

## Appendix 4D & Half-Yearly Financial Report

### LaserBond Limited

ABN 24 057 636 692

Half Year Information given to the ASX under Listing Rule 4.2A

For half-year ended 31<sup>st</sup> December 2017

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## INTERIM REPORT TO SHAREHOLDERS

Dear Shareholder

LaserBond is continuing the development of its markets and technology whilst investing in the resources required to continue its growth.

On behalf of the Board, I am pleased to announce continued growth in revenue. The value of orders received during the half year were up year on year by 35% providing a 17% increase in revenue, and has provided a significant boost to WIP as at 31 December. This is also translating to a strong start to revenue for the second half of the financial year.

### Highlights

|  | 31 Dec 2017 |                                      | 31 Dec 2016 |
|--|-------------|--------------------------------------|-------------|
| <b>Revenues</b>  | \$7.222 M   | <i>Up 17 % from</i>                  | \$6.173 M   |
| <b>Services Division</b>                                 | \$4.862 M   | <i>Up 30 % from</i>                  | \$3.748 M   |
| <b>Products Division</b>                                 | \$2.360 M   | <i>Down 3 % from</i>                 | \$2.424 M   |
| <b>Technology Division</b>                               | \$0.0 M     | <i>No sales in reporting periods</i> | \$0.0 M     |
| <b>Export Sales<sup>1</sup></b>                          | \$1.145 M   | <i>Up 3% from</i>                    | \$1.109 M   |
| <b>Underlying EBITDA<sup>2</sup></b>                     | \$0.684 M   | <i>Down 22 % from</i>                | \$0.878 M   |
| <b>Underlying NPAT<sup>2</sup></b>                       | \$0.234 M   | <i>Down 37 % from</i>                | \$0.372 M   |
| <b>Underlying Earnings per share (cents)<sup>2</sup></b> | 0.25 c      | <i>Down 39 % from</i>                | 0.41 c      |

1. This includes direct export revenue only. Sales to local original equipment manufacturers are also exported globally.
2. Underlying figures exclude an inventory impairment of \$0.105M (further discussed in the Directors' Report)

LaserBond works closely with its customers in capital intensive industries to improve the operating life and performance of critical equipment, thereby delivering significant improvements to productivity and reductions in operating costs. As well as end users, major customers include Original Equipment Manufacturers that utilise LaserBond's technology and expertise to deliver superior performing products to their customers. Increasingly, LaserBond's expertise is being recognised both locally and globally, and it is this expertise that we continue to promote. Our markets are driven by the need to continually reduce production costs, and LaserBond significantly assists in those endeavours.

As indicated in the director's address at the AGM, we have been investing in human and equipment resources to create additional capacity to deliver this growth. Our employee numbers are up by 25% over the numbers 12 months earlier. Apprentice and trainees have increased by 60%. The specialised nature of the technology we utilise means that recruitment and training comes at a relatively high expense in the short term, which is reflected in our short term profit. However, the benefits from this investment will come in future periods.

During this period, LaserBond reached or worked towards a number of milestones.

- September 2017 marked the 25 year anniversary of the Company's incorporation
- The equipment associated with the first international technology sale was fully installed.
- LaserBond continued its investment in R&D with support of the Federal Government and our CRC-P partners, (Boart Longyear and the University of SA – Future Industries Institute).
- LaserBond continued the design and construction of the automated advanced manufacturing cell supported via the Federal & SA State Government's Next Generation Manufacturing Investment Program.

All these activities have and will stand the company in good stead for future growth.

### Outlook

We expect to see further growth come from the resources & energy sectors as the pressure to reduce equipment downtime and maintenance costs continues to provide opportunities for LaserBond to grow.

Our outlook for the 2<sup>nd</sup> half of the financial year is for increasing revenue and profits in the Services and Products Divisions. Our Technology division is working towards identifying our next technology sale and our R&D division continues to develop new products / applications while at the same time working on our DTH product range.

**Dividends**

We are pleased to advise the Board has declared an interim fully franked dividend of 0.2 cents per share. This is supported by our Dividend Reinvestment Plan.

On behalf of the Board, I would like to thank our management team and employees for their continued contribution to growing the Company. Our thanks also go to the many strategic collaboration partners and to our shareholders who share the enthusiasm for LaserBond's future.



Philip Suriano

Interim Chairperson

## **RESULTS FOR ANNOUNCEMENT TO THE MARKET**

|  | <b>Half Year To 31<sup>st</sup><br/>December 2017</b> |                      | <b>Half Year To 31<sup>st</sup><br/>December 2016</b> |
|--|---|----------------------|---|
| Revenues from ordinary activities  | \$7,222,497   | <b>Up 17% from</b>   | \$6,173,176   |
| Net Profit / <Loss> from Ordinary Operating Activities after Tax Attributable to Members | \$160,400   | <b>Down 57% from</b> | \$372,463   |
| Net Profit / <Loss> Attributable to Members  | \$160,400   | <b>Down 57% from</b> | \$372,463   |
| Earnings per share (cents) from profit attributable to members                           | 0.17  | <b>Down 59% from</b> | 0.41  |
| Net Tangible Assets per Ordinary Share (NTA Backing - cents)                             | 7.62  | <b>Up 11% from</b>   | 6.88  |

### **Dividend Information**

| <b>Dividends</b> | <b>Amount Per Share (cents)</b> | <b>Total</b> | <b>Franked Amount</b> | <b>Record Date</b> | <b>Payment Date</b> |
|------------------|---------------------------------|--------------|-----------------------|--------------------|---------------------|
| 2017 Final       | 0.3                             | \$273,373    | 100%                  | 15 September 17    | 13 October 17       |
| 2018 Interim     | 0.2                             | \$184,728    | 100%                  | 16 March 18        | 6 April 18          |

The Board has resolved to pay a 0.2 cent per share fully franked interim dividend. With the forecasted continued growth, the Board expects to be able to continue to pay dividends. As the Board resolution regarding dividends was made after 31<sup>st</sup> December 2017, the dividend will be paid from retained earnings but is not recognised as a liability in the half-year financial statements.

### **Dividend Reinvestment Plans**

During the period LaserBond Limited had a Dividend Reinvestment Plan (DRP) in operation. Under the DRP shareholders may elect to have dividends on some or all of their ordinary shares automatically reinvested in additional LaserBond shares, at a discount to the market price. Full details of the operation of the DRP are contained in the Terms and Conditions available on the LaserBond website: [www.laserbond.com.au](http://www.laserbond.com.au).

The Board has resolved to offer the DRP for the FY2017 Interim Dividend. The discount applied to determine the market price in accordance with the DRP Terms and Conditions will be 5%.

### **Brief Explanation of Results:**

For commentary on our half yearly results please refer to the Directors' Report on pages 6 to 9.

### **Details of Subsidiaries**

During the period from 1<sup>st</sup> July 2017 to 31<sup>st</sup> December 2017, LaserBond Limited has not gained or lost control over any entities.

### **Details of Associates and Joint Venture Entities**

During the period from 1<sup>st</sup> July 2017 to 31<sup>st</sup> December 2017, LaserBond Limited has no interest in any Associates or Joint Venture Activities.

**Accounting Standards**

Australian Accounting Standards have been used in compiling the information contained in this Appendix 4D.

**Audit Modified Opinion, Emphasis of Matter or other matter**

None.

## Directors' Report

Your directors present their report on the consolidated entity for the half-year ended 31<sup>st</sup> December 2017.

### **Directors**

Details of the group's Directors during the half year and up to the date of the report are as follows:

| <i>Director:</i> | <i>Position Held</i>   | <i>In Office Since</i> | <i>Ceased to Hold Office</i> |
|------------------|------------------------|------------------------|------------------------------|
| Wayne Hooper     | Executive Director     | 21 April 1994          |                              |
| Gregory Hooper   | Executive Director     | 30 September 1992      |                              |
| Allan Morton     | Non-Executive Chairman | 18 March 2014          | 4 October 2017               |
| Philip Suriano   | Non-Executive Director | 6 May 2008             |                              |

### **Results for the Half Year Ending December 2017**

During the December 2017 reporting period, LaserBond achieved a 35% increase in consolidated sales orders received compared to p.c.p. After invoicing all orders fulfilled we report a 17% increase in consolidated revenue. The balance of the unfulfilled orders form part of December 2017 work in progress and provides a strong start to the second half of FY2018. Those orders that were not fulfilled were due to either timing (orders received too late in December to allow completion) or due to the lack of the required skill, capacity or capability (to fulfil prior to 31 December).

At our 2017 Annual General Meeting it was advised that FY2018 will be a year of investment focused on three main areas:

1. Recruitment to increase skill and capabilities.
2. Plant and equipment to increase capacity and capability.
3. Research and development for continued growth.

#### Recruitment

- a) Training – the recruitment of new shop floor employees creates an initial period of skill development, prior to an employee generating revenue during their hours of work. Training hours during the December 2017 half year increased by 203% compared to p.c.p. This recruitment and training will continue throughout the second half of FY2018 and is planned to place LaserBond in a particularly strong position for skill and capacity, and continuing sales growth, throughout FY2019.
- b) Overtime – with the increase in sales orders received, and the timing for both recruitment and skill development, existing shop floor employees have risen to the challenge caused by the increasing sales orders and the timing of the skill development. This has resulted in a 52% increase in overtime hours processed through payroll compared to p.c.p. It is expected as the skill development program continues, these overtime hours and resultant costs will reduce.
- c) Freight – with the timing for the skill development, a number of sales orders have been shared between facilities to work within available skill and capacity at any given time. These short term resultant costs will also reduce as skills and capacity are increased.

The above three points have provided initial increasing costs of sales expenses for the reporting period, continuing (but expected to improve) throughout the second half of FY2018. Further, general expenses have increased based on any costs of recruitment, and further training costs for externally provided sales team development.

#### Plant and equipment

Both facilities have invested in equipment during the reporting period to increase capacity and capabilities. The NSW facility has invested in a number of large grinders and lathes in order to decrease the load on other machines, share work between work areas and increase the size of components able to be finish machined. Investment in our SA facility has included thermal spray systems, borer, lathes, grinders, overhead cranes and continued development of the automated laser cladding system. South Australia's investment is largely based on increasing capabilities to remove reliance on support from the NSW facility and become the leading surfacing and engineering workshop in Adelaide as planned, and requirements planned through the Next Generation Manufacturing Improvement program (NGMIP).

These investments have impacted consolidated profits only related to depreciation, and interest paid where equipment was financed. Some equipment remains part of work in progress or prepayments on the Balance Sheet due to deposits on order or commissioning of equipment still incomplete as at the end of December.

#### Marketing Campaign

Based on a marketing campaign conducted at the commencement of this financial year, it was found that a number of potential customers were initially uncertain on the value provided by our laser cladding services in comparison to their current supply habit of an alternate method or purchase of new items. It was found the offering initially of free freight to and from our facilities provided sufficient savings to trial our laser cladding applications. Since proving the value with these customers, margins are expected to increase as the customers are willing to either cover their own freight, or pay the extra for the freight.

#### Research and development

Consolidated R&D expenditure has increased by 199% compared to p.c.p. after being offset partially by reimbursable expenditure claimable through the Collaborative Research project with UniSA and Boart Longyear. Our R&D continues to concentrate on the development, characterisation and deposition of surfacing materials.

Although generally unseen by the layperson, advanced materials are playing an ever increasing role in the design and development of industrial systems and products. Advanced metal based, and nanomaterials with high performance characteristics are finding their way into many different industries including mining, building materials, aircraft, automobiles and medical devices. Development of these materials is vital to provide performance and efficiency improvements as well as reducing costs.

To keep Laserbond at the cutting edge of materials and process development we have employed the services of a materials and process expert out of Germany to head-up our R&D department.

Dr Thomas Schlaefer achieved his Ph.D. of engineering at RWTH Aachen University, Germany, which is one of the leading research institutes for coating materials and processes. He has extensive experience and knowledge of materials and coating processes, and technical skills that include:

- Laser Cladding
- Application orientated coatings development
- Design of experiments & test evaluation
- Materials development
- Materials and composites analysis, failure analysis
- Quality assurance

Before joining Laserbond Dr Schlaefer spent his previous six years as Manager of R&D and leading a team of six engineers and technical staff for one of Europe's leading manufacturers of customer orientated Thermal Spray and Laser Cladding equipment.

We have isolated a number of key applications with very good global opportunities. Results from field trials are expected by July 2018.

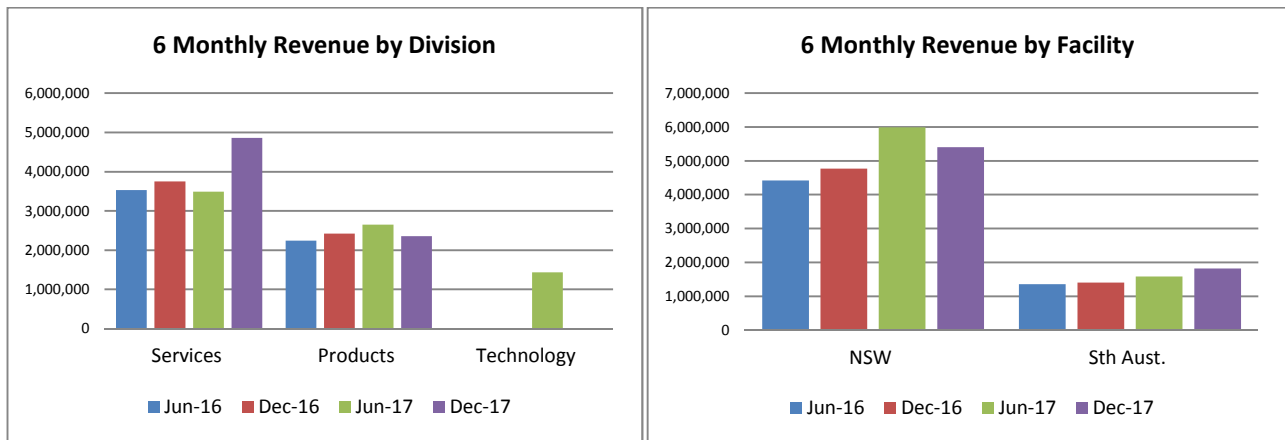
#### Impairment Expense

At the time of commercialising the Down-the-Hole (DTH) hammers and associated consumables, a marketing campaign provided information related type and size of hammers and consumables used by potential customers. Since this campaign a number of consumables, particularly bits, have not been sold to customers.

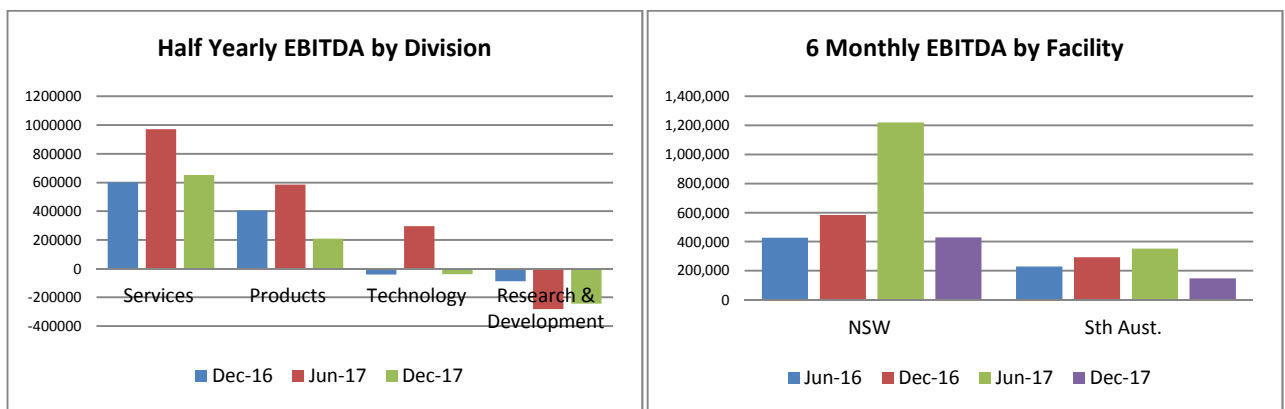
Due to the lack of movement of these parts the Directors have written down these inventory items by \$105,064. LaserBond is currently negotiating with the supplier of these consumables to enable the return of a number of items. It is expected the company will recover most of this impairment in the coming months based on this agreement with the supplier.

## Division Reporting Structure

Results by reportable segments are as follows:



- Revenue from operations was \$7.222 million, up by 17% in comparison to the previous corresponding period.
- Services achieved revenue of \$4.862 million, up by 30% in comparison to the previous corresponding period.
- Products achieved revenue of \$2.360 million, down by 3% in comparison to the previous corresponding period.
- The Technology division reported its first revenue in the second half of FY2017 with no revenue since as expected.



- EBITDA from continuing operations was \$578,580, in comparison to \$878,947 in the previous corresponding period.
- This represents a 34% decrease on p.c.p.

Breaking down the Income Statement compared to p.c.p. shows increased cost of sales (investment in skill & capability), increased R&D expenditure (investment for the future) and the impairment for non-moving inventory:

- Revenue – 17% increase
- Cost of sales (not including the inventory impairment) has increased to 55.2% of revenue (2017: 47.4%). This is an effect from the investment in human resources to increase skills & capabilities, including the initial training hours generating no revenue to develop skill in both new and existing employees, and the large increase in overtime hours and subsequent cost to produce the increased workload from existing skill & capacity.



- The inventory impairment of \$105,064 relates to a required impairment to DTH raw material inventory due to non-moving inventories. LaserBond expects to recover most of this impairment in the coming months due to an agreement from the supplier for a buy back of a number of these non-moving items.

- Other Expenses – Research & Development (net of grant income) – 199% increase. Other – 2% increase.

Research and development costs have increased due to LaserBond's strategies for ongoing R&D activities to promote growth, particularly from new technologies, applications and products. This expenditure is also impacted by the collaborative research program with UniSA and Boart Longyear. R&D is reporting a 307% increase over the prior comparative period, however it is only a 20% increase, to the R&D expenditure reported for the January to June 2017 half year. This expenditure is also offset by government funding, which is reported under Other Income.

- Movements in the Statement of Financial position

Certain items in the statement of financial position have changed significantly as a result of the changes and developments in the business operations.

The increase in trade and other receivables from \$4,054,013 at 30 June 2017 to \$4,715,400 at 31 December 2017 is directly related to the 17% sales growth reported for the December 2017 half year period.

The increase in inventory is related to the 35% increase in sales orders received versus the 17% revenue growth reported. The company had insufficient human resources to cope with the increased demand, therefore work in progress has increased. Further, the increase in revenue requires increased raw materials.

The increase in property, plant and equipment (note 2) is directly related to the investment in equipment to increase capacity and capability across both current facilities. This will increase in the near future as further assets with prepayments are delivered and commissioned over the coming months.

The increase in trade and other payables is directly related to the sales growth reported for the December 2017 half year period, and grant related income not accounted for as revenue at the reporting date.

The increase in interest bearing liabilities (note 3) is directly related to investment in equipment to increase capacity and capability across both current facilities.

## **Dividends**

Dividends details are discussed in the Results for Announcement to Market on page 4 of this report.

## **Auditor's Independence Declaration**

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is included on page 10 for the half-year ended 31 December 2017.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Wayne Hooper  
Director

Dated this 27<sup>th</sup> Day of February 2018



Gregory Hooper  
Director

## AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF LASERBOND LIMITED

As lead auditor for the review of LaserBond Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

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

LNP Audit and Assurance



**Anthony Rose**  
Director


Sydney, 27 February 2018

## DIRECTORS' DECLARATION

The directors of the group declare that:

1. The consolidated financial statements and notes, as set out on pages 14 to 22 are in accordance with the Corporations Act 2001 including:
  - a. comply with Accounting Standards AASB 134: Interim Financial Reporting; and
  - b. give a true and fair view of the consolidated entity's financial position as at 31<sup>st</sup> December 2017 and of its performance for the half year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the group will be able to pay its debts as and when they become due and payable.

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



Wayne Hooper  
Director



Gregory Hooper  
Director

Dated this 27<sup>th</sup> Day of February 2018

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF LASERBOND LIMITED

### Report on the Half-Year Financial Report

We have reviewed the accompanying half year financial report of LaserBond Limited and controlled entities ('the consolidated company'), which comprises the condensed consolidated statement of financial position as at 31 December 2017, condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information notes and the directors' declaration.

### Director's Responsibility for the Half-Year Financial Report

The directors' of LaserBond Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatements, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410: *Review of an Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the LaserBond Limited and controlled entities financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of the LaserBond Limited and controlled entities, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

## INDEPENDENT AUDITOR'S REVIEW REPORT (CONTINUED)

### Matters Relating to the Electronic Presentation of the Audited Financial Report

This review report relates to the financial report of the LaserBond Limited and controlled entities for the half-year ended 31 December 2017 included on the website of LaserBond Limited. The directors of the company are responsible for the integrity of the website and we have not been engaged to report on its integrity. This review report refers only to the half-year financial report identified above and it does not provide an opinion on any other information which may have been hyperlinked to or from the financial report. If users of this report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the reviewed financial report to confirm the information contained in this website version of the financial report.

### Independence

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

### Conclusion

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

- i. giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- ii. complying with AASB 134 *Interim Financial Reporting and the Corporation Regulations 2001*.

### LNP Audit and Assurance



Anthony Rose  
Director

Sydney, 27 February 2018

**Condensed Consolidated Statement of Profits or Loss and Other Comprehensive Income  
For the Half-Year Ended 31 December 2017**

|  | Note | 31 Dec 17<br>\$  | 31 Dec 16<br>\$  |
|--|------|------------------|------------------|
| <b>Revenue from continuing operations</b>                                      |      | 7,222,497        | 6,173,176        |
| Cost of Sales  |      | (3,986,480)      | (2,927,190)      |
| Inventory impairment   |      | (105,065)        | -                |
|  |      | <b>3,130,952</b> | <b>3,245,986</b> |
| Other Income   |      | 383,637          | 97,706           |
| Marketing Expenses   |      | (104,705)        | (93,776)         |
| Administration Expenses  |      | (1,535,379)      | (1,529,512)      |
| Employee Benefit Expenses  |      | (935,654)        | (938,729)        |
| Finance Costs  |      | (45,286)         | (37,441)         |
| Research & development Costs   |      | (539,067)        | (132,584)        |
| Other Expenses   |      | (130,096)        | (128,618)        |
|  |      | <b>224,402</b>   | <b>483,032</b>   |
| <b>Profit before tax</b>   |      | <b>224,402</b>   | <b>483,032</b>   |
| Income tax expense   |      | (64,002)         | (110,569)        |
|  |      | <b>160,400</b>   | <b>372,463</b>   |
| <b>Profit for the period</b>   |      | <b>160,400</b>   | <b>372,463</b>   |
| Other comprehensive income for the period, net of tax                          |      | -                | -                |
|  |      | <b>160,400</b>   | <b>372,463</b>   |
| <b>Total comprehensive income attributable to members of LaserBond Limited</b> |      | <b>160,400</b>   | <b>372,463</b>   |
| <br><b>Earnings per share for profit attributable to members:</b>              |      |                  |                  |
| Basic and Diluted Earnings per share (cents)                                   |      | 0.17             | 0.41             |

These Financial Statements should be read in conjunction with the accompanying notes.

**Condensed Consolidated Statement of Financial Position  
 for the Half-Year Ended 31 December 2017**

|                                      | Note | 31 Dec 17<br>\$   | 30 Jun 17<br>\$   |
|--------------------------------------|------|-------------------|-------------------|
| <b>CURRENT ASSETS</b>                |      |                   |                   |
| Cash and cash equivalents            |      | 1,817,560         | 2,011,636         |
| Trade and Other Receivables          |      | 4,715,400         | 4,054,013         |
| Inventories                          |      | 2,323,704         | 1,785,317         |
| Current Tax Assets                   |      | 78,828            | -                 |
| <b>Total Current Assets</b>          |      | <b>8,935,492</b>  | <b>7,850,966</b>  |
| <b>NON-CURRENT ASSETS</b>            |      |                   |                   |
| Property, plant and equipment        | 2    | 2,781,604         | 2,537,510         |
| Deferred tax assets                  |      | 270,938           | 233,137           |
| Intangible Assets                    |      | 24,703            | 5,988             |
| <b>Total Non-Current Assets</b>      |      | <b>3,077,245</b>  | <b>2,776,635</b>  |
| <b>TOTAL ASSETS</b>                  |      | <b>12,012,737</b> | <b>10,627,601</b> |
| <b>CURRENT LIABILITIES</b>           |      |                   |                   |
| Trade and Other Payables             |      | 2,348,407         | 1,445,396         |
| Employee Benefits                    |      | 719,200           | 630,591           |
| Interest-bearing liabilities         | 3    | 391,401           | 363,173           |
| Current Tax Liability                |      | -                 | 105,051           |
| <b>Total Current Liabilities</b>     |      | <b>3,459,008</b>  | <b>2,544,211</b>  |
| <b>NON-CURRENT LIABILITIES</b>       |      |                   |                   |
| Interest-bearing liabilities         | 3    | 1,419,019         | 991,394           |
| Employee Benefits                    |      | 67,512            | 46,779            |
| Deferred Tax Liabilities             |      | -                 | -                 |
| <b>Total Non-Current Liabilities</b> |      | <b>1,486,531</b>  | <b>1,038,173</b>  |
| <b>TOTAL LIABILITIES</b>             |      | <b>4,945,539</b>  | <b>3,582,384</b>  |
| <b>NET ASSETS</b>                    |      | <b>7,067,198</b>  | <b>7,045,217</b>  |
| <b>EQUITY</b>                        |      |                   |                   |
| Issued Capital                       | 4    | 6,321,770         | 6,186,816         |
| Retained earnings                    |      | 745,428           | 858,401           |
| <b>TOTAL EQUITY</b>                  |      | <b>7,067,198</b>  | <b>7,045,217</b>  |

These Financial Statements should be read in conjunction with the accompanying notes

**Consolidated Statement of Cash Flows  
for the Half-Year Ended 31 December 2017**

|  | <b>31 Dec 2017</b> | <b>31 Dec 2016</b> |
|--|--------------------|--------------------|
|  | \$                 | \$                 |
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                  |                    |                    |
| Receipts from customers                                      | 9,183,722          | 7,618,922          |
| Payments to suppliers and employees                          | (8,932,331)        | (6,661,555)        |
| Interest paid  | (45,286)           | (33,823)           |
| Interest received  | 4,313              | 3,029              |
| Income taxes paid  | (7,424)            | (115,870)          |
| <b>Net cash provided by operating activities</b>             | <b>202,994</b>     | <b>810,703</b>     |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                  |                    |                    |
| Proceeds – disposal of assets                                | -                  | 11,846             |
| Payments for plant and equipment                             | 106,949            | (35,612)           |
| Loans to employees   | (6,400)            | (8,155)            |
| <b>Net cash provided by / (used in) investing activities</b> | <b>100,549</b>     | <b>(31,921)</b>    |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                  |                    |                    |
| Payments for issue of shares                                 | (8,290)            | (6,500)            |
| Repayments to lessors  | (215,956)          | (195,629)          |
| Dividends paid   | (273,373)          | (98,390)           |
| <b>Net cash used in financing activities</b>                 | <b>(497,619)</b>   | <b>(300,519)</b>   |
| <b>NET INCREASE / (DECREASE) IN CASH HELD</b>                | <b>(194,076)</b>   | <b>478,263</b>     |
| Cash at beginning of period                                  | 2,011,636          | 768,041            |
| <b>CASH AT END OF PERIOD</b>                                 | <b>1,817,560</b>   | <b>1,246,304</b>   |

These Financial Statements should be read in conjunction with the accompanying notes.



**Condensed Consolidated Statement of Changes in Equity  
for the Half-Year Ended 31 December 2017**

|  | <b>Issued ordinary<br/>capital</b> | <b>Retained earnings</b> | <b>Total equity</b> |
|--|------------------------------------|--------------------------|---------------------|
|  | <b>\$</b>                          | <b>\$</b>                | <b>\$</b>           |
| <b>Opening Balance at 1<sup>st</sup> July 2016</b> | <b>5,985,756</b>                   | <b>105,322</b>           | <b>6,091,078</b>    |
| Profit attributable to members of parent entity    | -                                  | 372,463                  | 372,463             |
| Dividends provided for or paid                     | -                                  | (178,821)                | (178,821)           |
| Issue of Share Capital (net of transaction costs)  | 114,437                            | -                        | 114,437             |
| <b>Closing Balance at 31st December 2016</b>       | <b>6,100,193</b>                   | <b>298,964</b>           | <b>6,399,157</b>    |
| <b>Opening Balance at 1<sup>st</sup> July 2017</b> | <b>6,186,816</b>                   | <b>858,401</b>           | <b>7,045,217</b>    |
| Profit attributable to members of parent entity    | -                                  | 160,400                  | 160,400             |
| Dividends provided for or paid                     | -                                  | (273,373)                | (273,373)           |
| Issue of Share Capital (net of transaction costs)  | 134,954                            | -                        | 134,954             |
| <b>Closing Balance at 31st December 2017</b>       | <b>6,321,770</b>                   | <b>745,428</b>           | <b>7,067,198</b>    |

These Financial Statements should be read in conjunction with the accompanying notes

## **NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

### **Corporate Information**

LaserBond Limited (the company) is a for profit listed public company incorporated and domiciled in Australia. The financial report for the half year ended 31 December 2017 comprises the company and its controlled entities (the Group). The group specialises in developing technologies and implementing its metal cladding methodologies to increase operating performance and wear life of capital-intensive machinery components.

### **Note 1: Significant Accounting Policies**

#### **a) Statement of Compliance**

The condensed consolidated financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001*, applicable Accounting Standards (including AASB 134 *Interim Financial Reporting*) and other mandatory professional reporting requirements. The condensed consolidated financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report. It is recommended that the condensed consolidated financial report be considered together with any public announcements made during the half year to 31 December 2017 in accordance with the continuous disclosure obligations under the Australian Securities and Exchange Listing Rules and the *Corporations Act 2001*.

#### **b) Basis of Preparation**

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted. The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the company's 2017 annual financial report for the financial year ended 30 June 2017, except for the impact of the Standards and Interpretations described below. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

#### **c) New and Amended Standards Adopted**

A number of new or amended standards became applicable for the current reporting period however there are no changes to accounting policies or retrospective adjustments as a result of adopting these standards. There may be some changes to the disclosures in the 30 June 2018 annual report as a consequence of these amendments.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

#### **d) Impact of standards issued but not yet effective**

Certain new accounting standards and interpretation have been published that are not mandatory for the 31 December 2017 period. The Group has adopted all new standards and interpretations which became mandatorily effective during the period. There has been no significant impact on the reported financial position or performance of the Group on adoption.

##### *AASB 9 Financial Instruments (Effective for accounting periods commencing after 1 January 2018)*

Addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard affects the accounting for its available-for-sale financial assets, since it only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. The group does not have any such assets. The standard also affects the accounting for financial liabilities that are designated at fair value through profit or loss but the group does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed.

##### *AASB 15 Revenue from contracts with customers (Effective for accounting periods commencing after 1 January 2018)*

AASB 15 introduces a five step process for revenue recognition with the core principle of the new Standard being for entities to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. Changes in revenue recognition may cause changes to the timing and amount of revenue recorded in the financial statements as well as additional disclosures. The group has not quantified the impact at this time.

*AASB 16 Leases (Effective for accounting periods commencing after 1 January 2019)*

AASB 16 introduces a new model requiring lessors to recognise all leases on the balance sheet as right to use assets, except for short term leases and leases of low value assets which may remain off-balance sheet. The calculation of the lease liability will take into account appropriate discount rates, assumptions about lease term and increases in lease payments. A corresponding right to use asset will be recognised which will be amortised over the term of the lease. The group has not quantified the effect at this time.

|  | <b>31 Dec<br/>2017<br/>\$</b> | <b>30 Jun<br/>2017<br/>\$</b> |
|--|-------------------------------|-------------------------------|
| <b>Note 2: Property, Plant &amp; Equipment</b> |                               |                               |
| <i>Plant &amp; Equipment</i>                   |                               |                               |
| At cost  | 5,402,583                     | 4,903,165                     |
| Less accumulated depreciation                  | (2,886,896)                   | (2,629,214)                   |
|  | 2,515,687                     | 2,273,951                     |
| <i>Office Equipment</i>                        |                               |                               |
| At cost  | 185,598                       | 184,473                       |
| Less accumulated depreciation                  | (142,046)                     | (151,975)                     |
|  | 43,552                        | 32,498                        |
| <i>Motor Vehicles</i>                          |                               |                               |
| At cost  | 500,644                       | 465,234                       |
| Less Accumulated depreciation                  | (278,279)                     | (234,173)                     |
|  | 222,365                       | 231,061                       |
| Total property, plant & equipment              | 2,781,604                     | 2,537,510                     |

**Note 3: Interest Bearing Liabilities**

|  |           |           |
|--|-----------|-----------|
| Current interest bearing liabilities     | 391,401   | 363,173   |
| Non-Current interest bearing liabilities | 1,419,019 | 991,394   |
|  | 1,810,420 | 1,354,567 |

**Note 4: Contributed Equity**

|                            | <b>31 Dec 2017</b> | <b>30 Jun 2017</b> |
|----------------------------|--------------------|--------------------|
| Issued and Paid Up Capital | 6,321,770          | 6,186,816          |

|                 | <b>31 Dec 2017<br/>Shares</b> | <b>31 Dec 2017<br/>\$</b> | <b>30 Jun 2017<br/>Shares</b> | <b>30 Jun 2017<br/>\$</b> |
|-----------------|-------------------------------|---------------------------|-------------------------------|---------------------------|
| Existing Shares | 91,132,465                    | 6,186,816                 | 89,410,345                    | 5,985,756                 |
| Issued Shares   | 1,231,488                     | 134,954                   | 1,722,120                     | 201,060                   |
|                 | 92,363,953                    | 6,321,770                 | 91,132,465                    | 6,186,816                 |

**Note 4: Contributed Equity (continued)**

**(a) Ordinary Shares**

| Date                           | Details                        | No. Shares | Issue Price<br>(Cents per Share) | \$        |
|--------------------------------|--------------------------------|------------|----------------------------------|-----------|
| 1 <sup>st</sup> July 2017      | Opening Balance                | 91,132,465 |                                  | 6,186,816 |
| 9 <sup>th</sup> October 2017   | Non-Exec.Director Remuneration | 100,000    | 0.1250                           | 10,662    |
| 13 <sup>th</sup> October 2017  | Dividend Reinvestment Plan     | 979,480    | 0.1254                           | 118,213   |
| 21 <sup>st</sup> December 2017 | Employee Share Plan            | 152,008    | 0.1500                           | 6,079     |
| 31 <sup>st</sup> December 2017 | Closing Balance                | 92,363,953 |                                  | 6,321,770 |

**Note 5: Dividends**

|   | 31 Dec<br>2017<br>\$ | 31 Dec<br>2016<br>\$ |
|---|----------------------|----------------------|
| Declared fully franked 2017 final dividend of 0.2 cents per share (2016: 0.2)   | 273,373              | 178,821              |
| Declared fully franked 2018 interim dividend of 0.2 cents per share (2017: 0.2) | -                    | -                    |

**(a) Dividends not recognised during reporting period**

Since 31 December 2017, the Directors have recommended the payment of an interim dividend of 0.2 cents per fully paid ordinary share (2016: 0.2), fully franked based on tax paid at 30%. The aggregate amount of the proposed dividend expected to be paid on 6 April 2018 out of retained earnings at 31 December 2017, but not recognized as a liability, is \$184,728.

**Note 6: Contingent Liabilities**

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

**Note 7: 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.

**(a) Other Related Parties**

*Labour Costs*

|   |         |         |
|---|---------|---------|
| Labour – Payroll Staff (persons related to executive directors) | 102,709 | 116,343 |
|---|---------|---------|

*Superannuation*

|  |         |         |
|--|---------|---------|
| Contributions to superannuation funds on behalf of employees | 174,728 | 152,314 |
|--|---------|---------|

*Loans- Other Related Parties*

|  |    |       |
|--|----|-------|
| Employee Loans   | -  | 400   |
| Employee Personal Expenses – receivable from employee's who used, at the approval of director's, a group supplier expense account for purchases of a personal use. | 32 | 2,000 |
|  | 32 | 2,400 |

**Note 7: Related Party Transactions (continued)**

**(b) Key Management Personnel**

|                      | <b>31 Dec 2017</b> | <b>31 Dec 2016</b> |
|----------------------|--------------------|--------------------|
|                      | <b>\$</b>          | <b>\$</b>          |
| <i>Consultants</i>   |                    |                    |
| Sam Holdings (Aust.) | 57,450             | 116,875            |
| Hawkesdale Group     | 2,500              | -                  |
|                      | 59,950             | 116,875            |

Sam Holdings, an ex-director related entity, provided consultancy services related to marketing, sales support and strategy development. Hawkesdale Group, a director related entity, provided services related to Board committees.

*Loans*

|               |        |        |
|---------------|--------|--------|
| Director Loan | 22,174 | 28,174 |
|---------------|--------|--------|

All loans are classified current, unsecured and interest free. The Director loan is receivable from Mr. Greg Hooper, a director of the group.

**Note 8: Subsequent Events**

There are no matters to report subsequent to the end of the reporting period.

**Note 9: Segment Reporting**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Executive Directors (chief operating decision makers) in assessing performance and determining the allocation of resources. The Group operates entirely within Australia.

|                                 | <b>Services &amp; Products Divisions</b> |                |                 |                |
|---------------------------------|--|----------------|-----------------|----------------|
|                                 | <b>Dec 17</b>                            |                | <b>Dec 16</b>   |                |
|                                 | <b>Services</b>                          | <b>Product</b> | <b>Services</b> | <b>Product</b> |
| Revenue                         | 4,862,066                                | 2,360,431      | 3,748,317       | 2,424,859      |
| <b>EBITDA</b>                   | <b>652,068</b>                           | <b>208,686</b> | <b>601,359</b>  | <b>404,033</b> |
| Interest                        | (19,855)                                 | (21,119)       | (24,090)        | (10,303)       |
| Depreciation & Amortisation     | (184,170)                                | (128,055)      | (201,767)       | (158,158)      |
| <b>Profit Before Income Tax</b> | <b>448,043</b>                           | <b>59,512</b>  | <b>375,502</b>  | <b>235,572</b> |
| Income tax expense              | (125,302)                                | (16,852)       | (101,416)       | (63,623)       |
| <b>Profit after Income Tax</b>  | <b>322,741</b>                           | <b>42,660</b>  | <b>274,086</b>  | <b>171,949</b> |

**Note 9: Segment Reporting (continued)**

|                                 | <b>Other Divisions</b> |                 |                 |                 | <b>Total</b>   |                |
|---------------------------------|------------------------|-----------------|-----------------|-----------------|----------------|----------------|
|                                 | <b>Dec 17</b>          |                 | <b>Dec 16</b>   |                 | <b>Dec 17</b>  | <b>Dec 16</b>  |
|                                 | <b>R&amp;D</b>         | <b>Tech</b>     | <b>R&amp;D</b>  | <b>Tech</b>     |                |                |
| Revenue                         | -                      | -               | -               | -               | 7,222,497      | 6,173,176      |
| <b>EBITDA</b>                   | <b>(243,636)</b>       | <b>(38,538)</b> | <b>(86,572)</b> | <b>(40,922)</b> | <b>578,580</b> | <b>877,898</b> |
| Interest                        | -                      | -               | -               | -               | (40,974)       | (34,393)       |
| Depreciation & Amortisation     | (979)                  | -               | (548)           | -               | (313,204)      | (360,473)      |
| <b>Profit Before Income Tax</b> | <b>(244,615)</b>       | <b>(38,538)</b> | <b>(87,120)</b> | <b>(40,922)</b> | <b>224,402</b> | <b>483,032</b> |
| Income tax expense              | 67,374                 | 10,778          | 43,418          | 11,052          | (64,002)       | (110,569)      |
| <b>Profit after Income Tax</b>  | <b>(177,241)</b>       | <b>(27,760)</b> | <b>(43,702)</b> | <b>(29,870)</b> | <b>160,400</b> | <b>372,463</b> |
|                                 |                        |                 |                 |                 | <b>Dec 17</b>  | <b>Jun 17</b>  |
| Assets                          |                        |                 |                 |                 | 12,012,737     | 10,627,601     |
| Liabilities                     |                        |                 |                 |                 | 4,945,539      | 3,582,384      |

**Note 10: Group's Details**

**Registered Office and Principal Place of Business:**

**LaserBond Ltd**

Principal Place of Business / NSW Services Division  
2/57 Anderson Road  
SMEATON GRANGE NSW 2565  
Phone: 02 4631 4500  
Fax: 02 4631 4555  
[www.laserbond.com.au](http://www.laserbond.com.au)

**Divisions of Head Office:**

South Australia Products & Services Division  
112 Levels Road  
CAVAN SA 5094  
Phone: 08 8262 2289  
Fax: 08 8260 2238

**Share Registry:**

Boardroom Pty Ltd  
Grosvenor Place  
Level 12, 225 Kent Street  
SYDNEY NSW 2000  
Phone: 1300 737 760  
[www.boardroomlimited.com.au](http://www.boardroomlimited.com.au)

**Auditor:**

LNP Audit and Assurance  
Level 14, 309 Kent Street  
SYDNEY NSW 2000  
[www.lnpaudit.com.au](http://www.lnpaudit.com.au)