

1. Company details

Name of entity:	Allegra Orthopaedics Limited
ABN:	71 066 281 132
Reporting period:	For the half-year ended 31 December 2021
Previous period:	For the half-year ended 31 December 2020

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	25.5% to	1,693,463
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	down	800.0% to	(906,433)
Loss from ordinary activities after tax attributable to the owners of Allegra Orthopaedics Limited	up	968.0% to	(1,264,772)
Loss for the half-year attributable to the owners of Allegra Orthopaedics Limited	up	968.0% to	(1,264,772)

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 \$1,264,772 (31 December 2020: \$118,425).

The consolidated entity continues to operate as two distinct business segments, namely the Orthopaedics Division, which sells and distributes its portfolio of medical device products and the second segment being the Innovation Division, which invests resources into the development and commercialisation of new products to take to market. Corporate costs are excluded from these segments and are reported on separately.

The earnings before interest, tax, depreciation and amortisation ('EBITDA') for the consolidated entity was a loss of \$906,433 (31 December 2020: profit of \$129,499).

The Orthopaedics Division generated an EBITDA loss of \$158,800 (31 December 2020: profit of \$452,868). This is mainly due to the cancellation of elective surgeries caused by the surging number of in-hospital COVID-19 patients in several States and Territories (refer to ASX announcement 19 January 2022).

The Innovation Division generated an EBITDA loss of \$534,314 (31 December 2020: loss of \$114,942) as the consolidated entity continues its 6-month large animal trial in Australia after a successful pilot animal study early in the year (refer to ASX announcement 06/04/2021).

Total Corporate overhead costs not allocated to either Division were \$213,319 (31 December 2020: \$208,427).

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 profit/(loss) after tax attributable to the shareholders of the company and EBITDA.

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Loss after income tax	(1,264,772)	(118,425)
Add: Depreciation and amortisation	313,382	244,779
Add: Finance cost	44,957	3,145
EBITDA	<u>(906,433)</u>	<u>129,499</u>

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>2.54</u>	<u>3.94</u>

Calculated as follows:

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Net assets	3,355,878	4,992,348
Less: Right-of-use assets	(97,274)	(155,866)
Less: Intangibles	(635,345)	(717,572)
Net tangible assets	<u>2,623,259</u>	<u>4,118,910</u>
Total shares issued	104,459,203	104,459,203

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.

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.

10. Attachments

Details of attachments (if any):

The Interim Report of Allegra Orthopaedics Limited for the half-year ended 31 December 2021 is attached.

11. Signed



Signed _____

Date: 24 February 2022

Peter Kazacos
Director
Sydney

Allegra Orthopaedics Limited

ABN 71 066 281 132

Interim Report - 31 December 2021

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 2021.

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
 Sean Mulhearn
 Nicholas Hartnell
 Anthony Hartnell (resigned 7 January 2022)

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 \$1,264,772 (31 December 2020: \$118,425).

Revenue

Total revenue from ordinary activities for the half-year ended 31 December 2021 was \$1,693,463 (31 December 2020: \$2,271,987).

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

	31 Dec 2021	31 Dec 2020	Change	Change
	\$	\$	\$	%
Sale of goods	1,629,473	2,174,609	(545,136)	(25%)
Commissions revenue	63,990	97,378	(33,388)	(34%)

The consolidated entity's product revenue decreased by 25% compared to the half-year of the previous financial year; its commissions' revenue also reduced by 34% compared to the last financial half-year. The increasing number of in-hospital COVID-19 patients significantly impacts elective surgery bookings at public and private hospitals; the postponement and the cancellation of elective surgery bookings during the six months of the financial year have caused drops in the consolidated entity's revenue streams.

Other income

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

	31 Dec 2021	31 Dec 2020	Change	Change
	\$	\$	\$	%
Other income	487,400	808,398	(320,998)	(40%)

'Other income' decreased by 40% compared with the previous half-year. Revenue recognised from Grants awarded to the consolidated entity was \$16,500 in the six months to 31 December 2021 (31 December 2020: 442,122).

Expenses

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

	31 Dec 2021	31 Dec 2020	Change	Change
	\$	\$	\$	%
Cost of sales and purchases of consumables	851,978	951,945	(99,967)	(11%)
Corporate and administration expenses	920,571	882,643	37,928	4%
Quality and research and development expenses	1,202,460	945,988	256,472	27%
Sales and marketing expenses	425,669	415,089	10,580	3%
Finance costs	44,957	3,145	41,812	1329%

'Cost of sales and purchases of consumables' has dropped by 11% compared with the previous half-year. This is mainly due to the decreased sales of goods; the decrease in sales also resulted in a larger amount of expired inventory write down compared with the six months to 31 December 2020.

'Corporate and administration expenses' have increased by 4% compared with the last half-year. The change results from increases in lease outgoings and insurance expenditures.

'Quality and research and development expenses' have increased by 27% year on year. The increase in spending reflects the 6-month large animal trial for the consolidated entity's flagship innovation project, the Spinal Cage Device (refer to ASX announcement 06/04/2021).

'Sales and marketing expenses' have increased by 3%.

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

	Consolidated 31 Dec 2021	31 Dec 2020
	\$	\$
Loss after income tax	(1,264,772)	(118,425)
Add: Depreciation and amortisation	313,382	244,779
Add: Finance cost	44,957	3,145
EBITDA	<u>(906,433)</u>	<u>129,499</u>

Significant changes in the state of affairs

On 9 August 2021, the consolidated entity announced a new partnership with Swinbourne University and RMIT University to explore a novel coating manufacturing process to deposit the consolidated entity's proprietary bioceramic material onto orthopaedic implants. This project will provide the consolidated entity with a solid foundation for a superior manufacturing and coating process for orthopaedics implants.

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

Matters subsequent to the end of the financial half-year

On 19 January 2022, the consolidated entity announced a forecasted revenue and profit decrease of its Orthopaedics division compared to the prior financial year FY2021. The primary reason for the decrease in revenues is the ongoing COVID-19 pandemic resulting in the suspension or reduction of non-urgent elective surgeries in both the public and private hospitals.

On 31 January 2022, the consolidated entity announced the positive results in its large animal study for the Sr-HT-Gahnite Spinal Cage Device. The completion of this study and the positive results being realised will confirm a viable pathway to obtaining a FDA 510(k) clearance in the near future. The consolidated entity reports that all surgical sites are progressing well at the Intermediate Time Point, and there was good evidence of fusion at the operated level.

On 8 February 2022, the consolidated entity announced the resignation of Mr Anthony Hartnell as a Director of the company.

No other matter or circumstance has arisen since 31 December 2021 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.

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



Peter Kazacos
Director

24 February 2022
Sydney

24 February 2022

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 2021, 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



Barbara Richmond
Partner

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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 external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. All other professional services offered by Findex Group Limited are conducted by a privately owned organisation and/or its subsidiaries.

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Statement of profit or loss and other comprehensive income	6
Statement of financial position	7
Statement of changes in equity	8
Statement of cash flows	9
Notes to the financial statements	10
Directors' declaration	17
Independent auditor's review report to the members of Allegra Orthopaedics Limited	18

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 2022.

Allegra Orthopaedics Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2021



		Consolidated	
	Note	31 Dec 2021	31 Dec 2020
		\$	\$
Revenue from contracts with customers	3	1,693,463	2,271,987
Other income	4	487,400	808,398
Expenses			
Cost of sales and purchases of consumables		(851,978)	(951,945)
Corporate and administration expenses		(920,571)	(882,643)
Quality and research and development expenses		(1,202,460)	(945,988)
Sales and marketing expenses		(425,669)	(415,089)
Finance costs		(44,957)	(3,145)
Loss before income tax expense		(1,264,772)	(118,425)
Income tax expense		-	-
Loss after income tax expense for the half-year attributable to the owners of Allegra Orthopaedics Limited		(1,264,772)	(118,425)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Allegra Orthopaedics Limited		<u>(1,264,772)</u>	<u>(118,425)</u>
		Cents	Cents
Basic earnings per share	12	(1.21)	(0.11)
Diluted earnings per share	12	(1.21)	(0.11)

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

		Consolidated	
	Note	31 Dec 2021 \$	30 Jun 2021 \$
Assets			
Current assets			
Cash and cash equivalents		322,752	363,223
Trade and other receivables		724,624	1,273,978
Inventories		3,019,302	3,018,795
Prepayments		85,970	162,538
Total current assets		<u>4,152,648</u>	<u>4,818,534</u>
Non-current assets			
Property, plant and equipment	5	577,927	642,499
Right-of-use assets	6	97,274	59,676
Intangibles	7	635,345	712,834
Security deposits		105,607	105,607
Total non-current assets		<u>1,416,153</u>	<u>1,520,616</u>
Total assets		<u>5,568,801</u>	<u>6,339,150</u>
Liabilities			
Current liabilities			
Trade and other payables		813,557	1,206,452
Contract liabilities - deferred income		30,000	-
Borrowings	8	97,177	211,454
Lease liabilities		98,796	60,341
Employee benefits		198,702	122,179
Total current liabilities		<u>1,238,232</u>	<u>1,600,426</u>
Non-current liabilities			
Borrowings	8	944,172	83,327
Employee benefits		20,519	72,012
Provisions		10,000	10,000
Total non-current liabilities		<u>974,691</u>	<u>165,339</u>
Total liabilities		<u>2,212,923</u>	<u>1,765,765</u>
Net assets		<u>3,355,878</u>	<u>4,573,385</u>
Equity			
Issued capital	9	15,366,235	15,366,235
Share-based payments reserve		811,469	764,204
Accumulated losses		<u>(12,821,826)</u>	<u>(11,557,054)</u>
Total equity		<u>3,355,878</u>	<u>4,573,385</u>

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

Allegra Orthopaedics Limited
Statement of changes in equity
For the half-year ended 31 December 2021



Consolidated	Issued capital \$	Share-based payments reserve \$	Accumulated losses \$	Total equity \$
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	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>
Consolidated	Issued capital \$	Share-based payments reserve \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2021	15,366,235	764,204	(11,557,054)	4,573,385
Loss after income tax expense for the half-year	-	-	(1,264,772)	(1,264,772)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,264,772)	(1,264,772)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	47,265	-	47,265
Balance at 31 December 2021	<u>15,366,235</u>	<u>811,469</u>	<u>(12,821,826)</u>	<u>3,355,878</u>

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

Allegra Orthopaedics Limited
Statement of cash flows
For the half-year ended 31 December 2021



	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	2,061,217	2,797,887
Payments to suppliers and employees (inclusive of GST)	<u>(3,542,207)</u>	<u>(3,788,922)</u>
	(1,480,990)	(991,035)
Interest and other finance costs paid	(41,791)	(5,398)
Income taxes refunded relating to research and development	<u>841,260</u>	<u>340,756</u>
Net cash used in operating activities	<u>(681,521)</u>	<u>(655,677)</u>
Cash flows from investing activities		
Payments for property, plant and equipment	(81,738)	(20,715)
Payments for intangibles	<u>(13,745)</u>	<u>-</u>
Net cash used in investing activities	<u>(95,483)</u>	<u>(20,715)</u>
Cash flows from financing activities		
Proceeds from issue of shares	-	8,333
Share issue transaction costs	-	(2,114)
Proceeds from borrowings	900,000	250,000
Repayment of borrowings	(54,167)	(9,028)
Repayment of insurance loan	(103,118)	(87,866)
Repayment of lease liabilities	(55,682)	(85,758)
Grant received	<u>49,500</u>	<u>121,000</u>
Net cash from financing activities	<u>736,533</u>	<u>194,567</u>
Net decrease in cash and cash equivalents	(40,471)	(481,825)
Cash and cash equivalents at the beginning of the financial half-year	<u>363,223</u>	<u>755,592</u>
Cash and cash equivalents at the end of the financial half-year	<u><u>322,752</u></u>	<u><u>273,767</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 2021 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 2021 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.

Going concern

The financial statements have been prepared on a going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

During the half year ended 31 December 2021, the consolidated entity incurred a net loss after tax of \$1,264,772 and net cash outflows used in operations of \$681,521. As at 31 December 2021, the consolidated entity had cash and cash equivalents of \$322,752, net assets of \$3,355,878 and net current assets of \$2,870,244. As disclosed in the Director's Report, sales in the Orthopaedics division have been negatively impacted by COVID-19 in the current half year. The directors expect that sales will perform strongly in the second half of the year, with the division returning profitably going forward, continuing to fund future operations and innovation activities. Furthermore, the consolidated entity has the ability to flexibly manage expenses and avail of existing debt facilities going forward if required.

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 earnings before interest, tax, depreciation and amortisation ('EBITDA'). 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 Australasia.

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 and ankle, primary hip and knee, to complex lower limb revision arthroplasty and tumour solutions. The division constantly seeks 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 engaging a dedicated engineering team and a US-based Innovation & Technology Manager, 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 commercialisation of a cervical spinal fusion cage developed from the biocompatible ceramic material, Sr-HT-Gahnite. The Sr-HT-Gahnite is a highly porous and biocompatible calcium silicate. It has many advantages over existing synthetic bone materials, including strength and the ability to be 3D printed. Further applications for the Sr-HT-Gahnite include fixation screws that secure ligaments to the bone, a coating material along with a novel coating manufacturing process for existing and new implants to deposit the company's proprietary bioceramic material onto orthopaedic implants.
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 2021	<i>Orthopaedics division</i> \$	<i>Innovation division</i> \$	<i>Corporate costs (unallocated)</i> \$	<i>Total</i> \$
Revenue				
Sale of goods	1,629,473	-	-	1,629,473
Commissions revenue	62,109	-	-	62,109
Total sales revenue	1,691,582	-	-	1,691,582
Government grants	-	16,500	-	16,500
Sundry income	3,284	-	-	3,284
Research and development tax offset	-	467,616	-	467,616
Royalties	1,881	-	-	1,881
Total revenue	1,696,747	484,116	-	2,180,863
EBITDA	(158,800)	(534,314)	(213,319)	(906,433)
Depreciation and amortisation	(204,110)	(109,272)	-	(313,382)
Finance costs	(3,629)	(41,328)	-	(44,957)
Loss before income tax expense	(366,539)	(684,914)	(213,319)	(1,264,772)
Income tax expense	-	-	-	-
Loss after income tax expense	-	-	-	(1,264,772)

Note 2. Operating segments (continued)

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

Note 3. Revenue from contracts with customers

	Consolidated 31 Dec 2021 \$	31 Dec 2020 \$
Sale of goods	1,629,473	2,174,609
Commissions revenue	63,990	97,378
Revenue from contracts with customers	<u>1,693,463</u>	<u>2,271,987</u>

Disaggregation of revenue

The disaggregation of revenue is as follows:

	Consolidated 31 Dec 2021 \$	31 Dec 2020 \$
<i>Major customer groups</i>		
Government	256,278	504,510
Non-government	1,437,185	1,767,477
	<u>1,693,463</u>	<u>2,271,987</u>

Geographical regions

	Consolidated 31 Dec 2021 \$	31 Dec 2020 \$
Australia	1,658,026	2,216,359
New Zealand	35,437	55,628
	<u>1,693,463</u>	<u>2,271,987</u>

Timing of revenue recognition

	31 Dec 2021	31 Dec 2020
Goods transferred at a point in time	1,693,463	2,271,987
Services transferred over time	-	-
	<u>1,693,463</u>	<u>2,271,987</u>

Note 4. Other income

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Government grants	16,500	114,622
Subsidies and grants	-	327,500
Sundry income	3,284	53,805
Research and development tax offset	467,616	312,471
	<u>487,400</u>	<u>808,398</u>

Note 5. Property, plant and equipment

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Non-current assets</i>		
Plant and equipment - at cost	335,497	335,497
Less: Accumulated depreciation	(219,868)	(188,719)
	<u>115,629</u>	<u>146,778</u>
Fixtures and fittings - at cost	112,936	112,328
Less: Accumulated depreciation	(101,596)	(96,542)
	<u>11,340</u>	<u>15,786</u>
Leasehold improvements - at cost	65,561	65,561
Less: Accumulated depreciation	(65,561)	(65,561)
	<u>-</u>	<u>-</u>
Instrument sets - at cost	1,678,873	1,598,266
Less: Accumulated depreciation	(1,227,915)	(1,118,331)
	<u>450,958</u>	<u>479,935</u>
	<u>577,927</u>	<u>642,499</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 2021	146,778	15,786	-	479,935	642,499
Additions	-	608	-	80,607	81,215
Depreciation expense	(31,149)	(5,054)	-	(109,584)	(145,787)
Balance at 31 December 2021	<u>115,629</u>	<u>11,340</u>	<u>-</u>	<u>450,958</u>	<u>577,927</u>

Note 6. Right-of-use assets

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Non-current assets</i>		
Land and buildings - right-of-use	173,774	384,759
Less: Accumulated depreciation	<u>(76,500)</u>	<u>(325,083)</u>
	<u>97,274</u>	<u>59,676</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 - right-of-use</i>
	\$
Balance at 1 July 2021	59,676
Additions	114,098
Depreciation expense	<u>(76,500)</u>
Balance at 31 December 2021	<u>97,274</u>

Note 7. Intangibles

	Consolidated	
	31 Dec 2021	30 Jun 2021
	\$	\$
<i>Non-current assets</i>		
Website - at cost	18,200	18,200
Less: Accumulated amortisation	<u>(12,446)</u>	<u>(10,611)</u>
	<u>5,754</u>	<u>7,589</u>
Patents and trademarks - at cost	1,182,421	1,168,815
Less: Accumulated amortisation	<u>(613,417)</u>	<u>(547,357)</u>
	<u>569,004</u>	<u>621,458</u>
New product line set-up costs - at cost	97,792	97,792
Less: Accumulated amortisation	<u>(88,798)</u>	<u>(78,938)</u>
	<u>8,994</u>	<u>18,854</u>
Regulatory costs - at cost	79,390	79,390
Less: Accumulated amortisation	<u>(27,797)</u>	<u>(14,457)</u>
	<u>51,593</u>	<u>64,933</u>
	<u>635,345</u>	<u>712,834</u>

Note 7. Intangibles (continued)

Reconciliations

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

Consolidated	Website \$	Patents and trademarks \$	New product line set-up costs \$	Regulatory costs \$	Total \$
Balance at 1 July 2021	7,589	621,458	18,854	64,933	712,834
Additions	-	13,606	-	-	13,606
Amortisation expense	(1,835)	(66,060)	(9,860)	(13,340)	(91,095)
Balance at 31 December 2021	<u>5,754</u>	<u>569,004</u>	<u>8,994</u>	<u>51,593</u>	<u>635,345</u>

Note 8. Borrowings

	Consolidated	
	31 Dec 2021 \$	30 Jun 2021 \$
<i>Current liabilities</i>		
Bank loans	97,177	108,336
Insurance loans	-	103,118
	<u>97,177</u>	<u>211,454</u>
<i>Non-current liabilities</i>		
Bank loans	44,172	83,327
Related party loans	900,000	-
	<u>944,172</u>	<u>83,327</u>

Bank loans

The consolidated entity 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.

Related party loans

The consolidated entity has a related party loan facility with Robinwood Investment Pty Ltd for an amount of \$2,000,000, and had drawn down \$900,000. The terms of the loan facility are two years from the first drawdown date with an annual interest rate of 13%. Robinwood Investment Pty Ltd is an entity associated with Nicholas Hartnell, who is a director of the consolidated entity.

Note 9. Issued capital

	Consolidated			
	31 Dec 2021 Shares	30 Jun 2021 Shares	31 Dec 2021 \$	30 Jun 2021 \$
Ordinary shares - fully paid	<u>104,459,203</u>	<u>104,459,203</u>	<u>15,366,235</u>	<u>15,366,235</u>

Note 10. Dividends

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

Note 11. Contingent liabilities

The consolidated entity has a bank guarantee totalling \$105,607 at 31 December 2021 (30 June 2021: \$105,607) in relation to support office rental commitments.

Note 12. Earnings per share

	Consolidated	
	31 Dec 2021	31 Dec 2020
	\$	\$
Loss after income tax attributable to the owners of Allegra Orthopaedics Limited	<u>(1,264,772)</u>	<u>(118,425)</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	<u>104,459,203</u>	<u>104,261,360</u>
Weighted average number of ordinary shares used in calculating diluted earnings per share	<u>104,459,203</u>	<u>104,261,360</u>
	Cents	Cents
Basic earnings per share	(1.21)	(0.11)
Diluted earnings per share	(1.21)	(0.11)

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

Note 13. Events after the reporting period

On 19 January 2022, the consolidated entity announced a forecasted revenue and profit decrease of its Orthopaedics division compared to the prior financial year FY2021. The primary reason for the decrease in revenues is the ongoing COVID-19 pandemic resulting in the suspension or reduction of non-urgent elective surgeries in both the public and private hospitals.

On 31 January 2022, the consolidated entity announced the positive results in its large animal study for the Sr-HT-Gahnite Spinal Cage Device. The completion of this study and the positive results being realised will confirm a viable pathway to obtaining a FDA 510(k) clearance in the near future. The consolidated entity reports that all surgical sites are progressing well at the Intermediate Time Point, and there was good evidence of fusion at the operated level.

On 8 February 2022, the consolidated entity announced the resignation of Mr Anthony Hartnell as a Director of the company.

No other matter or circumstance has arisen since 31 December 2021 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 2021 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



Peter Kazacos
Director

24 February 2022
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) and its subsidiaries (the Consolidated entity), which comprises the statement of financial position as at 31 December 2021, 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 Consolidated entity does not comply with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Consolidated entity's financial position as at 31 December 2021 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 Consolidated entity 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.

Liability limited by a scheme approved under Professional Standards Legislation.

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 external audit, conducted via the Crowe Australasia external audit division and Unison SMSF Audit. 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 Consolidated entity 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 for the Review of the Financial Report

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 Consolidated entity's financial position as at 31 December 2021 and 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



Barbara Richmond
Partner

24 February 2022