Alchemia Limited
Appendix 4E
Preliminary final report

1. Company details

Name of entity:	Alchemia Limited
ABN:	43 071 666 334
Reporting period:	For the year ended 30 June 2016
Previous period:	For the year ended 30 June 2015

---

2. Results for announcement to the market

				$
Revenues from ordinary activities	up	112.1%	to	25,298,976
Profit from ordinary activities after tax attributable to the owners of Alchemia Limited	up	235.5%	to	21,425,996
Profit for the year attributable to the owners of Alchemia Limited	up	235.5%	to	21,425,996

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The profit for the consolidated entity after providing for income tax amounted to $21,425,996 (2015: loss of $15,815,244).

Financial Position
The net assets of the consolidated entity decreased by $8,773,302 to $2,736,675 (2015: $11,509,977) largely due to the Return of Capital program. The total amount of capital returned to the shareholders was $30,199,298.

The net tangible assets of $2,736,675 at 30 June 2016 ensures the Group is in a sound financial position. The cash burn for the Group for the financial year ended 30 June 2017 is expected to be significantly reduced from the financial year ended 30 June 2016 given the Group is no longer funding any development of its oncology assets.

Operating results for the year
The group reported a net profit after tax of $21,425,996 for the financial year, an increase of $37,241,240 from its $15,815,244 loss in 2015. The net profit includes the sale of fondaparinux of $24,639,119.

Total revenue for the year of $25,298,976, an increase of $13,373,022 from the previous period (2015: $11,925,954). This increase is mainly due to the sale of fondaparinux.

Operating expenses for the year was $3,221,479 a decrease of $26,531,843 over the corresponding period (2015: $29,753,322). The prior year included impairment of intellectual properties of $12,764,021. This decrease is due to the disposal of its main under taking (fondaparinux), and the ceasing of its intellectual property development following the HA-Irinotecan Phase III failure in October 2014.

Cash and cash-flow
The consolidated cash, cash equivalents and short term deposits balance of the Group as at 30 June 2016 were $1,873,917 and have decreased by $3,147,053 since the previous corresponding period (2015: $5,020,970).

Sale of fondaparinux
The company completed the sale of its worldwide exclusive intellectual property rights to fondaparinux sodium, its generic anti-coagulant drug, to Dr. Reddy's Laboratories effective 1 July 2015. Alchemia Shareholders approved the sale of fondaparinux at the company's annual general meeting held on 10 November 2015. Alchemia received $US17.5m from Dr Reddy's as consideration for the sale.

Corporate Restructuring
Alchemia have disposed of its significant undertaking (fondaparinux). It continues to own technology and intellectual property, although the development of this intellectual property largely ceased following the HA-Irinotecan Phase III trial failure in October 2014. The Company remains open to the possibility of corporate transactions, such as sale or licence of the HyACT technology in the future.

As a result of the above transactions and events that occurred during the year, the Company's development and commercialisation activities have significantly reduced which led to all staff being made redundant during the first six months with the last employees leaving in November 2015.

The company considered a number of approaches from external parties which included mergers and other corporate transactions, but it was the opinion of the Directors that these possible transactions were unlikely to deliver a sufficient return for shareholders.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	0.84	3.54

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

7. Dividend reinvestment plans

Not applicable.

8. Details of associates and joint venture entities

Not applicable.

9. Foreign entities

Details of origin of accounting standards used in compiling the report:

Not applicable.

---

10. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements have been audited and an unqualified opinion has been issued.

---

11. Attachments

Details of attachments (if any):

The Annual Report of Alchemia Limited for the year ended 30 June 2016 is attached.

---

12. Signed

Signed ______________________________ Date: 30 August 2016

Simon Gennari
Non-Executive Chairman

Alchemia Limited

ABN 43 071 666 334

Annual Report - 30 June 2016

Alchemia Limited
Contents
30 June 2016

Directors	Mr. Simon Gennari (Non-Executive Chairman) Mr. Nathan Drona (Non-Executive Director) Mr. David Lamm (Non-Executive Director)
Company secretary	Ms. Melanie Leydin
Registered office	Level 4, 100 Albert Road South Melbourne, VIC 3205 Telephone: (03) 9692 7222
Principal place of business	Level 4, 100 Albert Road South Melbourne, VIC 3205
Share register	Link Market Services, Locked Bag A14,South Sydney NSW 1235 Telephone: (02) 8280 7111 Facsimile: (02) 9287 0303 Email: Registrars@linkmarketservices.com.au
Auditor	Grant Thornton Audit Pty Ltd The Rialto Level 30, 525 Collins Street Melbourne VIC 3000
Stock exchange listing	Alchemia Limited shares are listed on the Australian Securities Exchange (ASX code: ACL)
Website	www.alchemia.com.au

Alchemia Limited
Directors' report
30 June 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Alchemia Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the year ended 30 June 2016.

Directors
The following persons were directors of Alchemia Limited during the whole of the financial year and up to the date of this report, unless otherwise stated:

Mr. Simon Gennari (Non-Executive Chairman) (appointed 26 February 2016)
Mr. Nathan Drona (Non-Executive Director)
Mr. David Lamm (Non-Executive Director) (appointed 7 March 2016)
Mr. Ken Poutakidis (Non-Executive Chairman) (resigned 26 February 2016)
Dr. Tracie Ramsdale (Non-Executive Director) (resigned 29 June 2016)
Mr. Timothy Hughes (Non-Executive Director & Chairman) (Retired 8 July 2015)

Principal activities
During the financial year the principal continuing activities of the consolidated entity consisted of:
- Sale of its Worldwide Exclusive intellectual property rights to Fondaparinux sodium, a generic anti-coagulant drug to Dr Reddy's Laboratories;
- Closure of all Clinical trial activities; and
- Review of new opportunities which will provide overall increase to shareholder value.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial year.

Return of Capital
During the year there was a Return of Capital to shareholders of $30,199,298.

Review of operations
The profit for the consolidated entity after providing for income tax amounted to $21,425,996 (30 June 2015: loss of $15,815,244).

Financial Position
The net assets of the consolidated entity decreased by $8,773,302 to $2,736,675 (30 June 2015 ($11,509,977) largely due to the Return of Capital program. The total amount of capital returned to the shareholders was $30,199,298.

The net tangible assets of $2,736,675 at 30 June 2016 ensures the Group is in a sound financial position. The cash burn of the Group for the financial year ended 30 June 2017 is expected to be significantly reduced from the financial year ended 30 June 2016 given the Group is no longer funding any development of its oncology assets.

Operating results for the year
The group reported a net profit after tax of $21,425,996 for the financial year, an increase of $37,241,240 from its $15,815,244 loss in 2015. The net profit includes the sale of fondaparinux of $24,639,119.

Total revenue for the year of $25,298,976, an increase of $13,373,022 from the previous period (2015: $11,925,954). This increase is mainly due to the sale of fondaparinux.

Operating expenses for the year was $3,221,479 a decrease of $26,531,843 over the corresponding period (2015: $29,753,322). The prior year included impairment of intellectual properties of $12,764,021. This decrease is due to the disposal of its main under taking (fondaparinux), and the ceasing of its intellectual property development following the HA-Irinotecan Phase III failure in October 2014.

Cash and cash-flow
The consolidated cash, cash equivalents and short term deposits balance of the Group as at 30 June 2016 were $1,873,917 and have decreased by $3,147,053 since the previous corresponding period (2015: $5,020,970).

Sale of fondaparinux
The company completed the sale of its worldwide exclusive intellectual property rights to fondaparinux sodium, its generic anti-coagulant drug, to Dr. Reddy's Laboratories effective 1 July 2015. Alchemia Shareholders approved the sale of fondaparinux at the company's annual general meeting held on 10 November 2015. Alchemia received $US17.5m from Dr Reddy's as consideration for the sale.

Corporate Restructuring
Alchemia have disposed of its significant undertaking (fondaparinux). It continues to own technology and intellectual property, although the development of this intellectual property largely ceased following the HA-Irinotecan Phase III trial failure in October 2014. The Company remains open to the possibility of corporate transactions, such as sale or licence of the HyACT technology in the future.

As a result of the above transactions and events that occurred during the year, the Company's development and commercialisation activities have significantly reduced which led to all staff being made redundant during the first six months with the last employees leaving in November 2015.

The company considered a number of approaches from external parties which included mergers and other corporate transactions, but it was the opinion of the Directors that these possible transactions were unlikely to deliver a sufficient return for shareholders.

Significant changes in the state of affairs
On 18 November 2015, the consolidated entity completed the sale of its Worldwide exclusive Intellectual Property Rights to fondaparinux sodium, its generic anti-coagulant drug, to Dr. Reddy's Laboratories effective 1 July 2015.

On 28 January 2016, the Shareholders approved the Return of Capital Resolution as per the Notice of General Meeting. Reduction of the share capital was approximately $30.2 million assuming 324,723,621 shares on issue.

On 24 February 2016, the company announced the completion of its return of capital.

The Company is currently undergoing a strategic review of all its assets and operations, and as a result of the strategic review, the Company's principal activities are likely to change going forward.

There were no other significant changes in the state of affairs of the consolidated entity during the financial year.

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Likely developments
The Group has discontinued development of its oncology assets and will continue to reduce or eliminate any further expenditure in that regard and will remain interested in divesting these assets. The Company will continue to review potential corporate transactions with a view to increasing shareholder wealth.

Environmental regulation
The Company's activities in respect of the conduct of preclinical and clinical trials, using biological technologies, for preclinical and clinical trials are subject to the law of the Commonwealth or the State or Territory in which such activity takes place. The Company undertakes such activities itself and through contractors. Some aspects of such activities could be construed as being covered by law or regulations relating to environmental matters. It is believed that, should activities be so construed, the Company meets the requirements of such law and regulations. The Company retains the right, under the respective contracts, to audit the performance of its contractors.

Information on directors

Name:	**Mr. Simon Gennari**
Title:	Non-Executive Chairman (appointed 26 February 2016)
Experience and expertise:	Mr Gennari has over 20 years of experience in investment management, corporate finance and equity research in Europe and Australia. He is currently a principal of Dinimus Capital, an investment management and corporate advisory firm and serves on their investment committee. Previous roles include senior investment positions within a UK family office and global hedge fund. His extensive investment experience includes managing portfolios covering a diverse range of sectors and industries globally and within Australia including healthcare, industrials, technology, resources, agriculture, clean technology, retail and financial services. Within corporate finance his experience extends to mergers and acquisitions, capital markets, transaction structuring, strategy and valuation for listed and private enterprises including venture capital across debt and equity.
Other current directorships:	None
Former directorships (last 3 years):	None
Interests in shares:	None
Interests in options:	None

Name:	**Mr. Nathan Drona**
Title:	Non-Executive Director
Experience and expertise:	Nathan Drona serves on the Board of Alchemia following a fifteen year career in international investment banking, most recently as Managing Director of Challiss in New York and Sydney. Nathan is experienced in corporate finance and has executed more than 25 global banking and M&A engagements in biotech related fields, leading to the award of the "Pharmaceutical Buy-Side M&A Advisor of the Year" by Frost & Sullivan in 2005. Nathan retired as a non-executive Director of Phosphagenics Limited on 18 May 2016 (ASX: POH) and has been a board member of other public and private companies in Australia and North America. He holds a Master of Business Administration (Finance) from the University of Victoria, British Columbia.
Other current directorships:	None
Former directorships (last 3 years):	Non-Executive Director of Phosphagenics Limited (retired 18 May 2016)
Special responsibilities:	None
Interests in shares:	None
Interests in options:	191,000 unlisted options exercisable at 71 cents on or before the 11 November 2017

Name:	**Mr. David Lamm**
Title:	Non-Executive Director (appointed 7 March 2016)
Experience and expertise:	Mr Lamm is Managing Director and founder of Kentgrove Capital, an investment management firm with a focus on small and micro-cap Australian stocks. He is also currently Executive Chairman of New Guinea Energy Limited (ASX: NGE). Previously, he was portfolio manager at the Alter Family Office, a large Melbourne-based family office. David has a background in investment banking and management consulting with roles at Credit Suisse and Bain & Company where he worked across a broad range of industries. On 4 March 2016, a Notice of Initial Substantial Shareholder (Form 603) was lodged by Kentgrove Capital indicating a holding of 19.9% of the outstanding Alchemia shares.
Other current directorships:	New Guinea Energy Limited (ASX: NGE)
Former directorships (last 3 years):	None
Interests in shares:	64,619,996 fully paid ordinary shares
Interests in options:	None

Name:	**Mr. Ken Poutakidis**
Title:	Non-Executive Chairman (resigned 26 February 2016)
Experience and expertise:	Mr Poutakidis is currently a principal of Dinimus Capital, an advisory firm offering investment services to emerging industrial companies. Mr Poutakidis has over 15 years of experience spanning Corporate Finance and Management Consultancy across Australia and Asia. His expertise lies in capital raising, mergers & acquisitions, corporate advisory, asset divestment and strategy development. He also has sector expertise in healthcare, industrials, engineering and financial services. Prior to joining Dinimus, Mr Poutakidis worked at leading equities firms. He has successfully established and operated his own consultancy firm and held senior roles at major corporations across a range of sectors.

Name:	**Mr. Timothy Hughes**
Title:	Non-Executive Director (retired 8 July 2015)
Experience and expertise:	Tim Hughes has over thirty years' experience in investment banking, funds management and as an institutional investor. His most recent roles were as Investment Counsel at NGS Super and as a commentator on economics and finance for a News Corporation paper. He previously spent thirteen years as a senior executive at Rothschilds where he was a board director and executive committee member. He has a strong track record in business development and strategic thinking and brings a substantial investor focus to the board.

Name:	**Dr. Tracie Ramsdale**
Title:	Non-Executive Director (resigned 29 June 2016)
Experience and expertise:	Tracie Ramsdale is one of the founders of Alchemia and led the Company's development as its General Manager and Chief Executive Officer from 1998 to 2007. Tracie joined the Alchemia Board in July 2003. During her tenure as CEO, Tracie led the development of fondaparinux and Alchemia's drug discovery technology. Prior to establishing Alchemia, Tracie was a Principal Investigator and Commercial Manager of the Centre for Drug Design and Development at the University of Queensland. Tracie is an adjunct Professor at the School of Chemical and Molecular Biosciences, University of Queensland, a member of the Australian Federal Government Advisory Council on Intellectual Property, and a Fellow of the Australian Academy of Technological Sciences and Engineering. Tracie holds a PhD in Biochemistry from the University of Queensland, a Master of Pharmacy from the Victorian College of Pharmacy and a Bachelor of Applied Science (Chemistry) from the Royal Melbourne Institute of Technology. She currently provides independent consulting advice to the biotechnology industry, academia and government.

'Other current directorships' quoted above are current directorships for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

'Former directorships (last 3 years)' quoted above are directorships held in the last 3 years for listed entities only and excludes directorships of all other types of entities, unless otherwise stated.

Company Secretary
Ms Melanie Leydin was appointed Company Secretary on 11 April 2016.

Ms Leydin holds a Bachelor of Business majoring in Accounting and Corporate Law. She is a member of the Institute of Chartered Accountants and is a Registered Company Auditor. She 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.

The practice provides outsourced company secretarial and accounting services to public and private companies specialising in the resources, technology, bioscience and biotechnology sector.

Melanie has over 23 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.

Meetings of directors
The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2016, and the number of meetings attended by each director were:

	Full Board		Nomination and Remuneration Committee		Audit and Risk Committee	
	Attended	Held	Attended	Held	Attended	Held
Simon Gennari	2	2	-	-	-	-
Nathan Drona	22	22	-	-	2	2
David Lamm	2	2	-	-	-	-
Ken Poutakidis	21	21	-	-	1	2
Tracie Ramsdale	22	22	-	-	2	2

Held: represents the number of meetings held during the time the director held office.

Retirement, election and continuation in office of directors
The Board of Directors (Board) has power to appoint persons as Directors to fill any vacancies. Other than those Directors appointed during the year, one third (or the nearest number to) are required to retire by rotation at each annual general meeting and are eligible to stand for re-election together with those Directors appointed during the year to fill any vacancy who must retire and stand for election.

REMUNERATION REPORT (AUDITED)
This Remuneration Report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the Corporations Act 2001 and its Regulations. For the purposes of this report, key management personnel (KMP) are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including all directors.

The remuneration report is set out under the following main headings:
- Principles used to determine the nature and amount of remuneration
- Details of remuneration
- Share-based compensation
- Additional information
- Additional disclosures relating to key management personnel

Remuneration policy
The Remuneration Committee is responsible for the remuneration strategies and initiatives and recommends the nature and amount of remuneration of directors, executives and employees in line with the principles articulated in the Alchemia remuneration policy.

The key principles are:
- Pay competitive salaries to recruit and retain staff with the right skills and experience;
- Reward individuals on the basis of performance so that higher levels of performance attract higher rewards;
- Align rewards of management to those of shareholders; and
- Manage and link the overall cost of remuneration to the ability of the company to pay.

Remuneration structure
For Executives the remuneration structure is in two parts:
- Fixed remuneration comprises base salary, superannuation and other minor benefits provided by the company; and
- Variable remuneration comprises incentives provided as both cash and equity.

Alchemia aims to set fixed remuneration at market levels for positions of comparable responsibility in both industry and academia, based on a formal job evaluation process. This fixed remuneration is supplemented by providing incentives (variable remuneration) to enable top performers to achieve further remuneration based on company performance, team performance and demonstrated individual superior performance.

The key features of incentives to executives & employees are dependent upon the role and responsibilities of the participant. At 30 June 2016 the company did not employ any executives.

Incentives awarded
For the prior year ended 30 June 2015, there was no short term incentives paid to any of the key management personnel, due to the Company's lead asset HA-Irinotecan, failing to meet its primary end point in the Phase III clinical trial as reported in October 2014. There was no short term incentives paid in year ended 30 June 2016.

In addition to the above formal entitlements under the executive and employee incentive schemes, the Board may also allocate options under the Officers and Employees Share Option Scheme to executives. For the year ended 30 June 2016 no options were granted as sign-on options (2015: 1,000,000). The Company has no plans to issue further options to executives and employees at the date of this report.

Relating rewards to performance
Alchemia Limited has operated as a listed public company since December 2003.

The most appropriate measure of companywide performance is considered to be Total Shareholder Return (TSR). For the year ended 30 June 2015, the TSR was -92.7% representing the movement between the opening and closing share price. For the year ended 30 June 2016 the TSR was 243% which includes the movement in the share price for the 12 months to 30 June 2016 plus the capital return paid to Shareholders in January 2016.

Remuneration of Non-Executive Directors
Shareholders approve the maximum aggregate remuneration for Non-Executive Directors. The Remuneration Committee considers the level of remuneration required to attract and retain Directors with the necessary skills and experience for the Alchemia Board. This remuneration is reviewed annually with regard to market practice, relativities and director duties and accountability. The most recent review occurred in March 2016 taking effect 1 May 2016, whereby nonexecutive directors' fees were reduced to be commensurate with the state of affairs of the Group and the effort required going forward.

Non-Executive Directors' fees are determined within an aggregate Director's fee pool limit, which is subject to approval by shareholders at general meetings. The maximum available aggregate remuneration approved for Directors is $750,000, approved by shareholders on 10 November 2014. Prior to this, the maximum fee pool was $500,000, approved by shareholders in 2007. The current annual fees for the Non-Executive Chairman is $37,500 and Non-Executive Director is $25,000.

Details of remuneration

Amounts of remuneration
Details of the remuneration of key management personnel of the consolidated entity are set out in the following tables.

The key management personnel of the consolidated entity consisted of the following directors of Alchemia Limited:
- Simon Gennari (Non-Executive Chairman) (appointed 26 February 2016)
- Nathan Drona (Non-Executive Director)
- David Lamm (Non-Executive Director) (appointed 7 March 2016)
- Ken Poutakidis (Non-Executive Director) (resigned 26 February 2016)
- Tracie Ramsdale (Non-Executive Director) (resigned 29 June 2016)

Executives
- Jenni Pilcher (Chief Financial Officer) (ceased 31 October 2015)

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
	Cash salary and fees	Cash bonus	Non-monetary	Super-annuation	Long service Leave	Equity-Settled (Options)	Total
2016	$	$	$	$	$	$	$
Non-Executive Directors:							
Simon Gennari	19,619	-	-	-	-	-	19,619
Nathan Drona	45,833	-	-	-	-	-	45,833
David Lamm	11,775	-	-	-	-	-	11,775
Ken Poutakidis [1]	46,966	-	-	4,462	-	-	51,428
Tracie Ramsdale [2]	61,005	-	-	4,896	-	-	65,901
Timothy Hughes [3]	1,694	-	-	161	-	-	1,855
Other Key Management Personnel:							
Jenni Pilcher [4]	192,232	-	-	10,596	-	-	202,828
Melanie Leydin [5]	54,500	-	-	-	-	-	54,500
Stephen Denaro [6]	43,020	-	-	-	-	-	43,020
	476,644	-	-	20,115	-	-	496,759

1 Ken Poutakidis resigned as a director on 26 February 2016.
2 Tracie Ramsdale resigned as a director on 29 June 2016.
3 Timothy Hughes retired as Chairman and director on 8 July 2015.
4 Jenni Pilcher ceased as a Chief Financial Officer on 31 October 2015.
Tracey Brown, Mick West, Imran Ahamed were paid remuneration in the year ended 30 June 2015. However, this was accrued as termination payment benefits in 30 June 2015 and disclosed in the 30 June 2015 remuneration reports.
5 Fees paid to Leydin Freyer Corp Pty Ltd, of which Melanie Leydin is a director, in respect of the Company Secretarial and Accounting Services.
6 Stephen Denaro resigned as Company Secretary and Melanie Leydin was appointed on 11 April 2016.

2015	Short-term benefits: Cash salary and fees	Short-term benefits: Non-monetary	Short-term benefits: Other	Post-employment benefits: Super-annuation	Long-term benefits: Long service leave	Share-based payments: Equity-Settled (Options)	Total
	$	$	$	$	$	$	$
Non-Executive Directors:							
Ken Poutakidis [1]	694	-	-	66	-	-	760
Tracie Ramsdale [2]	151,250	-	-	14,369	-	9,404	175,023
Nathan Drona	68,704	-	-	-	-	9,404	78,108
Timothy Hughes [3]	70,000	-	-	6,650	-	9,404	86,054
Santo Costa [4]	113,424	-	-	-	-	-	113,424
Susan Kelly	65,626	-	-	-	-	9,404	75,030
Other Key Management Personnel:							
Jenni Pilcher [5]	239,808	-	-	22,782	-	33,825	296,415
Tracey Brown	225,430	-	-	22,393	4,928	4,931	257,682
Wim Meutermans	214,695	-	-	21,311	(2,054)	3,036	236,988
Mike West [7]	208,915	-	107,347	19,654	(3,501)	3,461	335,876
Imran Ahamed [7]	180,019	-	92,500	16,711	-	3,055	292,285
Goslik Schepers [8]	108,688	-	-	10,431	-	2,978	122,097
Thomas Liquard [9]	157,629	-	175,000	12,236	-	(17,034)	327,831
	1,804,882	-	374,847	146,603	(627)	71,868	2,397,573

1 Ken Poutakidis appointed to the board on 26 June 2015, and appointed to the role of Chairman 9 July 2015.
2 Tracie Ramsdale performed an Executive Director role for the period 10 November to 30 June 2015, and was a non- executive director at all other times during the current and previous financial years.
3 Timothy Hughes retired 8 July 2015.
4 Santo Costa retired on 10 June 2015.
5 Jenni Pilcher appointed 1 September 2014.
6 Termination benefits to be earned in the next financial year have been provided for through a restructuring provision.
7 Mike West and Imran Ahamed ceased employment 17 June 2015, termination benefits were paid in July 2015.
8 Goslik Schepers ceased employment 19 December 2014.
9 Thomas Liquard appointed 24 February 2014 and ceased employment 10 November 2014, on which date he forfeited his options and any previously recognised expense is shown as a negative remuneration item.

The proportion of remuneration linked to performance and the fixed proportion are as follows:

	Fixed remuneration		At risk - STI		At risk - LTI	
Name	2016	2015	2016	2015	2016	2015
Non-Executive Directors:						
Ken Poutakidis	100%	100%	-	-	-	-
Tracie Ramsdale	100%	95%	-	-	-	5%
Nathan Drona	100%	88%	-	-	-	12%
Timothy Hughes	100%	89%	-	-	-	11%
Santo Costa	-	100%	-	-	-	-
Susan Kelley	-	88%	-	-	-	12%
Key Management Personnel:						
Jenni Pilcher	100%	89%	-	-	-	11%
Tracey Brown	-	98%	-	-	-	2%
Wim Meutermans	-	99%	-	-	-	1%
Michael West	-	99%	-	-	-	1%
Imran Ahamed	-	99%	-	-	-	1%
Goslick Schepers	-	98%	-	-	-	2%
Thomas Liquard	-	98%	-	-	-	2%

Share-based compensation

Issue of shares
There were no shares issued to directors and other key management personnel as part of compensation during the year ended 30 June 2016.

Options
There were no options over ordinary shares issued to directors and other key management personnel as part of compensation that were outstanding as at 30 June 2016.

The number of options over ordinary shares granted to and vested by directors and other key management personnel as part of compensation during the year ended 30 June 2016 are set out below:

Name	Number of options granted during the year 2016	Number of options granted during the year 2015	Number of options vested during the year 2016	Number of options vested during the year 2015
Nathan Drona	-	-	-	191,000
Tracie Ramsdale	-	-	-	191,000
Susan Kelley	-	-	-	191,000
Timothy Hughes	-	-	-	191,000
Jenni Pilcher	-	1,000,000	-	-
Tracey Brown	-	-	-	255,000
Michael West	-	-	-	179,000
Wim Meutermans	-	-	-	157,000
I Ahamed	-	-	-	158,000
G Schepers	-	-	-	154,000

Additional information

The earnings of the consolidated entity for the five years to 30 June 2016 are summarised below:

	2016 $	2015 $	2014 $'000	2013 $'000	2012 $'000
Revenue	25,298,976	11,925,954	14,699	24,297	726
Net profit/(loss) before tax	22,077,497	(17,827,368)	(6,614)	(5,043)	(15,481)
Net profit/(loss) after tax	21,425,996	(15,815,244)	(6,924)	(4,470)	(14,083)

The factors that are considered to affect total shareholders return ('TSR') are summarised below:

	2016	2015	2014	2013	2012
Share price at financial year start ($)	0.037	0.51	0.32	0.45	0.61
Share price at financial year end ($)	0.01	0.037	0.51	0.32	0.45
Basic earnings per share (cents per share)	6.6	(4.9)	(2.1)	(1.6)	(6.2)
Diluted earnings per share (cents per share)	6.6	(4.9)	(2.1)	(1.6)	(6.2)

Additional disclosures relating to key management personnel

Shareholding

The number of shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
David Lamm [1]	-	-	64,691,996	-	64,691,996
Tracie Ramsdale [2]	1,303,819	-	-	(1,303,819)	-
Tracey Brown [3]	558,064	-	-	(558,064)	-
Wim Meutermans [4]	392,542	-	-	(392,542)	-
	2,254,425	-	64,691,996	(2,254,425)	64,691,996

1 David Lamm appointed on 7 March 2016

2 Tracie Ramsdale resigned on 29 June 2016

3 Tracy Brown ceased employment on 31 October 2015

4 Wim Meutermans ceased employment on 10 July 2015

Option holding
The number of options over ordinary shares in the company held during the financial year by each director and other members of key management personnel of the consolidated entity, including their personally related parties, is set out below:

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Tracie Ramsdale	191,000	-	-	(191,000)	-
Susan Kelley	191,000	-	-	(191,000)	-
Timothy Hughes	191,000	-	-	(191,000)	-
Jenni Pilcher	1,000,000	-	-	(1,000,000)	-
Terence Brown	957,250	-	-	(957,250)	-
Michael West	670,500	-	-	(670,500)	-
Wim Meutermans	578,250	-	-	(578,250)	-
Imran Ahamed	653,000	-	-	(653,000)	-
G Scherpers	304,000	-	-	(304,000)	-
Nathan Drona	191,000	-	-	-	191,000
	4,927,000	-	-	(4,736,000)	191,000

	Vested and exercisable	Vested and unexercisable	Balance at the end of the year
Options over ordinary shares			
Nathan Drona	191,000	-	191,000
	191,000	-	191,000

This concludes the remuneration report, which has been audited.

Shares under option
Unissued ordinary shares of Alchemia Limited under option at the date of this report are as follows:

Grant date	Expiry date	Exercise price	Number under option
11 November 2013	11 November 2017	$0.715	191,000

No person entitled to exercise the options had or has any right by virtue of the option to participate in any share issue of the company or of any other body corporate.

Shares issued on the exercise of options
There were no ordinary shares of Alchemia Limited issued on the exercise of options during the year ended 30 June 2016 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified each Director referred to in this report, the Company Secretary and previous Directors and secretaries (Officers) against all liabilities or loss (other than to the Company or a related body corporate) that may arise from their position as officers of the Company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith or indemnification is otherwise not permitted under the Corporations Act. The indemnity stipulates that the Company will meet the full amount of such liabilities, including costs and expenses, and covers a period of seven years after ceasing to be an Officer of the Company.

The Company has also indemnified the current and previous Directors of its controlled entities and certain members of the Company's senior management for all liabilities and loss (other than to the Company or a related body corporate) that may arise from their position, except where the liability arises out of conduct involving lack of good faith or indemnification is otherwise not permitted under the Corporations Act.

The Company has executed deeds of indemnity in terms of Article 27 in favour of each Non-Executive Director of the Company and certain Non-Executive Directors of related bodies corporate of the Company as well as with the Company Secretary.

The Company has paid insurance premiums in respect of Directors' and Officers' liability insurance contracts, for Officers of the Company and of its controlled entities. The Insurance cover is on standard industry terms and provides cover for loss and liability for wrongful acts in relation to the relevant person's role as an officer, except that cover is not provided for loss in relation to Officers gaining and profit or advantage to which they were not legally entitled, or Officers committing any criminal dishonest, fraudulent or malicious act or omission or any knowing or wilful violation of any statute or regulation. Cover is also only provided for fines and penalties in limited circumstances and up to a small financial limit.

The insurance does not provide cover for the independent auditors of the Company or of a related body corporate of the Company.

In accordance with the usual commercial practice, the insurance contract prohibits disclosure of details of the nature of the liabilities covered by the insurance, the limit of indemnity and the amount of the premium paid under the contract.

Indemnity and insurance of auditor

The company has not, during or since the end of the financial year, indemnified or agreed to indemnify the auditor of the company or any related entity against a liability incurred by the auditor.

During the financial year, the company has not paid a premium in respect of a contract to insure the auditor of the company or any related entity.

Proceedings on behalf of the company

No person has applied to the Court under section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

Non-audit services

Details of the amounts paid or payable to the auditor for non-audit services provided during the financial year by the auditor are outlined in note 22 to the financial statements.

Officers of the company who are former partners of Grant Thornton Australia

There are no officers of the company who are former partners of Grant Thornton Australia.

Rounding of amounts

The Parent Entity has applied the relief available to it under ASIC Corporations (Rounding in Financials/Directors' Reports) Instrument 2016/191 and accordingly, amounts in the financial statements and the directors' report has been rounded off to the nearest dollar.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

Auditor

Grant Thornton Audit Pty Ltd continues in office in accordance with section 327 of the Corporations Act 2001.

This report is made in accordance with a resolution of directors, pursuant to section 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Simon Gennari
Non-Executive Chairman
30 August 2016

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Auditor's Independence Declaration
To the Directors of Alchemia Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Alchemia Limited for the year ended 30 June 2016, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M.A.Cunningham
Partner - Audit & Assurance

Melbourne, 30 August 2016

Alchemia Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Revenue			
Share of profits of associates accounted for using the equity method	5	-	5,582,843
Other income	6	158,076	432,680
Grant revenue & R&D tax incentive refunds	6	361,305	5,746,251
Interest revenue		140,476	164,180
Sale of Fondaparinux	6	24,639,119	-
Expenses			
Share based payment expense		-	(82,604)
Business development		(25,824)	(114,004)
Payroll and staff expenses	7	(558,723)	(3,830,257)
Onerous contracts	7	-	(550,000)
Depreciation and amortisation expense	7	(162,279)	(786,937)
Research and development costs		(1,018,783)	(9,004,188)
Rent and occupancy expense		(91,017)	(544,250)
Administration and corporate expenses		(1,082,811)	(2,077,061)
Impairment charge	7	-	(12,764,021)
Other expenses		(282,042)	-
Profit/(loss) before income tax (expense)/benefit from continuing operations		22,077,497	(17,827,368)
Income tax (expense)/benefit	8	(651,501)	2,936,625
Profit/(loss) after income tax (expense)/benefit from continuing operations		21,425,996	(14,890,743)
Loss after income tax expense from discontinued operations	9	-	(924,501)
Profit/(loss) after income tax (expense)/benefit for the year attributable to the owners of Alchemia Limited		21,425,996	(15,815,244)
Other comprehensive income/(loss) for the year, net of tax		-	-
Total comprehensive income/(loss) for the year attributable to the owners of Alchemia Limited		21,425,996	(15,815,244)
		Cents	**Cents**
Basic earnings per share	28	6.6	(4.9)
Diluted earnings per share	28	6.6	(4.9)

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

Alchemia Limited
Statement of financial position
As at 30 June 2016

	Note	Consolidated 2016 $	2015 $
Assets			
Current assets			
Cash and cash equivalents	10	1,873,917	5,020,970
Trade and other receivables	11	646,869	8,074,377
Short term deposits	12	-	116,601
Prepayments		417,392	605,207
Total current assets		2,938,178	13,817,155
Non-current assets			
Property, plant and equipment	13	-	162,279
Deferred tax	8	-	652,889
Total non-current assets		-	815,168
Total assets		2,938,178	14,632,323
Liabilities			
Current liabilities			
Trade and other payables	15	201,503	780,138
Current tax liability	8	-	61,295
Provisions	16	-	2,279,525
Total current liabilities		201,503	3,120,958
Non-current liabilities			
Deferred tax	8	-	1,388
Total non-current liabilities		-	1,388
Total liabilities		201,503	3,122,346
Net assets		2,736,675	11,509,977
Equity			
Issued capital	17	121,294,523	151,493,821
Reserves	18	5,680,436	5,680,436
Accumulated losses		(124,238,284)	(145,664,280)
Total equity		2,736,675	11,509,977

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

Alchemia Limited
Statement of changes in equity
For the year ended 30 June 2016

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated Losses $**	**Total equity $**
Balance at 1 July 2014	151,301,735	5,597,376	(129,849,036)	27,050,075
Loss after income tax benefit for the year	-	-	(15,815,244)	(15,815,244)
Other comprehensive income/(loss) for the year, net of tax	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	(15,815,244)	(15,815,244)
Transactions with owners in their capacity as owners:				
Share-based payments (note 18)	-	83,060	-	83,060
Issuance of shares - executive and employee incentive plans shares (note 17)	192,086	-	-	192,086
Balance at 30 June 2015	151,493,821	5,680,436	(145,664,280)	11,509,977

Consolidated	**Issued capital $**	**Reserves $**	**Accumulated Losses $**	**Total equity $**
Balance at 1 July 2015	151,493,821	5,680,436	(145,664,280)	11,509,977
Profit after income tax expense for the year	-	-	21,425,996	21,425,996
Other comprehensive income/(loss) for the year, net of tax	-	-	-	-
Total comprehensive income/(loss) for the year	-	-	21,425,996	21,425,996
Capital return to shareholders (note 17)	(30,199,298)	-	-	(30,199,298)
Balance at 30 June 2016	121,294,523	5,680,436	(124,238,284)	2,736,675

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

Alchemia Limited
Statement of cash flows
For the year ended 30 June 2016

	Note	Consolidated 2016 $	Consolidated 2015 $
Cash flows from operating activities			
Receipts from grants & tax incentives		6,068,781	6,531,739
Receipts from profit share income		1,749,042	5,823,046
Payments to suppliers and employees		(5,819,850)	(18,851,076)
Other income received		158,076	154,192
Interest received		140,476	169,849
Net cash from/(used in) operating activities	29	2,296,525	(6,172,250)
Cash flows from investing activities			
Payments for property, plant and equipment	13	-	(2,219)
Proceeds from sale of fondaparinux		24,639,119	-
Proceeds from sale of equipment		-	114,766
Redemption of short term deposits		116,601	3,000,000
Net cash from investing activities		24,755,720	3,112,547
Cash flows from financing activities			
Payments for Capital return to shareholders	17	(30,199,298)	-
Net cash used in financing activities		(30,199,298)	-
Net decrease in cash and cash equivalents		(3,147,053)	(3,059,403)
Cash and cash equivalents at the beginning of the financial year		5,020,970	7,949,152
Net foreign exchange difference relating to cash		-	131,221
Cash and cash equivalents at the end of the financial year	10	1,873,917	5,020,970

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

Note 1. General information

The financial statements cover Alchemia Limited as a consolidated entity consisting of Alchemia Limited and the entities it controlled at the end of, or during, the year. The financial statements are presented in Australian dollars, which is Alchemia Limited's functional and presentation currency.

Alchemia Limited is a listed public company limited by shares, incorporated and domiciled in Australia, whose shares are publicly traded on the Australian stock exchange.

A description of the nature of the consolidated entity's operations and its principal activities are included in the Directors' Report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 30 August 2016.

Note 2. Significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

New, revised or amending Accounting Standards and Interpretations adopted

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

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

Going Concern

The financial report has been prepared on the going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

The working capital position as at 30 June 2016 of the consolidated entity results in an excess of current assets over current liabilities of $2,736,675 (30 June 2015: $10,696,196). The consolidated entity made a profit after tax of $21,425,996 during the financial year (2015: $15,815,244 Loss) and had net operating cash inflows of $2,296,525 (2015: Outflow $6,172,250). The cash balance as at 30 June 2016 was $1,873,917 (30 June 2015: $5,020,970).

The Directors continue to monitor the ongoing funding requirements of the consolidated entity. The Directors are the consolidated entity will to continue be as a going concern and as such are of the opinion that the financial report has been appropriately prepared on a going concern basis.

Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the Corporations Act 2001, as appropriate for for-profit oriented entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

Management has prepared an assessment of the Group’s ability to meet its debts as and when they fall due. This assessment includes forecasting committed expenditure and research and development incentive refunds. This assessment has demonstrated the Group has sufficient funds to meet the obligations of the Group as and when they fall due. In addition, there are no formal plans to liquidate or wind-up the Group. Accordingly, the Directors have prepared these financial statements on the going concern basis.

For the purposes of preparing financial statements, Alchemia Limited is a for-profit entity.

Historical cost convention

The financial statements have been prepared under the historical cost convention, except for, where applicable, the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, investment properties, certain classes of property, plant and equipment and derivative financial instruments.

Note 2. Significant accounting policies (continued)

Critical accounting estimates
The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Parent entity information
In accordance with the Corporations Act 2001, these financial statements present the results of the consolidated entity only. Supplementary information about the parent entity is disclosed in Note 25.

Basis of consolidation
The consolidated financial statements comprise the financial statements of Alchemia Limited and its subsidiaries (the Group) as at 30 June each year. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
Exposure, or rights, to variable returns from its involvement with the investee, and
The ability to use its power over the investee to affect its returns

- When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- Rights arising from other contractual arrangements

- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary. Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies.

The financial statements of the subsidiaries are prepared for the same reporting period as Alchemia Limited, the parent company, using consistent accounting policies. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group’s accounting policies. All intercompany balances and transactions, income and expenses and profit and losses resulting from intra-group transactions have been eliminated in full.

Investments in subsidiaries held by Alchemia Limited are accounted for at cost in the parent entity less any impairment charges.

Note 2. Significant accounting policies (continued)

Operating segments
An operating segment is a component of an entity that engages in business activities from which it may earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the entity's chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available. This includes start-up operations which are yet to earn revenues. Management will also consider other factors in determining operating segments such as the existence of a line manager and the level of segment information presented to the board of directors. Operating segments have been identified based on the information provided to the chief operating decision makers – being the executive management team.

The group aggregates two or more operating segments when they have similar economic characteristics, and the segments are similar in each of the following respects:

- Nature of the production processes;
- Type or class of customer for the products and services;
- Methods used to distribute the products or provide the services; and if applicable
  Nature of the regulatory environment;

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements. Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

Foreign currency translation
The financial statements are presented in Australian dollars, which is Alchemia Limited's functional and presentation currency.

Functional and presentation currency
The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. As at 30 June 2016, the functional currency of the subsidiaries, have been determined to be Australian dollars.

Transactions and balances
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities are denominated in foreign currencies are retranslated at the rate of exchange ruling at the statement of financial position date. All differences arising on settlement or translation of monetary items are taken to the income statement.

Translation of group companies' functional currency to presentation currency
As at the reporting date, the assets and liabilities of Audeo Oncology Inc. are translated into the presentation currency of Alchemia Limited at the rate of exchange ruling at the reporting date and its statement of comprehensive income is translated at the weighted average exchange rate for the year. The exchange differences arising on translation for consolidation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the income statement.

Revenue recognition
Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised:

Interest revenue
Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

Note 2. Significant accounting policies (continued)

Grant revenue
Revenue is recognised as per Note 2 Government grants and R&D tax incentive refunds

Income tax
Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences except when:
- The deferred income tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and that, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.
- The taxable temporary difference is associated with investments in subsidiaries and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised, except when:

The deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

The deductible temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary difference will reverse in the foreseeable future and taxable profit will be available against which the temporary difference can be utilised.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxation authority.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the tax consolidated group. The tax funding arrangement ensures that the intercompany charge equals the current tax liability or benefit of each tax consolidated group member, resulting in neither a contribution by the head entity to the subsidiaries nor a distribution by the subsidiaries to the head entity.

Note 2. Significant accounting policies (continued)

Other taxes
Revenues, expenses and assets are recognised net of the amount of GST except when:

- The GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

Non-current assets (or disposal groups) held for sale and discontinued operations
The Group classifies non-current assets and disposal groups as held for sale or for distribution to equity holders of the parent if their carrying amounts will be recovered principally through sale or a distribution rather than through continuing use and a sale is considered highly probable in accordance with criteria specified in AASB 5. Such non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement. Costs to sell are the incremental costs directly attributable to the sale or distribution, excluding the finance costs and income tax expense.

The non-current assets and disposal groups are classified as held for sale when the asset or disposal group is available for immediate sale or distribution in its present condition, and its sale is highly probably as evidenced by the following criteria:

- Management are committed to a plan to sell the asset;
- Management have initiated an active program to locate a buyer and complete the sale plan;
- The asset must be actively marketed for sale at a price that is reasonable in relation to its current fair value;
- The sale should be expected to qualify for recognition as a completed sale within one year;
- Actions required to complete the sale or distribution should indicate that it is unlikely that significant changes to the sale or distribution will be made or that the decision to sell or distribute will be withdrawn.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Assets and liabilities classified as held for sale or distribution are presented separately as current items in the statement of financial position.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations. The results of discontinued operations are presented separately in the income statement.

Note 2. Significant accounting policies (continued)

Government grants and R&D tax incentive refunds
Government grants, with the exception of research and development tax incentive refunds, are recognised as deferred revenue when the grant is received. Research and development tax incentive refunds are accrued for in the same period as the expenditure forming the basis of the refund and where there is reasonable assurance that the refund will be received and all attached conditions will be complied with.

When the grant relates to an expense item (eg. research and development grants), it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate. It is not credited directly to shareholders' equity.

When the grant relates to an asset, the fair value is credited to a deferred income account and is released to the statement of comprehensive income over the expected useful life of the relevant asset by equal annual instalments.

The amounts shown in the statement of financial positions under the deferred revenue account represent grant funding received for which the related expenditure had not been incurred at the reporting date.

Current and non-current classification
The Group presents assets and liabilities in statement of financial position based on current/non-current classification.

An asset as current when it is:

- Expected to be realised or intended to sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled within the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents
Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Trade and other receivables
Trade receivables, which generally have 0-30 day terms, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less an allowance for impairment.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that the Group will not be able to collect the receivable

Note 2. Significant accounting policies (continued)

Investments and other financial assets
Investments and financial assets in the scope of AASB 139 Financial Instruments: Recognition and Measurement are categorised as loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Designation is re-evaluated at each financial year end, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

Recognition and de-recognition
All regular way purchases and sales of financial assets are recognised on the trade date i.e., the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the right to receive cash flows from the financial assets have expired or been transferred.

Held-to-maturity investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held to-maturity when the Group has the positive intention and ability to hold to maturity. All of the Group’s term deposits are captured by this category and are carried at cost and are included in current assets

Loans and receivables
Any diminution in value is recognised in profit or loss when the loans and receivables are derecognised or impaired. These are included in current assets, except for those with maturities greater than 12 months after balance date, which are classified as non-current. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: using recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models making as much use of available and supportable market data as possible and keeping judgmental inputs to a minimum.

Impairment of financial assets
The Group assesses, at each reporting date, whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and when observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

If, in a subsequent year, the fair value of financial asset increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through the profit or loss.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement only if it is eligible for capitalisation. All other repairs and maintenance are recognised in profit or loss as incurred.

Asset Class	**Estimated Life**
Plant and equipment	3-8 years

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Note 2. Significant accounting policies (continued)

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic are expected from its use or disposal.

Goodwill and Intangibles

Goodwill
Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units), to which the goodwill relates.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

When the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. When goodwill forms part of a cash-generating unit (group of cash generating units) and an operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.Goodwill disposed of in this manner is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment losses recognised for goodwill are not subsequently reversed.

Intangibles
Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over their useful life and tested for impairment whenever there is an indication that the intangible asset maybe impaired (see note 3 for methodology). The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on intangible assets with finite lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level consistent with the methodology outlined for goodwill above. Such intangibles are not amortised.

The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

Note 2. Significant accounting policies (continued)

Research and development costs
Research costs are expensed as incurred. An intangible asset arising from development expenditure on an internal project is recognised only when the group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the development and the ability to measure reliably the expenditure attributable to the intangible asset during its development. Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure so capitalised is amortised over the period of expected benefits from the related project.

The carrying value of an intangible asset arising from development expenditure is tested for impairment annually when the asset is not yet available for use or more frequently when an indication of impairment arises during the reporting period.

Impairment of non-financial assets other than goodwill
Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored to assess for indicators of impairment. If any indication of impairment exists,an estimate of the asset’s recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are tested for possible reversal of the impairment whenever events or changes in circumstances indicate that the impairment may have reversed.

Trade and other payables
Trade payables and other payables are carried at amortised cost due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. These amounts are unsecured and are usually paid within 30 days of recognition.

Leases
The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a lessee
Operating lease payments are recognised as an expense in the statement of comprehensive income on a straight-line basis over the lease term. Operating lease incentives are recognised in the statement of comprehensive income as an integral part of the total lease expense.

Note 2. Significant accounting policies (continued)

Provisions
Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date using a discounted cash flow methodology. The risks specific to the provision are factored into the cash flows and as such a risk-free government bond rate relative to the expected life of the provision is used as a discount rate.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the time value of money and the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Restructuring provisions
Restructuring provisions are recognised by the Group only when a detailed formal plan identifies the business or part of the business concerned, the location and number of employees affected, a detailed estimate of the associated costs and an appropriate timeline, and the employees affected have been notified of the plan's main features.

Onerous contracts
A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with the contract.

Employee benefits

Wages, salaries, annual leave and sick leave
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Expenses for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

Long service leave
The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expect future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on the applicable corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

Note 2. Significant accounting policies (continued)

Share-based payments transactions

The Company provides benefits to employees (including key management personnel and contractors) in the form of share-based payment transactions, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

There are currently two plans in place to provide these benefits:

- The executive and staff incentive plan, which provides benefits to all employees; and
- The employee share option plan, which provides benefits to all employees and directors.

Details of the executive and staff incentive plan are set out in the Remuneration Report.

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value measured at grant date takes into account market performance conditions only, and spread over the vesting period during which the employees becomes unconditionally entitled to the options.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Alchemia Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the award (the vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the statement of comprehensive income is the product of: (i) the grant date fair value of the award; (ii) the current best estimate of the number of awards that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met; and (iii) the expired portion of the vesting period. This opinion is formed based on the best available information at balance date.

Equity-settled awards granted by Alchemia Limited to employees of subsidiaries are recognised in the parent's separate financial statements as an additional investment in the subsidiary with a corresponding credit to equity. As a result, the expense recognised in Alchemia Limited in relation to equity-settled awards only represents the expense associated with grants to employees of the parent. The expense recognised by the Group is the total expense associated with all such awards.

Until an award has vested, any amounts recorded are contingent and will be adjusted if more or fewer awards vest than were originally anticipated to do so. Any award subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are settled.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

If an equity award is cancelled by forfeiture and the vesting conditions have not been met, any expense not yet recognised (i.e. unamortised) for that award, as at the date of forfeiture, is treated as if it had never been recognised. As a result, the expense recognised (i.e. amortised) on such cancelled equity awards are reversed from the accounts effective as at the date of forfeiture

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

Note 2. Significant accounting policies (continued)

Fair value is measured using the assumptions that market participants would use when pricing the asset or liability, assuming they act in their economic best interests. For non-financial assets, the fair value measurement is based on its highest and best use. Valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, are used, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Contributed Equity
Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share
Basic earnings per share is calculated as net profit or loss attributable to members of the parent and divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share
Diluted earnings per share is calculated as net profit or loss attributable to members of the parent, divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

Goods and Services Tax ('GST') and other similar taxes
Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the tax authority. In this case it is recognised as part of the cost of the acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the tax authority is included in other receivables or other payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the tax authority, are presented as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the tax authority.

Rounding of amounts
Alchemia Limited is a type of Company referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and therefore the amounts contained in this report and in the financial report have been rounded to the nearest dollar.

New Accounting Standards and Interpretations not yet mandatory or early adopted
Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet mandatory, have not been early adopted by the consolidated entity for the annual reporting period ended 30 June 2016. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 2. Significant accounting policies (continued)

AASB 9 Financial Instruments
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard replaces all previous versions of AASB 9 and completes the project to replace IAS 39 'Financial Instruments: Recognition and Measurement'. AASB 9 introduces new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost, if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows, which arise on specified dates and solely principal and interest. All other financial instrument assets are to be classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading) in other comprehensive income ('OCI'). For financial liabilities, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements will use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment will be measured under a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. The standard introduces additional new disclosures. The impact of the adoption of the standard is yet to be assessed by the consolidated entity in detail but its adoption is not expected to have a material impact on the Consolidated Entity.

AASB 15 Revenue from Contracts with Customers
This standard is applicable to annual reporting periods beginning on or after 1 January 2018. The standard provides a single standard for revenue recognition. The core principle of the standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard will require: contracts (either written, verbal or implied) to be identified, together with the separate performance obligations within the contract; determine the transaction price, adjusted for the time value of money excluding credit risk; allocation of the transaction price to the separate performance obligations on a basis of relative stand-alone selling price of each distinct good or service, or estimation approach if no distinct observable prices exist; and recognition of revenue when each performance obligation is satisfied. Credit risk will be presented separately as an expense rather than adjusted to revenue. For goods, the performance obligation would be satisfied when the customer obtains control of the goods. For services, the performance obligation is satisfied when the service has been provided, typically for promises to transfer services to customers. For performance obligations satisfied over time, an entity would select an appropriate measure of progress to determine how much revenue should be recognised as the performance obligation is satisfied. Contracts with customers will be presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Sufficient quantitative and qualitative disclosure is required to enable users to understand the contracts with customers; the significant judgements made in applying the guidance to those contracts; and any assets recognised from the costs to obtain or fulfil a contract with a customer. The impact of the adoption of the standard is yet to be assessed by the consolidated entity in detail but its adoption is not expected to have a material impact on the Consolidated Entity.

Note 3. Critical accounting judgements, estimates and assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements, estimates and assumptions on historical experience and on other various factors, including expectations of future events, management believes to be reasonable under the circumstances. The result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

Note 3. Critical accounting judgements, estimates and assumptions (continued)

Recovery of deferred tax assets
Deferred tax assets are recognised for deductible temporary differences as to the extent management consider that it is probable that future taxable profits will be available to utilise those temporary differences. During the previous year, a deferred tax asset had been recognized in the parent company, Alchemia Limited, for deductible temporary differences which are expected to be realised in this income tax year only. These have been recognized on the basis of management's projections that this entity will have sufficient taxable income this year to utilise these deferred tax assets. The deferred tax assets recognized had been limited to one year only, on the basis that the entity's ability to generate taxable income beyond the previous year was uncertain at the time as it largely relied on its revenues from fondaparinux which was marketed by our partner, Dr. Reddy's, and has subsequently been sold. This entity had reported taxable income for the previous two years, and therefore had recently demonstrated an ability to generate taxable income.
The Group is not consolidated for tax purposes, so every entity is assessed individually.

Taxation
The Group's accounting policy for taxation requires management's judgement as to the types of arrangements considered to be a tax on income in contrast to an operating cost. Judgement is also required in assessing whether deferred tax assets and certain deferred tax liabilities are recognised on the statement of financial position. Deferred tax assets, including those arising from un-recouped tax losses, capital losses and temporary differences, are recognised only where it is considered more likely than not that they will be recovered, which is dependent on the generation of sufficient future taxable profits.

Assumptions about the generation of future taxable profits depends on management's estimates of future cash flows. These depend on estimates of future fondaparinux sales volumes, operating costs, capital expenditure, dividends and other capital management transactions.

Judgements are also required about the application of income tax legislation. These judgements and assumptions are subject to risk and uncertainty, hence there is a possibility that changes in circumstances will alter expectations, which may impact the amount of deferred tax assets and deferred tax liabilities recognised on the statement of financial position and the amount of other tax losses and temporary differences not yet recognised. In such circumstances, some or all of the carrying amounts of recognised deferred tax assets and liabilities may require adjustment, resulting in a corresponding credit or charge to the statement of comprehensive income.

Impairment of goodwill and intangibles with indefinite useful lives
The Group determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimation of the recoverable amount of the cash-generating units to which the goodwill and intangibles with indefinite useful lives are allocated. Whilst there were a number of potential cash generating streams for Group, those all arose from the central technology platform HyACT and were inseparable from it at the time of acquisition. Accordingly, goodwill that arose from the acquisition of Meditech is attributed to the HyACT technology only and does not seek to arbitrarily allocate its value to the numerous potential commercial applications of this technology.

The periodic impairment review of intangibles (both with definite and indefinite lives) and goodwill, in the first instance is based upon an assessment of market changes in technology or cancer treatment protocols which would likely have a negative impact on the commercialisation of the Group's HyACT technology, making it potentially uncompetitive or redundant.

Share-based payment transactions
The Group measures the cost of equity-settled share-based payments at fair value at the grant date using the Black Scholes formula taking into account the terms and conditions upon which the instruments were granted.

Note 4. Operating segments

Identification of reportable operating segments
For the year ended 30 June 2015 the Group was organised into two separate business units for management reporting purposes. The business activities of Alchemia Limited comprised of the commercialisation and improvements of its generic Fondaparinux product. The business activities of Audeo Oncology, Inc. comprised of the development and commercialisation of the HyACT platform, the oncology business and the VAST drug discovery platform.

For the year ended 30 June 2016, the VAST technology was disclosed as a discontinued operation and therefore is not included within the 2015 segment note.

For the year 30 June 2016, the Group for management reporting purposes has now been organised into one business unit. This is due to the sale its business segment of Fondaparinux and only operation being the development and commercialisation of the HyACT platform.

Operating segment information

Consolidated - 2015	Fondaparinux $	HyACT $	Eliminations $	Total $
Revenue				
Other revenues	6,228,314	5,696,724	-	11,925,038
Total revenue	6,228,314	5,696,724	-	11,925,038
Depreciation and amortisation	(20,950)	(765,959)	-	(786,909)
Impairment of IP, goodwill and PP&E	(6,672)	(12,756,856)	-	(12,763,528)
Payroll and staff expenses	(1,180,130)	(2,649,549)	-	(3,829,679)
Business developments	-	(114,301)	-	(114,301)
R&D costs	(62,969)	(8,941,491)	-	(9,004,460)
Administrative and corporate expenses	(1,675,973)	(400,873)	-	(2,076,846)
Rent and occupancy costs	(653,740)	(440,117)	-	(1,093,857)
Share based payment expense	(57,470)	(25,590)	-	(83,060)
Provision for Intercompany loans	(8,786,467)	-	8,786,467	-
Profit/(loss) before income tax expense	(6,216,057)	(20,398,012)	8,786,467	(17,827,602)
Income tax expense				2,936,625
Profit after income tax expense				14,890,977
Assets				
Segment assets	7,804,124	8,980,658	(2,805,621)	13,979,161
Total assets				13,979,161
Liabilities				
Segment liabilities	1,713,200	28,296,514	(27,180,029)	(2,829,685)
Total liabilities				(2,829,685)

Note 5. Share of profits of associates accounted for using the equity method

	Consolidated 2016 $	Consolidated 2015 $
Share of profit - associates	-	5,582,843

Note 6. Revenue

	Consolidated	
	2016	**2015**
	$	**$**
Other Income		
Other Income [1]	158,076	11,841
Gain on sale of fixed assets	-	120,943
Rental Income	-	102,000
Net foreign currency gains	-	197,896
Total other Income	158,076	432,680
Sale of Fondaparinux [2]	24,639,119	-
Grant revenue & R&D tax incentive refunds [3]	361,305	5,746,251

[1] Other Income predominately relates to the VAST Bioscience agreement which had an upfront payment of $110,000.
[2] On 18 November 2015 the company completed the sale of its worldwide exclusive intellectual property rights to fondaparinaux sodium to Dr. Reddy's Laboratories for USD17.5 million.
[3.] Relates to research and development tax incentive refunds.

Note 7. Expenses

	Consolidated	
	2016	**2015**
	$	**$**
Profit/(loss) before income tax from continuing operations includes the following specific expenses:		
Depreciation		
Property, plant and equipment	162,279	123,821
Amortisation		
Patents	-	663,116
Total depreciation and amortisation	162,279	786,937
Impairment		
Patents	-	6,953,527
Goodwill	-	5,787,021
Property ,plant and equipment	-	23,473
Total impairment	-	12,764,021
Onerous contracts charge		
Onerous contracts charge on property lease	-	550,000
Employee salary and benefit expense		
Defined contribution superannuation expense	44,153	266,767
Salary and employee benefit expenses	514,570	3,563,490
Total employee salary and benefit expense	558,723	3,830,257

Note 8. Income tax expense/(benefit)

	Consolidated 2016 $	Consolidated 2015 $
(a)Income tax expense:		
Current Income tax on profits	-	61,295
Prior year adjustment to deferred tax	126,084	-
(Increase)/decrease in deferred tax assets	526,805	(652,889)
(Decrease)/Increase in deferred tax liabilities	(1,388)	(2,283,736)
	651,501	(2,875,330)
Income tax expense/(benefit)	651,501	(2,875,330)
(b)Reconciliation of income tax expense/(benefit) and tax at the statutory rate		
Profit/(loss) from continuing operations before income tax (expense)	-	(17,827,589)
Profit/(loss) from discontinued operations before income tax expense	22,077,886	(862,872)
	22,077,886	(18,690,461)
Tax at the statutory tax rate of 30%	6,623,366	(5,607,138)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
R&D Grant income not assessable for Income tax Purposes	(108,392)	(1,919,865)
Share based payments for employee share option plan	-	24,118
Entertainment	-	1,343
Impairment charge for goodwill	-	1,736,126
Research and Development	240,870	4,209,421
Other	3,389	-
Sub-total	6,759,233	(1,555,995)
Temporary differences not recognised during the current year	(1,786,283)	(162,724)
Previously unrecognised temporary differences recognised in the current year	-	(652,890)
Previously recognised temporary differences recognised in the current year	525,417	-
Prior year adjustment	126,084	107,927
Utilisation of previously unrecognised tax losses	(5,682,957)	(611,648)
Unrecognised tax losses	710,007	-
Income tax expense/(benefit) reported in the statement of comprehensive income	651,501	(2,875,330)
Attributable to:		
Income tax benefit – continuing operations	651,501	(2,936,625)
Income tax benefit – discontinuing operations	-	61,295
	651,501	(2,875,330)

	2016 $	2015 $
c) Temporary differences for which no deferred tax has been recognised		
Employee entitlements	-	222,493
Accruals and provisions	9,000	-
Onerous contract charge	-	168,234
Deferred depreciation for tax purposes	-	-
Section 40-880 costs	277,158	438,753
Patent costs	-	849,453
Other (unrealised forex)	68,712	-
Doubtful debts	69,441	-
	424,311	1,678,933

	Consolidated	
	2016	**2015**
	$	**$**
d) Deferred tax balances		
Deferred tax assets		
Employee entitlements	-	45,566
Accruals and provisions	-	15,251
Onerous contract charge	-	247,635
Deferred depreciation for tax purposes	-	126,084
Section 40-880 costs	-	185,596
Patent costs	-	32,757
	-	652,889
Movement:		
Opening balance	652,889	-
Prior period adjustments	(126,084)	-
Reversal of deferred tax assets	(526,805)	-
Recognition of previously unrecognised deductible temporary differences	-	652,889
Closing balance	-	652,889
Deferred tax liabilities		
Interest receivable	-	1,388
	-	1,388
Movement:		
Opening balance	1,388	2,305,735
Write-off of deferred tax liabiltiy recognised as part of a business combination as a result of impairment of intangible assets acquired	-	(2,285,735)
Reversal of temporary taxable differences	(1,388)	(20,000)
Recognition of taxable temporary differences in the current year	-	1,388
Closing balance	-	1,388
e) Current tax liabilities		
Income tax payable on current year taxable income for Audeo Discovery Pty Ltd	-	61,295
	-	61,295

f) Unused tax losses
The Group has tax losses arising in Australia that are available indefinitely for offset against future taxable profits of the companies in which the losses arose, subject to satisfying the relevant income tax loss carry forward rules:

	June 2016	**June 2015**
Alchemia Limited	48,852,366	67,795,557
Alchemia Oncology Pty Ltd / Audeo Discovery Pty Ltd	58,200,258	55,833,566
Alchemia Limited and Controlled Entities	107,052,623	123,629,123
Potential deferred tax benefit not recognised	32,115,787	37,088,737

The Group's tax losses balance as at 30 June 2015 has be re-stated to agree to income tax returns lodged with the Australian Taxation Office.

Note 9. Discontinued operations

Description
On the 27 October 2014, the Group publicly announced that it's Phase III trial for HA-Irinotecan in metastatic colorectal cancer did not meet its primary end point. Following that, the Group undertook a strategic review of all of its assets, including a post-hoc subset analysis of the Phase III data in order to better understand the trial result. On 29 January 2015, the Group publicly announced that as a result of its strategic review, it would target the execution of a corporate transaction for the VAST technology by 30 June 2015, for which Alchemia had engaged Evolution Life Science as strategic advisor for the VAST transaction.

On 3 July 2015, the Group publicly announced it had executed a deed of assignment to assign its VAST drug discovery technology (VAST) to VAST Biosciences Pty Ltd (VAST Biosciences). VAST Biosciences is a new private company funded by a group of high net worth investors for the purpose of developing and commercialising the VAST intellectual property going forward. The Technology is therefore fully assigned to VAST Biosciences as of 3 July 2015 and the Group no longer owns any rights to this technology as at that date. The VAST Technology has been classified as a discontinued operation accordingly, and is no longer disclosed as an operating segment with Note 4.

Financial performance information

	Consolidated	
	2016	**2015**
	$	**$**
Revenue	-	1,044,057
Expenses	-	(1,907,057)
Loss before income tax expense	-	(863,000)
Income tax expense	-	(61,501)
Loss after income tax expense from discontinued operations	-	(924,501)

Note 10. Current assets - cash and cash equivalents

	Consolidated	
	2016	**2015**
	$	**$**
Cash at bank and on hand	593,191	1,876,594
Cash on call deposits	1,280,726	3,144,376
	1,873,917	5,020,970

Cash on call deposits are made for varying periods of between one day and three months, depending on the immediate cash requirement of the Group, and earn interest at the respective cash on call deposit rates.

Note 11. Current assets - trade and other receivables

	Consolidated	
	2016	**2015**
	$	**$**
Research and development tax incentive refund receivable	361,305	6,398,562
Fondaparinux profit share receivable	-	1,507,662
	361,305	7,906,224
Other receivables	285,564	168,153
	646,869	8,074,377

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value.

Note 12. Current assets - Short term deposits

	Consolidated 2016 $	Consolidated 2015 $
Short term deposits	-	116,601

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value

Note 13. Non-current assets - property, plant and equipment

	Consolidated 2016 $	Consolidated 2015 $
Leasehold Improvements	-	1,607,034
Less: Accumulated depreciation	-	(1,607,034)
	-	-
PPE - at cost	-	6,255,579
Less: Accumulated depreciation	-	(6,093,300)
	-	162,279
	-	162,279

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	Property, Plant and Equipment $	Total $
Carrying value at 1 July 2014	306,591	306,591
Additions	2,219	2,219
Disposal – cost	(2,345,000)	(2,345,000)
Disposals – accumulated depreciation	2,345,000	2,345,000
Impairment charge	(23,540)	(23,540)
Depreciation expense	(122,991)	(122,991)
Carrying value at 30 June 2015	162,279	162,279
Depreciation expense	(162,279)	(162,279)
Carrying value at 30 June 2016	-	-

Note 14. Non-current assets - intangibles

	Consolidated	
	2016	**2015**
	$	**$**
Goodwill - at cost	5,787,421	5,787,421
Less: Impairment	(5,787,421)	(5,787,421)
	-	-
Patents and trademarks - at cost	18,329,749	18,329,749
Accumulated Amortisation	(18,329,749)	(11,376,052)
Accumulated impairment charge	-	(6,953,697)
	-	-

The patents and goodwill arose from the acquisition of Meditech (now Alchemia Oncology Pty Limited – "AOL") and represents the allocation of the excess of the purchase price over the net tangible assets of AOL. As part of the "fair value" accounting associated with the acquisition, Alchemia recognized the value of the patents and associated IP of Meditech at $18.3 million. The goodwill balance resulted from the requirement on an acquisition to recognise a deferred tax liability, calculated as the difference between the tax effect of the fair value of the acquired assets and liabilities and their tax bases. These patents have been amortised on a straight line basis over the remaining lives of the patents of between 8 to 20 years. The patents relate entirely to the intellectual property attached to AOL's HyACT technology and active research and development programs based on that technology

Accounting standards require that all intangible assets with indefinite useful lives, such as goodwill, be tested for impairment, at least annually by comparing their carrying value with their recoverable amount. The standard further requires that goodwill be allocated to each "cash generating units" within AOL. Whilst there are a number of potential cash generating streams all arise from the central technology platform HyACT and are inseparable from it at the time of acquisition. Accordingly, the Company attributes the goodwill to HyACT and does not seek to arbitrarily allocate its value to the numerous potential commercial applications of that technology. For the purpose of testing this goodwill for impairment, any of the related deferred tax liabilities recognised on acquisition that remain at balance date are treated as part of the relevant CGU.

Impairment trigger
On 27 October 2014, the Company announced to the market that its pivotal Phase III clinical trial of HA-Irinotecan in metastatic colorectal cancer (mCRC) failed to reach its primary endpoint of statistically significant improvement in Progression Free Survival (PFS) and also did not meet its secondary endpoint of an improvement in overall-survival (OS). Since the announcement of the above top line results, Alchemia has further analysed the data in an attempt to determine potential reasons why the control arm on this study out-performed the historical clinical experience with this drug regimen and the findings were communicated to the market in our investor update on 29 January 2015. The failure of the pivotal trial presented an indicator of impairment of the HyACT intellectual property acquired and associated goodwill and consequently triggered a formal assessment of the recoverable amount of these intangible assets as at 31 December 2014 in accordance with AASB 136.

Recoverable amount and impairment losses
In assessing the recoverable amounts of the intangible assets the directors had considered the failed phase III trial of its lead asset, the market capitalisation of the Company in comparison to its net tangible assets and off-balance sheet value of fondaparinux, the future investment required to further create value in the HyACT technology, and the Company's cost of capital. In consideration of these factors, and in accordance with accounting standards, the directors have assessed the recoverable amount of the HyACT patents and associated goodwill to be nil as at 30 June 2015. The Group recognised impairment losses of $6.9 million for HyACT Patents and $5.8 million for goodwill in the year 2014. The recoverable amount of intangible assets and goodwill has been determined using fair value less costs of disposal. The fair value measurement is categorised within the level 3 hierarchy under AASB13 Fair Value Measurement.

Deferred tax liability
In addition, the impairment of the HyACT intangible asset resulted in the winding down of the deferred tax liabilities that arose from the acquisition of Meditech. The write back of the deferred tax liability produced an income tax benefit of $2.3 million in the prior year's statement of comprehensive income.

Note 15. Current liabilities - trade and other payables

	Consolidated	
	2016	**2015**
	$	**$**
Trade payables	171,503	308,640
Other payables	30,000	471,498
	201,503	780,138

Refer to Note 19 for further information on financial instruments.

Terms and conditions relating to the above financial instruments:
(i) Trade payables are non-interest bearing and are normally settled on 30 day terms.
(ii) Other payables are non-interest bearing and have an average term of 30 days.

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Note 16. Current liabilities - provisions

	Consolidated	
	2016	**2015**
	$	**$**
Annual leave	-	244.331
Long service leave	-	183,375
Provision for lease terminations	-	825,215
Other – R&D Contract and Restructuring	-	1,026,604
	-	2,279,525

Onerous lease contract
In August 2012, the Group entered into a non-cancellable operating lease of the premises at Eight Mile Plains, Brisbane. The lease term was through to 31 July 2016. As a result of the divestment of the VAST technology, and the significant downsizing in activities which occurred after the Phase III oncology trial negative result, it is intended that the Group vacate these premises in the near term. A provision had therefore been recorded for the remaining lease costs from 1 July 2015 through to the lease expiry 31 July 2016. The premises was vacated on the 20th of December 2015 and the provision for lease contract no longer is provided for.

Premises make good
The operating lease contract referred to above, included a cost of making good the premises upon termination of the lease which was capped at $275k. The cost was fully provided for in the financial year end 30 June 2015. Alchemia Limited had provided a bank guarantee of $110,000 in respect of this amount to the lessor which we received from the bank in the financial year ended 30 June 2016.

Research and developments contract
The Group entered into a Clinical Research Services Agreement with PSI CRO AG, or PSI, an international clinical trial management company. Pursuant to this agreement, PSI had been managing and coordinating the HA-Irinotecan Phase III clinical trial. The contractual amount payable to PSI was a fixed fee of US$10.7 million, payable upon achievement of certain milestones. This contract is able to be terminated by providing 30 days' notice and paying all outstanding costs incurred up to the date of termination. As at 30 June 2015, the Group had determined that the costs incurred by PSI under this contract exceed the remaining milestone payments. Therefore, the remaining milestones had been fully provided for in the financial year end 30 June 2015 despite the fact they had not yet occurred. The Group is obliged to reimburse PSI for out-of pocket expenses and third party vendor costs as and when these are incurred. PSI are currently in the final stages of the completion of their clinical trial report, with all costs remaining being fully paid once the report has been finalised.

Note 16. Current liabilities - provisions (continued)

Restructuring
Following the announcement of the Phase III for HA-Irinotecan negative trial result in October 2014, the Group implemented a restructuring plan across the entire Group. During this financial year, several staff had been made redundant in accordance with this plan. As at 30 June 2015, a further five staff had been made redundant but had not been paid their entitlements. As at 30 June 2016, all staff have left the company with all their entitlements being settled and paid.

Note 17. Equity - issued capital

	Consolidated			
	2016 Shares	**2015 Shares**	**2016 $**	**2015 $**
Ordinary shares - fully paid	324,723,621	324,723,621	121,294,523	151,493,821

Movements in ordinary share capital

Details	**Date**	**Shares**	**Issue price**	**$**
Balance	1 July 2014	324,410,203		151,301,735
Share issued to employees under the bonus		313,418	-	192,086
Balance	30 June 2015	324,723,621		151,493,821
Capital return to shareholders	24 February 2016	-	-	(30,199,298)
Balance	30 June 2016	324,723,621		121,294,523

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

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.

Share buy-back
There is no current on-market share buy-back.

Capital risk management
The consolidated entity's objectives when managing capital is to safeguard its ability to continue as a going concern, so that it can provide returns for shareholders and benefits for other stakeholders and to maintain an optimum capital structure to reduce the cost of capital.

Capital is regarded as total equity, as recognised in the statement of financial position, plus net debt. Net debt is calculated as total borrowings less cash and cash equivalents.

In order to maintain or adjust the capital structure, the consolidated entity may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Note 17. Equity - issued capital (continued)

The consolidated entity would look to raise capital when an opportunity to invest in a business or company was seen as value adding relative to the current company's share price at the time of the investment.

The capital risk management policy remains unchanged from the 2015 Annual Report.

Note 18. Equity - reserves

	Consolidated 2016 $	Consolidated 2015 $
Options reserve – employee related	5,042,426	5,042,526
Options reserve – non employee related	638,010	638,010
	5,680,436	5,680,436

Non-Employee Options
There was no expense recognised in the 30 June 2015 and 30 June 2016 financial statements in respect to non-employee options.

Share options
The Company has a share based payment option scheme under which options to subscribe for the Company's shares have been granted to certain executives and other employees.

Movements in reserves
Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	Options Reserve - employee related $	Options Reserve - non employee related $	Total $
Balance at 1 July 2014	4,959,366	638,010	5,597,376
Share based payments	83,060	-	83,060
Balance at 30 June 2015	5,042,426	638,010	5,680,436
Balance at 30 June 2016	5,042,426	638,010	5,680,436

Note 19. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market risk (including foreign currency risk, price risk and interest rate risk), credit risk and liquidity risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity. Derivatives are exclusively used for hedging purposes, i.e. not as trading or other speculative instruments. The consolidated entity uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks, ageing analysis for credit risk and beta analysis in respect of investment portfolios to determine market risk.

Risk management is carried out by senior finance executives ('finance') under policies approved by the Board of Directors ('the Board'). These policies include identification and analysis of the risk exposure of the consolidated entity and appropriate procedures, controls and risk limits. Finance identifies, evaluates and hedges financial risks within the consolidated entity's operating units. Finance reports to the Board on a monthly basis.

Note 19. Financial instruments (continued)

Market risk

Foreign currency risk
The consolidated entity undertakes certain transactions denominated in foreign currency and is exposed to foreign currency risk through foreign exchange rate fluctuations. Foreign exchange risk arises from future commercial transactions and recognised financial assets and financial liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using sensitivity analysis and cash flow forecasting.

The Group's exposure to foreign currency is predominately in US dollars. The Group has maintained cash in US dollars to cover a portion of its anticipated US dollar expenditures.

The carrying amount of the consolidated entity's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

	Assets		**Liabilities**	
Consolidated	**2016 $**	**2015 $**	**2016 $**	**2015 $**
US dollars	253,284	1,814,267	92,502	939,657
Euros	6,153	19,510	-	-
Pound Sterling	-	-	-	47,114
Canadian dollars	-	-	-	6,132
	259,437	1,833,777	92,502	992,903

Price risk
The consolidated entity is not exposed to any significant price risk.

Liquidity risk
Vigilant liquidity risk management requires the consolidated entity to maintain sufficient liquid assets (mainly cash and cash equivalents) and available borrowing facilities to be able to pay debts as and when they become due and payable.

The consolidated entity manages liquidity risk by maintaining adequate cash reserves and available borrowing facilities by continuously monitoring actual and forecast cash flows and matching the maturity profiles of financial assets and liabilities.

Fair value of financial instruments
Unless otherwise stated, the carrying amounts of financial instruments reflect their fair value.

Note 20. Key management personnel disclosures

Compensation
The aggregate compensation made to directors and other members of key management personnel of the consolidated entity is set out below:

	Consolidated	
	2016 $	**2015 $**
Short-term employee benefits	476,644	1,804,882
Post-employment benefits	20,115	146,603
Long-term benefits	-	(627)
Termination benefits	-	374,847
Share-based payments	-	71,868
	496,759	2,397,573

Note 21. Related party transactions

Parent entity
Alchemia Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in Note 26.

Key management personnel
Disclosures relating to key management personnel are set out in Note 20 and the remuneration report included in the directors' report.

Transactions with directors
There were no transactions with directors during the current and previous reporting period other than detailed in the Remuneration report.

Receivable from and payable to related parties
There were no trade receivables from or trade payables to related parties at the current and previous reporting date.

Loans to/from related parties
There were no loans to or from related parties at the current and previous reporting date.

Terms and conditions
All transactions were made on normal commercial terms and conditions and at market rates.

Note 22. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by, the auditor of the company, its network firms and unrelated firms:

	Consolidated	
	2016	**2015**
	$	**$**
Audit services - Grant Thornton Audit Pty Ltd (2015: Ernst and Young Global Limited)		
Audit or review of the financial statements	45,000	80,000
Other services - Grant Thornton Audit Pty Ltd		
Other services	2,000	-

Note 23. Contingent assets and liabilities

There are no other contingent assets or liabilities as at 30 June 2016 or 30 June 2015.

Note 24. Commitments

	Consolidated	
	2016	**2015**
	$	**$**
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	-	34,140

Note 24. Commitments (continued)

There were no capital expenditure commitments as at 30 June 2016 and 2015.

The operating leases are in respect of the lease of the premises in Brisbane and office equipment. In 2015 financial year, the lease payments for the premises in Brisbane had been fully provided for and are not shown as a commitment.

The Group had entered into agreements with certain organisations for ongoing research and clinical trials. As at 30 June 2015, all remaining contractual commitments had been fully provided for and recorded on the balance sheet.

The Group entered into a royalty agreement with Novozymes in July 2009 whereby the Group is committed to pay Novozymes a 1.0% royalty on the net sales from any HA-Irinotecan product and a 0.5% royalty on net sales of any other product containing HA developed under the HyACT patents in return for Novozymes having funded a portion of the Phase II clinical trials of HA-Irinotecan. If Novozymes is capable of supplying HA to the Group's specifications and the Group does not use them as its supplier for HA, the Group is committed to pay a 2.0% royalty on the net sales from any HA-Irinotecan product and a 1.0% royalty on net sales of any other product containing HA. Subject to certain termination events, including breach of the agreement by the other party, certain insolvency events relating to the other party or if it becomes unlawful for the other party to perform under the agreement, this agreement will remain in effect until the expiry of the last of Group's relevant HyACT patents. As of 30 June 2016, the latest date on which any of the Group's relevant HyACT patents expire is 25 March 2025.

Note 25. Parent entity information

Set out below is the supplementary information about the parent entity.

Statement of financial position

	2016 $	2015 $
Current assets	815,955	7,147,142
Non-current assets	-	656,982
Total assets	815,955	7,804,124
Current liabilities	69,773	1,712,182
Non-current liabilities	-	1,388
Total liabilities	69,773	1,714,200
Equity		
Issued capital	121,294 523	151,493,821
Option reserve	5,680,436	5,680,436
Accumulated losses	(128,504,327)	(151,084,433)
Total equity	(1,529,368)	6,089,824
Total comprehensive income/(loss) attributable to equity	22,580,106	61,102,251

Guarantees entered into by the parent entity in relation to the debts of its subsidiaries
The parent entity had no guarantees in relation to the debts of its subsidiaries as at 30 June 2016.

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2016.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2016.

Note 25. Parent entity information (continued)

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 2, except for the following:
- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.
- Investments in associates are accounted for at cost, less any impairment, in the parent entity.
- Dividends received from subsidiaries are recognised as other income by the parent entity and its receipt may be an indicator of an impairment of the investment.

Note 26. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

		Ownership interest	
Name	**Principal place of business / Country of incorporation**	**2016 %**	**2015 %**
Alchemia Oncology Pty Ltd	Australia	100.00%	100.00%
Audeo Discovery Pty Ltd	Australia	100.00%	100.00%
Alchemia Oncology Europe Pty Ltd	UK	-	100.00%

During the previous financial year, Alchemia Limited's investment in Audeo Oncology Inc was fully impaired due to the Phase III trial for HA-Irintecan failing to meet its primary end point in October 2014.

Alchemia Oncology Europe Pty Ltd was dissolved on 26 January 2016.

Note 27. Events after the reporting period

No matter or circumstance has arisen since 30 June 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

Note 28. Earnings per share

	Consolidated	
	2016 $	**2015 $**
Profit/(loss) from continuing operations		
Profit/(loss) after income tax attributable to the owners of Alchemia Limited	21,425,996	(14,890,743)
Loss from discontinued operations		
Loss after income tax attributable to the owners of Alchemia Limited	-	(924,501)
Profit/(loss) after income tax attributable to the owners of Alchemia Limited	21,425,996	(15,815,244)

Note 28. Earnings per share (continued)

	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	324,723,621	324,629,342
Weighted average number of ordinary shares used in calculating diluted earnings per share	324,723,621	324,629,342

	Cents	Cents
Basic earnings per share	6.6	(4.9)
Diluted earnings per share	6.6	(4.9)

Note 29. Reconciliation of profit/(loss) after income tax to net cash from/(used in) operating activities

	Consolidated	
	2016 $	2015 $
Profit/(loss) after income tax (expense)/benefit for the year	21,425,996	(15,815,244)
Adjustments for:		
Fair value of stock based compensation and bonus shares issued	-	275,146
Depreciation and amortisation	162,279	786,937
Impairment charge	-	12,764,021
Net foreign exchange differences relating to cash	-	(131,221)
Gain on sale of fixed assets	-	(114,943)
Sale of fondaparinux	(24,639,119)	-
Change in operating assets and liabilities:		
Decrease/(Increase) in trade and other receivables	7,817,823	318,079
Decrease/(Increase) in other current assets	(202,502)	336,585
Decrease/(Increase) in deferred tax assets	652,889	(633,082)
Increase/(Decrease) in trade and other payables	(578,633)	(2,742,503)
Increase/(Decrease) in deferred revenue	-	(289,451)
Increase/(Decrease) in current tax liabilities	(61,295)	(73,445)
Increase/(Decrease) in current tax provisions	(2,279,525)	1,823,945
Increase/(Decrease) in deferred tax liabilities	(1,388)	(2,303,543)
Increase/(Decrease) in non-current provisions	-	(373,531)
Net cash from/(used in) operating activities	2,296,525	(6,172,250)

Note 30. Share-based payments

Employee Share Option Plan, 'ESOP'

An Employee and Officers Option Plan has been established where Alchemia Limited may, at the discretion of the Board, grant options over the ordinary shares of Alchemia Limited to Directors, Executives, contractors and employees of the consolidated entity. The options, issued for nil consideration, are exercisable any time two to three years after the issue date and expire four to five years after the issue date.

The exercise of the options is not subject to any performance conditions other than the employee remaining in the employ of the Company at the date of exercise. The options cannot be transferred and will not be quoted on the ASX.

Note 30. Share-based payments (continued)

Set out below are summaries of options granted under the plan:

2016

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
27/05/2011	26/05/2016	$0.742	630,000	-	-	(630,000)	-
28/11/2011	16/08/2017	$0.329	400,000	-	-	(400,000)	-
09/03/2012	08/03/2017	$0.280	8,000	-	-	(8,000)	-
03/10/2012	03/10/2017	$0.555	110,000	-	-	(110,000)	-
14/03/2013	14/03/2018	$0.337	4,180,000	-	-	(4,180,000)	-
30/08/2013	30/08/2018	$0.594	1,552,500	-	-	(1,552,500)	-
11/11/2013	11/11/2016	$0.588	600,000	-	-	(600,000)	-
11/11/2013	11/11/2017	$0.715	764,000	-	-	(573,000)	191,000
11/11/2013	11/11/2017	$0.337	468,166	-	-	(468,166)	-
09/09/2014	09/09/2019	$0.8795	200,000	-	-	(200,000)	-
09/09/2014	09/09/2019	$0.8795	200,000	-	-	(200,000)	-
09/09/2014	09/09/2019	$0.8795	200,000	-	-	(200,000)	-
06/01/2015	05/01/2020	$0.250	400,000	-	-	(400,000)	-
			9,712,666	-	-	(9,521,666)	191,000

Option pricing model

Equity-settled transactions
The fair value of the equity-settled share options granted under the ESOP is estimated as at the date of grant using a Black-Scholes option pricing model taking into account the terms and conditions upon which the option were granted. The model takes into account the share price volatilities and co-variances of the Company, and excludes the impact of any estimated forfeitures related to the service-based vesting conditions on the basis that management has assessed the forfeiture rate to be zero.

2015

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
27/11/2011	26/05/2016	$0.742	630,000	-	-	-	630,000
28/11/2011	16/08/2017	$0.329	400,000	-	-	-	400,000
09/03/2012	08/03/2017	$0.280	8,000	-	-	-	8,000
03/10/2012	03/10/2017	$0.555	110,000	-	-	-	110,000
14/03/2013	14/03/2018	$0.337	4,180,000	-	-	-	4,180,000
30/08/2013	30/08/2018	$0.594	1,552,500	-	-	-	1,552,500
11/11/2013	11/11/2016	$0.588	600,000	-	-	-	600,000
11/11/2013	11/11/2017	$0.715	764,000	-	-	-	764,000
11/11/2013	11/11/2017	$0.337	468,166	-	-	-	468,166
09/09/2014	09/09/2019	$0.879	200,000	-	-	-	200,000
09/09/2014	09/09/2019	$0.879	200,000	-	-	-	200,000
09/09/2014	09/09/2019	$0.879	200,000	-	-	-	200,000
06/01/2015	05/01/2020	$0.250	400,000	-	-	-	400,000
			9,712,666	-	-	-	9,712,666

The weighted average share price during the financial year is $0.0065 (2015: $0.0724)

The weighted average remaining contractual life of options outstanding at the end of the financial year is 1.93 years (2015: 2.58 years).

Note 30. Share-based payments (continued)

For the options granted during the current financial year, the valuation model inputs used to determine the fair value at the grant date, are as follows:

Grant date	Expiry date	Share price at grant date	Exercise price	Expected volatility	Dividend yield	Risk-free interest rate	Fair value at grant date
30/08/2013	30/08/2018	$0.415	$0.593	55.00%	-	2.69%	$0.420
11/11/2013	11/11/2017	$0.630	$0.715	55.00%	-	2.88%	$0.620
26/02/2014	25/02/2019	$0.620	$0.886	39.00%	-	3.18%	$0.620
10/09/2014	09/09/2019	$0.620	$0.879	38.00%	-	2.94%	$0.620
06/01/2015	05/01/2020	$0.092	$0.250	18.00%	-	2.15%	$0.090

The expected volatility for the options granted on 6 January 2015 was determined with reference to the historical volatility of the Company’s share price since the Phase III trial result was announced in October 2014 up to the date of grant. This assumption was made on the basis it would be a more appropriate predictor of future volatility given the significant changes in the company’s operations and activities since the phase III result was announced. The volatility of all other options grants were determined using the 12 month historical average of the Company’s share price.

Alchemia Limited
Directors' declaration
30 June 2016

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;

- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the financial year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

Signed in accordance with a resolution of directors made pursuant to section 295(5)(a) of the Corporations Act 2001.

On behalf of the directors

____
Simon Gennari
Non-Executive Chairman

30 August 2016

The Rialto, Level 30
525 Collins St
Melbourne Victoria 3000

Correspondence to:
GPO Box 4736
Melbourne Victoria 3001

T +61 3 8320 2222
F +61 3 8320 2200
E info.vic@au.gt.com
W www.grantthornton.com.au

Independent Auditor's Report
To the Members of Alchemia Limited

Report on the financial report

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

Directors' responsibility for the financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001. The Directors' responsibility also includes 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. The Directors also state, in the notes to the financial report, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the Company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial report.

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

Independence

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

Auditor's opinion

In our opinion:

a the financial report of Alchemia Limited is in accordance with the Corporations Act 2001, including:
  - i giving a true and fair view of the consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the Corporations Regulations 2001; and

b the financial report also complies with International Financial Reporting Standards as disclosed in the notes to the financial statements.

Report on the remuneration report

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

Auditor's opinion on the remuneration report

In our opinion, the remuneration report of Alchemia Limited for the year ended 30 June 2016, complies with section 300A of the Corporations Act 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M.A. Cunningham
Partner - Audit & Assurance

Melbourne, 30 August 2016

The shareholder information set out below was applicable as at 19 August 2016.

Distribution of equitable securities
Analysis of number of equitable security holders by size of holding:

	Number of holders of ordinary shares
1 to 1,000	1,465
1,001 to 5,000	1,295
5,001 to 10,000	565
10,001 to 100,000	1,086
100,001 and over	277
	4,688
Holding less than a marketable parcel	4,125

Equity security holders

Twenty largest quoted equity security holders
The names of the twenty largest security holders of quoted equity securities are listed below:

	Ordinary shares	
	Number held	% of total shares issued
SHOMRON PTY LTD	39,426,777	12.14
AUST EXECUTOR TRUSTEES LTD	30,800,000	9.48
TTOR PTY LTD	16,069,996	4.95
ARMADA TRADING PTY LIMITED	12,919,974	3.98
JP MORGAN NOMINEES AUSTRALIA LIMITED	10,073,287	3.10
PARKBAY CAPITAL PTY LTD	9,000,000	2.77
MR ADAM CASPAR SAUNDERS	8,750,000	2.69
JAGEN PTY LTD	8,233,954	2.54
HSBC CUSODY NOMINEES (AUSTRALIA LIMITED)	6,643,469	2.05
LEKON GLOBAL PTY LTD	6,000,000	1.85
CALIFORNIA CAPITAL EQUITY LLC	5,854,719	1.80
BRANKA NOMINEES PTY LIMITED	4,000,000	1.23
MS LINLIN LI	4,000,000	1.23
CITICORP NOMINEES PTY LIMITED	3,988,664	1.23
MR WAYNE GEOFFREY PATERSON	3,800,000	1.17
PINWILLOW PTY LTD	3,759,100	1.16
MAXLEN NOMINEES PTY LTD	3,394,730	1.05
DR ROBERT JULIAN HAFNER	2,573,988	0.79
MRS GILLIAN KAREN NES & MR RONALD NES	2,400,000	0.74
MR BRIAN RIESS	2,300,000	0.71
MR DON KEATING PRICE MRS VICKI ANN PRICE	2,270,000	0.70
	186,258,658	57.36

Unquoted equity securities

	Number on issue	Number of holders
Options over ordinary shares issued	6,701,116	12

Alchemia Limited
Shareholder information
30 June 2016

Substantial holders
Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
Shomron Pty Ltd	39,426,777	12.14
Aust Executor Trustees Ltd	30,800,000	9.48

Voting rights
The voting rights attached to ordinary shares are set out below:

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.

There are no other classes of equity securities.