare system will be unsustainable by the end of the next decade and we must adopt technological solutions to be able to produce a broader range of effective, high quality services with fewer human resources.

The core of our business model is the creation of intellectual property in the form of CDSS software developed to improve the quality of care for all patients and to dramatically improve the productivity of clinicians and care teams. Our software is bundled with other technologies and services to create complete clinical and business solutions for health care providers. In short, we build, sell, deliver, run and support solutions for health care provider organizations around the Australia and New Zealand.

Alcidion Product Portfolio

Computerized Physician Order Entry

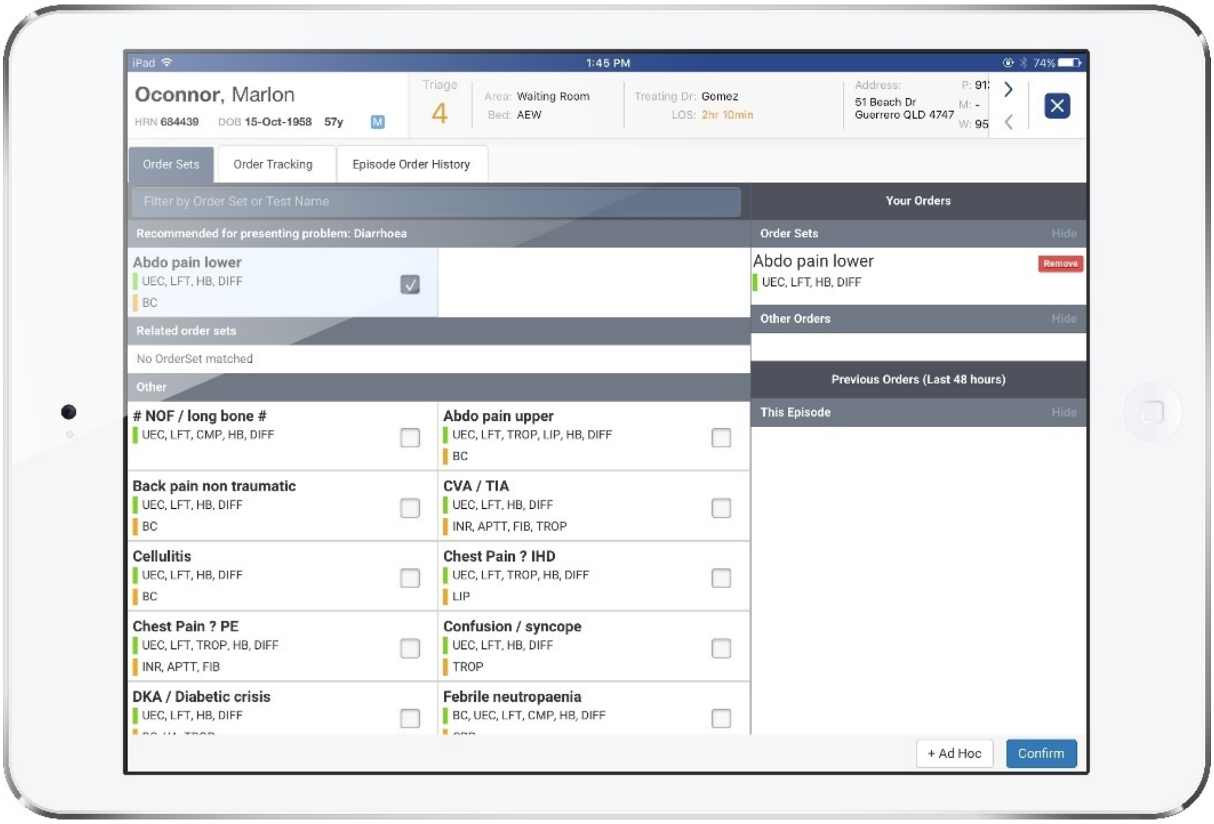
In FY16 Alcidion invested $1.5m developing a Computerized Physician Order Entry platform, in the form of a Best Practice Pathology Ordering product that automates the electronic ordering of pathology for Emergency Department (ED) physicians.

guidelines published jointly by the Australian College of Emergency Medicine and Australian College of Pathologists. After an extensive, global market survey, they chose Alcidion to partner with to develop this advanced technology, specifically tuned to the Australian environment. Alcidion has delivered the software to NT Health and is awaiting a two-way data feed to a third party Laboratory

Miya Orders streamlines the Emergency Department workflow by providing guidance to physicians on the most clinically appropriate pathology tests for a patient, depending on the patient's clinical presentation.

One of Alcidion's long standing customers, the Northern Territory Department of Health (NT Health), saw the need for electronic ordering of pathology tests from the ED, with the test orders being controlled by the recently released Best Practice ED Pathology Ordering clinical

Information System to be commissioned by Northern Territory Health Department, before production operation gets underway. NT Health (Royal Darwin ED and Alice Springs ED) will be a significant reference site for further Best Practice Order Set sales and deployments in Australia and New Zealand.



This product is an excellent example of the application of the Miya Platform to real life, clinical decision support – the essence of the Miya product set.

The build of the product was commissioned by NT Health and having cleared Alcidion internal Factory Acceptance Testing, the product was delivered to NT Health for their User Acceptance Testing in March 2016, with an expected "go live" date of November 2016.

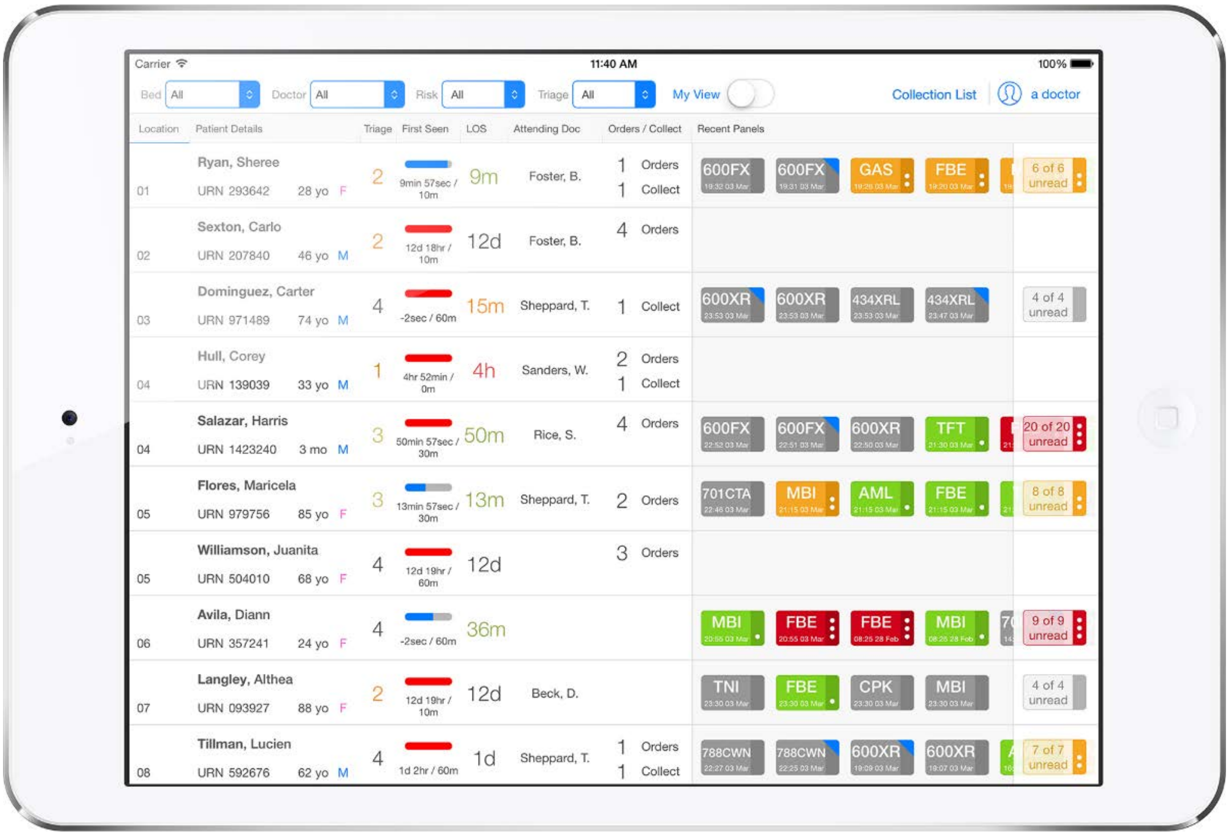
Miya Orders streamlines the Emergency Department workflow by providing guidance to physicians on the most clinically appropriate pathology tests for a patient, depending on the patient's clinical presentation. The guidance is in accordance with best practice clinical guidelines as published by the Australia College of Emergency Physicians and College of Pathologists.

The product provides numerous benefits including the reduction in inappropriate, clinically irrelevant, wasteful and unnecessarily expensive tests. It reduces clinical variation in ED pathology ordering, historically a source of preventable errors in health care, and can dramatically reduce the time to treatment in the ED by allowing the safe ordering of pathology earlier in the patient's ED episode.

In addition, ED staff are able to see the status of orders and identify workflow problems that may affect the timely delivery of lab results and overall patient flow. The technology also asks junior physicians to justify ordering unusual tests which will also reduce the number of high cost unnecessary tests.

The unnecessarily high costs of pathology ordering in Australian & New Zealand hospitals is a key reform target for the Commonwealth and State Governments.

A preview of the Miya ED Mobile Platform, scheduled to be launched in 2017



Patient Flow and Access Management

This recently released product set is another example of a customer driven search for truly innovative solutions to intractable problems. After a global survey of patient flow systems by an Executive member, including visits to the US and UK, Western Health was allocated a Victorian Government Department of Business and Innovation Grant to identify an SME that could build a proof of concept of a new generation of patient flow system.

Alcidion competed for this opportunity and was awarded a $1.5m contract to build a proof of concept of an intelligent Patient Flow System. The proof of concept work went so well that Western Health decided to put their own money into funding Alcidion to put Patient Flow solution into production operation across the three hospitals and 30 wards making up the Western Health service.

This was followed by a commission for Alcidion to extend the Patient Flow system with an Access and Bed Management module that leverages data from the Patient Flow system to support the optimal allocation of the hospital bed stock to achieve the most efficient use of resources, in accordance with patient clinical priorities.

This has been another example of an Alcidion customer selecting the Company to execute on highly innovative product development via a paid beta development process, which has carried forward to the delivery and production implementation of new, advanced products.

Miya Clinic

Miya Clinic is a new product for managing outpatient services that was completed earlier this year and has gone into a paid beta site deployment in the Northern Integrated Care Service in Launceston, Tasmania.

Miya Clinic allows clinicians working in outpatient departments to effectively triage and track patients in the Outpatient Department.

It provides sophisticated tools that help to manage the patient's treatment from referral through to discharge and ensures that patient receive best practice, high quality care, and reduces clinical risk.

Miya Referrals

Miya Referrals allows clerical staff and clinicians to manage the processing, clinical triage and wait-listing of referrals electronically. Many outpatient departments rely on manual processes and ad-hoc spreadsheet based solutions to track the various stages of referral management from receipt through to wait listing.

Miya Referrals has re-imagined a high performance referral management system. Miya Referrals v1.0 was based around management of referrals within some pre-set states – which was not flexible enough for broader market appeal. Miya Referrals includes the following innovations:

- Smart Filters – which allow outpatient departments to define customised lists of referrals based on any attribute of the referral. This allows customers to match referrals directly to their workflow.
- Organisation Structure – referrals can be grouped by any part of the organisation, and can be rolled up to groupings of services if required, allowing referrals to be managed by specialist teams, or in a central referral list model, or both, if required.
- Fax integration, including referral splitting – allowing outpatient departments to deal with clinical risks associated with multiple documents for different patients being sent as a single fax transmission
- Decision Support – Outpatient Department staff are provided with lists of referrals to prevent duplicates being created, reducing time spent processing referrals.

Turbocharging other Vendor's Software

Alcidion has responded to three approaches by external businesses to build specific solutions for them to take to market as their products. These are described below.

- FujiFilm Australia (FFA): Alcidion has built the intelligent Cardiovascular Information System (iCVIS) for FFA and after completion of the initial Luminary Site installation at the Western Health public hospital network in Melbourne, will now support FFA to achieve sales and installations across the FFA customer base. There are currently seven prospects being actively worked on in the iCVIS Sales pipeline. The FFA iCVIS solution won the National iAwards health category in 2014.
- Vaper Trail: Alcidion was commissioned to build a Specialist Anaesthetic Practice support system for a large practice in Adelaide and is now operational in a second large Adelaide practice and a Newcastle practice

service to assist Australian members with post hospital coaching and out-of-hospital services to ensure members remain well and avoid a re-admission to hospital.

"FUJIFILM Australia identified a need in the cardiovascular market to improve cardiology care and analysis using smart clinical informatics software, with the aim of improving workflows, clinician efficiency and patient safety and reducing workplace stress for Clinicians. We couldn't be more proud in winning the National iAward for the iCVIS platform – a testimony to the power of working with smart Australian vendors, such as Alcidion, and leveraging their world class technology"

FUJIFILM Australia General Manager
Mr Eric Lebail.

Commercialising the Platform

Alcidion is an early stage Company with plans to achieve rapid revenue growth by leveraging the past years of technical effort and investment in the Miya Platform and the maturation of several major (paid) beta site deployments that are transitioning into production reference sites.

This progress is exemplified by our Melbourne based customer, Western Health Network where the organisation has transitioned from a paid beta deployment site to a commercial installation based on a three-year agreement with an option to extend in years four and five.

There will continue to be a R&D effort to keep the Platform current and to complete toolset capabilities such as configuration tools and editing tools for customer usage. But in general terms the Company effort will swing way from heavy R&D investment into a heavy sales and marketing, and business development, effort.

The rapid growth will come from several sources:

- Organic business growth driven through our commercialization strategy, initially targeting Australia New Zealand for short term sales and North American market entry in the medium term.
- Growth through M&A, targeting businesses in the health space with a complementary customer base and a technology/product line that would offer significant Alcidion product upselling.
- Expanding the method of platform delivery beyond the historical internal deployment model to a cloud based option.

Commercialisation will be further accelerated through a focussed sales and marketing effort to systematically engage with the continuum of hospital providers (private and public), health authorities, key healthcare consulting companies and strategic partnerships with major Health IT players.

Product Opportunity Leveraging the Cloud & Deep Learning

The maturing of cloud computing technologies offers significant commercial advantage to Alcidion in the sales, commissioning and ongoing support of its existing products, as they are retuned for delivery via cloud rather than bespoke internal deployments at individual customer sites.

The cloud also creates opportunity for Alcidion to deliver new, low cost, products, for example, smaller functional sub sets of larger existing Alcidion products but also opportunities to select new product modules for cloud delivery only, as standalone products/services, supported from the cloud at attractive prices.

Cloud delivery offers significantly lower upfront costs for customers, potentially faster/cheaper commissioning costs and lower Alcidion maintenance and support costs.

There are costs associated with the complete porting of the Alcidion product range to cloud computing and careful consideration will be given, on a product by product basis, to ensure the business moves to extract the commercial advantages of cloud computing.

Alcidion developed a data acquisition and processing product via the cloud to the National Echocardiogram Database of Australia (NEDA), the NEDA study will be the largest study of heart function in the world.

In addition to cloud based services Alcidion is evaluating the use of machine learning, and in particular deep learning technology. Deep learning has the potential to improve the detection of patient flow problems and patient risks so mitigation strategies can be activated earlier. Traditional statistical models have difficulty in coping with the complex nature of health care data, but new methods such as deep learning can handle this complexity if trained with enough data.

North American Expansion

The United States of America has the highest per capita healthcare costs in the world but still has lower life expectancy, and higher infant mortality rates, than other developed nations. In fact, it is estimated that over 30% of US health expenditure is wasted. It is no surprise then that regulatory reforms are driving change in the US healthcare sector. The 'payers', as a major source of healthcare funding, are highly motivated to reduce waste in the system. Healthcare software can help address many areas of waste.

The United States is being made the new primary target market of Alcidion and a concerted effort is being made to prepare the company for a US market entry as quickly as possible.

The United States was identified as a core strategic target on the following basis:

- Highest GDP expenditure on health in the world at 17.9% (versus 9.4% in Australia).
- Largest volume of Acute Care Hospitals in the English speaking world.
- As a result of high labour costs, CDSSs yield the strongest return of investment.
- Requirements to meet the criteria of "Meaningful Use" to receive incentives by the US Federal Government to encourage the adoption of EHR.

Once a reasonable foothold has been established in North America, the company believes it can exploit the economies of scale present in this new market to see a disproportionate high growth of sales relative to other markets.

Prior to the establishment of a direct presence in the United States, the company is required to achieve a number of pre-requisites, including:

- Transition Alcidion from its project orientated origins into a product orientated company, with the Miya Platform as the cornerstone product.
- Rebalance the organization from its core focus of engineering to a balanced business with significant Sales & Marketing capability.
- Develop a replicable, sustainable & commercial model in Australia, with the view to establishing a direct US presence at the commencement of 2018.
- Commercialize Alcidion's CDSS and Smartforms platforms within the domestic market, to provide a solid foundation in which to build the business upon internally.
- Adopt and implement QSR820 and register with the FDA as a manufacturer of a Class II medical device.
- Accelerate the commercialization of Miya Smartforms to suit the myriad of modalities within health (i.e a sufficiently diverse library of Smartforms).
- Establish an installation base across more than 5% of the Australian Healthcare Market to demonstrate efficacy, product reliability, interoptability, scalability and sustainability.
- Adoption of a rigorous IP Protection Strategy in advance of the product launch.
- Systemic adoption of industry "best practice" across all segments of the business.
- Commercial discipline and commercial approach to pervade management decision making.
- Develop content management utilities to reduce our support load and help to scale the system for handling large clinical content libraries.

Alcidion maintains its focus on expanding its operations into the North American marketplace. The rationale is to capitalise on high growth opportunities in health informatics across the North American continent.

In addition, Alcidion's founders have long recognised the negative impact of the Electronic Health Record on the productivity of the care team – the propensity for the care team to be overwhelmed by the volume of data that can be delivered for a particular patient, followed by the time consuming, manual task of clinicians then having to update the EHR (making them amongst the most expensive typists on the planet).

Alcidion's founders set out to build a decision support engine that could push to the care team only data relevant to the patent's current clinical risk, and provide visual guidance on decision options so that as decisions are made, the clinical documentation task can be completed quickly and simply.

Alcidion's Clinical Decision Support System supports these capabilities.

Recent changes in the US market appear to validate the initial vision of Alcidion's founders'. For example, in 2009 the US government invested $1.2 billion to help healthcare providers implement and use Electronic Medical Records. Negative aspects of the EHR emerged, for example, the American Medical Association and the American College of Physicians reported in the latest (2014) survey:

"From the physicians' perspective, it appears that the significant investment in EHR systems over the past few years in the United States is failing to offer significant returns. Far from helping physicians to operate efficiently and have more time to spend with patients, the opposite appears to be the case."

Of the survey respondents:

- 55% said it was difficult or very difficult to use their EHR to improve efficiency
- 72% said it was difficult or very difficult to use their EHR to decrease workload
- 54% indicated that their EHR system increased their total operating costs, and
- 43% said they had not yet overcome productivity challenges associated with implementation of their EHR.

By 2016 the US government requires (legislated) hospitals to have one component of a Clinical Decision Support, and beginning in 2016, the US Federal Government will progressively reduce funding to hospitals that have not adopted and deployed CDSS technology.

Alcidion is intending to enter the North American market via the Canada due to the high cultural fit between the Canadian and Australian health markets, and the similarities between the management and operation of the public hospital systems across the two countries.

The intent is to secure a major reference site in Canada to serve as demonstration site/testimonial site for potential US hospital customers and further Canadian customers.

Alcidion has entered into a non-binding discussion with a major Canadian healthcare technology provider.

In the United States, the healthcare Information Technology market is swelling, thanks to the federal government's legislative and financial incentives for technological progress. While most industries have adopted technology much earlier, the healthcare industry is really just now catching up.

...Clinical Decision Support Systems Market is set to grow 21.5% CAGR from $USD1.18b in 2013 to $USD4.65b by 2018

These changes are coming in waves. The first wave encouraged digital infrastructure and electronic health records adoption, a market which is now maturing. This wave was initiated when Congress passed the Health Information Technology for Economic and Clinical Health (HITECH) Act, which offered healthcare providers a carrot and stick approach to adopting meaningful use of this technology. This act incentivized hospitals, medical groups and doctors' offices with more than $30 billion to change from paper patient medical records to Electronic Medical Records and use them in a meaningful way.

The Affordable Care Act (ACA) set the stage for the second wave of technology, which builds on EMR adoption by adding performance and quality reporting metrics into the mix. The ACA changes the payment paradigm in healthcare by tying revenue to value and outcomes, versus volume of patients seen. Thus, new technologies are necessary for gathering, sharing and analysing vast amounts of data to manage the health of an entire patient population. Other technologies are addressing connectivity and interoperability issues, since moving to a value-based outcomes model requires better care coordination.

As reported above, the Clinical Decision Support Systems Market is set to grow 21.5% CAGR from $USD1.18b in 2013 to $USD4.65b by 2018 (IndustryARC).

According to a recent report by Capsite (a division of HIMSS), one third of all hospitals in the USA are planning to invest in Patient Flow Solutions.

Financial Reports FY16

Directors' Report

The directors of Alcidion Group Limited (formerly Naracoota Resources Limited) ("Alcidion" or, the "Company") submit herewith the annual financial report of the Company for the year ended 30 June 2016 (Report).

Directors

The names and particulars of the directors of the Company in office during the year and until the date of this report are as follows.

Directors were in office for the entire year unless otherwise stated.

Mr Raymond Blight

Executive Chairman and Chief Executive Officer
(Appointed 22 February 2016)
B Tech, B EC, MBM, FIE (AUST), FAICD

Ray is the co-founder, Chairman and Chief Executive Officer of Alcidion Corporation. He brings a wealth of public and private sector healthcare experience and knowledge to Alcidion including the role of the Chief Executive Officer and Chairman of the South Australian Health Commission from 1994 – 1998 and Chair of the Australian Health Ministers' Advisory Council.

Ray's qualifications include the awards of Bachelor of Technology (Electronics), Bachelor of Economics and Masters of Business Management from the University of Adelaide. He is a fellow of the Institution of Engineers and the Australian Institute of Company Directors.

Ray currently chairs the University of SA Information Technology and Mathematical Sciences Advisory Board.

Professor Malcolm Pradhan

Executive Director
(Appointed 22 February 2016)
MBBS, PhD, FACHI

With over 20 years of experience in Medical Informatics, Malcolm Pradhan is one of the world's leading minds in Clinical Decision Support. Prior to co-founding Alcidion in 2000, Malcolm was the Associate Dean of IT and Director of Medical Informatics, University of Adelaide. During his time at the University of Adelaide, Malcolm provided thought leadership and conducted research into applications of clinical decision support, and into optimum uses of a variety of statistical and probabilistic methods for applying clinical decision support. He also was active in the Australian health informatics community, as a founding fellow of the Australasian College of Health Informatics (ACHI).

In 2009 Malcolm was awarded the title of Adjunct Professor at the University of South Australia, and performs a leadership role within UniSA's academic organisation – as an educator and a researcher.

Malcolm's broad knowledge and vision of the path to a high-performance healthcare system are complimented by formal qualifications of an MBBS from University of Adelaide, and a PhD in Medical Informatics from Stanford University.

Mr Nathan Buzza

Executive Director
(Appointed 22 February 2016)

With 25 years' experience in software, electronics and medical technology, Nathan is recognised as a technology pioneer in the evolution and implementation of specialised medical technology. Having founded Clinical Middleware provider CommtechWireless in 1992, Nathan grew this business into a successful multinational with offices in Perth, Sydney, Jacksonville, Hong Kong, Shenzhen, Vejle and London deploying the technology across 8000 locations worldwide.

Nathan is a member of the NiQ Healthcare Advisory Board and a General Partner in Private Equity Firm, Allure Capital. Nathan studied a Bachelor of Commerce at Curtin University, majoring in Information Systems.

Mr Nick Dignam

Non-Executive Director
(Appointed 22 February 2016)
B.Com, LLB, MAppFin

Nick Dignam is an Investment Director at Blue Sky Private Equity and is responsible for originating new investment opportunities, working with portfolio companies to deliver growth and managing exit processes. Nick has more than ten years' experience working in private equity and corporate finance roles. In addition to serving as a Director of Alcidion, Nick is also currently a Non-Executive Director representing Blue Sky on the Boards of HPS, the largest outsourced hospital pharmacy services business in Australia; Wild Breads, a leading producer of artisan breads; and GM Hotels, a portfolio of ten hotels in South Australia.

Nick holds a Bachelor of Commerce and a Bachelor of Laws from the University of Queensland, and a Masters of Applied Finance from Queensland University of Technology.

Mr Josh Russell Puckridge

Non-Executive Director
B.Com

Mr. Puckridge is a Corporate Finance Executive at Cicero Advisory Services, a Corporate Advisory and Funds Management firm based in Perth, Western Australia. He has significant experience within funds management, capital raising, mergers, acquisitions and divestments of projects by companies listed on the Australian Securities Exchange.

He currently serves as Non-Executive Director of MCS Services Group Limited (ASX: MSG) and as Chairman of Blaze International Limited and (ASX: BLZ) and Fraser Range Metals Group Limited (ASX: FRN). Mr. Puckridge also holds various positions on private company boards.

Mr. Puckridge has also acted as a Company Secretary for multiple listed Companies and is also an experienced Australian Financial Services Licence Responsible Manager (currently Director and Responsible Manager of AFSL 482 173).

Mr Brian Leedman (Appointed post year end; 28 July 2016)

Non-Executive Director
B.Ec, MBA

Brian Leedman is a marketing and investor relations professional with over 14 years' experience in the biotechnology industry. Mr Leedman is the co-founder and Executive Director of ASX Listed ResApp Health Limited. Prior to ResApp, Mr Leedman co-founded ASX listed companies Oncosil Medical Limited and Imugene Limited. Mr Leedman previously served for 10 years as Vice President, Investor Relations for pSivida Corp. which is listed on the ASX and NASDAQ.

He is currently the WA Chairman of AusBiotech, the association of biotechnology companies in Australia. Mr Leedman holds a Bachelor of Economics and a Master of Business Administration from the University of Western Australia.

Mr Gavin Wates

Non-Executive Director (resigned 23 February 2016)

Gavin is a corporate finance executive with a leading Australian stockbroking firm. He has been involved in the corporate finance industry for over 16 years and has extensive experience in mergers and acquisitions, equity capital markets and corporate restructures.

Mr Tom Bahen

Non-Executive Director (resigned 23 February 2016)

Tom is currently Director of Private Clients and Institutional Sales at Paterson Securities. He has significant experience in capital raisings & corporate advisory for ASX listed companies as well as previous experience in assurance and advisory with Deloitte.

Executives

Mr Duncan Craig (From 29 February 2016)

Chief Financial Officer

In 1995 Duncan gained full membership to the accounting body that is now the Institute of Public Accountants. Duncan has tertiary qualifications in Accounting, Financial Markets and Economics (major in Economic Development and minor in Econometrics).

Mr Craig fulfilled the role of Chief Financial Officer for the consolidated Group from the date the Company completed the legal acquisition of Alcidion Corporation Pty Ltd; being 29 February 2016.

Miss Loren Jones (Appointed 15 October 2015)

Company Secretary

As well as being a Partner at and Company Secretary of Cicero Corporate Services, Miss Jones holds the positions of Non-Executive Director and Company Secretary at Brookside Energy Limited (ASX: BRK) and Blaze International Limited (ASX: BLZ). Additionally, Miss Jones currently serves as the Company Secretary of Wangle Technologies Limited (ASX: WGL) and Fraser Range Metals Group Limited (ASX: FRN). Past Non-Executive Director and/or Company Secretarial positions include Intiger Group Limited (ASX: IAM), ZipTel Limited (ASX: ZIP) and MMJ Phytotech Limited (ASX: MMJ). Miss Jones also holds various positions on private company boards.

Miss Jones is a BIA Accredited Bookkeeper and a member of the Institute of Certified Bookkeepers, holds a Certificate IV Financial Services (Bookkeeping), has a Bachelor of Psychology from Curtin University and is currently completing her Graduate Diploma of Applied Corporate Governance with the Governance Institute of Australia.

At the date of this report the following table sets out the current directors' relevant interests in shares and options of Alcidion Group Limited and the changes during the year ended 30 June 2016:

	Ordinary Shares		Options over Ordinary Shares	
Director	Current holding	Net increase/ (decrease)	Current holding	Net increase/ (decrease)
Raymond Blight	100,770,933	100,770,933	-	-
Nathan Buzza	16,717,243	16,717,243	-	-
Malcolm Pradhan	139,861,782	139,861,782	-	-
Nicholas Dignam	-	-	-	-
Josh Puckridge	-	-	-	-
Brian Leedman (i)	2,021,664	2,021,664	-	-

During and since the end of the financial year the following share options were granted to directors as part of their remuneration by Alcidion Group Limited:

Director	Number of Unlisted Options Granted	Number of Unlisted Options Held
Raymond Blight	-	-
Nathan Buzza	-	-
Malcolm Pradhan	-	-
Nicholas Dignam	-	-
Josh Puckridge	-	-
Brian Leedman (i)	-	-

(i) Mr Leedman was appointed as a Non-Executive Director after the end of the financial year on 28 July 2016.

During and since the end of the financial year the following Contingent Class A and Class B share rights were granted to directors as part of the Reverse Take Over of Alcidion Group Limited:

Director	Number of Contingent Class A Rights Granted	Number of Contingent Class B Rights Granted
Raymond Blight	32,849,570	32,849,570
Nathan Buzza	10,947,075	10,947,075
Malcolm Pradhan	46,620,594	46,620,594
Nicholas Dignam	-	-
Josh Puckridge	-	-
Brian Leedman	-	-

Remuneration Report (Audited)

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

A. Principles used to determine the nature and amount of remuneration
B. Details of remuneration
C. Service agreements
D. Share-based compensation

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

A. Principles used to determine the nature and amount of remuneration

The whole Board form the Remuneration Committee. The remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component with the flexibility to offer specific long term incentives based on key performance areas affecting the Group's financial results. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best directors and executives to manage the Group.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was developed by the Board. All executives receive a base salary (which is based on factors such as length of service and experience) and superannuation. The Board reviews executive packages annually and determines policy recommendations by reference to executive performance and comparable information from industry sectors and other listed companies in similar industries.
- The Board may exercise discretion in relation to approving incentives, bonuses and options. The policy is designed to attract and retain the highest calibre of executives and reward them for performance that results in long term growth in shareholder wealth.
- The directors and executives receive a superannuation guarantee contribution required by the government, which for the year ended 30 June 2016 was 9.5% of base salary and do not receive any other retirement benefits.
- All remuneration paid to directors and executives is valued at the cost to the Company and expensed.
- The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The Board determines payments to the non-executive directors and reviews the remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company.

The remuneration policy has been tailored to increase the direct positive relationship between shareholders' investment objectives and directors and executive performance. Currently, this is facilitated through the issue of options to the directors and executives to encourage the alignment of personal and shareholder interests. The Company believes this policy will be effective in increasing shareholder wealth. The Company currently has no performance based remuneration component built into director and executive remuneration packages.

B. Details of remuneration

Details of remuneration of the directors and key management personnel (as defined in *AASB 124 Related Party Disclosures)* of Alcidion Group Limited are set out in the following table.

The key management personnel of Alcidion Group Limited are the directors and the Company's Chief Financial Officer as listed on pages 4 to 6.

The Company does not have any other employees who are required to have their remuneration disclosed in accordance with the Corporations Act 2001.

The table below shows the 2016 and 2015 figures for remuneration received by the Company's directors and executives:

	Short Term			Post-employment		Share-based Payments Equity settled		Other benefits (D+O Insurance) (i)	Total
	Salary & Fees $	Bonus $	Other benefits $	Superannuation $	Prescribed benefits $	Shares $	Options $	$	$
2016 Directors									
Raymond Blight (ii)	62,667	-	-	5,953	-	-	-	1,545	70,165
Nathan Buzza (iii)	62,667	-	-	5,953	-	-	-	1,545	70,165
Malcolm Pradhan (iv)	62,667	-	-	5,953	-	-	-	1,545	70,165
Nicholas Dignam (v)	-	-	-	-	-	-	-	1,545	1,545
Josh Puckridge (vi)	40,183	-	-	-	-	-	-	4,634	44,817
Gavin Wates (vii)	27,523	-	-	2,615	-	-	-	3,475	33,613
Tom Bahen (vii)	27,523	-	-	2,615	-	-	-	3,475	33,613
Executives									
Duncan Craig (viii)	46,667	-	-	4,433	-	-	-	1,545	52,645
	329,897	-	-	27,522	-	-	-	19,309	376,728
2015 Directors									
Josh Puckridge (ix)	10,046	-	-	-	-	-	-	584	10,630
Gavin Wates	36,697	-	-	3,487	-	-	-	1,856	42,040
Tom Bahen (ix)	11,443	-	-	1,087	-	-	-	584	13,114
George Cameron-Dow (x)	30,000	-	-	-	-	-	-	1,392	31,392
Christian Cordier (x)	27,665	-	-	-	-	-	-	1,284	28,949
Dr Eric Lilford (xi)	24,465	-	-	2,324	-	-	-	1,238	28,027
	140,316	-	-	6,898	-	-	-	6,938	154,152

(i) *For accounting purposes Directors & Officers Indemnity Insurance is required to be recorded as remuneration. No director or officer receives any cash benefits, simply the benefit of the insurance coverage.*

(ii) *Mr Blight was appointed as Executive Chairman and Chief Executive Officer on 22 February 2016, his director's service agreement agreed upon in the Reverse Acquisition stated a salary of $235,000 per annum however for the 4 months till end of June 2016 it was agreed to reduce this to $188,000 per annum.*

(iii) *Mr Buzza was appointed as an Executive Director on 22 February 2016, his director's service agreement agreed upon in the Reverse Acquisition stated a salary of $235,000 per annum however for the 4 months till end of June 2016 it was agreed to reduce this to $188,000 per annum.*

(iv) *Professor Pradhan was appointed as an Executive Directors on 22 February 2016, his director's service agreement agreed upon in the Reverse Acquisition stated a salary of $235,000 per annum however for the 4 months till end of June 2016 it was agreed to reduce this to $188,000 per annum.*

(v) *Mr Dignam were appointed as a Non-Executive Directors on 22 February 2016, he is not paid a fees as a director.*

(vi) *Mr Josh Puckridge is paid $40,183 as a director's fee per annum.*

(vii) *Mr Bahen and Mr Wates resigned as Non-Executive Directors on 23 February 2016.*

(viii) *Mr Craig fulfilled the role of Chief Financial Officer for the consolidated Group from the date the Company completed the legal acquisition of Alcidion Corporation Pty Ltd; being 29 February 2016.*

(ix) Mr Bahen and Mr Puckridge were appointed as Non-Executive Directors on 9 March 2015.

(x) Mr Cameron-Dow and Mr Cordier resigned as Non-Executive Directors on 9 March 2015.

(xi) Dr Lilford resigned as Non-Executive Director on 27 February 2015.

C. Share-based compensation

Options can be issued to directors and executives as part of their remuneration. The options are not based on performance criteria, but are issued to align the interests of directors, executives and shareholders.

There were no options granted or other share-based compensation issued to directors or executives during the year. No options were exercised, lapsed or expired during or since the end of the financial year. All options granted in previous years vested at grant date.

D. Directors' equity holdings

(i) Fully paid ordinary shares of Alcidion Group Limited:

	Balance at 1 July 2015 No.	Granted as remuneratio n No.	Net other change No.	At date of resignation No.	Balance at 30 June 2016 No.
2016 Directors					
Raymond Blight (i)	-	-	98,548,711 (vi)		98,548,711
Nathan Buzza (ii)	-	-	36,067,031 (vi)		36,067,031
Malcolm Pradhan (iii)	-	-	139,861,782 (vi)		139,861,782
Nicholas Dignam (iii)	-	-	-		-
Josh Puckridge	-	-	-		-
Gavin Wates (iv)	6,700,000	-	-	6,700,000	
Tom Bahen (iv)	6,700,000	-	-	6,700,000	
Executives					
Duncan Craig (v)	-	-	3,873,101 (vi)		3,873,101
	13,400,000	-	278,350,625	13,400,000	278,350,625
2015 Directors					
Josh Puckridge	-	-	-	-	-
Gavin Wates (iv)	2,141,509	-	4,558,491	-	6,700,000
Tom Bahen (iv)	-	-	6,700,000	-	6,700,000
George Cameron-Dow (vii)	1,500,000	-	(1,500,000)	-	
Christian Cordier (vii)	8,410,714	-	(8,410,714)	-	
Dr Eric Lilford (viii)	-	-	-	-	
	12,052,223	-	1,347,777	-	13,400,000

(ii) Class A Contingent Share Rights and Class B Contingent Share Rights of Alcidion Group Limited:

	Number of Class A Contingent Share Rights No. (x)	Number of Class B Contingent Share Rights No. (xi)
2016 Directors		
Raymond Blight (i)	32,849,570	32,849,570
Nathan Buzza (ii)	10,947,075	10,947,075
Malcolm Pradhan (iii)	46,620,594	46,620,594
Nicholas Dignam (iii)	-	-
Josh Puckridge	-	-
Gavin Wates (iv)	-	-
Tom Bahen (iv)	-	-
Executives		
Duncan Craig (v)	1,291,033	1,291,033
	91,708,272	91,708,272
2015 Directors		
Josh Puckridge (ix)	-	-
Gavin Wates	-	-
Tom Bahen (ix)	-	-
George Cameron-Dow (vii)	-	-
Christian Cordier (vii)	-	-
Dr Eric Lilford (viii)	-	-
	-	-

(i) *Mr Blight was appointed as Executive Chairman and Chief Executive Officer on 22 February 2016.*

(ii) *Mr Buzza was appointed as an Executive Director on 22 February 2016.*

(iii) *Professor Pradhan and Mr Dignam were appointed as a Non-Executive Directors on 22 February 2016.*

(iv) *Mr Bahen and Mr Wates resigned as Directors on 23 February 2016.*

(v) *Mr Craig fulfilled the role of Chief Financial Officer for the consolidated Group from the date the Company completed the legal acquisition of Alcidion Corporation Pty Ltd; being 29 February 2016.*

(vi) *Shares issued in consideration for the acquisition of Alcidion as detailed in the Company's prospectus dated 7 December 2015.*

(vii) *Mr Cameron-Dow and Mr Cordier resigned as Non-Executive Directors on 9 March 2015.*

(viii) *Dr Lilford resigned as Non-Executive Director on 27 February 2015.*

(ix) *Mr Bahen and Mr Puckridge were appointed as Non-Executive Directors on 9 March 2015.*

(x) *Class A Contingent Share Rights issued in consideration for the acquisition of Alcidion as detailed in the Company's prospectus dated 7 December 2015.*

(xi) *Class B Contingent Share Rights issued in consideration for the acquisition of Alcidion as detailed in the Company's prospectus dated 7 December 2015*

(iii) Share options of Alcidion Group Limited:

	Balance at 1 July 2015 No.	Granted as remunerati on No.	Exercised No.	Net other change No.	At date of resignation No.	Balance at 30 June 2016 No.
2016 Directors						
Raymond Blight (i)	-	-	-	-		-
Nathan Buzza (ii)	-	-	-	-		-
Malcolm Pradhan (iii)	-	-	-	-		-
Nicholas Dignam (iii)	-	-	-	-		-
Josh Puckridge	-	-	-	-		-
Gavin Wates (iv)	2,022,566	-	-		(2,022,566)	
Tom Bahen (iv)	-	-	-	-	-	
Executives						
Duncan Craig (v)	-	-	-	-		-
	2,022,566	-	-	-	(2,022,566)	-
2015 Directors						
Josh Puckridge (ix)	-	-	-	-		-
Gavin Wates	2,022,566	-	-	-		2,022,566
Tom Bahen (ix)	-	-	-	-		-
George Cameron-Dow (vii)	-	-	-	-		-
Christian Cordier (vii)	-	-	-	-		-
Dr Eric Lilford (viii)	-	-	-	-		-
	2,022,566	-	-	-		2,022,566

(i) *Mr Blight was appointed as Executive Chairman and Chief Executive Officer on 22 February 2016.*

(ii) *Mr Buzza was appointed as an Executive Director on 22 February 2016.*

(iii) *Professor Pradhan and Mr Dignam were appointed as a Non-Executive Directors on 22 February 2016.*

(iv) *Mr Bahen and Mr Wates resigned as Directors on 23 February 2016.*

(v) *Mr Craig fulfilled the role of Chief Financial Officer for the consolidated Group from the date the Company completed the legal acquisition of Alcidion Corporation Pty Ltd; being 29 February 2016.*

(vi) *Shares issued in consideration for the acquisition of Alcidion as detailed in the Company's prospectus dated 7 December 2015.*

(vii) *Mr Cameron-Dow and Mr Cordier resigned as Non-Executive Directors on 9 March 2015.*

(viii) *Dr Lilford resigned as Non-Executive Director on 27 February 2015.*

(ix) *Mr Bahen and Mr Puckridge were appointed as Non-Executive Directors on 9 March 2015.*

E. Director & KMP Service Agreements

Director Raymond Blight is employed as a Director & Chief Executive Officer on following key terms:

a) Base salary of A$235,000 per annum plus superannuation
b) Chairman allowance of $25,000 per annum.
c) 6-month notice period

Director Malcolm Pradhan is employed as a Director & Chief Medical Officer on following key terms:

a) Base salary of A$235,000 per annum plus superannuation
b) 6-month notice period

Director Nathan Buzza is employed as a Director & Executive Vice President of Sales and Marketing on following key terms:

a) Base salary of A$235,000 per annum plus superannuation
b) Home office allowance of $25,000 per annum.
c) 6-month notice period

Director Josh Puckridge is employed as a Non-Executive Director on following key terms:

a) Base salary of A$40,183 per annum

Executive Duncan Craig is employed as Chief Financial Officer on following key terms:

a) Base salary of A$140,000 per annum plus superannuation
b) 6-month notice period

- - END OF REMUNERATION REPORT - -

Directors' Report (continued)

Directors' Meetings

The following table sets out information in relation to Board meetings held during the year:

	Board of Directors		
Board Member	Eligible to Attend	Attended	Circular Resolutions Passed
Raymond Blight	4	4	1
Nathan Buzza	4	4	1
Malcolm Pradhan	4	4	1
Nicholas Dignam	4	4	1
Josh Puckridge	6	6	8
Gavin Wates	2	2	7
Tom Bahen	2	2	7

Principal activities

Alcidion's mission remains to help our clients achieve, and sustain, high performance hospital services – by using our intelligent software to transform and improve patient care, staff productivity and service performance.

The core of Alcidion's business model is to create intellectual property in the form of Clinical Decision Support Systems (**CDSS**) software developed to improve the quality of care for all patients and improve the productivity of clinicians and care teams. The Company's software is bundled with other technologies and services to create complete clinical and business solutions for health care providers. In short, Alcidion builds, sells, delivers, runs and supports solutions for health care provider organizations around the Australia and New Zealand.

Review of operations

During the year ended 30 June 2016 the Company announced the intended acquisition of Alcidion Corporation Pty Ltd (**Alcidion Corporation**) in August, 2015 (**Acquisition**). The Company prepared and sent to shareholders a Notice of Meeting dated 20 November 2015 to approve the proposed Acquisition. On the 7th of December 2015, the Company issued a prospectus to raise $2 million (**Prospectus**) with the full amount subsequently received on trust under the Prospectus. At the time of the issue of this report, the Acquisition is not yet complete and the Company will advise when the offer is formally closed via the ASX platform.

The Acquisition was approved by Shareholders of the Company during the Period on the 21st of December 2015; following this approval the Company changed its name from Naracoota Resources Limited to Alcidion Group Limited in anticipation of completing the Acquisition. The Company completed the Acquisition and was reinstated to official quotation on the ASX under the new code 'ALC' on 29 February 2016.

Overview of Alcidion's and its Business

Alcidion Corporation, incorporated in June 2000, is a provider of intelligent informatics software for high performance healthcare. Alcidion empowers clinicians with decision support tools to ensure the highest quality of care for their patients. By providing clinicians with decision support tools and making recommendations about patient care, patient flow and patient safety, organisational efficiency may be optimised and key clinical risks eliminated.

Alcidion Corporation is focused on anticipating the needs of the healthcare industry and is focused on accelerating the commercialization of its innovative technologies that help create a healthier tomorrow, today.

Over the past decade, and under the stewardship of Professor Malcolm Pradhan and Mr Ray Blight, the former Chief Executive of the SA Health Commission, Alcidion has invested in excess of $18.9 million in the research and development of a cutting edge Clinical Decision Support System or "CDSS".

In 2012, Alcidion Corporation raised $2 million in a Series A round led by Blue Sky Funds. This Series A round was complimented through $1.96 million in funding from Commercialisation Australia to accelerate the development of Alcidion's Miya CDSS, culminating in the successful deployment of a “proof of concept” site throughout Western Health in Melbourne.

Financial Review

Operating Results

Alcidion Group Limited (the Group) delivered a FY16 loss before tax of $2,524,992 (2015: loss $325,565). However, this figure includes:

a) Non-cash expense of $1.1m relating to listing expenses associated with reverse merger of Naracoota Resources; and
b) $600k of estimated fees directly relating to the reverse merger of Naracoota Resources.

Excluding the costs directly associated with the Reverse Merger of Naracoota Resources, the operational loss of the Group was $825k against a Loss in FY15 of $325k.

Net Cash at Bank at the end of the year was $5,645,357 with minimal debt.

Group Net Borrowings decreased by $1.50m representing a decrease of 100%.

On 29 February 2016, Naracoota Resources Limited (NRR) acquired 100% of the ordinary share capital and voting rights Alcidion Corporation Pty Ltd as described in the prospectus issued 7 December 2015. Under AASB 3 Business Combinations this is treated as a 'reverse acquisition', whereby the accounting acquirer is deemed to be Alcidion Corporation Pty Ltd and Alcidion Group Limited is deemed to be the accounting acquiree. As a result, the Consolidated statement of cash flows comprises the cash transactions of Alcidion Corporation Pty Ltd for the year as well as the cash transactions of Alcidion Group Limited from the date of acquisition (29 February 2016) to the year ended date of 30 June 2016.

Financial Position

The Group has incurred a net loss after tax for the year ended 30 June 2016 of $2,544,717 (2015: $318,264 loss), and a net cash outflow from operations of $2,629,242 (2015: inflow of $1,129,325). At 30 June 2016, the Group has net current assets of $6,382,146 (2015: $1,985,476 net current assets) and net equity of $6,574,539 (2015: $650,577).

Summary of Financial Information as at 30 June

	Group 2016	Company 2015	Company 2014
Cash and cash equivalents ($)	5,645,357	2,321,253	2,249
Net assets/equity	6,574,539	650,577	968,841
Loss from ordinary activities after income tax credit ($)	(2,544,717)	(318,264)	(1,439,155)
No of issued shares	602,779,957	9,000,000	9,000,000
Share price ($)	0.06	N/A	N/A
Market capitalisation (Undiluted) ($)	36,166,797	N/A	N/A

Risk Management

The Board is responsible for ensuring that risks, and also opportunities, are identified on a timely basis and that activities are aligned with the risks and opportunities identified by the Board.

The Company believes that it is crucial for all Board members to be part of this process, and as such the Board has not established a separate risk management committee.

The Board has a number of mechanisms in place to ensure management's objectives and activities are aligned by the Board. These include the following:

- Board approval of a strategic plan, which encompasses strategy statements designed to meet stakeholders needs and manage business risk.
- Implementation of Board approved operating plans and Board monitoring of the progress against budgets.

Significant Changes in State of Affairs

Other than those disclosed in this annual report no significant changes in the state of affairs of the Company occurred during the financial year.

Significant Events after the Balance Date

No matters or circumstances besides those disclosed at Note 24 have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the Group, the results of those operations, or state of affairs of the Group in future financial years

Likely Developments and Expected Results

The Group expects to maintain the present status and level of operations and hence there are no likely developments in the Group's operations.

Environmental Regulation and Performance

The Groups activities to date have not been subject to any particular and significant environmental regulation under Laws of either the Commonwealth of Australia or a State or Territory of Australia.

Insurance of Directors and Officers

During or since the financial year, the Company has paid premiums insuring all the directors of Alcidion Group Limited against costs incurred in defending conduct involving:

a) A breach of duty,
b) A contravention of sections 182 or 183 of the *Corporations Act 2001,*

as permitted by section 199B of the *Corporations Act 2001.*

Alcidion has agreed to indemnify all directors and executive officers of the Company against liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of Alcidion, except where the liability has arisen as a result of a wilful breach of duty in relation to the Company. The agreement stipulates that Alcidion will meet the full amount of any such liabilities, including costs and expenses. The Company has paid a total of $19,309 in insurance premiums, relating to Director and Officer insurance, during the financial year.

Dividends

No dividends were paid or declared during the financial year and no recommendation for payment of dividends has been made.

Non-Audit Services

During the year Stantons International or any of its associated entities did not provide any non-audit services to the Company.

ASX Announcements

Date	Title
22/09/2016	Alcidion Secure $525 Contract with NT
21/09/2016	Change in Director's Interest
14/09/2016	Alcidion Product Overview Webinar
8/09/2016	Alcidion to Host Product Overview Webinar
8/09/2016	Alcidion to Present at WA Broker Meets Biotech
31/08/2016	Alcidion Investor Presentation
31/08/2016	Appendix 4E - FY16Annual Report
30/08/2016	Alcidion to Host Investor Webinar on 31 August 2016
5/08/2016	Response to ASX Aware Query
5/08/2016	Change of Director's Interest Notice - Appendix 3Y
4/08/2016	Initial Director's Interest Notice - Appendix 3X
2/08/2016	Alcidion to Meet with NSW Health Minister
1/08/2016	Alcidion sign $2.35m MoU with Western Health
29/07/2016	Quarterly Activities and Cashflow Reports - 30 June 2016
28/07/2016	Alcidion appoint Resapp Health co-founder Brian Leedman
26/07/2016	Buzza to present at BioShares Biotech Summit
26/07/2016	Professor Malcolm Pradhan presentation at Health Informatics
1/07/2016	Alcidion's CMO to present at Health Informatics Conference
27/06/2016	Tasmania NICS goes live with Miya Clinic
15/06/2016	Alcidion Develops Data Acquisition Technology for NEDA
3/06/2016	FUJIFILM Partnership Delivers New Contracts
30/05/2016	Response to ASX Price and Volume Query
4/05/2016	Alcidion to exhibit at National AusMedTech Conference
29/04/2016	Appendix 4C - March Quarterly
29/04/2016	Alcidion Wholesale Investor Presentation
29/04/2016	Alcidion to present at Sydney Wholesale Investor Conference
7/04/2016	Alcidion roll out Critical Test Results Management across NT
16/03/2016	Private Hospital Group set to trial Miya Patient Flow
29/02/2016	Becoming a substantial holder
29/02/2016	Final Director's Interest Notice - Appendix 3Z (x2)
29/02/2016	Initial Director's Interest Notice - Appendix 3X (x4)
29/02/2016	Becoming a substantial holder
29/02/2016	Becoming a substantial holder
26/02/2016	Investor Presentation
25/02/2016	2013, 2014, 2015 Accounts
25/02/2016	Trading Policy
25/02/2016	Confirmations, Capital Structure and Financial Position
25/02/2016	Top 20
25/02/2016	Appendix 1A and checklist
25/02/2016	Distribution Schedule
25/02/2016	Pre-Quotation Disclosure

25/02/2016	ASX Notice
25/02/2016	Reinstatement to Official Quotation 29/02/16
23/02/2016	Waiver to ASXLR 14.7
22/02/2016	Half Yearly Accounts
29/01/2016	Quarterly Activities and Cashflow Reports - 31 Dec 2015
21/12/2015	Suspension
21/12/2015	Results of General Meeting
18/12/2015	Trading Halt
7/12/2015	Prospectus
3/12/2015	Investor Presentation - Alcidion Corporation
24/11/2015	Results of 2015 Annual General Meeting
20/11/2015	Dispatch of Notice of General Meeting and Proxy Form
18/11/2015	Transaction Update
30/10/2015	Quarterly Activities and Cash Flow Statement
22/10/2015	Dispatch of Notice of Annual General Meeting and Proxy Form
15/10/2015	Change of Company Secretary
6/10/2015	Appendix 3Y
29/09/2015	Appendix 4G and Corporate Governance Statement
23/09/2015	Annual Report to shareholders
9/09/2015	Change of Registered Office and Place of Business
2/09/2015	Alcidion Secures $1.75 Million Contract
31/08/2015	Expiry of Listed Options
19/08/2015	Investor Presentation and Webinar Registration details
18/08/2015	Acquisition of Advanced Healthcare Technology Company
14/08/2015	Trading Halt
31/07/2015	Quarterly Activities and Cash Flow Statement

Compliance

Corporate Governance Statement

The Board of Directors is responsible for the corporate governance of the Company. The Board guides and monitors the business affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

The Corporate Governance policies and practices of the Company are reviewed annually in accordance with the standards required of the Company by the Directors, the ASX, ASIC and other relevant stakeholders, to ensure that the highest appropriate governance standards are maintained, commensurate with the size and operations of the Company.

The ASX Corporate Governance Council released the third edition of its Corporate Governance Principles and Recommendations on 27 March 2014 to take effect for the first full financial year commencing on or after 1 July 2014. The Company's Corporate Governance Statement, and associated policy documents complies as far as possible with the spirit and intentions of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations as appropriate, having regard to the size of the Company and the nature of its enterprise. The Corporate Governance Statement can be found on the Company's web site www.alcidion.com.

Independent Professional Advice

Directors of the Company are expected to exercise considered and independent judgement on matters before them and may need to seek independent professional advice. A director with prior written approval from the Chairman may, at the Company's expense obtain independent professional advice to properly discharge his responsibilities.

Board Composition

The Board consists of three Executive and three Non-Executive Directors. Details of their skills, experience and expertise and the year of office held by each director have been included in the Directors' Report. The number of Board meetings and the attendance of the directors are set out in the Directors' Report.

The Board will decide on the choice of any new director upon the creation of any new Board position and if any casual vacancy arises. Decisions to appoint new directors will be minuted. The Board considers that due to the size and complexity of the Company's affairs it does not merit the establishment of a separate nomination committee. Until the situation changes the Board of Alcidion will carry out any necessary nomination committee functions.

Share Trading Policy

Directors, officers and employees are prohibited from dealing in Alcidion shares when they possess inside information. The Board is to be notified promptly of any trading of shares in the Company by any director or officer of the Company.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 28.

Signed in accordance with a resolution of the directors made pursuant to s 298(2) of the Corporations Act 2001.

For, and on behalf of, the Board of the Company,

Ray Blight
Executive Chairman and Chief Executive Officer
Perth, Western Australia this 30 day of September 2016

Auditor's Independence Declaration

Stantons International Audit and Consulting Pty Ltd
trading as
Stantons International
Chartered Accountants and Consultants

PO Box 1908
West Perth WA 6872
Australia

Level 2, 1 Walker Avenue
West Perth WA 6005
Australia

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Fax: +61 8 9321 1204

ABN: 84 144 581 519
www.stantons.com.au

30 September 2016

Board of Directors
Alcidion Group Limited
Suite 9, 330 Churchill Avenue,
SUBIACO WA, 6008

Dear Directors

RE: ALCIDION GROUP LIMITED

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Alcidion Group Limited.

As Audit Director for the audit of the financial statements of Alcidion Group Limited for the year ended 30 June 2016, I declare that to the best of my knowledge and belief, there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely
STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Samir Tirodkar
Director

West Perth, Western Australia

Directors' Declaration

The Directors declare that:

a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

b) in the Directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with Australian Accounting Standards and International Financial Reporting Standards as disclosed in Note 2 and giving a true and fair view of the financial position and performance of the Group for the year ended on that date;

c) the audited remuneration disclosures set out in the Directors' Report comply with Accounting Standard AASB 124 Related Party Disclosures and the Corporations Act and Regulations 2001; and

d) the Directors have been given the declarations required by s.295A of the Corporations Act 2001 for the year ended 30 June 2016.

Signed in accordance with a resolution of the Board of Directors made pursuant to s.295(5) of the Corporations Act 2001.

For, and on behalf of, the Board of the Company,

Ray Blight
Executive Chairman and Chief Executive Officer
Perth, Western Australia this 30 day of September 2016

Independent Auditor's Report

Stantons International Audit and Consulting Pty Ltd
trading as
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Chartered Accountants and Consultants

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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF
ALCIDION GROUP LIMITED**

Report on the Financial Report

We have audited the accompanying financial report of Alcidion Group Limited, which comprises the consolidated statement of financial position as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In note 2.1, the directors also state, in accordance with Australian Accounting Standard AASB 101 Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence
In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Stantons International

Opinion

In our opinion:

(a) the financial report of Alcidion Group Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

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

(b) the consolidated financial report also complies with International Financial Reporting Standards as disclosed in note 2.1.

Report on the Remuneration Report

We have audited the remuneration report included in pages 28 to 34 of the directors' report for the year ended 30 June 2016. The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001.* Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards

Opinion
In our opinion the remuneration report of Alcidion Group Limited for the year ended 30 June 2016 complies with section 300A of the *Corporations Act 2001.*

STANTONS INTERNATIONAL AUDIT AND CONSULTING PTY LTD
(Trading as Stantons International)
(An Authorised Audit Company)

Stantons International

Samir Tirodkar
Director

West Perth, Western Australia
30 September 2016

Statement of Profit of Loss and Other Comprehensive Income

for the financial year ended 30 June 2016

	Note	CONSOLIDATED 2016 $	COMPANY 2015 $
Continuing operations			
Revenue	4	2,842,392	4,843,321
Research & Development Rebate	4	1,182,572	334,000
Interest income		59,627	19,446
Other income	4	44,654	3,937
Cost of sale of goods		(1,627,329)	(1,982,168)
Audit fees	10	(63,284)	-
Corporate Restructure / RTO Expense	3.4	(1,107,175)	-
Depreciation and amortisation expense		(72,218)	(115,066)
Directors and employee benefits expense		(2,703,750)	(2,597,378)
Finance costs	5	(6,807)	(21,130)
Legal fees		(105,606)	(38,609)
Marketing expense		(123,809)	(45,087)
Operations and administration expense		(552,182)	(353,554)
Other expenses from ordinary activities		(292,077)	(373,277)
Loss before income tax expense		(2,524,992)	(325,565)
Income tax (benefit)/expense	7	19,725	(7,301)
Loss after tax from continuing operations attributable to the owners of the Company		(2,544,717)	(318,264)
Other comprehensive income/(loss) net of tax			
Items that may be reclassified to profit or loss		-	-
Items that will not reclassified to profit or loss		-	-
Total comprehensive loss for the year attributable to the owners of the Company		(2,544,717)	(318,264)
Earnings/(Loss) Per Share			
Basic and diluted loss per share (cents)	19	(0.63)	(0.12)

The Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the accompanying notes, which form an integral part of the final annual report.

Statement of Financial Position

as at 30 June 2016

	Note	CONSOLIDATED 2016 $	COMPANY 2015 $
Current assets			
Cash and cash equivalents	25	5,645,357	2,321,254
Trade and other receivables	11	2,122,173	1,262,291
Other assets		59,374	6,885
Total current assets		7,826,904	3,590,430
Non-current assets			
Property, plant and equipment	13	137,818	190,112
Deferred tax assets	7	97,804	124,690
Intangible assets and goodwill		5,071	5,775
Total non-current assets		240,693	320,577
Total assets		8,067,597	3,911,007
Liabilities			
Current liabilities			
Trade and other payables	12	370,638	419,931
Borrowings		5,104	47,096
Employee provisions	15	202,294	227,116
Other	14	866,722	910,811
Total current liabilities		1,444,758	1,604,954
Non-current liabilities			
Borrowings	26	-	1,500,000
Employee Provisions	15	48,300	155,476
Total non-current liabilities		48,300	1,655,476
Total liabilities		1,493,058	3,260,430
Net assets		6,574,539	650,577
Equity			
Issued capital	16	10,568,683	2,100,004
Accumulated loses	17	(3,994,144)	(1,449,427)
Total equity		6,574,539	650,577

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying notes, which form an integral part of the final annual report.

Statement of Changes in Equity

for the financial year ended 30 June 2016

	Issued capital	Accumulated losses	Total equity
COMPANY	$	$	$
Balance at 1 July 2014	2,100,004	(1,131,163)	968,841
Loss for the year		(318,264)	(318,264)
Other comprehensive income, net of income tax	-	-	-
Total comprehensive loss for the year	-	(318,264)	(318,264)
Shares issued during the year	-	-	-
Share-based payments	-	-	-
Balance as at 30 June 2015	2,100,004	(1,449,427)	650,577
CONSOLIDATED			
Balance as at 1 July 2015	2,100,004	(1,449,427)	650,577
Loss for the year		(2,544,717)	(2,544,717)
Other comprehensive income, net of income tax	-	-	-
Total comprehensive loss for the year	-	(2,544,717)	(2,544,717)
Shares issued during the year	2,182,500	-	2,182,500
Share-based payments - acquisition	6,286,179	-	6,286,179
Balance as at 30 June 2016	10,568,683	(3,994,144)	6,574,539

Statement of Cash Flows

for the financial year ended 30 June 2016

	Note	CONSOLIDATED 2016 $	COMPANY 2015 $
Cash flows from operating activities			
Receipts from customers & R&D Rebate received		3,209,630	6,578,545
Payments to suppliers and employees		(5,891,692)	(5,450,513)
Interest received		59,627	19,446
Finance costs		(6,807)	(18,153)
Income tax paid		-	-
Net cash inflows/(outflow) from operating activities	25	(2,629,242)	1,129,325
Cash flows from investing activities			
Cash received from acquisition of Subsidiary		5,332,057	-
Payments for property, plant and equipment		(19,220)	(75,982)
Net cash inflows/(outflow) from investing activities		5,312,837	(75,982)
Cash flows from financing activities			
Proceeds from issue of shares		682,500	-
Proceeds from borrowings		-	1,265,662
Repayments of borrowings		(41,992)	-
Net cash inflows from financing activities		640,508	1,265,662
Net increase/(decrease) in cash and cash equivalents		3,324,103	2,319,005
Cash and cash equivalents at the beginning of the year		2,321,254	2,249
Cash and cash equivalents at the end of the year	25	5,645,357	2,321,254

The Consolidated Statement of Cash Flow should be read in conjunction with the accompanying notes, which form an integral part of the final annual report.

Notes to the Financial Statements

for the financial year ended 30 June 2016

1 General information

Alcidion Group Limited (the Company and controlled entity) is a limited company incorporated in Australia. The core of Alcidion's business model is to create intellectual property in the form of Clinical Decision Support Systems (**CDSS**) software developed to improve the quality of care for all patients and improve the productivity of clinicians and care teams.

The Company's software is bundled with other technologies and services to create complete clinical and business solutions for health care providers. In short, Alcidion builds, sells, delivers, runs and supports solutions for health care provider organisations around the Australia and New Zealand.

2 Statement of significant accounting policies

These consolidated financial statements are general purpose financial statements which have been prepared in accordance with the *Corporations Act 2001*, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Company and its controlled entity (collectively the Group). Refer Note 2.1.3 for details on the reverse acquisition.

The financial statements were authorised for issue by the directors on 30 September 2016.

2.1 Basis of preparation

The financial statements comprise the consolidated financial statements of the Group. For the purposes of preparing the consolidated financial statements, the Company is a for-profit entity. Material accounting policies adopted in the preparation of these financial statements are presented below. They have been consistently applied unless otherwise stated.

2.2.1 Statement of compliance

These financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (**AASB**) and International Financial Reporting Standards (**IFRS**) as issued by the International Accounting Standards Board (**IASB**), and the *Corporations Act 2001* (Cth).

Australian Accounting Board Standards (**AASBs**) set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with AASBs ensures that the financial statements and notes also comply with IFRS as issued by the IASB.

2.1.2 Financial position

The consolidated 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. Historical cost is generally based on the fair values of the consideration given in exchange for goods and services.

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

The Group has incurred a net loss after tax for the year ended 30 June 2016 of $2,544,717 (2015: $318,264 loss), and a net cash outflow from operations of $2,629,242 (2015: inflow of $1,129,325). At 30 June 2016, the Group has net current assets of $6,382,146 (2015: $1,985,476) and net equity of $6,574,539 (2015: $650,577).

Based on a cash flow forecast, the Group has sufficient working capital to fund its mandatory obligations for the period ending 12 months from the date of this report. Should the Group be unable to generate sufficient funds from its operations or it is unable to raise sufficient capital, the planned operations and software development may have to be amended. The Board is confident in securing sufficient additional capital to fund the operations of the Group. The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows and confidence in raising additional funds.

2.1.3 Reverse acquisition

Alcidion Group Limited (formerly Naracoota Resources Limited) (**Alcidion**) is listed on the Australian Securities Exchange. The Company completed the legal acquisition of Alcidion Corporation Pty Ltd (**Alcidion Corporation**) on 29 February 2016.

Alcidion Corporation (the legal subsidiary) was deemed to be the acquirer for accounting purposes as it has obtained control over the operations of the legal acquirer Alcidion (accounting subsidiary). Accordingly, the consolidated financial statements of Alcidion have been prepared as a continuation of the financial statements of Alcidion Corporation. Alcidion Corporation (as the deemed acquirer) has accounted for the acquisition of Alcidion from 29 February 2016. The comparative information presented in the consolidated financial statements is that of Alcidion Corporation.

The impact of the reverse acquisition on each of the primary statements is as follows:

- The consolidated statement of profit or loss and other comprehensive income:
  - for the year to 30 June 2016 comprises twelve months of Alcidion Corporation and the period from 29 February 2016 to 30 June 2016 of Alcidion; and
  - for the comparative period comprises 1 July 2014 to 30 June 2015 of Alcidion Corporation.
- The consolidated statement of financial position:
  - as at 30 June 2016 represents both Alcidion Corporation and Alcidion as at that date; and
  - as at 30 June 2015 represents Alcidion Corporation as at that date.
- The consolidated statement of changes in equity:
  - for the year ended 30 June 2016 comprises Alcidion Corporation's balance at 1 July 2015, its loss for the year and transactions with equity holders for twelve months. It also comprises Alcidion's loss and transactions within equity from 29 February 2016 to 30 June 2016 and the equity value

of Alcidion Corporation and Alcidion at 30 June 2016. The number of shares on issue at year end represent those of Alcidion only.

  - for the comparative period comprises 1 July 2014 to 30 June 2015 of Alcidion Corporation's changes in equity.

- The consolidation statement of cash flows:
  - for the year ended 30 June 2016 comprises the cash balance of Alcidion Corporation, as at 1 July 2015, the cash transactions for the twelve months of Alcidion Corporation and the period from 29 February 2016 to 30 June 2016 of Alcidion and the cash balances of Alcidion Corporation and Alcidion at 30 June 2016.
  - for the comparative period comprises 1 July 2014 to 30 June 2015 of Alcidion Corporation's cash transactions.

2.1.4 Use of estimates and judgments

The preparation of consolidated financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. These estimates and associated assumptions are based on historical experience and various factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

2.1.5 Comparative figures

Where required by AASBs comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Where the Group retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, an additional (third) statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements is presented.

2.2 Principles of consolidation

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended. Where controlled entities have entered (left) the Consolidated Group during the year, their operating results have been included (excluded) from the date control was obtained (ceased).

2.2.1 Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control exists when the Group is exposed to variable returns from another entity and has the ability to affect those returns through its power over the entity.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquisition; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree;

less

- the net recognised amount of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

2.2.2 Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

2.2.3 Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date control is lost. Subsequently it is accounted for as an equity-accounted investee or as an available-for- sale financial asset depending on the level of influence retained.

2.2.4 Transactions eliminated on consolidation

All intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

2.3 Taxation

2.3.1 Income tax

The income tax expense / (income) for the year comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense charged to the profit or loss is the tax payable on taxable income calculated using applicable income tax rates enacted, or substantially enacted, as at reporting date. Current tax liabilities (assets) are therefore measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (income) is charged or credited outside profit or loss when the tax relates to items recognised outside profit or loss.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantively enacted at reporting date. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Where the Group receives the Australian Government's Research and Development Tax Incentive, the Group accounts for the refundable tax offset under AASB 112. Funds are received as a rebate through the parent company's income tax return and disclosed as such in Note 7 Income Tax.

2.3.2 Goods and Services Tax (GST)

Revenues, expenses, and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as a current asset or liability in the balance sheet.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

2.4 Fair Value

2.4.1 Fair Value of Assets and Liabilities

The Group measures some of its assets and liabilities at fair value on either a recurring or non-recurring basis, depending on the requirements of the applicable AASB.

Fair value is the price the Group would receive to sell an asset or would have to pay to transfer a liability in an orderly unforced transaction between independent, knowledgeable and willing market participants at the measurement date.

As fair value is a market-based measure, the closest equivalent observable market pricing information is used to determine fair value. Adjustments to market values may be made having regard to the characteristics of the specific asset or liability. The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data.

To the extent possible, market information is extracted from either the principal market for the asset or liability (i.e. the market with the greatest volume and level of activity for the asset or liability) or, in the absence of such a market, the most advantageous market available to the entity at the end of the reporting period (i.e. the market that maximises the receipts from the sale of the asset or minimises the payments made to transfer the liability, after taking into account transaction costs and transport costs).

For non-financial assets, the fair value measurement also takes into account a market participant's ability to use the asset in its highest and best use or to sell it to another market participant that would use the asset in its highest and best use.

The fair value of liabilities and the entity's own equity instruments (excluding those related to share-based payment arrangements) may be valued, where there is no observable market price in relation to the transfer of such financial instruments, by reference to observable market information where such instruments are held as assets. Where this information is not available, other valuation techniques are adopted and, where significant, are detailed in the respective note to the financial statements.

2.4.2 Fair value hierarchy

AASB 13 *Fair Value Measurement* requires the disclosure of fair value information by level of the fair value hierarchy, which categorises fair value measurements into one of three possible levels based on the lowest level that an input that is significant to the measurement can be categorised into as follows:

Level 1	Level 2	Level 3
Measurements based on quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.	Measurements based on inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly.	Measurements based on unobservable inputs for the asset or liability.

The fair values of assets and liabilities that are not traded in an active market are determined using one or more valuation techniques. These valuation techniques maximise, to the extent possible, the use of observable market data. If all significant inputs required to measure fair value are observable, the asset or liability is included in Level 2. If one or more significant inputs are not based on observable market data, the asset or liability is included in Level 3.

2.4.3 Valuation techniques

The Group selects a valuation technique that is appropriate in the circumstances and for which sufficient data is available to measure fair value. The availability of sufficient and relevant data primarily depends on the specific characteristics of the asset or liability being measured. The valuation techniques selected by the Group are consistent with one or more of the following valuation approaches:

- *Market approach:* valuation techniques that use prices and other relevant information generated by market transactions for identical or similar assets or liabilities.
- *Income approach:* valuation techniques that convert estimated future cash flows or income and expenses into a single discounted present value.
- *Cost approach:* valuation techniques that reflect the current replacement cost of an asset at its current service capacity.

Each valuation technique requires inputs that reflect the assumptions that buyers and sellers would use when pricing the asset or liability, including assumptions about risks. When selecting a valuation technique, the Group gives priority to those techniques that maximise the use of observable inputs and minimise the use of unobservable inputs. Inputs that are developed using market data (such as publicly available information on actual transactions) and reflect the assumptions that buyers and sellers would generally use when pricing the asset or liability are considered observable, whereas inputs for which market data is not available and therefore are developed using the best information available about such assumptions are considered unobservable.

2.5 Plant and equipment

2.5.1 Recognition and measurement

Items of plant and equipment are measured on the cost basis and carried at cost less accumulated depreciation (see below) and impairment losses (see accounting policy 2.6 Impairment of non-financial assets).

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

The carrying amount of plant and equipment is reviewed annually by Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to their present values in determining recoverable amounts.

Where parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment.

2.5.2 Subsequent costs

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. Any costs of the day-to-day servicing of plant and equipment are recognised in the income statement as an expense as incurred.

2.5.3 Depreciation

Depreciation is charged to the income statement on a diminishing value or straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Depreciation rates and methods are reviewed annually for appropriateness. The depreciation rates used for the current and comparative period are:

Class of fixed asset	Depreciation rate (%)
Computer equipment	25 – 66.67
Furniture and fittings	5-10

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised net within “other income” in profit or loss.

2.6 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets (see accounting policy 2.3.1) are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement, unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation and amortisation, if no impairment loss had been recognised.

2.7 Financial instruments

2.7.1 Initial recognition and measurement

A financial instrument is recognised if the Group becomes party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified on the contract expire or are discharged or cancelled.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.7.2 Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity securities, trade and other receivables, cash and cash equivalents and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transactions costs. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

2.7.3 Classification and Subsequent Measurement

Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of nine months or less, and bank overdrafts. Bank overdrafts are shown within short-borrowings in current liabilities on the Statement of financial position.

Loans

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period.

Trade and other receivables

Receivables are usually settled within 60 days. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

Trade and other receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any provision for impairment. Collectability of trade and other receivables are reviewed on an ongoing basis. An impairment loss is recognised for debts which are known to be uncollectible. An impairment provision is raised for any doubtful amounts.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year which are unpaid and stated at their amortised cost. The amounts are unsecured and are generally settled on 30 day terms.

Share capital

Ordinary issued capital is recorded at the consideration received. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any related income tax benefit. Ordinary issued capital bears no special terms or conditions affecting income or capital entitlements of the shareholders.

2.7.4 Amortised cost

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

2.7.5 Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

2.7.6 Effective interest method

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) over the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

2.7.7 Impairment

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Financial assets are tested for impairment on an individual basis. All impairment losses are recognised in the income statement.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in the income statement.

2.7.8 Derecognition

Financial assets are derecognised where the contractual rights to cash flow expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

2.7.9 Finance income and expenses

Finance income comprises interest income on funds invested (including available-for-sale financial assets), gains on the disposal of available-for-sale financial assets and changes in the fair value of financial assets at fair value through profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

Financial expenses comprise interest expense on borrowings calculated using the effective interest method, unwinding of discounts on provisions, changes in the fair value of financial assets at fair value through profit or loss and impairment losses recognised on financial assets. All borrowing costs are recognised in profit or loss using the effective interest method.

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in income in the period in which they are incurred.

Foreign currency gains and losses are reported on a net basis.

2.8 Employee benefits

2.8.1 Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to the reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay at the reporting date including related on-costs, such as workers compensation insurance and payroll tax.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Group as the benefits are taken by the employees.

2.8.2 Other long-term benefits

The Group's obligation in respect of long-term employee benefits other than defined benefit plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the Reserve Bank of Australia's cash rate at the report date that have maturity dates approximating the terms of the Company's obligations. Any actuarial gains or losses are recognised in profit or loss in the period in which they arise.

2.8.3 Retirement benefit obligations: Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions onto a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the income statement as incurred.

2.8.4 Termination benefits

When applicable, the Group recognises a liability and expense for termination benefits at the earlier of: (a) the date when the Group can no longer withdraw the offer for termination benefits; and (b) when the Group recognises costs for restructuring pursuant to AASB 137 Provisions, Contingent Liabilities and Contingent Assets and the costs include termination benefits. In either case, unless the number of employees affected is known, the obligation for termination benefits is measured on the basis of the number of employees expected to be affected. Termination benefits that are expected to be settled wholly before 12 months after the annual reporting period in which the benefits are recognised are measured at the (undiscounted) amounts expected to be paid. All other termination benefits are accounted for on the same basis as other long-term employee benefits.

2.8.5 Equity-settled compensation

The Group operates an employee share option plan. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using the Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market conditions not being met.

2.9 Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will results and that outflow can be reliably measured.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, when appropriate, the risks specific to the liability.

2.10 Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to entities in the Group are classified as finance leases.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised in the income statement on a straight-line basis over the term of the lease.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

2.11 Revenue and other income

Interest revenue is recognised in accordance with Note 2.7.9 Finance income and expenses.

Revenue is measured at the fair value of the consideration received or receivable after taking into account any trade discounts and volume rebates allowed. When the inflow of consideration is deferred, it is treated as the provision of financing and is discounted at a rate of interest that is generally accepted in the market for similar arrangements. The difference between the amount initially recognised and the amount ultimately received is interest revenue.

Income from the Research & Development (R&D) Tax Offset is recognised in profit before tax over the periods necessary to match the benefit of the credit with the costs for which it is intended to compensate.

Expenditure on research and development is charged to the income statement in the year in which it is incurred.

All revenue is stated net of the amount of GST (Note 2.3.2 Goods and Services Tax (GST)).

2.12 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' results are regularly reviewed by the Group's Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2.13 Critical Accounting Estimates and Judgments

Management discusses with the Board the development, selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2.13.1 Key judgements and estimates - Business Combinations

Refer Note 2.2.1 Business combinations, Note 2.1.3 Reverse Acquisition and Note 3 Business Combinations.

2.13.2 Key Estimate - Taxation

Balances disclosed in the financial statements and the notes thereto, related to taxation, are based on the best estimates of directors. These estimates take into account both the financial performance and position of the company as they pertain to current income taxation legislation, and the directors understanding thereof. No adjustment has been made for pending or future taxation legislation. The current income tax position represents that directors' best estimate, pending an assessment by tax authorities in relevant jurisdictions. Refer Note 7 Income Tax. Research & Development rebate is accrued based on estimated amount receivable from ATO as per the applicable tax laws.

2.13.3 Key Estimate - Intangible assets and amortisation

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 are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources; and intent to complete the development and its costs can be measured reliably. Capitalised development costs are amortised on a straight-line basis over the period of their expected benefit, being their finite life of four years.

Significant costs associated with software are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of four years.

2.13.4 Key Estimate – Provision for R&D

Where the Group receives the Australian Government's Research and Development Tax Incentive, the Group accounts for the amount refundable on accrual basis. In determining the amount of the R&D provision at year end, there is an estimation process utilising a conservative approach. Any changes to the estimation are recorded in the subsequent Financial Year.

2.14 New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all of 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. Any new, revised or amending AASBs that are not yet mandatory have not been early adopted. The adoption of these AASBs did not have any significant impact on the financial performance or position of the Group.

2.15 New Accounting Standards and Interpretations not yet mandatory or early adopted

AASBs 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 2016. The Group's assessment of the impact of these new or amended AASBs, most relevant to the Group, are set out below.

2.15.1 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**) or 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 simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. 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 but the impact of its adoption is yet to be assessed by the Group.

2.15.2 AASB 15 Revenue from Contracts with Customers

This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand- alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue.

For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied.

Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgments made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer.

The Group will adopt this standard from 1 July 2018 but the impact of its adoption is yet to be assessed by the Group.

2.15.3 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 as 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 improved 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 but the impact of its adoption is yet to be assessed by the consolidated entity.

There are no other AASB that have recently been issued or amended but are not yet mandatory that are expected to have a significant impact on the Group.

3 Business combinations

3.1 Alcidion Corporation Pty Ltd

On 29 February 2016, Alcidion Group Limited (formerly Naracoota Resources Limited) (**Alcidion Group**), acquired 100% of the ordinary share capital and voting rights of Alcidion Corporation Pty Ltd (**Alcidion Corporation**) as described in the prospectus issued 7 December 2015.

Under AASB 3 Business Combinations (AASB 3) this is treated as a 'reverse acquisition', whereby the accounting acquirer is deemed to be Alcidion Corporation and Alcidion Group Limited is deemed to be the accounting acquiree. As a result, this financial report consists statement of profit or loss and other comprehensive income, financial position, changes in equity and cash flows comprises the cash transactions of Alcidion Corporation Pty Ltd for the year ended 30 June 2016 as well as the transactions of Alcidion Group Limited from the date of acquisition (29 February 2016) to the period ended date of 30 June 2016.

Refer to the effect upon the basis of preparation at Note 2.1.3 Reverse acquisition.

3.2 Acquisition consideration

As consideration for the issued capital of Alcidion Corporation, Alcidion Group Limited issued:

i. 400,000,000 Shares, 133,333,333 Class A Contingent Share Rights and 133,333,333 Class B Contingent Share Rights to the Alcidion Vendors (or their nominees) in consideration for the acquisition of all of the issued capital in Alcidion (Vendor Offer); and
ii. 11,827,957 Class A Contingent Share Rights and 15,053,763 Class B Contingent Share Rights to Beacon in consideration for the initial introduction and structuring of the Alcidion Acquisition (Beacon Offer).

3.3 Fair value of consideration transferred

Under the principles of AASB 3, the transaction between Alcidion Group and Alcidion Corporation is being treated as a reverse acquisition. As such, the assets and liabilities of the legal subsidiary (the accounting acquirer), being Alcidion Corporation, are measured at their pre-combination carrying amounts. The assets and liabilities of the legal parent (accounting acquiree), being Alcidion Group are measured at fair value on the date of acquisition (29 February 2016).

The consideration in a reverse acquisition is deemed to have been incurred by the legal subsidiary (Alcidion Corporation) in the form of equity instruments issued to the shareholders of the legal parent entity (Alcidion Group). The acquisition-date fair value of the consideration transferred has been determined by reference to the fair value of the number of shares the legal subsidiary (Alcidion Corporation) would have issued to the legal parent entity Alcidion Group to obtain the same ownership interest in the combined entity.

3.4 Goodwill (Corporate restructure / RTO expense)

Goodwill is calculated as the difference between the fair value of consideration transferred less the fair value of the identified net assets of the legal parent, being Alcidion Group. Details of the transaction are as follows:

	Fair Value $
Fair value of consideration transferred	6,286,178
Fair value of assets and liabilities held at acquisition date:	
• Cash	5,332,057
• Trade and other receivables	30,814
• Trade and other payables	(183,868)
Fair value of identifiable assets and liabilities assumed	5,179,003
Goodwill (Corporate restructure / RTO expense)	1,107,175

The goodwill calculated above represents goodwill in Alcidion Group, however this has not been recognised as Alcidion Group (the accounting acquiree) is not a business. Instead the deemed fair value of the interest in Alcidion Corporation issued to existing Alcidion Group shareholders to affect the combination (the consideration for the acquisition of the public shell company) was recognised as an expense in the income statement. This expense has been presented as a "corporate restructure / RTO expense" on the face of the consolidated statement profit or loss and comprehensive income.

4 Revenue

	Consolidated 2016 $	Company 2015 $
Revenue from continuing operations		
Recurring income	1,808,037	1,568,582
Non-recurring income	1,034,249	3,276,892
Foreign exchange gain or (loss)	106	(2,153)
	2,842,392	4,843,321
Other income		
Other revenue	44,654	3,937
Research & Development Incentive Rebate	1,182,572	334,000

5 Finance costs

	Consolidated 2016 $	Company 2015 $
Net finance costs recognised in profit or loss	6,807	21,130

6 Loss from operations

Loss before income tax has been arrived at after charging the following gains and (losses) from continuing operations:

	Consolidated 2016 $	Company 2015 $
Depreciation and Amortisation of non-current assets	72,218	115,066
Directors and employees benefit expense	2,703,750	2,597,378
Net Foreign Exchange Differences	(106)	2,153
Corporate restructure / RTO expense	1,107,175	-

7 Income tax

	Consolidated 2016 $	Company 2015 $
Income tax recognised in profit or loss		
Tax expense comprises:		
Current tax expense	-	-
Deferred tax expense relating to the origination and reversal of temporary differences	(19,725)	7,301
Total tax benefit	(19,725)	7,301

The prima facie income tax expense on pre-tax accounting loss from operations reconciles to the income tax expense in the financial statements as follows:

	Consolidated 2016 $	Company 2015 $
(Loss) from operations	(2,524,992)	(325,565)
Income tax benefit calculated at 30%	(757,498)	(97,669)
Research and Development expense	861,762	100,200
Effect of expenses that are not deductible in determining taxable profit	35,008	(735)
Net effect of unused tax losses and temporary differences not recognised as deferred tax assets	(119,547)	(9,097)
Income tax benefit	19,725	(7,301)

The tax rate used in the above reconciliation is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

Recognised deferred tax balances

The following deferred tax assets have been brought to account:

Employee entitlements	97,804	124,690
Net temporary differences	-	-
Deferred Tax Asset	97,804	124,690

Unrecognised Deferred Tax Assets: A deferred tax asset has not been recognised in respect of accumulated tax losses as the realisation of the benefit is not regarded as probable.

8 Key management personnel disclosures

a) Details of key management personnel

The directors and executives of Alcidion Group Limited during the year were:

Directors

Mr Raymond Howard Blight (Appointed 22 February 2016)
Professor Malcolm Pradhan (Appointed 22 February 2016)
Mr Nathan Edmund-James Buzza (Appointed 22 February 2016)
Mr Nicholas Paul Dignam (Appointed 22 February 2016)
Mr Josh Russell Puckridge (Appointed 9 March 2015)
Mr Gavin Wates (Resigned 23 February 2016)
Mr Thomas Bahen (Resigned 23 February 2016)

Executives

Mr Duncan Craig (From 29 February 2016)

b) Key management personnel compensation

The aggregate compensation made to key management personnel of the Company is set out below

	Consolidated 2016 $	Company 2015 $
Short-term employee benefits	813,022	671,452
Post-employment benefits	62,876	47,006
Other benefits	12,358	-
Share-based payments	-	-
	888,257	718,458

The compensation of each member of the key management personnel of the Company is set out in the Directors' Remuneration report.

Disclosure in the remuneration report differs from the note 8(b) to the accounts due to the full year remuneration for Alcidion Corporation for 2016 and 2015 being included in the notes but only 4 months of remuneration being included in the remuneration report for 2016, for the incoming directors after the completion of the RTO on 29 February 2016.

9 Share-based payments Share options and Contingent Share Rights

The Company an ownership-based compensation arrangement for its employees.

Each option issued under the arrangement converts into one ordinary share of Alcidion Group Limited on exercise. No amounts are paid or payable by the recipient on receipt of the option. Options neither carry rights to dividends nor voting rights. Options may be exercised at any time from the date of vesting to the date of their expiry. Vesting dates and conditions are dependent on each arrangement as agreed to by the directors.

The number of options granted is at the sole discretion of the directors.

Incentive options issued to directors (executive and non-executive) are subject to approval by shareholders and attach vesting conditions as appropriate.

No share-based payments were made during the current and comparative reporting period.

There were no options over ordinary shares in the Company provided as remuneration to directors or key management persons during the year.

Options

	Consolidated 2016 $		Company 2015 $	
	Number of options	Weighted average exercise price $	Number of options	Weighted average exercise price $
Balance at beginning of financial year	-	-	-	-
Granted during the financial year	-	-	-	-
Group's options on acquisition	5,500,000	0.28	-	-
Exercised during the financial year	-	-	-	-
Balance at end of the financial year (i)	5,500,000		-	-
Exercisable at end of financial year	5,500,000		-	-

(i) *Balance at end of the financial year: The Share options outstanding at the end of the financial year had a weighted average remaining contractual life of 0.34 years*

	Class A Contingent Shares Rights (1)	Class B Contingent Shares Rights (2)
	Number of Rights	Number of Rights
Balance at beginning of financial year	-	-
Granted during the financial year as Consideration for the Acquisition of Alcidion Corporation	133,333,333	133,333,333
Consideration issued to Advisors	11,827,957	15,053,763
Balance at end of the financial year	145,161,290	148,387,096

(1) *Each Class A Contingent shares right will be converted to one fully paid ordinary shares on Alcidion Group achieving $10,000,000 in revenue (audited) over 12 consecutive months within 24 months from the 29th February 2016 (re-admission of Alcidion Group to the ASX)*

(2) Each Class B Contingent shares right will be converted to one fully paid ordinary shares on Alcidion Group achieving $15,000,000 in revenue (audited) over 12 consecutive months within 36 months from the 29th February 2016 (re-admission of Alcidion Group to the ASX)

(3) Holder of Class A & B contingent rights will have no right to vote at Company's General Meeting.

(4) No Value has been attributed to Class A & B Contingent Share Rights since in the option of the directors there is very low probability of achieving the vesting targets

10 Remuneration of auditors

	Consolidated 2016 $	Company 2015 $
Audit and review of the financial report for the Parent (i)	33,284	-
Audit and review of the financial report for the Subsidiary (ii)	30,000	
	63,284	-

(i) The auditor of the parent, Alcidion Group Limited, is Stantons International.

(ii) The auditor of the Company's wholly owned subsidiary, Alcidion Corporation Pty Ltd, is William Buck.

11 Current trade and other receivables

	Consolidated 2016 $	Company 2015 $
R&D Tax Offset Refund Due	996,593	334,606
Trade accounts receivable	1,125,580	927,685
	2,122,173	1,262,291

Trade receivable are non-interest bearing and generally on terms of 14-60 days.

No provision for impairment at year end is considered necessary.

12 Trade and other payables

	Consolidated 2016 $	Company 2015 $
Goods and Services Tax	106,528	175,156
Trade payables (i)	93,727	86,253
Other	108,042	58,205
Amounts withheld	62,341	100,317
	370,638	419,931

(i) The average credit period on purchases of goods and services is 30 days. No interest is charged on the trade payables for the first 30 to 60 days from the date of the invoice. Thereafter, interest is charged at various penalty rates. The Company has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

13 Property, plant and equipment

	Computer equipment at cost $	Furniture and fittings at cost $	Total $
Gross carrying amount			
Balance at 1 July 2014	351,565	344,044	695,609
Additions	74,206	1,780	75,986
Disposals	(102,752)	(203,419)	(306,171)
Balance at 1 July 2015	323,019	142,405	465,424
Additions	19,220	-	19,220
Acquired on acquisition	14,888	-	14,888
Balance at 30 June 2016	357,127	142,405	499,532
Accumulated depreciation and impairment			
Balance at 1 July 2014	218,720	249,101	467,821
Depreciation expense	87,406	26,256	113,662
Disposals/write-offs	(102,752)	(203,419)	(306,171)
Balance at 1 July 2015	203,374	71,938	275,312
Depreciation expense	61,092	10,422	71,514
Acquired on acquisition	14,888	-	14,888
Balance at 30 June 2016	279,354	82,360	361,714
Net book value			
At 30 June 2015	119,645	70,467	190,112
At 30 June 2016	77,773	60,045	137,818

Aggregate depreciation allocated, whether recognised as an expense or capitalised as part of the carrying amount of other assets during the year:

	Consolidated 2016 $	Company 2015 $
Computer Equipment		
At cost	357,127	323,019
Accumulated depreciation	(279,354)	(203,374)
	77,773	119,645
Furniture & Fittings		
At cost	142,405	142,405
Accumulated depreciation	(82,360)	(71,938)
	60,045	70,467
Total property, plant and equipment	137,818	190,112

14 Income in advance

	Consolidated 2016 $	Company 2015 $
Income in advance	866,722	910,811

Income in advance relates to invoices issued to customers, or physical cash received from customers for licencing, maintenance and support services to be carried out in future periods.

15 Employee benefit provisions

	Consolidated 2016 $	Company 2015 $
Current		
Annual leave	101,416	160,456
Long service leave	100,878	66,660
	202,294	227,116
Non-current		
Long service leave	48,300	155,476
Total employee provisions	250,594	382,592

15A Borrowings (Non-current)

	Consolidated 2016 $	Company 2015 $
Convertible Note	-	1,500,000
	-	1,500,000

a. On 16 January 2015, the company issued 1,500,000 convertible notes with the following terms:
   a. 0% interest rate
   b. The notes were convertible to ordinary shares in the Company at the election of the Noteholder
   c. The Convertible notes were converted on the 12th November 2015

16 Issued capital

(a) Issued capital

	Consolidated 2016 $	Company 2015 $
602,779,957 fully paid ordinary shares	10,568,683	2,100,004
(2015: 9,000,000)	10,568,683	2,100,004

	Consolidated 2016		Company 2015	
	No.	$	No.	$
Balance at 1 July 2015	9,000,000	2,100,004	9,000,000	2,100,004
Shares issued during the year	853,125	682,500	-	
Conversion of convertible notes	3,701,907	1,500,000	-	-
Cancellation of Alcidion Corporation shares on completion of RTO	(13,555,032)	-	-	-
Shares in Alcidion Group on completion of Acquisition	202,779,957	-	-	-
Shares issued for acquisition of Alcidion Corporation	400,000,000	6,286,179		
Share issue costs	-	-	-	
Balance at 30 June 2016	602,779,957	10,568,683	9,000,000	2,100,004

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

(b) Contingent share rights

	Consolidated 2016		Company 2015	
	No.	$	No.	$
Class A Contingent Share Rights				
Balance at 1 July 2015	-	-	-	-
Share rights issued for acquisition of Alcidion Corporation	133,333,333	-	-	
Share rights issued to Beacon Capital (Advisors)	11,827,957			
Balance at 30 June 2016	145,161,290	-	-	-
Class B Contingent Share Rights				
Balance at 1 July 2015	-		-	-
Share rights issued for acquisition of Alcidion Corporation	133,333,333	-	-	
Share rights issued to Beacon Capital (Advisors)	15,053,763			
Balance at 30 June 2016	148,387,096	-	-	-

The Class A and Class B Contingent Share Rights have been valued at nil since in the opinion of the Directors there is a very low probability of achieving the vesting targets.

The Contingent Share Rights issued in consideration for the acquisition of Alcidion Corporation is detailed at Note 3.2; Acquisition Consideration on page 40.

Refer Note 9 for terms & conditions of Contingent Share Rights.

(c) Reserves

	Consolidated 2016 $	Company 2015 $
Balance at beginning of financial year	-	-
Share-based payment expense	-	-
Balance at end of financial year	-	-

*As consideration for introduction of Alcidion Corporation

(d) Movements in options on issue

	2016 No. of options	2015 No. of options
Beginning of the financial year	-	-
Options in Alcidion Group on Acquisition	5,500,000	
End of the financial year	5,500,000	-

Date options issued	Expiry Date	Exercise price (cents)	Number of options
3 August 2011	2 August 2016	30	1,000,000
20 October 2011	19 October 2016	30	4,000,000
23 August 2012	23 August 2017	7.5	500,000
Total number of options outstanding at the date of this report			5,500,000

The weighted average exercise price of these options is $0.28 & weighted average exercise period is 0.34 years.

17 Accumulated losses

	Consolidated 2016 $	Company 2015 $
Balance at beginning of financial year	(1,449,427)	(1,131,163)
Income/(Loss) attributable to members of the entity	(2,544,717)	(318,264)
Balance at end of financial year	(3,944,144)	(1,449,427)

18 Dividends

There were no dividends paid or proposed during the year.

The balance of the franking account at year end is $10,606 (2015: $10,606).

19 Loss per share

	2016 Cents per share	2015 Cents per share
Basic income/(loss) per share (cents):		
From continuing operations	(0.63)	(0.12)

	Consolidated 2016 $	Company 2015 $
Basic earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share		
Loss after tax	(2,544,717)	(318,264)

	2016 No.	2015 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	405,204,020	265,584,028

The rights of options held by option holders and the Contingent Share Rights have not been included in the weighted average number of ordinary shares for the purposes of calculating diluted EPS as they do not meet the requirements for inclusion in AASB 133 “Earnings per Share”. The rights of options and the Contingent Share Rights are non-dilutive as the exercise prices are higher than the Company’s share price at 30 June 2016 for the option holders and the Group has also incurred a loss for the year.

20 Related party disclosures

(a) Key management personnel remuneration

Details of key management personnel remuneration are disclosed in Note 8 to the financial statements.

(b) Loans to key management personnel and their related parties

There have been no loans to key management personnel during the year.

(c) Other transactions with key management personnel

Consultancy Fee paid to Allure Capital Pty Ltd amounting to $116,000, a company in which director Nathan Buzza is interested. Balance payable as 30th June 2016 NIL.

Cicero Advisory was paid $89,071 for corporate advisory services, a company in which director Josh Puckridge is interested. Balance payable as 30th June 2016 NIL.

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

21 Commitments

The Group has entered into an operating lease for the office premise at 40 Greenhill Road, Wayville SA 5034. The term of the lease is for six months however the Group has an option to extend the lease for a further 18 months, renewing every 6 months.

Future minimum payments under this non-cancellable operating lease as at year end are:

	Consolidated 2016 $	Company 2015 $
Within one year	67,644	67,644

As at 30 June 2016 the Group has no other commitments (2015: nil)

22 Contingencies

In the opinion of the Directors, the Group did not have any contingent liabilites or contingent assets as at 30 June 2016 (2015: nil).

The Company has provided security as follows; first registered Company charge by Alcidion Corporation over the whole of its assets and undertakings including uncalled capital.

Variation to the security; guarantee limited to $210,000 by Mr Raymond Blight and Guarantee limited to $210,000 by Professor Malcolm Pradhan. This security is against the overdraft and credit card facilities with CBA.

23 Segment reporting

The Company operates predominantly in the health informatics industry in Australia. For management purposes, the Company is organised into one main operating segment which involves the provision of health informatics software in Australia. All of the Company's activities are interrelated and discrete financial information is reported to the Board (Chief Operating Decision Maker) as a single segment. Accordingly, all significant operating decisions are based upon analysis of the Company as one segment. The financial results from this segment are equivalent to the financial statements of the Company as a whole.

24 Subsequent events

The Company has had 4 subsequent events post 30th June 2016:

a) Alcidion signed a $2.35 million MoU with Western Health, this is a five year contract to supply a range of Alcidion's solutions to Western Health.
b) Alcidion secured $525,000 contract with NT Health on the 22nd September 2016, to extend for 3 years the supply of its Patient Flow solution to Royal Darwin and Alice Springs.
c) Alcidion appointed Brian Leedman to the board as a non-executive director.
d) 1 million options exercisable at $0.30 expired on 2 August 2016

25 Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents includes cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:

	Consolidated 2016 $	Company 2015 $
Cash and cash at bank	5,645,357	609,591
Term deposit	-	1,711,663
	5,645,357	2,321,254

(b) Reconciliation of loss for the year to net cash flows from operating activities

(Loss) for the year	(2,544,717)	(318,264)
Depreciation of non-current assets	72,218	114,362
Corporate restructure / RTO expense	1,107,175	-
Income tax expense/(income)	19,725	(7,301)
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Trade and other receivables	(874,395)	1,395,617
Increase/(decrease) in liabilities:		
Trade and other payables	(277,250)	(81,562)
Provisions	(131,998)	26,473
Net cash used in operating activities	(2,629,242)	1,129,325

(c) Non cash investing and financing activities

During the year Alcidion Group has issued:

(1). 400 million ordinary shares for acquisition Alcidion Corporation

(2). 133.33 million Class A & 133.33 Class B Contingent rights for acquisition

26 Financial instruments

(a) Financial risk management objectives

The Group does not enter into or trade financial instruments, including derivative financial instruments. The use of financial derivatives is governed by the Company's Board of Directors.

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in Note 2 to the financial statements.

(c) Foreign currency risk management

The Group does not transact in foreign currencies, hence no exposure to exchange rate fluctuations arise.

(d) Interest rate risk management

The Company is exposed to interest rate risk as it places funds at both fixed and floating interest rates. The risk is managed by maintaining an appropriate mix between fixed and floating rate products which also facilitate access to money.

Maturity profile of financial instruments

The following table details the Company's exposure to interest rate risk.

	Weighted average interest rate	Variable interest Rate	Fixed maturity dates			Non-interest bearing	Total
			Less than 1 year	1-5 years	5+ years		
	%	$	$	$	$	$	$
2016							
Financial assets:							
Cash and cash equivalents	0.95%	818,899	3,117,444	-	-	1,709,014	5,645,357
Trade and other receivables		-	-	-	-	2,122,173	2,122,173
		818,899	3,117,444	-	-	3,831,187	7,767,530
Financial liabilities:							
Borrowings		-	5,104	-	-	-	5,104
Trade and other payables		-	-	-	-	370,638	370,638
		-	5,104	-	-	370,638	375,742
2015							
Financial assets:							
Cash and cash equivalents	2.6%	597,872	1,711,663	-	-	11,719	2,321,254
Trade and other receivables		-	-	-	-	1,262,291	1,262,291
		597,872	1,711,663	-	-	1,274,010	3,583,545
Financial liabilities:							
Borrowings – current		-	-	47,096	-	-	47,096
Borrowings – non-current	9%	-	-	1,500,000		-	1,500,000
Trade and other payables		-	-	-	-	419,931	419,931
		-	-	1,547,096	-	419,931	1,967,027

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Company. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure and the credit ratings of its counterparties are continuously monitored. The Group measures credit risk on a fair value basis.

The Group does not have any significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

It is a policy of the Group that creditors are paid within 30 days.

(f) Liquidity risk management

The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The Group does not perform any sensitivity analysis and none is disclosed in the financial statements as the impact would not be material.

(g) Market price risk

Given the current level and nature of operations and financial assets held the Company is not exposed to material price risk.

27 Information relating to Alcidion Group Limited (the parent)

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Australian Accounting Standards.

Statement of financial position

	2016 $	2015 $
Assets		
Current assets	4,824,948	3,750,014
Non-current assets	12,400,000	13,172
Total assets	17,224,948	3,763,186
Liabilities		
Current liabilities	52,870	14,859
Non-current liabilities	-	-
Total liabilities	52,870	14,859
Net assets	17,172,078	3,748,327
Equity		
Issued capital	22,926,487	8,689,184
Reserves	509,619	509,619
Accumulated losses	(6,264,028)	(5,450,476)
Total equity	17,172,078	3,748,327

Statement of Profit or Loss & Other Comprehensive Income

Total Loss for the year	813,552	278,421
Total comprehensive loss for the year	813,552	278,421

For, and on behalf of, the Board of the Company,

Ray Blight
Executive Chairman and Chief Executive Officer
Perth, Western Australia this 30 day of September 2016

Additional Shareholders' Information

Alcidion Group Limited's issued capital is as follows:

Ordinary Fully Paid Shares

At the date of this report there are the following number of Ordinary fully paid shares

	Number of shares
Balance at the beginning of the year	138,263,829
Movements of share options during the year and to the date of this report	464,516,128
Total number of shares at the date of this report	602,779,957

Shares Under Option

At the date of this report there are 4,500,000 unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	
Unlisted options	5,500,000
Listed options	47,536,676
	53,036,676
Movements of share options during the year and to the date of this report	(48,536,676)
Total number of options outstanding at the date of this report	4,500,000

The balance is comprised of the following:

Date options issued	Expiry date	Exercise price (cents)	Listed/Unlisted	Number of options
20 October 2011	19 October 2016	30	Unlisted	4,000,000
23 August 2012	23 August 2017	7.5	Unlisted	500,000

No person entitled to exercise any option referred to above has had, by virtue of the option, a right to participate in any share issue of any other body corporate.

Substantial shareholders

Alcidion Group Limited has the following substantial shareholders as at 21 September 2016:

Name	Number of shares	Percentage of issued capital
Professor Malcolm Pradhan	139,861,782	23.20
Mr Raymond Howard Blight	100,770,933	16.72
BSPE Medical Technology Pty Ltd <BSPE Medical Tech Unit A/C>	90,863,812	15.07

Range of shares as at 9 September 2016

Range	Total Holders	Units	% Issued Capital
1 - 1,000	14	1,907	0.00
1,001 - 5,000	11	45,268	0.01
5,001 - 10,000	111	1,064,660	0.18
10,001 - 100,000	520	27,719,611	4.60
100,001 - > 100,001	373	573,948,511	95.22
Total	1,029	602,779,957	100.00

Unmarketable parcels as at 9 September 2016

	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $ 0.054 per unit	9,260	44	194,015

Top 20 holders of ordinary shares as at 9 September 2016

	Name	Units	%
1	MR MALCOLM PRADHAN	139,861,782	23.20
2	MR RAYMOND HOWARD BLIGHT	98,548,711	16.35
3	BSPE MEDICAL TECHNOLOGY PTY LTD <BSPE MEDICAL TECH UNIT A/C>	90,863,812	15.07
4	ALLURE CAPITAL PTY LTD <BUZZA FAMILY A/C>	16,717,243	2.77
5	ALLURE CAPITAL PTY LTD <BUZZA FAMILY A/C>	16,123,982	2.67
6	MS LIN LIN	7,537,362	1.25
7	SHARE INVESTING NOMINEES PTY LIMITED	7,478,122	1.24
8	WALSH PRESTIGE PTY LTD <WALSH FAMILY A/C>	5,000,001	0.83
9	MR HARRY HOHOLIS	4,000,000	0.66
10	MR DUNCAN ROBERT CRAIG	3,873,101	0.64
11	MR PIERRE PULKO	3,700,000	0.61
12	MR NATHAN EDMUND-JAMES BUZZA + MRS TRUDI DIANNE BUZZA	3,225,806	0.54
13	MR PHILLIP JOHN COULSON	3,177,329	0.53
14	WALANI PTY LTD	3,177,329	0.53
15	MR MIKE ERAZM MASSEN	2,874,549	0.48
16	MR VINCE TRUDA <VINCE TRUDA S/F A/C>	2,750,000	0.46
17	MR JACOB OSCAR COULSON	2,541,863	0.42
18	JAYARAJAN INVESTMENTS PTY LTD <THE JAYARAJAN INVESTMENT A/C>	2,247,544	0.37
19	YAVERN CREEK HOLDINGS PTY LTD	2,082,358	0.35
20	COMSEC NOMINEES PTY LIMITED	2,011,014	0.33
Total of Top 20 Holders of ORDINARY SHARES		417,791,908	69.31

About Alcidion

Alcidion Group Limited (ASX:ALC) is a leading provider of intelligent informatics for high performance healthcare that empowers clinicians with decision support tools to ensure the highest quality of care for their patients. By providing clinicians with decision support tools and making recommendations about patient care, patient flow and patient safety, organisational efficiency may be optimised and key clinical risks eliminated.

Alcidion's solutions target key problems for Emergency Rooms, Inpatient Services and Outpatient Departments and are built upon a next generation health informatics platform, which incorporates an intelligent EMR, Clinical Decision Support Engine & Electronic Smartforms.

Want More Information ?

To learn more about Alcidion solutions, contact your Alcidion representative, visit our website at www.alcidion.com or call us at 1800 767 873.

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