1. Company details

Name of entity:	Allegra Orthopaedics Limited
ABN:	71 066 281 132
Reporting period:	For the year ended 30 June 2023
Previous period:	For the year ended 30 June 2022

2. Results for announcement to the market

				$
Revenues from ordinary activities (continuing and discontinued)	up	10.1%	to	3,281,416
Earnings Before Interest, Tax, Depreciation and Amortisation ('EBITDA')	down	58.1%	to	(1,075,127)
Loss from ordinary activities after tax	up	43.9%	to	(3,647,737)
Loss for the year	up	43.9%	to	(3,647,737)

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 $3,647,737 (30 June 2022: $2,535,328).

The consolidated entity operated as two distinct business segments for the full year, namely the Orthopaedics Division, which sold and distributed 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.

On 30 June 2023, the Orthopaedics Division of the consolidated entity was classified as a disposal group held for sale and as a discontinued operation. The consolidated entity has incurred an impairment loss of $1,803,726 (30 June 2022: Nil) due to the disposal of the discontinued operation.

The earnings before interest, tax, depreciation and amortisation ('EBITDA') for the consolidated entity was a loss of $1,075,127 (30 June 2022: $1,820,959). This underlying EBITDA included the impairment loss of $1,803,726 (30 June 2022: $nil).

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for the expenses identified. The directors consider EBITDA to reflect the core earnings of the consolidated entity.

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

	Consolidated	
	2023 $	2022 $
Loss after income tax	(3,647,737)	(2,535,328)
Add: Depreciation and amortisation	467,978	579,935
Add: Finance cost	301,040	134,442
Less: Interest income	(134)	(8)
EBITDA	(2,878,853)	(1,820,959)
Impairment loss from disposal group held-for-sale	1,803,726	-
Underlying EBITDA	(1,075,127)	(1,820,959)

	2023 Orthopaedics $	2023 Innovation $	2022 Orthopaedics $	2022 Innovation $
Loss after income tax	(1,561,427)	(2,086,310)	(519,647)	(2,015,681)
Add: Depreciation and amortisation	226,073	241,905	292,135	287,800
Add: Finance cost	-	301,040	-	134,442
Less: Interest income	-	(134)	-	(8)
EBITDA	(1,335,354)	(1,543,499)	(227,512)	(1,593,447)
Impairment loss from disposal group held-for-sale	1,803,726	-	-	-
Underlying EBITDA	468,372	(1,543,499)	(227,512)	(1,593,447)

The Orthopaedics Division generated an EBITDA gain of $468,372 after impairment (30 June 2022: loss of $227,512). The overall sales revenue of the Orthopaedics Division has increased by 10.1% year on year. However, the product revenue for the Orthopaedics Division has not recovered to pre-COVID-19 levels.

The Innovation Division resulted in an EBITDA loss of $1,543,499 (30 June 2022: $1,593,447). Following the completion of a range of studies on its Sr-HT-Gahnite Spinal Cage Device and achieving successful outcomes in those studies, the consolidated entity has submitted the 510(k) application to the U.S. Food and Drug Administration ('FDA'), marking one of the most important milestones in the commercialisation of the Spinal Cage Device. (refer to ASX announcement on 31 March 2023).

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 Annual Report.

On 31 March 2023, over nine years of dedicated innovation activities, the consolidated entity announced the formal submission of the 510(k) application to the FDA. The submission represents the successful conclusion of extensive laboratory and pre-clinical investigations, including positive outcomes from the large animal study. This marks a significant milestone in bringing the 3D-printed bio ceramic spinal fusion cage to market.

On 2 May 2023, the consolidated entity announced that it has entered into an agreement with Robinwood Investments Pty Ltd ('RIPL') for the sale of its Orthopaedics Division's business assets, both tangible and intangible; for consideration of $1 million cash. The decision to sell the Orthopaedics Division is due to the continuous underperformance of the division following the COVID-19 pandemic, resulting in trading losses from this division in FY2022 and FY2023. As a result of this transaction, the consolidated entity will become exclusively focused on medical innovations and therefore may attract new investors who are interested only in the entity's innovation projects. RIPL is a substantial shareholder and an entity that is associated with the consolidated entity's Non-Executive Director, Dr Nicholas Hartnell.

On 19 July 2023, the consolidated entity announced a Non-Renounceable Entitlement Offer ('Offer') issue for its current shareholders. The Offer entitles its current shareholder with one fully paid ordinary share for every three shares held at an issue price of $0.09 per Share. The Entitlement Offer aims to raise circa $3,133,776 (before costs) to support the ongoing commercialisation activities for its Cervical Spinal Cage Device. The consolidated entity also announced that the expected completion date of the sale of the Orthopaedics Division to RIPL – a substantial shareholder and entity associated with its Non-Executive Director, Nicholas Hartnell, is to occur before 31 August 2023.

On 23 August 2023, the consolidated entity announced that the decision to dispose of the Orthopaedics Division has been approved by shareholders at the Extraordinary General Meeting held on the date. On 28 August 2023, the consolidated entity announced the completion of the Orthopaedics Division sale, and the proceeds of $1 million have been received in its bank account.

On 30 August 2023, the consolidated entity announced the results of the Non-Renounceable Entitlement Offer, confirming that a total amount of $1,363,663 was raised before costs under the Offer. As disclosed in the ASX announcement dated 30 August 2023, as part of the entitlement acceptances, the consideration for 12,758,316 shares (equal to approximately $1.148 million) was paid through the part settlement of the equivalent value of the Convertible Loan Agreement ('Loan Agreement') with Robinwood Investments Pty Ltd ('RIPL'). As such, the net cash raised from the Offer is approximately $215,000 (prior to costs). In doing so, the consolidated entity has reduced its debt level and alleviated the burden of substantial interest expenditure.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	(2.14)	1.39

Calculated as follows:

	Consolidated 2023 $	2022 $
Net assets	(1,499,081)	2,132,306
Less: Right-of-use assets	(266,167)	(135,614)
Less: Intangibles	(472,164)	(541,246)
Net tangible assets	(2,237,412)	1,455,446
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 have been audited and an unmodified opinion has been issued.

10. Attachments

Details of attachments (if any):

The Annual Report of Allegra Orthopaedics Limited for the year ended 30 June 2023 is attached.

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11. Signed

As authorised by the Board of Directors

Signed ___________________________ Date: 31 August 2023

Peter Kazacos
Director
Sydney

Allegra Orthopaedics Limited

ABN 71 066 281 132

Annual Report - 30 June 2023

Directors	Peter Kazacos Sean Mulhearn Nicholas Hartnell
Company secretary	Robyn Slaughter
Registered office	Level 8 18-20 Orion Road Lane Cove West, NSW 2066 Head office telephone: 02 9119 9200
Share register	Automic Group Level 5 126 Phillip Street Sydney, NSW 2000 Shareholders enquiries: 1300 288 664
Auditor	Crowe Sydney Level 24 1 O'Connell Street Sydney, NSW 2000
Bankers	Commonwealth Bank of Australia PO Box 327 Silverwater, NSW 2128
Stock exchange listing	Allegra Orthopaedics Limited shares are listed on the Australian Securities Exchange (ASX code: AMT)
Website	www.allegraorthopaedics.com
Corporate Governance Statement	The directors and management are committed to conducting the business of Allegra Orthopaedics Limited in an ethical manner and in accordance with the highest standards of corporate governance. Allegra Orthopaedics Limited has adopted and has substantially complied with the ASX Corporate Governance Principles and Recommendations (Fourth Edition) ('Recommendations') to the extent appropriate to the size and nature of the consolidated entity's operations. The Corporate Governance Statement, which sets out the corporate governance practices that were in operation during the financial year and identifies and explains any Recommendations that have not been followed, which is approved at the same time as the Annual Report can be found at: www.allegraorthopaedics.com/corporate-governance

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 year ended 30 June 2023.

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

Peter Kazacos	Chair and Independent Non-Executive Director
Sean Mulhearn	Independent Non-Executive Director
Nicholas Hartnell	Non-Executive Director

Principal activities
During the financial 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 year.

Review of operations
The loss for the consolidated entity after providing for income tax amounted to $3,647,737 (30 June 2022: $2,535,328).

The consolidated entity operated as two distinct business segments for the full year, namely the Orthopaedics Division, which sold and distributed 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.

On 2 May 2023, the consolidated entity announced that it has entered into an agreement with Robinwood Investments Pty Ltd ('RIPL') for the sale of its Orthopaedics Division's business assets, both tangible and intangible; for consideration of $1 million cash. The decision to sell the Orthopaedics Division is due to the continuous underperformance of the division following the COVID 19 pandemic, resulting in trading losses from this division in FY2022 and FY2023.

On 30 June 2023, the Orthopaedics Division of the consolidated entity was classified as a disposal group held for sale and as a discontinued operation. The consolidated entity has incurred an impairment loss of $1,803,726 (30 June 2022: Nil) due to the disposal of the discontinued operation.

Operations

Revenue
Total revenue from ordinary activities for the year ended 30 June 2023 was $3,236,093 (30 June 2022: $2,932,844).

The total sales revenue (from discontinued operations representing the Orthopaedics Division) for the consolidated entity has increased by 10% for the year ended 30 June 2023 compared with the previous financial year. However, revenues are still materially lower than revenues achieved in the pre-COVID-19 pandemic period. This positive change was a result of the consolidated entity's continuous efforts in bringing the Orthopaedics Division's performance to the pre-COVID-19 levels. During the financial year, the sale revenue for the two main product groups, namely, Active Knee and LINK, have increased by 16% and 18% respectively. In addition, the sales revenue from consumables has increased by 27%.

Other income

	2023 $	2022 $	Change $	Change %
Other income	736,614	996,070	(259,456)	(26%)

Other income decreased by 26% compared with the previous financial year. Revenue recognised from Grants awarded to the consolidated entity was $nil in the financial year (30 June 2022: $63,000).

Expenses
A comparison of full year expenses compared with the previous year is as follows:

	2023 $	2022 $	Change $	Change %
Cost of sales and purchases of consumables	(1,639,871)	(1,651,947)	12,076	(1%)
Corporate and administration expenses	(1,690,009)	(1,887,089)	197,080	(10%)
Quality and research and development expenses	(1,590,952)	(2,036,913)	445,961	(22%)
Sales and marketing expenses	(594,981)	(753,859)	158,878	(21%)
Finance costs	(301,040)	(134,442)	(166,598)	124%

In the current reporting period, the consolidated entity has adopted various cost-saving initiatives and has restructured resource allocations to boost sales performance, which has led to a 10% decrease in the consolidated entity's corporate and administration expenses, also led to a 21% decrease in sales and marketing expenses while increased the overall sales performance.

Additionally, the consolidated entity's focus on securing FDA regulatory approval for its Sr-HT-Gahnite Cervical Spinal Cage has led to a 22% decrease in quality and research and development expenses compared to the previous year.

The impact of COVID-19 on the health system during the past two financial years has been a significant challenge for the consolidated entity. As a result, the consolidated entity has increased its medium to long-term debt levels to mitigate the negative financial impact of COVID-19 on its Orthopaedics Division's performance, which has led to a 124% increase in finance costs during the current report period.

Earnings before interest, tax, depreciation and amortisation ('EBITDA')
The consolidated entity recorded an earnings before interest, tax, depreciation, and amortisation and impairment loss from disposal group held-for-sale ('EBITDA') loss of $1,075,127 for the year (30 June 2022: $1,820,959).

EBITDA is a financial measure which is not prescribed by Australian Accounting Standards ('AAS') and represents the profit under AAS adjusted for non-specific and significant items. 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 consolidated entity and EBITDA.

	Consolidated 2023 $	 2022 $
Loss after income tax	(3,647,737)	(2,535,328)
Add: Depreciation and amortisation	467,978	579,935
Add: Finance cost	301,040	134,442
Less: Interest income	(134)	(8)
EBITDA	(2,878,853)	(1,820,959)
Impairment loss from disposal group held-for-sale	1,803,726	-
Underlying EBITDA	(1,075,127)	(1,820,959)

Business risks

The following is a summary of material business risks that could adversely affect the consolidated entity's financial performance and growth potential in future years and how the consolidated entity proposes to mitigate such risks.

COVID-19
The consolidated entity has undertaken various cost-cutting initiatives and restructured its sales forces and agencies during the current financial year to restore the Orthopaedics Division's performance to pre-COVID-19 levels. However, the prolonged impact of COVID-19 on the health system, together with the rising interest rate has significantly affected the consolidated entity's Orthopaedics Division. Although the overall sales revenue has increased by 10% compared to the previous financial year, the consolidated entity has not fully regained its pre-COVID-19 sales performance levels.

In response to this situation, the consolidated entity has explored multiple options to mitigate the negative financial impact caused by the underperformance of its Orthopaedics Division. Consequently, the entity has entered into an agreement with Robinwood Investments Pty Ltd, a related-party entity, to sell all assets (both tangible and intangible) of the Orthopaedics Division. The proceeds from this sale will be utilised to reduce the debt level and alleviate the burden of substantial interest expenditure.

The completion of the Orthopaedics Division sale was contingent upon obtaining approval from shareholders, which was received on 23 August 2023. On 28 August 2023, the consolidated entity announced the completion of the sale of the Orthopaedics Division to Robinwood Investments Pty Ltd.

Consequently, the consolidated entity will focus exclusively on medical innovation and thereby possibly attract investors with a specific interest in its innovation activities.

Specific risks associated with investments in the medicaland orthopaedic industry
(a) Regulatory factors with no guarantee of receiving approvals or delays in receiving approvals, including delay to FDA;
(b) Research and development phase is extensive and may lead to a failed product;
(c) A repeat of a pandemic which could make healthcare an issue of national security; and
(d) Potential price reductions in the private health sector.

Economic Factors
The operating and financial performance of the consolidated entity is influenced by a variety of general economic and business conditions including the levels of consumer confidence and spending, business confidence and investment, employment, inflation, interest rates, foreign exchange rates, access to debt and capital markets, fiscal policy, monetary policy and regulatory policies. A prolonged deterioration in any number of the above factors may have a material adverse impact on the consolidated entity's business and financial performance including its ability to fund its activities.

Regulatory risk, government policy
The consolidated entity holds investments in Australia and conducts business, or seeks to conduct business in this and other countries and is therefore exposed to the laws governing businesses in those countries. Changes in government regulations including taxation, the repatriation of profits, restrictions on production, export controls, environmental compliance, shifts in the political stability of the country, labour unrest and other adverse political events could adversely affect the consolidated entity and its business initiatives in Australia, Africa, China and other countries.

Competitive market
Industries in which the consolidated entity, its subsidiaries and business partners operate are subject to technological change and competition. The consolidated entity, its subsidiaries and business partners face competition from other organisations, many of which may have significantly greater financial, technical and marketing resources than the consolidated entity. The consolidated entity, its subsidiaries and business partners have faced and are expected to continue to face, additional competition from existing competitors and from new entrants into its markets.

Increased competition could result in margin reductions, lower customer numbers, under-utilisation of employees and/or contractors, reduced operating margins and loss of market share. Any of these occurrences could adversely affect the consolidated entity’s business, operating results and financial condition.

Regulatory compliance
The consolidated entity is subject to several Australian laws and regulations, such as consumer protection, importation and privacy laws, and those related to workplace health and safety. The consolidated entity conducts periodic internal audits and compliance reviews to identify and manage potential risks to ensure continued compliance.

Following the announcement of the Orthopaedics Division sale by the consolidated entity on 2 May 2023, the consolidated entity is required to satisfy compliance with Chapter 12 of the ASX Listing Rules within a period of 6 months from entering the Agreement. In doing so the consolidated entity must satisfy ASX that the level of operational activities post-transaction remains sufficient to warrant the ongoing listing and quotation of its securities. The potential risks include the potential suspension of the consolidated entity's shares if it fails to meet the ASX's requirements in this regard. As at the date of this report, a determination of compliance with ASX Listing Rule 12 has not been made by the ASX.

On 19 July 2023, the consolidated entity announced a Non-Renounceable Entitlement Offer ('Offer') to its existing shareholders. As announced on 30 August 2023, this Offer raised approximately $1,363,663 (prior to costs) to support the ongoing commercialization efforts for its Cervical Spinal Cage Device following the divestment of its main undertaking, namely, the Orthopaedics Division.

Cyber Security, privacy and data breach
The consolidated entity handles personal and sensitive information. Cyber-attacks are increasing worldwide in frequency and severity. No information technology environment is impenetrable. As a result, the consolidated entity maintains appropriate actions, systems and safeguards to protect against data breaches and aims to keep a low risk of the adverse consequences arising from a breach on the consolidated entity's business and operations. This includes continuous training of privacy and data breach policies during the induction process of the workforce. The consolidated entity also conducts regular training sessions for all staff concerning privacy, cybersecurity and data breaches.

Work, health and safety ('WHS')
The consolidated entity has a zero-risk tolerance for serious safety incidents. During the financial year, the consolidated entity continued to improve its WHS practices by holding online workplace safety training and reviews and holding 'WHS' workshops for new employees.

Key personnel
The consolidated entity's success will depend in part on the continued services of its key employees. The loss of services of one or more of the consolidated entity's key employees could have a material adverse effect on the consolidated entity's business, operating results, and financial condition. This risk is addressed in part by the existence of employment contracts with executives and senior management. The consolidated entity does not have, nor does it intend to take out, key man insurance in respect of any of its key employees.

Potential acquisitions and divestments
As part of its business strategy, the consolidated entity may make acquisitions of, or significant investments in, complementary companies, products or technologies and may make asset divestments. Any such transactions would be accompanied by the risks commonly encountered in making acquisitions of companies, products and technologies, and any divestment activity could result in realising values less than fair value.

Management actions
The Directors will, to the best of their knowledge, experience and ability (in conjunction with the management team) endeavour to anticipate, identify and manage the risks inherent in the activities of the consolidated entity, but without assuming any personal liability, with the aim of eliminating, avoiding and mitigating the impact of risks on the performance of the consolidated entity and its securities. This includes risks arising from the consolidated entity's reliance on a number of key employees. The consolidated entity has in place employment contracts with key employees and has the objective of providing attractive employment conditions to assist in retaining key employees. However, there is no guarantee that the consolidated entity can or will retain its key employees.

Unforeseen expenses
While the consolidated entity is not aware of any expenses that may need to be incurred that have not been taken into account if such expenses were subsequently incurred, the expenditure proposals of the consolidated entity may be adversely affected.

Additional capital requirements
The management team of the consolidated entity bases its estimates and assumptions on historical experience and expectations of future events. There would be expenses that may need to be incurred that have not been taken into account. In addition, the licensing, sale or other commercialization of the innovative technology may require additional capital in the future. Although uncertainties remain for future funding requirements and funding outcomes, the consolidated entity is proactively evaluating its funding situation in order to mitigate the risks involved in future funding practice.

Significant changes in the state of affairs

On 31 March 2023, over nine years of dedicated innovation activities, the consolidated entity announced the formal submission of the 510(k) application to the FDA. The submission represents the successful conclusion of extensive laboratory and pre-clinical investigations, including positive outcomes from the large animal study. This marks a significant milestone in bringing the 3D-printed bio ceramic spinal fusion cage to market.

On 2 May 2023, the consolidated entity announced that it has entered into an agreement with Robinwood Investments Pty Ltd ('RIPL') for the sale of its Orthopaedics Division's business assets, both tangible and intangible; for consideration of $1 million cash. The decision to sell the Orthopaedics Division is due to the continuous underperformance of the division following the COVID-19 pandemic, resulting in trading losses from this division in FY2022 and FY2023. As a result of this transaction, the consolidated entity will become exclusively focused on medical innovations and therefore may attract new investors who are interested only in the entity's innovation projects. RIPL is a substantial shareholder and an entity that is associated with the consolidated entity's Non-Executive Director, Dr Nicholas Hartnell.

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

On 19 July 2023, the consolidated entity announced a Non-Renounceable Entitlement Offer ('Offer') issue for its current shareholders. The Offer entitles its current shareholder with one fully paid ordinary share for every three shares held at an issue price of $0.09 per Share. The Offer aims to raise circa $3,133,776 (before costs) to support the ongoing commercialisation activities for its Cervical Spinal Cage Device. The consolidated entity also announced that the expected completion date of the sale of the Orthopaedics Division to RIPL – a substantial shareholder and entity associated with its Non-Executive Director, Nicholas Hartnell, is to occur before 31 August 2023.

On 23 August 2023, the consolidated entity announced that the decision to dispose of the Orthopaedics Division has been approved by shareholders at the Extraordinary General Meeting held on the date. On 28 August 2023, the consolidated entity announced the completion of the Orthopaedics Division sale, and the proceeds of $1 million have been received in its bank account.

On 30 August 2023, the consolidated entity announced the results of the Non-Renounceable Entitlement Offer, confirming that a total amount of $1,363,663 was raised before costs under the Offer. As disclosed in the ASX announcement dated 30 August 2023, as part of the entitlement acceptances, the consideration for 12,758,316 shares (equal to approximately $1.148 million) was paid through the part settlement of the equivalent value of the Convertible Loan Agreement ('Loan Agreement') with Robinwood Investments Pty Ltd ('RIPL'). As such, the net cash raised from the Offer is approximately $215,000 (prior to costs). In doing so, the consolidated entity has reduced its debt level and alleviated the burden of substantial interest expenditure.

No other matter or circumstance has arisen since 30 June 2023 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 and expected results of operations

On 2 May 2023, the consolidated entity announced the entering of an agreement with RIPL for the sale of its Orthopaedics Division's business assets, both tangible and intangible, for consideration of $1 million cash.

As a result, the consolidated entity will be focusing its resources on medical innovations. The main objective is to continue the investment in its critical strategic project to develop and commercialise its Sr-HT-Gahnite bone substitute material into a market-ready product. The major project is commercialising 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, and a novel coating manufacturing process for existing and new implants to deposit the consolidated entity's proprietary bioceramic material onto orthopaedic implants.

The consolidated entity has submitted an application for the FDA 510(k) clearance for the Cervical Spinal Fusion Cage in the United States.

The consolidated entity is expected to generate a trading loss in FY2024 due to the ongoing investment required for the commercialisation of the Sr-HT-Gahnite Cervical Spinal Cage Device.

Environmental regulation

The consolidated entity is not subject to any significant environmental regulation under Australian Commonwealth or State law.

Information on directors

Name:	**Peter Kazacos**
Title:	Chair and Independent Non-Executive Director
Qualifications:	B.E, B.Sc., OAM
Experience and expertise:	Peter has over 40 years' experience in the IT industry. He founded KAZ in 1988, guided it from a small IT services company in NSW to one of Asia Pacific's leading IT services and business process outsourcing service providers with over 4,000 employees, as a fully owned subsidiary of Telstra. He also founded Anittel Ltd, building it into one of Australia's leading IT&C service providers operating outside the major metropolitan areas, leading to its acquisition in 2010 by Anittel Group Limited (since renamed Axxis Technology Group Ltd.), representing a major strategic milestone in the transformation and convergence of the IT&T industry. Prior to founding KAZ and Anittel, Peter held a number of senior technical positions in the Australian IT industry with leading Australian organisations. Peter was the recipient of the inaugural Australian Entrepreneur of the Year 2001 award in the Technology, Communications, E-Commerce and Biotechnology category.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Nomination and Remuneration Committee and member of the Audit and Risk Committee
Interests in shares:	1,195,764 ordinary shares (110,850 held directly and 1,084,914 held indirectly through Destin Pty Ltd)
Interests in options:	82,452 options over ordinary shares

Name:	**Sean Mulhearn**
Title:	Independent Non-Executive Director
Qualifications:	BEc (University of Sydney)
Experience and expertise:	Sean has been involved in the financial markets for over 30 years' with experience in Asia, Europe and the Americas. Sean has particular expertise in risk management. He founded Jacaranda Capital Partners, a boutique advisory and markets training business with offices in Singapore and Australia.
Other current directorships:	None
Former directorships (last 3 years):	Non-Executive Director of Greka Drilling Limited
Special responsibilities:	Chairman of the Audit and Risk Committee and member of the Nomination and Remuneration Committee
Interests in shares:	666,666 ordinary shares (333,333 held directly and 333,333 held indirectly through Sean & Kirsten Pty Ltd)
Interests in options:	82,452 options over ordinary shares

Name:	**Nicholas Hartnell**
Title:	Non-Executive Director
Qualifications:	MBBS (University of Sydney)
Experience and expertise:	As an orthopaedic surgeon, Nicholas brings to Allegra a wealth of orthopaedic industry experience. He completed a Bachelor of Medicine and Bachelor of Surgery at the University of Sydney in 1995. Since then he has been focused on orthopaedic training and specialisation and hence has many years of experience in all facets of Orthopaedic care. Nicholas set up his practice in Bowral in the Southern Highlands, NSW and has since expanded his surgical practice into the Goulburn, and Camden/Campbelltown areas. As a result of Nicholas' extensive experience as an orthopaedic surgeon, he will continue in his role as a member of Allegra's Panel of Surgeon Advisers.
Other current directorships:	None
Former directorships (last 3 years):	None
Special responsibilities:	Member of the Audit and Risk Committee and member of the Nomination and Remuneration Committee
Interests in shares:	39,499,038 ordinary shares (1,224,090 held directly, 38,274,948 held indirectly through Robinwood Investments Pty Ltd)
Interests in options:	3,000,000 options over ordinary shares

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

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

Company secretary

Robyn Slaughter is a qualified Governance Professional ('CGI') and Affiliate of the Governance Institute of Australia ('GIA'), who holds a Master's degree in Corporate Governance and a Bachelor's degree in Accounting and Finance. Robyn is currently Company Secretary of, and provides company secretarial support, to various ASX listed, unlisted public and private companies across a range of industries including financial services, biotechnology and healthcare, property, technology, mining and education.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2023, 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*
Peter Kazacos	12	12	-	-	2	2
Sean Mulhearn	12	12	-	-	2	2
Nicholas Hartnell	12	12	-	-	2	2

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

Remuneration report (audited)

The remuneration report, which has been audited, outlines the director and other key management personnel ('KMP') arrangements for the consolidated entity, in accordance with the requirements of the Corporations Act 2001 and its Regulations.

KMP 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
- Service agreements
- Share-based compensation
- Additional information
- Additional disclosures relating to KMP

Principles used to determine the nature and amount of remuneration

As a medical device sales, design and distribution business with an innovation division, competing against global multi-nationals, the consolidated entity requires a board and senior management team that have both the technical capability and relevant experience to execute the consolidated entity's business plan.

The consolidated entity's KMP remuneration framework develops as economic conditions and the financial performance of the consolidated entity permits. The objective continues to be to ensure reward for performance is competitive and appropriate for the results delivered.

The remuneration structures explained below are designed to attract suitably qualified candidates, retain key employees, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders.

The remuneration structures take into account:
- Key criteria for good reward governance practices, namely: competitiveness and reasonableness, alignment to shareholders' interests, alignment of KMP remuneration with performance, transparency and capital management;
- The capability and experience of the KMP;
- The ability of KMP to control performance; and
- The consolidated entity's earnings and company share price performance.

Nomination and Remuneration committee
The Nomination and Remuneration Committee ('NRC') is responsible for ensuring that there is gender parity in the remuneration levels of employees and believes this to be the case.

The remuneration structures are intended to motivate employees for quality short and long term performance. The mix between short term and long term variable components is to maintain a focus on the sustainable short term performance of the consolidated entity, whilst ensuring its positioning for its longer term success.

Remuneration structure
The structure of non-executive directors and executive remunerations are determined separately.

Non-executive directors' remuneration
The aggregate remuneration that may be paid to non-executive directors for their directorship services is a maximum of $500,000 per annum. This remuneration may be divided among the non-executive directors in such a manner as the Board may determine. The maximum may not be increased without prior approval from shareholders at a general meeting. Directors will seek approval from time to time as deemed appropriate.

Fees and payments to non-executive directors are intended to reflect the demands which are made on, and the responsibilities of, the directors.

Executive remuneration
The consolidated entity aims to reward KMP with a level and mix of remuneration based on their position and responsibility, which is both fixed and variable.

The KMP remuneration and reward framework has four components:
- Base pay and non-monetary benefits;
- Short-term performance incentives;
- Share-based payments; and
- Other remuneration such as superannuation and long service leave.

The combination of these comprises the KMP's total remuneration.

Fixed remuneration
Fixed remuneration consists of base remuneration (which is calculated on a total cost basis including Government Statutory employer contributions to superannuation funds, except for the Chief Executive Officer ('CEO') whose base remuneration excludes superannuation). This base remuneration is structured to be reasonable and fair relative to the scale of the consolidated entity’s business. It assumes the fulfilment of core performance requirements and expectations.

Remuneration levels are reviewed by the NRC through a process that considers individual and overall performance of the consolidated entity. In addition, regard is had to information from publicly available external remuneration sources to ensure senior KMP remuneration is competitive in the market place having regard to the size of the consolidated entity and the fiscal constraints of a growing company.

Consolidated entity performance and link to remuneration
Performance linked remuneration is designed to reward KMP for meeting or exceeding their financial and personal objectives.

Short-term incentive ('STI')
At this stage in the consolidated entity’s development, shareholder wealth is enhanced by the achievement of objectives in the development of the consolidated entity’s products, within a framework of prudent financial management and consistent with the consolidated entity’s annual business plan.

If the consolidated entity meets/or exceeds pre-determined performance hurdles set by the NRC, a short-term incentive ('STI') is available to KMP during the annual review. These performance hurdles ensure variable reward is only available when value has been created for shareholders.

The CEO has a target STI opportunity depending on the accountabilities of the role and impact on the consolidated entity’s performance.

The NRC determines whether objectives have been met. The STI bonus payments may be adjusted up or down in line with under or over achievement against the performance hurdles levels. This is at the discretion of the NRC.

Long-term incentive ('LTI')
The long-term incentive is intended to be provided to KMP and directors in the form of ordinary shares or options over ordinary shares in the company so to align KMP and directors interests with shareholders' interests.

The ability to obtain the ordinary shares or options over ordinary shares will generally be conditional on the individual achieving certain performance hurdles, such as service conditions and the achievement of key performance indicators ('KPIs'). However, ordinary shares or options over ordinary shares may be granted on whatever terms are required and appropriate to secure the services of KMP. The NRC is required to approve the number of ordinary shares or options over ordinary shares that ultimately vest.

The consolidated entity's Securities Dealing Policy prohibits transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes.

Use of remuneration consultants
During the financial year ended 30 June 2023, the consolidated entity did not engage remuneration consultants to review its STI and LTI remuneration framework.

Voting and comments made at the company's 2022 Annual General Meeting ('AGM')
At the 30 November 2022 Annual General Meeting ('AGM'), 99.82% of the votes received were for the adoption of the remuneration report for the year ended 30 June 2022. The company did not receive any specific feedback at the AGM regarding its remuneration practices.

Details of remuneration
The KMP of the consolidated entity consisted of the directors of the company and the following person:
- Jenny Swain - Chief Executive Officer

Amounts of remuneration
Details of the remuneration of the directors and other KMP of the company are set out in the following tables.

	Short-term benefits			Post-employment benefits	Long-term benefits	Share-based payments	
2023	Cash salary and fees $	Bonus $	Non-monetary $	Super-annuation $	Leave benefits $	Equity-settled options $	Total $
Non-Executive Directors:							
Peter Kazacos (Chairman)	62,520	-	-	-	-	-	62,520
Sean Mulhearn	45,000	-	-	-	-	-	45,000
Nicholas Hartnell	45,000	-	-	-	-	-	45,000
Other KMP:							
Jenny Swain	300,000	-	-	21,875	3,190	10,900	335,965
	452,520	-	-	21,875	3,190	10,900	488,485

2022	*Short-term benefits* Cash salary and fees $	Bonus $	Non-monetary $	*Post-employment benefits* Super-annuation $	*Long-term benefits* Leave benefits $	*Share-based payments* Equity-settled options $	Total $
Non-Executive Directors:							
Peter Kazacos (Chairman)	62,520	-	-	-	-	273	62,793
Sean Mulhearn	45,000	-	-	-	-	273	45,273
Nicholas Hartnell	45,000	-	-	-	-	-	45,000
Anthony Hartnell*	24,732	-	-	-	-	273	25,005
Other KMP:							
Jenny Swain	300,000	-	-	23,568	4,997	16,858	345,423
	477,252	-	-	23,568	4,997	17,677	523,494

* Remuneration is from 1 July 2021 to date of cessation as a director, being 7 February 2022.

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

Name	*Fixed remuneration* 2023	2022	*At risk - STI* 2023	2022	*At risk - LTI* 2023	2022
Non-Executive Directors:						
Peter Kazacos	100.0%	99.6%	-	-	-	0.4%
Sean Mulhearn	100.0%	99.0%	-	-	-	1.0%
Nicholas Hartnell	100.0%	100.0%	-	-	-	-
Anthony Hartnell	-	99.0%	-	-	-	1.0%
Other Key Management Personnel:						
Jenny Swain	96.8%	95.0%	-	-	3.2%	5.0%

Service agreements
On appointment to the Board, all non-executive directors enter into a service agreement with the company in the form of a letter of appointment. The letter summarises the Board policies and terms, including remuneration, relevant to the office of director.

Remuneration and other terms of employment for KMP (other than directors and company secretary) are formalised in service agreements. Details of these agreements are as follows:

Name:	Jenny Swain
Title:	Chief Executive Officer
Agreement commenced:	2 May 2016
Details:	The contract of employment with the CEO provides for a base salary plus statutory superannuation. The NRC reviews this amount annually. An annual performance bonus may be payable upon the achievement of relevant KPI's. In addition employee share options maybe offered as part of a long term incentive ('LTI') at the discretion of the NRC. Either party may terminate this agreement on the giving of 3 months' notice.

KMP have no entitlement to termination payments in the event of removal for misconduct.

Share-based compensation

Issue of shares
There were no shares issued to directors and other KMP as part of compensation during the year ended 30 June 2023.

Options
The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other KMP in this financial year or future reporting years are as follows:

Name	Number of options granted	Grant date	Vesting date and exercisable date	Expiry date	Exercise price	Fair value per option at grant date
Nicholas Hartnell***	3,000,000	10 November 2020	Vested	10 November 2024	$0.150	$0.0366
Peter Kazacos	82,452	9 November 2017	Variable*	9 November 2023	$0.125	$0.0521
Sean Mulhearn	82,452	9 November 2017	Variable*	9 November 2023	$0.125	$0.0521
Jenny Swain	932,538	8 December 2017	Variable*	8 December 2023	$0.125	$0.0521
Jenny Swain	1,000,000	31 January 2020	Variable**	31 January 2026	$0.160	$0.0436

* Vesting dates for the options granted are variable:
- Tranche 1 options: from date of grant to 31 July 2019
- Tranche 2 options: from date of grant to 31 July 2020
- Tranche 3 options: from date of grant to 31 July 2021

** Vesting dates for the options granted are variable:
- Tranche 1 options: from date of grant to 31 January 2021
- Tranche 2 options: from date of grant to 31 January 2022
- Tranche 3 options: from date of grant to 31 January 2023

*** The options were granted not as Director's remuneration but at compensation for surgeon advisory services.

Options granted carry no dividend or voting rights.

Additional information
The Board considers that the above performance-linked remuneration structures will generate the desired outcome based on the experience of other companies.

Additional disclosures relating to KMP

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

Ordinary shares	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Peter Kazacos	1,195,764	-	-	-	1,195,764
Sean Mulhearn	666,666	-	-	-	666,666
Nicholas Hartnell	39,499,038	-	-	-	39,499,038
Jenny Swain	267,027	-	-	-	267,027
	41,628,495	-	-	-	41,628,495

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

Options over ordinary shares	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Peter Kazacos	82,452	-	-	-	82,452
Sean Mulhearn	82,452	-	-	-	82,452
Nicholas Hartnell	3,000,000	-	-	-	3,000,000
Jenny Swain	1,932,538	-	-	-	1,932,538
	5,097,442	-	-	-	5,097,442

This concludes the remuneration report, which has been audited.

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

Grant date	*Expiry date*	*Exercise price*	*Number under option*
9 November 2017	9 November 2023	$0.125	164,904
8 December 2017	8 December 2023	$0.125	1,172,538
31 January 2020	31 January 2026	$0.160	1,500,000
10 November 2020	10 November 2024	$0.150	3,000,000
			5,837,442

Shares issued on the exercise of options
There were no ordinary shares of Allegra Orthopaedics Limited issued on the exercise of options during the year ended 30 June 2023 and up to the date of this report.

Indemnity and insurance of officers
The company has indemnified the directors and executives of the company for costs incurred, in their capacity as a director or executive, for which they may be held personally liable, except where there is a lack of good faith.

During the financial year, the company paid a premium in respect of a contract to insure the directors and executives of the company against a liability to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

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
There were no non-audit services provided during the financial year by the auditor.

Officers of the company who are former partners of Crowe Sydney
There are no officers of the company who are former partners of Crowe Sydney.

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 298(2)(a) of the Corporations Act 2001.

On behalf of the directors

Peter Kazacos
Director

31 August 2023
Sydney

Crowe Sydney
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31 August 2023

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

Dear Board Members

Allegra Orthopaedics Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the Directors of Allegra Orthopaedics Limited.

As lead audit partner for the audit of the financial report of Allegra Orthopaedics Limited for the financial year ended 30 June 2023, I declare that to the best of my knowledge and belief, that there have been no contraventions of:

(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely,

Crowe Sydney

Crowe Sydney

B Rd

Barbara Richmond
Partner

	Note	Consolidated 2023 $	2022 $
Other income			
Other income	5	691,291	947,774
Interest revenue calculated using the effective interest method		134	8
Expenses			
Cost of sales and purchases of consumables		(13,916)	5,295
Corporate and administration expenses		(1,092,817)	(1,101,941)
Quality and research and development expenses		(1,369,962)	(1,732,375)
Finance costs	6	(301,040)	(134,442)
Loss before income tax expense from continuing operations		(2,086,310)	(2,015,681)
Income tax expense	7	-	-
Loss after income tax expense from continuing operations		(2,086,310)	(2,015,681)
Loss after income tax expense from discontinued operations	8	(1,561,427)	(519,647)
Loss after income tax expense for the year		(3,647,737)	(2,535,328)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		(3,647,737)	(2,535,328)
Total comprehensive income for the year is attributable to:			
Continuing operations		(2,086,310)	(2,015,681)
Discontinued operations		(1,561,427)	(519,647)
		(3,647,737)	(2,535,328)
		Cents	Cents
Earnings per share for loss from continuing operations			
Basic earnings per share	30	(2.00)	(1.93)
Diluted earnings per share	30	(2.00)	(1.93)
Earnings per share for loss from discontinued operations			
Basic earnings per share	30	(1.49)	(0.50)
Diluted earnings per share	30	(1.49)	(0.50)
Earnings per share for loss			
Basic earnings per share	30	(3.49)	(2.43)
Diluted earnings per share	30	(3.49)	(2.43)

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

Allegra Orthopaedics Limited
Statement of financial position
As at 30 June 2023

	Note	Consolidated 2023 $	Consolidated 2022 $
Assets			
Current assets			
Cash and cash equivalents	9	1,406	206,332
Trade and other receivables	10	1,138,257	1,197,529
Inventories		-	2,845,763
Prepayments		113,967	130,857
		1,253,630	4,380,481
Assets of disposal groups classified as held for sale	8	942,800	-
Total current assets		2,196,430	4,380,481
Non-current assets			
Property, plant and equipment	11	49,872	446,006
Right-of-use assets	12	266,167	135,614
Intangible assets	13	400,764	541,246
Security deposits		-	105,615
Total non-current assets		716,803	1,228,481
Total assets		2,913,233	5,608,962
Liabilities			
Current liabilities			
Trade and other payables	14	1,046,373	914,273
Borrowings	15	311,464	326,395
Lease liabilities	16	138,350	136,268
Employee benefits		155,784	198,687
		1,651,971	1,575,623
Liabilities directly associated with assets classified as held for sale	8	62,800	-
Total current liabilities		1,714,771	1,575,623
Non-current liabilities			
Borrowings	15	2,548,440	1,869,316
Lease liabilities	16	129,103	-
Employee benefits		-	21,717
Provisions	17	20,000	10,000
Total non-current liabilities		2,697,543	1,901,033
Total liabilities		4,412,314	3,476,656
Net (liabilities)/assets		(1,499,081)	2,132,306
Equity			
Issued capital	18	15,366,235	15,366,235
Share-based payments reserve	19	874,803	858,453
Accumulated losses		(17,740,119)	(14,092,382)
Total (deficiency)/equity		(1,499,081)	2,132,306

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

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 year	-	-	(2,535,328)	(2,535,328)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(2,535,328)	(2,535,328)
Transactions with owners in their capacity as owners:				
Share-based payments (note 31)	-	94,249	-	94,249
Balance at 30 June 2022	15,366,235	858,453	(14,092,382)	2,132,306

Consolidated	Issued capital $	Share-based payments reserve $	Accumulated losses $	Total deficiency in equity $
Balance at 1 July 2022	15,366,235	858,453	(14,092,382)	2,132,306
Loss after income tax expense for the year	-	-	(3,647,737)	(3,647,737)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(3,647,737)	(3,647,737)
Transactions with owners in their capacity as owners:				
Share-based payments (note 31)	-	16,350	-	16,350
Balance at 30 June 2023	15,366,235	874,803	(17,740,119)	(1,499,081)

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

	Note	Consolidated 2023 $	2022 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		3,470,341	3,302,585
Payments to suppliers and employees (inclusive of GST)		(4,829,452)	(5,963,680)
		(1,359,111)	(2,661,095)
Other revenue		45,323	93,067
Interest received		134	-
Interest and other finance costs paid		(301,040)	(134,442)
Income taxes refunded relating to research and development		839,199	840,003
Net cash used in operating activities	29	(775,495)	(1,862,467)
Cash flows from investing activities			
Payments for property, plant and equipment		(18,421)	(91,442)
Payments for intangibles		(14,714)	(13,606)
Proceeds from release of security deposits		105,615	-
Net cash from/(used in) investing activities		72,480	(105,048)
Cash flows from financing activities			
Proceeds from borrowings		300,000	500,000
Repayment of borrowings		(186,152)	(101,746)
Proceeds from insurance loan		152,454	176,383
Repayment of insurance loan		(166,811)	(173,707)
Proceeds from related party loans		500,000	1,500,000
Repayment of lease liabilities		(166,104)	(153,306)
Grant received		-	63,000
Net cash from financing activities		433,387	1,810,624
Net decrease in cash and cash equivalents		(269,628)	(156,891)
Cash and cash equivalents at the beginning of the financial year		206,332	363,223
Cash and cash equivalents at the end of the financial year	9	(63,296)	206,332

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

Note 1. General information

The financial statements cover Allegra Orthopaedics Limited as a consolidated entity consisting of Allegra Orthopaedics Limited ('company' or 'parent entity') and the entities it controlled at the end of, or during, the year (referred to in these financial statements as the 'consolidated entity'). 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 31 August 2023. The directors have the power to amend and reissue the financial statements.

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 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. The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity.

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 year ended 30 June 2023, the consolidated entity incurred a net loss after tax of $3,647,737 and net cash outflows used in operations of $775,495. As of 30 June 2023, the consolidated entity had net liabilities of $1,499,081 and net current assets of $481,659.

The consolidated entity's expected R&D tax incentive refund for FY2023 is approximately $691,291. The increased net loss after tax for FY2023 is due to an impairment loss of $1,803,726 incurred as a result of the Orthopaedics Division sale (refer to note 8 of the annual report for detailed financials for the discontinued Orthopaedics Division).

On 2 May 2023, the consolidated entity announced that it has entered into an agreement with Robinwood Investments Pty Ltd ('RIPL') for the sale of its Orthopaedics Division's business assets, both tangible and intangible; for consideration of $1 million in cash (refer to ASX announcement on 2 May 2023). The cash received will be primarily used to repay the entire loan balance of $703,675 outstanding with the CBA. The balance of the consideration received will be used for working capital purposes. The Orthopaedics Division sale has been approved at the EGM held on 23 August 2023 (refer to ASX announcement on 23 August 2023), and the $1 million proceeds from the Orthopaedics Division sale have been received in the consolidated entity's bank account on 28 August 2023.

On 19 July 2023, the consolidated entity announced a Non-Renounceable Entitlement Offer ('Offer') for its current shareholders. The Offer entitles its current shareholder with one fully paid ordinary share for every three shares held at an issue price of $0.09 per Share. If the Offer was fully subscribed it would have raised circa $3,133,776 (prior to costs). The capital raised is to support the ongoing commercialisation activities for its Cervical Spinal Cage Device plus working capital for corporate costs, finance costs and management costs. The closing date for the Offer was 28 August 2023, and the results of the Offer were announced by the consolidated entity on 30 August 2023 (refer to ASX announcement on 30 August 2023).

Note 2. Significant accounting policies (continued)

The total capital raised from the Offer (excluding costs) was $1,363,664. The following is a breakdown of the capital raised: $215,415 in cash and a further $1,148,248 paid by way of a reduction in the $2 million loan amount owed to Robinwood Investments Pty Ltd ('RIPL') who is a substantial shareholder and entity associated with its Non-Executive Director, Nicholas Hartnell. Consequently, the current RIPL loan amount has been reduced from $2 million to $851,752. Furthermore, under the Deed of Amendment executed by RIPL and the consolidated entity, dated 28 August 2023, the consolidated entity is able to redraw funds via multiple tranches of up to a maximum cumulative amount of $1,148,248 on the $2 million loan facility provided by RIPL.

Based on the funds received from the Offer plus expected funds from the R&D Tax Incentive for FY2023 plus the funds still available under the RIPL $2 million loan facility and cash flow forecasts prepared, the directors are of the opinion that the consolidated entity is well positioned to meet its objectives and obligations going forward and therefore that the basis upon which the financial statements are prepared is appropriate in the circumstances.

Basis of preparation
These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations issued by the 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').

Historical cost convention
The financial statements have been prepared under the historical cost convention.

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 27.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of the company as at 30 June 2023 and the results of all subsidiaries for the year then ended.

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

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

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

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

Note 2. Significant accounting policies (continued)

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

Foreign currency transactions
Foreign currency transactions are translated into the entity's functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign operations
The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rates at the dates of the transactions, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the foreign currency reserve in equity.

The foreign currency reserve is recognised in profit or loss when the foreign operation or net investment is disposed of.

Revenue recognition
The consolidated entity recognises revenue as follows:

Revenue from contracts with customers
Revenue is recognised at an amount that reflects the consideration to which the consolidated entity is expected to be entitled in exchange for transferring goods or services to a customer. For each contract with a customer, the consolidated entity: identifies the contract with a customer; identifies the performance obligations in the contract; determines the transaction price which takes into account estimates of variable consideration and the time value of money; allocates the transaction price to the separate performance obligations on the basis of the relative stand-alone selling price of each distinct good or service to be delivered; and recognises revenue when or as each performance obligation is satisfied in a manner that depicts the transfer to the customer of the goods or services promised.

Variable consideration within the transaction price, if any, reflects concessions provided to the customer such as discounts, rebates and refunds, any potential bonuses receivable from the customer and any other contingent events. Such estimates are determined using either the 'expected value' or 'most likely amount' method. The measurement of variable consideration is subject to a constraining principle whereby revenue will only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. The measurement constraint continues until the uncertainty associated with the variable consideration is subsequently resolved. Amounts received that are subject to the constraining principle are recognised as a refund liability.

Sale of goods
The consolidated entity generates revenues from the sale of orthopaedics products to customers which are generally hospitals and healthcare organisations. Revenue from orthopaedic implant products (for example knees and hips) are recognised by Allegra when such implants have been implanted into patients by orthopaedic surgeons working at customer locations, which is when the consolidated entity's performance obligation is satisfied. Revenues from consumable items (for example K-wires, Saw Blades and Screws) are recognised when the consumable products have been delivered to the customer based on a purchase order received from the customer.

Commissions revenue
Commission revenues are earned by Allegra for facilitating the sales of orthopaedics products of other vendors. Commission revenue is recognised in the month when the sales of such orthopaedics products have been delivered and invoiced by the product vendor to the end user customer.

Grant income
Grant monies received by Allegra are initially recognised as a contract liability owing to the Grant provider. Grant income is then recognised in the month that Allegra incurs allowable expenditures in accordance with the conditions and terms set out in the approved Grant Agreement with the Grant provider.

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the consolidated entity will comply with all attached conditions.

Note 2. Significant accounting policies (continued)

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Interest
Interest 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.

Other income
Other income, such as the research and development tax offset, is recognised when the right to receive payment is established. The research and development tax offset is recognised in profit or loss on a systematic basis over the periods in which eligible expenses are incurred.

Income tax
The income tax expense or benefit for the period is the tax payable on that period's taxable income based on the applicable income tax rate for each jurisdiction, adjusted by the changes in deferred tax assets and liabilities attributable to temporary differences, unused tax losses and the adjustment recognised for prior periods, where applicable.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to be applied when the assets are recovered or liabilities are settled, based on those tax rates that are enacted or substantively enacted, except for:
- when the deferred income tax asset or liability arises from the initial recognition of goodwill or 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 nor taxable profits; or
- when the taxable temporary difference is associated with interests in subsidiaries, associates or joint ventures, and the timing of the reversal can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

The carrying amount of recognised and unrecognised deferred tax assets are reviewed at each reporting date. Deferred tax assets recognised are reduced to the extent that it is no longer probable that future taxable profits will be available for the carrying amount to be recovered. Previously unrecognised deferred tax assets are recognised to the extent that it is probable that there are future taxable profits available to recover the asset.

Deferred tax assets and liabilities are offset only where there is a legally enforceable right to offset current tax assets against current tax liabilities and deferred tax assets against deferred tax liabilities; and they relate to the same taxable authority on either the same taxable entity or different taxable entities which intend to settle simultaneously.

Discontinued operations
A discontinued operation is a component of the consolidated 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, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately on the face of the statement of profit or loss and other comprehensive income.

Current and non-current classification
Assets and liabilities are presented in the statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

Note 2. Significant accounting policies (continued)

A liability is classified as current when: it is either expected to be settled in the consolidated entity's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

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

Cash and cash equivalents
Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities 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 statement of cash flows presentation purposes, cash and cash equivalents also includes bank overdrafts, which are shown within borrowings in current liabilities on the statement of financial position.

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

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

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

Non-current assets or disposal groups classified as held for sale
Non-current assets and assets of disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continued use. They are measured at the lower of their carrying amount and fair value less costs of disposal. For non-current assets or assets of disposal groups to be classified as held for sale, they must be available for immediate sale in their present condition and their sale must be highly probable.

An impairment loss is recognised for any initial or subsequent write down of the non-current assets and assets of disposal groups to fair value less costs of disposal. A gain is recognised for any subsequent increases in fair value less costs of disposal of a non-current assets and assets of disposal groups, but not in excess of any cumulative impairment loss previously recognised.

Non-current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of assets held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current assets. The liabilities of disposal groups classified as held for sale are presented separately on the face of the statement of financial position, in current liabilities.

Investments and other financial assets
Investments and other financial assets are initially measured at fair value. Transaction costs are included as part of the initial measurement, except for financial assets at fair value through profit or loss. They are subsequently measured at either amortised cost or fair value depending on their classification. Classification is determined based on the purpose of the acquisition and subsequent reclassification to other categories is restricted.

Financial assets are derecognised when the rights to receive cash flows have expired or have been transferred and the consolidated entity has transferred substantially all the risks and rewards of ownership. When there is no reasonable expectation of recovering part or all of a financial asset, it's carrying value is written off.

Financial assets at amortised cost
A financial asset is measured at amortised cost only if both of the following conditions are met: (i) it is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and (ii) the contractual terms of the financial asset represent contractual cash flows that are solely payments of principal and interest.

Note 2. Significant accounting policies (continued)

Impairment of financial assets
Where there has not been a significant increase in exposure to credit risk since initial recognition, a 12-month expected credit loss allowance is estimated. This represents a portion of the asset's lifetime expected credit losses that is attributable to a default event that is possible within the next 12 months. Where a financial asset has become credit impaired or where it is determined that credit risk has increased significantly, the loss allowance is based on the asset's lifetime expected credit losses. The amount of expected credit loss recognised is measured on the basis of the probability weighted present value of anticipated cash shortfalls over the life of the instrument discounted at the original effective interest rate.

The loss allowance reduces the asset's carrying value with a corresponding expense through profit or loss.

Property, plant and equipment
Plant and equipment is stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated on a straight-line basis to write off the net cost of each item of property, plant and equipment over their expected useful lives as follows:

Plant and equipment	2-20 years
Fixtures and fittings	2-13 years
Leasehold improvements	3 years
Instrument sets	5-10 years

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

Leasehold improvements are depreciated over the unexpired period of the lease or the estimated useful life of the assets, whichever is shorter.

An item of property, plant and equipment is derecognised upon disposal or when there is no future economic benefit to the consolidated entity. Gains and losses between the carrying amount and the disposal proceeds are taken to profit or loss.

Right-of-use assets
A right-of-use asset is recognised at the commencement date of a lease. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability, adjusted for, as applicable, any lease payments made at or before the commencement date net of any lease incentives received, any initial direct costs incurred, and, except where included in the cost of inventories, an estimate of costs expected to be incurred for dismantling and removing the underlying asset, and restoring the site or asset.

Right-of-use assets are depreciated on a straight-line basis over the unexpired period of the lease or the estimated useful life of the asset, whichever is the shorter. Where the consolidated entity expects to obtain ownership of the leased asset at the end of the lease term, the depreciation is over its estimated useful life. Right-of use assets are subject to impairment or adjusted for any remeasurement of lease liabilities.

The consolidated entity has elected not to recognise a right-of-use asset and corresponding lease liability for short-term leases with terms of 12 months or less and leases of low-value assets. Lease payments on these assets are expensed to profit or loss as incurred.

Intangible assets
Intangible assets acquired as part of a business combination, other than goodwill, are initially measured at their fair value at the date of the acquisition. Intangible assets acquired separately are initially recognised at cost. Indefinite life intangible assets are not amortised and are subsequently measured at cost less any impairment. Finite life intangible assets are subsequently measured at cost less amortisation and any impairment. The gains or losses recognised in profit or loss arising from the derecognition of intangible assets are measured as the difference between net disposal proceeds and the carrying amount of the intangible asset. The method and useful lives of finite life intangible assets are reviewed annually. Changes in the expected pattern of consumption or useful life are accounted for prospectively by changing the amortisation method or period.

Note 2. Significant accounting policies (continued)

Website
Significant costs associated with the development of the revenue generating aspects of the website, including the capacity of placing orders, are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite useful life of 5 years.

Patents and trademarks
Significant costs associated with patents and trademarks are deferred and amortised on a straight-line basis over the period of their expected benefit, being their finite life of between 1 and 20 years.

The expected benefit of the patents and trademarks will commence when the relevant product is available for sale.

Research and development
Research costs are expensed in the period in which they are incurred. Development costs are capitalised when it is probable that: the project will be a success considering its commercial and technical feasibility; the consolidated entity is able to use or sell the asset; the consolidated entity has sufficient resources and intent to complete the development; and its costs can be measured reliably. Costs included in research and development are external direct costs and direct payroll and related costs based on employee's time spent on the project.

Set-up costs of new products
Initial set-up costs associated with the manufacture of new products are capitalised as intangible assets and amortised over the expected life cycle of the product.

Regulatory costs
Regulatory costs are costs paid to the regulatory body, TUV, to obtain CE certification for one product. Once received, the Certificate lasts 3 years and is amortised over the book life of 3 years.

Impairment of non-financial assets
Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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 of disposal and value-in-use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

Trade and other payables
Trade and other payables represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year and which are unpaid. Due to their short-term nature they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Borrowings
Loans and borrowings are initially recognised at the fair value of the consideration received, net of transaction costs. They are subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are removed from the statement of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount and any consideration paid is recognised in profit or loss.

Lease liabilities
A lease liability is recognised at the commencement date of a lease. The lease liability is initially recognised at the present value of the lease payments to be made over the term of the lease, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the consolidated entity's incremental borrowing rate. Lease payments comprise of fixed payments less any lease incentives receivable, variable lease payments that depend on an index or a rate, amounts expected to be paid under residual value guarantees, exercise price of a purchase option when the exercise of the option is reasonably certain to occur, and any anticipated termination penalties. The variable lease payments that do not depend on an index or a rate are expensed in the period in which they are incurred.

Note 2. Significant accounting policies (continued)

Lease liabilities are measured at amortised cost using the effective interest method. The carrying amounts are remeasured if there is a change in the following: future lease payments arising from a change in an index or a rate used; residual guarantee; lease term; certainty of a purchase option and termination penalties. When a lease liability is remeasured, an adjustment is made to the corresponding right-of use asset, or to profit or loss if the carrying amount of the right-of-use asset is fully written down.

Finance costs
Finance costs attributable to qualifying assets are capitalised as part of the asset. All other finance costs are expensed in the period in which they are incurred.

Provisions
Provisions are recognised when the consolidated entity has a present (legal or constructive) obligation as a result of a past event, it is probable the consolidated entity will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. If the time value of money is material, provisions are discounted using pre-tax rate that reflects current market assessments of 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 as a finance cost.

Employee benefits

Short-term employee benefits
Liabilities for wages and salaries and other employee benefits expected to be settled wholly within 12 months of the reporting date are measured at the amounts expected to be paid when the liabilities are settled.

Other long-term employee benefits
Employee benefits not expected to be settled within 12 months of the reporting date are measured at the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected 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 high-quality corporate bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows. Liabilities for employee entitlements which have vested in the employee at reporting date are recognised as current liabilities notwithstanding that they are not expected to be settled within 12 months of reporting date as the consolidated entity does not have an unconditional right to defer settlement.

Share-based payments
Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions are measured at fair value on grant date. Fair value is independently determined using either the Binomial or Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the consolidated entity receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions are recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

Note 2. Significant accounting policies (continued)

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the consolidated entity or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the consolidated entity or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Issued capital
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 by dividing the profit attributable to the owners of Allegra Orthopaedics Limited, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year.

Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

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.

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 2023. The consolidated entity has not yet assessed the impact of these new or amended Accounting Standards and Interpretations.

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 resulting accounting judgements and estimates will seldom equal the related actual results. The judgements, estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities (refer to the respective notes) within the next financial year are discussed below.

Provision for impairment of inventories
The provision for impairment of inventories assessment requires a degree of estimation and judgement. The level of the provision is assessed by taking into account the recent sales experience, the expiration dates of inventories and other factors that affect inventory obsolescence.

Estimation of useful lives of assets
The consolidated entity determines the estimated useful lives and related depreciation and amortisation charges for its property, plant and equipment and finite life intangible assets. The useful lives could change significantly as a result of technical innovations or some other event. The depreciation and amortisation charge will increase where the useful lives are less than previously estimated lives, or technically obsolete or non-strategic assets that have been abandoned or sold will be written off or written down.

Lease term
The lease term is a significant component in the measurement of both the right-of-use asset and lease liability. Judgement is exercised in determining whether there is reasonable certainty that an option to extend the lease or purchase the underlying asset will be exercised, or an option to terminate the lease will not be exercised, when ascertaining the periods to be included in the lease term. In determining the lease term, all facts and circumstances that create an economical incentive to exercise an extension option, or not to exercise a termination option, are considered at the lease commencement date. Factors considered may include the importance of the asset to the consolidated entity's operations; comparison of terms and conditions to prevailing market rates; incurrence of significant penalties; existence of significant leasehold improvements; and the costs and disruption to replace the asset. The consolidated entity reassesses whether it is reasonably certain to exercise an extension option, or not exercise a termination option, if there is a significant event or significant change in circumstances.

Incremental borrowing rate
Where the interest rate implicit in a lease cannot be readily determined, an incremental borrowing rate is estimated to discount future lease payments to measure the present value of the lease liability at the lease commencement date. Such a rate is based on what the consolidated entity estimates it would have to pay a third party to borrow the funds necessary to obtain an asset of a similar value to the right-of-use asset, with similar terms, security and economic environment.

Research and development tax incentive
The consolidated entity exercised judgements and assumptions when measuring its research and development tax incentive ('RDTI'). The estimates for RDTI are based on the preparation of the income tax return for the year. Therefore, assumptions are involved in determining whether some costs are appropriated to RDTI. The consolidated entity engages tax and RDTI consultants during the year to help comply with the regulations and rules set out by regulatory bodies.

Note 4. Operating segments

Identification of reportable operating segments
Following the classification of the Orthopaedics division as discontinued, the consolidated entity has no separate operating segments as 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 reflect the financial position and performance of the consolidated entity as a whole.

Major customers
During the year ended 30 June 2023 approximately 57.66% ($1,891,961) (30 June 2022: 50% ($1,468,602)) of the consolidated entity’s external revenue was derived from sales to two major hospital groups.

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

Note 5. Other income

	Consolidated	
	2023	2022
	$	$
Government grants	-	63,000
Research and development tax offset	691,291	884,774
Other income	691,291	947,774

Note 6. Expenses

	Consolidated 2023 $	Consolidated 2022 $
Loss before income tax from continuing operations includes the following specific expenses:		
Depreciation		
Plant and equipment	31,355	51,169
Land and buildings - right-of-use assets	166,736	153,295
Total depreciation	198,091	204,464
Amortisation		
Patents and trademarks	43,814	83,336
Total depreciation and amortisation	241,905	287,800
Finance costs		
Interest and finance charges paid/payable on borrowings	296,498	130,329
Interest and finance charges paid/payable on lease liabilities	4,542	4,113
Finance costs expensed	301,040	134,442
Net foreign exchange loss/(gain)		
Net foreign exchange loss/(gain)	13,916	(5,296)
Leases		
Short-term lease payments	4,321	2,734
Write off of assets		
Patents and trademarks	-	46,489
Employee benefits expense		
Wages and salaries	650,038	568,733
Defined contribution superannuation expense	37,022	34,826
Share-based payments expense	16,350	94,249
Total employee benefits expense	703,410	697,808

Note 7. Income tax expense

	Consolidated 2023 $	Consolidated 2022 $
Income tax expense		
Current tax	-	-
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense from continuing operations	(2,086,310)	(2,015,681)
Loss before income tax expense from discontinued operations	(1,561,427)	(519,647)
	(3,647,737)	(2,535,328)
Tax at the statutory tax rate of 25%	(911,934)	(633,832)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Concessional research and development expenditure treatment	397,294	485,380
Research and development tax incentive	(172,823)	(221,193)
Write-off of assets	-	11,622
Impairment of assets	450,931	-
	(236,532)	(358,023)
Prior year tax losses not recognised now recouped	134,228	262,268
Current year temporary differences and tax losses not recognised	102,304	95,755
Income tax expense	-	-

	Consolidated 2023 $	Consolidated 2022 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	1,852,347	1,315,435
Potential tax benefit @ 25%	463,087	328,859

The above potential tax benefit for tax losses has not been recognised in the statement of financial position. These tax losses can only be utilised against future taxable income if the continuity of ownership test is passed, or failing that, the same business test is passed.

Note 8. Discontinued operations

On 2 May 2023, the consolidated entity announced that it has entered into an agreement with Robinwood Investments Pty Ltd ('RIPL') for the sale of its Orthopaedics Division's business assets, both tangible and intangible; for consideration of $1 million cash. The decision to sell the Orthopaedics Division is due to the continuous underperformance of the division following the COVID 19 pandemic, resulting in trading losses from this division in FY2022 and FY2023.

On 23 August 2023, the consolidated entity announced that the decision to dispose of the Orthopaedics Division has been approved by shareholders at the Extraordinary General Meeting held on the date. On 28 August 2023, the consolidated entity announced the completion of the Orthopaedics Division sale, and the proceeds of $1 million have been received in its bank account.

Note 8. Discontinued operations (continued)

On 30 June 2023, the Orthopaedics Division of the consolidated entity was classified as a disposal group held for sale and as a discontinued operation. Consequently, the Orthopaedics segment is no longer presented in note 4 'Operating segments'. The financials and disclosure notes for the Orthopaedics Division for the financial year ended 30 June 2023 are presented below.

Financial performance information

	Consolidated 2023 $	Consolidated 2022 $
Revenue	3,236,093	2,932,844
Other income	45,323	48,296
Total revenue	3,281,416	2,981,140
Cost of sales and purchases of consumables	(1,625,955)	(1,657,242)
Corporate and administration expenses	(597,192)	(785,148)
Quality and research and development expenses	(220,989)	(304,538)
Sales and marketing expenses	(594,981)	(753,859)
Impairment loss from disposal group held-for-sale following remeasurement to fair value less cost to sell.	(1,803,726)	-
Total expenses	(4,842,843)	(3,500,787)
Loss before income tax expense	(1,561,427)	(519,647)
Income tax expense	-	-
Loss after income tax expense from discontinued operations	(1,561,427)	(519,647)

Cash flow information

	Consolidated 2023 $	Consolidated 2022 $
Net cash from/(used in) operating activities	372,064	(620,575)
Net cash used in investing activities	(4,025)	(84,419)
Net cash used in financing activities	(47,936)	(52,337)
Net increase/(decrease) in cash and cash equivalents from discontinued operations	320,103	(757,331)

Assets and liabilities of disposal groups classified as held-for-sale

	Consolidated 2023 $	Consolidated 2022 $
Inventories	2,478,017	-
Property, plant and equipment	197,109	-
Intangibles	71,400	-
Impairment provision	(1,803,726)	-
Total assets	942,800	-
Employee benefits	62,800	-
Total liabilities	62,800	-
Net assets	880,000	-

Note 9. Cash and cash equivalents

	Consolidated 2023 $	Consolidated 2022 $
Current assets		
Cash on hand	740	740
Cash at bank	666	205,583
Cash on deposit	-	9
	1,406	206,332

Reconciliation to cash and cash equivalents at the end of the financial year
The above figures are reconciled to cash and cash equivalents at the end of the financial year as shown in the statement of cash flows as follows:

	2023 $	2022 $
Balances as above	1,406	206,332
Bank overdraft (note 15)	(64,702)	-
Balance as per statement of cash flows	(63,296)	206,332

Note 10. Trade and other receivables

	Consolidated 2023 $	Consolidated 2022 $
Current assets		
Trade receivables	432,263	343,627
Research and development tax receivable	705,994	853,902
	1,138,257	1,197,529

Allowance for expected credit losses
The consolidated entity has recognised a provision $nil in impairment of assets (30 June 2022: $nil) in profit or loss, in respect of impairment of receivables for the year ended 30 June 2023.

The ageing of the receivables and allowance for expected credit losses provided for above are as follows:

Consolidated	Expected credit loss rate 2023 %	Expected credit loss rate 2022 %	Carrying amount 2023 $	Carrying amount 2022 $	Allowance for expected credit losses 2023 $	Allowance for expected credit losses 2022 $
Not overdue	-	-	384,732	244,278	-	-
0 to 3 months overdue	-	-	47,531	98,508	-	-
3 to 6 months overdue	-	-	-	841	-	-
			432,263	343,627	-	-

Note 11. Property, plant and equipment

	Consolidated 2023 $	Consolidated 2022 $
Non-current assets		
Plant and equipment - at cost	291,143	335,497
Less: Accumulated depreciation	(245,030)	(247,496)
	46,113	88,001
Fixtures and fittings - at cost	22,540	115,535
Less: Accumulated depreciation	(18,781)	(105,483)
	3,759	10,052
Instrument sets - at cost	-	1,686,501
Less: Accumulated depreciation	-	(1,338,548)
	-	347,953
	49,872	446,006

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

Consolidated	*Plant and equipment $*	*Fixtures and fittings $*	*Instrument sets $*	*Total $*
Balance at 1 July 2021	146,778	15,786	479,935	642,499
Additions	-	3,207	88,235	91,442
Depreciation expense	(58,777)	(8,941)	(220,217)	(287,935)
Balance at 30 June 2022	88,001	10,052	347,953	446,006
Additions	-	1,542	16,879	18,421
Classified as held for sale	(5,553)	(1,009)	(190,547)	(197,109)
Depreciation expense	(36,335)	(6,826)	(174,285)	(217,446)
Balance at 30 June 2023	46,113	3,759	-	49,872

Note 12. Right-of-use assets

	Consolidated 2023 $	Consolidated 2022 $
Non-current assets		
Land and buildings - right-of-use	287,587	308,800
Less: Accumulated depreciation	(21,420)	(173,186)
	266,167	135,614

Additions to the right-of-use assets during the year were $297,289.

The consolidated entity leases land and buildings for its offices under agreements of between one to three years with, in some cases, options to extend.

Note 12. Right-of-use assets (continued)

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

Consolidated	Land and buildings - right-of-use $
Balance at 1 July 2021	59,676
Additions	229,233
Depreciation expense	(153,295)
Balance at 30 June 2022	135,614
Additions	297,289
Depreciation expense	(166,736)
Balance at 30 June 2023	266,167

For other AASB 16 and lease related disclosures refer to the following:

- Refer to note 6 for interest on lease liabilities and other lease payments;
- Refer to note 16 for lease liabilities at 30 June 2023;
- Refer to note 21 for maturity analysis of lease liabilities; and
- Refer to the consolidated statement of cash flows for repayment of lease liabilities.

Note 13. Intangible assets

	Consolidated 2023 $	Consolidated 2022 $
Non-current assets		
Website - at cost	-	18,200
Less: Accumulated amortisation	-	(14,251)
	-	3,949
Patents and trademarks - at cost	527,914	1,117,341
Less: Accumulated amortisation	(127,150)	(620,250)
	400,764	497,091
New product line set-up costs - at cost	-	97,792
Less: Accumulated amortisation	-	(96,058)
	-	1,734
Regulatory costs - at cost	-	79,390
Less: Accumulated amortisation	-	(40,918)
	-	38,472
	400,764	541,246

Note 13. Intangible assets (continued)

Reconciliations
Reconciliations of the written down values at the beginning and end of the current and previous financial 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
Write off of assets	-	(46,489)	-	-	(46,489)
Amortisation expense	(3,640)	(91,484)	(17,120)	(26,461)	(138,705)
Balance at 30 June 2022	3,949	497,091	1,734	38,472	541,246
Additions	-	14,714	-	-	14,714
Classified as held for sale	(309)	(59,080)	-	(12,011)	(71,400)
Amortisation expense	(3,640)	(51,961)	(1,734)	(26,461)	(83,796)
Balance at 30 June 2023	-	400,764	-	-	400,764

Note 14. Trade and other payables

	Consolidated 2023 $	Consolidated 2022 $
Current liabilities		
Trade payables	519,340	656,299
Accrued expenses	449,270	245,611
Other payables	77,763	12,363
	1,046,373	914,273

Refer to note 21 for further information on financial instruments.

Note 15. Borrowings

	Consolidated 2023 $	Consolidated 2022 $
Current liabilities		
Bank overdraft	64,702	-
Bank loans	155,325	220,601
Insurance loans	91,437	105,794
	311,464	326,395
Non-current liabilities		
Bank loans	548,440	369,316
Related party loans	2,000,000	1,500,000
	2,548,440	1,869,316

Refer to note 21 for further information on financial instruments.

Note 15. Borrowings (continued)

Bank loans
The consolidated entity has one bank loan and an overdraft facility with Commonwealth Bank of Australia ('CBA'):

The loan was acquired under the Government SME Recovery Loan Scheme and entered into in April 2022. The loan limit is $800,000 with a variable rate of 5.24% pa and a term of five years with interest-only repayments for the first six months, followed by monthly principal and interest repayments for the remaining term of the loan. Monthly principal and interest repayments are $17,823. As of 30 June 2023, the remaining loan balance is $703,765.

The consolidated entity has an overdraft facility with CBA with a credit limit of $500,000. As of 30 June 2023, the remaining limit of the overdraft facility is $493,528.

Related party loans
The consolidated entity has a related party loan facility with Robinwood Investments Pty Ltd ('RIPL'). The facility limit is $2,000,000 with a fixed interest rate of 13% pa. The loan term is two years from the first draw-down (30 July 2021) with interest-only repayments, and the loan repayment date is 24 months from the first draw-down date with an option to be converted into equity. On 28 June 2023, the consolidated entity reached a mutual agreement with RIPL to extend the repayment date of the loan to 31 December 2024, with all terms and conditions of the Loan Agreement remaining the same (refer to ASX announcement on 28 June 2023). RIPL is an entity associated with Nicholas Hartnell, a consolidated entity non-executive director.

On 30 August 2023, the consolidated entity reached an agreement with RIPL to pay RIPL's full entitlement allowed by the Non-Renounceable Entitlement Offer by way of a reduction in the related party loan balance by $1,148,248 in order to reduce the consolidated entity's debt level and alleviate the burden of substantial interest expenditure.

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	2023	2022
	$	$
Total facilities		
Bank overdraft	500,000	500,000
Business card facility	15,000	15,000
Insurance loans	152,454	176,383
Business loans	703,765	889,917
Related party loans	2,000,000	2,000,000
	3,371,219	3,581,300
Used at the reporting date		
Bank overdraft	64,702	-
Business card facility	102	1,464
Insurance loans	152,454	176,383
Business loans	703,765	589,917
Related party loans	2,000,000	1,500,000
	2,921,023	2,267,764
Unused at the reporting date		
Bank overdraft	435,298	500,000
Business card facility	14,898	13,536
Insurance loans	-	-
Business loans	-	300,000
Related party loans	-	500,000
	450,196	1,313,536

Note 16. Lease liabilities

	Consolidated 2023 $	Consolidated 2022 $
Current liabilities		
Lease liability	138,350	136,268
Non-current liabilities		
Lease liability	129,103	-

Refer to note 21 for further information on financial instruments.

Note 17. Provisions

	Consolidated 2023 $	Consolidated 2022 $
Non-current liabilities		
Lease make-good	20,000	10,000

Lease make good
The provision represents the present value of the estimated costs to make good the premises leased by the consolidated entity at the end of the respective lease terms.

Note 18. Issued capital

	Consolidated			
	2023 Shares	2022 Shares	2023 $	2022 $
Ordinary shares - fully paid	104,459,203	104,459,203	15,366,235	15,366,235

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 are 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 18. 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 parent entity's share price at the time of the investment. The consolidated entity is not actively pursuing additional investments in the short term as it continues to integrate and grow its existing businesses in order to maximise synergies.

The capital risk management policy remains unchanged from the 30 June 2022 Annual Report.

Note 19. Share-based payments reserve

	Consolidated	
	2023 $	2022 $
Share-based payments reserve	874,803	858,453

Share-based payments reserve
The reserve is used to recognise the value of unexercised options provided to employees and directors as part of their remuneration, and other parties as part of their compensation for services.

Note 20. Dividends

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

Franking credits

	Consolidated	
	2023 $	2022 $
Franking credits available for subsequent financial years based on a tax rate of 25%	320,477	320,477

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:
- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date

Note 21. Financial instruments

Financial risk management objectives
The consolidated entity's activities expose it to a variety of financial risks: market 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. 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 and ageing analysis for credit 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.

Market risk

Foreign currency risk
The consolidated entity is not exposed to any significant foreign exchange risk.

Note 21. Financial instruments (continued)

Price risk
The consolidated entity is not exposed to any significant price risk, except for the Federal Governments decisions relating to reductions in prosthesis rebates which impact the sale price of hip, knee and other related products.

Interest rate risk
The consolidated entity's main interest rate risk arises from long-term borrowings and lease liabilities. Those issued at variable rates expose the consolidated entity to interest rate risk. Those issued at fixed rates expose the consolidated entity to fair value interest rate risk.

The consolidated entity is not exposed to any significant interest rate risk.

Credit risk
Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the consolidated entity. The consolidated entity has a strict code of credit, including obtaining agency credit information, confirming references and setting appropriate credit limits. The consolidated entity obtains guarantees where appropriate to mitigate credit risk. The maximum exposure to credit risk at the reporting date to recognised financial assets is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements. The consolidated entity does not hold any collateral.

The consolidated entity has adopted a lifetime expected loss allowance in estimating expected credit losses to trade receivables through the use of a provisions matrix using fixed rates of credit loss provisioning. These provisions are considered representative across all customers of the consolidated entity based on recent sales experience, historical collection rates and forward-looking information that is available.

Generally, trade receivables are written off when there is no reasonable expectation of recovery. Indicators of this include the failure of a debtor to engage in a repayment plan, no active enforcement activity and a failure to make contractual payments for a period greater than 1 year.

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.

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated	
	2023 $	2022 $
Bank overdraft	435,298	500,000
Business card facility	14,898	13,536
Business loans	-	300,000
Related party loans	-	500,000
	450,196	1,313,536

Note 21. Financial instruments (continued)

Remaining contractual maturities
The following tables detail the consolidated entity's remaining contractual maturity for its financial instrument liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the financial liabilities are required to be paid and therefore these totals may differ from their carrying amount in the statement of financial position.

Consolidated - 2023	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	519,340	-	-	-	519,340
Other payables	-	77,763	-	-	-	77,763
Interest-bearing - variable						
Bank overdraft	-	64,702	-	-	-	64,702
Lease liability	8.50%	138,350	129,103	-	-	267,453
Bank loan	9.24%	155,325	170,289	378,151	-	703,765
Interest-bearing - fixed rate						
Related party loan	13.00%	-	2,000,000	-	-	2,000,000
Insurance funding agreement	5.08%	91,437	-	-	-	91,437
Total non-derivatives		1,046,917	2,299,392	378,151	-	3,724,460

Consolidated - 2022	Weighted average interest rate %	1 year or less $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $	Remaining contractual maturities $
Non-derivatives						
Non-interest bearing						
Trade payables	-	656,299	-	-	-	656,299
Other payables	-	12,363	-	-	-	12,363
Interest-bearing - variable						
Lease liability	4.50%	136,268	-	-	-	136,268
Bank loan 1	4.50%	89,917	-	-	-	89,917
Bank loan 2	5.24%	142,708	200,112	203,601	-	546,421
Interest-bearing - fixed rate						
Related party loan	13.00%	195,020	1,500,000	-	-	1,695,020
Insurance funding agreement	3.80%	105,794	-	-	-	105,794
Total non-derivatives		1,338,369	1,700,112	203,601	-	3,242,082

The cash flows in the maturity analysis above are not expected to occur significantly earlier than contractually disclosed above.

Note 22. Fair value measurement

Fair value hierarchy
There are no amounts either measured or disclosed at fair value in these financial statements.

The carrying values of financial assets and financial liabilities within the statement of financial position represent a reasonable approximation of fair value.

Note 23. 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 2023 $	Consolidated 2022 $
Short-term employee benefits	452,520	477,252
Post-employment benefits	21,875	23,568
Long-term benefits	3,190	4,997
Share-based payments	10,900	17,677
	488,485	523,494

Note 24. Remuneration of auditors

During the financial year the following fees were paid or payable for services provided by Crowe Sydney, the auditor of the company:

	Consolidated 2023 $	Consolidated 2022 $
Audit services - Crowe Sydney		
Audit or review of the financial statements	73,741	70,125

There were no other services provided by Crowe Sydney.

Note 25. Contingent liabilities

The consolidated entity has a bank guarantee totalling $nil at 30 June 2023 (30 June 2022: $105,615) in relation to support office rental commitments.

Patents purchased from the University of Sydney in July 2020
On 6 July 2020, the company announced that it had successfully acquired all the registered patents and applications for patents held by the University of Sydney in relation to a 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.

The Assignment Agreement also sets out milestone payments to the University of Sydney when the consolidated entity achieves certain revenue milestones with its commercial product derived from the bio ceramic materials included in the patents acquired.

The consolidated entity is now in the process of obtaining the FDA 510(k) approval in the United States, marking a significant milestone in bringing the 3D-printed bio ceramic spinal fusion cage to market (refer to ASX announcement dated 31 March 2023). According to the key terms of the Patent Assignment Agreement, the consolidated entity is required to make the following payments to the University of Sydney when the below revenue milestone is achieved.

US Revenue Milestone
A payment of $100,000 (plus GST) is payable to the University of Sydney when the consolidated entity receives Net Sales equal to or greater than $500,000 that are directly attributable to the sales of products in the United States.

European Revenue Milestone
A payment of $50,000 (plus GST) is payable to the University of Sydney when the consolidated entity receives Net Sales equal to or greater than $300,000 directly attributable to European product sales.

Note 26. Related party transactions

Parent entity
Allegra Orthopaedics Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 28.

Key management personnel
Disclosures relating to key management personnel are set out in note 23 and the remuneration report included in the directors' report.

Transactions with related parties
The following transactions occurred with related parties:

	Consolidated	
	2023 $	2022 $
Payment for goods and services:		
Surgeon advisory fees paid and payable to Dr Nicholas Hartnell, a director	105,000	80,000

Sale of Orthopaedics Division to a related party:
On 2 May 2023, the consolidated entity announced that it has entered into an agreement with Robinwood Investments Pty Ltd ('RIPL') for the sale of its Orthopaedics Division's business assets, both tangible and intangible; for consideration of $1 million in cash (refer to ASX announcement on 2 May 2023). The Orthopaedics Division sale has been approved at the EGM held on 23 August 2023 (refer to ASX announcement on 23 August 2023), and the $1 million proceeds from the Orthopaedics Division sale have been received in the consolidated entity's bank account on 28 August 2023.

Robinwood Investments Pty Ltd is an entity associated with director Nicholas Hartnell.

Receivable from and payable to related parties
The following balances are outstanding at the reporting date in relation to transactions with related parties:

	Consolidated	
	2023 $	2022 $
Current payables:		
Surgeon advisory fees payable to Dr Nicholas Hartnell, a director	45,000	20,000

Loans to/from related parties
The following balances are outstanding at the reporting date in relation to loans with related parties:

	Consolidated	
	2023 $	2022 $
Non-current borrowings:		
Loan from Robinwood Investment Pty Ltd, an entity associated with director Nicholas Hartnell	2,000,000	1,500,000

Terms and conditions
All transactions were made on normal commercial terms and conditions. The loan term is two years with an annual interest rate of 13% with an equity conversion feature at the repayment date. On 28 June 2023, the consolidated entity signed a mutual agreement with RIPL to extend the repayment date of the loan to 31 December 2024, with all terms and conditions of the Loan Agreement remaining the same (refer to ASX announcement on 28 June 2023).

Note 26. Related party transactions (continued)

On 30 August 2023, the consolidated entity reached an agreement with RIPL to pay RIPL's full entitlement allowed by the Non-Renounceable Entitlement Offer by way of a reduction in the related party loan balance by $1,148,248 in order to reduce the consolidated entity's debt level and alleviate the burden of substantial interest expenditure.

Note 27. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent	
	2023 $	2022 $
Loss after income tax	(3,647,737)	(2,488,837)
Total comprehensive income	(3,647,737)	(2,488,837)

Statement of financial position

	Parent	
	2023 $	2022 $
Total current assets	2,318,528	4,502,579
Total assets	3,035,331	5,731,061
Total current liabilities	1,714,770	1,575,623
Total liabilities	4,412,313	3,476,656
Equity		
Issued capital	15,366,235	15,366,235
Share-based payments reserve	874,803	858,453
Accumulated losses	(17,618,020)	(13,970,283)
Total (deficiency)/equity	(1,376,982)	2,254,405

Contingent liabilities
The parent entity has a bank guarantee totalling $nil at 30 June 2023 (30 June 2022: $105,615) in relation to support office rental commitments.

Refer to note 25 for details of contingent liabilities.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment as at 30 June 2023 and 30 June 2022.

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.
- 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 28. 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:

Name	Principal place of business / Country of incorporation	Ownership interest 2023 %	Ownership interest 2022 %
Allegra Orthopaedics Holdings Pty Limited	Australia	100%	100%
Advanced Surgical Design & Manufacture (UK) Limited *	United Kingdom	100%	100%

* This entity is dormant.

Note 29. Cash flow information

Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2023 $	Consolidated 2022 $
Loss after income tax expense for the year	(3,647,737)	(2,535,328)
Adjustments for:		
Depreciation and amortisation	467,978	579,935
Impairment of assets	1,803,726	-
Write off of inventory	285,962	526,481
Write off of intangibles	-	46,489
Share-based payments	16,350	94,249
Government grants - non-operating	-	(63,000)
Change in operating assets and liabilities:		
Decrease in trade and other receivables	59,272	76,441
Decrease/(increase) in inventories	81,784	(353,449)
Decrease in prepayments	16,890	31,681
Increase/(decrease) in trade and other payables	132,100	(292,179)
Increase/(decrease) in employee benefits	(1,820)	26,213
Increase in other provisions	10,000	-
Net cash used in operating activities	(775,495)	(1,862,467)

Changes in liabilities arising from financing activities

Consolidated	*Bank loans $*	*Insurance loans $*	*Lease liability $*	*Related party loans $*	*Total $*
Balance at 1 July 2021	191,663	103,118	60,341	-	355,122
Net cash from/(used in) financing activities	398,254	2,676	(153,306)	1,500,000	1,747,624
Acquisition of leases	-	-	229,233	-	229,233
Balance at 30 June 2022	589,917	105,794	136,268	1,500,000	2,331,979
Net cash from/(used in) financing activities	113,848	(14,357)	(166,104)	500,000	433,387
Acquisition of leases	-	-	297,289	-	297,289
Balance at 30 June 2023	703,765	91,437	267,453	2,000,000	3,062,655

Note 30. Earnings per share

	Consolidated 2023 $	Consolidated 2022 $
Earnings per share for loss from continuing operations		
Loss after income tax	(2,086,310)	(2,015,681)
	Cents	**Cents**
Basic earnings per share	(2.00)	(1.93)
Diluted earnings per share	(2.00)	(1.93)

	Consolidated 2023 $	Consolidated 2022 $
Earnings per share for loss from discontinued operations		
Loss after income tax	(1,561,427)	(519,647)
	Cents	**Cents**
Basic earnings per share	(1.49)	(0.50)
Diluted earnings per share	(1.49)	(0.50)

	Consolidated 2023 $	Consolidated 2022 $
Earnings per share for loss		
Loss after income tax	(3,647,737)	(2,535,328)
	Cents	**Cents**
Basic earnings per share	(3.49)	(2.43)
Diluted earnings per share	(3.49)	(2.43)
	Number	**Number**
Weighted average number of ordinary shares		
Weighted average number of ordinary shares used in calculating basic earnings per share	104,459,203	104,459,203
Weighted average number of ordinary shares used in calculating diluted earnings per share	104,459,203	104,459,203

Options issued during the year have been excluded from the above calculation of diluted earnings per share as their inclusion would be anti-dilutive. These options could potentially dilute basic earnings per share in the future.

Note 31. Share-based payments

Unlisted options

An Employee Share Option Plan ('ESOP') was approved at the Annual General Meeting on 25 October 2017. The options are awarded to certain employees ('participant') at the discretion of the Board. The options are not listed.

The options are governed by the Rules of the Allegra Orthopaedics Limited Option Plan which can be found in detail at www.allegraorthopaedics.com. A summary of the terms of issue of the options are below.

Note 31. Share-based payments (continued)

Exercise
Under the option rules, the options may be exercised for the exercise price specified on grant of the option. The options may be exercised at any time between the date they vest and the last date before their expiry date.

Vesting
Vesting conditions will be specified in the letter of invitation to the participant, along with the relationship between various potential levels of performance and levels of vesting that may occur. Performance conditions may vary between different invitations and between different tranches of options described in an invitation.

For each measurement period, the Board will determine, for each tranche of options to which the measurement period applies, the extent to which they vest and the date of vesting. The Board may, at its discretion, also determine that any remaining options will be forfeited and lapse.

Lapse
The options lapse automatically:
- if the participant ceases to be employed by the company; or
- at the end of the designated exercise period for the options, unless extended in accordance with the option rules; or
- in the event that the Board forms the opinion that a participant has committed an act of fraud, defalcation or gross misconduct in relation to the company. The company may also recover damages from vested options and restricted shares held by or for the benefit of the participant; or
- if any other incident occurs as disclosed in the Rules of the Allegra Orthopaedics Limited Option Plan.

Transfer/Dealing
The participant cannot dispose, encumber or otherwise deal with its options without the prior written approval of the Board.

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

2023

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercise	Expired/ forfeited/ other	Balance at the end of the year
09/11/2017	09/11/2023	$0.125	164,904	-	-	-	164,904
08/12/2017	08/12/2023	$0.125	1,172,538	-	-	-	1,172,538
31/01/2020	31/01/2026	$0.160	1,500,000	-	-	-	1,500,000
10/11/2020	10/11/2024	$0.150	3,000,000	-	-	-	3,000,000
			5,837,442	-	-	-	5,837,442
Weighted average exercise price			$0.140	$0.000	$0.000	$0.000	$0.140

2022

Grant date	Expiry date	Exercise price	Balance at the start of the year	Granted	Exercise	Expired/ forfeited/ other	Balance at the end of the year
09/11/2017	09/11/2023	$0.125	219,872	-	-	(54,968)	164,904
08/12/2017	08/12/2023	$0.125	1,372,538	-	-	(200,000)	1,172,538
31/01/2020	31/01/2026	$0.160	1,700,000	-	-	(200,000)	1,500,000
10/11/2020	10/11/2024	$0.150	3,000,000	-	-	-	3,000,000
			6,292,410	-	-	(454,968)	5,837,442
Weighted average exercise price			$0.146	$0.000	$0.000	$0.137	$0.140

The weighted average share price during the financial year was $0.08 (30 June 2022: $0.191).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 1.47 (30 June 2022: 2.16) years.

Note 32. Events after the reporting period

On 19 July 2023, the consolidated entity announced a Non-Renounceable Entitlement Offer ('Offer') issue for its current shareholders. The Offer entitles its current shareholder with one fully paid ordinary share for every three shares held at an issue price of $0.09 per Share. The Offer aims to raise circa $3,133,776 (before costs) to support the ongoing commercialisation activities for its Cervical Spinal Cage Device. The consolidated entity also announced that the expected completion date of the sale of the Orthopaedics Division to RIPL – a substantial shareholder and entity associated with its Non-Executive Director, Nicholas Hartnell, is to occur before 31 August 2023.

On 23 August 2023, the consolidated entity announced that the decision to dispose of the Orthopaedics Division has been approved by shareholders at the Extraordinary General Meeting held on the date. On 28 August 2023, the consolidated entity announced the completion of the Orthopaedics Division sale, and the proceeds of $1 million have been received in its bank account.

On 30 August 2023, the consolidated entity announced the results of the Non-Renounceable Entitlement Offer, confirming that a total amount of $1,363,663 was raised before costs under the Offer. As disclosed in the ASX announcement dated 30 August 2023, as part of the entitlement acceptances, the consideration for 12,758,316 shares (equal to approximately $1.148 million) was paid through the part settlement of the equivalent value of the Convertible Loan Agreement ('Loan Agreement') with Robinwood Investments Pty Ltd ('RIPL'). As such, the net cash raised from the Offer is approximately $215,000 (prior to costs). In doing so, the consolidated entity has reduced its debt level and alleviated the burden of substantial interest expenditure.

No other matter or circumstance has arisen since 30 June 2023 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, 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 2023 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

____
Peter Kazacos
Director

31 August 2023
Sydney

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

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Allegra Orthopaedics Limited (the Company) and its subsidiaries (the Consolidated entity), which comprise the consolidated statement of financial position as at 30 June 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Consolidated entity is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the Consolidated entity's financial position as at 30 June 2023 and of its financial performance for the year then ended;
- and complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Consolidated entity in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional & Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How we addressed the Key Audit Matter
Revenue Recognition *Refer to Note 2 and Note 8*	
The sale of goods are recognised as revenue when the goods have been utilised by, or delivered to, the customer. As revenue from the sale of goods is a significant balance in the financial report, and impacts the reported results for the year, this is considered to be a key audit matter.	We performed the following key procedures: • Obtained an understanding of the key controls in place to ensure appropriate recognition of revenue in accordance with AASB 15: *Revenue from Contracts with Customers* ("AASB 15"). • Performed testing of controls and tests of detail to ensure revenue is recognised in line with the satisfaction of performance obligations under AASB 15. • Tested a sample of invoices raised in the months of June 2023 and July 2023 to assess revenue cut off, ensuring that revenue was recognised in the correct period. • Performed analytical review procedures on revenue and gross margin. Assessed the movement of individual revenue line items to ensure that the movements were reasonable and within our expectations. • Considered the adequacy of the revenue related disclosures contained in the financial statements.
Research and Development Tax Offset *Refer to Note 2, Note 3, Note 5 and Note 10*	
Under the research and development (R&D) tax incentive scheme, the Consolidated entity is entitled to receive a 43.5% refundable tax offset of eligible expenditure if its turnover is less than $20 million per annum, and it is not controlled by income tax exempt entities. The R&D plan is filed with AusIndustry in the following financial year, and based on this filing, the Consolidated entity receives the incentive in cash. The Consolidated entity prepared an estimate of its total R&D expenditure to determine the potential claim under the R&D tax incentive legislation. As at 30 June 2023, the Consolidated entity had an estimated claim of $705,994 for the year which has been disclosed as a receivable. The R&D tax incentive is a key audit matter due to the significance of the balance and because judgement and interpretation of the R&D tax legislation is required by the Consolidated entity to assess the	We performed the following key procedures: • Agreed the estimate made in the previous year to the amount of cash received after lodgement of the 2022 R&D tax claim to determine the accuracy of management's estimation process. • Compared the nature of R&D expenditure included in the current year estimate to the prior year estimate to ensure reasonable. • Assessed management's estimate of total R&D expenses and tested a sample of R&D expenses for eligibility under the R&D Tax Incentive scheme. • Compared the amount of eligible expenditure used to calculate the estimate to the expenditure recorded in the general ledger. • Inspected copies of relevant documents lodged with the ATO related to historic claims.

Key Audit Matter	**How we addressed the Key Audit Matter**
eligibility of the R&D expenditure under the scheme.	• Considered the adequacy of the R&D related disclosures contained in the financial statements.
Subsequent sale of Orthopaedics Division and classification as a Discontinued Operation *Refer Note 2, Note 3, and Note 8*	
During the year, the Consolidated entity entered into an agreement to sell the Orthopaedics Division for consideration of $1,000,000. The sale was finalised on 28 August 2023. Discontinued operations is a key audit matter due to the complexity of the accounting and the significance of the transaction to the Consolidated entity's financial position and performance during the year.	We performed the following key procedures: • Inspected the Asset Purchase Agreement relating to the disposal transaction to understand the terms and conditions of the sale. • Evaluated the substance of the sale against the criteria for discontinued operations as per AASB 5: *Non- current Assets Held for Sale and Discontinued Operations* ("AASB 5). • Reviewed the accounting to given effect to the disposal transaction, including the impact on the carrying value of assets and liabilities in the disposal group as at 30 June 2023. • Recalculated the impairment loss on the disposal group following remeasurement to fair value less costs to sell. • Checked receipt of post year end sale consideration proceeds to bank. • Reviewed the appropriateness of the disclosure made in the financial statements, incorporating the separation of the Orthopaedics division as a discontinued operation in accordance with AASB 5.
Going Concern Assessment *Refer to Note 2*	
The Consolidated entity incurred a net loss after tax of $3,647,737 (2022: net loss after tax of 2,535,328) and net cash outflows used in operations of $775,495 (2022: net cash used in operations of 1,862,467). As of 30 June 2023, the Consolidated entity had net liabilities of $1,499,081 (2022: net assets 2,132,306) and net current assets of $481,659 (2022: 2,804,858). Notwithstanding the continued losses and operating cash outflows, the financial statements have been prepared on a going concern basis based on the actions undertaken by management as outlined in Note 2 Going Concern in the financial report. The going concern assessment is a key audit matter due to the judgements and estimates in the cashflow forecast and the significance of the basis of preparation to the current year financial report.	We performed the following key procedures: • Verified the receipt of funds into bank from the post year end capital raise as outlined in Note 2 and Note 32. • Inspected the Deed of Amendment signed on 28 August 2023 relating to the Robinwood Investment loan, noting the value of the funds available to the Consolidated entity up to the $2,000,000 facility limit. • Critically analysed the Consolidated entity's cashflow forecast that was used to support the going concern assessment, including performing the following procedures: • Checked mathematical accuracy of the cashflow forecast. • Compared costs in the forecast prepared by management with the actual cashflows for FY2023 and obtained justification on variances in order to evaluate the validity of management's forecasting processes.

Key Audit Matter	How we addressed the Key Audit Matter
	• Interrogated the cashflow and performed a sensitivity analysis. • Discussed with management the significant assumptions and reviewed supporting documentation for inputs used in the cashflow forecast. • Reviewed the appropriateness of the disclosure made in the financial statements.

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Consolidated entity's Annual Report for the year ended 30 June 2023 but does not include the financial report and our auditor's report thereon.

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

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

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

Responsibilities of the Directors for the Financial Report

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

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

Auditor's Responsibilities for the Audit of the Financial Report

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

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Consolidated entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Consolidated entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Consolidated entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the group financial report. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our auditor's report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the remuneration report included in pages 9 to 13 of the Annual Report within the directors' report for the year ended 30 June 2023.

In our opinion, the remuneration report of Allegra Orthopaedics Limited, for the year ended 30 June 2023, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the remuneration report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Crowe Sydney

Barbara Richmond
Partner

31 August 2023
Sydney

The shareholder information set out below was applicable as at 22 August 2023.

Distribution of equitable securities

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

	Ordinary shares		
	Number of holders	Number of shares	% of total shares issued
1 to 1,000	42	15,903	0.02
1,001 to 5,000	165	533,070	0.51
5,001 to 10,000	96	779,168	0.75
10,001 to 100,000	168	4,961,753	4.75
100,001 and over	50	98,169,309	93.97
	521	104,459,203	100.00
Holding less than a marketable parcel	251	826,989	0.79

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
ROBINWOOD INVESTMENTS PTY LTD	38,274,948	36.64
NETWEALTH INVESTMENTS LIMITED (WRAP SERVICES A/C)	9,447,356	9.04
WELSH SUPERANNUATION PTY LIMITED	6,600,000	6.32
MARIE CAROLL & DAWSON CAROLL	5,636,285	5.40
BNP PARIBAS NOMINEES PTY LTD ACF CLEARSTREAM	4,958,074	4.75
THE UNIVERSITY OF SYDNEY	4,806,000	4.60
DR ANDREW WILLIAM LEICESTER & MRS SKYE CHRISTINE LEICESTER (LEICESTER SUPER FUND A/C)	3,353,123	3.21
DUGAL DIAGNOSTICS PTY LTD (THE DUGAL FAMILY A/C)	3,000,000	2.87
4 HOLES-IN-ONE PTY LTD (NUMBER 5 A/C)	3,000,000	2.87
DR ANDREW WILLIAM LEICESTER & MRS SKYE CHRISTINE LEICESTER	2,272,270	2.18
CHEW INVESTMENTS PTY LTD (CHEW INVESTMENTS A/C)	1,333,333	1.28
MR NICHOLAS HARTNELL	1,224,090	1.17
MR RICHARD ULRICK & MRS WENDY ULRICK (ULRICK SUPER FUND A/C)	1,038,318	0.99
MR THOMAS JAMES CARROLL	1,000,000	0.96
MR KENNETH CAMPBELL	1,000,000	0.96
MERGIN INVESTMENTS PTY LTD (M & V CROSS SUPER FUND A/C)	1,000,000	0.96
DESTIN PTY LIMITED	946,470	0.91
MISTY HILLS NOMINEES PTY LTD	892,857	0.85
MR FENTON PAUL HEALY (CHEEKY MONKEY A/C)	545,000	0.52
DESMOND J BOKOR PTY LIMITED (KOORINGA SUPER FUND A/C)	510,000	0.49
	90,838,124	86.97

Unquoted equity securities

	Number of holders	Unlisted Options Total number of options issued	% of total options issued
Unlisted Options at $0.16 EXP 31/01/2026			
10,001 to 100,000	2	200,000	13.33
100,001 and over	2	1,300,000	86.67
Unlisted Options at $0.125 EXP 09/11/2023			
100,001 and over	2	164,904	100.00
Unlisted Options at $0.125 EXP 08/12/2023			
100,001 and over	2	1,172,538	100.00
Unlisted Options at $0.15 EXP 10/11/2024	1	3,000,000	100.00

The following persons hold 20% or more of unquoted equity securities:

	Options exercisable at $0.16, expiring 31 Jan 2026 %	Options exercisable at $0.125, expiring 9 Nov 2023 %	Options exercisable at $0.125, expiring 8 Dec 2023 %	Options exercisable at $0.15, expiring 10 Nov 2024 %
MR NICHOLAS HARTNELL	-	-	-	100.00%
MS JENNIFER SWAIN	66.67%	-	79.53%	-
CHRIS WILLIAM CALAMOS	20.00%	-	20.47%	-
DESTIN PTY LIMITED	-	50.00%	-	-
MR SEAN ST CLAIR MULHEARN	-	50.00%	-	-

Substantial holders

As at 22 August 2023, the following shareholders have disclosed a substantial shareholder notice to the ASX:

	Ordinary shares Number hheld	% of total shares issued	Date of notice
Nicholas Hartnell*	39,499,038	37.81	26 August 2022
CLJE Investments Pty Ltd	8,883,579	10.11	20 September 2017
Andrew and Skye Leicester	5,019,790	5.71	4 October 2017

* Combined holdings of Mr Nicholas Hartnell and Robinwood Investments Pty Ltd

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.

Unlisted Options
There are no voting rights attached to Unlisted Options.

Restricted securities

There are no restricted securities on issue.

On-Market Buy Back
There is no on-market buy-back scheme in operation for the company's quoted shares.

Corporate Governance
The company's Corporate Governance Statement as at 30 June 2023 as approved by the Board can be viewed at: https://www.allegraorthopaedics.com/company/asx-information/

Stock Exchange on which the Company's Securities are Quoted
The company's listed equity securities are quotes on the Australian Securities Exchange.

Review of Operations
A review of operations is contained in the Directors' report.

Annual General Meeting
The company advises that the Annual General Meeting ('AGM') of the company is scheduled for Wednesday, 1 November 2023.

Further to Listing Rule 3.13.1, Listing Rule 14.3 and clause 6.2(f) of the company's Constitution, nominations for election of directors at the AGM must be received not less than 35 Business Days before the meeting, being no later than Wednesday, 13 September 2023.