

# Appendix 4E & Annual Financial Report

## LaserBond Limited

ABN 24 057 636 692

Final Report provided to the ASX under Listing Rule 4.3A

For period ending 30<sup>th</sup> June 2008

All comparisons to period ending 30<sup>th</sup> June 2007

| <b>Contents</b>                                | <b>Page</b> |
|--|-------------|
| Director's Report                              | 2 - 5       |
| Auditor's Independence Declaration             | 6           |
| Independent Audit Report                       | 7-8         |
| Declaration by Directors                       | 9           |
| <br><i>Section 1: Appendix 4E Requirements</i> |             |
| Results for Announcement to the Market         | 10          |
| Net Tangible Assets per Ordinary Share         | 11          |
| Details of Subsidiaries                        | 11          |
| Details of Associates and Joint Ventures       | 11          |
| Dividends                                      | 11-12       |
| Accounting Standards                           | 12          |
| Audit Dispute or Qualifications                | 12          |
| <br><i>Section 2: Annual Financial Report</i>  |             |
| Income Statement                               | 13          |
| Balance Sheet                                  | 14          |
| Cash Flow Statement                            | 15          |
| Statement of Changes in Equity                 | 16          |
| Notes to the Financial Statements              | 17-33       |

## **DIRECTOR'S REPORT**

Your Directors present their report on LaserBond Limited for the year ended 30<sup>th</sup> June 2008.

### **Directors**

The names and details of the Company's Directors during the financial year and up to the date of the report are as follows (Directors have been in office for the entire period unless otherwise stated):

Wayne Hooper  
Greg Hooper  
Timothy McCauley (appointed 28 August 2007)  
Philip Suriano (appointed 31<sup>st</sup> January 2008)  
Rex Hooper (resigned 28<sup>th</sup> July 2007)  
Lillian Hooper (resigned 28<sup>th</sup> July 2007)  
Diane Hooper (resigned 28<sup>th</sup> July 2007)

#### **Tim McCauley** – Executive Chairman

Tim has extensive experience as a company director and senior executive with significant strengths in developing business channels, strategic development and finance. Tim began his career with KPMG accountants and recently held the position of Managing Director, in the listed company Auto One Limited. Tim has spent over 20 years with multinational companies in senior roles developing and managing operations throughout the USA and Australia. Tim provides his expertise at the Board level to a number of private companies. Tim holds a Bachelor of Business (Accounting & Finance (Honours)) and an MBA. He is a member of the Institute of Company Directors.

#### **Wayne Hooper** – Executive Director

Wayne is a professional engineer with significant experience within the engineering and manufacturing industries. His engineering experience includes design, maintenance and project management. Prior to joining the company in 1994, Wayne also held senior roles in marketing and sales management within a large manufacturing organisation. He holds degrees in Science and Engineering (Honours Class 1) and completed his MBA in 1994. He is involved in laser technology development, factory, engineering and administration of the Company.

#### **Greg Hooper** – Executive Director

Greg is the founder of the Company. Greg has a mechanical engineering background with extensive hands on and sales experience in the engineering, welding and thermal spray industries. With his knowledge of and passion for these industries, and seeing the potential applications for coating technology, Greg founded the Company assisted by other members of the Hooper family in late 1992. Greg, utilising the in-house laboratory, developed the applications parameters for the H.V.O.F. and LaserBond™ processes. Greg will focus on the ongoing research and development of laser materials processing and Thermal spray technology, and the training of personnel in these technologies..

#### **Philip Suriano** - Non Executive Director

Mr Suriano has been a director since 31<sup>st</sup> January 2008. Other Directorships include Adavale Resources Limited and Real Brand Holdings Limited. Mr Suriano began his career in corporate banking with the Commonwealth Bank in 1988. He then spent 16 years in senior positions within the Australian Media Industry. Mr Suriano has gained wide knowledge & experience to give him a strong background in operations, sales and marketing in such roles as National Sales Director, MCN [the subscription TV joint venture company between Austar and Foxtel] and Group Sales Manager at Network Ten. Prior to joining MCN, Mr Suriano was employed within the Victor Smorgon Group of Companies and was closely involved with the development and launch of an interactive electronic outdoor medium. He was also a former Director of Microview Limited (Australian Power Gas Limited). For the past 5 years Mr Suriano has been working with Arthur Phillip, a boutique investment house where he is Division Director, Equity Capital Markets.

## Ian Maltman - Company Secretary

The company secretary at the date of this report is Mr Ian Maltman. Mr Maltman was appointed Company Secretary on 17 June 2008. Mr Maltman is a member of the Institute of Chartered Accountants in Australia, holds a Bachelor of Applied Science, Agriculture with a conversion course in accounting, a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia and is a Fellow of Financial Services Institute of Australia. Mr Maltman has extensive experience in corporate finance and the equity capital markets, as both an advisor and as Chief Financial Officer of a publicly listed company. Mr Maltman is also Company Secretary of Real Brand Holdings Limited, Adavale Resources Limited and Alexanders Securities Limited. Mr Maltman is Division Director, Corporate Finance with Arthur Phillip, an investment house and corporate advisor. Mr Maltman replaced Ms Donna Woodley.

## Director's Meetings

During the financial year ended 30<sup>th</sup> June 2008, the number of meetings held, and attended, by each Director were as follows:

| Director         | Number of Eligible to Attend | Number of Meetings Attended |   |
|------------------|------------------------------|-----------------------------|---|
| Wayne Hooper     | 11                           | 10                          |   |
| Greg Hooper      | 11                           | 9                           |   |
| Timothy McCauley | 8                            | 7                           | Appointed 28 <sup>th</sup> August 2007  |
| Philip Suriano   | 3                            | 3                           | Appointed 31 <sup>st</sup> January 2008 |
| Rex Hooper       | 0                            | 0                           | Resigned 28 <sup>th</sup> July 2007     |
| Lillian Hooper   | 0                            | 0                           | Resigned 28 <sup>th</sup> July 2007     |
| Diane Hooper     | 0                            | 0                           | Resigned 28 <sup>th</sup> July 2007     |

## Principal Activities

The principal activity of the company is the reclamation and surface engineering of industrial components operating in severe industrial environments.

No significant change in the nature of these activities occurred during the year.

## Operating Result

The net profit after income tax for the year amounted to \$241,160 or 6.7% of revenue of (2007 - \$523,895 or 14.7% of revenue)

## Review of Operations

The company has embraced a number of strategic opportunities in the past 12 months. Most significantly was the successful Initial Public Offering (IPO) that raised \$3,000,000 in cash.

Revenue remained consistent throughout the year in comparison to 2007. The lack of sales growth is mainly due to focus by management focus on a successful IPO and improvements on the company's structure and support systems.

The reduced net profit after income tax is attributable to the improvements to the company's structure, in particular the hiring of a Chief Executive Officer, Financial Controller, Business Development Manager and increased sales force, plus some costs related to becoming a Public company. Projections for the 2008-2009 Financial Year show a return to healthy sales growth and net profit expectations.

With the completion of the IPO, the Company is in a strong cash position and is actively reviewing a number of business acquisition opportunities in key markets that have been identified in the company's strategic plan.

### **Significant Changes in State of Affairs**

As a result of the successful Initial Public Offering (IPO) the total number of ordinary shares on issue increased from 50,000,400 to 65,000,400, generating \$3,000,000 in cash. Total costs of the IPO were \$702,458, resulting in a net increase in cash on hand from the IPO of \$2,297,542.

### **Matters Subsequent to the End of the Financial Year**

Since the end of the financial year, the following opportunities have been announced:

- The company has entered into a Heads of Agreement relating to the proposed acquisition of an engineering business in Central Queensland. The acquisition is subject to the completion of financial, legal and commercial due diligence by LaserBond. The business is well established with 2007-2008 un-audited Fiscal year sales of \$6.9 million and earnings before interest and tax (EBIT) of \$1.0 million. The purchase price is \$3.0 million subject to certain completion adjustments, payable by \$2.5 million in cash and \$0.5 million in shares (escrowed for 2 years), plus an earn-out over the two years ended 30<sup>th</sup> June 2009 and 2010. The earn-out consideration is to be priced at 3.5 times incremental EBIT and payable by a mix of cash and shares (escrowed over two years).
- The company has won an exclusive five (5) year contract with Alcoa Australia Rolled Products Pty Limited, part of one of the worlds leading producers of alumina and aluminium. LaserBond will provide Alcoa with an engineered coating that will significantly extend the service life and reliability of high value components used in the production of aluminium sheet used for food and drink packaging.
- A Letter of Intent and Request for Quotation has been received from the Tanjung Group of Malaysia for the supply of thermal spray and laser cladding equipment and license worth up to \$2 million (\$Aus). Tanjung Maintenance Services, part of the Tanjung Group, provides a range of services to the oil and gas industry including maintenance, repair, calibration and testing of key components and systems on drilling rigs, platforms, refineries and supporting infrastructure.

Also, since the end of the financial year, shares have been issued to Timothy McCauley, the Chief Executive Officer. These shares are pursuant to the Prospectus and equate to 750,000 shares to join the company. 50% of these shares were granted in July 2008. These shares are exercisable at \$0.20 per share

### **Likely Developments**

Since the end of the financial year, there have been no developments in the operations of the company which are not finalized at the date of this report which may affect the results of the company in the financial years subsequent to 30<sup>th</sup> June 2008, with the exception of those matters noted above in Matters Subsequent to the End of the Financial Year.

### **Environmental Regulation**

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

### **Dividends**

Dividends paid to shareholders during the financial year were as follows:

|  | <b>2008</b>                     |
|--|---------------------------------|
|  | <b>\$</b>                       |
| Interim ordinary dividend for the year end 30 June 2008 of \$0.000216257 per fully paid share paid in July 2007  | \$10,812.97                     |
| Final ordinary dividend for the year end 30 June 2008 of \$0.0002595092 per fully paid share paid in August 2007 | \$129,755.67                    |
|  | <hr/> <b>\$140,568.64</b> <hr/> |

No further dividends will be payable for this financial year.

### Options

|   | <b>Date<br/>Granted</b> | <b>Expiry<br/>Date</b> | <b>Exercise<br/>Price</b> | <b>Number of<br/>Options</b>  |
|---|-------------------------|------------------------|---------------------------|-------------------------------|
| Issue of 1 free attaching option for every 3 shares issued pursuant to the Prospectus | 17 Dec 07               | 30 Aug 09              | \$0.25                    | 5,000,000                     |
| Issue of performance options to directors pursuant to the Prospectus                  | 17 Dec 07               | 30 Aug 12              | \$0.25                    | 6,000,000                     |
| Issue of employee options to directors pursuant to the Prospectus                     | 17 Dec 07               | 30 Aug 10              | \$0.20                    | 1,000,000                     |
|   |                         |                        |                           | <hr/> <b>12,000,000</b> <hr/> |

### Directors' and Auditors' Information

No indemnities have been given or insurance premiums paid during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

### Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or 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 any part of these proceedings.

The company was not party to any such proceedings during the year.


### Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 6.

### Non-Audit Services

There have been no non-audit services provided during the financial year.

Signed in accordance with a resolution of the Board of Directors.



Director  
Timothy McCauley



Director  
Wayne Hooper

Dated this 29<sup>th</sup> day of August 2008

**AUDITORS INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF LASERBOND LIMITED**

I declare that to the best of my knowledge and belief, during the year ended 30 June 2008, there have been:

1. no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
2. no contraventions of any applicable code of professional conduct in relation to the audit.

**Robert Nielson Partners**



**Robert Nielson**

**Date 29 August 2008**

**INDEPENDENT AUDIT REPORT  
TO THE MEMBERS OF LASERBOND LIMITED**

**Scope**

**Report on the Financial Report**

We have audited the accompanying financial report comprising the income statement, the balance sheet, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements and the directors' declaration for Laserbond Limited (the company) for the year ended 30 June 2008.

**Directors' responsibility for the Financial Report**

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud and error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1 the directors also state, in accordance with Accounting Standard AASB 101; .Presentation of Financial Statements that the financial statements comply with International Financial Reporting Standards in their entirety

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We have conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal control. An audit also includes evaluation the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

**Independence**

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

**Audit Opinion**

In our opinion,

- (a) the financial report of Laserbond Limited is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the company's financial position as at 30 June 2008 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards (including Australian Accounting interpretations) and with the Corporations Regulations 2001; and
- (b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

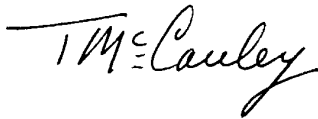
**Robert Nielson Partners**A handwritten signature in black ink, appearing to be 'RN', with a long horizontal line extending to the right.**Robert Nielson****Date 29 August 2008**

## DECLARATION BY DIRECTORS

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 17 to 33 are in accordance with the Corporations Act 2001:
  - a. Comply with Accounting Standards and the Corporations Regulations 2001; and
  - b. Give a true and fair view of the financial position as at 30<sup>th</sup> June 2008 and of the performance for the financial year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The Chief Executive Officer and Chief Financial Officer have each declared that
  - a. The financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Law.
  - b. The financial statements and the notes for the financial year comply with Accounting Standards; and
  - c. The financial statements and the notes to the financial statements give a true and fair view.

This declaration is made in accordance with a resolution of the Board of Directors.



Director

Timothy McCauley



Director

Wayne Hooper

Dated this 29<sup>th</sup> August 2008

## 1. RESULTS FOR ANNOUNCEMENT TO THE MARKET

|   | Up/Down | %<br>movement | To          |
|---|---------|---------------|-------------|
| Revenues from continuing operations       | Up      | 0.5%          | \$3,591,258 |
| Profit after Tax from ordinary activities | Down    | 54.0%         | \$241,160   |

### Explanation of Results:

- The plan for the year to maintain sales level between the 2006-2007 and 2007-2008 was achieved, allowing the company to focus on the successful IPO, restructuring and strategic growth plans.
- With a focus on its strategic growth the Company has expanded its management team, sales force and support systems to achieve its anticipated growth in future years. This expansion includes the employment of the Chief Executive Officer, Financial Controller, Business Development Manager and sales staff during the past twelve months. With this expanded management team, substantial growth for the company is planned for the 2008-2009 financial year.
- Profit results were in line with expectations due to the re-structuring of the company and costs incurred with the listing on the ASX. A number of one off expenses were incurred as part of this restructuring including:
  - Recruitment costs for the Financial Controller and sales staff of \$23,369
  - Costs of recruitment and moving the Business Development Manager from the US to Australia of \$22,744

Further costs not provided for in previous financial years have arisen for part of the 2007-2008 Financial year results due to costs of being a Public Company. These new expenses include:

- Board Expenses for the Non-Executive Director and Company Secretary of \$18,500
- Audit Fees for the June 2007, December 2007 and June 2008 reporting periods totaling \$58,156. The shareholders have approved a change in auditor which will significantly reduce these costs in future years.
- The company is in acquisition mode and has a signed Heads of Agreement relating to the proposed acquisition of a well established engineering business in Central Queensland. The acquisition is subject to a number of conditions including completion of all due diligence by LaserBond.
- The company has won an exclusive five year contract with Alcoa Australia Rolled Products Pty Ltd. LaserBond will provide Alcoa with an engineered coating that will significantly extend the service life and reliability of production components.
- A Letter of Intent and Request for Quotation has been received from the Tanjung Group of Malaysia for the supply of thermal spray and laser cladding equipment worth up to \$2 million (\$AUS)
- Further information can be found in the Director's Report under Matters Subsequent to the End of the Financial Year.

### Dividend Information

No dividends will be payable for this reporting period.

## 2. Net Tangible Assets per Ordinary Share (NTA Backing)

As at June 2008  
\$0.0699

As at June 2007  
\$0.0396

Note: As at 30<sup>th</sup> June 2008 total number of shares issued was 65,000,400 compared to 50,000,400 as at 30<sup>th</sup> June 2007.

## 3. Details of Subsidiaries

### 3.1 Control Gained Over Entities During the Period

During the period from 1<sup>st</sup> July 2007 to 30<sup>th</sup> June 2008, LaserBond Limited has not gained control over any new Entities.

### 3.2 Loss of Control of Entities During the Period

During the period from 1<sup>st</sup> July 2007 to 30<sup>th</sup> June 2008, LaserBond Limited has not loss control over any Entities.

## 4. Details of Associates and Joint Venture Entities

### 4.1 Equity Accounted Associates and Joint Venture Activities

During the period from 1<sup>st</sup> July 2007 to 30<sup>th</sup> June 2008, LaserBond Limited has no interest in any Associates or Joint Venture Activities

### 4.2 Aggregate Share of Profits (Losses) of Associates and Joint Venture Activities

Not Applicable

## 5. Dividends

### 5.1 Dividends per Share

|                                 | Amount per Share | Franked Amount Per Share at 30% Tax | Amount per Share of Foreign Source |
|---------------------------------|------------------|-------------------------------------|------------------------------------|
| Final                           |                  |                                     |                                    |
| - Current Period                | \$0.0028114      | \$0.000843                          | N/A                                |
| - previous corresponding period | \$122.02         | \$36.61                             | N/A                                |
| Interim                         |                  |                                     |                                    |
| - Current Period                | N/A              | N/A                                 | N/A                                |
| - previous corresponding period |                  |                                     |                                    |

### 5.2 Total Dividends

|  | Current Period | Previous Corresponding Period |
|--|----------------|-------------------------------|
| Interim                                      | N/A            | N/A                           |
| Final – paid on 23 <sup>rd</sup> August 2007 | \$140,569      | \$146,425                     |
|  | \$140,569      | \$146,425                     |

### *5.3 Dividends Reinvestment Plans*

During the period from 1<sup>st</sup> July 2007 to 30<sup>th</sup> June 2008, LaserBond Limited had no Dividend Reinvestment plans in operation

### **6. Accounting Standards**

Australian Accounting Standards, including Australian equivalents to International Financial Reporting Standards (AIFRS) have been used in compiling the information contained in this Appendix 4D.

### **7. Audit Disputes or Qualifications**

This report is based on accounts which have been audited and the Independent Audit Report is provided with this report.

## FINANCIAL REPORT

### LaserBond Limited

#### Income Statement for the Year Ended 30<sup>th</sup> June 2008

|  | Note | 2008<br>\$  | 2007<br>\$  |
|--|------|-------------|-------------|
| Revenue  | 2    | 3,591,258   | 3,573,415   |
| Cost of Sales  |      | (1,547,326) | (1,490,099) |
| <b>Gross Profit</b>  |      | 2,043,932   | 2,083,316   |
| Other Income   | 3    | 500,018     | 803,142     |
| Selling Expenses   |      | (72,089)    | (63,713)    |
| Administration Expenses  |      | (1,628,543) | (1,232,816) |
| R&D Expenditure  |      | (272,292)   | (574,676)   |
| Repairs & Maintenance Expenses                                 |      | (42,253)    | (29,430)    |
| Finance Lease Expenses   |      | (171,962)   | (211,532)   |
| Borrowing Costs  |      | (4,767)     | (19,576)    |
| Other Expenses   |      | (107,736)   | (6,294)     |
| <b>Profit before income tax expense</b>                        | 4    | 244,308     | 748,421     |
| Income tax expense   | 5    | (3,148)     | (224,526)   |
| <b>Profit after tax from continuing operations</b>             |      | 241,160     | 523,895     |
| <b>Net profit attributable to members of LaserBond Limited</b> |      | 241,160     | 523,895     |

The above Income Statement should be read in conjunction with the accompanying notes

## FINANCIAL REPORT

### LaserBond Limited

#### Balance Sheet As at 30<sup>th</sup> June 2008

|                                | Note | 2008<br>\$              | 2007<br>\$              |
|--------------------------------|------|-------------------------|-------------------------|
| <b>CURRENT ASSETS</b>          |      |                         |                         |
| Cash and cash equivalents      | 7    | 3,497,102               | 1,056,975               |
| Trade and Other Receivables    | 8    | 737,261                 | 918,566                 |
| Inventories                    | 9    | 180,506                 | 240,124                 |
| Total Current Assets           |      | <u>4,414,869</u>        | <u>2,215,665</u>        |
| <b>NON-CURRENT ASSETS</b>      |      |                         |                         |
| Property, plant and equipment  | 10   | 314,088                 | 422,713                 |
| Deferred tax assets            | 12   | 249,765                 | 54,421                  |
| Intangible assets              | 11   | 27,698                  | 12,986                  |
| Total Non-Current Assets       |      | <u>591,551</u>          | <u>490,120</u>          |
| <b>TOTAL ASSETS</b>            |      | <u><b>5,006,420</b></u> | <u><b>2,705,785</b></u> |
| <b>CURRENT LIABILITIES</b>     |      |                         |                         |
| Trade and Other Payables       | 13   | 283,344                 | 316,456                 |
| Interest-bearing liabilities   | 14   | 18,390                  | 49,140                  |
| Current tax liabilities        | 16   | 30,125                  | 243,047                 |
| Total Current Liabilities      |      | <u>331,859</u>          | <u>608,643</u>          |
| <b>NON-CURRENT LIABILITIES</b> |      |                         |                         |
| Interest-bearing liabilities   | 14   | 36,611                  | 43,593                  |
| Provisions                     | 15   | 91,794                  | 59,983                  |
| Deferred tax liability         | 16   | -                       | 14,134                  |
| Total Non-Current Liabilities  |      | <u>128,405</u>          | <u>117,710</u>          |
| <b>TOTAL LIABILITIES</b>       |      | <u><b>460,264</b></u>   | <u><b>726,353</b></u>   |
| <b>NET ASSETS</b>              |      | <u><b>4,546,156</b></u> | <u><b>1,979,432</b></u> |
| <b>EQUITY</b>                  |      |                         |                         |
| Contributed equity             | 17   | 2,466,144               | 12                      |
| Retained earnings              |      | 2,080,012               | 1,979,420               |
| <b>TOTAL EQUITY</b>            |      | <u><b>4,546,156</b></u> | <u><b>1,979,432</b></u> |

The above Balance Sheet should be read in conjunction with the accompanying notes

## FINANCIAL REPORT

### LaserBond Limited

#### Cash Flow Statement for the Year Ended 30<sup>th</sup> June 2008

|  | Note | 2008<br>\$       | 2007<br>\$       |
|--|------|------------------|------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                |      |                  |                  |
| Receipts from customers                                    |      | 3,971,635        | 4,348,040        |
| Payments to suppliers and employees                        |      | (3,785,219)      | (3,434,496)      |
| Interest paid  |      | (4,767)          | (19,576)         |
| Interest received  |      | 150,816          | 31,623           |
| Income taxes paid  |      | (212,626)        | (210,392)        |
| <b>Net cash inflow from operating activities</b>           |      | <u>119,839</u>   | <u>715,199</u>   |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                |      |                  |                  |
| Payments for plant and equipment                           |      | (4,754)          | (135,730)        |
| Proceeds from sale of plant and equipment                  |      | 64,865           | -                |
| <b>Net cash inflow/(outflow) from investing activities</b> |      | <u>60,111</u>    | <u>(135,730)</u> |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                |      |                  |                  |
| Proceeds from issue of shares                              |      | 2,466,132        | -                |
| Payments to lessors  |      | (46,787)         | (88,016)         |
| Loans to employees   |      | (18,600)         | -                |
| Repayment of borrowings                                    |      | -                | (19,941)         |
| Dividends paid   |      | (140,568)        | (146,425)        |
| <b>Net cash inflow/(outflow) from financing activities</b> |      | <u>2,260,177</u> | <u>(254,382)</u> |
| <b>NET INCREASE/(DECREASE) IN CASH HELD</b>                |      | 2,440,127        | 325,087          |
| Net cash at beginning of period                            |      | 1,056,975        | 731,888          |
| <b>NET CASH AT END OF PERIOD</b>                           | 7    | <u>3,497,102</u> | <u>1,056,975</u> |

The above Cash Flow Statement should be read in conjunction with the accompanying notes

## FINANCIAL REPORT

### LaserBond Limited

#### Statement of Changes in Equity for the Year Ended 30<sup>th</sup> June 2008

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|  | Note | Issued capital<br>\$ | Retained earnings<br>\$ | Total equity<br>\$ |
|--|------|----------------------|-------------------------|--------------------|
| <b>At 1 July 2005</b>  |      | <b>1,200</b>         | <b>1,332,588</b>        | <b>1,333,788</b>   |
| Profit for the period  |      | -                    | 382,448                 | 382,448            |
| Dividends paid   |      | -                    | (113,086)               | (113,086)          |
| <b>At 30<sup>th</sup> June 2006</b>                                  |      | <b>1,200</b>         | <b>1,601,950</b>        | <b>1,603,150</b>   |
| Profit for the period  |      | -                    | 523,895                 | 523,895            |
| Dividends paid   |      | -                    | (146,425)               | (146,425)          |
| Reverse formation costs  |      | (1,188)              | -                       | (1,188)            |
| <b>At 30<sup>th</sup> June 2007</b>                                  |      | <b>12</b>            | <b>1,979,420</b>        | <b>1,979,432</b>   |
| Profit for the period  |      | -                    | 241,160                 | 241,160            |
| Dividends paid   |      | -                    | (140,568)               | (140,568)          |
| Issue of share capital   | 17   | 3,000,000            | -                       | 3,000,000          |
| Capitalisation of costs<br>incurred for IPO (net of<br>deferred tax) | 17   | (533,868)            | -                       | (533,868)          |
| <b>At 30<sup>th</sup> June 2008</b>                                  |      | <b>2,466,144</b>     | <b>2,080,012</b>        | <b>4,546,156</b>   |

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The above Statement of Changes in Equity should be read in conjunction with the accompanying notes

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

### NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of LaserBond Limited for the year ended 30 June 2008 was authorised for issue in accordance with a resolution of the directors on 26<sup>th</sup> August 2008 as required by the Corporations Act 2001.

LaserBond Limited is a company limited by shares, incorporated and domiciled in Australia. The financial report covers LaserBond Limited as an individual entity.

#### **(a) Basis of Preparation**

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards include Australian Equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRS).

The financial report has also been prepared on an accruals basis and is based on historical cost.

The following significant accounting policies have been adopted in the preparation and presentation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

#### **(b) Foreign Currency Translation**

The functional and presentation currency of the Company is Australian dollars.

Foreign currency transactions are translated into the functional currency using the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Foreign exchange gains and losses resulting from settling foreign currency transactions, as well as from restating foreign currency denominated monetary assets and liabilities, are recognised in the income statement, except for differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when fair value was determined.

#### **(c) Revenue Recognition**

Revenue is recognised in the following manner:

##### *Sale of Goods and Services*

Revenue from the sale of goods and services is recognised upon completion of each individual job when the customer picks up their finished product.

##### *Interest*

Revenue from interest is recognised on the date the interest is received.

##### *Other Income*

Revenue from other income streams are recognised either at the date of receipt of the income, or the date of the invoice (or agreement) for the income, as appropriate.

## **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(d) Income Tax**

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction does not affect either accounting or taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets and liabilities are recognised for all temporary differences, between carrying amounts of assets and liabilities for financial reporting purposes and their respective tax bases, at the tax rates expected to apply when the assets are recovered or liabilities settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. Exceptions are made for certain temporary differences arising on initial recognition of an asset or a liability if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit.

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously

Current and deferred tax balances relating to amounts recognised directly in equity are also recognised directly in equity.

### **(e) Inventories**

Raw materials and work in progress are stated at the lower of cost and net realisable value. Cost of work in progress comprises direct materials, direct labour and any external sub-contract costs. 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.

### **(f) Property, Plant and Equipment**

Depreciation on property, plant and equipment is calculated on a reducing balance basis using the following rates:

- Plant and equipment 4.5% - 50%
- Motor Vehicles 18.75% - 25%
- Research & Development Equipment 20% - 50%

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

If an asset's value is adjusted to meet any deemed recoverable amount, the difference is accounted for in the Asset Revaluation Reserve account on the Balance Sheet. All other gains and losses are included in the Income Statement.

## **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(g) Impairment of Assets**

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. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

### **(h) Leases**

Leases of plant and equipment where the Company as lessee, has substantially all the risks and rewards of ownership are classified as hire purchase liabilities. Hire purchase assets are capitalised at their inception at the fair value of the leased equipment or, if lower, the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The equipment acquired under hire purchase agreements is depreciated over the shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

### **(i) Financial Instruments**

#### **Classification**

The Company classifies its investments in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition

#### *(i) Financial assets at fair value through profit and loss*

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

#### *(ii) Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance sheet date which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the balance sheet

#### **Recognition and De-Recognition**

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Company commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

## **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **Subsequent Measurement**

Loans and receivables are carried at amortised cost using the effective interest method.

Financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within other income or other expenses in the period in which they arise.

### **Impairment**

The Company assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

### **(j) Intangibles**

#### *Patents and trademarks*

Patents and trademarks have a finite life and are carried at cost less any accumulated amortisation and any impairment losses. Patents and trademarks are amortised over their useful life. The amortisation rate used is 7.5% per annum. The amortisation expense is included within administration expenses.

### **(k) Cash and Cash Equivalents**

For cash flow statement presentation purposes, 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, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

### **(l) Trade and Other Payables**

Trade and other payables represent liabilities for goods and services provided to the Company prior to the year end and which are unpaid. These amounts are unsecured and are usually paid within 30 to 60 days of recognition.

### **(m) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the income statement over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight-line basis over the term of the facility.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or other expenses.

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

Borrowing costs are recognised as expenses as they are incurred.

## **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(n) Contributed Equity**

Ordinary shares are classified as equity. Mandatorily redeemable preference shares (if any) are classified as liabilities.

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. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

### **(o) Goods and Services Tax**

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of 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 taxation authority is included with other receivables or payables in the balance sheet.

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 taxation authority, are presented as operating cash flow.

### **(p) Employee benefits**

#### *(i) Wages and salaries, annual leave and sick leave*

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### *(ii) Long Service Leave*

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. 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 national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

### **(q) Dividends**

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the financial year but not distributed at balance date.

### **(r) Government Grants**

Government grants are recognised at fair value where there is reasonable assurance that the grant will be received and all grant conditions will be met. Grants relating to expense items are recognised as income over the periods necessary to match the grant to the costs they are compensating. Grants relating to assets are credited to deferred income at fair value and are credited to income over the expected useful life of the asset on a straight-line basis.

## **NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

### **(s) Critical Accounting Estimates and Judgements**

Estimates and judgements are continually estimated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The entity makes estimates, assumptions and judgements concerning the future. The Directors are of the belief that these do not have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

No critical estimates have been made in the preparation of the financial statements.

### **(t) Changes in Accounting Policy**

#### *Intangible Assets*

Historically software integral to the operations of the business were treated as Property, Plant & Equipment. This software is related to the company's ERP and Research & Development Software.

As of 30<sup>th</sup> June it was decided to correctly account for these Assets as Intangible Assets. The Plant & Equipment and R&D Equipment Assets, and the applicable Accumulated Depreciation accounts, were adjusted accordingly, transferring the Purchase Price and the Accumulated Depreciation to date to Other Intangible Assets.

Refer to Note 9 (a) Movements in Carrying Amounts of Plant & Equipment and Note 10 Intangible Assets for further detail.

#### *New Accounting Standards*

The following Australian Accounting Standards have been issued or amended and are applicable to the company. They have not been adopted in this financial report.

However it is anticipated that there would be no material impact on the recognition and measurement criteria included in this financial report.

- i) AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8, applying to periods commencing on or after 1<sup>st</sup> January 2009.
- ii) AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123, applying to periods commencing on or after 1<sup>st</sup> January 2009
- iii) AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101, applying to periods commencing on or after 1<sup>st</sup> January 2009
- iv) AASB 2007-9 Amendments to Australian Accounting Standards arising from the Review of AAS' 27, 29 and 31, applying to periods commencing on or after 1<sup>st</sup> July 2008
- v) AASB 2008-3 Amendments to Australian Accounting Standards arising from AASB 3 and AASB 127, applying to periods commencing on or after 1<sup>st</sup> July 2009
- vi) AASB 2008-5 Amendments to Australian Accounting Standards arising from the Annual Improvements Project, applying to periods commencing on or after 1<sup>st</sup> January 2009

|                            | 2008<br>\$ | 2007<br>\$ |
|----------------------------|------------|------------|
| <b>NOTE 2: REVENUE</b>     |            |            |
| From continuing operations |            |            |
| <i>Sales Revenue</i>       |            |            |
| Sales of Goods             | 3,591,258  | 3,573,415  |

**NOTE 3: OTHER INCOME**

|  |                |                |
|--|----------------|----------------|
| Interest Revenue                             | 150,816        | 31,623         |
| Government Grant                             | 113,703        | 263,935        |
| Research & Development – Reimbursed Expenses | 231,263        | 504,903        |
| Other  | 4,236          | 2,681          |
|  | <u>500,018</u> | <u>803,142</u> |

**NOTE 4: EXPENSES**

Profit before Income Tax includes the following specific expenses

*Borrowing Costs:*

|               |       |        |
|---------------|-------|--------|
| Interest Paid | 4,767 | 19,576 |
|---------------|-------|--------|

*Depreciation & Amortisation*

|                     |                |               |
|---------------------|----------------|---------------|
| - Plant & Equipment | 42,431         | 66,179        |
| - R&D Equipment     | (4,872)        | 1,759         |
| - Motor Vehicles    | 43,133         | 20,317        |
| - Intangible Assets | 24,823         | 1,053         |
|                     | <u>105,515</u> | <u>89,308</u> |

*Net Loss on Disposal of Assets*

|                  |        |       |
|------------------|--------|-------|
| - Motor Vehicles | 26,464 | 1,514 |
|------------------|--------|-------|

*Rental Expenses relating to Operating Leases*

|                          |         |         |
|--------------------------|---------|---------|
| - Minimum Lease Payments | 171,962 | 211,532 |
|--------------------------|---------|---------|

*Auditors Remuneration*

|  |               |               |
|--|---------------|---------------|
| - Audit Services – audit and review of Financial Reports | 58,156        | 25,000        |
| - Independent Experts Report                             |               | 10,025        |
|  | <u>58,156</u> | <u>35,025</u> |

*Research & Development*

|  |         |         |
|--|---------|---------|
| - Expenses related to Research & Development Government Grant<br>(refer to Note 3: Other Income) | 264,092 | 574,676 |
|--|---------|---------|

**NOTE 5: INCOME TAX**

Reconciliation of Income Tax Expense

|  |              |                |
|--|--------------|----------------|
| Profit before Income Tax Expense   | 244,308      | 748,421        |
| Tax at the Australian tax rate of 30% (2007: 30%)                                    | 73,292       | 224,526        |
| Less 20% Write Off of Deferred Tax Asset from Capitalised IPO Costs<br>(See Note 5a) | (42,147)     |                |
| Less Adjustment to 06-07 Income Tax Provision (See Note 5b)                          | (28,615)     |                |
| Plus Difference between 04-05 Tax Adjustment and Deferred Tax                        | 618          |                |
| Liability allowed on 30 <sup>th</sup> June 2007 Financials                           |              |                |
| Total Income Tax Expense:  | <u>3,148</u> | <u>224,526</u> |

**Note 5a:** At the time of completion of the Initial Public Offer all costs of the IPO were capitalised over a five (5) year period. This tax adjustment is the first of the five (5) tax adjustments.

**Note 5b:** the 30<sup>th</sup> June 2007 Financials provided an estimate of the Tax Payable for the 2006-2007 Financial Year. Upon completion of the Annual Returns the actual Tax payable was less than the provision made.

|                                   | 2008<br>\$ | 2007<br>\$ |
|-----------------------------------|------------|------------|
| <b>NOTE 6: EARNINGS PER SHARE</b> |            |            |
| Basic earnings per share          | 0.0042     | 0.0104     |
| Diluted earnings per share        | 0.0042     | 0.0104     |

The options are not considered to be dilutive because they would result in the issue of ordinary shares for more than the average market price during the period.

**(a) Weighted Average Shares on Issue**

|  | No. of Shares | Weighted No. |
|--|---------------|--------------|
| Opening Balance as at 1 <sup>st</sup> July 2007    | 50,000,400    | 50,000,400   |
| Shares Issued as at 17 <sup>th</sup> December 2007 | 15,000,000    | 6,780,822    |
| Closing Balance as at 30 <sup>th</sup> June 2008   | 65,000,400    | 56,781,222   |

**NOTE 7: CASH AND CASH EQUIVALENTS**

|              |           |           |
|--------------|-----------|-----------|
| Cash on Hand | 500       | 400       |
| Cash at Bank | 3,496,602 | 1,056,575 |
|              | 3,497,102 | 1,056,975 |

**NOTE 8: TRADE AND OTHER RECEIVABLES**

|                         |         |         |
|-------------------------|---------|---------|
| Trade Receivables       | 574,099 | 605,275 |
| Loans – Related Parties | 79,507  | 60,500  |
| Other Receivables       | 83,655  | 252,791 |
|                         | 737,261 | 918,566 |

**NOTE 9: INVENTORIES**

|                               |         |         |
|-------------------------------|---------|---------|
| Stock on Hand – Raw Materials | 152,236 | 227,462 |
| Work in Progress              | 28,270  | 12,662  |
|                               | 180,506 | 240,124 |

**NOTE 10: PLANT & EQUIPMENT**

|   |           |           |
|---|-----------|-----------|
| <i>Plant &amp; Equipment</i>                |           |           |
| At Cost                                     | 771,122   | 726,855   |
| Less Accumulated Depreciation               | (527,822) | (459,655) |
|   | 243,300   | 267,200   |
| <i>Motor Vehicles</i>                       |           |           |
| At Cost                                     | 119,272   | 243,184   |
| Less Accumulated Depreciation               | (57,059)  | (111,374) |
|   | 62,213    | 131,810   |
| <i>Research &amp; Development Equipment</i> |           |           |
| At Cost                                     | 24,027    | 44,027    |
| Less Accumulated Depreciation               | (15,452)  | (20,324)  |
|   | 8,575     | 23,703    |
| <b>TOTAL PLANT &amp; EQUIPMENT</b>          | 314,088   | 422,713   |

**(a) Movements in Carrying Amounts**

|   | <b>Plant &amp;<br/>Equipment</b> | <b>Motor<br/>Vehicles</b> | <b>Research &amp;<br/>Development<br/>Equipment</b> | <b>Total</b>   |
|---|----------------------------------|---------------------------|---|----------------|
| <b>2008 Financial Year</b>              | <b>\$</b>                        | <b>\$</b>                 | <b>\$</b>   | <b>\$</b>      |
| Balance at the beginning of the year    | 267,200                          | 131,810                   | 23,703  | 422,713        |
| Additions                               | 38,065                           | -                         | -   | 38,065         |
| Net Disposals                           | -                                | (26,464)                  | -   | (26,464)       |
| Net Transfer to Other Intangible Assets | (10,843)                         | -                         | (4,842)   | (15,685)       |
| Depreciation Expense                    | (51,122)                         | (43,133)                  | (10,286)  | (104,541)      |
| Carrying Amount at the end of the year  | <u>243,300</u>                   | <u>62,213</u>             | <u>8,575</u>  | <u>314,088</u> |
|   | <b>Plant &amp;<br/>Equipment</b> | <b>Motor<br/>Vehicles</b> | <b>Research &amp;<br/>Development<br/>Equipment</b> | <b>Total</b>   |
| <b>2007 Financial Year</b>              | <b>\$</b>                        | <b>\$</b>                 | <b>\$</b>   | <b>\$</b>      |
| Balance at the beginning of the year    | 214,142                          | 160,068                   | 1,028   | 375,238        |
| Additions                               | 119,237                          | -                         | 42,992  | 162,229        |
| Net Disposals                           | -                                | (26,499)                  | -   | (26,499)       |
| Depreciation Expense                    | (66,179)                         | (1,759)                   | (20,317)  | (88,255)       |
| Carrying Amount at the end of the year  | <u>267,200</u>                   | <u>131,810</u>            | <u>23,703</u>                                       | <u>422,713</u> |

**NOTE 11: INTANGIBLES**

|   | <b>Patents and<br/>Trademarks</b> | <b>Other<br/>Intangible<br/>Assets</b> |
|---|-----------------------------------|--|
| <b>2008 Financial Year</b>                | <b>\$</b>                         | <b>\$</b>                              |
| Cost at the beginning of the year         | 15,177                            | -                                      |
| Additions                                 | -                                 | -                                      |
| Transfer of Assets from Plant & Equipment | -                                 | 39,534                                 |
| Transfer of Accumulated Depreciation      | -                                 | (23,848)                               |
| Accumulated Amortisation                  | (3,165)                           | -                                      |
| Formation costs written-off               | -                                 | -                                      |
| Net Book Amount at 30 <sup>th</sup> June  | <u>12,012</u>                     | <u>15,686</u>                          |
|   | <b>\$</b>                         | <b>\$</b>                              |
| <b>2007 Financial Year</b>                | <b>\$</b>                         | <b>\$</b>                              |
| Cost at the beginning of the year         | 16,365                            | -                                      |
| Additions                                 | -                                 | -                                      |
| Accumulated Amortisation                  | (2,191)                           | -                                      |
| Formation costs written-off               | (1,188)                           | -                                      |
| Net Book Amount at 30 <sup>th</sup> June  | <u>12,986</u>                     | <u>-</u>                               |

Note: Refer to Note 1 (t) Changes in Accounting Policy for detail on the transfer of Assets from Plant & Equipment to Intangible Assets.

|  | <b>2008</b>    | <b>2007</b>    |
|--|----------------|----------------|
|  | <b>\$</b>      | <b>\$</b>      |
| <b>NOTE 12: DEFERRED TAX ASSETS</b>                                      |                |                |
| Deferred tax assets comprise temporary differences attributable to:      |                |                |
| Employee Benefits  | 73,069         | 54,421         |
| Expense Accruals   | 8,106          | -              |
| Capitalised IPO Costs  | 168,590        | -              |
|  | <u>249,765</u> | <u>54,421</u>  |
| <b>NOTE 13: TRADE AND OTHER PAYABLES</b>                                 |                |                |
| Trade Payables   | 104,555        | 128,990        |
| Other Payables   | 27,020         | 66,047         |
|  | <u>131,575</u> | <u>195,037</u> |
| <b>NOTE 14: BORROWINGS</b>   |                |                |
| <b>CURRENT</b>   |                |                |
| Hire Purchase Liabilities  | 18,390         | 49,141         |
| <b>NON-CURRENT</b>   |                |                |
| Hire Purchase Liabilities  | 36,611         | 43,593         |
| <b>NOTE 15 : PROVISIONS</b>  |                |                |
| <b>CURRENT</b>   |                |                |
| Employee Benefits  | 151,769        | 121,419        |
| <b>NON-CURRENT</b>   |                |                |
| Employee Benefits  | 91,794         | 59,983         |
| <b>NOTE 16: STATUTORY LIABILITIES</b>                                    |                |                |
| <b>CURRENT</b>   |                |                |
| Income Tax   | (55,054)       | 182,955        |
| BAS Statement (GST & PAYG Withheld)                                      | 62,414         | 37,119         |
| Payroll Tax  | 7,284          | 4,862          |
| Superannuation   | 15,481         | 18,111         |
|  | <u>30,125</u>  | <u>243,047</u> |
| <b>NON-CURRENT</b>   |                |                |
| Deferred Tax Liabilities comprise temporary differences attributable to: |                |                |
| 04-05 Income Tax Adjustment  | -              | 14,134         |

| <b>NOTE 17: CONTRIBUTED EQUITY AND RESERVES</b>                       | <b>2008</b>       | <b>2007</b>       |
|---|-------------------|-------------------|
|   | <b>\$</b>         | <b>\$</b>         |
| Issued and Paid Up Capital  | 2,466,144         | 12                |
| <i>Reconciliation of Issued and Paid Up Capital</i>                   |                   |                   |
| 50,000,400 Existing Shares  | 12                | 12                |
| 15,000,000 Issued Shares (IPO)  | 3,000,000         | -                 |
| Capitalised IPO Costs   | (702,458)         | -                 |
| Deferred Tax Asset from Capitalised IPO Costs                         | 168,590           | -                 |
|   | <u>2,466,144</u>  | <u>12</u>         |
| <i>Reconciliation of Movement in Shares</i>                           |                   |                   |
| Issued Shares at beginning of Year                                    | 50,000,400        | 12                |
| Shares Issued during Year (Issue Date 17 <sup>th</sup> December 2007) | 15,000,000        | 50,000,388        |
|   | <u>65,000,400</u> | <u>50,000,400</u> |

**(a) Capital Management**

Management effectively manages the company's capital by assessing the company's financial risks and adjusting its financial structure in response to those risks. These responses include the management of debt levels and distributions to shareholders.

The company has no borrowings and no externally imposed capital requirements.

**NOTE 18 : CAPITAL AND LEASING COMMITMENTS**

**(a) Hire Purchase Commitments**

*Payable:*

|   |               |                |
|---|---------------|----------------|
| Within one (1) year                                       | 18,391        | 51,548         |
| Later than one (1) year but not later than five (5) years | 43,716        | 62,107         |
|   | <u>62,107</u> | <u>113,655</u> |

*Minimum Hire Purchase payments:*

|                             |                 |                 |
|-----------------------------|-----------------|-----------------|
| Less future finance charges | (16,161)        | (20,922)        |
|                             | <u>(16,161)</u> | <u>(20,922)</u> |

|                               |               |               |
|-------------------------------|---------------|---------------|
| Total Hire Purchase Liability | <u>45,946</u> | <u>92,733</u> |
|-------------------------------|---------------|---------------|

The company's Hire Purchase commitments are in relation to Motor Vehicles essential to the operations of the business. These are under Hire Purchase agreements expiring within 1 to 3 years. Under the Terms of Agreements, the Company has the option to acquire the financed assets by payment of the final instalment. This option lapses in the event of a default to the agreed Terms and Conditions to the agreements.

**(b) Operating Lease Commitments**

*Payable:*

|   |                |                |
|---|----------------|----------------|
| Within one (1) year                                       | 201,638        | 273,627        |
| Later than one (1) year but not later than five (5) years | 203,749        | 350,363        |
|   | <u>405,387</u> | <u>623,990</u> |

**(c) Property Lease**

The company has a property lease which expires on 31<sup>st</sup> July 2008. At the date of this report the lease has not been renegotiated.

## NOTE 19: CONTINGENT LIABILITIES

The directors are not aware of any contingent liabilities that would have an effect on these financial statements.

## NOTE 20: RELATED PARTY TRANSACTIONS

Transactions with related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

|   | 2008<br>\$ | 2007<br>\$ |
|---|------------|------------|
| <i>Property Lease</i>   |            |            |
| Rent Paid   | 92,796     | 91,898     |
|   | <hr/>      | <hr/>      |
| Rental of head office premises paid to Hooper Unit Trust, a director related entity. Rent is paid one month in advance. |            |            |
| <i>Loans – Related Parties</i>  |            |            |
| Director Loan   | 60,500     | 60,500     |
| Employee Loans  | 407        | -          |
| Employee Personal Expenses  | 18,600     | -          |
|   | <hr/>      | <hr/>      |
|   | 79,507     | 60,500     |
|   | <hr/>      | <hr/>      |

All Loans to Related Parties are classified current, unsecured and interest free.

The Director Loan is receivable from Mr Greg Hooper, a director of the company.

The Employee Loans are receivable from twelve (12) employees. These loans were provided to employees at the time of the IPO to purchase \$2,000 worth of shares each.

The Employee Personal Expenses are receivable from employee's who have used, at the approval of director's, a company's supplier expense account for purchases of a personal use. These loans are repaid as an after tax deduction from the employees salary or wage.

## NOTE 21: KEY MANAGEMENT PERSONNEL

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the company.

### (a) Key Management Personnel

The key management personnel of the company for management of its affairs are Wayne Hooper, Greg Hooper and Timothy McCauley, all current Executive Directors.

## (b) Remuneration

Remuneration received or due and receivable by key management personnel of the company for management of its affairs is as follows:

|                            | Salaries and fees | Superannuation  | Consulting Fees |
|----------------------------|-------------------|-----------------|-----------------|
| <b>2008 Financial Year</b> |                   |                 |                 |
| Wayne Hooper               | \$87,717          | \$13,763        | -               |
| Greg Hooper                | \$159,080         | \$18,244        | -               |
| Timothy McCauley           | \$47,051          | \$4,610         | \$74,950        |
|                            | <u>\$293,848</u>  | <u>\$36,617</u> | <u>\$74,950</u> |
| <b>2007 Financial Year</b> |                   |                 |                 |
| Wayne Hooper               | \$77,967          | \$16,797        | -               |
| Greg Hooper                | \$130,459         | \$10,352        | -               |
| Diane Hooper               | \$78,011          | \$19,572        | -               |
| Rex Hooper                 | \$3,000           | -               | -               |
| Lillian Hooper             | \$3,000           | -               | -               |
|                            | <u>\$292,437</u>  | <u>\$46,721</u> | <u>-</u>        |

## (c) Options Held

The following performance options were issued to directors pursuant to the prospectus

|                  | Opening Balance Granted<br>As at 17 <sup>th</sup><br>December<br>2007 | Exercised | Closing Balance<br>As at 30 <sup>th</sup> June<br>2008 | Balance Exercisable |
|------------------|---|-----------|--|---------------------|
| Wayne Hooper     | 2,000,000   | -         | 2,000,000  | -                   |
| Greg Hooper      | 2,000,000   | -         | 2,000,000  | -                   |
| Timothy McCauley | 3,000,000   | -         | 3,000,000  | -                   |
|                  | <u>7,000,000</u>  | <u>-</u>  | <u>7,000,000</u>                                       | <u>-</u>            |

## (d) Shares Held

|                  | Shares Held<br>as at 31 <sup>st</sup> July<br>2007 | Issued         | Shares Held<br>as at 30 <sup>th</sup> June<br>2008 |
|------------------|--|----------------|--|
| Wayne Hooper     | 7,728,395  | -              | 7,728,395  |
| Greg Hooper      | 8,000,064  | -              | 8,000,064  |
| Timothy McCauley | -  | 250,000        | 250,000  |
|                  | <u>15,728,459</u>                                  | <u>250,000</u> | <u>15,978,459</u>                                  |

| <b>NOTE 22: DIVIDENDS</b>                                 | <b>2008</b>    | <b>2007</b>    |
|---|----------------|----------------|
|   | <b>\$</b>      | <b>\$</b>      |
| Interim dividends paid – fully franked on tax paid at 30% | <u>140,569</u> | <u>146,425</u> |

The dividends paid during 2007-2008 were paid to shareholders prior to the Initial Public Offer. No further dividends will be payable for this reporting period.

### Franked Dividends

The franked portions of any final dividends recommended and paid after 30<sup>th</sup> June 2008 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30<sup>th</sup> June 2008.

|   |         |         |
|---|---------|---------|
| Franking credits available for subsequent financial years based on a tax rate of 30% (2007 – 30%) | 819,659 | 806,610 |
|---|---------|---------|

### NOTE 23: CASH FLOW INFORMATION

Reconciliation of profit after income tax to net cash flows from operating activities

|   |           |           |
|---|-----------|-----------|
| Profit for the year                                   | 241,160   | 523,895   |
| Non-cash flows in operating surplus                   |           |           |
| Depreciation & Amortisation                           | 33,803    | 89,308    |
| Changes in assets and liabilities                     |           |           |
| (Increase) / Decrease in trade debtors                | 31,176    | 3,106     |
| (Increase) / Decrease in other debtors                | 168,728   | (252,791) |
| (Increase) / Decrease in inventories                  | 59,617    | (103,006) |
| (Increase) / Decrease in deferred tax assets          | (195,344) | (33,663)  |
| Increase / (Decrease) in trade creditors and accruals | (24,056)  | 237,779   |
| Increase / (Decrease) in statutory liabilities        | (212,922) | 221,137   |
| Increase / (Decrease) in provisions                   | 31,811    | 15,300    |
| Increase / (Decrease) in deferred tax liabilities     | (14,134)  | 14,134    |
| Net cash provided by operating activities             | 119,839   | 715,199   |

### NOTE 24: FINANCIAL INSTRUMENTS

Activities undertaken by the company may expose the company to price risk, credit risk, liquidity risk and cash flow interest rate risk. The company's risk management policies and objectives are therefore disagreed to minimise the potential impacts of these risks on the results of the company.

#### a) Interest rate risk

|                                  | Weighted<br>Average<br>Effective<br>Interest Rate | Floating<br>Interest<br>Rate | Fixed Interest Rate |                 | Non-<br>Interest<br>Bearing | Total     |
|----------------------------------|---|------------------------------|---------------------|-----------------|-----------------------------|-----------|
|                                  |   |                              | Within 1<br>Year    | 1 to 5<br>Years |                             |           |
|                                  | %   | \$                           | \$                  | \$              | \$                          | \$        |
| <b>30<sup>th</sup> June 2008</b> |   |                              |                     |                 |                             |           |
| <b>Financial Assets:</b>         |   |                              |                     |                 |                             |           |
| Cash on Hand                     |   | -                            | -                   | -               | 400                         | 400       |
| Cash at Bank                     | 5.5   | 3,496,701                    | -                   | -               | -                           | 3,496,702 |
| Trade and other<br>receivables   |   | -                            | -                   | -               | 737,261                     | 737,261   |
| Total financial assets           |   | 3,496,602                    | -                   | -               | 737,661                     | 4,234,263 |
| <b>Financial Liabilities</b>     |   |                              |                     |                 |                             |           |
| Trade and other<br>payables      |   | -                            | -                   | -               | 292,400                     | 292,400   |
| Borrowings                       | 7.0   | -                            | 18,391              | 27,555          | -                           | 45,946    |
| Total financial liabilities      |   | -                            | 18,391              | 27,555          | 292,400                     | 338,346   |

|                                  | Weighted<br>Average<br>Effective<br>Interest Rate | Floating<br>Interest<br>Rate | Fixed<br>Interest Rate | Non-<br>Interest<br>Bearing | Total          |                  |
|----------------------------------|---|------------------------------|------------------------|-----------------------------|----------------|------------------|
|                                  | %   | \$                           | Within 1<br>Year<br>\$ | 1 to 5<br>Years<br>\$       | \$             | \$               |
| <b>30<sup>th</sup> June 2007</b> |   |                              |                        |                             |                |                  |
| <b>Financial Assets:</b>         |   |                              |                        |                             |                |                  |
| Cash on Hand                     | -   | -                            | -                      | -                           | 400            | 400              |
| Cash at Bank                     | 4.0   | 1,056,575                    | -                      | -                           | -              | 1,056,575        |
| Trade and other<br>receivables   | -   | -                            | -                      | -                           | 918,567        | 918,567          |
| Total financial assets           |   | <u>1,056,575</u>             | <u>-</u>               | <u>-</u>                    | <u>918,967</u> | <u>1,975,542</u> |
| <b>Financial Liabilities</b>     |   |                              |                        |                             |                |                  |
| Trade and other<br>payables      | -   | -                            | -                      | -                           | 316,456        | 316,456          |
| Borrowings                       | 7.0   | -                            | 49,140                 | 43,593                      | -              | 92,733           |
| Total financial liabilities      |   | <u>-</u>                     | <u>49,140</u>          | <u>43,593</u>               | <u>316,456</u> | <u>409,189</u>   |

#### b) Credit Risk Exposure

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognize financial assets is the carrying amount, net of any provisions for doubtful debts, as disclosed in the balance sheet and notes to the financial statements.

#### c) Liquidity Risk

Liquidity risk is the risk that the company may encounter difficulties raising funds to meet commitments. The company manages this risk by monetary forecast cash flows.

#### d) Net fair value of financial assets and liabilities

The carrying amount of cash, cash equivalents and non-interest bearing monetary financial assets and liabilities (e.g. accounts receivable and payable) are at approximate net fair value.

#### e) Price Risk

The company is not exposed to any material price risk.

#### f) Sensitivity Analysis

The company has performed a sensitivity analysis relating to its exposure to interest rate risk and foreign currency risk. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

## Interest Rate Sensitivity Analysis

The company as 30<sup>th</sup> June 2008 held a quantity of cash on hand in an Interest Bearing bank account. At 30<sup>th</sup> June 2008, the effect on profit and equity as a result of changes in the interest rate on Cash on Hand, with all other variables remaining constant would be as follows:

|                                   | 2008       | 2007       |
|-----------------------------------|------------|------------|
|                                   | \$         | \$         |
| Change in profit                  |            |            |
| - Increase in interest rate by 2% | \$54,842   | \$15,811   |
| - Decrease in interest rate by 2% | (\$54,842) | (\$15,811) |
| Change in equity                  |            |            |
| - Increase in interest rate by 2% | \$54,842   | \$15,811   |
| - Decrease in interest rate by 2% | (\$54,842) | (\$15,811) |

## Foreign Currency Risk Sensitivity Analysis

The company purchases certain raw material from overseas due to non-availability in Australia or savings due to bulk buying power overseas. At 30<sup>th</sup> June 2008, the effect on profit and equity as a result of changes in the Australian Dollar to other International currencies, with all other variables remaining constant would be as follows:

|  | 2008      | 2007      |
|--|-----------|-----------|
|  | \$        | \$        |
| Change in profit                                       |           |           |
| - Improvement in AUD to International currencies by 5% | (\$9,937) | (\$4,527) |
| - Decline in AUD to International currencies by 5%     | \$9,937   | \$4,527   |
| Change in equity                                       |           |           |
| - Improvement in AUD to International currencies by 5% | (\$9,937) | (\$4,527) |
| - Decline in AUD to International currencies by 5%     | \$9,937   | \$4,527   |

## NOTE 25: MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Since the end of the financial year, the following opportunities have been announced:

- The company has entered into a Heads of Agreement relating to the proposed acquisition of an engineering business in Central Queensland. The acquisition is subject to the completion of financial, legal and commercial due diligence by LaserBond. The business is well established with 2007-2008 un-audited Fiscal year sales of \$6.9 million and earnings before interest and tax (EBIT) of \$1.0 million. The purchase price is \$3.0 million subject to certain completion adjustments, payable by \$2.5 million in cash and \$0.5 million in shares (escrowed for 2 years), plus an earn-out over the two years ended 30<sup>th</sup> June 2009 and 2010. The earn-out consideration is to be priced at 3.5 times incremented EBIT and payable by a mix of cash and shares (escrowed over two years).
- The company has won an exclusive five (5) year contract with Alcoa Australia Rolled Products Pty Limited, part of one of the worlds leading producers of alumina and aluminium. LaserBond will provide Alcoa with an engineered coating that will significantly extend the service life and reliability of high value components used in the production of aluminium sheet used for food and drink packaging.
- A Letter of Intent and Request for Quotation has been received from the Tanjung Group of Malaysia for the supply of thermal spray and laser cladding equipment and license worth up to \$2 million (\$Aus). Tanjung Maintenance Services, part of the Tanjung Group, provides a range of services to the oil and gas industry including maintenance, repair, calibration and testing of key components and systems on drilling rigs, platforms, refineries and supporting infrastructure.

Also, since the end of the financial year, shares have been issued to Timothy McCauley, the Chief Executive Officer. These shares are pursuant to the Prospectus and equate to 750,000 shares to join the company. 50% of these shares were allotted in July 2008 at \$0.20 per share.

**NOTE 26: SEGMENT REPORTING**

The company operates entirely within Australia in the surface engineering industry

**NOTE 27: COMPANY DETAILS**

Registered office and principal place of business:

28 York Road  
INGLEBURN NSW 2565