

ASX Release

23 February 2017

Financial Report 31 December 2016

I am pleased to present Allegra Orthopaedics Limited's ('Allegra') Appendix 4D and Financial Statements for the 6 months to 31 December 2016.

Allegra has continued to execute on its previously stated strategy to focus on improving sales and distribution of its medical device implants. Pleasingly this has resulted in Allegra returning to profitable trading for the 6 months to 31 December 2016.

Financial highlights for the 6 months to 31 December 2016 include:

Revenues \$2.651M

EBITDA \$0.430M

NPAT \$0.179M

Net Cash from Operating Activities: \$0.192M

Cash and cash equivalents as at 31 December 2016: \$1.075M

Allegra has continued to have strong shareholder support with the successful completion of a share placement in December 2016 where 9,438,957 shares were issued to a major shareholder which raised \$755,117 in new capital for Allegra.

The commercialisation of the Sr-HT-Gahnite Bone Substitute Project continues to show encouraging results including preliminary data from the recently concluded 12 months animal study (refer ASX announcement on 10/02/2017).

As a result of this progress, Allegra is announcing a capital raising in the form of a shareholder rights issue (refer ASX announcement released today 23/2/2017).

Allegra Orthopaedics Limited

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Options to acquire shares in Allegra

I would also like to announce that Allegra intends to create a pool of 6 million 'options' to acquire new shares in the company. This decision has been taken so that Allegra's Board can recognise the ongoing loyalty and contribution of its key employees and associates. The key characteristics of this option pool are as follows:

- The option exercise price per share may not be lower than 12.5 cents
- The options are intended for use in Allegra's Eligible Employee Share Scheme and also to be offered to persons qualified as sophisticated investors who also do business with Allegra
- The options will be offered as 3 year options, timed from the date of issue, at a price which is the higher of 12.5 cents and 80% of Allegra's 90 day ASX volume weighted average share price ('VWAP') calculated on the last business day of each of September, December, March and June.
- Allegra's VWAP will be publicly announced promptly, so that options may be exercised within 3 weeks of announcement of the relevant option exercise price.
- The options are not tradable
- The options will be offered at the discretion of Allegra's Board
- A certain portion of options (excluding those issued to Directors) will be issued immediately and, if exercised and paid for at the same time as the shareholder rights issue referred to above, can be exercised at 12.5 cents.

Lastly, I would like to thank my fellow directors, Allegra management and Allegra staff for the significant turnaround in Allegra's trading performance over the last 6 months which has returned the company to profitability and for the great progress being achieved with the commercialisation of the Sr-HT-Gahnite Bone Substitute Project.

Sincerely



Peter Kazacos
Non-Executive Chairman

1. Company details

Name of entity:	Allegra Orthopaedics Limited
ABN:	71 066 281 132
Reporting period:	For the half-year ended 31 December 2016
Previous period:	For the half-year ended 31 December 2015

2. Results for announcement to the market

			\$
Revenues from ordinary activities	down	7.5% to	2,650,671
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	up	152.5% to	430,349
Profit from ordinary activities after tax attributable to the owners of Allegra Orthopaedics Limited	up	115.6% to	179,277
Profit for the half-year attributable to the owners of Allegra Orthopaedics Limited	up	115.6% to	179,277

Dividends

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

Comments

The profit for the consolidated entity after providing for income tax amounted to \$179,277 (31 December 2015: loss of \$1,151,285).

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

The earnings before interest, tax, depreciation and amortisation ('EBITDA') was a profit of \$430,349 (2015: loss of \$820,145).

On 13 December 2016, the company announced that it had issued 9,438,957 fully paid ordinary shares at an issue price of \$0.08 per share. The \$755,117 raised was used to repay the loan for \$700,000, drawn down prior to 30 June 2016, with Robinwood Investments Pty Limited (refer ASX announcement dated 30 June 2016).

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 company and EBITDA.

	Consolidated	
	31/12/2016	31/12/2015
	\$	\$
Profit/(loss) after income tax	179,277	(1,151,285)
Add: Depreciation and amortisation	147,848	315,230
Add: Finance cost	105,580	36,536
Less: Interest income	(2,356)	(20,626)
EBITDA	<u>430,349</u>	<u>(820,145)</u>

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	3.99	4.44

4. Control gained over entities

Not applicable.

5. Loss of control over entities

Not applicable.

6. Dividend reinvestment plans

Not applicable.

7. Details of associates and joint venture entities

Not applicable.

8. Foreign entities

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

Not applicable.

9. Audit qualification or review

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

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

10. Attachments

Details of attachments (if any):

The Interim Report of Allegra Orthopaedics Limited for the half-year ended 31 December 2016 is attached.

11. Signed



Signed _____

Peter Kazacos
Chairman
Sydney

Date: 22 February 2017

Allegra Orthopaedics Limited

ABN 71 066 281 132

Interim Report - 31 December 2016

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity') consisting of Allegra Orthopaedics Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 31 December 2016.

Directors

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

Peter Kazacos
 Anthony Hartnell
 Sean Mulhearn

Principal activities

During the financial half-year the principal continuing activities of the consolidated entity consisted of the sale and design of surgical implants.

Review of operations

The profit for the consolidated entity after providing for income tax amounted to \$179,277 (31 December 2015: loss of \$1,151,285).

Total revenue from ordinary activities for the half year ended 31 December 2016 was \$2,650,671 (31 December 2015: \$2,865,260).

Sale of goods for the half year ended 31 December 2016 was \$2,263,498 (31 December 2015: \$2,591,343). Due to various cost savings measures, including outsourcing manufacturing and relocating to new premises, there was a significant improvement in gross margin to 63% for the half year ended (31 December 2015: 53%).

Revenue earned from commission sales for the half year ended 31 December 2016 was \$384,817 (31 December 2015: \$253,291). This represents a 52% increase.

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 company and EBITDA.

	Consolidated	
	31/12/2016	31/12/2015
	\$	\$
Profit/(loss) after income tax	179,277	(1,151,285)
Add: Depreciation and amortisation	147,848	315,230
Add: Finance cost	105,580	36,536
Less: Interest income	(2,356)	(20,626)
EBITDA	<u>430,349</u>	<u>(820,145)</u>

Included within the profit/(loss) after income tax figure above for 31 December 2015 are \$654,716 one off restructuring costs.

Cost of Sales and purchases of consumables have decreased by \$384,891 to \$828,479. This decrease is attributable to the reduction of salary and rent costs due to the decision taken to outsource the manufacturing division at the end of 2015.

Corporate and administration expenses have decreased marginally by \$15,965 to \$953,397.

Quality and research and development expenses were down \$491,270 to \$284,822. This decrease is attributable to a reduction in the quality and research staff as a result of the decision to outsource manufacturing. The primary expenditure for the six months to 31 December 2016 relates to the commercialisation of the Sr-HT Gahnite bone substitute project.

Sales and marketing expenses decreased by \$280,893 to \$642,970. The decrease is attributable to lower travels costs, consultants and sales agents fees. As announced to the ASX on 20 April 2016, the National Sales Manager took up the role of CEO. The national sales manager position was not replaced but rather merged into the CEO role. This resulted in salary cost savings within this division.

On 13 December 2016, the company announced that it had issued 9,438,957 fully paid ordinary shares at an issue price of \$0.08 per share. The \$755,117 raised was used to repay the loan for \$700,000, drawn down prior to 30 June 2016, with Robinwood Investments Pty Limited (refer ASX announcement dated 30 June 2016)

Finance costs increased by \$69,044 to \$105,580. The increase is attributable to interest and loan establishment fees paid for the related party loan to Robinwood Investments Pty Limited.

Net profit after tax was \$179,277 (31 December 2015: loss of \$1,151,285) which includes the Restructuring Cost of \$Nil (31 December 2015: \$654,716) related to the decision to outsource manufacturing.

Cash position

The cash balance as at 31 December 2016 was \$1,075,133 which is a decrease of \$79,457 when compared with the cash balance as at 30 June 2016 of \$1,154,590.

Outlook

The consolidated entity will be focusing on two major objectives. The first being the improvement of sales and distribution of its medical device product range. This should be achieved by continuing to seek innovative revenue channels and products coupled with ongoing development of its highly trained and skilled medical device workforce. The second objective being pursued is the ongoing product development of the exciting SrHT Gahnite Bone Substitute project. This project continues to show encouraging results and therefore the consolidated entity is performing a capital raising in the form of a shareholder rights issue to continue to fund this project.

Significant changes in the state of affairs

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

Auditor's independence declaration

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

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

On behalf of the directors



Peter Kazacos
Chairman

22 February 2017
Sydney

22 February 2017

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

Dear Board Members

Re: 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 review of the half-year financial report of Allegra Orthopaedics Limited for the half-year ended 31 December 2016, 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 review;
and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



CROWE HORWATH SYDNEY



JOHN HAYDON

Senior Partner

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General information

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

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

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

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

The financial statements were authorised for issue, in accordance with a resolution of directors, on 22 February 2017.

Allegra Orthopaedics Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 31 December 2016



		Consolidated	
	Note	31/12/2016	31/12/2015
		\$	\$
Revenue	4	2,650,671	2,865,260
Other income	5	343,854	557,394
Expenses			
Cost of sales and purchases of consumables		(828,479)	(1,213,370)
Corporate and administration expenses		(953,397)	(969,362)
Quality and research and development expenses		(284,822)	(776,092)
Sales and marketing expenses		(642,970)	(923,863)
Restructuring costs	6	-	(654,716)
Finance costs		(105,580)	(36,536)
Profit/(loss) before income tax expense		179,277	(1,151,285)
Income tax expense		-	-
Profit/(loss) after income tax expense for the half-year attributable to the owners of Allegra Orthopaedics Limited		179,277	(1,151,285)
Other comprehensive income for the half-year, net of tax		-	-
Total comprehensive income for the half-year attributable to the owners of Allegra Orthopaedics Limited		<u>179,277</u>	<u>(1,151,285)</u>
		Cents	Cents
Basic earnings per share	12	0.28	(1.81)
Diluted earnings per share	12	0.28	(1.81)

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 31 December 2016



		Consolidated	
	Note	31/12/2016	30/06/2016
		\$	\$
Assets			
Current assets			
Cash and cash equivalents		1,075,133	1,154,590
Trade and other receivables		1,178,852	1,723,634
Inventories		1,520,775	1,511,486
Total current assets		<u>3,774,760</u>	<u>4,389,710</u>
Non-current assets			
Property, plant and equipment		421,141	477,219
Intangibles		154,760	158,868
Total non-current assets		<u>575,901</u>	<u>636,087</u>
Total assets		<u>4,350,661</u>	<u>5,025,797</u>
Liabilities			
Current liabilities			
Trade and other payables		1,128,598	1,809,140
Borrowings	7	48,858	945,950
Provisions		42,201	41,371
Total current liabilities		<u>1,219,657</u>	<u>2,796,461</u>
Non-current liabilities			
Borrowings - lease liability		18,565	39,469
Provisions		42,109	39,181
Total non-current liabilities		<u>60,674</u>	<u>78,650</u>
Total liabilities		<u>1,280,331</u>	<u>2,875,111</u>
Net assets		<u><u>3,070,330</u></u>	<u><u>2,150,686</u></u>
Equity			
Issued capital	8	11,199,996	10,459,629
Reserves		565,280	565,280
Accumulated losses		<u>(8,694,946)</u>	<u>(8,874,223)</u>
Total equity		<u><u>3,070,330</u></u>	<u><u>2,150,686</u></u>

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

Allegra Orthopaedics Limited
Statement of changes in equity
For the half-year ended 31 December 2016



Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2015	10,459,629	565,280	(6,838,435)	4,186,474
Loss after income tax expense for the half-year	-	-	(1,151,285)	(1,151,285)
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	(1,151,285)	(1,151,285)
<i>Transactions with owners in their capacity as owners:</i>				
Share-based payments	-	15,000	-	15,000
Balance at 31 December 2015	<u>10,459,629</u>	<u>580,280</u>	<u>(7,989,720)</u>	<u>3,050,189</u>
Consolidated	Issued capital \$	Reserves \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2016	10,459,629	565,280	(8,874,223)	2,150,686
Profit after income tax expense for the half-year	-	-	179,277	179,277
Other comprehensive income for the half-year, net of tax	-	-	-	-
Total comprehensive income for the half-year	-	-	179,277	179,277
<i>Transactions with owners in their capacity as owners:</i>				
Contributions of equity, net of transaction costs (note 8)	740,367	-	-	740,367
Balance at 31 December 2016	<u>11,199,996</u>	<u>565,280</u>	<u>(8,694,946)</u>	<u>3,070,330</u>

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

Allegra Orthopaedics Limited
Statement of cash flows
For the half-year ended 31 December 2016



Note	Consolidated	
	31/12/2016	31/12/2015
	\$	\$
Cash flows from operating activities		
Receipts from customers (inclusive of GST)	3,457,928	3,070,972
Payments to suppliers (inclusive of GST)	(3,677,854)	(4,169,934)
	(219,926)	(1,098,962)
Interest received	2,356	6,593
Other revenue	43,262	6,132
Interest and other finance costs paid	(105,580)	(36,536)
Income taxes refunded relating to research and development	472,080	868,521
Net cash from/(used in) operating activities	192,192	(254,252)
Cash flows from investing activities		
Payments for property, plant and equipment	(87,662)	(43,717)
Payments for intangibles	-	(3,237)
Proceeds from disposal of property, plant and equipment	-	194,500
Net cash from/(used in) investing activities	(87,662)	147,546
Cash flows from financing activities		
Proceeds from issue of shares	8 755,117	-
Share issue transaction costs	(14,750)	-
Repayment of lease liabilities	(45,720)	(146,541)
Repayment of debtor finance facility	7 (178,634)	-
Repayment of borrowings - related party	7 (700,000)	-
Net cash used in financing activities	(183,987)	(146,541)
Net decrease in cash and cash equivalents	(79,457)	(253,247)
Cash and cash equivalents at the beginning of the financial half-year	1,154,590	1,083,145
Cash and cash equivalents at the end of the financial half-year	<u>1,075,133</u>	<u>829,898</u>

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

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 31 December 2016 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 30 June 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

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

New or amended Accounting Standards and Interpretations adopted

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

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the consolidated entity during the financial half-year ended 31 December 2016 and are not expected to have any significant impact for the full financial year ending 30 June 2017. Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Going concern

The directors have determined that the consolidated entity is a going concern, and these financial statements have been prepared on this basis.

The directors acknowledge the improvement of the net profit generated of \$179,277 (December 2015: loss of \$1,151,285) and net operating cash inflows generated during the financial half-year of \$192,192 (December 2015: outflows \$254,252).

The consolidated entity has a cash balance of \$1,075,133 (June 2016: \$1,154,590) and net current assets of \$2,555,103 (June 2016: \$1,593,249);

For details of items affecting net income for the period, refer to the commentary in the Review of Operations section of the Directors Report.

As a result of the above the Directors have concluded that there is no material uncertainty in relation to going concern.

Note 3. Operating segments

Identification of reportable operating segments

The consolidated entity operates in one segment being the sale and design of surgical implants. This is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

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

Management reviews EBITDA to make decisions. The following table summarises key reconciling items between statutory profit/(loss) after tax attributable to the shareholders of the consolidated entity and EBITDA.

Note 3. Operating segments (continued)

	Total \$
Consolidated - 31/12/2016	
EBITDA	430,349
Depreciation and amortisation	(147,848)
Interest revenue	2,356
Finance costs	(105,580)
Profit before income tax expense	179,277
Income tax expense	-
Profit after income tax expense	179,277

	Total \$
Consolidated - 31/12/2015	
EBITDA	(820,145)
Depreciation and amortisation	(315,230)
Interest revenue	20,626
Finance costs	(36,536)
Loss before income tax expense	(1,151,285)
Income tax expense	-
Loss after income tax expense	(1,151,285)

Note 4. Revenue

	Consolidated	
	31/12/2016	31/12/2015
	\$	\$
<i>Sales revenue</i>		
Sale of goods	2,263,498	2,591,343
Commissions revenue	384,817	253,291
	<u>2,648,315</u>	<u>2,844,634</u>
<i>Other revenue</i>		
Interest	2,356	20,626
Revenue	<u>2,650,671</u>	<u>2,865,260</u>

Note 5. Other income

	Consolidated	
	31/12/2016	31/12/2015
	\$	\$
Government grants	237,331	175,329
Other income	39,340	6,132
Research and development tax offset	67,183	375,933
Other income	<u>343,854</u>	<u>557,394</u>

Note 6. Restructuring costs

During the prior financial half-year the consolidated entity outsourced its activities associated with the manufacture of its highly acclaimed Active Knee product range to Signature Orthopaedics Pty Ltd ('Signature') which is an Australian based company. To facilitate the outsourcing, relevant equipment was sold to Signature and some personnel were transferred. No restructuring costs were incurred during the current half-year.

As a result of outsourcing the manufacturing operations, the consolidated entity incurred the following restructuring costs:

	Consolidated	
	31/12/2016	31/12/2015
	\$	\$
Redundancy costs	-	94,056
Net loss on inventory write-down	-	149,654
Cost of sales and purchases of consumables - materials	-	128,161
Cost of sales and purchases of consumables - repairs and maintenance	-	19,373
Net loss on sale of plant and equipment	-	263,472
Total restructuring costs	-	654,716

Note 7. Current liabilities - borrowings

	Consolidated	
	31/12/2016	30/06/2016
	\$	\$
Related party loans	-	700,000
Debtor facility	-	178,634
Lease liability	48,858	67,316
	48,858	945,950

During the period, the loan from Robinwood Investments Pty Limited (major shareholder) amounting to \$700,000 was repaid.

Note 8. Equity - issued capital

	Consolidated			
	31/12/2016	30/06/2016	31/12/2016	30/06/2016
	Shares	Shares	\$	\$
Ordinary shares - fully paid	73,140,205	63,601,248	11,199,996	10,459,629

Movements in ordinary share capital

Details	Date	Shares	Issue price	\$
Balance	1 July 2016	63,601,248		10,459,629
Shares issued to employees	20 September 2016	100,000	\$0.00	-
Shares issued	13 December 2016	9,438,957	\$0.08	755,117
Share issue transaction costs		-	\$0.00	(14,750)
Balance	31 December 2016	73,140,205		11,199,996

Note 9. Equity - dividends

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

Note 10. Fair value measurement

Fair value hierarchy

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

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

Note 11. Contingent liabilities

The consolidated entity had no contingent liabilities at 31 December 2016 and 30 June 2016.

The consolidated entity has security deposit totalling \$95,586 at 31 December 2016 (30 June 2016: \$95,586) in relation to rental commitments.

Note 12. Earnings per share

	Consolidated	
	31/12/2016	31/12/2015
	\$	\$
Profit/(loss) after income tax attributable to the owners of Allegra Orthopaedics Limited	179,277	(1,151,285)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	64,631,901	63,584,943
Weighted average number of ordinary shares used in calculating diluted earnings per share	64,631,901	63,584,943
	Cents	Cents
Basic earnings per share	0.28	(1.81)
Diluted earnings per share	0.28	(1.81)

Note 13. Events after the reporting period

No matter or circumstance has arisen since 31 December 2016 that has significantly affected, or may significantly affect the consolidated entity's operations, the results of those operations, or the consolidated entity's state of affairs in future financial years.

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

On behalf of the directors



Peter Kazacos
Chairman

22 February 2017
Sydney

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

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of Allegra Orthopaedics Limited (the company) which comprises the statement of financial position as at 31 December 2016, the statement of profit or loss and other comprehensive income, statement of changes in equity, statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

Directors' Responsibility for the Half-year Financial Report

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

Auditor's Responsibility for the Half-year Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the company's financial position as at 31 December 2016 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Allegra Orthopaedics Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the review of the half-year financial report.

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

Independence

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

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Allegra Orthopaedics Limited is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- (ii) complying with AASB 134: *Interim Financial Reporting and the Corporations Regulations 2001*.


CROWE HORWATH SYDNEY
JOHN HAYDON
Senior Partner

Dated this 22nd day of February 2017