

## 1. Company details

Name of entity:	Allegra Orthopaedics Limited
ABN:	71 066 281 132
Reporting period:	For the half-year ended 31 December 2020
Previous period:	For the half-year ended 31 December 2019

## 2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	1.6% to	2,271,987
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	up	122.2% to	129,499
Loss from ordinary activities after tax attributable to the owners of Allegra Orthopaedics Limited	down	85.5% to	(118,425)
Loss for the half-year attributable to the owners of Allegra Orthopaedics Limited	down	85.5% to	(118,425)

### Dividends

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

### Comments

The loss for the consolidated entity after providing for income tax amounted to \$118,425 (31 December 2019: \$817,314).

For the 6 months to 31 December 2020, revenues generated by the consolidated entity is down 1.6% compared with the same period in previous year, mainly because of a higher case cancellation rate due to COVID-19 lockdowns and travel restrictions enforced by different states.

The earnings before interest, tax, depreciation and amortisation ('EBITDA') was positive \$129,499 (31 December 2019: loss of \$582,293).

The Orthopaedics Division generated an EBITDA of \$452,868 (31 December 2019: \$623,334), mainly due to a higher inventory provision resulting from expired stock in the 6 months to 31 December 2020. The Innovation Division has an EBITDA in loss of \$114,942 (31 December 2019: loss of \$1,055,792), this is the result of reduced spending due to COVID-19 travel restrictions. Total Corporate overhead costs not allocated to either Division were \$208,427 (31 December 2019: \$199,834)

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS'). The directors consider EBITDA to reflect the core earnings of the consolidated entity.

The following table summarises key reconciling items between statutory loss after tax attributable to the shareholders of the company and EBITDA.

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
Loss after income tax	(118,425)	(817,314)
Add: Depreciation and amortisation	244,779	230,682
Add: Finance cost	3,145	5,896
Less: Interest income	-	(1,557)
EBITDA	<u>129,499</u>	<u>(582,293)</u>

Further information on the review of operations, financial position and future strategies is detailed in the Review of Operations section of the Directors' report which is part of the Interim Report.

On 4 December 2020, the company announced that the revised design of the Sr-HT-Gahnite Spinal Cage Device has significant improvement in strength as shown by results received from an accredited testing facility in the USA. This result has put the new cage design above the 95<sup>th</sup> percentile for published data on FDA approved cages. In addition, the new design has also successfully passed the regulatory-required 5 million dynamic cycles without any signs of fracture or failure. Following the news, the company announced its plans to commence a pilot animal study with the new Spinal Cage design.

On 21 December 2020, the company announced that it has achieved an exciting milestone for the Spinal Cage Device by reporting that the revised cage design has successfully passed additional testing involving dynamic torsion and dynamic compression shear tests applied to the Spinal Cage. The positive test results confirmed the effectiveness of the revised Spinal Cage design, as well as demonstrated an excellent fatigue performance of the implant under physiological spinal loads. Therefore, the company confirmed that it is progressing towards its plan to conduct a large animal study, as per FDA requirements.

### 3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>3.94</u>	<u>4.47</u>
Calculated as follows:		
	Consolidated 31 Dec 2020 \$	31 Dec 2019 \$
Net assets	4,992,348	4,872,123
Less: Right-of-use assets	(155,866)	(228,893)
Less: Intangibles	(717,572)	(195,252)
Net tangible assets	<u>4,118,910</u>	<u>4,447,978</u>
Total shares issued	104,459,203	99,559,052

### 4. Control gained over entities

Not applicable.

### 5. Loss of control over entities

Not applicable.

### 6. Dividend reinvestment plans

Not applicable.

### 7. Details of associates and joint venture entities

Not applicable.

## 8. Foreign entities

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

Not applicable.

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## 9. Audit qualification or review

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

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Report.

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## 10. Attachments

*Details of attachments (if any):*

The Interim Report of Allegra Orthopaedics Limited for the half-year ended 31 December 2020 is attached.

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## 11. Signed



Signed \_\_\_\_\_

Peter Kazacos  
Director  
Sydney

Date: 24 February 2021

# **Allegra Orthopaedics Limited**

**ABN 71 066 281 132**

## **Interim Report - 31 December 2020**

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Allegra Orthopaedics Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2020.

### Directors

The following persons were directors of Allegra Orthopaedics Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Peter Kazacos  
 Anthony Hartnell  
 Sean Mulhearn  
 Nicholas Hartnell

### Principal activities

During the financial half-year the principal continuing activities of the consolidated entity are as follows:

- The sale, design and distribution of its medical device product range within its Orthopaedic Division; and
- Within the Innovation Division, advancing the development and commercialisation of innovative technologies into products which can be taken to market. The current major project being a ceramic bone substitute which is both load bearing and biocompatible.

### Dividends

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

### Review of operations

The loss for the consolidated entity after providing for income tax amounted to \$118,425 (31 December 2019: \$817,314).

#### Revenue

A comparison of half-year revenue compared with previous half-year is as follows:

	31 Dec 2020	31 Dec 2019	Change	Change
	\$	\$	\$	%
Sale of goods	2,174,609	2,264,022	(89,413)	(4%)
Commissions revenue	97,378	45,487	51,891	114%

Revenue from 'sales of goods' decreased by 4% as compared to the half-year in the previous financial year. Although the impact of COVID-19 has caused an increase in case cancellations, the consolidated entity was able to maintain a similar product revenue as compared with the previous year when there was no impact from the COVID-19.

'Commissions revenue' earned by the consolidated entity in the current half-year has more than doubled the revenue reported in the six months to 31 December 2019. This is mainly due to the introduction of new commission revenue sources during the six months to December 2020.

#### Other income

A comparison of half-year other income compared with previous half-year is as follows:

	31 Dec 2020	31 Dec 2019	Change	Change
	\$	\$	\$	%
Other income	808,398	710,699	97,699	14%

'Other income' increased by 14% compare with the previous half-year. Revenue recognised from Grants awarded to the consolidated entity was \$442,122 in the six months to 31 December 2020 (31 December 2019: \$204,313).

#### Expenses

A comparison of half-year expenses compared with previous half-year is as follows:

	31 Dec 2020	31 Dec 2019	Change	Change
	\$	\$	\$	%
Cost of sales and purchases of consumables	951,945	793,536	158,409	20%
Corporate and administration expenses	882,643	851,316	31,327	4%
Quality and research and development expenses	945,988	1,726,505	(780,517)	(45%)
Sales and marketing expenses	415,089	461,826	(46,737)	(10%)
Finance costs	3,145	5,896	(2,751)	(47%)

Cost of sales and purchases of consumable has increased by 20% year on year, this is mainly a result of the \$171,519 inventory write down expenditure recorded for the current half-year due to inventory reaching its expiry date (31 December 2019: \$54,000).

'Corporate and administration expenses' increased by 4% year on year. The change is mainly due to an increase in accrued share-based payment, as well as increased insurance expenditure for the half-year.

'Quality and research and development expenses' has decreased by 45% compared with the previous half-year. The major cause of the reduced spending was due to the postponement of several planned tests and studies due to COVID-19 travel restrictions.

'Sales and marketing expenses' are 10% lower than the previous half-year. This is mainly caused by reduced travel expenditures and less sales commission paid to sales agents.

#### *Earnings before interest, tax, depreciation and amortisation ('EBITDA')*

The earnings before interest, tax, depreciation and amortisation ('EBITDA') was positive \$129,499 (31 December 2019: loss of \$582,293).

The following table summarises key reconciling items between statutory loss after tax attributable to the shareholders of the company and EBITDA.

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
Loss after income tax	(118,425)	(817,314)
Add: Depreciation and amortisation	244,779	230,682
Add: Finance cost	3,145	5,896
Less: Interest income	-	(1,557)
EBITDA	<u>129,499</u>	<u>(582,293)</u>

#### **Significant changes in the state of affairs**

On 6 July 2020, the company announced that it had successfully acquired all the registered patents and application for patents held by the University of Sydney in relation to a unique bio ceramic material known as Sr-HT-Gahnite which can be utilised in a variety of applications including its use as a synthetic bone substitute. Consequently, the company has issued to the University of Sydney 4,806,000 ordinary shares in the consolidated entity.

On 7 August 2020, the company announced that due to the global impact of the COVID-19 pandemic and the restrictions on international travel, the Innovation Division has had to delay the last stage of the preclinical large animal study for the cervical fusion device in Lyon France (refer to ASX announcement 15 November 2019). The consolidated entity has utilized the time provided by the delay as an opportunity to implement recent advancements in 3D printing technology in order to enhance the implant design. Fractures of the implants were observed during the 6-months study, and the main root cause of the fractures was associated with the animal model as the design of the device is based on forces in the human spine. The revised design will improve the strength of the implant significantly and allow for the physiological differences in the animal model.

On 4 December 2020, the company announced that the revised design of the Sr-HT-Gahnite Spinal Cage Device has significant improvement in strength as shown by results received from an accredited testing facility in the USA. This result has put the new cage design above the 95<sup>th</sup> percentile for published data on FDA approved cages. In addition, the new design has also successfully passed the regulatory-required 5 million dynamic cycles without any signs of fracture or failure. Following the news, the company announced its plans to commence a pilot animal study with the new Spinal Cage design.

On 21 December 2020, the company announced that it has achieved an exciting milestone for the Spinal Cage Device by reporting that the revised cage design has successfully passed additional testing involving dynamic torsion and dynamic compression shear tests applied to the Spinal Cage. The positive test results confirmed the effectiveness of the revised Spinal Cage design, as well as demonstrated an excellent fatigue performance of the implant under physiological spinal loads. Therefore, the company confirmed that it is progressing towards its plan to conduct a large animal study, as per FDA requirements.

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

#### **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.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors



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Peter Kazacos  
Director

24 February 2021  
Sydney

24 February 2021

The Board of Directors  
Allegra Orthopaedics Limited  
Level 8, 18-20 Orion Road,  
Lane Cove West, NSW 2066

## Auditor's Independence Declaration Under Section 307C of the *Corporations Act 2001* to Directors of Allegra Orthopaedics Limited

As lead auditor for the review of the half year financial report of Allegra Orthopaedics Limited for the half year ended 31 December 2020, I declare that to the best of my knowledge and belief, that there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

Yours sincerely  
**Crowe Sydney**



**John Haydon**  
Senior Partner

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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## **General information**

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

Allegra Orthopaedics Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 8  
18-20 Orion Road  
Lane Cove West, NSW 2066

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 24 February 2021.

**Allegra Orthopaedics Limited**  
**Statement of profit or loss and other comprehensive income**  
**For the half-year ended 31 December 2020**



	Note	Consolidated 31 Dec 2020 \$	31 Dec 2019 \$
<b>Revenue from contracts with customers</b>	3	2,271,987	2,309,509
Other income	4	808,398	710,699
Interest revenue calculated using the effective interest method		-	1,557
<b>Expenses</b>			
Cost of sales and purchases of consumables		(951,945)	(793,536)
Corporate and administration expenses		(882,643)	(851,316)
Quality and research and development expenses		(945,988)	(1,726,505)
Sales and marketing expenses		(415,089)	(461,826)
Finance costs		(3,145)	(5,896)
<b>Loss before income tax expense</b>		(118,425)	(817,314)
Income tax expense		-	-
<b>Loss after income tax expense for the half-year attributable to the owners of Allegra Orthopaedics Limited</b>		(118,425)	(817,314)
Other comprehensive income for the half-year, net of tax		-	-
<b>Total comprehensive income for the half-year attributable to the owners of Allegra Orthopaedics Limited</b>		<u>(118,425)</u>	<u>(817,314)</u>
		<b>Cents</b>	<b>Cents</b>
Basic earnings per share	13	(0.11)	(0.82)
Diluted earnings per share	13	(0.11)	(0.82)

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

		Consolidated	
	Note	31 Dec 2020 \$	30 Jun 2020 \$
<b>Assets</b>			
<b>Current assets</b>			
Cash and cash equivalents		273,767	755,592
Trade and other receivables		1,059,208	1,433,363
Inventories		3,119,102	3,232,224
Prepayments		108,206	83,105
<b>Total current assets</b>		<u>4,560,283</u>	<u>5,504,284</u>
<b>Non-current assets</b>			
Property, plant and equipment	5	763,454	903,467
Right-of-use assets	6	155,866	152,596
Intangibles	7	717,572	179,653
Security deposit		105,071	105,071
<b>Total non-current assets</b>		<u>1,741,963</u>	<u>1,340,787</u>
<b>Total assets</b>		<u>6,302,246</u>	<u>6,845,071</u>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables		699,535	1,635,537
Contract liabilities - deferred income	8	-	332,122
Borrowings	9	267,592	7,943
Lease liabilities		159,480	158,595
Employee benefits		104,955	92,394
<b>Total current liabilities</b>		<u>1,231,562</u>	<u>2,226,591</u>
<b>Non-current liabilities</b>			
Employee benefits		68,336	64,600
Provisions		10,000	10,000
<b>Total non-current liabilities</b>		<u>78,336</u>	<u>74,600</u>
<b>Total liabilities</b>		<u>1,309,898</u>	<u>2,301,191</u>
<b>Net assets</b>		<u>4,992,348</u>	<u>4,543,880</u>
<b>Equity</b>			
Issued capital	10	15,366,235	14,875,788
Share-based payments reserve		722,747	646,301
Accumulated losses		<u>(11,096,634)</u>	<u>(10,978,209)</u>
<b>Total equity</b>		<u>4,992,348</u>	<u>4,543,880</u>

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

	Issued capital \$	Share-based payments reserve \$	Accumulated losses \$	Total equity \$
<b>Consolidated</b>				
Balance at 1 July 2019	14,865,163	615,280	(9,812,827)	5,667,616
Loss after income tax expense for the half-year	-	-	(817,314)	(817,314)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(817,314)	(817,314)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	11,196	-	11,196
Monies received from sale of previously issued shares to foreign investors deemed ineligible to hold shares (sale at a premium)	10,625	-	-	10,625
Balance at 31 December 2019	<u>14,875,788</u>	<u>626,476</u>	<u>(10,630,141)</u>	<u>4,872,123</u>
<b>Consolidated</b>				
Balance at 1 July 2020	14,875,788	646,301	(10,978,209)	4,543,880
Loss after income tax expense for the half-year	-	-	(118,425)	(118,425)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(118,425)	(118,425)
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 10)	490,447	-	-	490,447
Share-based payments	-	76,446	-	76,446
Balance at 31 December 2020	<u>15,366,235</u>	<u>722,747</u>	<u>(11,096,634)</u>	<u>4,992,348</u>

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

	Consolidated 31 Dec 2020 \$	31 Dec 2019 \$
<b>Cash flows from operating activities</b>		
Receipts from customers (inclusive of GST)	2,797,887	2,489,542
Payments to suppliers and employees (inclusive of GST)	<u>(3,788,922)</u>	<u>(3,823,619)</u>
	(991,035)	(1,334,077)
Other revenue	-	339
Interest received	-	304
Interest and other finance costs paid	(5,398)	(4,744)
Income taxes refunded relating to research and development	<u>340,756</u>	<u>541,685</u>
Net cash used in operating activities	<u>(655,677)</u>	<u>(796,493)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	<u>(20,715)</u>	<u>(112,679)</u>
Net cash used in investing activities	<u>(20,715)</u>	<u>(112,679)</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of shares	8,333	10,625
Share issue transaction costs	(2,114)	-
Proceeds from borrowings	250,000	-
Repayment of borrowings	(9,028)	-
Repayment of insurance loan	(87,866)	-
Repayment of lease liabilities	(85,758)	-
Grant received	<u>121,000</u>	<u>110,000</u>
Net cash from financing activities	<u>194,567</u>	<u>120,625</u>
Net decrease in cash and cash equivalents	(481,825)	(788,547)
Cash and cash equivalents at the beginning of the financial half-year	<u>755,592</u>	<u>1,076,425</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>273,767</u></u>	<u><u>287,878</u></u>

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

## Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2020 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

### **New or amended Accounting Standards and Interpretations adopted**

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

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

## Note 2. Operating segments

### *Identification of reportable operating segments*

The consolidated entity is organised in two main operating segments namely the orthopaedics and the innovation division. Corporate costs which cannot be allocated to a segment are listed separately. These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Corporate costs have been separately disclosed during the half-year and better reflects the information the CODM uses. Accordingly, the comparative table has been restated for this change.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on a monthly basis.

The consolidated entity operates predominantly in one geographical region being Australia.

## Note 2. Operating segments (continued)

### Types of products and services

The principal products and services of each of these operating segments are as follows:

Orthopaedics division	This division has an extensive and well established range of orthopaedic implant products and surgical instrumentation from Australian and international suppliers covering all specialities from foot, ankle, primary knee to complex lower limb arthroplasty and tumour solutions. The division is constantly seeking out leading edge products to include in its product offering for its customers and their patients.
Innovation division	The consolidated entity has an Innovation Division containing a dedicated engineering team with a mandate to explore and develop innovative early stage technologies into commercially viable products available for manufacture by the company. Currently, the major project underway is the development and commercialisation of a cervical spinal fusion cage developed from the biocompatible ceramic material, Sr-HT-Gahnite. Further applications for the Sr-HT-Gahnite include (1) fixation anchors and screws that secure ligaments to bone and (2) a coating material for existing and new implants. The Sr-HT-Gahnite is a highly porous and biocompatible calcium silicate. It has many advantages over existing synthetic bone materials, including strength, antimicrobial properties, the capacity to be reabsorbed and the ability to be 3D printed.
Corporate costs (unallocated)	Relates to the corporate running costs of the consolidated entity such as director and company secretary fees, audit fees, tax fees, annual reports, ASIC and ASX fees, as well as AGM costs and director insurance costs.

### Intersegment transactions

Intersegment transactions were made at market rates. The orthopaedics division allocates a percentage of its overhead salaries to the innovation division. Intersegment transactions are eliminated on consolidation.

Consolidated - 31 Dec 2020	<i>Orthopaedics division</i> \$	<i>Innovation division</i> \$	<i>Corporate costs (unallocated)</i> \$	<i>Total</i> \$
<b>Revenue</b>				
Sale of goods	2,174,609	-	-	2,174,609
Commissions revenue	97,378	-	-	97,378
Total sales revenue	2,271,987	-	-	2,271,987
Government grants	-	114,622	-	114,622
Sundry income	53,805	327,500	-	381,305
Research and development tax offset	-	312,471	-	312,471
<b>Total revenue</b>	<b>2,325,792</b>	<b>754,593</b>	<b>-</b>	<b>3,080,385</b>
<b>EBITDA</b>	<b>452,868</b>	<b>(114,942)</b>	<b>(208,427)</b>	<b>129,499</b>
Depreciation and amortisation	(205,650)	(39,129)	-	(244,779)
Interest revenue	-	-	-	-
Finance costs	(3,145)	-	-	(3,145)
<b>Profit/(loss) before income tax expense</b>	<b>244,073</b>	<b>(154,071)</b>	<b>(208,427)</b>	<b>(118,425)</b>
Income tax expense	-	-	-	-
<b>Loss after income tax expense</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(118,425)</b>

**Note 2. Operating segments (continued)**

<b>Consolidated - 31 Dec 2019</b>	<i>Orthopaedics division</i> \$	<i>Innovation division</i> \$	<i>Corporate costs (unallocated)</i> \$	<i>Total</i> \$
<b>Revenue</b>				
Sale of goods	2,264,022	-	-	2,264,022
Commissions revenue	45,487	-	-	45,487
<b>Total sales revenue</b>	<u>2,309,509</u>	<u>-</u>	<u>-</u>	<u>2,309,509</u>
Government grants	-	204,313	-	204,313
Sundry income	14,571	65,500	-	80,071
Research and development tax offset	-	426,315	-	426,315
<b>Total revenue</b>	<u>2,324,080</u>	<u>696,128</u>	<u>-</u>	<u>3,020,208</u>
<b>EBITDA</b>	623,334	(1,005,792)	(199,835)	(582,293)
Depreciation and amortisation	(199,919)	(30,763)	-	(230,682)
Interest revenue	1,557	-	-	1,557
Finance costs	(5,896)	-	-	(5,896)
<b>Profit/(loss) before income tax expense</b>	<u>419,076</u>	<u>(1,036,555)</u>	<u>(199,835)</u>	<u>(817,314)</u>
Income tax expense				-
<b>Loss after income tax expense</b>				<u>(817,314)</u>

**Note 3. Revenue from contracts with customers**

	<b>Consolidated</b> 31 Dec 2020 \$	31 Dec 2019 \$
Sale of goods	2,174,609	2,264,022
Commissions revenue	97,378	45,487
<b>Revenue from contracts with customers</b>	<u>2,271,987</u>	<u>2,309,509</u>

*Disaggregation of revenue*

The disaggregation of revenue is as follows:

	<b>Consolidated</b> 31 Dec 2020 \$	31 Dec 2019 \$
<i>Major product lines</i>		
Government	504,510	826,468
Non-government	1,767,477	1,483,041
	<u>2,271,987</u>	<u>2,309,509</u>
<i>Geographical regions</i>		
Australia	2,216,359	2,274,343
New Zealand	55,628	35,166
	<u>2,271,987</u>	<u>2,309,509</u>



**Note 4. Other income**

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
Government grants	114,622	204,313
Subsidies and grants	327,500	-
Sundry income	53,805	80,071
Research and development tax offset	312,471	426,315
	<u>808,398</u>	<u>710,699</u>

**Note 5. Non-current assets - property, plant and equipment**

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$	\$
Plant and equipment - at cost	326,384	325,922
Less: Accumulated depreciation	(148,819)	(107,747)
	<u>177,565</u>	<u>218,175</u>
Fixtures and fittings - at cost	108,396	106,741
Less: Accumulated depreciation	(90,955)	(84,858)
	<u>17,441</u>	<u>21,883</u>
Leasehold improvements - at cost	65,561	65,561
Less: Accumulated depreciation	(64,951)	(63,516)
	<u>610</u>	<u>2,045</u>
Instrument sets - at cost	1,584,294	1,575,467
Less: Accumulated depreciation	(1,016,456)	(914,103)
	<u>567,838</u>	<u>661,364</u>
	<u><u>763,454</u></u>	<u><u>903,467</u></u>

*Reconciliations*

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

Consolidated	<i>Plant and equipment</i> \$	<i>Fixtures and fittings</i> \$	<i>Leasehold improvements</i> \$	<i>Instrument sets</i> \$	<i>Total</i> \$
Balance at 1 July 2020	218,175	21,883	2,045	661,364	903,467
Additions	462	1,655	-	8,827	10,944
Depreciation expense	(41,072)	(6,097)	(1,435)	(102,353)	(150,957)
Balance at 31 December 2020	<u>177,565</u>	<u>17,441</u>	<u>610</u>	<u>567,838</u>	<u>763,454</u>

**Note 6. Non-current assets - right-of-use assets**

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$	\$
Land and buildings - right-of-use	384,759	305,191
Less: Accumulated depreciation	<u>(228,893)</u>	<u>(152,595)</u>
	<u><u>155,866</u></u>	<u><u>152,596</u></u>

*Reconciliations*

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

Consolidated	<i>Land and buildings</i> \$
Balance at 1 July 2020	152,596
Additions	79,568
Depreciation expense	<u>(76,298)</u>
Balance at 31 December 2020	<u><u>155,866</u></u>

**Note 7. Non-current assets - intangibles**

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$	\$
Website - at cost	18,200	18,200
Less: Accumulated amortisation	<u>(8,806)</u>	<u>(6,971)</u>
	<u>9,394</u>	<u>11,229</u>
Patents and trademarks - at cost	1,163,844	669,220
Less: Accumulated amortisation	<u>(543,316)</u>	<u>(539,209)</u>
	<u>620,528</u>	<u>130,011</u>
New product line set-up costs - at cost	97,792	97,792
Less: Accumulated amortisation	<u>(69,239)</u>	<u>(59,379)</u>
	<u>28,553</u>	<u>38,413</u>
Regulatory costs - at cost	60,819	-
Less: Accumulated amortisation	<u>(1,722)</u>	<u>-</u>
	<u>59,097</u>	<u>-</u>
	<u><u>717,572</u></u>	<u><u>179,653</u></u>

**Note 7. Non-current assets - intangibles (continued)**

*Reconciliations*

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

<b>Consolidated</b>	<i>Website</i> \$	<i>Patents and trademarks</i> \$	<i>New product line set-up costs</i> \$	<i>Regulatory costs</i> \$	<i>Total</i> \$
Balance at 1 July 2020	11,229	130,011	38,413	-	179,653
Additions	-	494,624	-	60,819	555,443
Amortisation expense	(1,835)	(4,107)	(9,860)	(1,722)	(17,524)
Balance at 31 December 2020	<u>9,394</u>	<u>620,528</u>	<u>28,553</u>	<u>59,097</u>	<u>717,572</u>

**Note 8. Current liabilities - contract liabilities - deferred income**

	<b>Consolidated</b> 31 Dec 2020 \$	30 Jun 2020 \$
Contract liabilities - deferred income	<u>-</u>	<u>332,122</u>

*Reconciliation*

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

Opening balance	332,122	105,143
Service agreement contract	-	786,000
Payments received in advance	110,000	191,500
Transfer to revenue - other balances	(442,122)	(750,521)
Closing balance	<u>-</u>	<u>332,122</u>

*Unsatisfied performance obligations*

The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was \$nil as at 31 December 2020 (\$332,122 as at 30 June 2020) and is expected to be recognised as revenue in future periods as follows:

	<b>Consolidated</b> 31 Dec 2020 \$	30 Jun 2020 \$
Within 6 months	<u>-</u>	<u>332,122</u>

### Note 9. Current liabilities - borrowings

	Consolidated	
	31 Dec 2020	30 Jun 2020
	\$	\$
Bank loans	240,972	-
Insurance loans	26,620	7,943
	<u>267,592</u>	<u>7,943</u>

#### Bank loans

The Group has a bank loan with Commonwealth Bank of Australia ('CBA') which was entered into in November 2020 and is for a loan term of three years with principal and interest repayments. The loan was acquired under the Government Coronavirus SME Guarantee Scheme. Monthly repayments are \$9,028.

### Note 10. Equity - issued capital

	Consolidated			
	31 Dec 2020	30 Jun 2020	31 Dec 2020	30 Jun 2020
	Shares	Shares	\$	\$
Ordinary shares - fully paid	<u>104,459,203</u>	<u>99,559,052</u>	<u>15,366,235</u>	<u>14,875,788</u>

#### Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2019	99,559,052		14,875,788
Issue of shares on exercise of options	6 July 2020	27,484	\$0.125	3,436
Issue of shares for the acquisition of patents	6 July 2020	4,806,000	\$0.100	480,600
Issue of shares on exercise of options	22 October 2020	66,667	\$0.125	8,333
Share issue transaction costs		-	\$0.000	(1,922)
Balance	31 December 2020	<u>104,459,203</u>		<u>15,366,235</u>

### Note 11. Equity - dividends

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

### Note 12. Contingent liabilities

The consolidated entity has a bank guarantee totalling \$105,071 at 31 December 2020 (30 June 2020: \$105,071) to support office rental commitments.

### Note 13. Earnings per share

	Consolidated	
	31 Dec 2020	31 Dec 2019
	\$	\$
Loss after income tax attributable to the owners of Allegra Orthopaedics Limited	<u>(118,425)</u>	<u>(817,314)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>104,261,360</u>	<u>99,559,052</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>104,261,360</u>	<u>99,559,052</u>

**Note 13. Earnings per share (continued)**

	Cents	Cents
Basic earnings per share	(0.11)	(0.82)
Diluted earnings per share	(0.11)	(0.82)

Options have been excluded from the above calculation of diluted earnings per share as their inclusion would be anti-dilutive.

**Note 14. Events after the reporting period**

No matter or circumstance has arisen since 31 December 2020 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.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2020 and of its performance for the financial half-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.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors



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Peter Kazacos  
Director

24 February 2021  
Sydney

# Independent Auditor's Review Report to the Members of Allegra Orthopaedics Limited

## Conclusion

We have reviewed the half-year financial report of Allegra Orthopaedics Limited (the Company), which comprises the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Company does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Company's financial position as at 31 December 2020 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

## Basis of Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the Auditor's Responsibilities for the Review of the Financial Report section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

The title 'Partner' conveys that the person is a senior member within their respective division, and is among the group of persons who hold an equity interest (shareholder) in its parent entity, Findex Group Limited. The only professional service offering which is conducted by a partnership is the Crowe Australasia external audit division. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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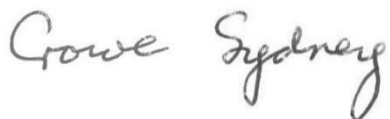
## Responsibility of the Directors for the Financial Report

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

## Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



**Crowe Sydney**



**John Haydon**

Senior Partner

Dated at Sydney this 24<sup>th</sup> day of February 2021