



ALCIDION (ASX: ALC) ANNUAL REPORT 2019



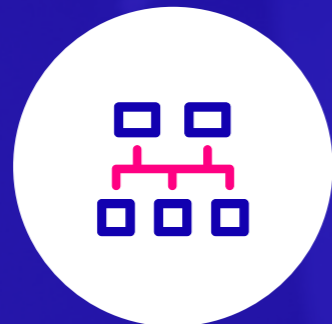
TRANSFORMING HEALTHCARE TOGETHER

The world of healthcare is evolving. As healthcare providers around the world increasingly look to digital solutions to improve patient care, reduce risk and increase productivity, the market opportunity for Alcidion is expanding. Alcidion is enabling healthcare providers to digitalise their data, implement smart technology, and improve the overall delivery of care. This is the value we provide.



215

Hospitals across the UK, Australia, New Zealand



42

Healthcare organisations transforming healthcare with us



30K

Beds using our technology



11K

Active users across Patienttrack and Miya Precision



79M

Observations recorded



590K

Alerts generated

OUR SOLUTIONS ARE CHANGING THE FACE OF HEALTHCARE:



PATIENTTRACK

Patienttrack helps clinicians know every patients' status in real-time. Doctors can intervene and prevent patient deterioration faster than ever before. Patienttrack uses predictive algorithms to support time-critical care.



MIYA PRECISION

Miya Precision combines AI-based predictive analytics, Clinical Decision Support (CDS) and mobile alerts in one easy-to-use analytics dashboard. Integrating with any existing source system, doctors can customise Miya Precision to map the patient journey and view critical patient insights in real-time.



SMARTPAGE

Smartpage is a speedy messaging and task management platform, delivering the simplicity of your favourite messaging service with the security of encryption. It enables hospital staff to communicate and collaborate instantly.



SERVICES

Alcidion also offers services including project management, implementation consulting and support services for digital health projects. Alcidion has several reseller agreements for leading complementary software platforms, completing our offering as a full service health IT provider.

FY2019 HIGHLIGHTS

300%

INCREASE IN
STATUTORY REVENUE;

33%

INCREASE IN COMBINED
FY2018 PROFORMA REVENUE

\$2.0M

POSITIVE
OPERATIONAL
CASH INFLOW

• EARNINGS APPROACHING
BREAK-EVEN

\$16.9
MILLION REVENUE

98% EBITDA
IMPROVEMENT

39K EBITDA
LOSS

2 CONTRACTS SIGNED
FOR INTEGRATED
FULL PRODUCT SUITE



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LETTER FROM THE CHAIR

ALCIDION ANNUAL REPORT 2019



Dear fellow shareholders,

I am pleased to present Alcidion's Annual Report for the financial year ended 30 June 2019.

FY2019 was a defining year for Alcidion: The acquisitions of Patientrack and MKM Health have been central to this shift, and it has been a year in which we have built the foundations for further growth. We indicated at the time that these acquisitions were transformative, and we are proud that we have been able to deliver on this promise.

In the first year operating as the combined Alcidion Group we have proven we have a commercially attractive technology platform, along with wider capabilities as a provider of health IT services. This, combined with our complementary suite of reseller solutions, has seen Alcidion selected to be a part of some of the most exciting digital transformation projects taking place in healthcare organisations in Australia, New Zealand and the UK. We have taken advantage of the cross-selling opportunities that the acquisitions created, delivering our first fully integrated Miya, Patientrack and Smartpage contracts with luminary customers in Australia and the UK. We also saw the first installation of Miya Precision go live in New Zealand.

We closed out the 2019 financial year delivering our first positive annual cash flow and with earnings approaching break-even point. We enter the new financial year in a strong position; with a solid book of contracted revenue that will be recognised in FY2020 and beyond, giving us a strong foundation on which to build.

I'd like to take this opportunity to expand further on some of the highlights of FY2019:

STRATEGIC CONTRACT WINS

Throughout the 2019 financial year, Alcidion's customer contracts increased significantly, contributing to a 33 percent increase on pro forma FY2018 revenue as a group, and a 300 percent revenue increase on FY2018 statutory reported revenue.

Milestone strategic contract wins included a \$4.75 million five-year contract with ACT Health in July 2018, the first contract implementing our full Miya, Patientrack, Smartpage product suite. In March 2019, Dartford and Gravesham NHS Trust signed a five-year contract worth £1.16 million (\$2.1 million) for the first UK implementation of the full product suite. These wins exemplify the value of the combined group, and we continue to pursue similar sales opportunities in these markets for the integrated product suite.

Revenue generated from services also contributed significantly to FY2019 results, making up \$9.3 million of the \$16.9 million total revenue. This services capability, along with our portfolio of solutions from resellers, puts us in a highly differentiated position as a trusted advisor and partner assisting healthcare organisations conceive and implement innovative digital health solutions. Significant services revenue is also generated from our product sales.

INTEGRATION OF BUSINESS AND CAPABILITIES

A core focus for Alcidion in FY2019 has been integrating the businesses and capabilities of the combined group. The acquisitions have provided Alcidion with an expanded range of products and services, and enabled us to take strongly differentiated product and services offerings to an extended customer-base in Australia, the UK, and New Zealand. As well as strong potential for cross-selling further components of our integrated product suite and health IT services to existing customers, we have been encouraged by the market's interest in our data analytics offerings and capabilities.

From a product perspective, Alcidion was pleased to launch its next-generation platform, Miya Precision. Miya Precision offers customers a consolidated platform to improve the patient journey, using smart dashboards that utilise real-time information enhanced by artificial intelligence and predictive algorithms. In February 2019, Miya Precision was launched in New Zealand, going live at MidCentral District Health Board and receiving resoundingly positive feedback from the customer. The Miya Precision platform has been optimised for use with Patientrack and Smartpage.

Post-acquisition, we invested in enhancing Patientrack to seamlessly integrate with Miya and Smartpage systems, to support our cross-selling focus and ensure the three products complement each other and deliver synergistic results to hospitals. This will continue to be a focus in FY2020 as we further build on the capabilities of the combined product set.

EVOLVING OUR LEADERSHIP TEAM

Alongside the changes within the business, Alcidion has pursued a succession planning strategy to ensure the Board is suitably structured to guide the company through the next phase of its growth.

After becoming CEO of the Alcidion Group in July 2018, Kate was promoted to Group Managing Director in January 2019. I would like to recognise Kate's leadership throughout this year which has resulted in the company achieving significant growth whilst maintaining operational focus on the necessary integration of the acquired businesses. She is supported by an exceptional executive team and a talented group of health IT specialists who have all contributed to the company's success.

In July 2019, Simon Chamberlain was appointed as Non-Executive Director. Simon is an accomplished business leader and strategist, bringing valuable international perspective, a proven leadership track record across a range of industries, and a global network. Simon will provide guidance and valuable experience to

Alcidion through its next few years of growth. Simon replaced Geoffrey Rohrsheim, who stood down from the Board effective 30 June 2019. I'd like to sincerely thank Geoff for his contribution as a Non-Executive Director, a role he held from August 2017.

In August 2019, subsequent to the financial year end, Alcidion co-founder and Non-Executive Chairman Ray Blight stepped down from his role as Chairman and remains on the Board as a Non-Executive Director.

I would like to acknowledge and thank Ray for his commitment and his vision in bringing Alcidion to where it is today. Not only has Ray, alongside his co-founder Malcom Pradhan, been instrumental in seeing the technology evolve from an inspiration to commercial reality, he has had the strategic foresight to execute on the acquisitive growth strategy that has expedited our commercial success to date.

Personally, I am honoured to take on the Chair role and to contribute to the next phase of Alcidion's growth and success.

OUTLOOK

We have recently completed a rebrand, consolidating the various identities of MKM Health, Patientrack and Oncall Systems into one unified Alcidion brand. For us it is much more than a logo change, it signals that the process of integration is nearly complete and that we are now poised for the next stage of growth as one Alcidion group.

The healthcare industry is now accepting the need to use IT to transform healthcare delivery in the face of rising demand and a disenfranchised workforce. The next phase of digitalisation of healthcare has arrived and the adoption of platforms like Miya Precision is gaining momentum. Alcidion has demonstrated that it is well positioned to seize upon this market opportunity and embark on our mission of Transforming Healthcare Together.

On behalf of the Board, I'd like to thank our shareholders for your support over the last financial year, and as we look forward to FY2020. You continue to play an important role in our growth and vision to be a leading provider of health IT solutions globally.

Yours faithfully,

Ms Rebecca Wilson
Chair, Alcidion Group Limited

OUR YEAR OF TRANSFORMATION

From its foundation in 2000, Alcidion's focus has been on one premise: offering innovative smart technologies to make healthcare better. Over the course of its growth, Alcidion has expanded into three global markets, broadened its healthcare IT capabilities and suite of products, and has evolved from an Adelaide-based health informatics company into a leading provider of health IT products and services globally, focused on improving patient outcomes.

Following two transformative acquisitions completed in July 2018, the combined Alcidion has continued to deliver strong commercial and operational results across its expanded markets of Australia, UK and New Zealand. In its first combined year, Alcidion increased investment in integration of the businesses and capabilities, whilst also delivering strategically significant contracts and financial growth. Today, Alcidion enters FY2020 having achieved positive net cash flow and with earnings approaching breakeven.



JULY 2018

ALCIDION COMPLETES ACQUISITIONS OF MKM HEALTH AND PATIENTRACK

MKM Health CEO Kate Quirke appointed Alcidion CEO.

FIRST INTEGRATED MIYA, PATIENTRACK, SMARTPAGE SOLUTION SIGNED IN AUSTRALIA

Five-year contract worth \$4.75 million, including first Miya, Patientrack, Smartpage installation and electronic journey board solution.

OCTOBER 2018

FIRST QUARTER OF POSITIVE OPERATING CASH FLOW ANNOUNCED

Q1 FY2019 showed a \$221K net positive operational cash flow. Transition to positive cash flow commences.

MARCH 2019

FIRST INTEGRATED MIYA, PATIENTRACK, SMARTPAGE SOLUTION SIGNED IN THE UK

~\$2 million deal over five-years with Dartford & Gravesham NHS Trust.

FEBRUARY 2019

MIYA PRECISION LAUNCHES FOR THE FIRST TIME

Solution live in 19 wards at two MidCentral District Health Board sites.

AUGUST 2019

FY2019 UNAUDITED FULL YEAR RESULTS ANNOUNCED

First operational positive cash flow year (\$2M), \$16.9M revenue, EBITDA loss of \$39K; earnings close to breakeven.

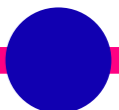
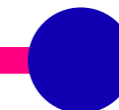
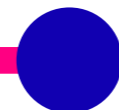
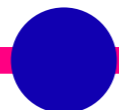
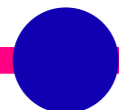
REBECCA WILSON APPOINTED ALCIDION CHAIR

Rebecca's leadership and strategic skills position Alcidion for the next stage of growth.

SMARTPAGE, PATIENTRACK AND MKM HEALTH UNITE UNDER NEW ALCIDION BRAND

New brand identity launched, completing integration of businesses, products and capabilities.

2018



MANAGING DIRECTOR'S REPORT

Dear fellow shareholders,

I am pleased to present an update on activities undertaken in financial year 2019 and milestones achieved in our first year of reporting as a combined group.

BUILDING ON A TRANSFORMATIVE ACQUISITION

FY2019 commenced with Alcidion acquiring the combined business operations of the MKM Health group of companies and the associated Patientrack group of companies on 3 July 2018. The acquisitions delivered the complementary electronic bedside observations and early warning score system Patientrack, an established health IT services business in MKM Health, and a significant customer base across Australia, New Zealand and the UK.

These acquisitions have been transformative for Alcidion. In FY2019, Alcidion quadrupled year-on-year revenue, integrated its newly acquired Patientrack platform with Alcidion's existing Miya and Smartpage products, and established a consolidated Alcidion group presence in the UK market. During FY2019, Alcidion's market presence in Australia and New Zealand also expanded. MKM Health's long-term customer relationships are providing opportunities for cross selling the expanded Alcidion suite of products. Alcidion has achieved early success in exploiting these cross-selling opportunities, and this will be an important strategy for continued growth in FY2020.

Alcidion's leadership team and sales capability has also been bolstered as a result of the acquisitions, and this has helped to deliver the strong result achieved in FY2019. All the key executives of MKM Health and Patientrack have remained with the business and this proven management team will drive the further expansion of Alcidion throughout FY2020.

Our customer offering has been strengthened by the systems integration and health data analytics skillset within the MKM Health team. We now have the integration skills required to extract and aggregate the data that feeds the Miya Precision platform. In addition, MKM Health has developed a real time replication capability for one of the leading Electronic Medical Record (EMR) platforms, which allows us to easily



integrate the EMR data to our platform and offer EMR users a mobile EMR experience with clinical decision support available at the point of care.

A YEAR OF SIGNIFICANT NEW CONTRACT WINS

In a year when significant time and focus was required to integrate the acquired businesses, the expanded management team has still been able to grow the business in all of our markets.

The expanded Alcidion group delivered \$16.9M in revenue in FY2019. This is an increase of over 300% on FY2018 revenue of \$4.2M and represents a revenue increase of 33% when compared to the FY2018 unaudited pro forma revenue for the combined entities, which was \$12.7M.

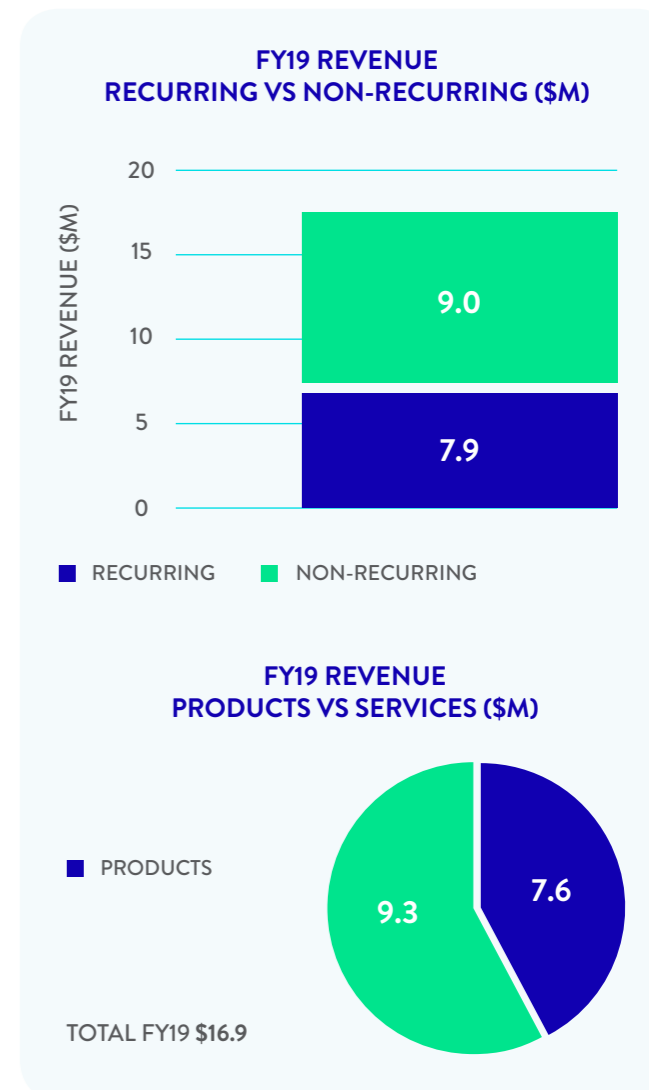
Revenue during the year was boosted by new contract wins for our leading software solutions, including with customers who recognised the value of the combined capability of these platforms. We demonstrated our ability to retain existing customers through the renewal of several recurring revenue software contracts for Miya and Patientrack. We also continued to demonstrate our leadership in the area of health systems integration and data analytics, by signing several large services contracts.

Major new contracts announced during FY2019 included:

- ACT Health (July 2018): a five year deal valued at approximately \$4.8 million with ACT Health to deploy an Electronic Patient Journey Board solution. This represented the first deployment of a fully integrated Miya Flow, Patientrack and Smartpage offering
- NT Department of Health (July 2018): a three year contract extension with value of \$2.6 million over three years for the Miya platform
- Dartford and Gravesham NHS Trust (March 2019): a five year contract worth £1.16 million (~\$2.1 million) for the first fully integrated installation of Alcidion's combined product suite, Miya, Patientrack, and Smartpage, in the UK
- Brighton and Sussex NHS Trust (March 2019): a five year contract worth £574K (\$1.03 million) to implement Patientrack at four hospital sites
- Queensland Health (November 2018): a contract to establish a state-wide Referral Service Directory, which will be the central point of reference for external referrals from General Practitioners across Queensland Hospital and Health Services. This project will be deploying the NextGate Matchmatrix software for which Alcidion is the authorised reseller in Australia and New Zealand. The contract value is approximately \$12 million with a five-year term;
- Alfred Health (August 2018): a strategic collaboration to deliver data management capability (contract terms not disclosed);
- ACT Health (Dec 2018): a two year contract extension for the provision of ongoing IT support services valued at \$1.3 million
- ACT Health (February 2019): a 2.5 year Patientrack licensing and support extension valued at \$711K, for use in two Canberra hospitals
- Western Sussex Hospitals NHS Foundation Trust (June 2019): a five year licensing and support renewal agreement for Patientrack, with a value of \$970K. Patientrack is deployed across 68 wards at the trust's three hospital sites.

Of the total \$16.9M FY2019 revenue, \$7.9M (47%) was recurring and \$9.0M (53%) non-recurring. Services revenue, which includes product implementation as well as integration and data analytics services, contributed \$9.3M (55%) of total revenue with product licensing, support and maintenance generating the remaining \$7.6M (45%).

The new contracts also enabled Alcidion to commence FY2020 with \$11.7M revenue already sold for recognition in FY2020, with a further \$19.5M sold revenue to be recognised through to FY2025.



On 17 September 2019, subsequent to the year-end, Alcidion signed a three-year agreement with Australian private healthcare provider Healthscope to implement a data and analytics solution worth \$895K. This is Alcidion's first implementation of our data and analytics capabilities into a private hospital group.

A TURNAROUND IN FINANCIAL RESULTS

Over FY2019, the expanded Alcidion group has transitioned to a business that has demonstrated it can deliver positive operational cash flow. Alcidion achieved its first year of positive operating cash flow, with a net cash inflow from operating activities of \$2.0M achieved from cash receipts of \$16.5M. This compares to a cash outflow from operating activities of \$1.8M in FY2018 from cash receipts of \$4.3M.



There was an overall cash inflow for FY2019 of \$282k across all sources, after \$1.5M cash consideration was paid as part of the acquisition of MKM Health and Patientrack. This increased Alcidion's available cash reserves from \$2.9M to \$3.2M. This compares to an overall cash outflow of \$2.4M in FY2018. Alcidion also achieved a near break-even earnings result in FY2019. FY2019 EBITDA loss was \$39k compared to an EBITDA loss of \$2.1M in FY2018. The net operating loss before tax of \$110K in FY2019 was a 95% improvement on the FY2018 net operating loss before tax of \$2.1M.

This is a substantial achievement for the company, especially considering the impact of one-off costs associated with the acquisitions of MKM Health and Patientrack, and in a year of investment in integrating the acquired businesses.

INTEGRATING ALCIDION'S EXPANDED PRODUCT SET

The acquired Patientrack software product focuses on improving patient safety and operational efficiency by identifying patients at risk of deterioration and alerting appropriate care givers. Patientrack provides a mobile platform for bedside recording and analysis of vital signs, performing bedside patient assessments and completing other clinical documentation that can trigger and inform appropriate clinical response. By collecting all vital signs and other patient assessments performed in

a hospital, it stores millions of data points regarding patient status throughout the patient journey from admission to discharge. This data provides a hugely valuable platform on which advanced data analytics can be performed to both better understand the impact of clinical care on a patient, as well as detect and even predict issues with patients more quickly, leading to more timely clinical intervention.

Patientrack is therefore highly complementary to the existing Alcidion product Miya Precision, which can perform the advanced data analytics and provide enhanced clinical decision support, and Smartpage which can transmit alerts and provide a team collaboration environment for clinical staff responding to these alerts. The full integration of Patientrack, Miya and Smartpage began in FY2019, and continued enhancement of the combined product suite remains a priority for FY2020.

The market's interest in, and readiness for, our combined solution offering has been demonstrated in FY2019 by the contract signed with ACT Health for the first integrated Miya, Patientrack and Smartpage installation, as well as the first integrated Miya, Patientrack and Smartpage contract signed in the UK with Dartford & Gravesham NHS Trust.

CONTINUED INVESTMENT IN MIYA PRECISION

A significant product development milestone in FY2019 was the successful launch of Alcidion's next-generation Miya Precision platform at New Zealand's MidCentral District Health Board in February 2019. This was the first implementation of the Miya Precision platform, which was fully re-engineered to support SaaS deployment, and for the deployment of Artificial Intelligence capabilities and decision support algorithms to support the transformation of healthcare. This launch was met by very positive feedback from the customer.

During the year NSW Health selected Alcidion and the Miya Precision platform for a Proof of Concept (PoC) with the Murrumbidgee LHD to trial the ability to deploy the mobile EMR capability of Miya along with its clinical decision support capabilities running across the already deployed Cerner EMR. The PoC project is exploring how critical laboratory test results can be shared securely and in real time via mobile devices to support enhanced clinical decision-making. A team of 10 ED clinicians is

trialing mobile notifications of real-time pathology results and risk indicators, via Alcidion's Miya Precision Clinical Decision Support (CDS) tool.

As well as the investment required to integrate Miya Precision with the newly acquired Patientrack software, further investments have been made over FY2019 in developing and integrating natural language processing (NLP) capabilities in the platform to improve detection of critical risks and assist with improved clinical coding outcomes for maximising revenue, along with continued development of the clinical decision support capabilities. With the clinical decision support market projected to grow to \$6.4bn by 2024 according to latest Frost and Sullivan report, Alcidion is focused on enhancing our offering with more complex predictive algorithms and enhanced artificial intelligence capabilities.

BROADENING ALCIDION'S PRODUCT AND SERVICE OFFERINGS

Alcidion continues to expand its portfolio of software products and related services it provides to customers, via reseller agreements with suppliers of complementary solutions. This is consistent with our strategy of delivering end-to-end healthcare IT solutions, services and support to customers who are looking to achieve a well-integrated best of breed technology platform to improve patient care and achieve operational efficiencies.

Alcidion's ~\$12M contract signed in Q2 with Queensland Health to establish a Queensland-wide Referral Services Directory (RSD) using NextGate's Provider Registry is an example of the value added by offering such solutions, and aligns with our strategic focus on partnering with state and territory healthcare agencies to build enhanced ICT infrastructure to support better connected and coordinated health service delivery across multiple agencies.

In FY2019, Alcidion entered into a reseller agreement with Better By Marand to resell its OPENeP medication management solution. Since the start of the FY2020 financial year, Alcidion has announced that Dartford and Gravesham NHS Trust in the UK has awarded Alcidion preferred provider status for this solution, which is yet to be contracted.



OUTLOOK

Over the past year Alcidion has proven it is capable of organic and sustainable growth.

We believe there is tremendous opportunity ahead for Alcidion in its existing Australia, UK and New Zealand markets, with healthcare providers embracing digital solutions to improve care more than ever before. We are ideally positioned to seize this opportunity. Alcidion will continue to invest in scaling up the organisation to ensure we have the capacity to pursue new opportunities and respond to the growing demand for health IT solutions right across the healthcare sector.

Strategically, Alcidion's sales focus continues to be on cross-selling its broad capabilities, including our suite of innovative platforms, reseller solutions and integrated technology services.

We look forward to keeping our shareholders updated as we build on the solid foundation laid this year. We know that there are many long term holders, and we were pleased to also welcome a number of new investors over the past year, and I sincerely thank you all for your support of Alcidion.

Yours faithfully,

Ms Kate Quirke
Managing Director, Alcidion Group Limited

IMPROVING PATIENT FLOW AND BED MANAGEMENT AT MIDCENTRAL DISTRICT HEALTH BOARD



In February 2019, Alcidion's next-generation software Miya Precision was launched, going live for the first time at two sites at New Zealand's MidCentral District Health Board.

Since introducing Miya Precision, the staff at New Zealand's MidCentral District Health Board (MDHB) staff have seen a noticeable improvement in bed allocation, smoother patient flow, and a more efficient allocation of hospital resources. By integrating five different clinical information systems, clinical staff can now see detailed patient information in real-time, enabling them to make the right care decisions quicker, improving patient outcomes

CHALLENGE

MidCentral District Health Board wanted to improve both patient safety and the clinician experience.

To do this, Alcidion concluded that MDHB needed to bring the data it had housed in many separate, disparate information systems together. By doing this, the data would be more useful and actionable for its staff, making it simple and fast for them to make the right care decisions based on real-time information.

SOLUTION

MDHB was the first healthcare organisation in the world to roll-out of the next-generation Miya Precision platform, a ground-breaking technology to meet the needs of healthcare interoperability requirements through the integration of data from any source.

The software has successfully integrated with five clinical information systems at MDHB, including WebPas, CareStream Radiology, Clinical Portal and Pathology. It delivers real-time patient flow

"The information is displayed in an easy-to-read way and the system provides both charge nurses and nurse managers with the ability to see real-time updates on patient flow, which improves planning and ultimately ensures every patient is provided with the best care possible."

Celina Eves
Executive Director of Nursing and Midwifery,
MidCentral District Health Board

information and bed management updates to MDHB staff and can be accessed by clinicians using an iPad at the bedside, workstation, and patient journey boards installed in each ward.

Miya Precision also allows clinicians to view a patient's admission history, demographics and test results at the bedside, in real-time. It also allows MDHB to add patient safety algorithms and apply artificial intelligence to improve patient outcomes.

Finally, Miya Precision's Hospital Operations Centre gives MDHB's Managing Nurses a high-level overview of hospital bed occupancy in real-time, with the ability to drill down into individual departments and wards for more detailed insight.

"The mobile technology is a godsend on ward rounds and has helped improved patient flow in and out of the ward, making discharges more evident and timely. I love it and wouldn't be without it now."

Sarah Donnelly
Charge Nurse, MidCentral District Health Board

RESULT

Miya Precision is being used across 17 wards and the Emergency Department at Palmerston North Hospital, and two wards at Horowhenua Health Centre.

Since the implementation of Miya Precision, MDHB staff have seen a noticeable improvement in bed allocation, smoother patient flow, and a more efficient allocation of hospital resources.

With Miya Precision's Hospital Operations Centre, staff can quickly allocate the best beds for each individual patient, minimising wait times and keeping the patient journey as smooth as possible.

And now that clinicians can view a patient's information at the bedside, in real-time, they are better equipped to make the right care decisions, quickly, to improve patient outcomes.



19

Wards are improving care with Miya Precision.



5

Existing information systems have been integrated with Miya Precision.



A healthcare professional in teal scrubs is seen from the back, holding a tablet and talking to an elderly woman with white hair who is sitting up in a hospital bed. The woman is smiling and looking at the professional. The room has wood-paneled walls, a bedside table with a vase of red flowers, and a telephone. There are colorful circular graphic elements: a green circle in the top right, a blue circle in the bottom left, and a cyan circle in the bottom right.

FINANCIAL RESULTS FY2019

DIRECTORS’ REPORT

The directors of Alcidion Group Limited (“Alcidion” or the “Group” or, the “Company”) submit herewith the annual financial report of the Group for the year ended 30 June 2019 (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.



MS REBECCA WILSON
CHAIR (FROM 30 AUGUST 2019)

Appointed 1 August 2017
B.A (Journalism), Post Grad Applied
Finance and Investment (FINSIA)

Rebecca has more than 20 years’ experience working within the health, technology and life science sectors providing advice on stakeholder communications, issues management, investor and corporate relations, and business strategy to private and public companies, research institutes, governments, and asset managers.

She advises boards and executive teams on investor relations and commercial strategies and has strong experience in transactions, including more than 50 IPOs, M&A transactions, and capital raisings.

Rebecca is Executive Vice President Singapore & Australia for WE Communications, Executive Director of consulting firm WE Buchan, and Advisory Board member of Gillian Fox Leadership. She is a member of the Australian Institute of Company Directors (AICD).



MS KATE QUIRKE
MANAGING DIRECTOR

Appointed 3 July 2018
B. Applied Science

Kate has more than 25 years of experience in the healthcare information sector. Prior to becoming a Director and CEO of Alcidion Group she was one of five working Directors for MKM Health, based in Victoria. She has been involved in large systems procurements and implementations across Australia and Asia Pacific.

Kate’s background involves holding leading management roles at some of the largest healthcare software firms. She was a member of the Management buyout team that created iSOFT Asia Pacific through a merger with iSOFT plc in the UK in 1999, from the healthcare product business at Computer Sciences Corporation (CSC).

As Alcidion Managing Director, Kate leads the various elements of the business with a particular focus on sales and marketing and developing business relationships with customers and partners across the world.



PROF MALCOLM PRADHAN
**EXECUTIVE DIRECTOR & CHIEF
MEDICAL OFFICER**

Appointed 22 February 2016
MBBS, PhD, FACHI

With over 20 years of experience in Medical Informatics, Malcolm 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. He also was active in the Australian health informatics community, as a founding fellow of the Australasian College of Health Informatics (ACHI).

In his time at Alcidion, Malcolm has overseen and driven the development and design of Alcidion’s products and has been responsible for transforming Alcidion’s technology platform, which was initially used only for Emergency Medicine, into a powerful health informatics platform which can be applied to a broad set of clinical scenarios.

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.



MR RAYMOND BLIGHT
NON-EXECUTIVE DIRECTOR

(Chairman until 30 August 2019)
Appointed 22 February 2016
B Tech, B EC, MBM, FIE (AUST),
FAICD

Ray is the co-founder and Non-Executive Director (Chairman until August 2019) 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 and Chairman of the South Australian Health Commission from 1994 – 1998 and Chair of the Australian Health Ministers’ Advisory Council. Ray’s budget responsibility during his tenure as CEO Health Commission was US\$1 billion per annum.

Ray brings a rare combination of creative and innovative thinking to Alcidion, along with pragmatism and problem solving health management skills and expertise. Ray is passionate about the opportunities for health informatics technology to transform safety, quality and timeliness of health care service delivery and is committed to Alcidion delivering intelligent software system innovations that work effectively and efficiently and benefit all levels of health care service from patients through to providers and budget holders.

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



MR NICK DIGNAM
NON-EXECUTIVE DIRECTOR

Appointed 22 February 2016
B.Com, LLB, MAppFin

Nick Dignam is a Partner of Fortitude Investment Partners, a growth capital focused private equity firm. He 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.

In addition to serving as a non-executive Director of Alcidion, Nick also serves as a director on the Board of a number of Fortitude’s portfolio companies including Better Medical, Birch & Waite, Sunfresh Salads, Wild Breads and GM Hotels. Nick has previously served on the Boards of HPS (outsourced hospital pharmacy services) and Readify (software development services).

Prior to establishing Fortitude, Nick was the Head of Growth Capital in Blue Sky’s Private Equity division, and prior to this he was an investment director with mid market private equity firm Catalyst Investment Managers. Before Catalyst Nick spent three years with Ernst & Young in the corporate finance division.

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 SIMON CHAMBERLAIN
NON-EXECUTIVE DIRECTOR

Appointed 1 July 2019
B.Comm (Accounting), B.Law (Hons)

Simon is an accomplished executive and business leader, with more than 20 years’ experience in executive roles at high-profile companies including General Manager at Medibank Private, Executive Manager of Qantas Airways’ Hooroo business, and most recently in his current role as General Manager at MedAdvisor (ASX:MDR).

Simon has a proven track record for a strategic success and commercial growth across a range of industries and markets. Simon led Qantas’ entrance into the online hotels business, establishing a profitable, high growth new division for Qantas. At Medibank, Simon had responsibility across all customer channels and the enterprise’s data, and oversaw the creation of its customer experience practice.

Gaining a better understanding of the complex challenges facing the wider health system led to Simon’s role leading strategy for MedAdvisor, where he has supported the global expansion of its health technology business. Simon brings valuable international perspective and global network to the Alcidion Board, holding executive roles across the US and the UK, where he was a key part of the executive team that sold the Australian start-up, Hitwise, to Experian in 2007.

Simon holds a Bachelor of Commerce (Accounting) and Law (Hons) from Monash University.

FORMER DIRECTORS**MR GEOFF ROHRSHEIM****NON-EXECUTIVE DIRECTOR**

Resigned 30 June 2019
B.E (Hons), Assoc.Dip Comp Apps,
MEngSc, GAICD

Geoff is a former EY Entrepreneur of the Year winner for the southern region and has had 3 start-ups appear in the BRW Fast 100. His latest venture, Kloud Solutions grew rapidly in 5 years to have over 170 staff with offices in Melbourne, Sydney, Adelaide, Brisbane and Manila. Kloud was ranked by BRW as the fastest growing company in Australia in 2014. Kloud was sold to Telstra in Feb 2016.

A graduate of the Australian Institute of Company Directors, Geoff is a non-executive director of Seeley International, SOMARK Innovations and Business SA (state chamber of commerce). He is a member of the Australia Post Stakeholder Council and an angel investor and advisory board member of various Adelaide based tech startups

SHARES AND OPTIONS HELD BY DIRECTORS

<i>Director</i>	<i>Ordinary Shares</i>		<i>Options over Ordinary Shares</i>	
	<i>Current holding</i>	<i>Net increase/ (decrease)</i>	<i>Current holding</i>	<i>Net increase/ (decrease)</i>
<i>Rebecca Wilson (NE Chair) (i)</i>	1,080,000	110,000	-	-
<i>Kate Quirke (MD) (ii)</i>	41,141,811	39,041,811	-	-
<i>Malcolm Pradhan (ED)</i>	134,582,403	-	-	-
<i>Raymond Blight (NED) (iii)</i>	100,578,081	1,313,960	-	-
<i>Nicholas Dignam (NED)</i>	-	-	-	-
<i>Simon Chamberlain (NED) (iv)</i>	-	-	-	-
<i>Geoff Rohrsheim (NED) (v)</i>	1,000,000	-	-	-

(i) Ms Wilson was appointed Non-Executive Chair on 30 August 2019.

(ii) Ms Quirke was appointed as Executive Director / CEO on 3 July 2018 and the Managing Director on 25 January 2019.

(iii) Mr Blight was Executive Chair until 25 January 2019 when his position changed from Executive to Non-Executive. On 30 August 2019 Mr Blight stood down from the role of Chair but continued as Non-Executive Director.

(iv) Mr Chamberlain was appointed Non-Executive Director on 1 July 2019.

(v) Mr Rohrsheim served as Non-Executive Director until he resigned on 30 June 2019.

As at the date of this report, no share options had been granted to directors as part of their remuneration by Alcidion Group Limited.

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 Remuneration Committee consists of three non-executive directors. The remuneration policy has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and short-term incentives based on the Group's financial results and achievement of individual performance targets aligned with the Company's strategic goals. 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 remuneration of executive directors and other senior executives, is reviewed annually as appropriate, to reflect changing remuneration practices and the growing size of the Company. All executives receive a base salary (which is based on the market rate for the role in similar sized listed companies and the experience of the individual), superannuation and short-term incentives in the form of annual performance-based bonuses.
- The Board may exercise its discretion in approving both salaries and short-term incentives to ensure they are designed to attract and appropriately incentivise the highest calibre of executives and reward them based on the achievement of financial results and strategic objectives that will drive long-term growth in shareholder wealth and the realisation of other strategic Company goals such as being an employer of choice and a good corporate citizen.
- The Board has the discretion to offer long-term incentives (LTIs) in the form of performance rights or options to executive directors and other senior executives, with a view to improving the retention of key executives. No LTIs were granted in FY2019.
- The executive directors receive a superannuation contribution of 10% of base salary up to the maximum permitted concessional contribution (\$25,000) 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 listed 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.

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 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 2019 and 2018 figures for remuneration received by the Company's directors and executives:

	Short Term			Post-employment		Share-based Payments Equity settled		Total
	Salary & Fees	Bonus	Annual Leave	Superannuation	Prescribed benefits	Shares	Share Options Exercised	
	\$	\$	\$	\$	\$	\$		\$
2019 Directors								
Rebecca Wilson (i)	53,273	-	-	5,061	-	-	-	58,334
Kate Quirke (ii)	249,820	120,000	34,180	25,000	-	-	-	429,000
Malcolm Pradhan (iii)	226,616	13,125	33,384	25,000	-	-	-	298,125
Raymond Blight (iv)	203,146	-	17,354	22,050	-	-	-	242,550
Nicholas Dignam (v)	-	-	-	-	-	-	-	-
Simon Chamberlain (vi)	-	-	-	-	-	-	-	-
Geoff Rohrsheim (vii)	50,000	-	-	-	-	-	-	50,000
Executives								
Colin MacKinnon (viii)	240,789	90,000	20,211	25,000	-	-	-	376,000
Duncan Craig (ix)	197,403	-	35,697	15,900	-	-	-	249,000
2019 Total	1,221,047	223,125	140,826	118,011	-	-	-	1,703,009
2018 Directors								
Raymond Blight (iv)	261,613	-	-	21,953	3,819	-	-	287,385
Nathan Buzza (x)	104,277	-	-	7,006	-	-	-	111,283
Malcolm Pradhan (iii)	231,083	-	11,987	21,953	3,819	-	-	268,842
Nicholas Dignam (v)	-	-	-	-	-	-	-	-
Brian Leedman (xi)	3,500	-	-	-	-	-	-	3,500
Rebecca Wilson (i)	34,246	-	-	3,253	-	-	-	37,499
Geoff Rohrsheim (vii)	41,667	-	-	-	-	-	-	41,667
Executives								
Duncan Craig (ix)	180,000	-	2,769	17,100	4,500	-	-	204,369
2018 Total	856,386	-	14,756	71,265	12,138	-	-	954,545

- (i) Ms Wilson was appointed Non-Executive Director on 1 August 2017 and Chair on 30 August 2019.
- (ii) Ms Quirke was appointed as Executive Director / CEO on 3 July 2018 and the Managing Director on 25 January 2019.
- (iii) Mr Pradhan was appointed as Executive Director on 22 February 2016.
- (iv) Mr Blight was appointed Executive Chair on 22 February 2016. On 25 January 2019 his position as Chair changed from Executive to Non-Executive. On 30 August 2019 Mr Blight stood down from the role of Chair but continues as a Non-Executive Director.
- (v) Mr Dignam was appointed as a Non-Executive Director on 22 February 2016. The Board and Mr Dignam agreed that no fees were to be paid to Mr Dignam from his appointment to 30 September 2019.
- (vi) Mr Chamberlain was appointed Non-Executive Director on 1 July 2019.
- (vii) Mr Rohrsheim served as Non-Executive Director until he resigned on 30 June 2019.
- (viii) Mr MacKinnon assumed the roles of COO and CFO from 1 March 2019.
- (ix) Mr Duncan Craig resigned as CFO / Company Secretary on 28 February 2019.
- (x) Mr Buzza was appointed as an Executive Director on 22 February 2016 and resigned on 31 July 2017.
- (xi) Mr Leedman resigned as Non-Executive Director on 31 July 2017.

Refer to page 18 for details of remuneration of all current directors and other key management personnel as at the date of this report.

C. SHARE-BASED COMPENSATION

Performance rights and options can be issued to directors and executives as part of their remuneration. There were no performance rights or options granted in FY2019.

There were 10,000,000 options held by Brian Leedman as at 30 June 2019. All these options have been exercised by Mr Leedman since the end of the financial year.

D. DIRECTORS' EQUITY HOLDINGS

1. Fully paid ordinary shares of Alcidion Group Limited:

	Balance at 1 July	Share Options exercised	Net other change (Sale)/Purchase	At date of resignation	Balance at 30 June
	No.	No.	No.	No.	No.
2019 Directors					
Rebecca Wilson	970,000	-	110,000	-	1,080,000
Kate Quirke (i)	2,100,000	-	7,461,557	-	9,561,557
Raymond Blight (ii)	100,264,121	-	1,000,000	-	101,264,121
Malcolm Pradhan	134,582,403	-	-	-	134,582,403
Nicholas Dignam	-	-	-	-	-
Geoff Rohrsheim	1,000,000	-	-	-	1,000,000
Simon Chamberlain	-	-	-	-	-
Executives					
Colin MacKinnon (iii)	130,000	-	5,567,595	-	5,697,595
Duncan Craig	3,873,101	-	-	3,873,101	-
	242,919,625	-	14,139,152	3,873,101	253,185,676
2018 Directors					
Raymond Blight (ii)	97,051,003	-	3,213,118-	-	100,264,121
Nathan Buzza	19,176,071	-	-	19,176,071	-
Malcolm Pradhan	134,582,403	-	-	-	134,582,403
Nicholas Dignam	-	-	-	-	-
Brian Leedman	-	-	-	-	-
Geoff Rohrsheim	-	-	1,000,000	-	1,000,000
Rebecca Wilson	-	-	970,000	-	970,000
Executives					
Duncan Craig	3,873,101	-	-	-	3,873,101
	252,460,356	-	1,970,000	19,176,071	235,254,285

(i) The shares held by Ms Quirke as at 30 June include shares held in her own name (K Doyle) and in her superannuation fund. Related parties to Ms Quirke held a further 100,001 shares as at 30 June 2019. Ms Quirke also had an interest in a further 31,580,254 shares held in escrow in her name and the name of a related party which were released on 3 July 2019.

(ii) A related party to Mr Blight held a further 5,235,340 shares as at 30 June 2019 (and also as at 30 June 2018).

(iii) The shares held by Mr MacKinnon as at 30 June include shares held in the name of his family trust and his superannuation fund. As at 30 June 2019, Mr MacKinnon also had an interest in a further 45,422,078 shares held in escrow in the name of his family trust and a related party which were released on 3 July 2019.

2. Class A Contingent Share Rights and Class B Contingent Share Rights of Alcidion Group Limited:

	Number of Class A Contingent Share Rights held at 30 June 2019 No. (i)	Number of Class B Contingent Share Rights held at 30 June 2019 No. (ii)
2019 Directors		
Rebecca Wilson	-	-
Kate Quirke	-	-
Malcolm Pradhan	-	-
Raymond Blight	-	-
Nicholas Dignam	-	-
Simon Chamberlain	-	-
Geoff Rohrsheim	-	-
Executives		
Colin MacKinnon	-	-
Duncan Craig	-	-
	-	-
2018 Directors		
Raymond Blight	-	-
Nathan Buzza	-	-
Malcolm Pradhan	-	-
Nicholas Dignam	-	-
Geoff Rohrsheim	-	-
Rebecca Wilson	-	-
Brian Leedman	-	-
Executives		
Duncan Craig	-	-
	-	-

(i) *Class A Contingent Share Rights issued in consideration for the acquisition of Alcidion as detailed in the Company's prospectus dated 7 December 2015. On 29 February 2018 the milestone of \$10,000,000 revenue was not fulfilled and as such the Class A Contingent Share Rights were foregone.*

(ii) *Class B Contingent Share Rights issued in consideration for the acquisition of Alcidion as detailed in the Company's prospectus dated 7 December 2015. On 28 February 2019 the milestone of \$15,000,000 revenue was not fulfilled and as such the Class B Contingent Share Rights were foregone.*

3. Share options of Alcidion Group Limited:

	Balance at 1 July No.	Granted as remuneration No.	Exercised No.	Net other change No.	At date of resignation No.	Balance at 30 June No.
2019 Directors						
Rebecca Wilson	-	-	-	-	-	-
Kate Quirke	-	-	-	-	-	-
Malcolm Pradhan	-	-	-	-	-	-
Raymond Blight	-	-	-	-	-	-
Nicholas Dignam	-	-	-	-	-	-
Simon Chamberlain	-	-	-	-	-	-
Geoff Rohrsheim	-	-	-	-	-	-
Executives						
Colin MacKinnon)	-	-	-	-	-	-
Duncan Craig	-	-	-	-	-	-
2018 Directors						
Raymond Blight	-	-	-	-	-	-
Nathan Buzza	-	-	-	-	-	-
Malcolm Pradhan	-	-	-	-	-	-
Nicholas Dignam	-	-	-	-	-	-
Brian Leedman (i)	10,000,000	-	-	-	10,000,000	10,000,000
Geoff Rohrsheim	-	-	-	-	-	-
Rebecca Wilson	-	-	-	-	-	-
Executives						
Duncan Craig	-	-	-	-	-	-
	10,000,000	-	-	-	10,000,000	10,000,000

- (i) Mr Leedman was appointed as a non-executive Director on 31 July 2016 and resigned on 31 July 2017. Mr Leedman was granted 15,000,000 unlisted options. The 15,000,000 unlisted options were provided in three tranches at 5,000,000 unlisted options each. Mr Leedman 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. All 10,000,000 unlisted options that were held by Mr Leedman as at 30 June 2019, have been exercised by Mr Leedman subsequent to year end.

E. DIRECTOR & KMP SERVICE AGREEMENTS

During FY2019, Director Raymond Blight was employed initially as Executive Chairman and then as Non-Executive Chairman on following key terms:

- a) Base salary of A\$216,000 per annum plus \$21,600 superannuation contribution
- b) 6-month notice period

Managing Director Kate Quirke was employed from 3 July 2018 as an Executive Director & Chief Executive Officer on following key terms:

- a) Base salary of A\$272,000 per annum plus \$12,000 car allowance and \$25,000 superannuation contribution
- b) Annual performance-based cash bonus up to a maximum of \$120,000
- c) 6-month notice period

Executive Director Malcolm Pradhan was employed during FY2019 as an Executive Director & Chief Medical Officer on following key terms:

- a) Base salary of A\$261,000 per annum plus \$25,000 superannuation contribution
- b) Annual performance-based cash bonus up to a maximum \$60,000
- c) 6-month notice period

Non-Executive Director Geoff Rohrsheim was employed during FY2019 on following key terms:

- a) Director fee of A\$50,000 per annum

Non-Executive Director Rebecca Wilson was employed during FY2019 on following key terms:

- a) Salary of A\$50,000 per annum inclusive of superannuation

Executive Duncan Craig was employed as Chief Financial Officer and Company Secretary up to his resignation on 28 February 2019, on following key terms:

- a) Base salary of A\$240,000 per annum plus \$24,000 superannuation contribution
- b) 6-month notice period

Executive Colin MacKinnon was employed from 3 July 2018 as Group Commercial Manager and then from 1 March 2019 as Chief Operations Officer and Chief Financial Officer on following key terms:

- a) Base salary of A\$261,000 per annum plus \$25,000 superannuation contribution
- b) Annual performance-based cash bonus up to a maximum \$90,000
- c) 1-month notice period

-- END OF REMUNERATION REPORT --

DIRECTORS’ REPORT (CONTINUED)

DIRECTORS’ MEETINGS

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

Board Member	Board Meetings		Audit and Risk Committee		Nomination and Remuneration Committee	
	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended
Raymond Blight	8	8	-	-	-	-
Kate Quirke	8	8	-	-	-	-
Malcolm Pradhan	8	7	-	-	-	-
Nicholas Dignam	8	7	2	2	2	2
Rebecca Wilson	8	8	2	2	2	2
Geoff Rohrsheim	8	8	2	2	2	2

PRINCIPAL ACTIVITIES

The principal activities of Alcidion include the development and licensing of its own healthcare software products (Miya, Patientrack and Smartpage), the reselling of selected healthcare software products from its strategic partners and the delivery of product implementation, product support and maintenance, systems integration and data analysis services to healthcare customers in Australia, New Zealand and the UK.

OVERVIEW OF ALCIDION AND ITS BUSINESS

Alcidion has a simple purpose: to transform healthcare with smart, intuitive technology solutions that meet the needs of hospital and allied healthcare, worldwide. It offers a complementary set of software products and services that create a unique offering in the global healthcare market; solutions that support interoperability, improved team collaboration and task management, and deliver clinical decision support at the point of care to improve patient outcomes.

In February 2018 Alcidion acquired Oncall Systems and its Smartpage clinical communications system. In July 2018 it acquired the Patientrack bedside monitoring software and MKM Health, an IT solutions and services provider. These offerings now operate under the Alcidion brand in Australia, New Zealand and the UK. With over 25 years of combined healthcare experience, Alcidion brings together the very best in technology and market knowledge to deliver solution that make healthcare better for everyone.

FINANCIAL REVIEW

Operating Results

1. Alcidion Group Limited (the Group) FY2019 revenue was \$16,864,323 over four times FY2018 (2018: 4,179,487)
2. The FY2019 loss before tax was \$109,926 (2018: loss before tax of \$2,135,253).
3. Net Cash at Bank at the end of the year was \$3,171,843 with minimal debt.

Financial Position

The Group has incurred a net loss after tax for the year ended 30 June 2019 of \$84,165 (2018: \$2,089,313 loss), and a net cash inflow from operating activities of \$1,990,959 (2018: outflow of \$1,825,305) contributing to an overall improvement in year-end cash balance, after cash flows associated with investing and financing, to \$3,171,843 (2018: 2,890,339). At 30 June 2019, the Group has current assets of \$6,871,779 (2018: \$4,481,227) and net equity of \$13,242,586 (2018: \$3,333,246).

Summary of Financial Information as at 30 June 2019

	Group 2019	Group 2018	Group 2017
Cash and cash equivalents (\$)	3,171,843	2,890,339	5,331,263
Net assets/equity	13,242,586	3,333,246	5,422,559
Revenue	16,864,323	4,179,487	3,458,111
EBITDA	(39,315)	(2,087,125)	(1,983,830)
Underlying loss before income tax*	(8,364)	(1,494,447)	(1,355,106)
Loss from ordinary activities after income tax expenses (\$)	(84,165)	(2,089,313)	(2,060,980)
No of issued shares	805,671,138	607,779,957	607,779,957
Basic earnings per share (cents)	(0.01)	(0.34)	(0.34)
Diluted earnings per share (cents)	(0.01)	(0.34)	(0.34)
Share price (\$)	0.125	0.052	0.069
Market capitalisation (Undiluted) (\$)	100,708,892	31,604,558	41,936,817

* The underlying loss before tax is a non-IFRS measure used to present the ongoing activities of the Group. It excludes the M&A activity expenses of \$101,562 in 2019 and \$640,806 in 2018 as well as share-based payment expenses of \$684,000 in 2017.

Risk Management

The Alcidion risk management processes support our business to manage and effectively mitigate critical risks. The ability to effectively identify and manage risk is a vital element of business success for all parts of the Alcidion business. Risk management takes place in many different processes and operations throughout the Group. The Board of Directors is ultimately responsible for the governance of risk management and the executive management ensures that there is a common and efficient process in place.

During the year the Audit and Risk Committee has developed a Risk Management Process, Risk Appetite Statement and Risk Management Policy and continues to review and refine these on a regular basis. The Risk Register has been developed and will be regularly reviewed by the Committee and the Board and mitigation strategies implemented.

Further details on Company Risk is outlined in Note 26 of the Financial Report.

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 five subsequent events post 30 June 2019:

- a) The appointment of Mr Simon Chamberlain as Alcidion Group Non-Executive Director as at 1 July 2019;
- b) On 15 July 2019, Mr Brian Leedman exercised 5 million options for ordinary shares at an exercise price of 6 cents per share;
- c) On 27 August 2019, Mr Brian Leedman exercised his last remaining 5 million options for ordinary shares at an exercise price of 8 cents per share;
- d) The appointment of Ms Rebecca Wilson as Alcidion Chair and resignation of Mr Ray Blight as Alcidion Chair on 30 August 2019.
- e) On 17 September 2019, Alcidion signed a three-year agreement with Australian private healthcare provider Healthscope to implement a data and analytics solution worth \$895K.

Likely Developments and Expected Results

The completion of the acquisition and integration of MKM Health and Patientrack represents the start of a new strategic phase for Alcidion. Alcidion believes the health care industry is poised for the uptake of information technology to enable transformation like it never has been before. As such we have developed a new three-year strategic plan focused on increasing growth and scaling up our organisation to appropriately respond to this opportunity. We have a number of options to enable growth that we are assessing and will share these with shareholders as they develop. They involve enabling faster uptake in our current markets, expanding our geographical reach and potentially further acquisitions, all aimed at enabling Alcidion to more rapidly deliver shareholder value.

Environmental Regulation and Performance

The Groups activities are not subject to any particular and significant environmental regulation under laws of either the Commonwealth of Australia or a State or Territory of Australia.

We remain committed to acting in a manner that is sensitive to our impact on the environment and that remains compliant with the environmental policies in each jurisdiction, that our public sector customers require us to comply with.

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 contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

Dividends

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

Non-Audit Services

The Board of Directors, in accordance with advice from the Audit and Risk Committee, is satisfied that the provision of audit and non-audit services during the year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The Directors are satisfied that any non-audit services provided by the auditors during the year did not compromise the external auditor’s independence. All services provided by the external auditor or associates are reviewed and approved by the Audit and Risk Committee and/or the Board to ensure they do not adversely affect the integrity and objectivity of the auditor.

The fees paid or payable to William Buck and its associates for audit and non-audit services provided during the year ended 30 June 2019 have been disclosed at Note 9 of this financial report.

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 Chair may, at the Company’s expense, obtain independent professional advice to properly discharge his responsibilities.

Board Composition

The Board consists of two Executive and four 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 and during designated black-out periods preceding the release of quarterly and annual results to the ASX. All trading of Alcidion shares by directors, officer and employees, when permitted, is subject to the prior written approval of the Chair in respect of director trading and the Managing Director in the case of executives and staff trading. 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 24.

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,



Rebecca Wilson

Non-Executive Chair

Melbourne, Victoria this 20th day of September 2019

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 2019 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 20th day of September, 2019 in Adelaide, South Australia.

**CHARTERED ACCOUNTANTS
& ADVISORS**

Level 6, 211 Victoria Square
Adelaide SA 5000
GPO Box 11050
Adelaide SA 5001
Telephone: +61 8 8409 4333
williambuck.com

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 2019 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 2019.

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,



Rebecca Wilson

Non-Executive Chair

Melbourne, Victoria this 20th day of September 2019

INDEPENDENT AUDITOR’S REVIEW 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 2019, 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 2019 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.

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.

CHARTERED ACCOUNTANTS & ADVISORS

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INDEPENDENT AUDITOR’S REVIEW REPORT



IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS	
Area of focus Refer also to notes 1, 2 and 12	How our audit addressed it
<p>As at 30 June 2019, the Group’s statement of financial position included goodwill of \$15.4 million and intellectual property and other intangible assets of \$2.1 million.</p> <p>The Group is required to, at least annually, perform impairment assessments of goodwill and intangible assets that have an indefinite useful life. For intangible assets with useful lives, the Group is required to review these for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable, and at least annually, review whether there is any change in their expected useful lives.</p> <p>The goodwill balance is significant compared to total assets. Impairment testing of goodwill is evaluated whether the book value of the asset exceeds the recoverable amount of the asset. Management have used the fair value of the Group less costs of disposal to support the continued carrying value for the goodwill balance.</p> <p>We focused on this area in light of the amounts involved and the level of judgement required, thus we considered this area to be a key audit matter.</p>	<p>We evaluated management’s process around testing for impairment of intangible assets including goodwill and performed the following procedures:</p> <ul style="list-style-type: none"> - we understood, evaluated and validated management’s key controls over the impairment assessment process; - we evaluated management’s assessment on whether any events or change in circumstances indicate there may be a change in the expected useful lives of intangible assets; - agreed the daily high and low trade prices for the Group’s shares at year end to ASX trading data; - we reviewed and tested management’s reconciliation of the valuation, used for impairment testing purposes, to the entity’s market capitalisation, noting that the Group has one single CGU and segment; - we have compared the carrying value of the Group’s assets to the recoverable amount determined by the impairment test to identify if there are any impairment losses; - we also considered the appropriateness and reviewed the disclosures in the consolidated financial statements. <p>We found the Group’s impairment assessment and review of useful lives of intangible assets to be supported by the available evidence.</p>

BUSINESS COMBINATION	
Area of focus Refer also to notes 1, 2 and 3	How our audit addressed it
<p>Alcidion completed the 100% acquisition of MKM Health Pty Ltd (and MKM Health (NZ) Ltd) & Patientrack Holdings Ltd (and its 100% owned subsidiaries Patientrack (UK) Ltd and Patientrack Pty Ltd) on 3 July 2018.</p> <p>The purchase was satisfied by the issue of 197,891,181 ordinary shares at a fair value issue price of 5.05c per share and the payment of \$1,549,395 in cash with additional future</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> — understanding the process that management and the directors applied to recognise the acquisition; — obtaining a detailed understanding of the terms and conditions of the purchase contract to assess the accounting treatment; — evaluating the acquisition date and date of control and assessing the treatment of costs;

INDEPENDENT AUDITOR’S REVIEW REPORT



<p>performance milestones included in the agreement. The future performance milestones in summary are capped at \$4m and will be settled through the issue of scrip. Refer to Note 3 for further details.</p> <p>AASB3 Business Combinations requires the Group to recognise the identified assets and liabilities at fair value at the date of acquisition, with the excess of the acquisition cost over the identified fair value of recognised assets and liabilities as goodwill. The assets acquired and liabilities assumed were measured at their fair values, determined provisionally, at the acquisition date. Some judgement is applied in the identification of any intangible assets acquired and contingent liabilities assumed in the transaction. Management has engaged an independent expert to assist with the valuation of the intangible asset and contingent liability at the respective acquisition date and reporting date. As a result of the acquisition accounting, the Group recognised goodwill, amounting to \$14,650,483 (refer to Note 3).</p> <p>The identification of such assets and liabilities, including intangible assets and contingent liabilities and their measurement at fair value is inherently judgemental, thus we considered this area to be a key audit matter.</p>	<ul style="list-style-type: none"> — assessing and evaluating management’s key assumptions applied in arriving at the fair values of the assets acquired including intangible assets recognised upon acquisition and liabilities assumed; — assessing the appropriateness of the fair value of the net identifiable assets acquired including intangible assets recognised upon acquisition and liabilities assumed; — assessing and evaluating the adequacy and appropriateness of the contingent consideration. <p>We assessed the adequacy of the Group’s disclosures in respect of the transactions. The Group’s disclosures of the business combination accounting applied to the acquisition of the subsidiaries during the financial year are included in Note 3 to the financial statements.</p>
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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 2019, 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.

INDEPENDENT AUDITOR’S REVIEW REPORT



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

Auditor’s Responsibilities for the Audit of the Financial Report

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

A further description of our responsibilities for the audit of these financial statements is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our independent auditor’s report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 18 of the directors’ report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Alcidion Group Limited., for the year ended 30 June 2019, 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 20th day of September, 2019.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2019

	Note	CONSOLIDATED 2019 \$	CONSOLIDATED 2018 \$
Revenue	4	16,864,323	3,149,797
Research & development rebate	4	-	1,029,690
Cost of sale of goods and services *		(10,952,724)	(2,774,774)
Gross profit *		5,911,599	1,404,713
Interest income		15,551	73,710
Other income	4	-	1,217
Depreciation and amortisation expense	5	(65,886)	(47,221)
Directors and employee benefits expense *	5	(2,649,099)	(1,560,549)
Marketing expense		(635,847)	(133,001)
Operations and administration expense		(1,134,386)	(868,906)
Other expenses from ordinary activities	5	(1,551,858)	(1,005,216)
Loss before income tax expense		(109,926)	(2,135,253)
Income tax (expense) / income	6	25,761	45,940
Loss after tax attributable to the owners of the Company		(84,165)	(2,089,313)
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		(84,165)	(2,089,313)
(Loss) per share			
Basic and diluted loss per share (cents)	19	(0.01)	(0.34)

* These figures differ from those reported in the unaudited Preliminary Financial Statements. Refer Note 5.

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 2019

	Note	CONSOLIDATED 2019 \$	CONSOLIDATED 2018 \$
Assets			
Current assets			
Cash and cash equivalents	25	3,171,843	2,890,339
Trade and other receivables	10	3,422,922	1,529,191
Other assets		277,014	61,697
Total current assets		6,871,779	4,481,227
Non-current assets			
Plant and equipment	13	157,649	90,047
Deferred tax assets	6	377,272	120,377
Intangible assets	12	17,450,475	1,072,805
Other assets		-	66,075
Total non-current assets		17,985,396	1,349,304
Total assets		24,857,175	5,830,531
Liabilities			
Current liabilities			
Trade and other payables	11	1,698,540	573,605
Employee provisions	15	1,527,349	271,234
Other liabilities	14	8,270,194	1,541,165
Total current liabilities		11,496,083	2,386,004
Non-current liabilities			
Employee provisions	15	59,653	111,281
Deferred tax liabilities	6	27,500	-
Other non-current liabilities		31,353	-
Total non-current liabilities		118,506	111,281
Total liabilities		11,614,589	2,497,285
Net assets		13,242,586	3,333,246
Equity			
Issued capital	16 (a)	20,787,188	10,793,683
Reserves	16 (c)	684,000	684,000
Accumulated losses	17	(8,228,602)	(8,144,437)
Total equity		13,242,586	3,333,246

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 2019

	Issued capital	Reserves	Accumulated losses	Total equity
	\$	\$	\$	\$
CONSOLIDATED				
Balance as at 1 July 2017	10,793,683	684,000	(6,055,124)	5,422,559
Loss for the year	-	-	(2,089,313)	(2,089,313)
Other comprehensive income, net of income tax	-	-	-	-
Total comprehensive loss for the year	-	-	(2,089,313)	(2,089,313)
Shares issued during the year	-	-	-	-
Options issued during the year	-	-	-	-
Balance as at 30 June 2018	10,793,683	684,000	(8,144,437)	3,333,246
CONSOLIDATED				
Balance as at 1 July 2018	10,793,683	684,000	(8,144,437)	3,333,246
Loss for the year	-	-	(84,165)	(84,165)
Other comprehensive income, net of income tax	-	-	-	-
Total comprehensive loss for the year	-	-	(84,165)	(84,165)
Shares issued during the year	9,993,505	-	-	9,993,505
Options issued during the year	-	-	-	-
Balance as at 30 June 2019	20,787,188	684,000	(8,228,602)	13,242,586

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

STATEMENT OF CASH FLOWS

For the year ended 30 June 2019

	Note	CONSOLIDATED 2019 \$	CONSOLIDATED 2018 \$
Cash flows from operating activities			
Receipts from customers & R&D Rebate received		16,469,206	4,286,510
Payments to suppliers and employees		(14,493,798)	(6,185,525)
Interest received		15,551	73,710
Net cash inflows (outflows) from operating activities	25	1,990,959	(1,825,305)
Cash flows from investing activities			
Payments for acquisition of business, net of cash acquired		(1,476,032)	(591,757)
Payments for plant and equipment		(264,776)	(23,862)
Net cash (outflows) from investing activities		(1,740,808)	(615,619)
Cash flows from financing activities			
Proceeds from borrowing		92,015	-
Repayments of borrowings		(60,662)	-
Net cash inflows from financing activities		31,353	-
Net increase/(decrease) in cash and cash equivalents		281,504	(2,440,924)
Cash and cash equivalents at the beginning of the year		2,890,339	5,331,263
Cash and cash equivalents at the end of the year	25	3,171,843	2,890,339

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 2019

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 in Australia, the UK and New Zealand.

2. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements were authorised for issue by the directors on 20 September 2019.

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 in compliance with 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 accrual 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 Business combinations

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

The Group measures goodwill at the acquisition date as:

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

less

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

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

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

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

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

2.2.2 Subsidiaries

Subsidiaries are entities controlled by the Group.

The 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. A list of subsidiaries is provided in Note 28.

2.2.3 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 as 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.

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 2.5 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 more than the recoverable amount from these assets. The recoverable amount is assessed based on the expected net cash flows that will be received from the asset's 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 Statement of Profit or Loss and Other Comprehensive Income 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	10 - 25

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

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the entity commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified “at fair value through profit or loss”, in which case transaction costs are expensed to profit or loss immediately. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted. Trade receivables are initially measured at the transaction price if the trade receivables do not contain a significant financing component or if the practical expedient was applied.

2.6.2 Classification and Subsequent Measurement

Financial Liabilities

A financial liability is measured at fair value through profit and loss if the financial liability is:

- a contingent consideration of an acquirer in a business combination to which AASB 3: Business Combinations applies;
- held for trading; or
- initially designated as at fair value through profit or loss.

All other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest expense in profit or loss over the relevant period. The effective interest rate is the internal rate of return of the financial asset or liability. That is, it is the rate that exactly discounts the estimated future cash flows through the expected life of the instrument to the net carrying amount at initial recognition.

Any gains or losses arising on changes in fair value are recognised in profit or loss to the extent that they are not part of a designated hedging relationship are recognised in profit or loss.

The change in fair value of the financial liability attributable to changes in the issuer's credit risk is taken to other comprehensive income and are not subsequently reclassified to profit or loss. Instead, they are transferred to retained earnings upon derecognition of the financial liability. If taking the change in credit risk in other comprehensive income enlarges or creates an accounting mismatch, then these gains or losses should be taken to profit or loss rather than other comprehensive income.

A financial liability is derecognised when it is extinguished (i.e. when the obligation in the contract is discharged, cancelled or expires). An exchange of an existing financial liability for a new one with substantially modified terms, or a substantial modification to the terms of a financial liability is treated as an extinguishment of the existing liability and recognition of a new financial liability. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Financial Assets

A financial asset that meets the following conditions is subsequently measured at amortised cost:

- the financial asset is managed solely to collect contractual cash flows; and
- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified dates.

A financial asset that meets the following conditions is subsequently measured at fair value through other comprehensive income:

- the contractual terms within the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding on specified; and
- the business model for managing the financial assets comprises both contractual cash flows collection and the selling of the financial asset.

By default, all other financial assets that do not meet the measurement conditions of amortised cost and fair value through other comprehensive income are subsequently measured at fair value through profit or loss.

The initial designation of the financial instruments to measure at fair value through profit or loss is a one-time option on initial classification and is irrevocable until the financial asset is derecognised.

A financial asset is derecognised when the holder's contractual rights to its cash flows expires, or the asset is transferred in such a way that all the risks and rewards of ownership are substantially transferred. On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Cash and cash equivalents

For the purpose of presentation in the statement of cash flows, 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-term 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 Impairment of financial assets

A financial asset (or a group of financial assets) is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events (a "loss event") having occurred, which has an impact on the estimated future cash flows of the financial asset(s).

In the case of financial assets carried at amortised cost, loss events may include: indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments; indications that they will enter bankruptcy or other financial reorganisation; and changes in arrears or economic conditions that correlate with defaults. Impairment of trade receivables is determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected losses.

For financial assets carried at amortised cost (including loans and receivables), a separate allowance account is used to reduce the carrying amount of financial assets impaired by credit losses. After having taken all possible measures of recovery, if management establishes that the carrying amount cannot be recovered by any means, at that point the written-off amounts are charged to the allowance account or the carrying amount of impaired financial assets is reduced directly if no impairment amount was previously recognised in the allowance account.

When the terms of financial assets that would otherwise have been past due or impaired have been renegotiated, the Group recognises the impairment for such financial assets by taking into account the original terms as if the terms have not been renegotiated so that the loss events that have occurred are duly considered.

2.6.4 Finance income and expenses

Finance income comprises interest income on funds invested, gains on the disposal of 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, considering 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

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services.

Revenue is recognised by applying a five-step process outlined in AASB 15 which is as follows:

Step 1: Identify the contract with a customer;

Step 2: Identify the performance obligations in the contract and determine at what point they are satisfied;

Step 3: Determine the transaction price;

Step 4: Allocate the transaction price to the performance obligations;

Step 5: Recognise revenue as the performance obligations are satisfied.

Following the adoption of AASB 15, on 1 July 2018, the Group's revenue recognition accounting policy is that:

The performance obligation for the implemented Group's software is satisfied when the software has been installed and is operating materially as contractually required and appropriate services have been performed. Rather than recognising the contracted revenue evenly over the contract period which ranges from 12 to 60 months in the case of license revenue or evenly over an implementation period for service revenue (generally 3 to 12 months), under the new accounting policy, both license and implementation revenue for the contracted period is recognised at the point in time when the Group's software has been installed and is operating materially as contractually required.

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 Intangible assets

a. Intangible assets

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment annually, either individually or at the cash-generating unit level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis. The Directors consider that intangible assets, other than patents and trademarks, have indefinite useful lives because they expect that they will continue to generate cash inflows indefinitely.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the Consolidated Statement of Profit or Loss and Other Comprehensive Income when the asset is derecognised.

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or Groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the Consolidated Statement of Profit or Loss and Other Comprehensive Income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

b. Intangible assets other than goodwill

Trademarks and licences

Patents and trademarks are recognised at cost of acquisition. They have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful lives ranging from 5 to 10 years.

2.13 Critical Accounting Estimates and Judgements

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

2.13.1 Key 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.

2.13.2 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.

2.14 New, revised or amending Accounting Standards and Interpretations adopted

The Group has adopted all the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are that are relevant to their operations and are effective for the current reporting period.

2.14.1 AASB 15 Revenue from Contracts with Customers ("AASB 15")

The Group has adopted AASB15 as issued in May 2014 with the date of initial application being 1 July 2018. In accordance with the transitional provision in AASB15 the standard has been applied using the full retrospective approach. In this regard, the Group applied a practical expedient and did not restate any contracts that were completed at the beginning of the earliest period presented.

AASB15 superseded AASB118 Revenue, AASB111 Construction Contracts and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in the scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under AASB15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to customers.

2.14.2 Revenue recognition

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Group expects to receive in exchange for those goods or services.

At 1 July 2017 and 1 July 2018, all existing contracts were assessed and it was determined that the adoption of AASB15 standards did not result in any material changes to the Group's results or its financial position in both the current year and the comparative period.

2.14.3 AASB 9 Financial Instruments ("AASB 9")

The Group has adopted AASB9 as issued in July 2014 with the date of initial application being 1 July 2018. In accordance with the transitional provision in AASB9, comparative figures have not been restated. AASB9 replaces AASB139 Financial Instruments: Recognition and Measurement ("AASB 139"). Bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment and hedge accounting. The accounting policies have been updated to reflect the application of AASB 9 for the period from 1 July 2018.

The adoption of AASB9 did not result in any material changes to the Group's results or its financial position in both the current year and the comparative period.

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

AASBs that have recently been issued or amended but are not yet mandatory, have not been early adopted by the Group for the annual reporting period ended 30 June 2019. The Group's assessment of the impact of these new or amended AASBs, most relevant to the Group, are set out below:

2.15.1 AASB 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:

- i. 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);
- ii. 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;
- iii. 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;
- iv. 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
- v. 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. AASB 16 also allows the use of practical expedients for recognition of contracts previously classified as operating leases.

The Group has evaluated that the impact of the new standards and determined that the impact on the statement of financial position at 30 June 2019 will be an increase in lease related assets of \$892,746 and a corresponding increase in lease liabilities of the same amount on recognition of leases previously classified as operating leases. The impact on the consolidated statement of profit and loss is not material.

2.16 Functional and presentation currency

The functional currency of each of the Group's entities is the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Australian Dollars (AUD), which is the Parent Entity's functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined. Exchange differences arising on the translation of monetary items are recognised in profit or loss, except exchange differences that arise from net investment hedges.

Group companies

The financial results and position of foreign operations, whose functional currency is different from the Group's presentation currency, are translated as follows: assets and liabilities are translated at exchange rates prevailing at the end of the reporting period; income and expenses are translated at exchange rates on the date of transaction; and all resulting exchange differences are recognised in other comprehensive income.

3. BUSINESS COMBINATION

Alcidion completed the 100% acquisition of MKM Health Pty Ltd (and MKM Health (NZ) Ltd) & Patientrack Holdings Ltd (and its 100% owned subsidiaries Patientrack (UK) Ltd and Patientrack Pty Ltd) on 3 July 2018. MKM Health is a leading provider of IT solutions and services to healthcare providers across Australia and New Zealand, while UK based Patientrack is a world leading supplier of healthcare software targeted at improving patient safety in hospitals. The acquisition expanded Alcidion's international and domestic footprint substantially with a diversified customer base.

The purchase was satisfied by the issue of 197,891,181 ordinary shares at a deemed issue price of 5.05c per share and the payment of \$1,549,395 cash.

Assets and liabilities acquired in the MKM Health and Patientrack operations have been measured at their fair value and the excess of the consideration over the net assets acquired and recognised upon acquisition has been recorded as Goodwill on acquisition. The following table shows the assets acquired, liabilities assumed and the purchase consideration at the acquisition date, with the business combination accounting being final.

	Fair Value
	3 July 2018
Purchase consideration:	
- Cash	1,549,395
- Shares	9,993,505
- Contingent Consideration (i)	4,000,000
	<hr/>
Total purchase consideration	15,542,900
Assets and liabilities acquired at fair value:	
Cash and Cash Equivalents	73,363
Trade and Other Receivables	3,333,092
Plant and Equipment	60,675
Intangible Assets	10,212
Deferred Tax Asset	203,002
Trade and Other Payables	(1,770,610)
Employee Benefits	(805,427)
Deferred Income	(1,926,134)
	<hr/>
Identifiable assets acquired, and liabilities assumed at fair value	(821,827)
Intangible assets recognised upon acquisition:	
Intellectual Property	1,714,244
	<hr/>
Net assets acquired and recognised upon acquisition	892,417
Purchase Consideration	15,542,900
Less: Net assets acquired and recognised upon acquisition	(892,417)
	<hr/>
Goodwill (ii)	<u>14,650,483</u>

- (i) A further contingent consideration of up to AU\$4m, to be satisfied by the issue of Alcidion shares at a deemed issue price of 5.05c per share, is payable in 12 months from acquisition date subject to the revenue and EBITDA performance of MKM Health and Patientrack in that 12-month period. The revenue target requires the MKM Health Group to generate at least \$11m in revenue over the 12-month period following the acquisition whilst the EBITDA target is based on a sliding scale ranging from \$1m to \$2m EBITDA.
- (ii) Goodwill arose in the acquisition of the MKM Health Group due to the strong position and competitive advantage that the MKM Health Group has in the Health IT sector. None of the Goodwill arising on this acquisition is expected to be deductible for tax purposes.

The measurement of identifiable intangible assets acquired in a business combination is highly subjective and there are a range of possible values that could be attributed for initial recognition. Judgement is applied in selecting the value to be recognized on the balance sheet. Management's assessment of the useful life of the intangible assets is reviewed at each reporting period.

Key Estimate – Contingent consideration

Contingent consideration to be transferred by the acquirer is recognised at the acquisition-date fair value. Subsequent changes in the fair value of the contingent consideration classified as an asset or liability is recognised in profit or loss. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Impact of acquisition on the results of the Group

The acquisition has transformed Alcidion from what it was in FY2018. In FY2019, Alcidion quadrupled year-on-year revenue. While the Group's cost base was also significantly increased as a result of the acquisition, the profitable operations of the acquired companies, resulted in a near breakeven FY2019 loss after tax for the expanded Alcidion Group of \$84,165.

Acquisition-related costs amounting to \$150,000 have been excluded from the consideration transferred and have been recognised as an expense in profit or loss for FY2019, within the 'operations and administration expense' line item.

Net cash outflow arising on acquisition

Consideration paid in cash	1,549,395
Less: Cash and cash equivalent balances acquired	(73,363)
	1,476,032
	1,476,032

4. REVENUE

	Consolidated 2019 \$	Consolidated 2018 \$
Recurring income	7,841,950	1,743,754
Non-recurring income (i)	8,990,163	1,259,436
Grants (ii)	50,000	137,975
Foreign exchange gain or (loss)	(17,790)	8,632
	16,864,323	3,149,797
Other income		
Other revenue	-	1,217
Research & Development Incentive Rebate	-	1,029,690

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

(ii) MTP Connect Grant revenue.

5. LOSS FROM OPERATIONS

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

	Consolidated 2019 \$	Consolidated 2018 \$
Depreciation and amortisation of non-current assets	65,886	47,221
Directors and employees benefit expense	11,967,349	2,843,919
Superannuation expense	735,112	233,768
Legal fees	105,248	611,034
M&A activities	101,562	92,772
Minimum lease payments from operating leases	58,931	103,591

NOTE: The Cost of Sale of Goods and Services for 2019 and 2018 differs from that presented in the unaudited Preliminary Financial Statements which followed the presentation used in the 2018 Annual Report, which deducted only the cost of third party product and hardware (i.e. cost of sale of goods only) from revenue to determine Gross Profit. This was inconsistent with how Gross Profit was presented in the 2019 Half Year Review where the cost of direct labour used to deliver services and develop, maintain and support product was also included in the Cost of Sale of Goods and Services. Accordingly, the cost of direct labour has been reclassified from the total Directors and Employee Benefits Expense amounts shown above to Cost of Sale of Goods and Services and the calculation of Gross Profit reflects this

6. INCOME TAX

	Consolidated 2019 \$	Consolidated 2018 \$
Income tax recognised in loss		
Tax expense comprises:		
Current tax (benefit) / expense	2,541	(2,963)
Deferred tax expense relating to the origination and reversal of temporary differences	(28,302)	42,977
Total tax benefit	(25,761)	(45,940)

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 2019 \$	Consolidated 2018 \$
(Loss) from operations	(109,926)	(2,135,253)
Income tax benefit calculated at 27.5%	(30,230)	(587,195)
Effect of different tax rates of group entities operating in different tax jurisdictions	(40,499)	(228)
Research and Development expense	-	367,789
Effect of expenses exceeding income in determining taxable profit	16,717	100,741
Effect of expenses that are not deductible in determining taxable profit	(7,030)	198,877
Net effect of unused tax losses and temporary differences not recognised as deferred tax assets	6,979	(79,984)
Net effect of temporary differences recognised as deferred tax assets	51,333	(42,977)
Adjustment to income tax	-	-
Tax effect of Alcidion Group DTA brought to account	(50,531)	-
Tax effect of MKM Health Pty Ltd DTL brought to account	27,500	-
Tax effect of Oncall Systems DTA brought to account	-	(2,963)
Income tax expense	(25,761)	(45,940)

The tax rate used in the above reconciliation in respect to the income of group entities domiciled in Australia is the corporate tax rate of 27.5% (2018: 27.5%) payable by Australian corporate entities on taxable profits under Australian tax law. The tax rate used in the above reconciliation in respect to the income of group entities domiciled in New Zealand is the corporate tax rate of 28% (2018: 28%) payable by New Zealand corporate entities on taxable profits under New Zealand tax law. The tax rate used in the above reconciliation in respect to the income of group entities domiciled in the UK is the corporate tax rate of 19% (2018: 19%) payable by UK corporate entities on taxable profits under England & Wales tax law. In 2018, 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' in the 2019 financial year, a Company must have annual turnover of less than \$50,000,000 (2018: \$25,000,000). Alcidion Group Ltd has 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 2019 \$	Consolidated 2018 \$
Employee benefits	316,795	115,757
Accrued expenses	23,681	4,620
Legal cost – non deductible	36,796	-
Net temporary differences	-	-
Deferred Tax Asset	377,272	120,377
Net temporary differences	27,500	-
Deferred Tax Liability	27,500	-

Key estimate of unrecognised Deferred Tax Assets: Deferred tax assets are recognised for deductible temporary differences only if the consolidated entity considers it is probable that future taxable amounts will be available to utilise those temporary differences and losses. 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 \$5,294,416 (2018: \$819,630).

Franking Account: (5,967,642) (2018: 4,937,952)

The Company's franking account is in debit by the amount of \$5,967,642. The debit balance has arisen due to the accumulation of Research & Development Tax Incentive Refunds totalling \$5,978,248 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.

7. KEY MANAGEMENT PERSONNEL DISCLOSURES

a) Details of key management personnel

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

Directors

Ms Rebecca Wilson (Appointed Chair on 30 August 2019)
 Mr Raymond Howard Blight (Resigned as Chair on 30 August 2019)
 Professor Malcolm Pradhan
 Mr Nicholas Paul Dignam
 Mr Geoff Rohrshiem (Resigned 30 June 2019)
 Ms Kate Quirke (Appointed CEO and Executive Director on 3 July 2018 then appointed Managing Director from 25 January 2019)
 Mr Simon Chamberlain (Appointed on 1 July 2019)

Executives

Mr Duncan Craig (Resigned as CFO / Company Secretary on 28 Feb 2019)
 Mr Colin MacKinnon (Appointed on 3 July 2018 as Group Commercial Manager and assumed roles of Group COO / CFO from 1 March 2019)

b) Key management personnel compensation

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

	Consolidated 2019 \$	Consolidated 2018 \$
Short-term employee benefits	1,444,172	856,386
Annual Leave	140,826	14,756
Post-employment benefits	118,011	83,403
Share-based payments	-	-
	1,703,009	954,545

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

8. 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.

No share-based payments were made during the current year.

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

Options

	Consolidated 2019		Consolidated 2018	
	Number of options	\$ Weighted average exercise price \$	Number of options	\$ Weighted average exercise price \$
Balance at beginning of financial year	10,000,000	0.07	10,500,000	0.07
Granted during the financial year	-	-	-	-
Group's options on acquisition	-	-	-	-
Group's options foregone	-	-	(500,000)	0.07
Exercised during the financial year	-	-	-	-
Balance at end of the financial year (i)	10,000,000	0.07	10,000,000	0.07
Exercisable at end of financial year	10,000,000	0.07	10,000,000	0.07

(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 1 year*

	Class A Contingent Shares Rights (1) Number of Rights	Class B Contingent Shares Rights (2) Number of Rights
Balance at beginning of financial year	-	148,387,096
Granted during the financial year	-	-
Foregone during the financial year	-	(148,387,096)
Balance at end of the financial year	-	-

(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), this did not occur and as such were forfeited during the 2018 financial year.*

(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), this did not occur and as such were forfeited during the 2019 financial year.*

9. REMUNERATION OF AUDITORS

	Consolidated 2019 \$	Consolidated 2018 \$
Audit and review of the financial report for the Company (i)	49,000	34,400
Non-audit services	34,962	-
	83,962	34,400

(i) The 2019 auditor of Alcidion Group Limited, is William Buck (2018: William Buck).

10. TRADE AND OTHER RECEIVABLES

	Consolidated 2019 \$	Consolidated 2018 \$
R&D Tax Offset Refund Due	-	1,029,690
Trade accounts receivable	3,422,922	499,501
	3,422,922	1,529,191

Trade receivable are non-interest bearing and generally on terms of 14-60 days. The receivables at reporting date have been reviewed to determine whether there is any objective evidence that any of the receivables are impaired. An allowance for credit loss is included for any receivable where the entire balance is not considered collectible. No allowance for credit loss is required as of 30 June 2019 (2018: Nil).

Additional Information in relation to financial risks concerning or with a potential impact on financial assets and liabilities is disclosed in Note 26 – Financial Instruments.

11. TRADE AND OTHER PAYABLES

	Consolidated 2019 \$	Consolidated 2018 \$
Goods and Services Tax	282,498	121,174
Trade payables (i)	509,241	201,391
Other	769,357	116,505
PAYG withholding	137,444	134,535
	1,698,540	573,605

(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.

12. INTANGIBLE ASSETS

	Consolidated 2019 \$	Consolidated 2018 \$
Goodwill (i)	15,388,966	771,059
Intellectual Property (i)	1,736,543	298,083
Patents & Trademarks – at cost	348,138	14,331
Patents & Trademarks – accumulated amortisation	(23,172)	(10,668)
(ii)	<u>17,450,475</u>	<u>1,072,805</u>

(i) Goodwill and Intellectual Property assets have been recognised on the acquisition of MKM Health Group during the 2019 financial year. Refer to Note 3 for further details.

(ii) Reconciliation of Movements in Intangible Assets

Balance at the Beginning of the Year	1,072,805	4,367
Additional amounts arising from business acquisitions	16,374,939	1,069,142
Other movement in intangible assets	3,858	-
Amortisation Charged to intangible assets	(1,127)	(704)
Balance at the End of Year	<u>17,450,475</u>	<u>1,072,805</u>

KEY ESTIMATES AND ASSUMPTIONS: INTANGIBLE ASSETS

Intangible assets, other than goodwill and intellectual property, have finite useful lives. The current amortisation charges for intangible assets are included under depreciation and amortisation expense as per the statement of profit and loss and other comprehensive income.

Goodwill and intellectual property is tested for impairment at each reporting period in accordance with AASB136 Impairment of Assets. Management have determined that there is one CGU. To assess whether goodwill and intellectual property is impaired, the carrying amount of the CGU is compared to the recoverable amount, determined based on the greater of its value in use and its fair value less costs of disposal.

At each reporting date the directors review intangible assets for impairment. No impairment was assessed as necessary in the 2019 financial year (2018: Nil).

13. PLANT AND EQUIPMENT

Consolidated	Computer equipment at cost \$	Furniture and fittings at cost \$	Total \$
Cost			
Balance at 1 July 2017	368,763	145,336	514,099
Additions	21,612	2,250	23,862
Balance at 1 July 2018	390,375	147,586	537,961
Additions/(Disposal)	(71,369)	84,654	13,285
Balance at 30 June 2019	319,006	232,240	551,246
Accumulated depreciation and impairment			
Balance at 1 July 2017	324,875	91,412	416,287
Net depreciation expense	22,810	8,817	31,627
Balance at 1 July 2018	347,685	100,229	447,914
Net depreciation expense	(97,176)	42,859	(54,317)
Balance at 30 June 2019	250,509	143,088	393,597
Net book value			
At 30 June 2018	42,690	47,357	90,047
At 30 June 2019	68,497	89,152	157,649

14. OTHER LIABILITIES

	Consolidated 2019 \$	Consolidated 2018 \$
Income in advance (i)	3,771,433	942,093
Other payables	3,048	123,409
Contingent consideration MKM Health/Patientrack (ii)	4,000,000	-
Contingent consideration Oncall Systems Ltd. (iii)	495,713	475,663
	8,270,194	1,541,165

- (i) *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.*
- (ii) *Refer to Note 3 for details of the business combination accounting and contingent consideration payable details for MKM Health/Patientrack*
- (iii) *Contingent consideration relating to the acquisition of Oncall Systems on 1 February 2018 has been calculated with reference to Smartpage related revenues achieved in the period from 1 February 2018 to 30 June 2019. This is to be satisfied as 40% cash payment and 60% by the issue of shares at a deemed issue price of 4.92c per share based on the 30 day VWAP prior to 1 February 2018.*

15. EMPLOYEE PROVISIONS

	Consolidated 2019 \$	Consolidated 2018 \$
Current		
Annual leave	548,310	107,920
Long service leave	532,674	163,314
Other – bonus and commission payable	446,365	-
	1,527,349	271,234
Non-current		
Long service leave	59,653	111,281
Total employee provisions	1,587,002	382,515

16. ISSUED CAPITAL

(a) Issued capital

	Consolidated 2019 \$	Consolidated 2018 \$
805,671,138 fully paid ordinary shares (2018: 607,779,957)	20,787,188	10,793,683

	Consolidated 2019		Consolidated 2018	
	No.	\$	No.	\$
Balance at 1 July 2018	607,779,957	10,793,683	607,779,957	10,793,683
Shares issued during the year	197,891,181	9,993,505	-	-
Balance at 30 June 2019	805,671,138	20,787,188	607,779,957	10,793,683

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 2019		Consolidated 2018	
	No.	\$	No.	\$
Class A Contingent Share Rights				
Balance at 1 July	-	-	145,161,290	-
Share rights foregone for non-performance of Milestone 1	-	-	(145,161,290)	-
Balance at 30 June	-	-	-	-
Class B Contingent Share Rights				
Balance at 1 July	148,387,096	-	148,387,096	-
Share rights foregone for non-performance of Milestone 1	(148,387,096)	-	-	-
Balance at 30 June	-	-	148,387,096	-

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), this did not occur and as such were forfeited during the 2019 financial year.

Refer Note 8 for terms & conditions of Contingent Share Rights.

(c) Reserves (i)

	Consolidated 2019 \$	Consolidated 2018 \$
Balance at beginning of financial year	684,000	684,000
Share-based payment expense	-	-
Balance at end of financial year	684,000	684,000

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

(d) Movements in options on issue

	2019 No. of options	2018 No. of options
Beginning of the financial year	10,000,000	10,500,000
Options Foregone	-	(500,000)
Options Granted	-	-
Options exercised	-	-
End of the financial year (i)	10,000,000	10,000,000

(i)

Date options issued	Expiry Date	Exercise price (cents)	Number of options
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			10,000,000

The weighted average exercise price of these options is \$0.07 & weighted average exercise period is 1 year.

17. ACCUMULATED LOSSES

	Consolidated 2019 \$	Consolidated 2018 \$
Balance at beginning of financial year	(8,144,437)	(6,055,124)
(Loss) attributable to members of the entity	(84,165)	(2,089,313)
Balance at end of financial year	(8,228,602)	(8,144,437)

18. DIVIDENDS

There were no dividends paid or proposed during the year.

19. LOSS PER SHARE

	2019 Cents per share	2018 Cents per share
Basic (loss) per share (cents):		
From continuing operations	(0.01)	(0.34)

	Consolidated 2018 \$	Consolidated 2017 \$
Basic earnings per share		
The earnings and weighted average number of ordinary shares used in the calculation of basic earnings per share		
Loss after tax	(84,165)	(2,089,313)

	2019 No.	2018 No.
Weighted average number of ordinary shares for the purposes of basic earnings per share	805,671,138	607,779,957

The rights of options held by option holders 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 are non-dilutive as the Group has 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 7 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

WE Buchan was paid \$261,089 for Investor Relation services, a company in which non-executive director Rebecca Wilson is interested. Balance payable as at 30 June 2019 is \$45,178.

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 a number of operating leases in effect for office premises and equipment.

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

	Consolidated 2019 \$	Consolidated 2018 \$
Within one year	495,714	84,583
Between one year and less than five years	441,855	-
	937,569	84,583

As at 30 June 2019 the Group has no other commitments (2018: 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 2019 (2018: nil).

The Company has provided security as follows; first registered Company charge by Alcidion Corporation Pty Ltd 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 2019, overdraft used is \$0 (unused: \$200,000). At 30 June 2019, credit card balance used is \$42,014 (unused: \$112,986).

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 in the healthcare industry in Australia, New Zealand and the UK. For management purposes, the Group is organised into one main operating segment which involves the provision of healthcare software solutions and services in all these territories. All the Group's activities are inter-related 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.

Basis of accounting for purposes of reporting by operating segments

a. Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of Directors, being the chief operating decision makers with respect to operating segments, are determined in accordance with accounting policies that are consistent with those adopted in the annual financial statements of the Group.

b. Intersegment transactions

An internally determined transfer price is set for all intersegment sales. The price is based on what would be realised in the event the sale was made to an external party at arm's length. All such transactions are eliminated on consolidation of the Group's financial statements.

c. Segment assets

When an asset is used across multiple segments, the asset is allocated to the segment that that receives the majority of the economic value from the asset.

d. Segment liabilities

Liabilities are allocated to segments where there is a direct nexus between the incurrence of the liability and the operations of the segment.

e. Segment information

(i) Group Performance – No separate Group performance has been presented as the Board receives a consolidated Group performance report which is the equivalent to the statement of Profit or Loss and Other Comprehensive Income of the Group as a whole.

(ii) Group assets and liabilities – No separate Group asset and liabilities have been presented as the Board receives a consolidated asset and liabilities report which is the equivalent to the statement of financial position of the Group as a whole.

(iii) Revenue by geographical region

	Consolidated 2019 \$'000	Consolidated 2018 \$'000
Australia / New Zealand	14,208	4,179
United Kingdom	2,670	-
Total revenue	16,864	4,179

(iv) Major customers

The Group has a number of customers to whom it provides both products and services. The Group does not have a single customer who accounts for more than 10% of total revenue

(v) Timing of revenue recognition

	Consolidated 2019 \$'000	
	Goods transferred at a point in time	Services transferred over time
Australia / New Zealand	8,046	6,148
United Kingdom	1,130	1,540
Total revenue	9,176	7,688

AASB 15 was adopted using the modified retrospective approach and as such comparatives have not been provided for disaggregation of revenue

24. SUBSEQUENT EVENTS

The Company has had the following subsequent events post 30th June 2019:

- a. Appointment of Mr Simon Chamberlain as Alcidion Group Non-Executive Director as at 1 July 2019
- b. On 15 July 2019, Brian Leedman exercised 5 million options for ordinary shares at an exercise price of 6 cents per share;
- c. On 27 August 2019, Brian Leedman exercised his last remaining 5 million options for ordinary shares at an exercise price of 8 cents per share.
- d. Appointment of Ms Rebecca Wilson as Alcidion Chair and resignation of Mr Ray Blight as Alcidion Chair on 30 August 2019.
- e. On 17 September 2019, Alcidion signed a three-year agreement with Australian private healthcare provider Healthscope to implement a data and analytics solution worth \$895K.

25. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

	Consolidated 2019 \$	Consolidated 2018 \$
Cash and cash at bank	3,171,843	2,890,339

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

(Loss) for the year after income tax	(84,165)	(2,089,313)
Depreciation and amortisation of non-current assets	65,886	47,221
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Trade and other receivables	(1,893,731)	(306,172)
Other Assets	(215,317)	(42,973)
Intangible Assets	-	(476,681)
Deferred Tax Assets	(256,895)	(45,940)
Increase/(decrease) in liabilities:		
Trade and other payables	1,001,526	174,537
Provisions	1,204,487	185,805
Deferred Tax Liabilities	27,500	-
Other Liabilities	2,141,668	728,211
Net cash generated/(used) in operating activities	1,990,959	(1,825,305)

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 \$		
2019							
Financial assets:							
Cash and cash equivalents	1.34%	3,082,435	89,408	-	-	-	3,171,843
Trade and other receivables	-	-	-	-	-	3,422,922	3,422,922
	-	3,082,435	89,408	-	-	3,422,922	6,594,765
Financial liabilities:							
Trade and other payables	-	-	-	-	-	1,698,540	1,698,540
Contingent consideration	-	-	-	-	-	4,495,713	4,495,713
	-	-	-	-	-	6,194,253	6,194,253
2018							
Financial assets:							
Cash and cash equivalents	1.42%	1,237,343	1,652,996	-	-	-	2,890,339
Trade and other receivables	-	-	-	-	-	1,529,191	1,529,191
	-	1,237,343	1,652,996	-	-	1,529,191	4,419,530
Financial liabilities:							
Trade and other payables	-	-	-	-	-	573,605	573,605
Contingent consideration	-	-	-	-	-	475,663	475,663
	-	-	-	-	-	1,049,268	1,049,268

(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:

	Consolidated 2019 \$	Consolidated 2018 \$
Not impaired:		
- Within trade terms	3,175,933	458,419
- Past due but not impaired	246,989	41,082
Total trade receivables	3,422,922	499,501

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:

2019	Not Past Due	60-90 days	> 90 days	Total
Trade receivables	3,175,933	79,638	167,351	3,422,922
Total	3,175,933	79,638	167,351	3,422,922
2018	Not Past Due	60-90 days	> 90 days	Total
Trade receivables	458,419	-	41,082	499,501
Total	458,419	-	41,082	499,501

The Group always measures the loss allowance for trade receivables at an amount equal to lifetime expected credit loss. The expected credit losses on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtor, general economic conditions of the industry in which the debtor operates and an assessment of both the current and the forecast direction of conditions at the reporting date.

As at 30 June 2019, there were no expenses recognised during the financial year then ended for the write-off of receivables or provision for doubtful debts (2018: Nil).

(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.

2019 Financial liabilities:	Variable interest Rate \$	Fixed maturity dates			Non- interest bearing \$	Total \$
		Less than 1 year \$	1-5 years \$	5+ years \$		
Trade and other payables	-	-	-	-	1,698,540	1,698,540
Contingent consideration	-	-	-	-	4,495,713	4,495,713
	-	-	-	-	6,194,253	6,194,253
2018 Financial liabilities:						
Trade and other payables	-	-	-	-	573,605	573,605
Contingent consideration	-	-	-	-	475,663	475,663
	-	-	-	-	1,049,268	1,049,268

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.

All assets listed below equate to fair value.

Statement of financial position

	2019 \$	2018 \$
Assets		
Current assets	54,482	1,986,031
Non-current assets	27,764,048	11,864,578
Total assets	27,818,530	13,850,609
Liabilities		
Current liabilities	4,654,681	522,469
Non-current liabilities	1,492,641	33,891
Total liabilities	6,147,322	556,360
Net assets	21,671,208	13,294,249
Equity		
Issued capital	33,144,992	23,151,487
Reserves	1,193,619	1,193,619
Accumulated losses	(12,667,403)	(11,050,857)
Total equity	21,671,208	13,294,249

Statement of Profit or Loss & Other Comprehensive Income

	2019 \$	2018 \$
Total Loss for the year before impairment charge	1,616,546	1,876,804
Total Loss for the year after impairment charge	1,616,546	3,076,804
Total comprehensive loss for the year	1,616,546	3,076,804

28. INTERESTS IN CONTROLLED ENTITIES

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

Name of Entity	Country of Incorporation	Percentage Owned (%)	
		2019	2018
Alcidion Corporation Pty Ltd	Australia	100	100
Oncall Systems Ltd.	New Zealand	100	100
MKM Health Pty Ltd	Australia	100	0
Patientrack Pty Ltd	Australia	100	0
Patientrack Holdings Limited	England & Wales	100	0
Patientrack (UK) Limited	England & Wales	100	0
MKM Consulting (UK) Ltd *	England & Wales	100	0
MKM Health (NZ) Ltd	New Zealand	100	0

* MKM Consulting (UK) Ltd was a dormant company which was acquired with the acquisition of Patientrack Holdings Limited but subsequently de-registered.

29. GUARANTEES

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

30. CAPITAL COMMITMENTS

At 30 June 2019, Alcidion had no contracted capital commitments for capital purchases (2018: NIL)

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	607,779,957
Movement of share capital during the year and to the date of this report	207,981,181
Total number of shares at the date of this report	815,761,138

SHARES UNDER OPTION

At the date of this report there are no unissued ordinary shares in respect of which options are outstanding.

	Number of options
Balance at the beginning of the year	10,000,000
Unlisted options	-
Listed options	-
Movements of share options during the year and to the date of this report	(10,000,000)
Total number of options outstanding at the date of this report	-

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

SUBSTANTIAL SHAREHOLDERS

Alcidion Group Limited has the following substantial shareholders (including related parties) as at 13 September 2019:

Name	Number of shares	Percentage of issued capital
Professor Malcolm Pradhan	134,582,403	16.50
Mr Raymond Blight	100,578,081	12.31
Isle of Wight Pty Ltd <MacKinnon Family Trust A/c>	51,119,673	6.27
Caledonia Nominees Pty Ltd <Caledonia Trust A/c>	50,989,673	6.25

RANGE OF SHARES AS AT 13 SEPTEMBER 2019

Range	Total Holders	Units	% Issued Capital
1 - 1,000	94	10,396	0.00
1,001 - 5,000	284	1,082,787	0.13
5,001 - 10,000	496	4,109,366	0.50
10,001 - 100,000	1,735	72,470,937	8.88
100,001 - > 100,001	629	737,997,652	90.48
Total	3,238	815,671,138	100.00

UNMARKETABLE PARCELS AS AT 13 SEPTEMBER 2019

	Minimum parcel size	Holdings	Units
Minimum \$500.00 parcel at \$ 0.2150 per unit	2,326	106	31,385

TOP 20 HOLDERS OF ORDINARY SHARES AS AT 13 SEPTEMBER 2019

	Name *	Units	%
1	Prof. Malcolm Pradhan	134,582,403	16.50
2	Mr Raymond Blight	95,828,781	11.75
3	Caledonia Nominees Pty Ltd	43,104,209	5.28
4	Isle of Wight Pty Ltd	37,854,209	4.64
5	Rewmicman Pty Ltd	26,526,606	3.25
6	Mrs Katrina Doyle	19,893,428	2.44
6	Rangiora-London Pty Ltd	19,893,428	2.44
8	HSBC Custody Nominees (Australia) Limited	19,625,869	2.41
9	MNMD Pty Ltd	13,262,919	1.63
10	Sargon CT Pty Ltd	9,102,553	1.12
11	MKMS Investment Pty Ltd	7,885,464	0.97
12	The Andromeda Group Pty Ltd	6,552,238	0.80
13	Dr Michael Buist	6,409,831	0.79
14	Dr Michael Buist _ Mrs Sarah Buist	6,385,600	0.78
15	Citicorp Nominees Pty Limited	5,665,441	0.69
16	Emerald Shares Pty Limited	5,500,000	0.67
17	Mr Colin MacKinnon + Mrs Maree MacKinnon	5,380,000	0.66
18	Mr Vivek Ramakrishnan + Miss Nisha Srinivasan	5,186,789	0.64
19	BNP Paribas Noms Pty Ltd	4,581,315	0.56
20	Ms Robyn Gaile Morris	4,549,300	0.56
Total of Top 20 Holders of ORDINARY SHARES		477,770,383	58.57

* The holdings presented in the above table represent individual holdings as registered with the Company (reflecting how these would be presented to shareholders requesting such a Top 20 report). Multiple holdings held by individual shareholders and holdings of related parties to each director or KMP have not been grouped in the table. The Shares and Options Held By Directors table on page 15 shows the consolidated equity interest that each director has in the Company.

CORPORATE DIRECTORY

Current Directors (Alcidion Group Limited)

Name	Position	Date of Appointment
Ms. Rebecca Wilson	Chair	01/08/2017
Ms. Kate Quirke	Managing Director	03/07/2018
Prof. Malcolm Pradhan	Executive Director	22/02/2016
Mr. Ray Blight	Non-Executive Director	22/02/2016
Mr. Nick Dignam	Non-Executive Director	22/02/2016
Mr. Simon Chamberlain	Non-Executive Director	01/07/2019

Previous Directors


Name	Position	Date of Resignation
Mr. Geoff Rohrsheim	Non-Executive Director	30/06/2019

Registered office

Level 4
100 Albert Road
South Melbourne VIC 3205

Principal place of office

Level 10
9 Yarra Street
South Yarra VIC 3141


 1800 767 873


Website

www.alcidion.com

Auditors


William Buck
Level 6, 211 Victoria Square
Adelaide SA 5000


 +61 8 8409 4333

 +61 8 8409 4499

Accountants


BDO
Level 7, 420 King William Street
Adelaide SA 5000

 +61 8 7324 6000

 +61 8 7324 6111


Bankers


Westpac Banking Corporation
Westpac Commercial Banking Tower B,
Level 9, 799 Pacific Highway
Chatswood NSW 2067

 + 132 032

Solicitors

Kain Lawyers
315 Wakefield Street
Adelaide SA 5000

 +61 8 7220 0931

 +61 8 7220 0911

Stock Exchange

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

ASX Code: **ALC**

Company Secretary

Ms Melanie Leydin

Registers of securities

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



ABOUT ALCIDION

Alcidion Limited (ASX:ALC) has a simple purpose: to transform healthcare with smart, intuitive technology solutions that meet the needs of hospital and allied healthcare, worldwide. It offers a complementary set of software products and services that create a unique offering in the global healthcare market; solutions that support interoperability, allow communication and task management, and deliver clinical decision support at the point of care to improve patient outcomes. In 2017 Alcidion acquired Oncall Systems and its Smartpage clinical communication system. In 2018 it acquired the Patientrack bedside patient monitoring software and MKM Health, an IT solutions and services provider. These offerings now operate under the Alcidion brand. With over 25 years of combined healthcare experience, Alcidion brings together the very best in technology and market knowledge to deliver solutions that make healthcare better for everyone.

www.alcidion.com

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