1. Company details

Name of entity:	Allegra Orthopaedics Limited
ABN:	71 066 281 132
Reporting period:	For the year ended 30 June 2019
Previous period:	For the year ended 30 June 2018

2. Results for announcement to the market

				$
Revenues from ordinary activities	down	14.9%	to	3,992,859
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	down	123.0%	to	(551,820)
Loss from ordinary activities after tax attributable to the owners of Allegra Orthopaedics Limited	up	38.3%	to	(835,508)
Loss for the year attributable to the owners of Allegra Orthopaedics Limited	up	38.3%	to	(835,508)

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 $835,508 (30 June 2018: $604,144).

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

The earnings before interest, tax, depreciation and amortisation ('EBITDA') for the consolidated entity was a loss of $551,820 (30 June 2018: $247,450).

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

	Consolidated 2019 $	Consolidated 2018 $
Loss after income tax	(835,508)	(604,144)
Add: Depreciation and amortisation	288,933	360,389
Add: Finance cost	-	7,960
Less: Interest income	(5,245)	(11,655)
EBITDA	(551,820)	(247,450)

The Orthopaedics Division generated an EBITDA of $432,390 (30 June 2018: $777,977) this result was primarily due to a 15% decline in revenues year on year. This revenue decline was the result of a materially lower demand for the consolidated entity's primary knee systems and clavicle fracture system. In addition, commission based revenues earned from commission sales were lower due to a vendor imposed reduction of the sales commission percentage rate earned on sales transactions completed. This decline was partially offset by significant revenue growth in the consolidated entity's revision and oncology hip and knee system sourced from Waldemar LINK GmbH. Furthermore, this division's product sales and commission revenues continue to be negatively impacted by the Federal Governments mandated 'benefit reduction' of 10.5% which has been progressively implemented by the Federal Government commencing February 2017.

The continuing investment in product development within the Innovation Division resulted in an EBITDA loss of $587,699 (30 June 2018: $681,206). The improved EBITDA for the Innovation Division is due to the Government grant income of $594,857 recognised in the current year (30 June 2018: $nil).

Corporate overhead costs not allocated to either division totalled $396,513 (30 June 2018: $344,220).

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 3 August 2018, the company announced that, in collaboration with three industry partners, being University of Sydney, Bone Ligament Tendon (BLT) Pty Ltd and the Innovative Manufacturing CRC Limited ('IMCRC'), the collaborative group would be funding a $2.4 million project to enable the manufacture of kangaroo-derived ligaments and Sr-HT-Gahnite fixation anchors and screws (refer ASX announcement on 3 August 2018). This project could have the ability to disrupt the billion-dollar orthopaedic ligament-replacement market with new and uniquely Australian bone and ligament materials.

On 21 November 2018, the company announced that it met with the USA's Food and Drug Administration ('FDA') on 7 November 2018, in Washington DC, to discuss the approval process for release of the Sr-HT-Gahnite spinal cage device into the USA. As a result of this meeting, the Sr-HT-Gahnite spinal cage design without a central hole was approved. This is the first time the FDA has approved a spinal cage design that does not incorporate a central hole for bone ingrowth. The Sr-HT-Gahnite cage design does not require the use of additional graft material usually required to fill the central hole in other devices. FDA also indicated that a 6-12 month, large animal study will be sufficient, in order to prove the success of this device. Since this is the world's first load-bearing and degradable spinal cage device, the FDA will require a small human confirmatory study, to ensure the animal results are representative of clinical benefit in the human population. Furthermore, the FDA responded positively to this small human study taking place in Australia.

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	5.48	6.27

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 unqualified opinion has been issued.

10. Attachments

Details of attachments (if any):

The Annual Report of Allegra Orthopaedics Limited for the year ended 30 June 2019 is attached.

11. Signed

Signed ______________________________ Date: 30 August 2019

Peter Kazacos
Director
Sydney

Allegra Orthopaedics Limited

ABN 71 066 281 132

Annual Report - 30 June 2019

Directors	Peter Kazacos Anthony Hartnell Sean Mulhearn Nicholas Hartnell
Company secretary	Justyn Stedwell
Registered office	Level 8 18-20 Orion Road Lane Cove West, NSW 2066 Head office telephone: 02 9119 9200
Share register	Link Market Services Limited Level 12 680 George Street Sydney, NSW 2000 Shareholders enquiries: 1300 554 474
Auditor	Crowe Sydney Level 15 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 Corporate Governance Statement 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 2019.

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
Anthony Hartnell
Sean Mulhearn
Nicholas Hartnell

Principal activities

During the financial year the principal continuing activities of the consolidated entity consisted of two distinct areas:

- 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 under an exclusive global license from the University of Sydney.

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 $835,508 (30 June 2018: $604,144).

Revenues

Total revenue from ordinary activities for the year ended 30 June 2019 was $3,992,859 (30 June 2018: $4,690,342).

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

	2019 $	2018 $	Change $	Change %
Sales of goods	3,759,388	4,222,868	(463,480)	(11%)
Commission revenue	233,471	455,819	(222,348)	(49%)

Revenues from 'sales of goods' declined by $463,480 year on year. This revenue decline was the result of a materially lower demand for the consolidated entity's primary knee systems and clavicle fracture system which was partially offset by significant revenue growth in the consolidated entity's revision and oncology hip and knee system sourced from Waldemar LINK GmbH. In addition, the consolidated entity's revenues from sale of goods from orthopaedic products is continuing to be impacted by the Federal Government's mandated 'benefits reduction' of 10.5% on prosthesis rebates from private health insurer which has been progressively implemented by the Federal Government commencing February 2017.

Revenues earned from commission sales were lower due to a vendor imposed reduction of the sales commission percentage rate earned by the consolidate entity on sales transactions completed, coupled with lower than expected product volumes.

Other income

	2019 $	2018 $	Change $	Change %
Other income	1,126,787	552,503	574,284	104%

The increase of 'other income' in the current period is due to the inclusion of the MTP Grant awarded to the consolidated entity (refer ASX release on 18 April 2018). The amount of the MTP Grant recognised as income in the twelve months to 30 June 2019 totalled $594,857 (30 June 2018: $nil).

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

	2019 $	2018 $	Change $	Change %
Cost of sales and purchases of consumables	(1,566,699)	(1,409,457)	(157,242)	11%
Corporate and administration expenses	(1,671,939)	(1,882,140)	210,201	(11%)
Quality and research and development expenses	(1,717,204)	(1,227,678)	(489,526)	40%
Sales and marketing expenses	(1,004,557)	(1,319,754)	315,197	(24%)
Finance costs	-	(7,960)	7,960	(100%)

'Cost of sales and purchases of consumables' are higher by $157,242. This increase is primary driven by a higher inventory write down of $225,448 due to stock reaching expiry date as compare with the previous financial year ending 30 June 2018.

'Corporate and administration expenses' are $210,201 lower year on year due to cost saving in salaries, and cost reductions in facilities and support services.

'Quality and research and development expenses' are $489,526 higher compare with the previous financial year ending 30 June 2018. This reflects the continuously increased investment in consulting service providers and lab testing contractors to support the on-going commercialisation of the synthetic bone substitute project known as SrHt Gahnite. This increase in expenditure is supported by funding from the MTP Grant awarded to the consolidated entity (refer ASX release on 18 April 2018).

'Sales and marketing expenses' are $315,197 lower year on year mainly due to a lower sales commission costs paid to sales agents due to lower sales revenues achieved.

The earnings before interest, tax, depreciation and amortisation ('EBITDA') was a loss of $551,820 (2018: $247,450). The main factor causing the year on year reduction in EBITDA was the weaker demand of the consolidated entity's medical device implants used by surgeon in the first half of this financial year. In addition, the Federal Government's mandate 'benefit reductions' on prosthesis rebates from private health insurer continue to impact product sales and commission revenues of hip and knee implant and other related products.

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

	Consolidated	
	2019 $	2018 $
Loss after income tax	(835,508)	(604,144)
Add: Depreciation and amortisation	288,933	360,389
Add: Finance cost	-	7,960
Less: Interest income	(5,245)	(11,655)
EBITDA	(551,820)	(247,450)

Significant changes in the state of affairs

On 3 August 2018, the company announced that, in collaboration with three industry partners, being University of Sydney, Bone Ligament Tendon (BLT) Pty Ltd and Innovative Manufacturing CRC Limited (IMCRC), the collaborative group would be funding a $2.4 million project to enable the manufacture of kangaroo-derived ligaments and Sr-HT-Gahnite fixation anchors and screws (refer ASX announcement on 3 August 2018). This project could have the ability to disrupt the billion-dollar orthopaedic ligament-replacement market with new and uniquely Australian bone and ligament materials.

On 21 November 2018, the company announced that it met with the USA's Food and Drug Administration (FDA) on 7 November 2018, in Washington DC, to discuss the approval process for release of the Sr-HT-Gahnite spinal cage device into the USA. As a result of this meeting, the Sr-HT-Gahnite spinal cage design without a central hole was approved. This is the first time the FDA has approved a spinal cage design that does not incorporate a central hole for bone ingrowth. The Sr-HT-Gahnite cage design does not require the use of additional graft material usually required to fill the central hole in other devices. FDA also indicated that a 6-12 month, large animal, study will be sufficient, in order to prove the success of this device. Since this is the world's first load-bearing and degradable spinal cage device, the FDA will require a small human confirmatory study, to ensure the animal results are representative of clinical benefit in the human population. Furthermore, the FDA responded positively to this small human study taking place in Australia.

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

Matters subsequent to the end of the financial year
No matter or circumstance has arisen since 30 June 2019 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
The consolidated entity continues to execute on its two primary objectives.

The first objective being the improvement of sales and distribution of its medical device product range contained within its Orthopaedic division. The addition of the LINK product range complements the consolidated entity's existing orthopaedic offering by adding excellent opportunities for increased market penetration in complex lower limbs and tumour arthroplasty. This division continues to expand its distribution capabilities with the addition of new sales agents throughout Australia and New Zealand. It is expected this division will continue to trade profitably for FY2020.

The second objective relates to the consolidated entity's Innovation division where investment continues in its key strategic project, which is to develop and commercialise its Sr-HT-Gahnite bone substitute material into a market ready product. The first product currently under development is an inter body cervical spinal cage. In addition to the spinal cage project the consolidated entity has collaborated with universities and industry partners to manufacture new and uniquely Australian bone and ligament materials using the biodegradable ceramic material, Sr-HT-Gahnite, and kangaroo tendons as a parallel project. This division has no product revenues with all costs related to product development being expensed as incurred, hence this division is expected to operate at a loss in FY2020.

The consolidation of the consolidated entity's two operating divisions is expected to be a trading loss in FY2020 due to the on-going investment in the Innovation division expected to exceed the continuing profits from the Orthopaedic division.

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:	Non-Executive Director and Chairman
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:	1,184,430 ordinary shares
Interests in options:	82,452 options over ordinary shares

Name:	Anthony Hartnell
Title:	Non-Executive Director
Qualifications:	BEc LLB (Hons) (ANU), LLM (Highest Hons) (George Washington University)
Experience and expertise:	Anthony who has been honoured as an Officer in the Order of Australia has had a distinguished legal career in both government and private practice. He is a founding partner of Atanaskovic Hartnell, a legal firm specialising in corporate and commercial law, particularly covering corporate financing, takeovers and regulatory issues. He was the inaugural Chairman of the Australian Securities Commission. He has chaired a number of ASX-listed companies.
Other current directorships:	Parnell Pharmaceuticals Holdings Limited, Molopo Energy Limited and Aurora Funds Management Limited
Former directorships (last 3 years):	None
Special responsibilities:	Chairman of the Audit and Risk Committee and member of the Nomination and Remuneration Committee
Interests in shares:	220,000 shares held directly, 9,310 held indirectly through Hartnell Retirement Fund and 306,268 held indirectly through close related party. Excludes holding by son, Nicholas Hartnell which is detailed below.
Interests in options:	82,452 options over ordinary shares

Name:	Sean Mulhearn
Title:	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:	Member of the Audit and Risk Committee and member of the Nomination and Remuneration Committee.
Interests in shares:	728,079 ordinary shares
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:	None
Interests in shares:	1,214,090 held directly and 38,274,948 held indirectly through Robinwood Investments Pty Ltd
Interests in options:	None

'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

Justyn Stedwell is a professional Company Secretary consultant, with over 10 years' experience as a Company Secretary of ASX-listed companies in various industries including biotechnology, agriculture, mining and exploration, information technology and telecommunications. Justyn's qualifications include a Bachelor of Commerce (Economics and Management) from Monash University, a Graduate Diploma of Accounting at Deakin University and a Graduate Diploma in Applied Corporate Governance at the Governance Institute of Australia. He is currently the Company Secretary of several ASX listed companies.

Meetings of directors

The number of meetings of the company's Board of Directors ('the Board') held during the year ended 30 June 2019, 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	10	10	-	-	1	1
Anthony Hartnell	9	10	-	-	1	1
Sean Mulhearn	9	10	-	-	1	1
Nicholas Hartnell	10	10	-	-	-	-

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 key management personnel

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.

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 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 annually 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 maximum target bonus opportunity approximates 22% of total remuneration.

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 incentives ('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 2019, the consolidated entity did not engage remuneration consultants to review its STI and LTI remuneration framework.

Voting and comments made at the company's 2018 Annual General Meeting ('AGM')
At the 31 October 2018 AGM, 99.92% of the votes received were for the adoption of the remuneration report for the year ended 30 June 2018. 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*	
2019	*Cash salary and fees $*	*Bonus $*	*Non-monetary $*	*Super-annuation $*	*Leave benefits $*	*Equity-settled options $*	*Total $*
Non-Executive Directors:							
Peter Kazacos (Chairman)	62,520	-	-	-	-	1,073	63,593
Anthony Hartnell	45,000	-	-	-	-	1,073	46,073
Sean Mulhearn	45,000	-	-	-	-	1,073	46,073
Nicholas Hartnell	45,000	-	-	-	-	-	45,000
Other Key Management Personnel:							
Jenny Swain *	282,000	18,000	-	16,147	4,696	12,141	332,984
	479,520	18,000	-	16,147	4,696	15,360	533,723

* Bonus paid was discretionary.

	Short-term benefits			*Post-employment benefits*	*Long-term benefits*	*Share-based payments*	
2018	*Cash salary and fees $*	*Bonus $*	*Non-monetary $*	*Super-annuation $*	*Leave benefits $*	*Equity-settled options $*	*Total $*
Non-Executive Directors:							
Peter Kazacos (Chairman)	62,520	-	-	-	-	604	63,124
Anthony Hartnell	32,500	-	-	-	-	604	33,104
Sean Mulhearn	32,500	-	-	-	-	604	33,104
Nicholas Hartnell **	15,000	-	-	-	-	-	15,000
Other Key Management Personnel:							
Jenny Swain */***	286,526	34,140	-	25,998	10,359	6,836	363,859
	429,046	34,140	-	25,998	10,359	8,648	508,191

* Bonus paid was discretionary.
** Includes remuneration from date of appointment to 30 June 2018.
*** Base salary of $282,000 plus $4,526 being refund related to novated car lease.

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

Name	Fixed remuneration 2019	Fixed remuneration 2018	At risk - STI 2019	At risk - STI 2018	At risk - LTI 2019	At risk - LTI 2018
Non-Executive Directors:						
Peter Kazacos	98%	99%	-	-	2%	1%
Anthony Hartnell	98%	97%	-	-	2%	3%
Sean Mulhearn	98%	97%	-	-	2%	3%
Nicholas Hartnell	100%	100%	-	-	-	-
Other Key Management Personnel:						
Jenny Swain	91%	89%	5%	9%	4%	2%

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. For the year commencing 1 July 2017, the NRC increased the CEO's base salary to $282,000 per annum (plus statutory superannuation). An annual performance bonus maybe 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 2019.

Options

The terms and conditions of each grant of options over ordinary shares affecting remuneration of directors and other key management personnel 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
Peter Kazacos	82,452	9 November 2017	Variable*	9 November 2023	$0.125	$0.0521
Anthony Hartnell	82,452	9 November 2017	Variable*	9 November 2023	$0.125	$0.0521
Sean Mulhern	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

* 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

Options granted carry no dividend or voting rights.

The number of options over ordinary shares granted to and vested in directors and other key management personnel as part of compensation during the year ended 30 June 2019 are set out below:

Name	Number of options granted during the year 2019	Number of options granted during the year 2018	Number of options vested during the year 2019	Number of options vested during the year 2018
Peter Kazacos	-	82,452	-	-
Anthony Hartnell	-	82,452	-	-
Sean Mulhern	-	82,452	-	-
Jenny Swain	-	932,538	-	-

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 key management personnel

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:

	Balance at the start of the year	Received as part of remuneration	Additions	Disposals/ other	Balance at the end of the year
Ordinary shares					
Peter Kazacos	1,184,430	-	-	-	1,184,430
Anthony Hartnell*	535,578	-	-	-	535,578
Sean Mulhearn	728,079	-	-	-	728,079
Nicholas Hartnell**	39,489,038	-	-	-	39,489,038
Jenny Swain	267,027	-	-	-	267,027
	42,204,152	-	-	-	42,204,152

* 220,000 shares held directly, 9,310 held indirectly through Hartnell Retirement Fund and 306,268 held indirectly through close related party. Excludes holding by son, Nicholas Hartnell which is detailed in its own line in the table.
** 1,214,090 held directly and 38,274,948 held indirectly through Robinwood Investments Pty Ltd.

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

	Balance at the start of the year	Granted	Exercised	Expired/ forfeited/ other	Balance at the end of the year
Options over ordinary shares					
Peter Kazacos	82,452	-	-	-	82,452
Anthony Hartnell	82,452	-	-	-	82,452
Sean Mulhern	82,452	-	-	-	82,452
Jenny Swain	932,538	-	-	-	932,538
	1,179,894	-	-	-	1,179,894

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	247,356
8 December 2017	8 December 2023	$0.125	1,472,538
			1,719,894

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 2019 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.

Auditor

Crowe Horwath Sydney continues in office in accordance with section 327 of the Corporations Act 2001.

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

On behalf of the directors

Peter Kazacos
Director

30 August 2019
Sydney

Crowe Horwath Sydney
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30 August 2019

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 2019, 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.

This declaration is in respect of Allegra Orthopaedics Limited and the entities it controlled during the year.

Yours sincerely

Crowe Sydney

Crowe Sydney

JHaydon

John Haydon
Senior Partner

Statement of profit or loss and other comprehensive income	15
Statement of financial position	16
Statement of changes in equity	17
Statement of cash flows	18
Notes to the financial statements	19
Directors' declaration	46
Independent auditor's report to the members of Allegra Orthopaedics Limited	47
Shareholder information	52

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 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 30 August 2019. The directors have the power to amend and reissue the financial statements.

Allegra Orthopaedics Limited
Statement of profit or loss and other comprehensive income
For the year ended 30 June 2019

	Note	Consolidated 2019 $	2018 $
Revenue from contracts with customers	4	3,992,859	4,690,342
Other income	5	1,126,787	552,503
Interest revenue calculated using the effective interest method		5,245	-
Expenses			
Cost of sales and purchases of consumables		(1,566,699)	(1,409,457)
Corporate and administration expenses		(1,671,939)	(1,882,140)
Quality and research and development expenses		(1,717,204)	(1,227,678)
Sales and marketing expenses		(1,004,557)	(1,319,754)
Finance costs	6	-	(7,960)
Loss before income tax expense		(835,508)	(604,144)
Income tax expense	7	-	-
Loss after income tax expense for the year attributable to the owners of Allegra Orthopaedics Limited		(835,508)	(604,144)
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year attributable to the owners of Allegra Orthopaedics Limited		(835,508)	(604,144)
		Cents	**Cents**
Basic earnings per share	30	(0.84)	(0.64)
Diluted earnings per share	30	(0.84)	(0.64)

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 2019

	Note	Consolidated 2019 $	Consolidated 2018 $
Assets			
Current assets			
Cash and cash equivalents		1,076,425	1,614,937
Trade and other receivables	8	1,163,575	1,149,025
Inventories	9	3,125,923	3,028,345
Prepayments		139,796	149,385
Total current assets		5,505,719	5,941,692
Non-current assets			
Property, plant and equipment	10	974,195	1,147,789
Intangibles	11	211,022	242,058
Security deposits		102,120	96,032
Total non-current assets		1,287,337	1,485,879
Total assets		6,793,056	7,427,571
Liabilities			
Current liabilities			
Trade and other payables	12	822,855	828,753
Contract liabilities - deferred income	13	105,143	-
Borrowings	14	84,399	-
Employee benefits		51,901	62,669
Total current liabilities		1,064,298	891,422
Non-current liabilities			
Employee benefits		51,142	45,417
Provisions	15	10,000	10,000
Total non-current liabilities		61,142	55,417
Total liabilities		1,125,440	946,839
Net assets		5,667,616	6,480,732
Equity			
Issued capital	16	14,865,163	14,865,163
Share-based payments reserve	17	615,280	592,888
Accumulated losses		(9,812,827)	(8,977,319)
Total equity		5,667,616	6,480,732

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 2017	12,348,455	580,280	(8,373,175)	4,555,560
Loss after income tax expense for the year	-	-	(604,144)	(604,144)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(604,144)	(604,144)
Transactions with owners in their capacity as owners:				
Contributions of equity, net of transaction costs (note 16)	2,516,708	-	-	2,516,708
Share-based payments	-	12,608	-	12,608
Balance at 30 June 2018	14,865,163	592,888	(8,977,319)	6,480,732

Consolidated	Issued capital $	Share-based payments reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2018	14,865,163	592,888	(8,977,319)	6,480,732
Loss after income tax expense for the year	-	-	(835,508)	(835,508)
Other comprehensive income for the year, net of tax	-	-	-	-
Total comprehensive income for the year	-	-	(835,508)	(835,508)
Transactions with owners in their capacity as owners:				
Share-based payments	-	22,392	-	22,392
Balance at 30 June 2019	14,865,163	615,280	(9,812,827)	5,667,616

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

	Note	Consolidated 2019 $	2018 $
Cash flows from operating activities			
Receipts from customers (inclusive of GST)		4,435,919	5,158,268
Payments to suppliers and employees (inclusive of GST)		(6,034,864)	(7,172,679)
		(1,598,945)	(2,014,411)
Other revenue		148	7,294
Interest received		3,754	9,163
Interest and other finance costs paid		(8,044)	(8,427)
Income taxes refunded relating to research and development		545,209	277,834
Net cash used in operating activities	28	(1,057,878)	(1,728,547)
Cash flows from investing activities			
Payments for property, plant and equipment		(34,672)	(961,472)
Payments for intangibles		(14,791)	(54,872)
Proceeds from disposal of property, plant and equipment		-	8,250
Net cash used in investing activities		(49,463)	(1,008,094)
Cash flows from financing activities			
Proceeds from issue of shares	16	-	2,509,750
Share issue transaction costs		-	(13,795)
Repayment of insurance loan		(36,171)	(110,520)
Repayment of lease liabilities		-	(46,504)
Grant received		605,000	165,000
Net cash from financing activities		568,829	2,503,931
Net decrease in cash and cash equivalents		(538,512)	(232,710)
Cash and cash equivalents at the beginning of the financial year		1,614,937	1,847,647
Cash and cash equivalents at the end of the financial year		1,076,425	1,614,937

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

Note 1. 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.

The following Accounting Standards and Interpretations adopted during the year are most relevant to the consolidated entity:

AASB 9 Financial Instruments

The consolidated entity has adopted AASB 9 from 1 July 2018. The standard introduced new classification and measurement models for financial assets. A financial asset shall be measured at amortised cost if it is held within a business model whose objective is to hold assets in order to collect contractual cash flows which arise on specified dates and that are solely principal and interest. A debt investment shall be measured at fair value through other comprehensive income if it is held within a business model whose objective is to both hold assets in order to collect contractual cash flows which arise on specified dates that are solely principal and interest as well as selling the asset on the basis of its fair value. All other financial assets are classified and measured at fair value through profit or loss unless the entity makes an irrevocable election on initial recognition to present gains and losses on equity instruments (that are not held-for-trading or contingent consideration recognised in a business combination) in other comprehensive income ('OCI'). Despite these requirements, a financial asset may be irrevocably designated as measured at fair value through profit or loss to reduce the effect of, or eliminate, an accounting mismatch. For financial liabilities designated at fair value through profit or loss, the standard requires the portion of the change in fair value that relates to the entity's own credit risk to be presented in OCI (unless it would create an accounting mismatch). New simpler hedge accounting requirements are intended to more closely align the accounting treatment with the risk management activities of the entity. New impairment requirements use an 'expected credit loss' ('ECL') model to recognise an allowance. Impairment is measured using a 12-month ECL method unless the credit risk on a financial instrument has increased significantly since initial recognition in which case the lifetime ECL method is adopted. For receivables, a simplified approach to measuring expected credit losses using a lifetime expected loss allowance is available.

AASB 15 Revenue from Contracts with Customers

The consolidated entity has adopted AASB 15 from 1 July 2018. The standard provides a single comprehensive model for revenue recognition. The core principle of the standard is that an entity shall recognise revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard introduced a new contract-based revenue recognition model with a measurement approach that is based on an allocation of the transaction price. This is described further in the accounting policies below. Credit risk is presented separately as an expense rather than adjusted against revenue. Contracts with customers are presented in an entity's statement of financial position as a contract liability, a contract asset, or a receivable, depending on the relationship between the entity's performance and the customer's payment. Customer acquisition costs and costs to fulfil a contract can, subject to certain criteria, be capitalised as an asset and amortised over the contract period.

Impact of adoption

AASB 9 and AASB 15 were adopted using the modified retrospective approach and as such comparatives have not been restated. There was no impact on the adoption on opening retained profits as at 1 July 2018.

Note 1. Significant accounting policies (continued)

The impact of the new Accounting Standards compared with the previous Accounting Standards on the current reporting period is as follows:

EXTRACT	*Current standards $ (as reported)*	*Previous standards $*	*Change $*
Statement of profit or loss			
Revenue from contracts with customers	3,992,859	3,998,104	(5,245)
Interest revenue calculated using the effective interest method	5,245	-	5,245
Loss before income tax expense	(835,508)	(835,508)	-
Income tax expense	-	-	-
Loss after income tax expense	(835,508)	(835,508)	-

EXTRACT	*Current standards $ (as reported)*	*Previous standards $*	*Change $*
Statement of financial position			
Trade and other payables	822,855	927,998	(105,143)
Contract liabilities - deferred income	105,143	-	105,143
Net assets	5,667,616	5,667,616	-

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

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 2.

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 26.

Principles of consolidation
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Allegra Orthopaedics Limited ('company' or 'parent entity') as at 30 June 2019 and the results of all subsidiaries for the year then ended. Allegra Orthopaedics Limited and its subsidiaries together are referred to in these financial statements as the 'consolidated entity'.

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.

Note 1. Significant accounting policies (continued)

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.

Operating segments
Operating segments are presented using the 'management approach', where the information presented is on the same basis as the internal reports provided to the Chief Operating Decision Makers ('CODM'). The CODM is responsible for the allocation of resources to operating segments and assessing their performance.

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 Australian dollars 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.

Note 1. Significant accounting policies (continued)

Sale of goods
This comprises revenues earned from 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
This comprises of commission revenues 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.

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.

Note 1. Significant accounting policies (continued)

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.

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.

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.

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.

Inventories
Finished goods are stated at the lower of cost and net realisable value on a 'first in first out' basis. Cost comprises of purchase and delivery costs, net of rebates and discounts received or receivable.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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	3-5 years
Instrument sets	5-20 years

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

Note 1. Significant accounting policies (continued)

Leasehold improvements and plant and equipment under lease 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.

Leases

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

A distinction is made between finance leases, which effectively transfer from the lessor to the lessee substantially all the risks and benefits incidental to the ownership of leased assets, and operating leases, under which the lessor effectively retains substantially all such risks and benefits.

Finance leases are capitalised. A lease asset and liability are established at the fair value of the leased assets, or if lower, the present value of minimum lease payments. Lease payments are allocated between the principal component of the lease liability and the finance costs, so as to achieve a constant rate of interest on the remaining balance of the liability.

Leased assets acquired under a finance lease are depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the consolidated entity will obtain ownership at the end of the lease term.

Operating lease payments, net of any incentives received from the lessor, are charged to profit or loss on a straight-line basis over the term of the lease.

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.

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.

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.

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.

Note 1. Significant accounting policies (continued)

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
These amounts 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.

Contract liabilities - deferred income
Contract liabilities represent the consolidated entity's obligations to another party resulting from an executed agreement. In this financial report, the contract liability balance relates to grant funds actually received from a grant provider which, upon receipt, are treated as unearned income. This contract liability is transferred and recognised as grant income in the Statement of profit and loss when the consolidated entity incurs allowable expenditure as defined under the terms and conditions of the grant agreement between the consolidated entity and the grant provider.

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.

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.

Defined contribution superannuation expense
Contributions to defined contribution superannuation plans are expensed in the period in which they are incurred.

Note 1. Significant accounting policies (continued)

Fair value measurement
When an asset or liability, financial or non-financial, is measured at fair value for recognition or disclosure purposes, the fair value is based on the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date; and assumes that the transaction will take place either: in the principal market; or in the absence of a principal market, in the most advantageous market.

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

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.

Comparative information
Certain expense comparatives in the statement of profit or loss have been reclassified to conform with current year disclosure. No change to profit or loss occurred as a result of the expense reclassifications.

These reclassifications are not as a result of AASB 9 and AASB 15 changes which were applied under the modified retrospective approach as discussed above.

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 2019. The consolidated entity's assessment of the impact of these new or amended Accounting Standards and Interpretations, most relevant to the consolidated entity, are set out below.

Note 1. Significant accounting policies (continued)

AASB 16 Leases
This standard is applicable to annual reporting periods beginning on or after 1 January 2019. The standard replaces AASB 117 'Leases' and for lessees will eliminate the classifications of operating leases and finance leases. Subject to exceptions, a 'right-of-use' asset will be capitalised in the statement of financial position, measured as the present value of the unavoidable future lease payments to be made over the lease term. The exceptions relate to short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office furniture) where an accounting policy choice exists whereby either a 'right-of-use' asset is recognised or lease payments are expensed to profit or loss as incurred. A right of use asset corresponding to the capitalised lease will also be recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. Straight-line operating lease expense recognition will be replaced with a depreciation charge for the leased asset (included in operating costs) and an interest expense on the recognised lease liability (included in finance costs). In the earlier periods of the lease, the expenses associated with the lease under AASB 16 will be higher when compared to lease expenses under AASB 117. However, operating expense is replaced by interest expense and depreciation in profit or loss under AASB 16. For classification within the statement of cash flows, the lease payments will be separated into both a principal (financing activities) and interest (either operating or financing activities) component. For lessor accounting, the standard does not substantially change how a lessor accounts for leases.

The adoption of the new accounting standard AASB 16 starting 1 July 2019 will result in the inclusion of a lease liability and a right of use asset on its balance sheet for future reporting periods. This change gives a more accurate representation of the consolidated entity's financial position by fully reflecting all its liability commitments and provides more useful information in financial reporting for investors and shareholders. The consolidated entity will have $149,878 lease liability for the year ending 30 June 2020, and $151,748 lease liability for the year ending 30 June 2021. The total value of the expected right to use asset to be recognised in the next reporting period is $301,626. The new accounting standard AASB 16 also requires the consolidated entity to reflect its lease payments as depreciation expenses and interest expenses, rather than an operating rental expense. This change will not have material effect to the consolidated entity's future financials as the total rental expenditure to be recognised in the statement of profit or loss will be unchanged. However, the change will cause an increase in one of the management metrics such as EBITDA. The transition from the current accounting standard to the new accounting standard AASB 16 requires the consolidated entity to make new estimates and judgements based on current lease agreements and lease data. Therefore, ongoing monitoring of the changes to future lease terms and regular review of the current lease terms will also be required.

New Conceptual Framework for Financial Reporting
A revised Conceptual Framework for Financial Reporting has been issued by the AASB and is applicable for annual reporting periods beginning on or after 1 January 2020. This release impacts for-profit private sector entities that have public accountability that are required by legislation to comply with Australian Accounting Standards and other for-profit entities that voluntarily elect to apply the Conceptual Framework. Phase 2 of the framework is yet to be released which will impact for-profit private sector entities. The application of new definition and recognition criteria as well as new guidance on measurement will result in amendments to several accounting standards. The issue of AASB 2019-1 Amendments to Australian Accounting Standards – References to the Conceptual Framework, also applicable from 1 January 2020, includes such amendments. Where the Group has relied on the conceptual framework in determining its accounting policies for transactions, events or conditions that are not otherwise dealt with under Australian Accounting Standards, the Group may need to revisit such policies. The Group will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

The consolidated entity will apply the revised conceptual framework from 1 July 2020 and is yet to assess its impact.

Note 2. 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.

Note 2. Critical accounting judgements, estimates and assumptions (continued)

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 ageing 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.

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

Note 3. Operating segments

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

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

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

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

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

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

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

Note 3. Operating segments (continued)

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

Major customers
During the year ended 30 June 2019 approximately 59.0% ($2,355,990) (2018: 48.4% ($2,268,432) of the consolidated entity's external revenue was derived from sales to two major hospital groups.

Operating segment information

Consolidated - 2019	Orthopaedics division $	Innovation division $	Corporate costs (unallocated) $	Total $
Revenue				
Sale of goods	3,759,388	-	-	3,759,388
Commissions revenue	233,471	-	-	233,471
Total sales revenue	3,992,859	-	-	3,992,859
Government grants	-	594,857	-	594,857
Sundry income	7,427	-	-	7,427
Research and development tax offset	-	524,503	-	524,503
Total revenue	4,000,286	1,119,360	-	5,119,646
EBITDA	432,390	(587,699)	(396,511)	(551,820)
Depreciation and amortisation	(243,419)	(45,514)	-	(288,933)
Interest revenue	5,156	89	-	5,245
Profit/(loss) before income tax expense	194,127	(633,124)	(396,511)	(835,508)
Income tax expense				-
Loss after income tax expense				(835,508)

Consolidated - 2018	Orthopaedics division $	Innovation division $	Corporate costs (unallocated) $	Total $
Revenue				
Sale of goods	4,222,868	-	-	4,222,868
Commissions revenue	455,819	-	-	455,819
Total sales revenue	4,678,687	-	-	4,678,687
Sundry income	7,294	-	-	7,294
Research and development tax offset	-	545,209	-	545,209
Total revenue	4,685,981	545,209	-	5,231,190
EBITDA	777,976	(681,206)	(344,220)	(247,450)
Depreciation and amortisation	(331,334)	(29,055)	-	(360,389)
Interest revenue	11,655	-	-	11,655
Finance costs	(7,960)	-	-	(7,960)
Profit/(loss) before income tax expense	450,337	(710,261)	(344,220)	(604,144)
Income tax expense				-
Loss after income tax expense				(604,144)

Note 4. Revenue from contracts with customers

	Consolidated 2019 $	Consolidated 2018 $
Sales revenue		
Sale of goods	3,759,388	4,222,868
Commissions revenue	233,471	455,819
	3,992,859	4,678,687
Other revenue		
Interest	-	11,655
Revenue from contracts with customers	3,992,859	4,690,342

As a result of the changes to AASB 9 'Financial Instruments' as disclosed in note 1, interest is now disclosed on the face of the statement of profit or loss. The modified retrospective approach was used in the current period meaning comparatives have not been reclassified to the new standard.

Disaggregation of revenue
The disaggregation of revenue from contracts with customers is as follows:

	Consolidated 2019 $	Consolidated 2018 $
Major product lines		
Government	1,349,288	-
Non-government	2,643,571	-
	3,992,859	-
Geographical regions		
Australia	3,992,859	-

The modified retrospective approach was used in the current period meaning comparatives have not been disclosed to the new standard.

Note 5. Other income

	Consolidated 2019 $	Consolidated 2018 $
Government grants	594,857	-
Other income	7,427	7,294
Research and development tax offset	524,503	545,209
Other income	1,126,787	552,503

Note 6. Expenses

	Consolidated 2019 $	Consolidated 2018 $
Loss before income tax includes the following specific expenses:		
Depreciation		
Plant and equipment	26,517	16,061
Fixtures and fittings	13,278	35,696
Leasehold improvements	28,531	21,852
Instrument sets	189,571	255,906
Total depreciation	257,897	329,515
Amortisation		
Website	3,331	-
Patents and trademarks	8,147	8,147
New product line set-up costs	19,558	22,727
Total amortisation	31,036	30,874
Total depreciation and amortisation	288,933	360,389
Impairment		
Inventory - expense/(recovery of over-provision from prior years)	225,448	(50,917)
Finance costs		
Interest and finance charges paid/payable	-	7,960
Net foreign exchange loss/(gain)		
Net foreign exchange loss/(gain)	9,380	(2,880)
Rental expense relating to operating leases		
Minimum lease payments	185,825	169,192
Superannuation expense		
Defined contribution superannuation expense	110,183	150,349
Employee benefits expense excluding superannuation		
Employee benefits expense excluding superannuation	1,632,609	1,886,281

Note 7. Income tax expense

	Consolidated 2019 $	Consolidated 2018 $
Numerical reconciliation of income tax expense and tax at the statutory rate		
Loss before income tax expense	(835,508)	(604,144)
Tax at the statutory tax rate of 27.5%	(229,765)	(166,140)
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Concessional research and development expenditure treatment	385,522	344,672
Research and development tax incentive	(151,344)	(149,932)
Share based payment	6,158	3,467
	10,571	32,067
Prior year tax losses not recognised now recouped	(49,498)	(43,197)
Current year temporary differences and tax losses not recognised	48,154	11,130
Adjustment recognised for prior year	(9,227)	-
Income tax expense	-	-

	Consolidated 2019 $	Consolidated 2018 $
Tax losses not recognised		
Unused tax losses for which no deferred tax asset has been recognised	2,287,190	2,396,086
Potential tax benefit @ 27.5%	628,977	658,924

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. Current assets - trade and other receivables

	Consolidated 2019 $	Consolidated 2018 $
Trade receivables	566,469	596,337
Other receivables	72,603	7,479
Research and development tax receivable	524,503	545,209
	1,163,575	1,149,025

Allowance for expected credit losses
The consolidated entity has recognised a provision $nil in impairment of assets (2018: $264 in corporate and administration expenses) in profit or loss, in respect of impairment of receivables for the year ended 30 June 2019.

Note 9. Current assets - inventories

	Consolidated 2019 $	Consolidated 2018 $
Finished goods - at lower of cost or net realisable value	3,125,923	3,028,345

Impairment of inventory from prior periods to net realisable value recognised as a expense during the year ended 30 June 2019 amounted to $225,448 (2018: recovery of $50,917). The expense (2018: recovery) has been included in cost of sales and purchase of consumables in profit or loss.

Note 10. Non-current assets - property, plant and equipment

	Consolidated 2019 $	Consolidated 2018 $
Plant and equipment - at cost	617,415	567,393
Less: Accumulated depreciation	(468,061)	(441,544)
	149,354	125,849
Fixtures and fittings - at cost	1,182,373	1,174,901
Less: Accumulated depreciation	(1,160,119)	(1,146,841)
	22,254	28,060
Leasehold improvements - at cost	65,561	59,870
Less: Accumulated depreciation	(54,610)	(26,079)
	10,951	33,791
Instrument sets - at cost	3,603,023	3,581,905
Less: Accumulated depreciation	(2,811,387)	(2,621,816)
	791,636	960,089
	974,195	1,147,789

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 $*	*Leasehold improvements $*	*Instrument sets $*	*Total $*
Balance at 1 July 2017	17,447	47,870	9,003	439,101	513,421
Additions	124,463	19,842	46,640	776,894	967,839
Disposals	-	(3,956)	-	-	(3,956)
Depreciation expense	(16,061)	(35,696)	(21,852)	(255,906)	(329,515)
Balance at 30 June 2018	125,849	28,060	33,791	960,089	1,147,789
Additions	50,022	7,472	5,691	21,118	84,303
Depreciation expense	(26,517)	(13,278)	(28,531)	(189,571)	(257,897)
Balance at 30 June 2019	149,354	22,254	10,951	791,636	974,195

Note 11. Non-current assets - intangibles

	Consolidated 2019 $	Consolidated 2018 $
Website - at cost	18,200	-
Less: Accumulated amortisation	(3,331)	-
	14,869	-
Patents and trademarks - at cost	669,220	669,220
Less: Accumulated amortisation	(531,038)	(522,891)
	138,182	146,329
New product line set-up costs - at cost	102,695	120,895
Less: Accumulated amortisation	(44,724)	(25,166)
	57,971	95,729
	211,022	242,058

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* *$*	*Total* *$*
Balance at 1 July 2017	-	154,476	53,623	208,099
Additions	-	-	64,833	64,833
Amortisation expense	-	(8,147)	(22,727)	(30,874)
Balance at 30 June 2018	-	146,329	95,729	242,058
Transfers in/(out)	18,200	-	(18,200)	-
Amortisation expense	(3,331)	(8,147)	(19,558)	(31,036)
Balance at 30 June 2019	14,869	138,182	57,971	211,022

Note 12. Current liabilities - trade and other payables

	Consolidated 2019 $	Consolidated 2018 $
Trade payables	550,428	432,572
Accrued expenses	272,427	246,181
Deferred income (MTPconnect government grant)	-	150,000
	822,855	828,753

Refer to note 19 for further information on financial instruments.

Note 13. Current liabilities - contract liabilities - deferred income

	Consolidated 2019 $	2018 $
Contract liabilities - deferred income	105,143	-

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

	2019 $	2018 $
Opening balance	-	-
Transfer from deferred income on adoption of AASB 15	150,000	-
Payments received in advance	550,000	-
Transfer to revenue - other balances	(594,857)	-
Closing balance	105,143	-

As a result of the changes to AASB 15 'Revenue from Contracts with Customers' as disclosed in note 1, contract liabilities are now disclosed separately on the face of the statement of financial position. The modified retrospective approach was used in the current period meaning comparatives have not been reclassified to the new standard.

Unsatisfied performance obligations
The aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied at the end of the reporting period was $105,143 as at 30 June 2019 ($nil as at 30 June 2018) and is expected to be recognised as revenue in future periods as follows:

	Consolidated 2019 $	2018 $
Within 6 months	105,143	-

Note 14. Current liabilities - borrowings

	Consolidated 2019 $	2018 $
Insurance loans	84,399	-

Refer to note 19 for further information on financial instruments.

Note 14. Current liabilities - borrowings (continued)

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

	Consolidated 2019 $	Consolidated 2018 $
Total facilities		
Bank overdraft	500,000	500,000
Business card facility	15,000	15,000
Insurance loans	84,399	-
	599,399	515,000
Used at the reporting date		
Bank overdraft	-	-
Business card facility	-	1,510
Insurance loans	84,399	-
	84,399	1,510
Unused at the reporting date		
Bank overdraft	500,000	500,000
Business card facility	15,000	13,490
Insurance loans	-	-
	515,000	513,490

Note 15. Non-current liabilities - provisions

	Consolidated 2019 $	Consolidated 2018 $
Lease make-good	10,000	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 16. Equity - issued capital

	Consolidated 2019 Shares	2018 Shares	2019 $	2018 $
Ordinary shares - fully paid	99,559,052	99,559,052	14,865,163	14,865,163

Movements in ordinary share capital

Details	Date	Shares	Issue price	$
Balance	1 July 2017	82,528,474		12,348,455
Shares issued	13 September 2017	5,333,334	$0.150	800,000
Shares issued	9 November 2017	11,333,332	$0.150	1,700,000
Shares issued	9 November 2017	363,912	$0.125	45,489
Share issue transaction costs				(28,781)
Balance	30 June 2018	99,559,052		14,865,163
Balance	30 June 2019	99,559,052		14,865,163

Note 16. Equity - issued capital (continued)

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.

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 2018 Annual Report.

Note 17. Equity - share-based payments reserve

	Consolidated 2019 $	Consolidated 2018 $
Share-based payments reserve	615,280	592,888

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

Note 18. Equity - dividends

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

Franking credits

	Consolidated 2019 $	Consolidated 2018 $
Franking credits available for subsequent financial years based on a tax rate of 27.5%	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 19. 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.

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 finance leases. 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.

For the consolidated entity the insurance loan, totalling $120,570 (2018: $nil), are principal and interest payment loans. As at 30 June 2019, total repayment made was $36,171. The loan balance, and interest, of $84,399 is due for repayment in full during the year ended 30 June 2020.

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.

Note 19. Financial instruments (continued)

Financing arrangements
Unused borrowing facilities at the reporting date:

	Consolidated 2019 $	Consolidated 2018 $
Bank overdraft	500,000	500,000
Business card facility	15,000	13,490
	515,000	513,490

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 - 2019	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	-	550,428	-	-	-	550,428
Interest-bearing - fixed rate						
Insurance funding agreement	3.80%	84,399	-	-	-	84,399
Total non-derivatives		634,827	-	-	-	634,827

Consolidated - 2018	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	-	432,572	-	-	-	432,572
Total non-derivatives		432,572	-	-	-	432,572

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

Note 20. 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 21. 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	
	2019	2018
	$	$
Short-term employee benefits	497,520	463,186
Post-employment benefits	16,147	25,998
Long-term benefits	4,696	10,359
Share-based payments	15,360	8,648
	533,723	508,191

Note 22. 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	
	2019	2018
	$	$
Audit services - Crowe Sydney		
Audit or review of the financial statements	66,450	68,890

There were no other services provided by Crowe Horwath Sydney.

Note 23. Contingent liabilities

The consolidated entity has a bank guarantee totalling $99,024 at 30 June 2019 (2018: $96,032) in relation to support office rental commitments.

In March 2019, the company was notified that legal action is being brought against it by an Allegra Active Knee user. The company considers the action to be largely unsubstantiated and will defend its position and it is currently with the company's insurers. At 30 June 2019, the company has accrued $20,000 for legal costs in respect of this action.

Note 24. Commitments

	Consolidated	
	2019	2018
	$	$
Lease commitments - operating		
Committed at the reporting date but not recognised as liabilities, payable:		
Within one year	149,878	161,640
One to five years	151,748	-
	301,626	161,640

Operating lease commitments includes contracted amounts for office and plant and equipment under non-cancellable operating leases expiring within three to five years with, in some cases, options to extend. The leases have various escalation clauses. On renewal, the terms of the leases are renegotiated.

Note 25. Related party transactions

Parent entity
Allegra Orthopaedics Limited is the parent entity.

Subsidiaries
Interests in subsidiaries are set out in note 27.

Key management personnel
Disclosures relating to key management personnel are set out in note 21 and the remuneration report included in the directors' report.

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

	Consolidated 2019 $	Consolidated 2018 $
Payment for goods and services:		
Surgeon advisory fees paid to Dr Nicholas Hartnell, a director	60,000	56,667

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

	Consolidated 2019 $	Consolidated 2018 $
Current payables:		
Surgeon advisory fees payable to Dr Nicholas Hartnell, a director	20,000	18,333

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

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

Note 26. Parent entity information

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

Statement of profit or loss and other comprehensive income

	Parent 2019 $	Parent 2018 $
Loss after income tax	(835,508)	(604,144)
Total comprehensive income	(835,508)	(604,144)

Note 26. Parent entity information (continued)

Statement of financial position

	Parent 2019 $	Parent 2018 $
Total current assets	5,627,817	6,063,790
Total assets	6,868,665	7,503,180
Total current liabilities	1,064,709	891,833
Total liabilities	1,125,851	947,250
Equity		
Issued capital	14,865,163	14,865,163
Share-based payments reserve	615,280	592,888
Accumulated losses	(9,737,629)	(8,902,121)
Total equity	5,742,814	6,555,930

Contingent liabilities
The parent entity had no contingent liabilities as at 30 June 2019 and 30 June 2018.

The parent entity has a bank guarantee totalling $99,024 at 30 June 2019 (30 June 2018: $96,032) in relation to support office rental commitments.

Capital commitments - Property, plant and equipment
The parent entity had no capital commitments for property, plant and equipment at as 30 June 2019 and 30 June 2018.

Significant accounting policies
The accounting policies of the parent entity are consistent with those of the consolidated entity, as disclosed in note 1, 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 27. 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 1:

Name	Principal place of business / Country of incorporation	Ownership interest 2019 %	Ownership interest 2018 %
Allegra Orthopaedics Holdings Pty Limited	Australia	100.00%	100.00%
Advanced Surgical Design & Manufacture (UK) Limited *	United Kingdom	100.00%	100.00%

* This entity is dormant.

Note 28. Reconciliation of loss after income tax to net cash used in operating activities

	Consolidated 2019 $	Consolidated 2018 $
Loss after income tax expense for the year	(835,508)	(604,144)
Adjustments for:		
Depreciation and amortisation	288,933	360,389
Net gain on disposal of property, plant and equipment	-	(4,294)
Share-based payments	22,392	12,608
Foreign exchange differences	(1,982)	-
Interest received - non-operating	-	(2,492)
Government grants - non-operating	(524,503)	-
Other expenses - non-operating	-	(1,046)
Write off of inventory	225,448	-
Change in operating assets and liabilities:		
Increase in trade and other receivables	(133,728)	(3,402)
Increase in inventories	(97,578)	(1,251,785)
Decrease in prepayments	9,589	5,789
Decrease/(increase) in income taxes refunded relating to research and development	-	(267,374)
Decrease in trade and other payables	(5,898)	(572)
Increase/(decrease) in employee benefits	(5,043)	27,776
Net cash used in operating activities	(1,057,878)	(1,728,547)

Note 29. Changes in liabilities arising from financing activities

Consolidated	*Insurance loans $*	*Lease liability $*	*Grant received $*	*Total $*
Balance at 1 July 2017	110,520	39,467	-	149,987
Net cash from/(used in) financing activities	(110,520)	(46,504)	165,000	7,976
Other changes	-	7,037	-	7,037
Balance at 30 June 2018	-	-	165,000	165,000
Net cash used in financing activities	(36,171)	-	(59,857)	(96,028)
Loans received	120,570	-	-	120,570
Balance at 30 June 2019	84,399	-	105,143	189,542

Note 30. Earnings per share

	Consolidated 2019 $	2018 $
Loss after income tax attributable to the owners of Allegra Orthopaedics Limited	(835,508)	(604,144)
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	99,559,052	94,247,478
Weighted average number of ordinary shares used in calculating diluted earnings per share	99,559,052	94,247,478
	Cents	Cents
Basic earnings per share	(0.84)	(0.64)
Diluted earnings per share	(0.84)	(0.64)

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 will not be 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.

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 the 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 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.

Note 31. Share-based payments (continued)

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

2019

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	247,356	-	-	-	247,356
08/12/2017	08/12/2023	$0.125	1,472,538	-	-	-	1,472,538
			1,719,894	-	-	-	1,719,894

2018

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	-	247,356	-	-	247,356
08/12/2017	08/12/2023	$0.125	-	1,472,538	-	-	1,472,538
			-	1,719,894	-	-	1,719,894
Weighted average exercise price			$0.000	$0.125	$0.000	$0.000	$0.125

The weighted average share price during the financial year was $0.128 (2018: $0.139).

The weighted average remaining contractual life of options outstanding at the end of the financial year was 4.40 (2018: 5.40) years.

Note 32. Events after the reporting period

No matter or circumstance has arisen since 30 June 2019 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 1 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 2019 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

30 August 2019
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 comprises the statement of financial position as at 30 June 2019, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the 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:

(a) giving a true and fair view of the Consolidated entity's financial position as at 30 June 2019 and of its financial performance for the year then ended; and

(b) 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 and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (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 for the current period. These matters were addressed in the context of our audit of the financial report, 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 1 and Note 4 The sale of goods are recognised as revenue when the goods have been utilised by the customer. As revenue from the sale of goods is a significant balance in the financial report, and impacts the reported loss for the year, we have focused particular audit attention on revenue recognition.	We performed the following key procedures: • Obtained an understanding of the key controls management has in place to ensure appropriate recognition of revenue for the sale of goods and tested this process for a sample of sales throughout the year. • Tested a sample of invoices raised in the months of June 2019 and July 2019 to ensure that the revenue was recognised in the correct period. • Assessed the movement of individual revenue line items to ensure that the movements are reasonable and within our expectations when compared to movements in inventory.
Research and development tax offset Refer to Note 5 and Note 8 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 provided it is not controlled by income tax exempt entities.	We performed the following key procedures: • Agreed the estimate made in the previous year to the amount of cash received after lodgement of the R&D tax claim.

Key Audit Matter	How we addressed the Key Audit Matter
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 2019, the Consolidated entity had an estimated claim of $524,503. The R&D tax incentive is a key audit matter due to the size of the balance and because judgement and interpretation of the R&D tax legislation is required by the Consolidated entity to assess the eligibility of the R&D expenditure under the scheme.	• Compared the nature of R&D expenditure included in the current year estimate to the prior year estimate. • Tested a sample of R&D expenses for eligibility under the R&D Tax Incentive scheme. • Compared the amount of eligible expenditures 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. • Reviewed the related financial statement disclosures.

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 2019 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 Consolidated entity to express an opinion on the Consolidated entity financial report. The auditor is responsible for the direction, supervision and performance of the Consolidated entity audit. The auditor remains solely responsible for the 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 the 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, related safeguards.

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 the 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 the 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 6 to 11 of the directors' report for the year ended 30 June 2019.

In our opinion, the remuneration report of Allegra Orthopaedics Limited, for the year ended 30 June 2019, 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

John Haydon
Senior Partner

30 August 2019
Sydney

The shareholder information set out below was applicable as at 6 August 2019.

Distribution of equitable securities

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

	Number of holders of ordinary shares
1 to 1,000	28
1,001 to 5,000	125
5,001 to 10,000	67
10,001 to 100,000	120
100,001 and over	50
	390
Holding less than a marketable parcel	-

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	38.44
NETWEALTH INVESTMENTS LIMITED (WRAP SERVICES A/C)	9,169,579	9.21
WELSH SUPERANNUATION PTY LIMITED	6,600,000	6.63
MARIE CAROLL & DAWSON CAROLL	5,636,285	5.66
J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	3,767,001	3.78
DR ANDREW WILLIAM LEICESTER & MRS SKYE CHRISTINE LEICESTER (LEICESTER SUPER FUND A/C)	3,353,123	3.37
DUGAL DIAGNOSTICS PTY LTD	3,000,000	3.01
4 HOLES-IN-ONE PTY LTD	3,000,000	3.01
DR ANDREW WILLIAM LEICESTER & MRS SKYE CHRISTINE LEICESTER	2,272,270	2.28
CRYPTYCH PTY LTD	2,162,397	2.17
CHEW INVESTMENTS PTY LTD	1,333,333	1.34
MR NICHOLAS HARTNELL	1,214,090	1.22
MERGIN INVESTMENTS PTY LTD (M & V CROSS SUPER FUND A/C)	1,198,000	1.20
SANPEREZ PTY LTD (P CHALMERS PARTNERSHIP A/C)	1,136,000	1.14
MR KENNETH CAMPBELL	1,000,000	1.00
MR THOMAS JAMES CARROLL	1,000,000	1.00
DESTIN PTY LIMITED	946,470	0.95
MISTY HILLS NOMINEES PTY LTD	892,857	0.90
MR FENTON PAUL HEALY (CHEEKY MONKEY A/C)	550,000	0.55
DESMOND J BOKOR PTY LIMITED (KOORINGA SUPER FUND A/C)	510,000	0.51
	87,016,353	87.37

Unquoted equity securities

	Number on issue	Number of holders
Options exercisable at $0.125 each expiring 9 November 2023	247,356	3
Options exercisable at $0.125 each expiring 8 December 2023	1,472,538	5

Substantial holders

Substantial holders in the company are set out below:

	Ordinary shares	
	Number held	% of total shares issued
ROBINWOOD INVESTMENTS PTY LTD	38,274,948	38.44
NETWEALTH INVESTMENTS LIMITED (WRAP SERVICES A/C)	9,169,579	9.21
WELSH SUPERANNUATION PTY LIMITED	6,600,000	6.63
MARIE CAROLL & DAWSON CAROLL	5,636,285	5.66

The above is the information disclosed in the most recent substantial holding notices given to the company.

Voting rights

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

Ordinary shares
On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

There are no other classes of equity securities.