



Alcidion Group Limited (ASX:ALC) Annual Report 2017

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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. Nick Dignam	Non-Executive Director	22/02/2016
Mr. Geoff Rohrsheim	Non-Executive Director	01/08/2017
Ms. Rebecca Wilson	Non-Executive Director	01/08/2017

Previous Directors (Naracoota Resources Limited)

Name	Position	Date of Resignation
Mr. Josh Puckridge	Non-Executive Director	29/11/2016
Mr. Nathan Buzza	Executive Director	31/07/2017
Mr. Brian Leedman	Non-Executive Director	31/07/2017

Registered office

c/- BDO Australia (Adelaide)
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Adelaide, 5000

Principal place of office

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Wayville SA 5034

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Website

www.alcidion.com

Auditors

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Accountants

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Adelaide SA 5000

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Bankers

Commonwealth Bank
Business Banking SME
Level 2, 100 King William Street
Adelaide SA 5000

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Solicitors

Kain Lawyers
315 Wakefield Street
Adelaide SA 5000

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☎ +61 8 7220 0911

Stock Exchange

Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
Sydney, NSW 2000

ASX Code: **ALC**

Company Secretary

Mr Duncan Robert Craig

Registers of securities

Computershare Investor Services Pty Ltd
Level 5, 115 Grenfell Street,
Adelaide SA 5000

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Chairman's Letter

Dear Fellow Shareholders,

On behalf of the Alcidion board, I am pleased to present our second Annual Report for the financial year ended 30 June 2017 (FY17 or Period).

The past year has been busy and productive for Alcidion, as we have worked to execute on our commercialisation strategy of developing and rolling-out our core proprietary technology - the Miya platform - across a range of hospital customers in the Australian and international markets.

The Miya technology platform is a unique, advanced Clinical Information System that processes real-time data for improved health care decision support and analytics. Our technology is designed to consolidate the relevant data from many complex and disparate healthcare technology systems to one place, via mobile and desktop devices, that allow clinicians to identify patient status and risk with greater ease and efficacy.

The technology has been thoughtfully designed to increase clinical and care team productivity, as well as to support our clients in achieving faster, safer, and more effective patient care; use of the technology decreases misdiagnoses and mistakes made in medicine, improving patient experience and potentially saving lives. It is evident that the global population is aging, and health care budgets face unprecedented demands. Driven by requirements to improve efficiency and reduce costs, governments around the world are beginning to allocate

greater concentration and resources towards digital health technologies. *The Patient Protection & Affordable Care Act* and *The HITECH Act* in the US are examples of this. Additionally, at the hospital level, new clinical guidelines have been introduced to better utilise pathology tests, improve patient flow throughout hospitals and minimise prolonged hospital stays due to errors or missing patient information.

Healthcare has been slow to implement extensive digitisation of core data assets, compared to other industries, such as banking. However, that is now rapidly changing across western healthcare systems, with a widespread shift to electronic health records and digital decision support technologies. This is of positive strategic significance to Alcidion, as the Miya Platform sits across these expanding data sources and its value for safe, fast, efficient and effective service delivery will magnify accordingly.

Curiously though, this late but now rapid digitisation of healthcare and patient data has given very little evidence of addressing one of the major issues in healthcare, that is, the avoidable and preventable errors in healthcare that can lead to death and injury. The US has lead the charge towards healthcare digitisation with several billions of government stimulus dollars going into Electronic Health Record and similar projects, however, according to a 2015 analysis, preventable errors in healthcare remain the third largest killer of US citizens after cancer and Coronary disease. Alcidion was founded on the philosophy of intelligent management of clinical risk as a key means of redressing avoidable death and injury, and clinical risk management continues to be one of the main purposes behind our clinical decision support focus.

In the above context, Alcidion's Miya technology, with its focus on data consolidation, clinical risk management, efficiency and productivity, is uniquely positioned and well placed to take a leading role in the new digital health economy.

Alcidion achieved several key milestones in FY17, particularly advancements in the commercialisation of its core Miya technology, as well as entrances made into new sites and markets.

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In April 2017, we announced that Alcidion had secured a \$2.35 million contract with Victorian based Western Health, with an initial term of three years and an option to extend for a further two years. This was a significant contract for Alcidion as it was preceded by a Memorandum of Understanding executed by the two parties in August 2016. This contract represents a successful transition from a Miya pilot site to a full commercial site, our ability to successfully execute contract renewal and expansion, and provides strong validation of our technology and its value in the hospital setting.

I am pleased with the steady adoption of our technology to date, with Miya platforms now installed in 15 large tertiary hospitals around Australia, inclusive of this new contract; these areas include Footscray, Sunshine, Williamstown, Royal Darwin & Alice Springs Hospitals as well as throughout Tasmania.

Significantly, Alcidion announced in May the execution of a contract with the MidCentral District Health Board in New Zealand, which represents the first deployment of the Miya platform into the country. MidCentral District Health will be using the Miya platform across their public hospital facilities to manage the flow of patient care, from the reception of the patient through the hospital wards and specialist clinical areas through to discharge. The value of this contract to Alcidion is NZ\$1.6 million and has a 5-year term.

We also completed our Best Practice ED Pathology Ordering Solution for NT Health during the year, and I'm pleased to report that we are now deploying in market. In addition to this, we also successfully moved into the private healthcare space with the execution of two statements of works with the Little Company of Mary Health Care, the operators of Calvary. Calvary currently operates 15 public and private Hospitals, 17 retirement and aged care facilities and a national network of Community Care Centres across Australia, and we look forward to building our role in their innovation strategy.

During the year we expanded our technology offering, releasing Miya Smartpage, a mobile task management solution, based on software that we acquired from a third party. We are offering Miya Smartpage as a stand-alone cloud based product to address the need for improved clinical collaboration and communication (very important for safe hospital activity during the night) and the tasking of clinical and non-clinical staff (e.g. orderlies). Importantly, we are also offering Miya Smartpage integrated with Miya Patient Flow, wherein it will provide significant additional benefit in the safe and fast processing of patients through the hospital.

In addition to Miya Smartpage, we also released iScheduler, an advanced suite of electronic referral software within our Miya family that significantly improves the access of patients to outpatient, ambulatory and telehealth services. This software is especially valuable to hospital outpatient departments, GPs, allied health, and community care providers, and is an excellent example of how technology can be fully integrated, or as a "bolt on", with our existing Miya platform.

Technological evolution has always been an important part of Alcidion's strategy and direction, and was again an area of focus over the past 12 months. It is at the heart of our Company's purpose, and, as such, it's essential we have a clear understanding of how we can differentiate our products and maintain a leadership position in health informatics. We believe there is a compelling opportunity for us to achieve this; firstly, by enabling our technology to allow "bolt" on applications to provide an end-to-end product that can be tailored quickly and cheaply to customers; and secondly, to move our products to the cloud with predictive capabilities expected to evolve the accessibility of data to inform important patient care decisions.

Transitioning our technology to the cloud is a significant and strategically important change to our platform that will create exponential scale up opportunities, driven by the adaptability of our products as well as their ability to provide real time, point of care support.

“Technological evolution has always been an important part of Alcidion's strategy and direction, and was again an area of focus over the past 12 months”

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For example, cloud access to our platform will allow customers to test new algorithms/machine learnings/optimisation techniques to discover new opportunities and increase service performance at a lower cost. Then, once the methods are proven, Alcidion can embed these algorithms and improvements in the customer's day-to-day operational workflows via products such as Miya Flow, Miya Access, Miya Results Tracker, etc. thus building a broader product base with a proven return on investment. By focusing our development efforts on cloud based delivery, supported with predictive analytics and advanced metrics, Alcidion can emerge in a less competitive market space with a significant presence, create compelling value for customers, and increase the value available from our existing portfolio of products.

Subsequent to the end of the 2017 financial year, Alcidion announced the appointment of two new Non-Executive Directors as part of a board renewal process. Mr. Geoff Rohrsheim, a software, services and technology entrepreneur, and Ms. Rebecca Wilson, a highly experienced investor relations and corporate advisor, were appointed in August. On behalf of the board, I am pleased to welcome these two highly credentialed professionals and the valuable industry experience they bring, and I thank Mr. Brian Leedman and Mr. Nathan Buzza for their contributions to the Company over the past one and four years respectively.

During FY2017, the Company's overall revenue declined to \$3.5 million, down from \$4.0m in FY2016. This performance can be explained by delays in buying cycles and contract signing, the retirement of the Remedy Solution product with Australian Unity, as well as slower than expected sales progress. With our focus centred on sales and marketing execution, and with a clear plan to capture opportunities in Australian and international markets, I am confident of our success in the new financial year. We are concentrated on both an organic sales process with key sales and marketing hires as well as an M&A strategy, which we expect will position us well for international expansion and immediate impact on sales revenue and bottom line improvement.

Alcidion also reported a net loss after tax of \$(2.061) million in FY2017 which included expenses of \$684,000 associated with options provided to Mr. Brian Leedman. The operating loss before tax was therefore \$1.355m, and the overall position was

an 19% improvement from FY2016's net loss of \$(2.5) million.

While the improvement in Alcidion's net loss position is namely attributed to the impact of listing expenses incurred in FY2016, Alcidion did make progress in developing its cloud based, lower cost standardized Miya product modules. As these platforms are increasingly rolled out across our client base, we can expect to see cost efficiency gains associated with their deployment, and follow on demand for our more established product offerings.

As we look to the year ahead, I believe Alcidion is well placed to deliver value for our shareholders. We anticipate the achievement of several key milestones in FY2018, including further work on our planned North American market expansion; this expansion plan now includes Canada as a result of uncertainties in US healthcare administration. We have already entered into preliminary discussions with a number of North American Strategic Partners, aimed at reciprocal distribution agreements, and these discussions are progressing well.

Alongside this, we will continue to engage additional public and private hospital groups in Australia and NZ, and based on using our current sites as successful reference customers, we expect to make further progress in these markets.

Overall, I would like to reiterate that Alcidion holds a competitive position in the digital healthcare market and I am excited by the number of opportunities ahead of us.

Finally, on behalf of the board, I would like to thank the entire Alcidion team for their dedication and contributions over the past 12 months. I would also like to thank our shareholders for their continued support.

Yours faithfully,



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

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2017: A Year of Progress and Achievement

The 2017 financial year has been a period of progress in building the foundations to support the scale up of our business in the coming years. Our core proprietary technology, the Miya platform, continues to gain traction and recognition in the Australian and New Zealand markets and during the period, we were successful in securing several new and significant contracts. The installed base for Miya now numbers 15 tertiary hospitals in Australia.

Miya – Improving Safety and Reducing Risk

Alcidion's core technology is the Miya platform - a Clinical Information Software that consolidates real-time data from many complex and differing healthcare technology systems. Specifically, the Miya platform automatically *pushes* high value, clinical intelligence to the care team. This is in contrast to the majority of healthcare IT systems where clinicians have to use multiple programs to *pull* the relevant data, and need to know what they are looking for.

Ultimately, the Miya technology has been designed to allow clinical users to make better

and faster decisions, minimise avoidable errors and potentially save lives.

Miya targets key risk areas for emergency rooms, inpatient services and outpatient departments. Some of the benefits Miya delivers across these settings include:

- Patient treatment commences earlier, leading to faster recovery;
- Redundant test orders are reduced, saving time and money;
- Critical test results are properly witnessed for follow-on action (it has been estimated around 40% of tests ordered are not read and 18% of these will be critical); and
- Consultants and specialists save significant time, are more productive, and, as such, can offer better levels of patient care.

Miya provides clinicians with decision support tools and is intuitive, making recommendations about patient care, patient flow and patient safety so risks are *minimised* and efficiency is *maximised*.

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Digital Health – an Exciting Opportunity

Global healthcare markets are in the midst of rapid change, as budgetary pressures, ageing populations and the growing incidence of diseases have far-reaching implications for the sector. Additionally, the use of technology within the healthcare sector has undergone exponential growth in recent years and, in the age of digitisation, the forecast spend in the sector is expected to be huge. According to *Health Analytics*, global expenditure on healthcare IT is expected to grow to US\$115 billion by 2019, from US\$84 billion in 2014,



representing a compound annual average growth (CAGR) rate of 6.4% p.a.

More specifically, the Clinical Decision Support Systems market, which is the market segment where Alcidion operates, has been growing at above trend rates for the healthcare industry and is forecast to continue this way. *IndustryARC*, a global market research firm, estimates compound annual average market growth of 21.5% p.a. between 2013 and 2018, with the total Clinical Decision Support Systems market value to be in excess of US\$4.7 billion by 2018.

A fundamental driver of these strong industry growth rates is government support for digital health. In the US, the Federal Government has set aside more than US\$20 billion in stimulus funds to implement Electronic Health Records as well as introduced the US Patient Protection & Affordable Care Act in 2010 mandating that all US hospitals upgrade their Clinical Information Systems. In addition to the focus on patient records, hospitals and doctors are also required to demonstrate their IT systems are actually improving patient care in specific ways. The introduction of these new regulations in the US has encouraged many other western healthcare systems to follow suit and adopt more advanced technological solutions, with

respect to both digital decision and risk assessment technologies, as well as electronic records.

In Australia, there have also been significant changes at the hospital level in recent years, with new clinical guidelines being implemented

to better utilise pathology tests, improve patient flow throughout hospitals and minimise prolonged hospital stays due to errors or missing patient information. Additionally, the Australian Federal Government set up the Australian National Digital Health Agency in 2016, and has recently outlined their strategy for 2018-2022. Priority areas relate to digital health records as well as real-time sharing of information between hospitals and other healthcare professionals.

Overall, the digital health sector presents a significant opportunity and Alcidion's Miya platform is well placed to participate in the industry's rapid growth.

Operational Highlights & Milestones

Throughout the 2017 financial year, Alcidion achieved a number of important operational milestones, particularly advancements in the commercialisation of its core Miya technology, new contract wins and entrance into new sites and markets.

One of the most significant new contracts secured during the 2017 financial year was a \$2.35 million contract with Victorian-based Western Health, executed by the parties in April 2017. This contract was preceded by a Memorandum of Understanding and relates to the implementation of the Miya technology across Western Health's public hospital facilities in Melbourne (Footscray, Sunshine and Williamstown) and the Sunbury Day facility. The Miya platform is being used by staff to optimise patient flow and bed management across the group and will consolidate all relevant clinical information, including pathology and radiology results. Available from a variety of mobile and desktop devices, the Miya platform will identify emerging clinical risk and highlight "at risk" patients to clinicians.

Across the various hospital departments, clinical staff can quickly identify those patients nearing inappropriate risk levels and plan accordingly.

The Western Health contract is important for Alcidion not only in providing a reference site for other potential new customers, but also in

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validating the success of the Miya technology. This contract has an initial term of three years (\$1.45m) and an option to extend for a further two years (\$450,000 per annum).

Other highlights for Alcidion in the 2017 financial year include:

- Signing of a \$1.6m agreement with the MidCentral District Health Board in NZ for a patient flow, bed management and hospital operations centre solution. This represents Alcidion's first contract in the New Zealand market and was secured against global competitors. Once this platform is fully deployed and operational, it will be used as reference site to leverage new business opportunities in this market, particularly the other 19 district health boards in NZ. The Miya platform will be integrated across a broad range of approximately 11 Clinical Information systems. This initial contract is expected to commence in Q3 FY2018;
- Executed an agreement with Calvary Health in South Australia to assist the organisation with streamlining clinical coding and patient data across their facilities, with a focus on revenue optimisation and analytics. The parties are working towards deploying an initial beta site at the Calvary Wakefield Hospital in Adelaide in Q2 FY2018. Calvary Health Care is a private hospital group with 15 public and private hospitals across the Southern and Eastern states of Australia;
- Secured contracts with the Northern Territory Department of Health to implement the Miya platform across the Royal Darwin, Alice Springs and Katherine Hospitals. Initially a contract to implement Miya into the Royal Darwin and Alice Springs Hospitals was executed in September 2016 and was subsequently extended into the Katherine Hospital in April 2017; this is an important validation of Alcidion's strong working relationship with this client. In the May 2016 Budget, the Northern Territory Government committed \$186 million over five years to the renewal of Clinical Information systems, representing a valuable opportunity for Alcidion;
- Invested \$1.5 million to develop a computerised physician order entry platform, in the form of a Best Practice

Pathology Ordering product that automates the electronic order of pathology for emergency department physicians. This product is now being rolled-out across the [Australian] market and is demonstrating strong potential; and

- Expanded technology range with the release of Miya Smartpage and Miya iScheduler (refer to the Technology innovation & new products section below).

Additionally, Alcidion announced in April 2017 that the company had ceased support for its bespoke software previously deployed at Remedy Healthcare. In 2008, Remedy Healthcare, a wholly owned subsidiary of Australia Unity, commissioned Alcidion to develop a chronic disease management system to assist members avoid readmission to hospital. Since that time, the requirements of Remedy Healthcare have significantly changed, moving to telephone coaching for specific patient types and, as such, were outside of Alcidion's core Clinical Information support business model. Given this, both parties agreed to decommission the software, which occurred on 30 June 2017. The cessation of this contract will have a minimal impact on Alcidion's financial position moving forward.

Technological Innovation & New Products

As a software delivery system, Alcidion, at its core, is a digital company. As such, Alcidion has recognised that continual technological evolution is imperative for executing the Company's future growth strategy and to maintain its position as a market leader of digitised health informatics.

Innovation has been a priority for the Company over the past 12 months, with key efforts focused on developing the Miya offering to continue to provide the most effective and efficient solutions to patient care problems.

In May 2017, Alcidion announced the release of Miya Smartpage- a series of modules providing support for clinical, orderly, and emergency services within a hospital. The Smartpage suite offers secure healthcare two-way messaging under the Smartpage Clinical, Smartpage Orderlies, and Smartpage Emergency platforms.

- Smartpage Clinical is focused on clinical communication and collaborative functionality that solves

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the 'Night Hospital' problem of full patient overload during nights, despite lower staff than usual working during this time.

- Smartpage Orderlies has been designed for ward based electronic ordering of orderly support to replace the multiple phone calls, radio pages, and faxes between wards and central dispatchers.
- Smartpage Emergency provides secure, instant messaging support for alerting and coordinating emergency response teams within the hospital.

Miya Smartpage materialises Alcidion's resounding objective of increasing efficiency; it is offered as both a standalone product and as an integration with Miya Patient Flow for complete visibility of a patient's journey, inclusive of clinical support and orderly services details.

Alcidion also introduced the Miya iScheduler, in July 2017, after securing the rights to distribute the technology from Eceptionist, a Houston based innovator, and is now proud to offer, deploy, and support the technology across the

ANZ region. iScheduler is a suite of electronic referral software, that complements the existing Miya Platform, comprising triage, appointment scheduling, electronic referrals, wait list management and telehealth for

ambulatory, outpatient and remote patient services. The Company has seen a large expression of interest for the solution to date, with demand expected to grow.

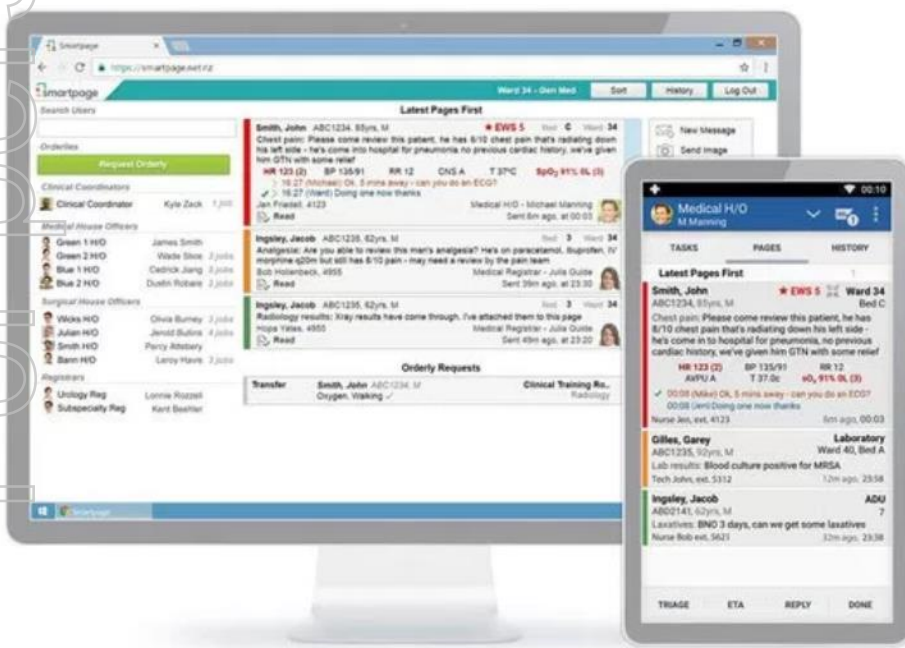
Alongside the global technological transition to cloud-based delivery, Alcidion has been actively working to migrate Miya offerings to the cloud. This change will create scale-up opportunities for the business and allow the Company to test new algorithms and optimisation techniques to discover new opportunities and increase service performance at a lower cost.

Commercialisation Strategy

Alcidion commenced its commercialisation strategy in July 2016, and is focused on growth in Company revenues through both organic growth and M&A and partnerships.

From an organic perspective, Alcidion's strategy is to drive sales growth of its Miya platform by leveraging successful reference sites, such as Western Health Network, with an increased sales and marketing effort. In the short term, organic growth will be focused on increasing market penetration in the existing Australian and New Zealand markets.

We expect to undertake further work in FY2018 to support our planned future entry into the North American market.



Miya Smartpage Interface

“Smartpage is so good every hospital should be running with it.”

*Jo-Anne Blomfield,
Clinical Coordinator,
Waitemata*

This expansion plan now includes Canada, which is emerging as an easier healthcare system to navigate. We have already entered into preliminary discussions with a number of North American strategic partners, aimed at reciprocal distribution agreements; these discussions are progressing well.

Our other growth strategies relate to mergers, acquisitions and partnerships with existing technology players in the healthcare space that

offer a complementary product or customer base from which Alcidion can generate additional upside value. These opportunities will be evaluated based on ability to complement and bolt on to our existing Miya platform, and positive impact on revenue and/or profit in the coming years.

In addition, our growth strategies will be underpinned by an on-going investment in R&D to ensure our Miya platform continues to offer a market leading clinical decision support solution and be "best of breed".

Expanding the method of platform delivery beyond the historical internal deployment, to a cloud-based product, is also expected to drive further market penetration and efficiencies as it is rolled out on a larger scale.

Looking ahead

In the first few months of 2018, we have seen encouraging results from both our core Miya platform and our newer product offerings. Encouragingly, since the end of the financial year, our Miya Smartpage product has been awarded preferred vendor status following a Monash Health public tendering process for a mobile task management solution. Additionally, our new contracts secured during the 2017 financial year continue to progress well and have been important in establishing Alcidion's position as a key player in the Clinical Information software sector within Australia and New Zealand.

We have identified new business development initiatives to drive additional revenue streams, and our commercialisation strategy is successfully building the foundation to support the increasing rollout of our core products into new sites and markets.

Fundamentally, we are confident that Alcidion's Miya technology platform is well positioned to capitalise on the strong growth opportunities that the rapid digitisation of the healthcare industry brings.

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Financial Results FY2017

Directors' Report

The directors of Alcidion Group Limited (formerly Naracoota Resources Limited) ("Alcidion" or the "Group" or, the "Company") submit herewith the annual financial report of the Group for the year ended 30 June 2017 (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
B Tech, B EC, MBM, FIE (AUST), FAICD

Ray is the co-founder, Chairman and Chief Executive Officer of Alcidion Group. 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) and Bachelor of Economics and Masters of Business Management from the University of Adelaide. He is a fellow of both 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
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
 (Resigned 31 July 2017)

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 Commtech Wireless 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 Nicholas Dignam
 Non-Executive Director
 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 Brian Leedman
 Non-Executive Director
 (Appointed 28 July 2016) and (Resigned 31 July 2017)
 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 Josh Russell Puckridge
Non-Executive Director
(Resigned 29 November 2016)
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.

Mr Puckridge also holds various positions on private company boards. Mr. Puckridge has also served as a 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 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).

Executives



Mr Duncan Craig
Chief Financial Officer & Company Secretary

In 1995 Mr Craig 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. In November 2016, Mr Craig also took over the role of

Company Secretary.

With over 20 years of experience in Senior management roles, the Governance Institute of Australia elected Mr Craig as a Fellow. This is in recognition of his experience in involving corporate governance and risk management.

At the date of this report, the following table sets out the directors' relevant interests in shares and options of Alcidion Group Limited and the changes during the year ended 30 June 2017:

Director	Ordinary Shares		Options over Ordinary Shares	
	Current holding	Net increase/ (decrease)	Current holding	Net increase/ (decrease)
Raymond Blight	94,828,781	(3,719,930)	-	-
Nathan Buzza (iii)	19,176,071	(16,890,960)	-	-
Malcolm Pradhan	134,582,403	(5,279,379)	-	-
Nicholas Dignam	-	-	-	-
Josh Puckridge (i)	-	-	-	-
Brian Leedman (ii)	-	(5,021,664)	10,000,000	10,000,000

(i) Mr Puckridge resigned 29 November 2016

(ii) Mr Leedman was appointed as a Non-Executive Director after the start of the financial year on 28 July 2016 and has resigned on 31 July 2017.

(iii) Mr Buzza resigned on 31 July 2017

As at the date of this report 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	Number of Unlisted Options Exercised	Exercise Price \$
Raymond Blight	-	-	-	-
Nathan Buzza (iii)	-	-	-	-
Malcolm Pradhan	-	-	-	-
Nicholas Dignam	-	-	-	-
Josh Puckridge (i)	-	-	-	-
Brian Leedman (ii)	15,000,000	10,000,000	5,000,000	0.045

(i) Mr Puckridge resigned 29 November 2016

(ii) Mr Leedman was appointed as a Non-Executive Director after the start of the financial year on 28 July 2016 and has resigned on 31 July 2017.

(iii) Mr Buzza resigned on 31 July 2017

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	-	-
Nathan Buzza	-	-
Malcolm Pradhan	-	-
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. Share-based compensation
- D. Director Equity Holdings
- E. Director & KMP Service Agreements

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 executive directors receive a superannuation guarantee contribution required by the government, which for the year ended 30 June 2017 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. 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, with the remaining options vesting on release of the Company's appendix 4E for financial years ending 30 June 2017 and 30 June 2018.

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 15 to 17.

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 2017 and 2016 figures for remuneration received by the Company's directors and executives:

	Short Term			Post-employment		Share-based Payments Equity settled		Total
	Salary & Fees	Bonus	Other benefits	Superannuation	Prescribed benefits	Shares	Share Options	
	\$	\$	\$	\$	\$	\$	Exercised	\$
2017 Directors								
Raymond Blight (i)	180,167	-	-	17,116	-	-	-	197,283
Nathan Buzza (ii)	153,142	-	-	14,548	-	-	-	167,690
Malcolm Pradhan (iii)	180,167	-	-	17,116	-	-	-	197,283
Nicholas Dignam (iv)	-	-	-	-	-	-	-	-
Josh Puckridge (v)	16,743	-	-	-	-	-	-	16,743
Brian Leedman (viii)	35,000	-	-	-	-	684,000	5,000,000	719,000
Executives								
Duncan Craig (vii)	152,083	-	-	14,488	33,978	-	-	200,549
	717,302	-	-	63,268	-	684,000	5,000,000	1,498,548
2016 Directors								
Raymond Blight (i)	62,667	-	-	5,953	-	-	-	68,620
Nathan Buzza (ii)	62,667	-	-	5,953	-	-	-	68,620
Malcolm Pradhan (iii)	62,667	-	-	5,953	-	-	-	68,620
Nicholas Dignam (iv)	-	-	-	-	-	-	-	-
Josh Puckridge (v)	40,183	-	-	-	-	-	-	40,183
Gavin Wates (vi)	27,523	-	-	2,615	-	-	-	30,138
Tom Bahen (vi)	27,523	-	-	2,615	-	-	-	30,138
Executives								
Duncan Craig (vii)	46,667	-	-	4,433	-	-	-	51,100
	329,897	-	-	27,522	-	-	-	357,419

Disclosure in the remuneration report differs from the note 8(b) to the accounts due to the full year remuneration for Alcidion Corporation for 2017 and 2016 being included in the notes but only four months of remuneration being included in the remuneration report for 2016, for the incoming directors after the completion of the reverse acquisition on 29 February 2016.

- (i) Refer to page 33 for details of remuneration.
- (ii) Refer to page 33 for details of remuneration.
- (iii) Refer to page 33 for details of remuneration.
- (iv) Mr Dignam was appointed as a Non-Executive Director on 22 February 2016. The Board have agreed that no fees are to be paid to Mr. Dignam.
- (v) Mr Josh Puckridge was paid \$40,183 as a director's fee per annum, up until his date of resignation. Cicero Advisory was paid \$45,920 for corporate advisory services, a company in which former director Josh Puckridge is interested. Balance payable as 30th June 2017 is NIL.
- (vi) Mr Bahen and Mr Wates resigned as Non-Executive Directors on 23 February 2016.
- (vii) 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.
- (viii) Mr Leedman was paid \$35,000 from the date of his appointment, 28 July 2016 to 30 June 2017.

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 15,000,000 options granted to Brian Leedman, with no other options or other share-based compensation issued to directors or executives during the financial year. 5,000,000 options were exercised 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 2016	Share Options exercised	Net other change (Sale)/Purchase	At date of resignation	Balance at 30 June 2017
	No.	No.	No.	No.	No.
2017 Directors					
Raymond Blight (i)	98,548,711	-	(3,719,930)		94,828,781
Nathan Buzza (ii)	36,067,031	-	(16,890,960)		19,176,071
Malcolm Pradhan (iii)	139,861,782	-	(5,279,379)		134,582,403
Nicholas Dignam (iii)	-	-	-		-
Brian Leedman (x)	21,664	5,000,000	(5,021,664)		-
Josh Puckridge (vii)	-	-	-	-	-
Executives					
Duncan Craig (v)	3,873,101	-	-		3,873,101
	278,372,289	5,000,000	(30,911,933)	-	252,460,356
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 (vii)	-	-	-		-
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

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

	Number of Class A Contingent Share Rights	Number of Class B Contingent Share Rights
	No. (viii)	No. (ix)
2017 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 (vii)	-	-
Brian Leedman (x)		
Executives		
Duncan Craig (v)	1,291,033	1,291,033
	91,708,272	91,708,272
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 (vii)	-	-
Gavin Wates (iv)	-	-
Tom Bahen (iv)	-	-
Executives		
Duncan Craig (v)	1,291,033	1,291,033
	91,708,272	91,708,272

(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 and resigned on 31 July 2017.

(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 Puckridge was appointed as a Non-Executive Director on 9 March 2015 and resigned on 29 November 2016.

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

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

(x) Mr Leedman was appointed as a non-executive Director on 28 July 2016 and resigned on 31 July 2017. During the year ended 30 June 2017, Mr. Leedman exercised 5,000,000 Share options.

(iii) Share options of Alcidion Group Limited:

	Balance at 1 July 2016	Granted as remuneration	Exercised	Net other change	At date of resignation	Balance at 30 June 2017
	No.	No.	No.	No.	No.	No.
2017 Directors						
Raymond Blight (i)	-	-	-	-	-	-
Nathan Buzza (ii)	-	-	-	-	-	-
Malcolm Pradhan (iii)	-	-	-	-	-	-
Nicholas Dignam (iii)	-	-	-	-	-	-
Brian Leedman (viii)	-	15,000,000	5,000,000	-	-	10,000,000
Josh Puckridge (v)	-	-	-	-	-	-
Executives						
Duncan Craig (vi)	-	-	-	-	-	-
	-	15,000,000	5,000,000	-	-	10,000,000
2016 Directors						
Raymond Blight (i)	-	-	-	-	-	-
Nathan Buzza (ii)	-	-	-	-	-	-
Malcolm Pradhan (iii)	-	-	-	-	-	-
Nicholas Dignam (iii)	-	-	-	-	-	-
Josh Puckridge (v)	-	-	-	-	-	-
Gavin Wates (iv)	2,022,566	-	-	-	(2,022,566)	-
Tom Bahen (iv)	-	-	-	-	-	-
Executives						
Duncan Craig (vi)	-	-	-	-	-	-
	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 and resigned on 31 July 2017.
- (iii) Professor Pradhan and Mr Dignam were appointed as Non-Executive Directors on 22 February 2016.
- (iv) Mr Bahen and Mr Wates resigned as Directors on 23 February 2016.
- (v) Mr Puckridge resigned as a Director on 29 November 2016.
- (vi) 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.
- (vii) Shares issued in consideration for the acquisition of Alcidion as detailed in the Company's prospectus dated 7 December 2015.
- (viii) Mr Leedman was appointed as a non-executive Director on 31 July 2016 and resigned on 31 July 2017. Mr Leedman was provided 15,000,000 unlisted options. The fair value of these unlisted options at grant date was \$684,000. The 15,000,000 unlisted options were provided in three tranches at 5,000,000 unlisted options each. Mr Leedman has exercised the first tranche of 5,000,000 unlisted options during the year ended 30 June 2017. The second tranche of 5,000,000 options has a vesting date 31 August 2017 with an exercise price of \$0.06. The third tranche of 5,000,000 options has a vesting date of 31 August 2018 with an exercise price of \$0.08. The remaining 10,000,000 unlisted options have an option exercise expiry date of 30 June 2020.

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\$188,000 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\$188,000 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\$188,000 per annum plus superannuation
- b) Home office allowance of \$25,000 per annum.
- c) 6-month notice period

Director Brian Leedman is employed as a Non-Executive Director on following key terms:

- a) Base salary of A\$35,000 per annum

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

- a) Base salary of A\$160,000 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 Member	Board of Directors		
	Eligible to Attend	Attended	Circular Resolutions Passed
Raymond Blight	11	11	3
Nathan Buzza	11	11	3
Malcolm Pradhan	11	11	3
Nicholas Dignam	11	10	3
Brian Leedman	10	9	1
Josh Puckridge	4	4	2

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 organisations around Australia and New Zealand.

Review of operations

During the year ended 30 June 2017, Alcidion achieved a number of important operational results:

- **\$2.3M contract with Western Health (Victoria).**

Implementation of the Miya technology across Western Health's public hospital facilities in Melbourne (Footscray, Sunshine and Williamstown) and the Sunbury Day facility to optimise patient flow and bed management. Available from a variety of mobile and desktop devices, the Miya platform will identify emerging clinical risk and highlight "at risk" patients to clinicians through the collection and consolidation of all relevant clinical information, including pathology and radiology results. This contract has an initial term of three years (\$1.45m) and an option to extend for a further two years (\$450,000 per annum).

- **\$1.6M contract with MidCentral District Health Board of NZ (NZ)**

Deployment of Miya technology for a patient flow, bed management and hospital operations centre solution. This represents Alcidion's first contract in the New Zealand market and was secured against global competitors. Once this platform is fully deployed and operational, it will be used as reference site to leverage new business opportunities in this market, particularly the other 19 district health boards in NZ. The Miya platform will be integrated across a broad range of approximately 11 Clinical Information systems. This initial contract is expected to commence in Q3 FY2018.

- **Calvary Health (South Australia)**

Agreement to assist Calvary Health with streamlining clinical coding and patient data across their facilities, with a focus on revenue optimisation and analytics. The parties are working towards deploying an initial beta site at the Calvary Wakefield Hospital in Adelaide in Q2 FY2018. Calvary Health Care is a private hospital group with 15 public and private hospitals across the Southern and Eastern states of Australia;

- **Northern Territory Department of Health**

Implementation of the Miya platform across the Royal Darwin, Alice Springs and Katherine Hospitals. Initially, a contract to implement Miya into the Royal Darwin and Alice Springs Hospitals was executed in September 2016 and was subsequently extended into the Katherine Hospital in April 2017. In the May 2016 Budget, the Northern Territory Government committed \$186 million over five years to renewal of Clinical Information systems, representing a valuable opportunity for Alcidion.

- **Best Practice Pathology Ordering product**

Invested \$1.5 million to develop a computerised physician order entry platform that automates the electronic order of pathology for emergency department physicians. This product is now being implemented across the Australian market.

- **Product development**

In May 2017, Alcidion announced the release of Miya Smartpage; a series of modules providing support for clinical, orderly, and emergency services within a hospital. The Smartpage suite offers secure healthcare two-way messaging under the Smartpage Clinical, Smartpage Orderlies, and Smartpage Emergency platforms.

- Smartpage Clinical is focused on clinical communication and collaboration functionality that solves the 'Night Hospital' problem of full patient overload during nights, despite lower staff than usual working during this time.
- Smartpage Orderlies has been designed for ward-based electronic ordering of orderly support to replace the multiple phone calls, radio pages, and faxes between wards and central dispatchers. Smartpage Emergency provides secure, instant messaging support for alerting and coordinating emergency response teams within the hospital.

Additionally, Alcidion announced in April 2017 that the company had ceased support for its bespoke software previously deployed at Remedy Healthcare. In 2008, Remedy Healthcare, a wholly owned subsidiary of Australia Unity, commissioned Alcidion to develop a chronic disease management system to assist members avoid readmission to hospital. Since that time, the requirements of Remedy Healthcare significantly changed, moving to telephone coaching for specific patient types and, as such, were outside of Alcidion's core Clinical Information support business model. Given this, both parties agreed to decommission the software, which occurred on 30 June 2017. The cessation of this contract will have a minimal impact of Alcidion's financial position moving forward.

Overview of Alcidion and its Business

Alcidion, 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 is focused on anticipating the needs of the healthcare industry and is focused on accelerating the commercialisation 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 \$20.8 million in the research and development of a cutting edge Clinical Decision Support System or "CDSS".

In 2012, Alcidion 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 FY17 loss before tax of \$2,039,107 (2016: loss \$2,524,992). However, this figure includes:

- a) Non-cash expense of \$0.684m relating to option expenses associated with Brian Leedman joining the Alcidion Group Board;

Net Cash at Bank at the end of the year was \$5,331,263 with minimal debt.

On 29 February 2016, Naracoota Resources Limited (NRR) acquired 100% of the ordinary share capital and voting rights of Alcidion Corporation Pty Ltd as described in the prospectus issued 7 December 2015. This transaction was a reverse acquisition of an entity that was not a business and therefore was accounted for as a share based payment. As a result, the previous financial year's 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) up to 30 June 2016.

Financial Position

The Group has incurred a net loss after tax for the year ended 30 June 2017 of \$2,060,980 (2016: \$2,544,717 loss), and a net cash outflow from operations of \$519,423 (2016: outflow of \$2,629,242). At 30 June 2017, the Group has net current assets of \$5,268,080 (2016: \$6,382,146 net current assets) and net equity of \$5,422,559 (2016: \$6,574,539).

Summary of Financial Information as at 30 June 2017

	Group 2017	Group 2016	Company 2015
Cash and cash equivalents (\$)	5,331,263	5,645,357	2,321,253
Net assets/equity	5,422,559	6,574,539	650,577
Loss from ordinary activities after income tax expenses (\$)	(2,060,980)	(2,544,717)	(318,264)
No of issued shares	607,779,957	602,779,957	9,000,000
Share price (\$)	0.069	0.06	N/A
Market capitalisation (Undiluted) (\$)	41,936,817	36,166,797	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 Group occurred during the financial year.

Significant Events after the Balance Date

No matters or circumstances besides those disclosed below 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.

The Company has had six subsequent events post 30th June 2017:

- a) Alcidion releases Miya iScheduler: an advanced suite of electronic referrals software to improve the access of patients to hospital outpatient services, ambulatory services and telehealth services delivered to remote location and the home;
- b) Nathan Buzza resigned as an Executive Director 31st July 2017;
- c) Brian Leedman resigned as an Executive Director 31st July 2017; and
- d) Appointment of two new Non-Executive Directors as part of a board renewal process. Mr. Geoff Rohrsheim, a software, services and technology entrepreneur, and Ms. Rebecca Wilson, a highly experienced investor relations and corporate advisor.
- e) Awarded preferred vendor status and tender with Monash Health for a mobile task management solution.

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 \$13,131 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 William Buck or any of its associated entities did not provide any non-audit services to the Company.

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 two 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 30.

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

Adelaide, South Australia this 29 day of September 2017

Auditor's Independence Declaration

**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF ALCIDION GROUP LIMITED**

I declare that, to the best of my knowledge and belief during the year ended 30 June 2017 there have been:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

William Buck

William Buck
ABN: 38 280 203 274

M.D. King

M.D. King
Partner

Dated this 29th day of September, 2017 in Adelaide, South Australia.

CHARTERED ACCOUNTANTS & ADVISORS

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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 for the year ended 30 June 2017 are in accordance with the Corporations Act 2001, including compliance with the Corporations Regulations 2001, 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 Directors have been given the declarations required by s.295A of the Corporations Act 2001 for the year ended 30 June 2017.

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
Adelaide, South Australia this 29 day of September 2017

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Independent Auditor's Report

**Alcidion Group Limited**

Independent auditor's report to members

Report on the Audit of the Financial Report**Opinion**

We have audited the financial report of Alcidion Group Limited. (the Company and its subsidiaries (the Group)), which comprises the consolidated statement of financial position as at 30 June 2017, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies and other explanatory information and the directors' declaration.

In our opinion, the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) giving a true and fair view of the Group's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

**CHARTERED ACCOUNTANTS
& ADVISORS**

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Adelaide SA 5001

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Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

RESEARCH AND DEVELOPMENT	
Area of focus Refer also to notes 1, 2 and 11	How our audit addressed it
<p>The group incurs significant amounts of research and development costs each year. In 2017 these costs amounted to \$1,181,042</p> <p>Each year the group makes an assessment as to the amount it expects to claim with the Australian Government by way of a Research & Development Tax Offset Refund. At 30 June 2017 the amount disclosed as a current trade and other receivable in relation to the refund is \$989,148.</p> <p>Overall due to the high level of judgement involved, and the significant carrying amounts involved, we have determined that this is a key judgemental area that our audit concentrated on.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — a detailed evaluation of the groups research and development strategy. — testing the costs incurred. — review of the Group's claim which is independently prepared by KPMG. — engaging our own taxation specialists to consider the appropriateness of the group's substantiation for the claim. — reviewing the historical accuracy by comparing actual Tax offset refunds with the original estimations. <p>We assessed the adequacy of the Group's disclosures in respect of the transactions</p>

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2017, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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



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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 24 of the directors' report for the year ended 30 June 2017.


In our opinion, the Remuneration Report of Alcidion Group Limited., for the year ended 30 June 2017, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



William Buck
ABN: 38 280 203 274



M.D. King
Partner

Dated this 29th day of September, 2017 in Adelaide, South Australia.

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Statement of Profit or Loss and Other Comprehensive Income

For the financial year ended 30 June 2017

	Note	CONSOLIDATED 2017 \$	CONSOLIDATED 2016 \$
Revenue	4	2,378,874	2,842,392
Research & development rebate	4	1,079,237	1,182,572
Cost of sale of goods		(1,181,042)	(1,627,329)
Gross Profit		2,277,069	2,397,635
Interest income		99,776	59,627
Other income	4	2,628	44,654
Reverse acquisition expense	6	-	(1,107,175)
Depreciation and amortisation expense	6	(55,277)	(72,218)
Directors and employee benefits expense	6	(3,054,541)	(2,703,750)
Finance costs	5	-	(6,807)
Marketing expense		(122,185)	(123,809)
Operations and administration expense		(748,875)	(552,182)
Other expenses from ordinary activities	6	(437,702)	(460,967)
Loss before income tax expense		(2,039,107)	(2,524,992)
Income tax expense	7	(21,873)	(19,725)
Loss after tax from continuing operations attributable to the owners of the Company		(2,060,980)	(2,544,717)
Other comprehensive (loss) net of tax			
Items that may be reclassified to profit or loss		-	-
Items that will not be reclassified to profit or loss		-	-
Total comprehensive loss for the year attributable to the owners of the Company		(2,060,980)	(2,544,717)
(Loss) Per Share			
Basic and diluted loss per share (cents)	19	(0.34)	(0.63)

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 2017

	Note	CONSOLIDATED 2017 \$	CONSOLIDATED 2016 \$
Assets			
Current assets			
Cash and cash equivalents	25	5,331,263	5,645,357
Trade and other receivables	11	1,238,613	2,122,173
Other assets		73,536	59,374
Total current assets		6,643,412	7,826,904
Non-current assets			
Plant and equipment	13	97,812	137,818
Deferred tax assets	7	74,437	97,804
Intangible assets		4,367	5,071
Other Assets		11,263	-
Total non-current assets		187,879	240,693
Total assets		6,831,291	8,067,597
Liabilities			
Current liabilities			
Trade and other payables	12	399,068	370,638
Borrowings		-	5,104
Employee provisions	15	163,310	202,294
Other	14	812,954	866,722
Total current liabilities		1,375,332	1,444,758
Non-current liabilities			
Employee Provisions	15	33,400	48,300
Total non-current liabilities		33,400	48,300
Total liabilities		1,408,732	1,493,058
Net assets		5,422,559	6,574,539
Equity			
Issued capital	16 (a)	10,793,683	10,568,683
Reserves	16 (c)	684,000	-
Accumulated losses	17	(6,055,124)	(3,994,144)
Total equity		5,422,559	6,574,539

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 year ended 30 June 2017

	Issued capital	Reserves	Accumulated losses	Total equity
	\$	\$	\$	\$
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 – reverse acquisition	6,286,179	-	-	6,286,179
Balance as at 30 June 2016	10,568,683	-	(3,994,144)	6,574,539
CONSOLIDATED				
Balance as at 1 July 2016	10,568,683	-	(3,994,144)	6,574,539
Loss for the year	-	-	(2,060,980)	(2,060,980)
Other comprehensive income, net of income tax	-	-	-	-
Total comprehensive loss for the year	-	-	(2,060,980)	(2,060,980)
Shares issued during the year	225,000	-	-	225,000
Options issued during the year	-	684,000	-	684,000
Balance as at 30 June 2017	10,793,683	684,000	(6,055,124)	5,422,559

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Statement of Cash Flows

For the year ended 30 June 2017

	Note	CONSOLIDATED 2017 \$	CONSOLIDATED 2016 \$
Cash flows from operating activities			
Receipts from customers & R&D Rebate received		4,779,726	3,209,630
Payments to suppliers and employees		(5,400,419)	(5,891,692)
Interest received		99,776	59,627
Finance costs		-	(6,807)
Income tax refunded		1,494	-
Net cash (outflows) from operating activities	25	(519,423)	(2,629,242)
Cash flows from investing activities			
Cash received from reverse acquisition		-	5,332,057
Payments for plant and equipment		(14,567)	(19,220)
Net cash inflows/(outflows) from investing activities		(14,567)	5,312,837
Cash flows from financing activities			
Proceeds from issue of shares		225,000	682,500
Repayments of borrowings		(5,104)	(41,992)
Net cash inflows from financing activities		219,896	640,508
Net increase/(decrease) in cash and cash equivalents		(314,094)	3,324,103
Cash and cash equivalents at the beginning of the year		5,645,357	2,321,254
Cash and cash equivalents at the end of the year	25	5,331,263	5,645,357

The Consolidated Statement of Cash Flows 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 2017

1. General information

Alcidion Group Limited (“Alcidion” or the “Group” or, the “Company”) 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 Australia and New Zealand.

2. Statement of significant accounting policies

The financial statements comprise the consolidated financial statements of the Company and its controlled entity (collectively the Group).

The financial statements were authorised for issue by the directors on 29 September 2017.

2.1 Basis of preparation

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.

2.1.1 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 Standards 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.

The consolidated financial statements have been prepared on an accruals basis, except for cashflow information and are based on historical costs. 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.

2.1.2 Comparative figures

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

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 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.

2.2.2 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 or arising from a business combination.

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 Statement of financial position.

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 included in receipts from customers and R&D rebate received or payments to suppliers and employees.

2.4 Plant and equipment

2.4.1 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). In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount and impairment losses are recognised either in profit or loss or as a revaluation decrease if the impairment losses relate to a revalued asset. A formal assessment of recoverable amount is made when impairment indicators are present.

Cost includes expenditure that is directly attributable to the acquisition of the asset.

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.

2.4.2 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.

2.4.3 Depreciation

Depreciation is charged to the statement of profit or loss and other comprehensive income 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.

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	5-20

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 the Statement of profit or loss and other comprehensive income.

2.5 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 statement of profit or loss and other comprehensive income, 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 statement of profit or loss and other comprehensive income. 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.

2.6 Financial instruments

2.6.1 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.

2.6.2 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 three months or less, and bank overdrafts. Bank overdrafts, if any, are shown within short-borrowings in current liabilities on the Statement of financial position.

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.

2.6.3 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.

2.6.4 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.

2.6.5 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 Statement of profit or loss and other comprehensive income.

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 Statement of profit or loss and other comprehensive income.

2.6.6 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.

2.6.7 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.

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

2.7 Employee benefits

2.7.1 Short-term employee benefits

Provision for employee benefits for wages, salaries and annual leave that are expected to be settled wholly 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 payroll on-costs, such as worker's compensation insurance and payroll tax.

2.7.2 Other long-term employee benefits

The Group's obligation in respect of long-term employee benefits 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. The discount rate applied is determined by reference to market yields on high quality corporate bonds at the report date that have maturity dates approximating the terms of the Group's obligations.

2.7.3 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 statement of profit or loss and other comprehensive income as incurred.

2.7.4 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.

2.8 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 result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

2.9 Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses 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.

2.10 Revenue and other income

Interest revenue is recognised in accordance with Note 2.6.7 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.

The Group's recurring revenue is predominantly through Licence, Maintenance and Support fees. Licence, Maintenance and Support fees are recognised according to month earned.

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.

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

2.11 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 Directors to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

2.12 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.

2.12.1 Key Estimate - Intangible assets and amortisation

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.

During the financial year, no development costs were capitalised as the requirements to capitalise as per AASB138 were not met.

2.12.2 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.

2.13 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. The adoption of these AASBs did not have any significant impact on the financial performance or position of the Group.

2.14 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 2017. The Group's assessment of the impact of these new or amended AASBs, most relevant to the Group, are set out below.

2.14.1 AASB 9 Financial Instruments

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments, revised recognition and derecognition requirements for financial instruments and simplified requirements for hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors anticipate and have estimated that the adoption of AASB 9 is not expected to materially impact on the Group's financial instruments, including hedging activity.

2.14.2 AASB 15 Revenue from Contracts with Customers

AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods commencing on or after 1 January 2018).

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Except for a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

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 the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

The transitional provision of this Standard permits an entity to recognise the cumulative effect of retrospective application to incomplete contracts on the date of initial application, as well as enhanced disclosures regarding revenue.

The directors anticipate and have estimated that the adoption of AASB 15 will not have an impact on the Group's financial statements, as the Group currently recognises revenue only when performance obligations are satisfied.

2.14.3 AASB 16 Leases

AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 January 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in

AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and liability for all leases (excluding short-term leases with less than 12 months of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

Although the directors anticipate that the adoption of AASB 16 will impact the Group's financial statements, it is estimated that the impact will not be material.

3. Reverse Acquisition

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. This transaction was a reverse acquisition of an entity that was not a business and therefore was accounted for as a share based payment under which Alcidion Corporation was identified as the acquirer for accounting purposes.

As a result, this financial report consists of the statements of profit or loss and other comprehensive income, financial position, changes in equity and cash flows comprising the 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. For the year ended 30 June 2017, all transactions and balances are those of Alcidion.

4. Revenue

	Consolidated 2017 \$	Consolidated 2016 \$
Recurring income	1,835,010	1,808,037
Non-recurring income (i)	544,768	1,034,249
Foreign exchange gain or (loss)	(904)	106
	2,378,874	2,842,392
Other income		
Other revenue	2,628	44,654
Research & Development Incentive Rebate	1,079,237	1,182,572

(i) Non-recurring income relates to ad-hoc project work carried out for a variety of customers.

5. Finance costs

	Consolidated 2017 \$	Consolidated 2016 \$
Net finance costs recognised in loss	-	6,807

6. Loss from operations

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

	Consolidated 2017 \$	Consolidated 2016 \$
Depreciation and amortisation of non-current assets	55,2777	72,218
Directors and employees benefit expense	2,835,495	2,389,675
Superannuation expense	219,046	314,075
Reverse acquisition expense	-	1,107,175
Legal Fees	141,390	105,606
Minimum lease payments from operating leases	132,538	142,422

7. Income tax

	Consolidated 2017 \$	Consolidated 2016 \$
Income tax recognised in loss		
Tax expense comprises:		
Current tax expense	21,873	19,725
Deferred tax expense relating to the origination and reversal of temporary differences	-	-
Total tax benefit	21,873	19,725

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 2017 \$	Consolidated 2016 \$
(Loss) from operations	(2,039,107)	(2,524,992)
Income tax benefit calculated	(560,754)	(757,498)
Research and Development expense	328,687	861,762
Effect of expenses exceeding income in determining taxable profit	137,411	-
Effect of expenses that are not deductible in determining taxable profit	204,122	35,008
Net effect of unused tax losses and temporary differences not recognised as deferred tax assets	(109,466)	(119,547)
Net effect of temporary differences recognised as deferred tax assets	29,466	-
Adjustment to income tax	(1,478)	-
Tax effect of Alcidion Group DTA brought to account	(6,115)	-
Income tax expense	21,873	19,725

The tax rate used in the above reconciliation is the corporate tax rate of 27.5% (2016: 30%) payable by Australian corporate entities on taxable profits under Australian tax law. In 2017, the Australian Taxation Office introduced legislation under which the corporate tax rate for Companies satisfying the requirements to be assessed as a 'Small Business' reduced to 27.5%. To satisfy the requirements of a 'Small Business', a Company must have annual turnover of less than \$10,000,000. In 2017, Alcidion Group Ltd satisfied this requirement and is therefore eligible to apply the reduced income tax rate of 27.5%.

Recognised deferred tax balances

The following deferred tax assets have been brought to account:

	Consolidated 2017 \$	Consolidated 2016 \$
Employee entitlements	69,707	97,804
Accrued expenses	4,730	-
Net temporary differences	-	-
Deferred Tax Asset	74,437	97,804

Key estimate of unrecognised Deferred Tax Assets: A deferred tax asset has not been recognised in respect of accumulated tax losses and some temporary differences as the realisation of the benefit is not regarded as probable. The tax losses carried forward amount to \$499,677.

Franking Account: (3,948,561)

The Company's franking account is in debit by the amount of \$3,948,561. The debit balance has arisen due to the accumulation of Research & Development Tax Incentive Refunds totalling \$3,959,367 since the year ended 30 June 2005. In accordance with section 205 of the Income Tax Assessment Act (ITAA) 1997, the Company is not subject to franking deficits tax on this balance.

8. Key management personnel disclosures

a) Details of key management personnel

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

Directors

Mr Raymond Howard Blight
 Professor Malcolm Pradhan
 Mr Nathan Edmund-James Buzza (Resigned 31 July 2017)
 Mr Nicholas Paul Dignam
 Mr Brian Leedman (Appointed on 28 July 2016 and Resigned 31 July 2017)
 Mr Josh Russell Puckridge (Resigned 29 November 2016)

Executives

Mr Duncan Craig

b) Key management personnel compensation

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

	Consolidated 2017 \$	Consolidated 2016 \$
Short-term employee benefits	717,302	813,022
Post-employment benefits	63,268	62,876
Other benefits	-	12,358
Share-based payments	684,000	-
	1,464,570	888,256

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 2017 and 2016 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 reverse acquisition on 29 February 2016.

9. Share-based payments Share options and Contingent Share Rights

The Company provides 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.

Share-based payments were made during the current year.

There were options over ordinary shares in the Company provided as remuneration to directors or key management persons during the year.

Options

	Consolidated 2017		Consolidated 2016	
	\$		\$	
	Number of options	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
Balance at beginning of financial year	5,500,000	0.28	-	-
Granted during the financial year	15,000,000	0.062	-	-
Group's options on acquisition	-	-	5,500,000	0.28
Group's options foregone	(5,000,000)	0.30		
Exercised during the financial year	(5,000,000)	0.04	-	-
Balance at end of the financial year (i)	10,500,000		5,500,000	
Exercisable at end of financial year	10,500,000		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 3 years*

	Class A Contingent Shares Rights (1)(3)(4)	Class B Contingent Shares Rights (2)(3)(4)
	Number of Rights	Number of Rights
Balance at beginning of financial year	145,161,290	148,387,096
Granted during the financial year	-	-
Issued during the financial year	-	-
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 opinion of the directors there is very low probability of achieving the vesting targets*

10. Remuneration of auditors

	Consolidated 2017 \$	Consolidated 2016 \$
Audit and review of the financial report for the Parent (i)(ii)	47,546	63,284

- (i) The 2017 auditor of Alcidion Group Limited, is William Buck. Audit fees included above are \$41,500 (2016: \$23,500)
- (ii) The 2016 auditor of Alcidion Group Limited is Stantons International. Audit fees included above are \$6,046 (2016: \$39,784)

11. Current trade and other receivables

	Consolidated 2017 \$	Consolidated 2016 \$
R&D Tax Offset Refund Due	989,148	996,593
Trade accounts receivable	249,465	1,125,580
	1,238,613	2,122,173

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

No provision for impairment at year end is considered necessary. Credit risk is detailed in Note 26(e).

12. Trade and other payables

	Consolidated 2017 \$	Consolidated 2016 \$
Goods and Services Tax	57,927	106,528
Trade payables (i)	99,599	93,727
Other	156,967	108,042
PAYG withholding	84,575	62,341
	399,068	370,638

- (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 group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

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13. Plant and equipment

Consolidated	Computer equipment at cost \$	Furniture and fittings at cost \$	Total \$
Cost			
Balance at 1 July 2015	323,019	142,405	465,424
Additions	34,108	-	34,108
Balance at 1 July 2016	357,127	142,405	499,532
Additions	11,636	2,931	14,567
Balance at 30 June 2017	368,763	145,336	514,099
Accumulated depreciation and impairment			
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 1 July 2016	279,354	82,360	361,714
Depreciation expense	45,521	9,052	54,573
Balance at 30 June 2017	324,875	91,412	416,287
Net book value			
At 30 June 2016	77,773	60,045	137,818
At 30 June 2017	43,888	53,924	97,812

14. Income in advance

	Consolidated 2017 \$	Consolidated 2016 \$
Income in advance	812,954	866,722

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 2017 \$	Consolidated 2016 \$
Current		
Annual leave	31,768	101,416
Long service leave	131,542	100,878
	163,310	202,294
Non-current		
Long service leave	33,400	48,300
Total employee provisions	196,710	250,594

16. Issued capital

(a) Issued capital

	Consolidated 2017 \$	Consolidated 2016 \$
607,779,957 fully paid ordinary shares (2016: 602,779,957)	10,793,683	10,568,683

	Consolidated 2017		Consolidated 2016	
	No.	\$	No.	\$
Balance at 1 July 2016	602,779,957	10,568,683	9,000,000	2,100,004
Shares issued during the year	5,000,000	225,000	853,125	682,500
Conversion of convertible notes	-	-	3,701,907	1,500,000
Cancellation of Alcidion Corporation shares on completion of reverse acquisition	-	-	(13,555,032)	-
Shares in Alcidion Group on completion of reverse acquisition	-	-	202,779,957	-
Shares issued for acquisition of Alcidion Corporation	-	-	400,000,000	6,286,179
Balance at 30 June 2017	607,779,957	10,793,683	602,779,957	10,568,683

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

Management controls the capital of the Group in order to maintain a sustainable debt to equity ratio, generate long-term shareholder value and ensure that the Group can fund its operations and continue as a going concern.

The Group's debt and capital include ordinary share capital and financial liabilities, supported by financial assets.

The Group is not subject to any externally imposed capital requirements.

Management effectively manages the Group's capital by assessing the Group's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the Group since the prior year.

(b) Contingent share rights

	Consolidated 2017		Consolidated 2016	
	No.	\$	No.	\$
Class A Contingent Share Rights				
Balance at 1 July	145,161,290	-	-	-
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	145,161,290	-	145,161,290	-
Class B Contingent Share Rights				
Balance at 1 July	148,387,096		-	-
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	148,387,096	-	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.

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

(c) Reserves

	Consolidated 2017 \$	Consolidated 2016 \$
Balance at beginning of financial year	-	-
Share-based payment expense	684,000	-
Balance at end of financial year	684,000	-

(i) *The reserve records the value of share based payments provided.*

(d) Movements in options on issue

	2017 No. of options	2016 No. of options
Beginning of the financial year	5,500,000	-
Options Foregone	(5,000,000)	5,500,000
Options Granted	15,000,000	-
Options exercised	(5,000,000)	-
End of the financial year	10,500,000	5,500,000

The Group has used the Black Scholes option pricing model to validate the valuation prices calculated by the binomial option pricing model. Under AASB 2 'Share Based Payments', no discount is made to the fundamental value derived from the option valuation model for unlisted options over listed shares.

The key inputs used in the Black Scholes option pricing model are as follows: The estimated life of the options is approximately 3.54 years; the exercise price is the price at which the underlying ordinary shares will be issued and the Australian Government 3-year bond rate of 1.63% has been applied. Volatility of the share price was calculated by Hoadley's volatility from one, two and three year periods, using data extracted from Bloomberg.

The weighted average exercise price of the options is \$0.0456 and the fair value of options granted is \$684,000.

Date options issued	Expiry Date	Exercise price (cents)	Number of options
23 August 2012	23 August 2017	7.5	500,000
29 November 2016	30 September 2020	6	5,000,000
29 November 2016	30 September 2020	8	5,000,000
Total number of options outstanding at the date of this report			10,500,000

The weighted average exercise price of these options is \$0.07 & weighted average exercise period is 3 years.

17. Accumulated losses

	Consolidated 2017 \$	Consolidated 2016 \$
Balance at beginning of financial year	(3,994,144)	(1,449,427)
(Loss) attributable to members of the entity	(2,060,980)	(2,544,717)
Balance at end of financial year	(6,055,124)	(3,994,144)

18. Dividends

There were no dividends paid or proposed during the year.

19. Loss per share

	2017 Cents per share	2016 Cents per share
Basic (loss) per share (cents):		
From continuing operations	(0.34)	(0.63)
	Consolidated 2017 \$	Consolidated 2016 \$
Basic earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share	(2,060,980)	(2,544,717)
Loss after tax		
	2017 No.	2016 No.

Weighted average number of ordinary shares for the purposes of basic earnings per share	604,159,738	405,204,020
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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 2017 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

Cicero Advisory was paid \$45,920 for corporate advisory services, a company in which former director Josh Puckridge is interested. Balance payable as 30th June 2017 is 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, with renewal occurring every 6 months.

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

	Consolidated 2017 \$	Consolidated 2016 \$
Within one year	50,750	67,644

As at 30 June 2017 the Group has no other commitments (2016: nil) and no other other non-cancellable operating leases contracted for but not recognised.

22. Contingencies

In the opinion of the Directors, the Group did not have any contingent liabilities or contingent assets as at 30 June 2017 (2016: 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 for any debt incurred that is not recoverable to its bankers. At 30 June 2017, overdraft used is \$0 (unused: \$200,000). At 30 June 2017, credit card balance used is \$47,475 (unused: \$62,525).

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 Group operates predominantly in the health informatics industry in Australia. For management purposes, the Group is organised into one main operating segment which involves the provision of health informatics software in Australia. All of the Group'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 Group as one segment. The financial results from this segment are equivalent to the financial statements of the Group as a whole.

24. Subsequent events

The Company has had six subsequent events post 30th June 2017:

- f) Miya iScheduler product announcement 10th July 2017
- g) Nathan Buzza resigned as an Executive Director 31st July 2017
- h) Brian Leedman resigned as a Non-Executive Director 31st July 2017.
- i) Rebecca Wilson was appointed as a Non-Executive Director 1st August 2017
- j) Geoff Rohrsheim was appointed as a Non-Executive Director 1st August 2017
- k) Miya Smartpage won preferred tenderer status with Monash 30th August 2017

25. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

	Consolidated 2017 \$	Consolidated 2016 \$
Cash and cash at bank	5,331,263	5,645,357

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

(Loss) for the year after income tax	(2,060,980)	(2,544,717)
Depreciation and amortisation of non-current assets	55,277	72,218
Reverse acquisition expense	-	1,107,175
Share based payment expense	684,000	-
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
Trade and other receivables	883,560	(874,395)
Other Assets	(25,425)	-
Deferred Tax Assets	23,367	19,725
Increase/(decrease) in liabilities:		-
Trade and other payables	(25,339)	(277,250)
Provisions	(53,883)	(131,998)
Net cash used in operating activities	(519,423)	(2,629,242)

26. Financial instruments

(a) Financial risk management objectives

The Group enters into financial instruments, including derivative financial instruments. The Group's financial instruments consist mainly of deposits with banks, accounts receivables and payables. The totals for each category of financial instruments is shown at Note 26(c).

(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) 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 \$		
2017							
Financial assets:							
Cash and cash equivalents	1.88%	294,874	5,036,389	-	-	-	5,331,263
Trade and other receivables		-	-	-	-	1,238,613	1,238,613
		294,874	5,036,389	-	-	1,238,613	6,569,876
Financial liabilities:							
Borrowings		-	-	-	-	-	-
Trade and other payables		-	-	-	-	399,068	399,068
		-	-	-	-	399,068	399,068
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

(d) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. 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 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.

The quality of debtors is best monitored by the ageing of open invoices in accounts receivable.

Trade receivables are analysed as follows:

	2017	2016
Not impaired:		
- Within trade terms	180,882	983,404
- Past due but not impaired	68,583	142,176
Total trade receivables	249,465	1,125,580

Receivables that are neither past due nor impaired comprise customers with a long term record of timely payments and/or no recent history of default arising from financial difficulty.

Receivables that are past due but not impaired comprise customers which do not have any objective evidence that the receivable may be impaired. Alcidion has actively engaged these customers and reasons for the invoices remaining outstanding are being actively resolved.

An allowance for doubtful debts is recognised where Alcidion has identified objective evidence that an amount owing may not be recoverable, mainly arising from observed financial difficulty of a customer.

Analysis of age of trade receivables:

Consolidated:				
2017	Not Past Due	60-90 days	> 90 days	Total
Trade receivables	180,882	-	68,583	249,465
Total	180,882	-	68,583	249,465
2016	Not Past Due	60-90 days	> 90 days	Total
Trade receivables	983,404	4,674	137,502	1,125,580
Total	983,404	4,674	137,502	1,125,580

(e) Liquidity risk management

Liquidity risk arises from the possibility that the Group may encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities.

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

2017 Financial liabilities:		Variable interest Rate \$	Fixed maturity dates			Non-interest bearing \$	Total \$
			Less than 1 year \$	1-5 years \$	5+ years \$		
Borrowings		-	-	-	-	-	-
Trade and other payables		-	-	-	-	399,068	399,068
		-	-	-	-	399,068	399,068
2016 Financial liabilities:							
Borrowings		-	5,104	-	-	-	5,104
Trade and other payables		-	-	-	-	370,638	370,638
		-	5,104	-	-	370,638	375,742

The amounts listed above equate to fair value. The cashflows in the maturity analysis above are not expected to occur significantly earlier than disclosed.

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.

Current assets listed below equate to fair value.

Statement of financial position

	2017 \$	2016 \$
Assets		
Current assets	4,087,173	4,824,948
Non-current assets	12,406,117	12,400,000
Total assets	16,493,290	17,224,948
Liabilities		
Current liabilities	110,238	52,870
Non-current liabilities	12,071	-
Total liabilities	122,309	52,870
Net assets	16,370,981	17,172,078
Equity		
Issued capital	23,151,487	22,926,487

Reserves	1,193,619	509,619
Accumulated losses	(7,974,125)	(6,264,028)
Total equity	16,370,981	17,172,078

Statement of Profit or Loss & Other Comprehensive Income

	2017 \$	2016 \$
Total Loss for the year	1,710,097	813,552
Total comprehensive loss for the year	1,710,097	813,552

28. Interests in Controlled Entities

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries:

Name of Entity	Percentage Owned (%)	
	2017	2016
Alcidion Corporation Pty Ltd	100	100

29. Guarantees

Alcidion has entered into guarantees, as disclosed at Note 22.

30. Capital Commitments

At 30 June 2017, Alcidion had no approved budgeted capital expenditure for capital purchases (2016: NIL).

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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	602,779,957
Movements of share options during the year and to the date of this report	5,000,000
Total number of shares at the date of this report	607,779,957

Shares Under Option

At the date of this report there are 10,500,000 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	-
	5,500,000
Movements of share options during the year and to the date of this report	5,000,000
Total number of options outstanding at the date of this report	10,500,000

The balance is comprised of the following:

Date options issued	Expiry date	Exercise price (cents)	Listed/Unlisted	Number of options
23 August 2012	23 August 2017	7.5	Unlisted	500,000
29 November 2016	30 September 2020	0.06	Unlisted	5,000,000
29 November 2016	30 September 2020	0.08	Unlisted	5,000,000

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.

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Substantial shareholders

Alcidion Group Limited has the following substantial shareholders as at 30 June 2017:

Name	Number of shares	Percentage of issued capital
Professor Malcolm Pradhan	134,582,403	22.14
Mr Raymond Howard Blight	98,618,450	16.23
BSPE Medical Technology Pty Ltd <BSPE Medical Tech Unit A/C>	84,864,273	13.96

Range of shares as at 30 June 2017

Range	Total Holders	Units	% Issued Capital
1 - 1,000	79	4,686	0.00
1,001 - 5,000	31	129,258	0.02
5,001 - 10,000	175	1,556,370	0.26
10,001 - 100,000	777	37,063,106	6.10
100,001 - > 100,001	505	569,026,537	93.62
Total	1,567	607,779,957	100.00

Unmarketable parcels as at 30 June 2017

	Minimum parcel size	Holders	Units
Minimum \$500.00 parcel at \$ 0.054 per unit	7,247	143	341,591

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Top 20 holders of ordinary shares as at 19 September 2017

	Name	Units	%
1	MR MALCOLM PRADHAN	134,582,403	22.14
2	MR RAYMOND HOWARD BLIGHT	94,828,781	15.60
3	BSPE MEDICAL TECHNOLOGY PTY LTD <BSPE MEDICAL TECH UNIT A/C>	84,864,273	13.96
4	ALLURE CAPITAL PTY LTD <BUZZA FAMILY A/C>	16,717,243	2.75
5	MR DUNCAN ROBERT CRAIG	3,873,101	0.64
6	MRS SOFIAH VALIBHOY	3,726,236	0.61
7	WALSH PRESTIGE PTY LTD <WALSH FAMILY A/C>	3,400,001	0.56
8	MR PHILLIP JOHN COULSON	3,177,329	0.52
9	WALANI PTY LTD	3,177,329	0.52
10	WILK HOLDINGS PTY LTD <THE WILK SUPER FUND A/C>	3,000,000	0.49
11	ZIGSUPER PTY LTD <ZIGURUS SUPER PTY LTD A/C>	3,000,000	0.49
12	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	2,568,004	0.42
13	MR JACOB OSCAR COULSON	2,541,863	0.42
14	ALLURE CAPITAL PTY LTD <BUZZA FAMILY A/C>	2,458,828	0.40
15	YAVERN CREEK HOLDINGS PTY LTD	2,350,000	0.39
16	MUHLBAUER INVESTMENTS PTY LTD <MUHLBAUER FAMILY A/C>	2,244,504	0.37
17	MS ROBYN GAILE MORRIS	2,222,222	0.37
18	MR LEE ZAMMIT	2,210,000	0.36
19	PULKO INVESTMENTS PTY LTD <PULKO FAMILY FUND A/C>	2,200,000	0.36
20	ALLEKIAN EXCHANGE PTY LTD	2,000,000	0.33
Total of Top 20 Holders of ORDINARY SHARES		375,142,117	61.72

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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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