ALCIDION

ALCIDION (ASX:ALC) ANNUAL REPORT 2020

TRANSFORMING HEALTHCARE TOGETHER

The continued uptake of Alcidion's products in the past 12-months has validated how we add value to the existing technology used by healthcare providers around the world. We have more hospitals, more beds, and more active users than ever before using our platforms.

The market opportunity for Alcidion is rapidly expanding. Across our markets, with support from policy makers, we are seeing unprecedented levels of investment being made in digital solutions to drive better patient care.

307
UK, Australia, New Zealand Hospitals

63
Healthcare organisations

50K
Beds using our technology

68K
Active users

1.3B
Observations recorded

16.3M
Alerts generated

EVOLVING OUR PRODUCTS

In FY2020 we launched our new growth plan, raising $16.2 million to invest in expanding our product, sales and implementation capabilities to aggressively pursue this significant opportunity.

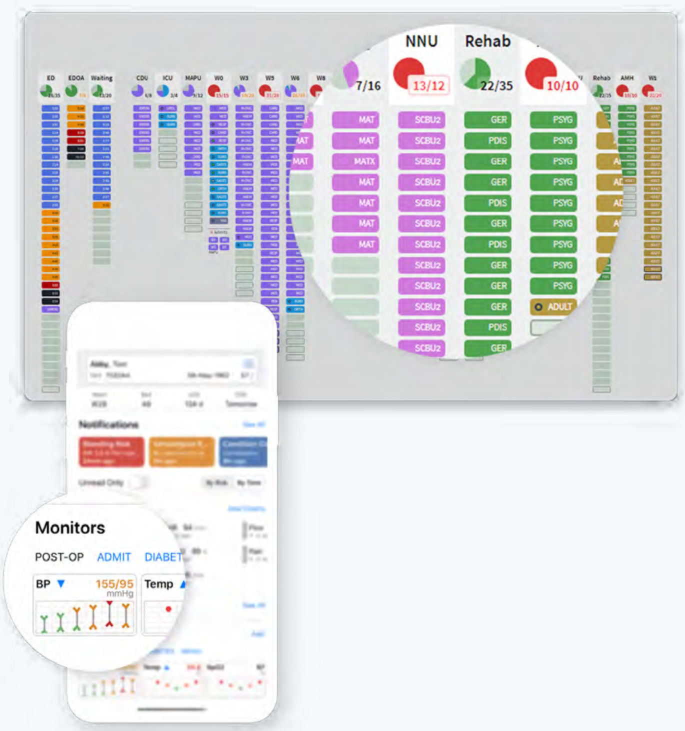
We have extended our ability to support healthcare providers and ultimately patients with an evolved product offering that has given depth and breadth to our solution. To better position this with our customers, we are repositioning our product offering in all markets, consolidating our products under the flagship Miya Precision banner.

MIYA PRECISION

Our flagship product suite

Miya Precision is a smart clinical solution based on a FHIR-event platform that enhances healthcare organisations' existing IT investments by establishing a system of engagement aligned with clinical workflows. The new Miya Precision model encompasses 16 product modules to allow existing and prospective customers to tailor a package for their unique needs.

Patientrack is included in the Miya Precision product modules and will be referred to as Miya Observations and Miya Assessments.



SERVICES

Taking Health IT solutions to the next level

Alcidion Services include project management, data and analytics, implementation consulting, integration 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.

SMARTPAGE

Instant clinical communication

Smartpage is a smartphone and web-based system for hospital communication and task management, addressing the requirements of both clinical and non-clinical users. It facilitates rapid, reliable and comprehensive messaging.

FY2020 HIGHLIGHTS

$18.6M
REVENUE

10%
REVENUE GROWTH DESPITE COVID IMPACT

35%
GROWTH IN RECURRING REVENUE VS FY2019

SIGNIFICANT INVESTMENTS MADE TO DRIVE GROWTH IN UK AND ANZ MARKETS

$3.8M
EBITDA LOSS, REFLECTING H2 INVESTMENTS FOR GROWTH

$15.9M
CASH BALANCE, WELL-CAPITALISED TO DRIVE FURTHER EXPANSION

STRATEGIC CONTRACTS SIGNED IN THE UK AND ANZ WITH OPPORTUNITIES TO EXPAND SCOPE

SOLID GROWTH IN PIPELINE OF SALES OPPORTUNITIES

TABLE OF CONTENTS

LETTER FROM THE CHAIR

ALCIDION ANNUAL REPORT 2020

Dear Shareholders,

I am pleased to present Alcidion's Annual Report for the Financial Year ended 30 June 2020 (FY2020).

I hope this report finds you and your family well amidst the ongoing COVID-19 pandemic.

Against the backdrop of a global pandemic, Alcidion has demonstrated that it is a resilient business, and its technology plays a vital role in helping healthcare providers better manage risk, use resources effectively and drive better patient outcomes.

Despite the challenging market conditions arising during the second half of the financial year, FY2020 has been one of continued growth. During the year we signed several strategically significant contracts in each of our markets, increased our foothold in the rapidly growing UK market, made investments to expand our sales and product delivery capabilities, and enhanced our platform to meet new healthcare needs. Importantly, we continued to develop our product suite and improve the way our solutions are sold as an integrated offering as well as invest in the systems and capabilities of the business to support future growth.

From a financial perspective, we are pleased to report year-on-year growth in revenue, with $18.6M for the full year. Our balance sheet remains strong, following our successful capital raising in November 2019.

CAPITALISING ON A SIGNIFICANT MARKET OPPORTUNITY

At the beginning of the financial year we set out our growth strategy, positioning Alcidion to capitalise on the increasing market opportunity across the global healthcare sector arising from the accelerating adoption of digital enabled healthcare. Enhanced clinical decision support combined with technology enabled patient care are set to transform traditional models of care, with governments and healthcare providers committing the funding required to make it happen. Alcidion products are exceptionally well positioned to not only participate in, but indeed drive this transformation. We offer the only solution that combines AI and clinical decision support systems, electronic patient observations and assessments, mobile electronic records, patient flow management and advanced clinical communication.

The UK market is a prime example of this healthcare shift. The Government has committed to driving digital adoption across the entire National Health Service (NHS), including establishing a Digital Aspirant programme as well as providing targeted funding to increase adoption of medications management and clinical communication solutions. The UK Health Secretary, Matt Hancock, has been highly vocal in his commitment to supporting the entire NHS to achieve digital maturity. These investments form just part of the government's £20 billion increase in funding to the NHS over five years, as part of its Long Term Plan.

Given the enormous market potential and the accelerating timeframes in which the sector is looking to achieve further digital transformation, it was vital that our growth strategy was supported by a commitment to scale up Alcidion's sales, marketing and product implementation capabilities, in addition to product development. Accordingly, we raised $16.2 million via an institutional placement in November 2019 to provide the funding required to both scale the existing business and investigate potential acquisitions aligned with our strategy.

Scaling up commenced at the beginning of this calendar year with the restructuring of our UK operations under the leadership of newly appointed UK General Manager, Lynette Ousby. This included significantly expanding our UK sales team which will enable us to expand our footprint in this market, partnering with NHS Trusts who are pioneering change in using technology to deliver better patient outcomes. We are also positioning Alcidion on UK government procurement frameworks which will be used by NHS customers purchasing innovative health IT solutions with funding provided by central government.

In parallel we have been expanding our UK presence, invested in enhancing our ANZ sales capabilities, our product management and development teams, and establishing the business leadership and infrastructure needed to support rapid growth..

CONTINUING EVOLUTION OF OUR PRODUCT OFFERINGS

Investment in product R&D has focused on Alcidion's Miya Precision open standards (FHIR) based product suite, which is unique in that it can be used as an alternative approach to the large integrated Electronic Medical Record (EMR), or it can complement existing digital health systems, including EMRs. This year we launched our fully mobile EMR solution Miya Memory (formerly MEMRe) and built new remote patient monitoring capabilities into Miya Precision.

There has been significant investment in repositioning Alcidion's product suite to better align our product offering with how customers want to implement their digital health strategy. Subsequent to year end, we have confirmed that Miya Precision will be the name of our flagship product suite, consisting of sixteen unique modules that can be purchased according to customer needs. The products formerly known as Patientrack and Miya MEMRe will be repositioned and will be available as modules of Miya Precision known as Miya Observations, Miya Assessments and Miya Memory.

SUPPORTING HEALTHCARE PROVIDERS THROUGH COVID-19

The COVID-19 pandemic has created a challenging environment globally, due to both economic pressures and impact on frontline health workers and hospitals. There was an inevitable refocusing of priorities and health IT investment as well as diversion of clinical staff and management to respond to the clear and immediate threat posed by the pandemic. Rather than disrupting our growth strategy, this has reshaped a number of market opportunities and unlocked short term funding pools as governments and hospital operators sought to respond to the immediate demands created by the pandemic.

Alcidion responded quickly to support our customers. We built new capabilities into Miya Precision to support the critical short-term needs

of hospitals. In the early stages of the pandemic we developed a dashboard solution to support vital signs monitoring of COVID-19 cases, both in hospital and remotely. These remote patient monitoring capabilities are used to deliver the highest quality of care to at-risk and COVID-19 positive patients at home. Reducing admissions to hospital, our solution reduces the demand on hospital beds and thereby lessens infection risk for clinicians and other patients. We were pleased to have two customers sign contracts for this solution, including Murrumbidgee Local Health District and Sydney Local Health District with several other existing and potential customers expressing interest.

Despite the current environmental challenges, it is pleasing to see the strength of our value proposition increasingly recognised and to know that we have been able to support our customers through this uniquely difficult time. It also makes me proud to see how our Alcidion team responded to the quickly changing customer requirements and how they adapted to remote working.

GROWTH ACHIEVED DESPITE CHALLENGING END TO FY2020

For the reasons mentioned above, the second half of FY2020 delivered challenges to revenue growth. Despite those challenges, we are pleased to report an overall 10% increase in FY20 revenue of $18.6M over FY19 ($16.9M). In the UK, the issues caused by the pandemic compounded the flow on from the national election and ongoing uncertainties relating to Brexit making it particularly pleasing to see a 50% increase in UK revenues to $4.0M.

The EBITDA loss of $3.8m and net loss after tax of $3.1m was not unexpected and reflects the investments in our growth strategy made during FY20 and constrained revenue growth in the latter part of the year.

OUTLOOK

While we are already seeing many positive initial impacts from the investments we have made, substantial revenue growth will take time to build as our sales resources and marketing campaigns extend our reach into the market and as we leverage the positive results evidenced from early adopters of our new product capabilities.

We need to sustain investments already committed in FY20 and to invest further in FY21 to complete the process of scaling the business. We do however expect to complete this investment phase during FY21 with the Group cost base stabilising.

While we have not been immune to the impact of COVID-19, we enter FY2021 confidently, primed for further growth, with $29.8M of already sold revenue of which $12.8M is expected to be recognised in FY21, a strong sales pipeline of future business and our newly rebranded Miya product suite.

Our long-term growth strategy has not changed – we believe in the significant market opportunity ahead and are committed to completing the process of scaling up our business to meet the growing long-term digital needs of healthcare and to grow our market share. We have the funding in place to complete this process while also continuing to seek strategic acquisitions capable of accelerating our growth plans.

On behalf of Alcidion's Board of Directors, I wish to thank our CEO and Managing Director Kate Quirke, her leadership team, and our valued shareholders for your support throughout this past financial year. Alcidion has a clear purpose – to transform healthcare with smart, intuitive technology solutions that meet the needs of hospital and allied healthcare, worldwide. Stay safe, and we look forward to providing further updates throughout what should be an exciting FY2021.

Yours faithfully,

RWilson

Ms Rebecca Wilson
Chair, Alcidion Group Limited

A YEAR OF INVESTMENT, INTEGRATION AND GROWTH

2019

JULY 2019

Alcidion appointed as preferred provider with Dartford and Gravesham NHS Trust for Better's OPENeP medications management solution.

AUGUST 2019

Alcidion, MKM Health, Patientrack and Oncall Systems are united under one cohesive Alcidion brand. New website launched.

SEPTEMBER 2019

Three-year agreement signed with Healthscope to support its data and analytics strategy, our first implementation of data and analytics capabilities into a private hospital group.

NOVEMBER 2019

$16.2M successfully raised to accelerate Alcidion's growth strategy and drive adoption across the UK, Australia and New Zealand.

DECEMBER 2019

Three-year contract signed with our first Global Digital Exemplar (GDE), Taunton and Somerset NHS Foundation Trust for Patientrack.

Lynette Ousby appointed GM Sales and Marketing in the UK as investment in driving growth in UK market commences.

MARCH 2020

Alcidion showcases Miya Precision in the UK at the Digital Health Rewired Conference.

Alcidion rolls out COVID-19 monitoring and assessment solutions for Miya Precision and Patientrack to support healthcare providers manage cases, in-hospital and remotely.

APRIL 2020

Renewal signed with NHS Fife to extend Patientrack across the entire Board for five years.

APRIL 2020

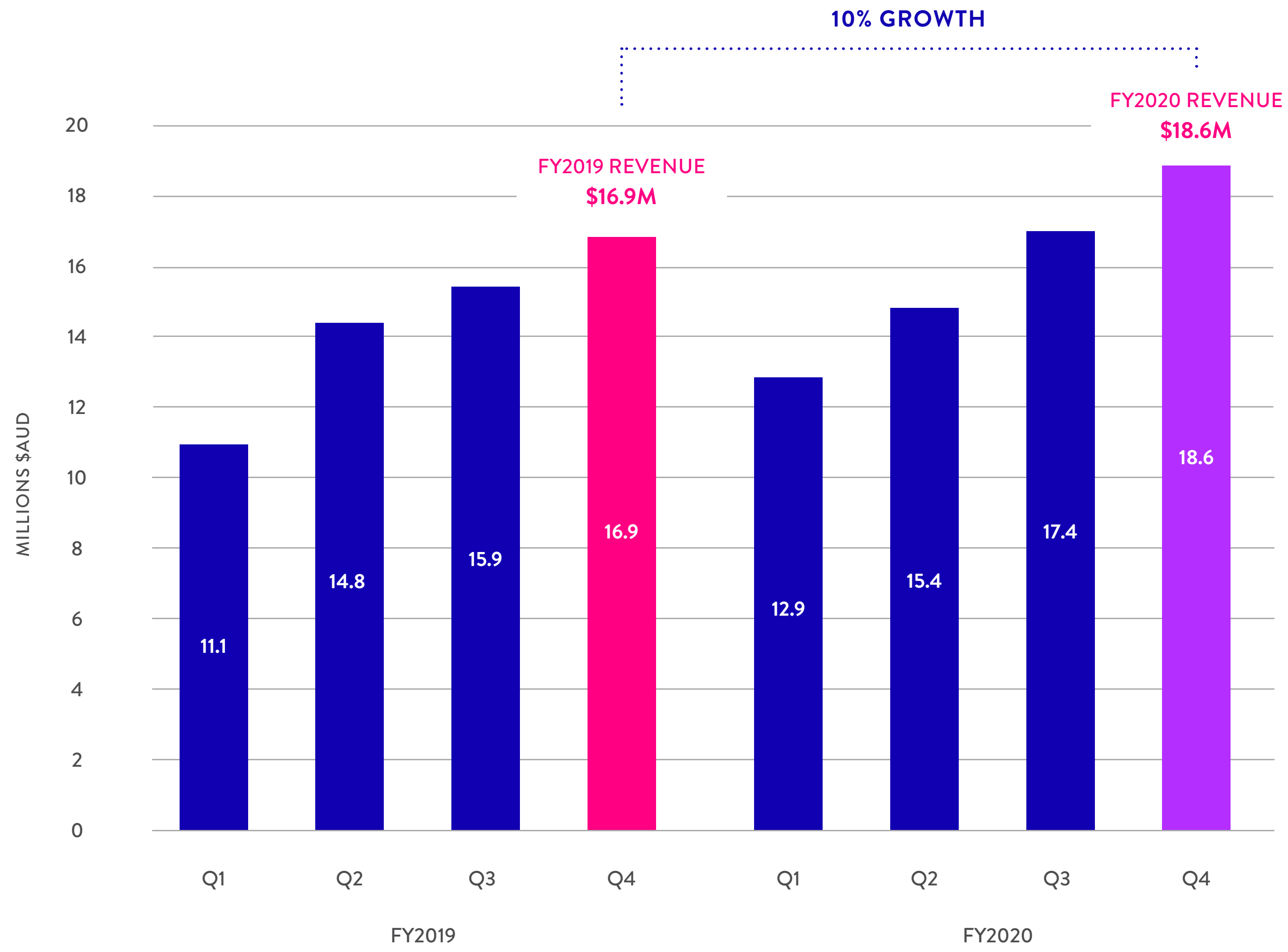
Murrumbidgee LHD elects to continue using Miya Precision for an initial 12-month period following its use as part of eHealth NSW's Proof of Concept innovation challenge. Additional implementation of a COVID-19 dashboard for remote and in-hospital monitoring. Miya Memory (MEMRe) rolled out to 200 clinicians. Longer term opportunity to expand use of Miya Precision.

JUNE 2020

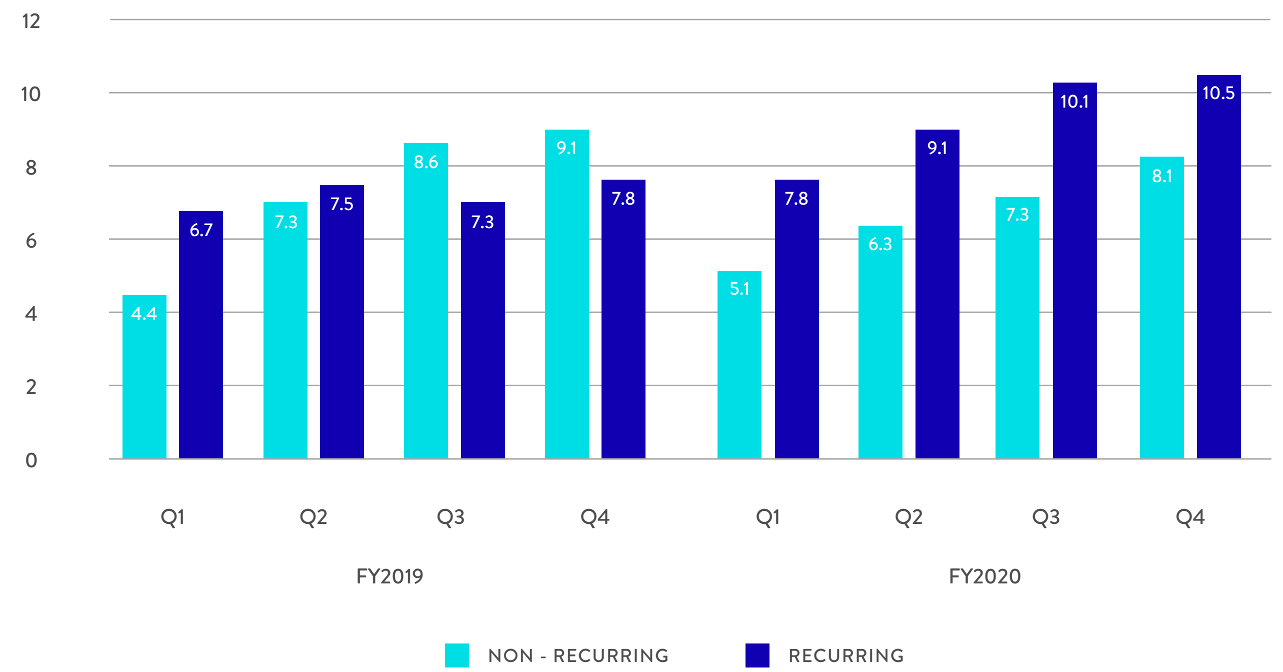
Sydney LHD signs a 12-month contract for Miya Precision to support virtual care at **rpa**virtual, monitoring COVID-19 patients who are in home isolation.

2020

QUARTERLY SOLD REVENUE - FY19-20



RECURRING VS NON-RECURRING REVENUE - FY19-20



Q&A WITH MANAGING DIRECTOR KATE QUIRKE

Q: WHAT ACHIEVEMENTS ARE YOU MOST PROUD OF IN FY2020?

I am very proud of the manner in which Alcidion has come together as one cohesive company, unifying our operations across three markets. Although the integration of the MKM Health and Patientrack businesses commenced in FY2019, it has really been during FY2020 that the real value and potential of the new Alcidion has been evident.

The combination of our strong product offerings and the technical, commercial and implementation skills of the team have enabled us to create a highly differentiated offering in digital health.

Building on this solid foundation, we have commenced implementing our growth strategy, investing in scaling up the business so we can capitalise on the escalating opportunities in digital enabled healthcare. I was pleased with the strong level of support for our capital raise which was completed in late 2019 to fund this strategy.

We have moved quickly to put these funds to use. In the UK, we followed the appointment of Lynette Ousby as UK GM with a restructuring and expansion of our sales team, ensuring we now have the resources required to successfully grow our market share across the National Health Service (NHS). We signed a number of new contracts and renewals in this market.

We have a brand that is trusted and a strong heritage in the UK market thanks to the dominant position of our Patientrack solution which continues to attract new NHS trust customers each year. This year, our ongoing work with NHS trusts that are pioneering the shift to digital healthcare along with our swift response to COVID-19 – working in partnership with our customers – has further confirmed our positioning as an important partner for customers as they push forward with adoption of digitally enabled models of care.

In the Australian market, I am very proud of the work we've done with Murrumbidgee Local Health District. This work began with rolling out Miya Precision at Wagga Wagga Base Hospital as part of eHealth NSW's Proof of Concept innovation challenge. It was here that Miya Memory (MEMRe) went live for the first time and it has received much praise for its ability to deliver meaningful notifications, alerts and test results direct to doctors' handheld devices. Murrumbidgee LHD has since signed an initial 12-month contract, including a dashboard implemented to support COVID-19 monitoring, as well as Miya Memory being rolled out to 200 clinicians. This shows that we are working at the forefront of a changing healthcare industry, evolving our product offerings in close partnership with our customers to meet critical clinic needs that are not being satisfied by big EMRs or other available clinical software.

Building on work done in the eHealth NSW Proof of Concept, we have also been able to partner with Sydney LHD to meet an immediate need they had to enhance their rpavirtual hospital so that it could meet the challenge of effectively monitoring COVID-19 patients. As well as welcoming Sydney LHD as a new customer it has been great to work with them to understand how the broader Miya product set could assist Sydney LHD achieve its broader strategy to utilise technology to implement new models of care and drive improved patient outcomes. Our work with these NSW Local Health Districts, one a rural LHD and the other being one of the largest metropolitan LHDs, will enable us to more effectively position our solutions for adoption more broadly across NSW.

Finally, I am also proud of how the Alcidion team has seamlessly transitioned to remote working across the world in response to the COVID-19 pandemic and how we are finding different ways to connect with our customers, partners and prospects in this new operating environment.

Q: HOW DOES ALCIDION'S PLATFORM DELIVER EFFICIENCIES FOR HOSPITALS?

Whilst there is a global trend toward electronic medical records (EMRs), these are not designed to support the workflows and decision-making processes of a busy clinician.

Our unique Miya Precision platform is designed to bring together patient related data from all systems, including EMRs, delivering real-time information to identify risks, support decision-making and manage notifications directly to clinicians, in a format that is easy to interpret. Our solution applies artificial intelligence (AI) and clinical decision support (CDS) algorithms to real-time events to present filtered actionable patient data relevant to clinical workflows, delivering substantial productivity improvements.

With Miya Flow, ward staff can better manage the patient journey, ensuring precious hospital resources are efficiently used and reducing average length of stay. Our Patientrack bedside monitoring solution also reduces the time patients can spend in hospital, quickly alerting clinicans to deteriorating patients, so they can intervene earlier, thereby avoiding prolonged hospital stays and demand on ICU beds that results from a delayed response.

Q: CAN YOU DESCRIBE THE SALES PROCESS IN EACH MARKET?

The sales process in all markets begins in much the same way, with identifying which healthcare providers are planning to invest in new digital healthcare solutions over the next year or two. What follows is often six to twelve months of sales interactions during which we seek to understand how our solutions can be best positioned to satisfy the customer's needs. Our solutions are used by frontline staff across the organisation – doctors, nurses, managers, allied health professionals – and this is who we engage with initially. No matter what geography we are selling in, it's important for us to have the hearts and minds of the people who will use our system and for them to recognise the benefits it can deliver. After we have secured the support of frontline staff, we then engage with the customer's technical teams to understand their data streams and what current systems are in use. With support from frontline and technical support staff, we also engage with hospital management to support the development of the business case that will be required internally within the customer to secure the required investment. The end of this initial sales phase is when we are invited to formally propose our solution to the customer through a procurement process.

In Australia, procurement in the public sector – which is our largest market – predominantly focuses around responding to requests for tender. This is followed by evaluation of the solutions and then contract negotiation. In the UK market, procurement also involves a tender process, but it is typically conducted through what are known as framework agreements. In this model a central government agency (e.g. on behalf of the NHS) appoints qualified suppliers to a specific framework to supply designated types of goods and services for a certain period of time under fixed contractual terms and conditions. NHS trusts are then able purchase approved offers from these frameworks via a contracted mini-tender process which takes significantly less time to progress through to selecting a supplier and placing an order. Being appointed to appropriate procurement frameworks is therefore one of our priorities in the UK market.

In all markets the public sector procurement process could be considered to be lengthy but they are generally seeking contracts that whilst initially may be 3-5 years, they are of a significant size and can span 10-20 years of use.

Q: HOW DO YOU RECOGNISE REVENUE FROM YOUR SOFTWARE AND SERVICES?

Generally, our product contracts are structured in two ways. The first approach is a subscription based model. In these contracts we roll up licensing, support and hosting into a monthly or quarterly charge. These contracts typically span three to five years, with revenue recognised on a monthly basis. The other approach is based on selling a product license for up to five years, with the value of the software license recognised upfront, with associated support and maintenance and any hosting revenues recognised over the life of the contract as the service is delivered to the customer. Under this model the support and maintenance and any hosting revenue is considered recurring but the licence fee is categorised as non-recurring revenue.

Services revenue can be related to the implementation of our products or for other technical services provided to a customer through our data and analytics or integration services stream.

Where the services contract exceeds 12 months, it is considered recurring revenue if it relates to an ongoing service that is delivered for an annual fee otherwise, it is considered non-recurring revenue.

Q: WHAT IS THE TOTAL ADDRESSABLE MARKET FOR EACH GEOGRAPHY?

The UK is our largest addressable market and presents us with a strategically important opportunity. They are an adopter of best of breed and hybrid solutions to a larger extent than Australia which has tended to implement large scale EMRs. In this market we have a substantial existing Patientrack customer-base which presents cross-selling opportunities. Over the past year, we have seen government funding committed to the NHS to achieve digital maturity. The market size for all Alcidion products and services is $1.1 billion.

In Australia, our total addressable market is $450 million. Our value proposition in this market is offering Miya Precision as a platform to draw data from disparate IT systems or large EMRs and turn this data into powerful insights supporting clinical decision making.

In New Zealand, our addressable market is $75 million. We have a strong market penetration with Patientrack in both North and South Islands. We also have an important reference site at MidCentral District Health Board, where Miya Access, Miya Command and Miya Flow are implemented. Smartpage is also implemented in a number of District Health Boards.

Q: HOW HAS COVID-19 CHANGED THE OPERATING ENVIRONMENT FOR ALCIDION?

The COVID-19 pandemic has created significant challenges for healthcare organisations, as providers around the globe have been forced at short notice to adopt new measures as quickly as possible to deal with the impact of the virus.

As a result of this, we did see some delays in contract signings in the final quarter as our customer's short-term focus shifted and all available staff were re-deployed to direct patient care. However, the pipeline has still grown during this time as our news sales team came on board and created new ways to connect with potential customers.

New opportunities have also arisen due to recognition of our solutions' value in supporting COVID-19 management. Alcidion moved quickly to build new capabilities into our solutions to support our customer base to assess and monitor COVID-19 cases. One of these solutions is a monitoring dashboard for Miya Precision, which allows clinical staff to monitor the vital signs of COVID-19 positive patients who are either in hospital or isolating remotely. We are pleased to report the solution is being used at Murrumbidgee Local Health District for both in and out of hospital monitoring, as well as at rpavirtual in Sydney for remote monitoring.

Q: YOU HAVE MENTIONED AN INTEREST IN ACQUISITIONS AFTER THE CAPITAL RAISE. IS THIS STILL A PRIORITY?

Alcidion has demonstrated we can acquire businesses and successfully integrate them, delivering value to our customers and shareholders. As such, we remain interested in businesses that align strategically with our purpose and will expand our capabilities and market share in a way that increases value. Since the capital raising in late 2019 we have been actively searching for and assessing potentially suitable acquisition opportunities and we will continue to do so with an emphasis on acquiring quality products and customers that could enhance our overall customer proposition and marketing positioning.

Q: WHAT ARE YOU LOOKING FORWARD TO IN FY2021?

I am really looking forward to seeing us drive further uptake of our complete product suite across all markets, particularly in the UK. We already have an important reference site for this in Dartford and Gravesham NHS Foundation Trust, but what's also important is that we have now repositioned our product offering by consolidating our products under the Miya Precision banner. This approach is a natural progression and will greatly help us not only communicate our value proposition to potential customers but for the customer it also makes adding Miya Precision modules easier and more compelling.

We also expect to be able to leverage the work we have been doing in partnering with customers to better equip them to meet the ongoing challenges presented by COVID-19. Improved models of virtual care will not only deliver immediate benefits in dealing with the pandemic but will also position our customers with strategic new capabilities that deliver ongoing benefits post pandemic in the care of patients with chronic conditions.

We are favourably positioned for further growth going into FY2021. In all markets we now have a Miya Precision customer reference site, as well as a strong pipeline of opportunities and a greatly enhanced sales team. I am looking forward to updating the market throughout the coming financial year as our solutions continue to support healthcare transformation and further growth is achieved.

K Quirke

Ms Kate Quirke
Managing Director, Alcidion Group Limited

MIYA PRECISION

MURRUMBIDGEE LOCAL HEALTH DISTRICT & ALCIDION'S MIYA PRECISION

Providing clinicians with real-time data to enhance clinical decision-making

OUR CLIENT

Murrumbidgee Local Health District (MLHD) provides a range of public health services to the Riverina and Murray regions of New South Wales, Australia.

Patient safety and the reduction of preventable harm to patients is at the heart of MLHD. They initiated an "Our People, Our Future" excellence strategy to support bottom-up quality improvement that results in safer, harm-free care at all facilities across the region.

THE CHALLENGE

MLHD partnered with Alcidion to mobilise data to improve safety and quality of care. It started with a project in the Emergency Department (ED) of MLHD's Wagga Wagga Base Hospital.

"We want to give clinicians fast access to meaningful data insights which helps them to identify patients at risk of deterioration and provide more timely mobile access to pathology results and X-rays."

Dr Stephen Wood
Director Emergency Department

"The clinicians quickly realised the opportunities Miya provided, and how it could support their workflows. They became advocates for the system and asked for more notifications. The app was adopted very quickly."

Thomas Glanville
Director Digital Transformation

MLHD wanted to explore how critical test results could be shared securely in real-time via mobile devices to enhance clinical decision-making. They felt could assist the diagnosis and treatment of patients in ED.

Core to the project was access to real-time data from the Electronic Medical Record (EMR) and converting it to the Fast Healthcare Interoperability Resource (FHIR) standard.

THE SOLUTION

Alcidion worked with ten ED clinicians to configure Miya Memory, a mobile EMR providing access to patient records, critical test results and risk indicators in real-time.

Miya Memory exploits the vast amount of clinical information available and distils it to an intuitive user interface aligned to clinical workflows.

When the COVID-19 pandemic started, MLHD decided to leverage capabilities of Alcidion's Miya Precision to monitor COVID-19 positive and at-risk patients, in-hospital and remotely.

Miya Precision integrates data from devices to monitor patients and display risk based on relevant criteria. Through this monitoring dashboard, clinicians have heightened visibility of patients, regardless of their location.

THE RESULT

The project was a resounding success and Miya Memory has been rolled out to 60+ clinicians across Wagga Wagga Base Hospital.

The ability to monitor and be alerted to patient safety impacts in real-time has provided clinicians with decision support that positively impacts care and improves patient safety.

"Clinicians found it useful to have data available on their mobile phones and want more. They used it to share with patients, improving their engagement in managing their health."

Thomas Glanville
Director Digital Transformation

"By extracting EMR data and converting it to FHIR, there is opportunity to introduce more innovation using Natural Language Processing which we believe can deliver a positive ROI from improved episode coding."

"We are also looking at supporting consumers to access to their own care planning in community."

Thomas Glanville
Director Digital Transformation

Miya Precision is supporting management of patients who prefer to be treated at home rather than in hospital. MLHD was treating an 80 year-old Woman who had suffered a heart attack. She had become unwell but did not want to be admitted again.

Her daughter said, "When mum was in hospital with the COVID restrictions, family couldn't visit. We were allowed one person, one hour per day only. It was very hard for all the family."

Respecting her wishes, the doctor admitted her to Hospital in the Home (HITH) with a monitoring armband. Some hours later, the virtual care staff detected a decreased respiratory rate on Miya Precision. The doctor had a video call with her and arranged a home visit, adjusted her medication and continued with home monitoring. The patient and her family were much happier with this solution and impressed with the remote monitoring.

THE FUTURE

MLHD is looking to expand the use of Miya Precision to other Hospital teams and aiming to adapt it for other clinical workflows.

FINANCIAL RESULTS FY2020

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 2020 (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 healthcare, technology and life science sectors providing advice on stakeholder communications, issues management, investor and corporate relations, and business strategy to private and public companies, corporations, 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 60 IPOs, M&A transactions, and hundreds of 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 technology sector.

She has been involved in large systems procurements and implementations of healthcare information technology across Australia, New Zealand and South East Asia.

Kate's background involves holding leading management roles at some of the largest healthcare software firms where she has had an impact on strategic product direction across the health sector and believes astute application of information technology will support the transformation of healthcare delivery worldwide.

As Alcidion Managing Director, Kate leads the various elements of the business across Australia, New Zealand and the United Kingdom with a focus on sales and marketing and developing business relationships with customers, partners and investors across the world.

PROF MALCOLM PRADHAN

EXECUTIVE DIRECTOR & CHIEF MEDICAL OFFICER
Appointed 22 February 2016
MBBS, PhD, FACHI

With over 25 years of experience in Medical Informatics, Malcolm is one of the world's leading minds in Clinical Decision Support and Health Informatics. Malcolm holds a medical degree from the University of Adelaide and a PhD in Medical Informatics from Stanford University. Prior to co-founding Alcidion in 2000, Malcolm was as a founding fellow of the Australasian College of Health Informatics (ACHI).

Throughout his career, Malcolm has been a strong advocate for interoperability, and a sustainable health care system using smart data-driven IT systems that improve patient safety, reduce clinician workloads and support new models of care.

In his time at Alcidion, Malcolm has overseen and driven the development and design of Alcidion's products, including the Miya Precision Platform, a system designed to run algorithms safely and at scale so organisations can improve healthcare delivery by using real-time analytics and AI.

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 2020) 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 is currently the Chair of the Northern Adelaide Local Health Network, the State health services provider to a population of over 400,000 and is Deputy Chairman of the MedTEC Pharma 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.Com (Accounting), LLB (Hons)
GAICD

Simon is an accomplished executive and business leader, with more than 20 years' experience at companies including Medibank Private, Qantas Airways, Australian Unity and Experian.

Simon has a proven track record for 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. 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 supported the domestic growth and 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.

COMPANY SECRETARY

Ms Melanie Leydin was appointed Company Secretary on 4 March 2019. Ms Leydin graduated from Swinburne University in 1997, became a Chartered Accountant in 1999 and since February 2000 has been the principal of chartered accounting firm, Leydin Freyer. Ms Leydin has over 25 years' experience in the accounting profession and has extensive experience in relation to public company responsibilities, including ASX and ASIC compliance, control and implementation of corporate governance, statutory financial reporting, reorganisation of Companies and shareholder relations and is a director and company secretary for a number of entities listed on the Australian Securities Exchange.

SHARES AND OPTIONS HELD BY DIRECTORS

	Ordinary Shares		*Options over Ordinary Shares*	
Director	Current holding	Net increase/ (decrease)	Current holding	Net increase/ (decrease)
Rebecca Wilson (NE Chair) (i)	1,480,000	400,000	-	-
Kate Quirke (MD)	56,542,557	15,400,746	-	-
Malcolm Pradhan (ED)	134,582,403	-	-	-
Raymond Blight (NED) (ii)	100,578,081	(686,040)	-	-
Nicholas Dignam (NED)	-	-	-	-
Simon Chamberlain (NED) (iii)	-	-	-	-

(i) Ms Wilson was appointed Non-Executive Chair on 30 August 2019.
(ii) Mr Blight was Executive Chair until 25 January 2019 when his position changed to Non-Executive Director. On 30 August 2019 Mr Blight stood down from the role of Chair but continued as Non-Executive Director.
(iii) Mr Chamberlain was appointed Non-Executive Director on 1 July 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 FY2020 however the Company does plan to implement a FY2021 LTI Program for executive directors, other senior executives and senior staff.

- The executive directors receive a superannuation contribution of either 9.5% or 10% of base salary up to the maximum permitted concessionary 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 2020 and 2019 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	
	$	$	$	$	$	$		$
2020 Directors								
Rebecca Wilson (i)	72,298	-	-	6,868	-	-	-	79,167
Kate Quirke (ii)	318,370	82,500	29,361	25,002	-	-	-	455,233
Malcolm Pradhan (iii)	249,385	5,625	20,615	25,076	-	-	-	300,700
Raymond Blight (iv)	182,328	-	-	-	-	-	-	182,328
Nicholas Dignam (v)	48,750	-	-	-	-	-	-	48,750
Simon Chamberlain (vi)	61,250	-	-	-	-	-	-	61,250
Executives								
Colin MacKinnon (viii)	252,900	67,500	17,100	25,002	-	-	-	362,502
2020 Total	**1,185,281**	**155,625**	**67,076**	**81,948**	**-**	**-**	**-**	**1,489,930**
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**

(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. Fees were paid from 1 October 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.*

Refer to page 16 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 FY2020.

D. DIRECTORS' EQUITY HOLDINGS

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.
2020 Directors					
Rebecca Wilson	1,080,000	-	400,000	-	1,480,000
Kate Quirke (i)	9,561,557	-	46,981,000	-	56,542,557
Raymond Blight (ii)	101,264,121	-	(686,040)		100,578,081
Malcolm Pradhan	134,582,403	-	-		134,582,403
Nicholas Dignam	-	-	-	-	-
Geoff Rohrsheim	1,000,000	-	-	(1,000,000)	
Simon Chamberlain	-	-	-	-	-
Executives					
Colin MacKinnon (iii)	5,697,595	-	64,865,420	-	70,563,015
	253,185,676	**-**	111,560,380	**(1,000,000)**	**363,746,056**
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
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**

(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 2020 (and also as at 30 June 2019).*

(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 2020, Mr MacKinnon also had an interest in a further 45,422,078 shares in the name of his family trust and a related party which were released on 3 July 2019.*

E. DIRECTOR & KMP SERVICE AGREEMENTS

Director and KMP service agreements as at the date of this report are summarised below.

During FY2020, Director Rebecca Wilson was employed initially as a Non-Executive Director and then as Non-Executive Chair on following key terms:

a) Salary of A$85,000 per annum inclusive of superannuation.

During FY2020, Director Raymond Blight was employed as a consultant as well as initially Non-Executive Chairman and then Non-Executive Director from when Rebecca Wilson was appointed Chair, on following key terms:

a) Annual fee of A$184,920 plus permitted expenses; and
b) 6-month notice period.

Managing Director Kate Quirke was employed from 3 July 2018 as an Executive Director & Chief Executive Officer on terms that were updated effective 1 January 2020 to:

a) Base salary of A$413,461 gross inclusive of statutory superannuation, any allowances and salary sacrifices;
b) Annual performance-based cash bonus (STI) up to $96,000 on achieving on-budget revenue and other personal performance targets with up to an additional $64,000 on achieving stretch targets;
c) Eligible to participate in the Long-Term Incentive Plan (LTIP) with the issue of performance rights or options (subject to shareholder approval) up to the value of 100% pf base salary, vesting after 3 years. Terms and hurdles of the LTIP are to be determined in Q1 FY2021; and
d) 6-month notice period.

Executive Director Malcolm Pradhan was employed during FY2020 as an Executive Director & Chief Medical Officer on following key terms:

a) Base salary of A$270,000 per annum plus $25,000 superannuation contribution;
b) Annual performance-based cash bonus (STI) up to $33,000 on achieving on-budget revenue and other personal performance targets with up to an additional $30,000 on achieving stretch targets; and
c) 6-month notice period.

Non-Executive Director Nick Dignam was appointed on 22 February 2016. From 1 October 2019 he was employed on the following key terms:

a) Director fee of A$65,000 per annum.

Non-Executive Director Simon Chamberlain was appointed on 1 July 2019 on following key terms:

a) Director fee of A$65,000 per annum.

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$270,000 per annum plus $25,000 superannuation contribution;
b) Annual performance-based cash bonus (STI) up to $55,000 on achieving on-budget revenue and other personal performance targets with up to an additional $50,000 on achieving stretch targets; and
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
Rebecca Wilson	13	13	2	2	4	4
Kate Quirke	13	13	-	-	-	-
Raymond Blight	13	9	2	2	-	-
Malcolm Pradhan	13	11	-	-	-	-
Nicholas Dignam	13	12	4	4	4	4
Simon Chamberlain	**13**	**13**	**4**	**4**	**4**	4

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 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) FY2020 revenue was $18,608,279 (2019: $16,864,323)
2. The FY2020 loss before tax was $4,018,157 (2019: loss before tax of $109,926).
3. Net Cash at Bank at the end of the year was $15,947,957 with minimal debt.

Financial Position

The Group has incurred a net loss after tax for the year ended 30 June 2020 of $3,076,596 (2019: $84,165 loss), and a net cash outflow from operating activities of $2,629,967 (2019: inflow of $1,990,959) contributing to an overall improvement in year-end cash balance, after cash flows associated with investing and financing, to $15,947,957 (2019: 3,171,843). At 30 June 2020, the Group has current assets of $20,225,854 (2019: $6,871,779) and net equity of $29,737,161 (2019: $13,242,586).

Summary of Financial Information as at 30 June 2020

	Group 2020	Group 2019	Group 2018
Cash and cash equivalents ($)	15,947,957	3,171,843	2,890,339
Net assets/equity	29,737,161	13,242,586	3,333,246
Revenue	18,608,279	16,864,323	4,179,487
EBITDA	(3,770,782)	(39,315)	(2,087,125)
Loss from ordinary activities after income tax expenses ($)	(3,076,596)	(84,165)	(2,089,313)
No of issued shares	990,694,052	805,671,138	607,779,957
Basic earnings per share (cents)	(0.31)	(0.01)	(0.34)
Diluted earnings per share (cents)	(0.31)	(0.01)	(0.34)
Share price ($)	0.145	0.125	0.052
Market capitalisation (Undiluted) ($)	143,650,638	100,708,892	31,604,558

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 regularly reviewed the Risk Register and assessed the need for any changes to its Risk Management Process, Risk Appetite Statement and Risk Management Policy. Recommended updates were reported to the Board and mitigation strategies implemented.

Further details on Company Risk is outlined in Note 27 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.

a) In July 2020, Alcidion signed:
    a. two contracts with Murrumbidgee Local Health District with a combined value of $686K to continue using Miya Precision including the MEMRe mobile clinical application until 31 December 2020. Intended use includes monitoring COVID-19 patients in hospital and remotely;
    b. a two year $1.3M extension to its IT support services contract with ACT Health from 1 January 2021; and
    c. a five year $1.52M contract with NHS Lanarkshire in Scotland to deploy Alcidion's Patientrack product across the whole health board;
b) In August 2020, Alcidion was awarded a place on the UK NHSX £3M Clinical Communications Procurement Framework which will make it quicker and easier for NHS trusts to procure Alcidion's Smartpage messaging system without tendering, as part of the NHS' commitment to replace old paging systems across all NHS trusts.

Likely Developments and Expected Results

During the second half of FY2020, off the back of the successful capital raising in November 2019, Alcidion commenced investing in scaling the business to generate and support substantial growth across its existing markets in the UK, Australia and New Zealand and eventually entry to new markets. The COVID-19 pandemic has had some impact on the achievement of short term growth objectives as health providers have been pre-occupied with measures to address the pandemic and have also re-prioritised short term investment in health IT to support these measures. Alcidion is however well-placed to assist health providers in both addressing the immediate consequences of the pandemic and also in assisting them adopt smarter digital enabled healthcare care delivery that will have an ongoing impact on healthcare systems as they emerge from the pandemic. Alcidion therefore remains committed to pursuing its growth strategy, taking advantage of existing and emerging opportunities over the course of FY2021.

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; and
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 an 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 2020 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 fourth 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 2020. The Company has early adopted the 4th edition of the Corporate Governance Principles and Recommendations and complies as far as possible with the spirit and intentions of these 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.

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is included on page 21.

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,

RWilson

Rebecca Wilson
Non-Executive Chair
Melbourne, Victoria this 27th day of August 2020

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 2020 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
Partner

Dated this 27th day of August, 2020 in Adelaide, South Australia.

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 2020 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 2020.

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 27th day of August 2020

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 2020, 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 2020 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 (including Independence Standards)* (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.

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

INDEPENDENT AUDITOR'S REVIEW REPORT

IMPAIRMENT ASSESSMENT OF INTANGIBLE ASSETS	
Area of focus **Refer also to notes 2.6 and 12**	**How our audit addressed it**
As at 30 June 2020, the Group's statement of financial position included goodwill of $15.4 million and intellectual property and other intangible assets of $2.0 million. 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. The balance of intangible assets is significant compared to total assets, impairment indicators have been identified and there is significant judgement used in determining their recoverable amount. Management have used the fair value of the Group less costs of disposal to support the continued carrying value of intangible assets. Management have also performed an alternative impairment test, based on a revenue multiple, to confirm the reasonableness of the result achieved. 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.	We evaluated management's process around testing for impairment of intangible assets including goodwill and performed the following procedures: - 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 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. - we reviewed the alternative impairment test prepared by management, including key assumptions, for the purpose of cross checking the result obtained in the primary impairment test. We found the Group's impairment assessment of intangible assets to be supported by the available evidence.

INDEPENDENT AUDITOR'S REVIEW REPORT

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 2020, but does not include the financial report and the auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

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.

INDEPENDENT AUDITOR'S REVIEW REPORT

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 13 to 16 of the directors' report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of Alcidion Group Limited., for the year ended 30 June 2020, 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

William Buck
ABN: 38 280 203 274

M.D. King
Partner

Dated this 27th day of August, 2020.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 30 June 2020

	Note	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Revenue	3	18,608,279	16,864,323
Cost of sale of goods and services	4	(13,767,131)	(10,952,724)
Gross profit		4,841,148	5,911,599
Interest income		74,483	15,551
Other income	3	6,118	-
Depreciation and amortisation expense	5	(247,375)	(65,886)
Directors and employee benefits expense	5	(4,135,532)	(2,649,099)
Marketing expense		(558,614)	(635,847)
Operations and administration expense	5	(2,223,851)	(1,134,386)
Other expenses from ordinary activities	5	(1,774,534)	(1,551,858)
Loss before income tax expense		(4,018,157)	(109,926)
Income tax (expense) / benefit	6	941,561	25,761
Loss after tax attributable to the owners of the Company		(3,076,596)	(84,165)
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		(3,076,596)	(84,165)
(Loss) per share			
Basic and diluted loss per share (cents)	21	(0.33)	(0.01)

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 2020

	Note	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Assets			
Current assets			
Cash and cash equivalents	26	15,947,957	3,171,843
Trade and other receivables	10	3,833,386	3,422,922
Other assets - prepayments		444,511	277,014
Total current assets		20,225,854	6,871,779
Non-current assets			
Plant and equipment	13	240,753	157,649
Deferred tax assets	6	1,256,413	377,272
Intangible assets	12	17,401,996	17,450,475
Right of use assets	15	309,191	-
Total non-current assets		19,208,353	17,985,396
Total assets		39,434,207	**24,857,175**
Liabilities			
Current liabilities			
Trade and other payables	11	2,126,891	1,698,540
Employee provisions	17	2,370,510	1,527,349
Lease liabilities	16	176,472	-
Other liabilities	14	4,734,338	8,270,194
Total current liabilities		9,408,211	11,496,083
Non-current liabilities			
Employee provisions	17	149,458	59,653
Deferred tax liabilities	6	-	27,500
Lease liabilities	16	139,377	-
Other non-current liabilities		-	31,353
Total non-current liabilities		288,835	118,506
Total liabilities		**9,697,046**	**11,614,589**
Net assets		**29,737,161**	**13,242,586**
Equity			
Issued capital	18 (a)	41,066,915	20,787,188
Reserves	18 (c)	-	684,000
Accumulated losses	19	(11,329,754)	(8,228,602)
Total equity		**29,737,161**	**13,242,586**

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 2020

	Issued capital	Reserves	Accumulated losses	Total equity
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**
CONSOLIDATED				
Balance as at 1 July 2019	20,787,188	684,000	(8,228,602)	13,242,586
Cumulative adjustment upon adoption of new accounting standard AASB 16 - lease	-	-	(24,556)	(24,556)
Balance as at 1 July 2019 restated	**20,787,188**	**684,000**	**(8,253,158)**	**13,218,030**
Loss for the period	-	-	(3,076,596)	(3,076,596)
Other comprehensive income, net of income tax	-	-	-	-
Total comprehensive loss for the period	-	-	(3,076,596)	(3,076,596)
Shares issued during the period	20,567,727	-	-	20,567,727
Transaction costs	(972,000)	-	-	(972,000)
Transfer in/(out) – exercise of options	684,000	(684,000)	-	-
Options issued during the period	-	-	-	-
Balance as at 31 December 2019	41,066,915	-	(11,329,754)	29,737,161

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 2020

	Note	CONSOLIDATED 2020 $	CONSOLIDATED 2019 $
Cash flows from operating activities			
Receipts from customers		20,542,868	16,469,206
Payments to suppliers and employees		(22,555,820)	(14,493,798)
Interest received		74,483	15,551
Finance costs and low value lease payments		(78,707)	-
Net cash inflows (outflows) from operating activities	26	**(2,017,176)**	**1,990,959**
Cash flows from investing activities			
Payments for plant and equipment		(123,821)	(264,776)
Acquisition of business, net of cash acquired		-	(1,476,032)
Payment of contingent consideration – Oncall Systems Ltd		(238,219)	-
Net cash (outflows) from investing activities		**(362,040)**	**(1,740,808)**
Cash flows from financing activities			
Net of proceeds from issues of equity securities		15,362,156	-
Proceeds from borrowing		-	92,015
Repayment of principal on lease liabilities – AASB 16		(175,473)	-
Repayments of borrowings		(31,353)	(60,662)
Net cash inflows from financing activities		**15,155,330**	**31,353**
Net increase/(decrease) in cash and cash equivalents		12,776,114	281,504
Cash and cash equivalents at the beginning of the year		**3,171,843**	2,890,339
Cash and cash equivalents at the end of the year	26	**15,947,957**	**3,171,843**

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 2020

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, hosts 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 August 2020.

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 Amendments to Accounting Standards and new interpretations that are mandatorily effective for the current reporting Period

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

The Group had to change its accounting policy and make adjustments as a result of adopting AASB16: Leases. The impact of this standard and the respective accounting policies is disclosed in Note 2.2.1

2.2.1 Changes in Accounting Policies

This note describes the nature and effect of the adoption of AASB 16: Leases on the Group's financial statements and discloses the new accounting policies that have been applied from 1 July 2019, where they are different to those applied in prior periods.

a. **Leases**

The Group as lessee

At inception of a contract, the Group assesses if the contract contains or is a lease. If there is a lease present, a right-of-use asset and a corresponding lease liability are recognised by the Group where the Group is a lessee. However, all contracts that are classified as short-term leases (ie. a lease with a remaining lease term of 12 months or less) and leases of low-value assets are recognised as an operating expense on a straight-line basis over the term of the lease.

Initially the lease liability is measured at the present value of the lease payments still to be paid at the commencement date. The lease payments are discounted at the interest rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate.

Lease payments included in the measurement of the lease liability are as follows:

- fixed lease payments less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options;
- lease payments under extension options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The right-of-use assets are recognised at an amount equal to the lease liability at the initial date of application, adjusted for previously recognised prepaid or accrued lease payments. The subsequent measurement of the right-of-use assets is at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the lease term or useful life of the underlying asset, whichever is the shortest.

Where a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group anticipates to exercise a purchase option, the specific asset is depreciated over the useful life of the underlying asset.

Initial Application of AASB 16: *Leases*

The Group has adopted AASB 16: Leases retrospectively with the cumulative effect of initially applying the standard, recognised as an adjustment to the opening balance of retained earnings as at 1 July 2019. Therefore, the comparative information has not been restated and continues to be reported under AASB 117: Leases.

The Group has recognised a lease liability and right-of-use asset for all leases (with the exception of short-term and low-value leases) recognised as operating leases under AASB 117: *Leases* where the Group is the lessee. Lease liabilities are measured at the present value of the remaining lease payments. The Group's incremental borrowing rate as at 1 July 2019 was used to discount the lease payments. The Group's weighted average incremental borrowing rate on 1 July 2019 applied to the lease liabilities was 5.23%.

The associated right-of-use assets for leases were measured on a retrospective basis as if the new rules had always applied. The difference between the Right of Use Assets and Lease Liabilities as at 1 July 2019 is $24,556, which has been recognised as an adjustment to the opening balance of the Accumulated Losses on that date. Refer to Notes 15 and 16.

2.3 Principles of consolidation

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

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

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

Non-controlling interest in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of financial position and statement of changes in equity of the consolidated entity. Losses incurred by the consolidated entity are attributed to the non-controlling interest in full, even if that results in a deficit balance.

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

2.4 Taxation

2.4.1 Income tax

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

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

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

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

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

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

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

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

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

2.4.2 Goods and Services Tax (GST) / Value Added Tax (VAT)

Revenues, expenses, and assets are recognised net of the amount of GST (in the case of Australian and New Zealand business operations) and VAT (in the case of UK business operations), except where the amount of GST/VAT incurred is not recoverable from the taxation authority. In these circumstances, the GST/VAT 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/VAT.

The net amount of GST/VAT recoverable from, or payable to, the taxation authority 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/VAT 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.

2.5 Plant and equipment

2.5.1 Recognition and measurement

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

2.5.2 Subsequent costs

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

2.5.3 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.

2.6 Impairment of non-financial assets

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

An impairment loss is recognised if the carrying amount of an asset or a 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.

2.7 Financial instruments

2.7.1 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.

2.7.2 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 receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

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.

2.7.3 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.

2.7.4 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.

2.8 Employee benefits

2.8.1 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.

2.8.2 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.

2.8.3 Retirement benefit obligations: Defined contribution superannuation funds

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

2.8.4 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.

2.9 Provisions

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

2.10 Earnings per Share

Both the basic and diluted earnings per share have been calculated using the profit attributable to shareholders of the parent company as the numerator, ie no adjustments to profits were necessary in respect of the reported figures.

2.11 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 Group's licensed software is satisfied when the software has been installed and is available for use the customer. This occurs in two stages, first when the software is initially installed and is available for the customer to use and secondly when implementation services have ensured that the software is appropriately configured and operating materially as contractually required and therefore can be deployed for widespread use by the customer. Software licence revenue is recognised across these two delivery milestones rather than evenly over the term of the software licence which typically ranges from 12 to 60 months. Implementation fee revenue is recognised over the implementation period (generally 3 to 12 months) as services are rendered. Ongoing revenue from support and maintenance services provided by Alcidion in respect of its licenced software is recognised as it is consumed (month by month) over the contracted term for these services, which is typically from 12 to 60 months, as aligned with licence term.

.

All revenue is stated net of the amount of GST or VAT (Note 2.4.2 Goods and Services Tax (GST) / Value Added Tax (VAT)).

2.12 Segment reporting

The Group operates as a single operating segment as there is only one primary line of business, which is the development, delivery under licence, implementation, support and maintenance of the Group's integrated suite of software products to its customers across the UK, Australia and New Zealand. All product management, software development, support and maintenance as well as corporate management and shared services, are provided centrally to all Group operations. Group Directors and management monitor and manage the Group using consolidated Group financial information. Discrete financial accounts are not used to manage any part of the business and there are no intra-Group financial transactions between different parts of the business.

2.13 Intangible assets

a. Goodwill and intellectual property

Goodwill and intellectual property are 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 and intellectual property arising on an acquisition of a business are 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 and intellectual property are 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 and intellectual property have 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 and intellectual property 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 or intellectual property 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 or intellectual property is not reversed in subsequent periods.

b. Intangible assets other than goodwill

Trademarks and patents

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.

2.14 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.

2.14.1 Key Judgements

a. Performance obligations relating to revenue recognition under AASB 15

To identify a performance obligation under AASB 15, the promise must be sufficiently specific to be able to determine when the obligation is satisfied. Management exercises judgement to determine whether the promise is sufficiently specific by taking into account any conditions specified in the arrangement, explicit or implicit, regarding the promised goods and services. In making this assessment, management includes the nature/type, cost/value, quantity and the period of transfer related to the goods or services promised.

b. Leases under AASB 16

The lease term is defined as the non-cancellable period of a lease together with both periods covered by an option to extend the lease if the lease is reasonably certain to exercise that option; and also periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option. The decision on whether or not the options to extend are reasonably going to be exercised is a key management judgement that the entity will make. The Group determines the likeness to exercise on a lease-by-lease basis looking at various factors such as which assets are strategic and which are key to future strategy of the entity.

c. Impairment of intangible assets

The assessment of whether the value of intangible assets requires impairment is based on the choice of an appropriate valuation method for determining the recoverable amount of the single CGU in accordance with AASB 136. Two possible valuation methods can be used, either a value-in-use calculation using a discounted cash flow model or a valuation based upon an assessed fair value less costs to sell. Due to the current investment for growth phase that the company is in, management has determined that a valuation based on fair value less costs to sell is the most appropriate valuation method to use. Of the potential valuation approaches that comply with the requirements of AASB 136 and the preference for those based on observable market data, management has chosen market capitalisation as the most appropriate primary measure of recoverable value, given the liquidity of ALC share trading, Alcidion's selection as only one of five health IT companies to be included in the new ASX All Technologies Index in February 2020, and the successful $16.2M capital raising in November 2019 when institutions subscribed for new shares at $0.18 per share, which is above the closing share price of $0.145 on 30 June 2020. Management did however also consider an alternative valuation measure as a secondary check on the primary impairment test. This involved comparing Alcidion's assessed valuation as a multiple of its revenue (which was 7.7) against the average and median revenue multiples of 8 other listed software companies for FY20 with market cap below $500M, which were 7.6 and 7.8 respectively.

d. Deferred tax asset from carried forward tax losses

Judgements and estimates are required when determining the recognition and measurement of deferred tax asset. The Group has recognised a deferred tax asset in relation to unused tax losses and deductible temporary differences only to the extent that this offsets deferred tax liabilities due to the inherent uncertainty surrounding forecasting taxable income in primary industries, and therefore the Group's ability to fully utilise tax losses.

With Alcidion UK taxable income transitioning from previous year losses to a taxable profit in FY20 management has decided to recognise a deferred tax asset for the value of carried forward losses from prior year operations in the UK, as sufficient future taxable profit is expected to be available over the next 5 years against which the benefits of the deferred tax asset can be fully utilised.

The utilisation/recognition of tax losses in future periods will be recognised as a tax benefit in those future periods.

2.15 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.

The Group had to change its accounting policies and make adjustments as result of adopting AASB16: Leases. The impact of this standard and the respective accounting policies is disclosed in Note 2.2.1.

Conceptual Framework for Financial Reporting (Conceptual Framework)

The revised Conceptual Framework is applicable to annual reporting periods beginning on or after 1 January 2020 but early adoption is permitted. The Conceptual Framework contains new definition and recognition criteria as well as new guidance on measurement that affects several Accounting Standards. Where the consolidated entity has relied on the existing framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under the Australian Accounting Standards, the consolidated entity may need to review such policies under the revised framework. The Conceptual Framework has not been adopted for these FY2020 financial statements and at this time, the application of the Conceptual Framework is not expected to have a material impact on the consolidated entity's financial statements.

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 average exchange rates for the reporting period; and all resulting exchange differences are recognised in other comprehensive income.

3. REVENUE

	Consolidated 2020 $	Consolidated 2019 $
Recurring income	10,401,522	7,841,950
Non-recurring income (i)	8,149,741	8,990,163
Grants (ii)	-	50,000
Foreign exchange gain or (loss)	57,016	(17,790)
	18,608,279	16,864,323
Other income		
Other revenue	6,118	-

(i) Non-recurring income relates to discrete project work (as opposed to ongoing contracted services lasting longer than twelve months) and software licence fees charged upfront at the beginning of the licence term rather than being charged annually over the licence term..

(ii) MTP Connect Grant revenue.

4. COST OF SALE OF GOODS AND SERVICES

Gross profit has been arrived at after charging the following direct costs as cost of sale of goods and services:

	Consolidated 2020 $	Consolidated 2019 $
Service delivery staff costs	6,173,988	5,537,251
Sales staff and commissions	2,091,629	1,411,050
Development & support of current software	2,764,138	3,105,061
Hosting costs (i)	381,387	-
Cost of resold products and services	2,066,053	833,574
Other net costs of sales / delivery	289,936	65,788
Total cost of sale of goods and services	13,767,131	10,952,724

(i) In 2019 hosting costs were classified as part of Operations and administration expenses.

5. LOSS FROM OPERATIONS

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

	Consolidated 2020 $	Consolidated 2019 $
Depreciation and amortisation of non-current assets	247,375	65,886
Directors and employee benefits expense (i)	14,292,016	11,967,349
Superannuation expense (i)	873,271	735,112
Legal fees (ii)	121,247	105,248
M&A activities (ii)	63,230	101,562
Minimum lease payments from operating leases (iii)	33,862	58,931

(i) These amounts are the total directors and employee benefits expense that are included in the Cost of sale of goods and services and Directors and employee benefits expense disclosed in the Statement of Profit or Loss and Other Comprehensive Income.

(ii) These expenses are included in the Operations and administration expense that is disclosed in the Statement of Profit or Loss and Other Comprehensive Income.

(iii) This expense is included in the Other expenses from ordinary activities that is disclosed in the Statement of Profit or Loss and Other Comprehensive Income.

6. INCOME TAX

	Consolidated 2020 $	Consolidated 2019 $
Income tax recognised in loss		
Tax expense comprises:		
Current tax (benefit) / expense	-	2,541
Deferred tax expense relating to the origination and reversal of temporary differences and carried forward UK tax losses	(941,561)	(28,302)
Total tax benefit	(941,561)	(25,761)

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 2020 $	Consolidated 2019 $
(Loss) from operations	(4,018,157)	(109,926)
Income tax benefit calculated at 27.5%	(1,104,993)	(30,230)
Effect of different tax rates of group entities operating in different tax jurisdictions	(8,951)	(40,499)
Effect of expenses exceeding income in determining taxable profit	(269,901)	16,717
Effect of expenses that are not deductible in determining taxable profit	18,919	(7,030)
Net effect of unused tax losses and temporary differences not recognised as deferred tax assets	1,330,776	6,979
Net effect of temporary differences recognised as deferred tax assets	(209,380)	51,333
Net effect of carried forward tax losses as deferred tax assets	(698,031)	-
Tax effect of Alcidion Group DTA brought to account	-	(50,531)
Tax effect of MKM Health Pty Ltd DTL brought to account	-	27,500
Income tax expense/(benefit)	(941,561)	(25,761)

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% (2019: 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% (2019: 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% (2019: 19%) payable by UK corporate entities on taxable profits under England & Wales tax law. In 2019, 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 2020 financial year, a Company must have annual turnover of less than $50,000,000 (2019: $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 2020 $	Consolidated 2019 $
Employee benefits	444,084	316,795
Accrued expenses	89,768	23,681
Legal cost – non deductable	24,530	36,796
Carried forward tax losses UK	698,031	-
Deferred Tax Asset	1,256,413	377,272

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 been recognised in respect of accumulated tax losses for UK and some temporary differences as the realisation of the benefit is regarded as probable. The total tax losses carried forward amount to $9,694,735 (2019: $5,294,416), including $3,673,847 total UK carried forward tax losses that has been recognised as a deferred tax asset. The balance of carried forward tax losses relating to Australian and New Zealand operations ($6,020,888) have not been recognised as a deferred tax asset.

Franking Account: ($5,293,206) (2019: $5,967,642)

The Company's franking account is in debit by the amount of $5,293,206. 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
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 Colin MacKinnon (Appointed on 3 July 2019 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 2020 $	Consolidated 2019 $
Short-term employee benefits	1,340,906	1,444,172
Annual Leave	67,076	140,826
Post-employment benefits	81,948	118,011
Share-based payments	-	-
	1,489,930	1,703,009

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 2020 $		Consolidated 2019 $	
	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	10,000,000	0.07
Granted during the financial year	-	-	-	-
Exercised during the period	(10,000,000)	0.07		
Group's options on acquisition	-	-	-	-
Group's options foregone	-	-	-	-
Exercised during the financial year	-	-	-	-
Balance at end of the financial year	-	-	10,000,000	0.07
Exercisable at end of financial year	-	-	10,000,000	0.07

9. REMUNERATION OF AUDITORS

	Consolidated 2020 $	Consolidated 2019 $
Audit and review of the financial report for the Group (i)		
William Buck	57,000	49,000
DSG UK	10,331	-
Non-audit services – William Buck	-	34,962
	67,331	83,962

(i) The 2020 auditor of Alcidion Group Limited, is William Buck (2019: William Buck).
The 2020 auditor of Alcidion UK Limited and Paticentrack UK Limited, is DSG UK

10. TRADE AND OTHER RECEIVABLES

	Consolidated 2020 $	Consolidated 2019 $
Trade accounts receivable	3,833,386	3,422,922
Total Trade and Other Receivables	3,833,386	3,422,922

Trade receivables 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 2020 (2019: Nil).

Additional Information in relation to financial risks concerning or with a potential impact on financial assets and liabilities is disclosed in Note 27 – Financial Instruments.

11. TRADE AND OTHER PAYABLES

	Consolidated 2020 $	Consolidated 2019 $
Goods and Services Tax / Value Added Tax	652,964	282,498
Trade payables (i)	991,306	509,241
Other	316,908	769,357
PAYG withholding	165,713	137,444
	2,126,891	1,698,540

(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 may be charged at various penalty rates by some creditors. The group has financial risk management policies in place to ensure that all payables are paid within the credit timeframe.

12. INTANGIBLE ASSETS

	Consolidated 2020 $	Consolidated 2019 $
Goodwill (i)	15,370,962	15,388,966
Intellectual Property (i)	1,714,244	1,736,543
Patents & Trademarks – at cost	341,177	348,138
Patents & Trademarks – accumulated amortisation	(24,387)	(23,172)
Balance at the End of Year (ii)	17,401,996	17,450,475

(i) Goodwill and Intellectual Property assets have been recognised on the acquisition of MKM Health Group during the 2019 financial year.

(ii) Reconciliation of Movements in Intangible Assets

Balance at the Beginning of the Year	17,450,475	1,072,805
Additional amounts arising from business acquisitions	-	16,374,939
Other movement in intangible assets	(47,264)	3,858
Amortisation Charged to intangible assets	(1,215)	(1,127)
Balance at the End of Year	17,401,996	17,450,475

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 are tested for impairment at each reporting period in accordance with AASB136 Impairment of Assets. Management have determined that there is one CGU, being the single integrated business operation that develops, licences, implements, sometime hosts and supports the one integrated suite of software products for health care provider organisations in Australia, the UK and New Zealand. 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 recoverable value less costs of disposal.

Due to the current investment for growth phase that the company is in, management has determined that a valuation based on fair value less costs to sell is the most appropriate valuation method to use. Of the potential valuation approaches that comply with the requirements of AASB 136 and the preference for those based on observable market data, management has chosen market capitalisation as the most appropriate primary measure of recoverable value, given the liquidity of ALC share trading, Alcidion's selection as only one of five health IT companies to be included in the new ASX All Technologies Index in February 2020, and the successful $16.2M capital raising in November 2019 when institutions subscribed for new shares at $0.18 per share, which is above the closing share price of $0.145 on 30 June 2020. Management did however also consider an alternative valuation measure as a secondary check on the primary assessment of recoverable value. This involved comparing Alcidion's assessed valuation as a multiple of its revenue (which was 7.7) against the average and median revenue multiples of 8 other listed software companies for FY20 with market cap below $500M, which were 7.6 and 7.8 respectively

	Value
Closing share price (30 June 2020)	$0.145
Common shares outstanding	990,694,052
Market capitalisation	**$143,650,638**
Add Control Premium	$28,730,128
Less Transaction Cost	$1,000,000
Assessed Fair Value	**$171,380,766**
Net Tangible Assets of Alcidion Group (as at 30 June 2020)	**$12,335,165**
Intangible Assets	**$17,401,996**
Impairment headroom	**$141,643,605**

The above analysis shows that the Assessed Fair Value of the single Alcidion CGU is substantially higher than the book value of the CGU assets. Accordingly, management and the Directors are of the opinion that no impairment of the carry value of intangible assets is necessary as at 30 June 2020 (2019: Nil).

13. PLANT AND EQUIPMENT

Consolidated	Computer equipment at cost $	Furniture and fittings at cost $	Total $
Cost			
Balance at 1 July 2019	319,006	232,240	551,246
Additions/(Disposal)	99,273	24,548	123,821
Balance at 30 June 2020	418,279	256,788	675,067
Accumulated depreciation and impairment			
Balance at 1 July 2019	250,509	143,088	393,597
Net depreciation expense	35,205	5,512	40,717
Balance at 30 June 2020	285,714	148,600	434,314
Net book value			
As at 30 June 2019	68,497	89,152	157,649
As at 30 June 2020	132,565	108,188	240,753

14. OTHER LIABILITIES

	Consolidated 2020 $	Consolidated 2019 $
Income in advance (i)	4,734,338	3,771,433
Other payables	-	3,048
Contingent consideration MKM Health/Patientrack (ii)	-	4,000,000
Contingent consideration Oncall Systems Ltd. (iii)	-	495,713
	4,734,338	8,270,194

(i) *Income in advance relates to invoices issued to customers, or physical cash received from customers for licencing, maintenance and support services and other professional services to be carried out in future periods. The movement in income in advance is attributable to payments received from customers in advance of services to be provided less the recognition of revenue from amounts received for services provided during the year.*

(ii) *Contingent consideration relating to the acquisition of MKM Health Pty Ltd on 3 July 2018 calculated with reference to MKM Health / Patientrack revenues and EBITDA achieved in the period from 3 July 2018 to 30 June 2019. This was satisfied 100% by issue of shares at a deemed issue price of 5.05c per share.*

(iii) *Contingent consideration relating to the acquisition of Oncall Systems on 1 February 2018 was calculated with reference to Smartpage related revenues achieved in the period from 1 February 2018 to 30 June 2019. This iwas satisfied as 40% cash payment and 60% by the issue of shares at a deemed issue price of 4.92c per share.*

15. RIGHT OF USE ASSETS

The Group's lease portfolio includes lease of buildings. These leases have an average term of 2 years.

a. Options to Extend or Terminate

Options to extend or terminate are contained in some of the property leases of the Group. These clauses provide the Group opportunities to manage leases in order to align with its strategies. All of the extension or termination options are only exercisable by the Group. The extension options or termination options which management were reasonably certain to be exercised have been included in the calculation of the lease liability.

(i) AASB 16 related amounts recognised in the statement of financial position:

Right-of-use assets	**CONSOLIDATED 30 June 2020 $**
Leased buildings	491,322
Accumulated depreciation	(182,131)
	309,191
Movement in carrying amounts:	
Leased buildings:	
Recognised on initial application of AASB 16	
	491,322
Depreciation expense for the year ended	(182,131)
Net carrying amount	309,191

(ii) AASB 16 related amounts recognised in the statement of profit or loss:

	As at 30 June 2020
	$
Depreciation charge related to right-of-use assets	182,131
Interest expense on lease liabilities	3,582
Low-value asset lease expense	33,262

(iii) Reconciliation of Right of Use Assets:

	As at 1 July 2019
	$
Finance lease assets as at 30 June 2019	-
IFRS 16 transition adjustment	**491,322**
Right-of-use assets as at 1 July 2019	**491,322**
Additions during the year	-
Amortisation and depreciation	(182,131)
Right-of-use assets as at 30 June 2020	309,191

16. LEASE LIABILITIES

	Consolidated 2020 $	Consolidated 2019 $
Lease liability (current)	176,472	-
Lease liability (non-current)	139,377	-

(a) Reconciliation of Opening Lease Liabilities

	As at 1 July 2019
	$
Operating lease commitments disclosed as at 30 June 2019	937,569
Less: Short term lease (<12 months) not recognised	(434,446)
Less: Impact of discounting	(32,047)
Lease liability recognised on adoption of AASB 16	471,076
Add: Finance lease liabilities previously recognised	-
Total lease liabilities at 1 July 2019	471,076

17. EMPLOYEE PROVISIONS

	Consolidated 2020 $	Consolidated 2019 $
Current		
Annual leave	925,605	548,310
Long service leave	590,555	532,674
Other – bonus and commission payable	854,350	446,365
	2,370,510	1,527,349
Non-current		
Long service leave	149,458	59,653
Total employee provisions	2,519,968	1,587,002

18. ISSUED CAPITAL

(a) Issued capital

	Consolidated 2020 $	Consolidated 2019 $
990,694,052 fully paid ordinary shares (2019: 805,671,138)	41,066,915	20,787,188

	Consolidated 2020		Consolidated 2019	
	No.	$	No.	$
Balance at 1 July 2019	805,671,138	20,787,188	607,779,957	10,793,683
Shares issued during the year	185,022,914	20,279,727	197,891,181	9,993,505
Balance at 30 June 2020	990,694,052	41,066,915	805,671,138	20,787,188

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 2020		Consolidated 2019	
	No.	$	No.	$
Class A Contingent Share Rights				
Balance at 1 July	-	-	-	-
Share rights foregone for non-performance of Milestone 1	-	-	-	-
Balance at 30 June	-	-	-	-
Class B Contingent Share Rights				
Balance at 1 July	-	-	148,387,096	-
Share rights foregone for non-performance of Milestone 1	-	-	(148,387,096)	
Balance at 30 June	-	-	-	-

Each Class B Contingent shares rights were 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 these rights were forfeited during the 2019 financial year.

(c) Reserves *(i)*

	Consolidated 2020 $	Consolidated 2019 $
Balance at beginning of financial year	684,000	684,000
Options exercised	(684,000)	-
Balance at end of financial year	-	684,000

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

(d) Movements in options on issue

	2020 No. of options	2019 No. of options
Beginning of the financial year	10,000,000	10,000,000
Options Foregone	-	-
Options Granted	-	-
Options exercised	(10,000,000)	-
End of the financial year	-	10,000,000

19. ACCUMULATED LOSSES

	Consolidated 2020 $	Consolidated 2019 $
Balance at beginning of financial year	(8,228,602)	(8,144,437)
Cumulative adjustment upon adoption of new accounting standard AASB 16 - lease	(24,556)	-
(Loss) attributable to members of the entity	(3,076,596)	(84,165)
Balance at end of financial year	(11,329,754)	(8,228,602)

20. DIVIDENDS

There were no dividends paid or proposed during the year.

21. LOSS PER SHARE

	2020 Cents per share	2019 Cents per share
Basic earnings (loss) per share (cents):		
From continuing operations	(0.33)	(0.01)

	Consolidated 2020 $	Consolidated 2019 $
Loss after tax used in calculating basic earnings per share	(3,076,596)	(84,165)

	2020 No.	2019 No.
Weighted average number of ordinary shares used in calculating basic earnings per share	934,936,738	805,671,138

The weighted average number of shares for the purposes of the calculation of diluted earnings per share can be reconciled to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	30 Jun 2020	30 Jun 2019
Weighted average number of shares used in basic earnings per share	934,936,738	805,671,138
Shares deemed to be issued for no consideration in respect of share-based payments	Nil	Nil
Weighted average number of shares used in diluted earnings per share	934,936,738	805,671,138

22. 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 Communications was paid $181,283 for Investor Relation services, a company in which non-executive director Rebecca Wilson has an interest. Balance payable as at 30 June 2020 is $29,772.

Bright Ventures was paid $33,916.56 for strategic advisory services provided by non-executive director Simon Chamberlain. Balance payable as at 30 June 2020 is nil.

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

23. CONTINGENCIES

In the opinion of the Directors, the Group did not have any contingent liabilites or contingent assets as at 30 June 2020 (2019: 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 2020, credit card balance used is $21,194 (unused: $133,806).

24. 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

There were no intersegment sales during FY2020.

c. Segment information

(i) Group Performance – No separate Group performance has been presented in this report as the Board receives only 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 in this report as the Board only 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 2020 $'000	Consolidated 2019 $'000
Australia / New Zealand	14,606	14,208
United Kingdom	4,002	2,670
Total revenue	18,608	16,864

(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 2020 $'000	
	Goods transferred at a point in time	Services transferred over time
Australia / New Zealand	7,282	7,324
United Kingdom	3,020	982
Total revenue	**10,302**	**8,306**

25. SUBSEQUENT EVENTS

The Company has had the following subsequent events post 30 June 2020:

a. In July 2020, Alcidion signed:
   - two contracts with Murrumbidgee Local Health District with a combined value of $686K to continue using Miya Precision including the MEMRe mobile clinical application until 31 December 2020. Intended use includes monitoring COVID-19 patients in hospital and remotely;
   - a two year $1.3M extension to its IT support services contract with ACT Health from 1 January 2021; and
   - a five year $1.52M contract with NHS Lanarkshire in Scotland to deploy Alcidion's Patientrack product across the whole health board;

b. In August 2020, Alcidion was awarded a place on the UK NHSX £3M Clinical Communications Procurement Framework which will make it quicker and easier for NHS trusts to procure Alcidion's Smartpage messaging system without tendering, as part of the NHS' commitment to replace old paging systems across all NHS trusts.

26. NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of cash and cash equivalents

	Consolidated 2020 $	Consolidated 2019 $
Cash and cash at bank	15,947,957	3,171,843

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

(Loss) for the year after income tax	(3,076,596)	(84,165)
Depreciation and amortisation of non-current assets	222,848	65,886
Changes in net assets and liabilities, net of effects from acquisition and disposal of businesses:		
(Increase)/decrease in assets:		
Trade and other receivables	(410,464)	(1,893,731)
Other Assets	(167,497)	(215,317)
Intangible Assets	-	-
Deferred Tax Assets	(879,141)	(256,895)
Increase/(decrease) in liabilities:		
Trade and other payables	428,351	1,001,526
Provisions	932,966	1,204,487
Deferred Tax Liabilities	(27,500)	27,500
Other Liabilities	959,857	2,141,668
Net cash generated/(used) in operating activities	(2,017,176)	1,990,959

27. 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 27(e).

(b) Significant accounting policies

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

(c) Foreign currency risk management

The Company is exposed to foreign currency risk to the extent that the fair value or future cash flows of a financal instrument fluctuates due to movement in foreign exchange rates of currenices in which the Group holds financial instruments which are other than the AUD functional currency of the Group.

While the Group's overseas operations hold financial assets and liabilities in NZD and GBP, there is very little foreign currency risk associated with intercompany transactions or the required conversion of these financial assets or liabilities to AUD as each overseas operation generates and holds sufficient financial assets in local currency to meet local liabilities and there are no intercompany transactions or movement of financial assets within the group that would create any significant foreign currency risk from currency conversion. Hedging is therefore not required to manage foreign currency risk arising from currency conversion. The only foreign currency risk arises from potential fluctuations in exchange rates used when converting financial asset and liability instruments denominated in currencies other than AUD, when consolidating Group financials.

(d) Interest rate risk management

In the prevailing low interest environment, the Company is exposed to minimal interest rate risk arising from decisions to place funds at either fixed or floating interest rates. What risk does exist is managed by maintaining an appropriate mix between fixed and floating rate products.

(e) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the 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 2020 $	Consolidated 2019 $
Not impaired:		
- Within trade terms	3,508,044	3,175,933
- Past due but not impaired	325,342	246,989
Total trade receivables	3,833,386	3,422,922

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:

2020	**Not Past Due**	**60-90 days**	**> 90 days**	**Total**
Trade receivables	3,508,044	314,727	10,615	3,833,386
Total	3,508,044	314,727	10,615	3,833,386
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

The Group measures the allowance for credit losses for trade receivables consistent with AASB 9. 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 2020, there were no expenses recognised during the financial year then ended for the write-off of receivables or provision for doubtful debts (2019: Nil).

(f) 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.

Maturity profile of financial instruments

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

	Funds available on demand $	Expected maturity dates < 1 year $	1-5 years $	5+ years $	Total $
2020					
Financial assets:					
Cash and cash equivalents	15,859,582	88,375	-	-	15,947,957
Trade and other receivables	-	3,833,386	-	-	3,833,386
	15,859,582	3,921,761	-	-	19,781,343
Financial liabilities:					
Trade and other payables	-	2,126,891	-	-	2,126,891
Lease liabilities	-	176,472	139,377	-	315,849
	-	2.303.363	139,377	-	2,442,740
2019					
Financial assets:					
Cash and cash equivalents	3,082,435	89,408	-	-	3,171,843
Trade and other receivables	-	3,422,922	-	-	3,422,922
	3,082,435	3,512,330	-	-	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

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

28. 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

	2020 $	2019 $
Assets		
Current assets	12,704,934	54,482
Non-current assets	38,619,652	27,764,048
Total assets	51,324,586	27,818,530
Liabilities		
Current liabilities	730,286	4,654,681
Non-current liabilities	149,458	1,492,641
Total liabilities	879,744	6,147,322
Net assets	50,444,842	21,671,208
Equity		
Issued capital	66,566,260	33,144,992
Reserves	-	1,193,619
Accumulated losses	(16,121,418)	(12,667,403)
Total equity	50,444,842	21,671,208

Statement of Profit or Loss & Other Comprehensive Income

	2020 $	2019 $
Total Loss for the year	3,076,596	1,616,546
Total comprehensive loss for the year	3,076,596	1,616,546

29. INTERESTS IN CONTROLLED ENTITIES

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

		Percentage Owned (%)	
Name of Entity	Country of Incorporation	2020	2019
Alcidion Corporation Pty Ltd	Australia	100	100
Oncall Systems Ltd.	New Zealand	100	100
Alcidion Aus Pty Ltd (MKM Health Pty Ltd)	Australia	100	100
Patientrack Pty Ltd	Australia	100	100
Alcidion UK Limited (Patientrack Holdings Limited)	England & Wales	100	100
Patientrack (UK) Limited	England & Wales	100	100
MKM Consulting (UK) Ltd *	England & Wales	N/A	100
Alcidion NZ Limited (MKM Health (NZ) Ltd)	New Zealand	100	100

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

30. GUARANTEES

Alcidion Corporation Pty Limited has entered into guarantees, as disclosed at Note 23.

31. CAPITAL COMMITMENTS

As at 30 June 2020, the Group had no contracted capital commitments for capital purchases (2019: 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	805,671,138
Movement of share capital during the year and to the date of this report	185,022,914
Total number of shares at the date of this report	990,694,052

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 11 August 2020:

Name	Number of shares	Percentage of issued capital
Professor Malcolm Pradhan	134,582,403	13.58
Mr Raymond Blight	100,578,081	10.15
Isle of Wight Pty Ltd <MacKinnon Family Trust A/c>	70,563,015	7.15
Caledonia Nominees Pty Ltd <Caledonia Trust A/c>	60,702,358	6.13
Kate Quirke	56,542,557	5.71

RANGE OF SHARES AS AT 11 AUGUST 2020

Range	Total Holders	Units	% Issued Capital
1 - 1,000	115	15,388	0.00
1,001 - 5,000	1,018	3,738,497	0.38
5,001 - 10,000	1,202	9,649,134	0.97
10,001 - 100,000	3,143	115,508,713	11.66
100,001 - > 100,001	787	861,782,320	86.99
Total	**6,265**	**990,694,052**	**100.00**

UNMARKETABLE PARCELS AS AT 11 AUGUST 2020

	Minimum parcel size	Holders	Units
Minimum $500.00 parcel at $ 0.2150 per unit	3,449	547	1,209,416

TOP 20 HOLDERS OF ORDINARY SHARES AS AT 11 AUGUST 2020

	Name	**Units**	**%**
1	Mr Malcolm Pradhan	134,582,403	13.58
2	Mr Raymond Blight	95,828,781	9.67
3	Isle of Wight Pty Limited	49,405,192	4.99
4	Caledonia Nominees Pty Limited	49,221,085	4.97
5	J P Morgan Nominees Australia Pty Limited	36,720,940	3.71
6	Mrs Katrina Doyle	27,793,199	2.81
7	Rangiora-London Pty Limited	26,602,251	2.69
8	Rewmicman Pty Limited	26,026,606	2.63
9	MNMD Pty Limited	17,168,086	1.73
10	HSBC Custody Nominees (Australia) Limited	15,449,926	1.56
11	MKMS Investment Pty Limited	11,481,273	1.16
12	Mr Colin MacKinnon + Mrs Maree MacKinnon	9,676,550	0.98
13	Citicorp Nominees Pty Limited	8,124,310	0.82
14	Mr Michael Buist + MRS Sarah Buist	8,010,280	0.81
15	Rewmicman Pty Limited	7,533,835	0.76
16	The Andromeda Group Pty Limited	5,998,133	0.61
17	Emerald Shares Pty Limited	5,850,000	0.59
18	Dr Michael Buist	5,779,039	0.58
19	JBWere (NZ) Nominees Limited	5,734,603	0.58
20	Mr Vivek Ramakrishnan + Miss Nisha Srinivasan	5,186,789	0.52
Total of Top 20 holders of ORDINARY SHARES		**552,173,281**	**55.74**

* *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 12 shows the consolidated equity interest that each director has in the Company.*

VOTING RIGHTS

Ordinary shares

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

Other securities

Other classes of securities issued by the Company do not carry voting rights.

ANNUAL GENERAL MEETING

Alcidion Limited advises that its Annual General Meeting will be held on or about Thursday 19 November 2020. The time and other details relating to the meeting will be advised in the Notice of Meeting to be sent to all Shareholders and released to ASX immediately upon despatch.

The Closing date for receipt of nomination for the position of Director is Thursday 8 October 2020. Any nominations must be received in writing no later than 5.00pm (Melbourne time) on Thursday, 8 October 2020 at the Company's Registered Office.

The Company notes that the deadline for nominations for the position of Director is separate to voting on Director elections. Details of the Director's to be elected will be provided in the Company's Notice of Annual General Meeting in due course.

CORPORATE GOVERNANCE STATEMENT

The Company's 2020 Corporate Governance Statement has been released to ASX on this day and is available on the Company's website at: https://alcidion.com/investor-center/corporate-governance/

CORPORATE DIRECTORY

Current Directors (Alcidion Group Limited)

Name	Position	Date of Appointment
Ms. Rebecca Wilson	Non-Executive 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

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

DSG
Castle Chambers, 43 Castle Street
Liverpool L2 9TL
England UK

☎ +44 151 294 5400

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

www.alcidion.com

investor@alcidion.com

1800 767 873

Head office:
Level 10, 9 Yarra Street
South Yarra VIC 3141
Australia