LASERBOND®
PRODUCTIVITY | INNOVATION | CONSERVATION

SHAREHOLDERS

Annual Report

2020

Contents

About Us	4
At a glance	6
Chairman's Letter	8
CEO's Review of Operations	10
Directors' Report	19
Declaration by Directors	23
Auditor's Independence Declaration	24
Independent Auditor's Report	25
Statement of Profit or Loss & Other Comprehensive Income	29
Statement of Financial Position	30
Statement of Cash Flows	31
Statement of Change in Equity	32
Notes to the Financial Statements	33
Shareholder Information	52

Corporate Directory

Directors:
Mr. Philip Suriano
Chairman / Non-Executive Director

Mr. Wayne Hooper
Executive Director

Mr. Matthew Twist
Executive Director

Company Secretary: Mr. Matthew Twist

Registered Office, Principal place of business:
2/57 Anderson Road
SMEATON GRANGE
NSW 2567
Phone: +61 2 4631 4500
Fax: +61 2 4631 4555

South Australia Division:
112 Levels Road
CAVAN
SA 5094
Phone: +61 8 8262 2289

Victoria Division:
26-32 Aberdeen Road
ALTONA
VIC 3018
Phone: +61 3 9398 5925

Website: www.laserbond.com.au

Share Registry:
Boardroom Pty Ltd
Grosvenor Place
Level 12, 225 George Street
SYDNEY NSW 2000

Auditor:
LNP Audit and Assurance Pty Ltd
Level 14, 309 Kent Street
SYDNEY NSW 2000

Solicitor:
HWL Ebsworth Lawyers
Level 14, Australia Square
264-278 George Street
SYDNEY NSW 2000
Phone: +61 2 9334 8555

Bankers:
Commonwealth Bank of Australia
Major Client Group
Level 9, Darling Park Tower 1
201 Sussex Street
SYDNEY NSW 2000

Stock Exchange Listing:
LaserBond Ltd shares are listed on the Australian Securities Exchange (ASX) under LBL.

LaserBond Operations

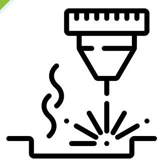
SERVICES DIVISION

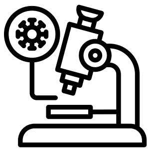
Repair and refurbishing worn or damaged machine parts

Exposure to recurring service problems leads to research for better solutions & product opportunities

RESEARCH & DEVELOPMENT

New cladding materials and application technologies



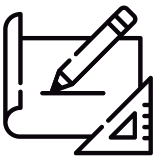


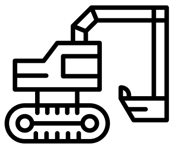
A wide range of customers and industries seeking better than new repair of (mostly) wear related machinery maintenance problems

LASERBOND

PRODUCTIVITY | INNOVATION | CONSERVATION

Technology developed in collaboration with researchers and industry partners





TECHNOLOGY DIVISION

Design, manufacture, licensing & support of tailored cladding systems

Global METS OEM partners who are seeking strategic advantage from high performance wear components

PRODUCTS DIVISION

Specialised surface engineered components for OEM partners and end users.

What we do

About Us

LaserBond is a specialist surface engineering company founded in 1992 that focuses on the development and application of materials using advanced additive manufacturing technologies to increase operating performance and life of wearing components in capital-intensive industries. Within these industries, the wear of components can have a profound effect on the productivity and total cost of ownership of their capital equipment. Almost all components fail at the surface, through a combination of abrasion, erosion, corrosion, cavitation, heat and impact, so a tailored surface metallurgy can be used to dramatically extend life and enhance performance.

LaserBond's technology has applications across many industries where surface engineering can deliver significant cost effective improvements in productivity and/or lower total cost of equipment ownership. They include resources and energy, agriculture, fluid handling, steel and aluminium production, heavy transport, advanced manufacturing, defence and infrastructure construction.

Our growth has been built on the pursuit of leadership in innovation and technology across three surface engineering foundations;

- The tribology of wear and performance in heavy industrial components.
- Metallurgy and science of high performance materials.
- Optimisation of a wide range of materials and application methodologies.

This is supported by marketing and sales focus that seeks opportunities offering productivity and sustainable gains;

- Identifying components, equipment or applications that benefit from our technologies.
- Customer partners with established needs and markets.

Our customers are typically internationally recognised Original Equipment Manufacturers (OEMs) and large end users in capital-intensive heavy industries that endure high costs whenever their equipment is out of production for maintenance. In addition to the significant cost savings and productivity improvements we deliver, these customers recognise LaserBond's focus on WH&S, quality assurance, and the environment which is delivered through our certified PAS99 integrated management system. Importantly our customers also achieve WHS benefits, and the positive contribution to the environment by utilising our services.

WHS benefits are often realised because the maintenance of equipment and replacement of worn parts is often carried out in potentially hazardous environments (e.g. on mine sites) and/or involves handling of difficult and heavy components. Many of our customers recognise that by reducing the frequency of required maintenance, the utilisation of LaserBond's services significantly lowers the risk of injury to personnel.

Environmental benefits arise from LaserBond's ability to remanufacture and provide performance improvements to machine parts that would have typically been scrapped and replaced with new parts. The typical carbon footprint for a LaserBond remanufactured part is less than 1% of a new part, and with life improvements of between 2 to 20 times of a standard part, a carbon footprint of much less than 1% is achieved.

LaserBond operates from facilities in New South Wales, South Australia and Victoria.


LASERBOND

At a glance

A CULTURE OF INNOVATION

The company is driven by innovation, deriving approximately 80% of its revenue from proprietary technologies, and is currently implementing a national and international growth strategy.

LaserBond's proprietary technology gives it a competitive edge for quality, efficiency and innovation. Its products, services and technologies are used in a range of industry sectors that are essential to our well-being and to our economy.

LaserBond Facilities

Some of our blue-chip customers

Mining and Minerals Processing

Heavy Industry

Construction

Manufacturing

Energy

Snapshot

$6.2 MILLION
EBITDA

$22.2 MILLION
REVENUE

2.94 CENTS
EARNINGS PER SHARE

$4 MILLION
CASH

102
EMPLOYEES

$2.8 MILLION
NET PROFIT AFTER TAX

Chairman's Letter

Dear Shareholder

2020 was a year like no other. In January, we were blanketed in smoke from ferocious bushfires across the country and close to our New South Wales operations, before a pandemic of unparalleled proportions hit the health and economic well-being of communities around the world. While we all believed in the value of our business and have been committed to its success, LaserBond had never been tested as it has been in the last several months, and I am proud to say that it has withstood that testing with a resilience of which we are all incredibly proud.

Net profit after tax was stable at $2.805 million for the year compared with $2.809 million in FY19 on equally stable revenue of $22.2 million compared with $22.7 million last year. The robustness of the business was also evident in the level of cash it generated with a 125% increase in net cash flow over the year to $1.8 million from $0.8 million in the previous corresponding period. Cash flow from operations was up by 4.4% to $4.3 million from $4.1 million in FY19. The Board has declared an increased final dividend of 0.6 cents, bringing the annual dividend to 1.1 cent per share fully franked.

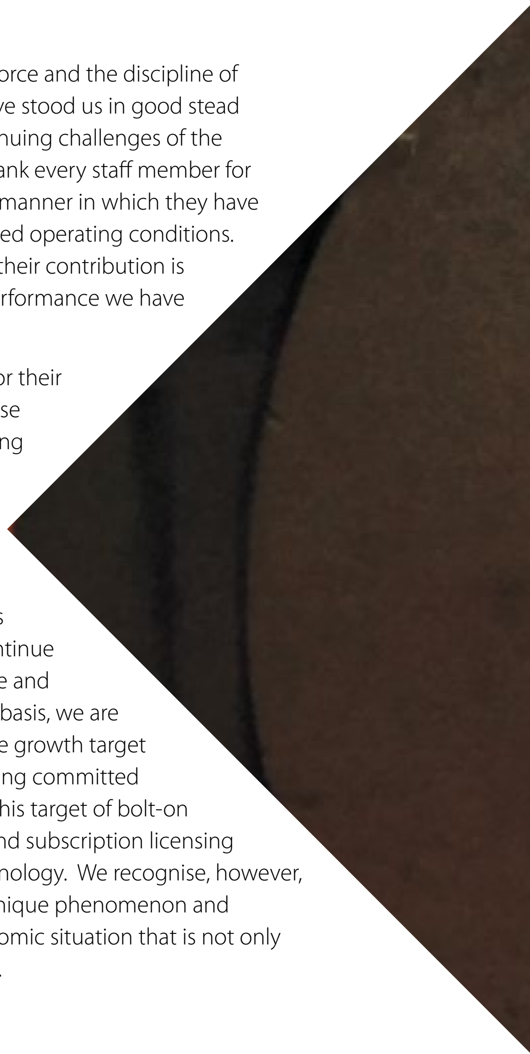
In line with our growth plans, we acquired the business and assets of Victorian company United Surface Technologies, a surface engineering company that provides industry with an advanced thermal spray coating and weld hardfacing service. The acquisition, which completed in August this year, will expand LaserBond's market reach, and product and service offering with a dedicated facility and complementary technologies to grow its customer base in Victoria and Tasmania across a broad range of essential services and heavy industry sectors.

During the year, we were also highly encouraged by the positive test results of our hard chrome plating replacement technology which has been developed under our R&D program over the past few years. While lab testing is not always an exact indication of performance, the tests returned superior results for durability and corrosion resistance, and we are confident that the technology is more efficient, more durable, non-toxic and more cost-effective. Overall a better solution than chrome plating.

The commitment of our workforce and the discipline of our processes and controls have stood us in good stead to navigate the new and continuing challenges of the global pandemic. I want to thank every staff member for the proactive and responsible manner in which they have responded to the vastly changed operating conditions. It has been a stellar effort and their contribution is clearly reflected in the solid performance we have achieved this year.

I also thank our shareholders for their continued commitment in these turbulent times and for believing in our future and our ability to harness it.

To date the impact of COVID-19 on our national and international supply chains has been manageable, and we continue to receive orders from a diverse and active customer base. On this basis, we are intent on pursuing our revenue growth target of $40 million by 2022, remaining committed to the strategy underpinning this target of bolt-on acquisitions, organic growth and subscription licensing revenue from proprietary technology. We recognise, however, that we are in the midst of a unique phenomenon and remain realistic about an economic situation that is not only unpredictable, but highly fluid.



Philip Suriano
Chairman

CEO's Review of Operations

In the face of significant adverse external events, I am pleased to report that LaserBond produced a stable performance for financial year 2020, demonstrating considerable resilience in earnings and cash flow. Strong foundations have been laid over the years that have stood us well in the face of the current unforeseen circumstances.

While we are pleased with the maintenance of our performance as a baseline, the advent of COVID-19 did impact planned growth in the business, particularly with respect to the Technology division and the projected acceleration of growth in international sales in the Products division, both due to international travel restrictions. Similarly, while overall demand for our products and services grew, it is undoubted that some customers delayed investment in refurbishment of plant and equipment due to the uncertainty stemming from the pandemic, although this is impossible to quantify.

MANAGEABLE COVID-19 IMPACT

Like most other businesses in Australia, LaserBond responded quickly and effectively to the pandemic risk, enacting a comprehensive risk management plan to protect the operations and our employees. Measures included increased hygiene procedures, social distancing, split shifts, working from home arrangements and continual monitoring of, and communication with, all employees. Fortunately, with the strong cooperation of everyone in the LaserBond team, there have been no cases of coronavirus at our sites.

I have been heartened by the resilience of our revenue streams, particularly from the Products and Services divisions. The impact of COVID-19 on our operations continues to be well-managed and we are fortunate to have a client base firmly rooted in sectors that have avoided direct impact from the pandemic. LaserBond is considered support to essential services and the majority of customers expect and need the company to continue to supply its products and services. Power generation, mining and minerals processing, oil and gas, transport, agriculture and manufacturing all represent parts of the economy that have been deemed essential and whose continued operations have required and enabled LaserBond to trade without much detriment to established demand for its services and products.

To date, COVID-19 impacts on the company have been limited to the effect of the restriction on travel, constraining our face-to-face sales effort. These travel restrictions have delayed business development activity largely relating to our Products and Technology divisions internationally.

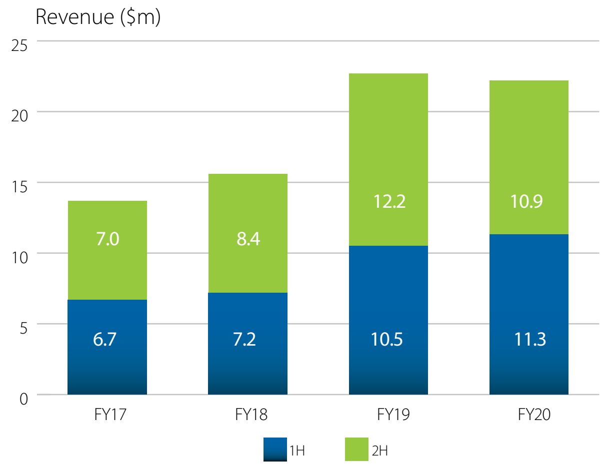
RESILIENT EARNINGS IN UNPRECEDENTED ECONOMIC ENVIRONMENT

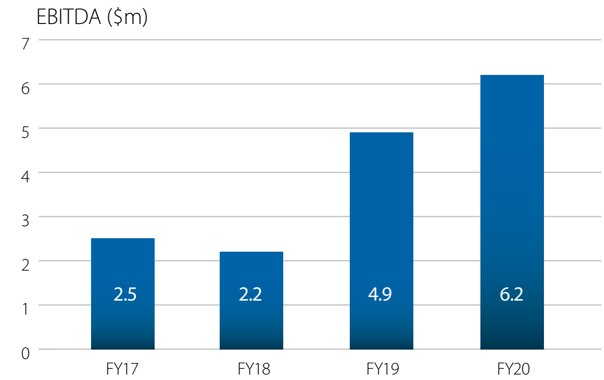
Revenue from continuing operations was slightly down from \$22.7 million in FY19 to \$22.2 million in FY20, primarily due to strong growth in the Services division but a drop in revenue in the Technology division from \$2.4 million in FY19 to \$0.2 million in FY20. The shortfall resulted from the international travel restrictions as well as delays in fulfilment of Products division orders from one original equipment manufacturer due to changes in product specifications. While the Products division delivered flat revenue, up 0.4% from \$9.13 million in FY19 to \$9.16 million in FY20, the Services division produced a 14.8% increase in revenue, from \$11.2 million in FY19 to \$12.8 million in FY20.

EBITDA was \$6.19 million, up by 26.5% on FY19, partly due to the effect of the changes to AASB 16 which required a change in the treatment of leases and payments made under those leases.

IMPACT OF AASB 16 LEASES

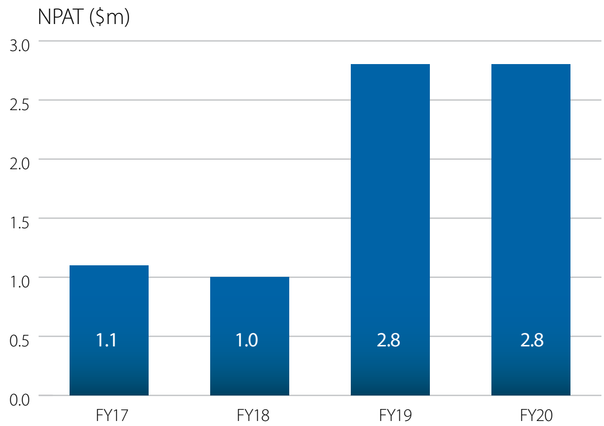
On 1 July 2019, the company was required to adopt AASB 16 Leases, which required facility leases to be recognised on the statement of financial position as Right of Use (ROU) depreciable assets with a corresponding finance liability. LaserBond has existing lease contracts for





facility premises in New South Wales and South Australia. Prior to the adoption of the changes as per AASB 16 Leases, the company classified each of its facility leases as an operating lease, with the cost of the lease reported as rent expense. These changes affect the calculation of Net Profit and have a major effect on reported EBIT and EBITDA.

For the purposes of enabling comparison to previous year results, the table below shows a reconciliation of FY20 NPBT, EBIT and EBITDA to accurately compare with FY19. Without AASB 16 Leases, the reported ("underlying") Net Profit Before Tax would have been up 1.3%. The underlying EBIT grew by 8.9% and underlying EBITDA grew by 10.4% compared with the previous corresponding period. As a result of the change, our EBITDA is approximately $0.51 million higher than otherwise. The result reflects the strength of our operations, having been achieved on flat total sales.



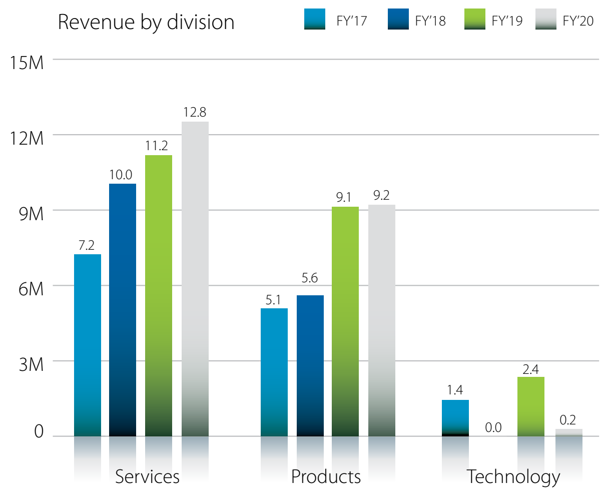
Reconciliation of FY20 EBITDA to pre-AASB 16 Leases

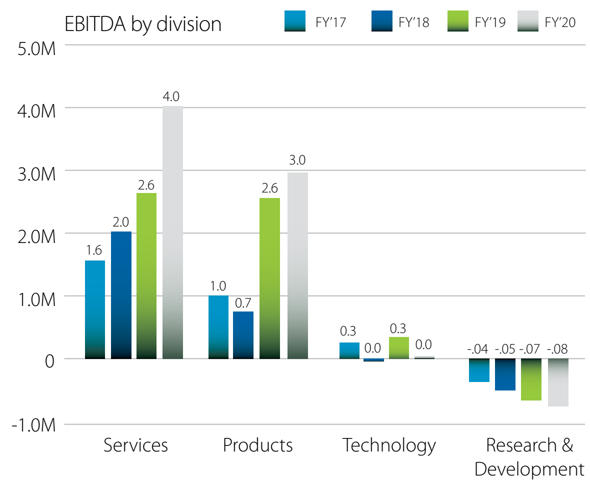
	FY20	FY19	Change
Net Profit Before Tax	$3,765,047	$3,834,867	(1.8%)
Rent Expense	($769,585)	-	
Depreciation on right of use asset	$731,797	-	
Lease interest expense	$158,818	-	
Underlying Net Profit Before Tax (pre-AASB 16 Leases)	$3,886,077	$3,834,867	1.3%
EBIT	$4,203,388	$4,004,793	5.0%
Lease interest expense	$158,818	-	
Underlying EBIT (pre AASB 16 Leases)	$4,362,206	$4,004,793	8.9%
Reported EBITDA	$6,185,017	$4,904,427	26.1%
Rent expense	($769,585)	-	
Underlying EBITDA (pre AASB 16 Leases)	$5,415,432	$4,904,427	10.4%

Net profit after tax was consistent with that of FY19 at $2.80 million. Cash balances have almost doubled to $1.8 million over the year from $2.2 million at 30 June 2019 to $4.0 million at year end 2020, driven by continuing strong cash flows from operations. Consistent with its culture of innovation, LaserBond invested $0.76 million in its research and development program compared with $0.67 million in FY19.

SEGMENTS STRONG DESPITE EXTERNAL FACTORS

The reported segmental earnings show solid contributions for each of the Products and Services divisions, with some unsatisfied demand largely resulting from the travel restrictions. The Products division experienced a delay in order fulfilment resulting from changed component specifications as well as lower than forecast international sales, while the Technology division did not achieve a license sale in FY20 as it did in FY19 and as budgeted for FY20. Services division achieved the forecast double-digit growth.



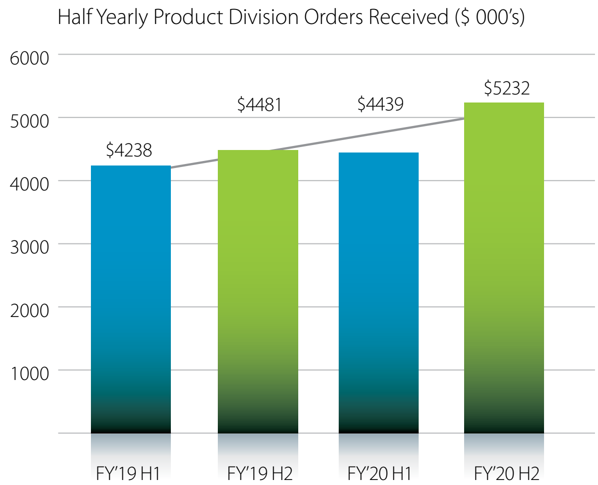


Services

Services revenue was $12.83 million representing a 14.8% increase on FY19 revenue of $11.175 million, with a 56.2% growth in EBITDA from $2.575 million in FY19 to $4.023 million. The NSW facility contributed 87% of Services revenue based on its long-standing surface engineering repair and reclamation business. Its 14.8% revenue growth was a result of ongoing investment in resources (human and equipment), enabling greater throughput and hence increased levels of plant efficiency. Whilst most of South Australia's revenue was from the sale of products, this facility achieved a 20% increase in Services revenue based on the implementation of targeted sales strategies. The recently acquired Melbourne facility is expected to contribute approximately $4 million of Services revenue in FY21.

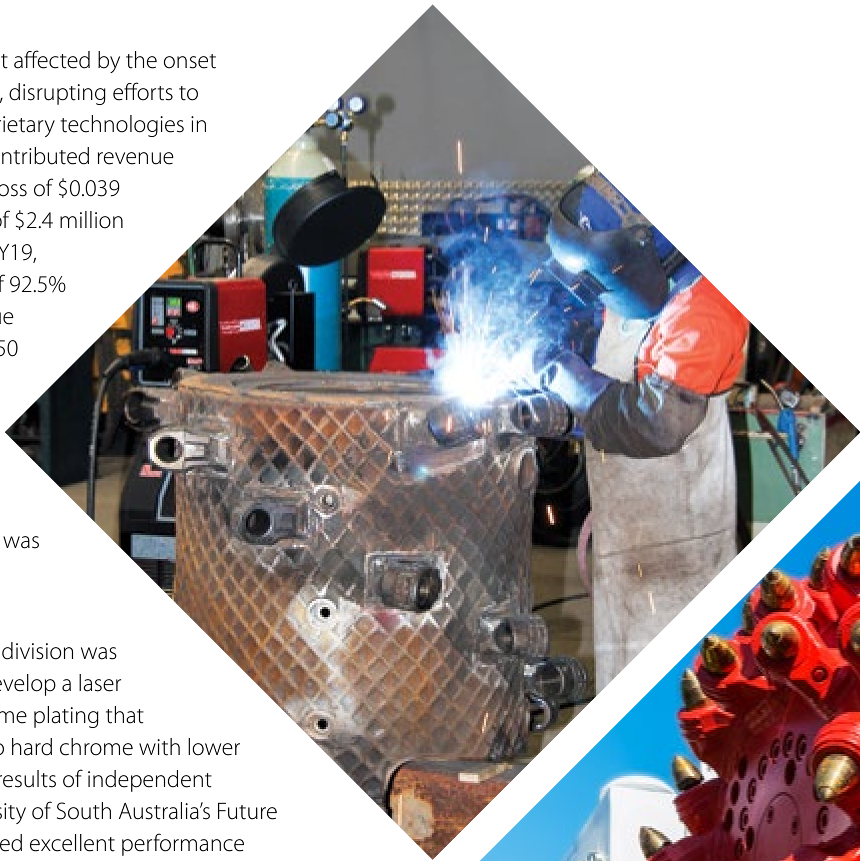
Products

Products revenue was essentially flat with a 0.4% increase from $9.13 million in FY19 to $9.17 million in FY20. EBITDA grew by 11.6% from $2.65 million in FY19 to $2.96 million in FY20. Orders received in FY20 grew by 10.9%, however, delays in fulfilment of orders from one original equipment manufacturer means significant Products division revenue will not be recognised until the first half of FY21. Furthermore, a planned acceleration of growth in international product sales was hampered by COVID-19 travel restrictions. It is intended that revenue growth for this division will emanate from targeted marketing of a number of current products as well as soon-to-be available products currently in development.



Technology

Technology was the division most affected by the onset of COVID-19 within the company, disrupting efforts to sell licenses for LaserBond's proprietary technologies in offshore markets. The division contributed revenue of $0.180 million and an EBITDA loss of $0.039 million compared with revenue of $2.4 million and EBITDA of $0.342 million in FY19, representing a drop in revenue of 92.5% and in EBITDA of 111.4%. Revenue from the division consists of $0.050 million for licensing and $0.130 million for the supply of laser cladding consumables. While our budgets included the completion of an additional equipment sale during FY20, this was prevented by the international travel restrictions.



The highlight for the Technology division was the finalisation of R&D work to develop a laser cladding alternative to hard chrome plating that provides superior performance to hard chrome with lower costs. Recently, we received the results of independent testing conducted by the University of South Australia's Future Industries Institute, which indicated excellent performance in the areas of durability and corrosion resistance. This new technology addresses the environmental and toxicity problems associated with current hard chrome plating processes, offers greater durability and can be applied in less time, making it an efficient alternative. While there is ample demand in the international marketplace, the technology will also provide LaserBond with a marketable equipment solution for current hard chrome suppliers and end users in Australia, with sales commencing in 1H21.

Grants

During 4Q20, LaserBond was successful in gaining a grant under the Manufacturing Modernisation Fund which is provided by the Australian federal government to stimulate business investment in new technologies and processes in the manufacturing sector. The purpose of the grant is to assist LaserBond to build an automated LaserBond® cladding cell incorporating Industry 4.0 technology. This will involve the design, installation and commissioning of an automatic, integrated LaserBond® cladding cell utilising transformative technologies for volume production of surface-engineered cylindrical components.

The cladding cell will have dramatically improved productivity and capacity for these components and will allow the company to increase its domestic and international market share, particularly in products for minerals processing, steel mills and hydraulic actuators and to access entirely new and expanded market bases. The total of the grant is $548,217 payable as the project progresses over the next 18 months.

Research and Development

LaserBond continues to grow its business utilising structured R&D programs focused on delivering effective and economic surface engineering solutions to a range of industry problems. Internal R&D resources are supplemented by leveraging academic and financial support through universities such as the Future Industries Institute of the University of South Australia, Monash University, Swinburne University and ANSTO. This leveraging of R&D resources is enabling LaserBond to accelerate the development and independent testing of its surface engineering solutions across a range of industries, with a number of concurrent projects.

HARD CHROME REPLACEMENT

During FY20, further development, parameter optimisation, laboratory testing and field trials confirmed the superior performance and economics of specific LaserBond® solutions as replacements for the environmentally and occupationally hazardous hard chrome plating process. The market for hard chrome plating is estimated to be in excess of US$1.2 billion, and there is increased pressure from regulators globally to eliminate the process due to the hazards that hexavalent chromium presents. LaserBond's developments open up tremendous opportunities in all divisions of the company, including domestic and export sales, and commercialisation will be pursued during 1H21.

SURFACE ENGINEERING CONTROL SYSTEMS & ADDITIVE MANUFACTURING

The Surface Engineering for Advanced Materials (SEAM) project supported by the Australian Research Council focuses on applied research. Together with Future Industries Institute at UniSA LaserBond is developing flexible 3D additive manufacturing from the laser cladding process. A second project is developing novel control technologies and process monitoring tools in laser cladding allowing a further improvement of process stability. ARC SEAM also aspires to train under-graduate and graduate students. Leveraging the ARC financial support, LaserBond is investing in developing its own technological knowledge and concurrently into Australia's future advanced manufacturing workforce.

DRILLING AND EXPLORATION

During FY20, LaserBond successfully finished a CRC-P funded project focusing on life time improvements for components for explorative drilling with UniSA and Boart Longyear. New surface engineering and additive manufacturing solutions for the mining industry were developed and comprehensively tested under real life conditions, and demonstrated a substantial gain in life over conventional products. Whilst the CRC-P project is complete, testing of other very promising components by our project partner is ongoing (delayed by current pandemic).

MINERALS PROCESSING

In FY21 a project funded within the IMCRC sees LaserBond and UniSA joining forces with a global OEM for mining and mineral processing equipment. Here the team of scientists will develop and test protective surfaces and additively manufactured features which tackle superimposed wear and corrosion loads under harshest environments. Success in this project will see applications globally for LaserBond's technology.

RAIL

With another project supported by the Australian Research Council, LaserBond together with Monash University, ANSTO and Yarra Trams will focus on repair of damaged rail components, both in-situ and in the workshop. The application of the successful outcomes from this project will significantly reduce rail maintenance costs; Components which at the moment have to be sourced from overseas in the future will be remanufactured in Australia. At the same time, intelligent materials design will contribute to dramatic extension in the life times of the wearing components.

Strategy

We remain committed to the strategy we have espoused to the market for the last few years, which underpins the achievement of a $40 million revenue target by FY22. However, the emergence of COVID-19 and the effect of its medium to long-term consequences now need to be factored into the target in time, as those consequences become more apparent. Clearly, part of the business's success relates to international sales, particularly in the Products and Technology divisions. Thus, optimal business performance will rely on the relaxation of international travel restrictions and restored economic conditions. The business continues to execute a four-pronged strategy to achieve the revenue target, as follows:

STRATEGIC OBJECTIVE

GEOGRAPHIC EXPANSION

Push into existing and new markets

Progress Milestones

- Acquisition of United Surface Technologies in Melbourne to widen market reach into Victoria and Tasmania
- Further growth generated by integrating LaserBond's laser cladding technology capability into Melbourne facility – expected 3Q21
- Augmentation of sales capacity with recruitment of Victorian representative in Melbourne
- Consideration of additional bolt-on facilities in other key states as opportunities arise
- Continued expansion into international markets for products

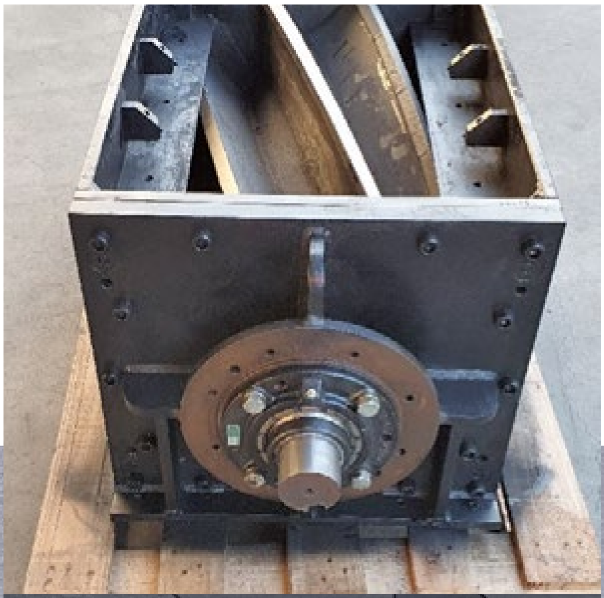
STRATEGIC OBJECTIVE

CAPACITY AND CAPABILITY

Invest in people and equipment to improve margins and build productivity

Progress Milestones

- The purchase of a large CNC vertical borer in FY20 opens up new business opportunities, increases internal capability, improves margins and lessens reliance on subcontractors.
- Similarly, the purchase of a new larger Okuma CNC lathe in FY20 improved our capabilities in the production of larger rolls for steel and other industries, improving margins and reducing reliance on subcontractors.
- Planned equipment purchases for FY21 include the automated LaserBond® cladding cell in NSW (with federal government support under the Manufacturing Modernisation Fund), a new LaserBond® cladding cell for VIC, and a large CNC horizontal borer for SA, all predominantly financed by existing bank facilities
- Increased shift sizes and scheduled additional shifts to boost productivity and revenue



STRATEGIC OBJECTIVE

PRODUCT DEVELOPMENT

Innovate, build R&D capability and stay ahead of the market

Progress Milestones

- Continued investment in structured R&D program in conjunction with OEM customers and where appropriate with universities and with the support of governments.
- During FY20, the company upgraded its Scanning Electron Microscope to allow more detailed investigation of applied surface engineering properties and performance.
- Recent development of rotary feeders for pneumatic conveying of mulch, soil, sand and aggregate, which is a rapidly expanding application globally
- Commencement of marketing of replacement feeders for a local exchange service and exploring export markets

STRATEGIC OBJECTIVE

TECHNOLOGY LICENSING

Build a suite of technologies for sale under long-tailed licensing arrangements

Progress Milestones

- Launch of hard chrome replacement technology in 1H21
- Continue marketing and sales of technology licenses globally

Outlook

While the FY20 sales performance has fallen short of the company's stated target of double-digit sales growth, the outlook across the group remain s positive and we remain confident that we can still achieve the medium-term revenue target of $40 million by 2022. The COVID-19 risks to our business relate to growth rather than to the existing revenue base. Nevertheless, we still see a clear growth trajectory in the current environment and continue to prosecute that strategy off the back of the progress we have made in FY20. Undoubtedly, we are in a better position than many companies, given our statutory classification as support for essential services businesses, and we have a solid pipeline of work within our blue-chip customer base.

I add my appreciation and thanks to Philip's in acknowledgement of the LaserBond team and their commitment to adhere to changed practices and embrace the new working environment in an unwavering manner. It is with their support that our growth plans can become real.

Wayne Hooper

Chief Executive Officer and Executive Director

Directors' Report

The Directors present their report together with the financial statements of LaserBond Limited for the financial year ended 30th June 2020.

Principal Activity

LaserBond is a specialist surface engineering company that focuses on the development and application of materials using advanced additive manufacturing technologies to increase operating performance and life of wearing components in capital-intensive industries. Within these industries, the wear of components can have a profound effect on the productivity and total cost of ownership of their capital equipment. Almost all components fail at the surface, through a combination of abrasion, erosion, corrosion, cavitation, heat and impact, so a tailored surface metallurgy can be used to dramatically extend life and enhance performance.

LaserBond operates from facilities in New South Wales, South Australia and Victoria.

Review of Operations & Financial Results, Explanation of Results and Outlook

Please refer to CEO's Review of Operations from page 10.

Directors and Company Secretary

Details of the company's Directors who have been in office during the entire current financial year and up to the date of this report unless otherwise stated are:

Director:	Position Held	In Office Since	Ceased to Hold Office
Wayne Hooper	CEO/ Executive Director	21 April 1994	
Gregory Hooper	CTO/ Executive Director	30 September 1992	30 June 2020
Philip Suriano	Chairman / Non-Executive Director	6 May 2008	
Matthew Twist	CFO / Executive Director	30 June 2020	
Matthew Twist	Company Secretary	30 March 2009	

Information on Directors and Company Secretary (currently holding office)

Wayne Hooper GAICD – *Chief Executive Officer, Audit and Risk committee member*

Wayne is a professional engineer with significant technical and management experience within the surface engineering, general engineering and manufacturing industries. His engineering experience includes design, maintenance and project management. He started his career within the electricity generation industry, followed by high volume manufacturing. Prior to joining the company in 1994, Wayne also held senior roles in marketing within the building products industry. Wayne holds degrees in Science, Engineering (Honours Class 1) and an MBA.

Philip Suriano GAICD – *Chairman / Non-Executive Director, Audit and Remuneration committee member*

Philip has been a Director since 2008. He began his career in corporate banking with the State Bank of Victoria (Commonwealth Bank). He holds a degree in banking & finance (B.Bus. (Bkg & Fin)). He spent 16 years in senior positions within the Australian Media Industry. Philip has gained wide knowledge & experience to give him a strong background in operations, sales and marketing in such roles as National Sales Director, MCN (Austar and Foxtel TV sales JV) and Group Sales Manager at Network Ten. Prior to joining MCN, Philip was employed within the Victor Smorgon Group. For the past 14 years he has been working in corporate finance.

Matthew Twist GIA (Cert) – *Executive Director, Company Secretary, and Risk committee member*

Matthew Twist has over 25 years' financial management experience, encompassing financial and operational control and systems development in manufacturing companies. Matthew has been the company's Chief Financial Officer since March 2007, and was appointed Company Secretary on 30 March 2009. Matthew has a Certificate in Governance Practice, and is an affiliated member of the Governance Institute of Australia.

Directors' Report - CONTINUED

Remuneration Report

The directors present the LaserBond Limited 2020 remuneration report, outlining key aspects of our remuneration policy and framework, and remuneration awarded this year. The report is structured as follows:

(a) Key management personnel (KMP) covered in this report.
(b) Remuneration policy and link to performance
(c) Link between remuneration and performance
(d) KMP remuneration
(e) Contractual arrangements for executive KMP's
(f) Non-executive director arrangements

(a) Key management personnel (KMP) covered in this report

All directors of the company and the Company Secretary are considered as key management personnel (KMP's) for the management of its affairs, and are covered by this report.

(b) Remuneration policy and link to performance

Remuneration levels for KMP's are competitively set to attract, motivate and retain appropriately qualified and experienced personnel. Remuneration levels are reviewed annually by the Board through the Remuneration Committee including a reference to the company's performance.

The remuneration policy attempts to align reward with the achievement of strategic objectives and the creation of value for shareholders. Please refer to the Corporate Governance Statement on our website, http://www.laserbond.com.au/investor-relations/governance-statement.html, for details.

(c) Link between remuneration and performance

The company provides remuneration to non-executive directors through both cash fees and non-cash benefits in the form of equity issues. At the 2019 Annual General Meeting shareholder approval was sought and gained for the issue of 50,000 shares amounting to $19,500 for one non-executive director who held office for the full twelve months of fiscal year 2019. No approval has as yet been sought or gained for the 2020 fiscal year.

Non-cash (equity based) payments for non-executive directors are determined annually based on the time, commitment and responsibilities of their role, financial forecasts and cash-flow position of the company; their holding of office for the full twelve months of a fiscal year; and subject to shareholder approval prior to issue at the Annual (or Extraordinary) General Meeting. Further details can be found under Note 20 b).

The following table shows the gross revenue, profits and dividends for the last five years for the company as well as the share prices at the end of the respective financial years.

	2020	2019	2018	2017	2016
	$	$	$	$	$
Revenue	22,177,264	22,667,200	15,648,146	13,751,417	10,515,581
Net Profit after Tax	2,805,061	2,809,404	967,749	1,112,892	78,745
Share price at year end (Cents)	39.50	39.00	12.50	12.50	8.10
Dividends paid (Cents)	1.0	0.9	0.6	0.5	0.4

(d) KMP Remuneration

The following table shows details of the remuneration expense recognised for the company's Key Management Personnel for the current and previous financial year. KMP's received a fixed remuneration during the year ended 30 June 2020 and 30 June 2019.

		Salaries and fees	Super annuation	Share based payments	Long Service Leave
Wayne Hooper[1]	2020	370,705	49,968	-	-
	2019	313,272	54,477	-	-
Gregory Hooper[1]	2020	379,937	31,952	-	21,044
	2019	319,880	30,139	-	-
Philip Suriano[2]	2020	30,000	-	19,500	-
	2019	30,000	-	18,750	-
Matthew Twist	2020	158,309	14,912	1,000	-
	2019	155,310	14,549	1,000	-
Totals	2020	938,951	96,832	20,500	21,044
	2019	818,462	99,165	19,750	-

[1] Wayne and Gregory Hooper's remuneration is inclusive of their spouse's remuneration for any period they were actively employed by the company. Note 15 (a) reports all remuneration through payroll for all relatives of executive directors, including spouses.

[2] Philip Suriano's remuneration includes only fees related to their non-executive director remuneration. Any additional consulting fees related to support of executive functions is reported in Note 15 (b).

(e) Contractual arrangements for executive KMP's

KMP's who are active employees of the company are hired following current human resources policies and procedures, and each are required to have employment contracts, job descriptions and key performance indicators relevant to their roles and responsibilities.

(f) Non-executive director arrangements

Arrangements with Non-executive directors are based on the company's commitment to develop a Board with a blend of skills, experience and attributes appropriate for the business' goals and strategic plans.

If a non-executive director holds their Board position for the full twelve months of each reporting period they may be eligible for non-cash benefits of a fixed quantity of LaserBond shares reviewed annually by the Board. The Board has not agreed on the volume of shares to be issued to Philip Suriano based on FY20 company performance at the time of lodgement of this report. Any issue is subject to shareholder approval with the price based on the closing share price on the day of approval.

(g) Shares held by key management personnel

The number of ordinary shares in the company during the 30 June 2020 financial year held by each of the company's key management personnel, including their related parties, is set out below:

Name	Balance at 30 June 2019	Granted as remuneration	Bought / (Sold)	Dividend Re investment	Balance at 30 June 2020
Wayne Hooper	10,891,183	-	30,000	143,112	11,064,295
Gregory Hooper	9,576,859	-	(241,751)	-	9,335,108
Philip Suriano	708,305	50,000	-	18,271	776,576
Matthew Twist	70,909	1,333	-	65	72,307

(h) Loans to key management personnel

The company allows its employees to take short term loans and this facility is also available to its key management personnel. The company's loans to key management personnel during the year was $Nil (2019: $4,174). The loans to key management personnel are generally for a short term, unsecured and interest free.

End of remuneration report.

Director's Meetings

During the financial year ended 30th June 2020, the number of meetings held, and attended, by each Director were as follows:

Director	Board Meetings		Audit and Risk Committee Meetings		Remuneration Committee Meetings	
	Eligible	Attended	Eligible	Attended	Eligible	Attended
Wayne Hooper	8	8	3	3	-	-
Gregory Hooper	8	7	-	-	-	-
Philip Suriano	8	8	2	2	1	1

Please refer to the Corporate Governance Statement at http://www.laserbond.com.au/investor-relations/governance-statement.html for further information.

Significant Changes in State of Affairs

On 30 June 2020 the company signed a purchase agreement for the acquisition of all assets of United Surface Technologies Pty Ltd located in Victoria. Settlement has occurred in August 2020 and includes all staff and existing management, plant & equipment, ongoing contracts, facility leases and licenses as well as trading names. The $1.1 million purchase price was funded through existing equipment financing facilities and cash reserves. For further information, please refer to the ASX announcement dated 15 June 2020, and the Chairman's Letter and CEO Report within this document.

Future Developments

Any future developments required to be disclosed as per ASX Listings Rules have either been disclosed previously or are included in commentary or notes to this report. Any future items required to be disclosed will be done according to recent listing rules requirements.

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.

Matters Subsequent to the End of the Financial Year

The final dividend has been recommended and will be paid as detailed below.

No other matters or circumstances has arisen that has affected, or may significantly affect the company's operations, the results of those operations or the company's state of affairs in future financial years which has not already been reflected in the financial report.

Directors' Report - CONTINUED

Dividends

2019 final dividends of 0.5 cents per share and 2020 interim dividends of 0.5 cents per share were paid during the year. The directors have recommended the payment of a final dividend for FY2020 of 0.6 cents per fully-paid ordinary share (FY2019: 0.5c), fully franked based on tax paid at 27.5%. The dividend is expected to be paid on 9th October 2020.

Subject to the company continuing to develop in accordance with future plans, the Board expects to continue to maintain future dividends.

Directors' and Auditors' Information

In accordance with the provisions of the Corporations Act 2001, the company has insured the directors and officers against liabilities incurred in their role as directors and officers of the company. The terms of the insurance policy, including the premium, are subject to confidentiality clauses and therefore the company is prohibited from disclosing the nature of the liabilities covered and the premium paid.

No insurance premiums have been paid in respect of Auditors.

Non-Audit Fees paid to Auditor

The Audit and Risk committee has reviewed details of the amounts paid or payable for non-audit services provided to the company during the year ended 30 June 2020 by the company's auditor LNP Audit and Assurance.

The directors are satisfied that the provision of those non-audit services by the auditor is compatible with the general standards of independence for auditors imposed by the Corporations Act 2001 and did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the board of directors to ensure they do not impact the impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in the APES 110 Code of Ethics for Professional Accountants.

For details of fees for non-audit services paid to the auditors, refer to note 3.

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 24.

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

Director
Wayne Hooper

Dated this 18th day of August 2020

Corporate Governance

The directors of the company support and adhere to the principles of corporate governance, recognising the need for the highest standard of corporate behaviour and accountability. A review of the company's corporate governance practices was undertaken during the year. As a result, new practices were adopted and existing practices optimised to reflect industry best practice. In compliance with the "if no why not" reporting regime, where the Company's corporate governance practices do not follow a recommendation, the Board has explained its reasons for not following the recommendation and disclosed what, if any, alternative practices the Company has adopted instead of those in the recommendation.

A description of the company's current corporate governance practices is set in the company's Corporate Governance Statement which can be viewed at: http://www.laserbond.com.au/investor-relations/governance-statement.html

Declaration by Directors

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 29 to 53 are in accordance with the Corporations Act 2001 and:

   a. Comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and

   b. Give a true and fair view of the financial position as at 30th June 2020 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.

Note 1 confirms that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The directors have been given the declarations by the chief executive officer and chief financial officer required by Section 295A of the Corporations Act 2001.

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

Director
Wayne Hooper

Dated this 18th day of August 2020

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

As lead auditor of Laserbond Limited for the year ended 30 June 2020, 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 audit; and

2. no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Laserbond Limited during the financial year.

LNP Audit and Assurance Pty Ltd

Archana Kumar
Director

Sydney, 18 August 2020

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INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF LASERBOND LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of LaserBond Limited, which comprises the statement of financial position as at 30 June 2020, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration of the Company.

In our opinion the accompanying financial report of LaserBond Limited is in accordance with the Corporations Act 2001, including:

a) Giving a true and fair view of the Company's financial position as at 30 June 2020 and of its financial performance for the year ended on that date; and
b) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Corporations Act 2001 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 Code of Ethics for Professional Accountants (including Independence Standards) (the Code) that are relevant to our audit of the financial report in Australia; and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the

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procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Key Audit Matter	How our audit addressed the matter
Note 1(ii) *Measurement of expected credit losses on trade receivables* At 30 June 2020 gross trade receivables amounted to $3,867,677. The valuation of trade receivables requires management judgement due to the credit risk associated with each individual trade receivable. Management assesses the recoverability of trade receivables by reviewing customer's ageing profile, credit history, status of subsequent receipts, forward-looking information and assumptions, this year with higher estimation uncertainty due to impact of COVID-19. The determination of expected credit loss requires management to make significant judgements and assumptions and is highly subjective, amplified by the impact of COVID-19 which are inherently challenging to audit.	Our procedures included: • Obtaining an understanding of the Company's credit control procedures and assessing the design, implementation and operating effectiveness of key controls over granting of credit to customers; • Evaluating the Company's assumptions and judgements used in its expected credit loss model; • Validating data used in the model; and • Assessing the adequacy of disclosures in the financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report for the year ended 30 June 2020 but does not include the financial report and the auditor's report thereon. Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

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

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

Directors' Responsibilities

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

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

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Auditor's Responsibilities for the Audit of the Financial Report

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 20 to 21 of the Directors' Report for the year ended 30 June 2020.

In our opinion, the Remuneration Report of LaserBond Limited for the year ended 30 June 2020, complies with section 300A of the Corporations Act 2001.

Responsibilities

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

LNP Audit and Assurance Pty Ltd

Archana Kumar

Director

Sydney

18 August 2020

Statement of Profit or Loss and Other Comprehensive Income for the Year Ended 30th June 2020

	Note	2020	2019
		$	$
Revenue	22	22,177,264	22,667,200
Cost of Sales		(10,654,478)	(11,924,478)
Gross Profit		**11,522,786**	**10,742,722**
Other Income	2	663,300	547,586
Advertising & Promotional Expenses		(76,294)	(182,183)
Depreciation & Amortisation		(1,981,629)	(886,070)
Employment Expenses		(2,990,621)	(2,550,761)
Property Expenses	3	(15,532)	(773,650)
Administration Expenses	3	(1,743,024)	(1,721,481)
Repairs & Maintenance		(233,047)	(244,945)
Finance Costs		(440,860)	(176,708)
Research & Development		(675,774)	(552,826)
Other Expenses		(264,258)	(366,817)
Profit before income tax expense	4	**3,765,047**	**3,834,867**
Income tax expense	4	(959,986)	(1,025,463)
Profit after income tax expense		**2,805,061**	**2,809,404**
Other comprehensive income		-	-
Total comprehensive income attributable to members of LaserBond Limited		**2,805,061**	**2,809,404**

Earnings per share for profit attributable to members:

Basic and diluted earnings per share (cents)	5	2.940	2.972

This *Statement of Profit or Loss and Other Comprehensive Income* should be read in conjunction with the accompanying notes.

Statement of Financial Position
As at 30th June 2020

	Note	2020 $	2019 $
CURRENT ASSETS			
Cash and cash equivalents		3,997,653	2,192,535
Trade and other receivables	6	4,391,054	5,395,681
Inventories	7	3,454,973	2,547,508
Total current assets		**11,843,680**	**10,135,724**
NON-CURRENT ASSETS			
Property, plant and equipment	8	11,352,221	5,862,445
Deferred tax assets	10	386,383	363,355
Intangible assets	9	21,097	39,680
Total non-current assets		**11,759,701**	**6,265,480**
TOTAL ASSETS		**23,603,381**	**16,401,204**
CURRENT LIABILITIES			
Trade and other payables	11	1,326,181	2,037,970
Employee Benefits		1,096,393	998,778
Financial liabilities	13	1,761,841	641,201
Current Tax Liabilities		402,367	386,327
Total current liabilities		**4,586,782**	**4,064,276**
NON-CURRENT LIABILITIES			
Financial liabilities	13	6,719,781	2,213,062
Employee Benefits		60,613	63,642
Total non-current liabilities		**6,780,394**	**2,276,704**
TOTAL LIABILITIES		**11,367,176**	**6,340,980**
NET ASSETS		**12,236,205**	**10,060,224**
EQUITY			
Issued capital	12	7,042,358	6,725,293
Retained earnings		5,193,847	3,334,931
TOTAL EQUITY		**12,236,205**	**10,060,224**

This Statement of Financial Position should be read in conjunction with the accompanying notes.

Statement of Cash Flows
for the Year Ended 30th June 2020

	Note	2020 $	2019 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		26,884,309	25,467,090
Payments to suppliers and employees		(21,206,921)	(20,315,706)
Interest paid		(440,860)	(176,708)
Interest received		2,519	6,783
Income taxes paid		(979,084)	(900,428)
Net cash inflow from operating activities	18	**4,259,963**	**4,081,031**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for plant and equipment		(604,583)	(3,432,839)
Repayments of loans to employees		10,574	(22,600)
Net cash outflow from investing activities		**(594,009)**	**(3,455,439)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments for share issue costs		(13,117)	(9,408)
Payments for financial leases		(1,199,422)	742,347
Dividends paid		(648,297)	(545,058)
Net cash outflow from financing activities		**(1,860,836)**	**187,881**
INCREASE IN CASH AND CASH EQUIVALENTS		1,805,118	813,473
Cash and cash equivalents at beginning of year		2,192,535	1,379,062
CASH AND CASH EQUIVALENTS AT END OF YEAR		**3,997,653**	**2,192,535**

This Statement of Cash Flows should be read in conjunction with the accompanying notes.

Statement of Changes in Equity
for the Year Ended 30th June 2020

	Issued capital $	Retained earnings $	Total equity $
Opening Balance at 1st July 2018	**6,406,948**	**1,368,049**	**7,774,997**
Profit for the year	-	2,809,404	2,809,404
Issue of Share Capital, net of cost	318,345	-	318,345
Dividends paid during the year	-	(842,522)	(842,522)
Closing Balance at 30th June 2019	**6,725,293**	**3,334,931**	**10,060,224**
Profit for the year	-	2,805,061	2,805,061
Issue of Share Capital, net of cost	317,065	-	317,065
Dividends Paid during the year	-	(946,145)	(946,145)
Closing Balance at 30th June 2020	**7,042,358**	**5,193,847**	**12,236,205**

This 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 2020

Corporate Information

LaserBond Limited is a for-profit listed public company, incorporated and domiciled in Australia. The nature of the operations and principle activities of the company are described in the Directors' Report.

General Information and Statement of compliance

The financial report was authorised for issue in accordance with a resolution of the directors on 17th August 2020. These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Interpretations and the Corporations Act 2001, and comply with International Financial Reporting Standards as issued by the International Accounting Standards Board (IASB). The financial report has been prepared on an accruals basis.

CHANGE IN ACCOUNTING POLICY

AASB 16 Leases

AASB 16 *Leases* amends the accounting standard for leases and replaces AASB 117 *Leases*. The standard removes the distinction between operating and finance leases and requires lessees to bring all leases on to the statement of financial position.

The impact effect adopting AASB 16 at 1 July 2019 is as follows: The company recognised right-of-use assets of $5,444,610 and lease liabilities of $5,444,610 (current liabilities $766,256, and non-current liabilities $4,687,354) at 1 July 2019, for leases which were previously classified as operating lease commitments. This mainly relates to lease obligations for facility premises in New South Wales and South Australia.

There was no effect on net assets or total equity or cash flows at 1 July 2019. The lease liabilities as at 1 July 2019 can be reconciled to the operating lease commitments as 30 June 2019 as follows:

	$
Operating lease commitments at 1 July 2019 financial statements	2,583,057
Discounted using the incremental borrowing rate at 1 July 2019	2,391,905
Add: Renewal Option not included in prior year calculation	3,052,705
Lease liabilities recognised at 1 July 2019	5,444,610

The weighted average lessee's incremental borrowing rate applied by the company to lease liabilities at 1 July 2019 was 5%.

The company adopted AASB 16 Leases using the modified retrospective method and therefore the comparative information for the year ended 30 June 2019 has not been restated. Upon adoption of AASB 116, the company applied a single recognition and measurement approach for all leases, except for short term leases and low-value assets.

NOTE 1 (i): STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a) Revenue and other income

Revenue from contracts with customers

The core principle of AASB 15 is that revenue is recognised on a basis that reflects the transfer of promised goods or services to customers at an amount that reflects the consideration the Company expects to receive in exchange for those goods or services. Revenue is recognised by applying a five-step model as follows: (i) Identifying the contract with a customer; (ii) Identifying the performance obligations; (iii) determining the transaction price; (iv) allocating the transaction price to the performance obligations; and (v) recognising revenue when/as performance obligation(s) are satisfied.

Revenue from sale of goods and services

Revenue from sale of goods to customers is recognised when control of the goods has transferred to the customer, being the point in time when the goods are received by the customer. Revenue from services is recognised at the point the services are provided.

NOTE 1 (i): STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Interest

Revenue from interest is recognised on accrual basis and is mainly derived from cash at bank.

Other Income

Revenue from other income streams is recognised when the company receives it or as an accrual if the company is aware of the entitlement to the other income.

b) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision makers. The chief operating decision makers, who are responsible for allocating resources and assessing performance of the operating segments, have been identified as the Board.

c) 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 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 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. Deferred 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 tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting 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.

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.

d) 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 reporting 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 Statement of Profit or Loss and Other Comprehensive Income 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.

e) Comparative Information

Where necessary, comparative amounts have been reclassified and repositioned for consistency with current year accounting policy and disclosures. If there are any such changes, details on the nature and reason for the amounts that may have been reclassified and repositioned for consistency with current year accounting policy and disclosures, where considered material, are referred to separately in the financial statements or notes thereto.

NOTE 1 (i): STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

f) 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.

g) Financial Instruments

Financial instruments are recognised initially on the date that the Company becomes party to the contractual provisions of the instrument. On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets
All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification and subsequent measurement
On initial recognition, the Company classifies its financial assets at amortised cost. Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets.

Assets measured at amortised cost are financial assets where the business model is to hold assets to collect contractual cash flows and the contractual terms give rise on specified dates to cash flows are solely payments of principal and interest on the principal amount outstanding. The Company's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position. Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.
Interest income, foreign exchange gains or losses and impairment are recognised in profit or loss. Gain or loss on derecognition is recognised in profit or loss.

Recognition and initial measurement
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 reporting date which are classified as non-current assets. They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 to 90 days from date of invoice.

Derecognition
Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Impairment of financial assets
Impairment of financial assets is recognised on an expected credit loss (ECL) basis for financial assets measured at amortised cost.
When determining whether the credit risk of a financial assets has increased significantly since initial recognition and when estimating ECL, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the Company's historical experience and informed credit assessment and including forward looking information.

Credit losses are measured as the present value of the difference between the cash flows due to the Company in accordance with the contract and the cash flows expected to be received. This is applied using a probability weighted approach.

Impairment of trade receivables and contract assets have been determined using the simplified approach in AASB 9 which uses an estimation of lifetime expected credit losses. The Company has determined the probability of non-payment of the receivable and contract asset and multiplied this by the amount of the expected loss arising from default.

NOTE 1 (i): STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial liabilities

The Company measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method. The financial liabilities of the Company comprise trade payables and finance lease liabilities.

h) Inventory

Raw materials, finished goods and work in progress are stated at the lower of cost or 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.

i) Property, Plant and Equipment

Property plant and Equipment are measured at cost less depreciation and any impairment losses.

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

- Plant and equipment 4.5% - 65%
- Motor Vehicles 18.75% - 30%
- Development equipment 20% - 50%

j) Intangible assets

Patents

Patents are recognised and amortised from the date at which the patent was granted. Patent expenditures are amortised at 7.5% per annum.

Software

Software costs are recorded and amortised from the date at which the software is installed for use. Software expenditures are amortised at 40%-70% per annum.

k)Impairment of Non-Financial 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.

l) Leases

Comparative period

Leases of plant and equipment, where the company as lessee has substantially all the risks and rewards of ownership, are classified as finance liabilities. Financed 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.

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 Statement of Profit or Loss and Other Comprehensive Income on a straight-line basis over the period of the lease.

NOTE 1 (i): STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Current period

Leases of plant and equipment, where the company as lessee has substantially all the risks and rewards of ownership, are classified as finance liabilities. Financed 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.

Right of use assets

The company recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any re-measurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the relevant commencement date less any lease incentives received. Unless the Company is reasonably certain to obtain ownership of the leased asset at the end of the relevant lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the relevant lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the relevant lease, the company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate (initially measured using the index or rate as at the relevant commencement date), and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the company and payments of penalties for terminating a lease, if the lease term reflects the company exercising the option to terminate. The company applies the practical expedient to not separate non-lease components from lease components, and instead accounts for each lease component and any associated lease components as a single lease component.

The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the company uses the incremental borrowing rate at the relevant lease commencement date if the interest rate implicit in the lease is not readily determinable. After the relevant commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Significant judgements

The company has made the following significant judgements with respect to its leases as lessee:

Determining the lease term of contracts with renewal options
The company determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

Under one of its facility premise leases, the company is able to continually exercise the option to extend the term of the lease. The company applies judgement in evaluating whether it is reasonably certain to exercise the option to renew. That is, it considers all relevant factors that create an economic incentive for it to exercise the renewal. After the commencement date, the company reassesses the lease term specifically if there is a significant event or change in circumstances that is within its control and affects its ability to exercise (or not to exercise) the option to renew (i.e. a change in business strategy). The company has included reasonably certain renewal options as part of the lease term for one of its facility premise leases for a further 5 years.

NOTE 1 (i): STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Determining the incremental borrowing rate
The company has applied judgement to determine the incremental borrowing rate, which affects the amount of lease liabilities or right-of-use assets recognised. The company reassesses and applies the incremental borrowing rate on a lease by lease basis at the relevant lease commencement date based on the term of the lease (or the remaining term of the lease at the initial date of application). The company's equipment financing rate was used as a base rate in the company's judgment.

m) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

n) 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 Australian Taxation Office. 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 Australian Taxation Office 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.

o) Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and long service leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be

paid when the liabilities are settled. The liability for annual leave and long service leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

(ii) Other long-term employee benefit obligations

The liability for employee entitlements which are not expected to be settled within 12 months after the end of the period in which employees render the related service 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 end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Discount rates are based on the market yield on Commonwealth Government Securities with maturity dates close to the expected date the employee will reach 10 years of service.

The obligations are presented as current liabilities in the Statement of Financial Position if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

The current provision for employee benefits includes accrued annual leave and long service leave. For long service leave it covers all unconditional entitlements where employees have completed the required period of service and also those where employees are entitled to pro-rata payments in certain circumstances. Where employees have completed the required period of service, this entire amount is presented as current, since the group does not have an unconditional right to defer settlement for any of these obligations. However, based on past experiences, the group does not expect all employees to take the full amount of accrued leave or require payment within the next 12 months.

NOTE 1 (i): STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(iii) Share-based payments

Share-based compensation benefits are provided to employees via an employee share scheme. The fair value of options granted under the employee share scheme is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the shares granted, including the impact of any vesting conditions.

Vesting conditions are included in assumptions about the number of options that are expected to vest. The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entity revises its estimates of the numbers of shares that are expected to vest based on the vesting conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

The grant by the company of options over its equity instruments to the employees of subsidiary undertakings in the company is treated as a capital contribution to that subsidiary undertaking. The fair value of the employee services received, measured by reference to the grant date fair value, is recognised over the vesting period as an increase to investment in subsidiary undertakings, with a corresponding credit to equity.

p) 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 reporting date.

q) Earnings per share

(i) Basic Earnings per share
Basic earnings per share is calculated by dividing:

- The profit attributable to members of the company, excluding any costs of servicing equity other than ordinary shares.
- By the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted Earnings per share

There are no outstanding ordinary shares therefore diluted earnings per share is the same as basic earnings per share.

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. Government grants relating to assets are initially taken to deferred income and then offset against the carrying amount of the asset when construction of the asset has been completed.

s) Impact of Standards Issued but not yet applied by the Entity

Certain new accounting standards and amendments to standards have been published that are not mandatory for reporting periods commencing 1 July 2019 and have not been early adopted by the company. These standards are not expected to have a material impact on the company in the current or future reporting periods and on foreseeable transactions.

1(ii) Significant accounting judgements, estimates and assumptions

The company has considered the impact of COVID-19 and associated market volatility in preparing its financial statements which results in further judgement in the areas in which significant judgement already occurs. As a consequence of and in preparing these financial statements management has: re-evaluated whether there were any additional areas of judgement or estimation uncertainty; reviewed external market communications to identify other COVID-19 related impacts; assessed the carrying value of its assets and liabilities and determined any impact that may occur as a result of factors impacted by

NOTE 1 (i): STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

COVID-19; ran multiple stress testing scenarios which are an integral component to the company's risk management framework to assess the potential impact of pandemic; and considered the impact of covid-19 on the company's financial statement disclosures. As a result of applying these processes the company has made additional disclosures in respect of the impact of COVID-19 on accounting judgements and estimates for the following:

Significant estimate and judgement – receivables and expected credit losses

Receivables are recognised at amortised cost using the effective interest rate method, less any allowance for expected credit losses. The modelling methodology applied in estimating expected credit losses in these financial statements is consistent with that applied in the financial statements for the year ended 30 June 2019. The impact of COVID-19 on the global economy and how the business, government and customers react is uncertain. This uncertainty is reflected in the company's assessment of expected credit losses from its customers which are subject to a number of management judgements and estimates in the context of the impact of the pandemic and reflecting historical experience and other factors that are considered to be relevant, including future events that are believed to be reasonable under the circumstances. In relation to COVID-19, judgements and assumptions include the extent and duration of the pandemic, the impacts of actions of governments world-wide (especially US, UK and China), and the responses of business and customers in different industries relevant to the company.

Accordingly, the company's expected credit losses estimates are inherently uncertain and as a result, actual results may differ from these estimates.

NOTE 2: OTHER INCOME	**2020 $**	**2019 $**
Grant Income	-	468,606
Government Rebates / Subsidies	626,000	18,000
Other	37,300	60,980
	663,300	547,586

NOTE 3: EXPENSES

Profit before Income Tax from continuing operations includes the following specific expenses		
Property expenses (a)	15,532	773,650
Auditors Remuneration		
Audit Services – audit and review of Financial Reports	72,000	67,000
Non-Audit Services	33,000	-
	105,000	67,000

(a) Upon adoption of AASB 16 Leases on 1 July 2019, rental expenses has been replaced by depreciation and interest expenses

NOTE 4: INCOME TAX

Reconciliation of Income Tax Expense from continuing operations		
Profit before Income Tax expense	3,765,047	3,834,867
Prima Facie Tax at the Australian tax rate of 27.5% (2019: 27.5%)	1,035,388	1,054,588
Deferred Tax Asset adjustments	16,360	99,317
R&D Tax Concession	(77,268)	(88,682)
Non-deductible expense	2,606	7,208
Adjustment to prior year income tax provisions	(17,100)	(46,968)
Total income tax expenses	959,986	1,025,463

NOTE 5: EARNINGS PER SHARE

	2020 $	2019 $
Basic and diluted earnings per share (cents)	2.940	2.972

There are no current options to affect diluted earnings per share.

(a) Weighted Average Shares on Issue

	No. of Shares	Weighted No.
Opening Balance as at 1st July 2019	94,539,442	94,539,442
Shares issued as at 11th October 2019	50,000	36,027
Shares issued as at 22nd October 2018	146,556	101,184
Shares issued as at 14th February 2020	33,325	12,508
Shares issued as at 3rd April 2020	645,327	83,257
Closing Balance as at 30th June 2020	95,414,650	94,772,418

NOTE 6: TRADE AND OTHER RECEIVABLES

	2020 $	2019 $
Trade Receivables	3,867,677	4,822,307
Provision – Impairment of Receivables	(33,370)	(7,740)
Loans – Key Management Personnel	-	4,174
Loans – Employees	-	6,642
Prepayments	556,747	570,298
	4,391,054	5,395,681

Prepayments include progress payments on patent applications, and provisions for entitled government subsidies.

			Within Trade Terms (not impaired)				
	Gross Amount $,000	Past due (and impaired) $,000	<30 $,000	31-60 $,000	61-90 $,000	>90 $,000	Total $,000
2020							
Trade receivables	3,867	33	1,822	1,123	457	432	3,867
Other receivables	524	-	524	-	-	-	524
	4,391	33	2,346	1,123	457	432	4,391
2019							
Trade receivables	4,822	8	2,902	1,379	153	380	4,822
Other receivables	574	-	574	-	-	-	574
	5,396	8	3,476	1,379	153	380	5,396

NOTE 7: INVENTORY

	2020 $	2019 $
Stock on Hand – Raw Materials	2,075,143	1,492,517
Stock on Hand – Finished Goods	476,292	392,188
Work in Progress	903,538	662,803
	3,454,973	2,547,508

	$	$
Prepayments of Assets	264,848	-
Plant & Equipment		
At Cost	11,029,987	9,411,567
Less Accumulated Depreciation	(4,929,175)	(3,865,580)
	6,100,812	5,545,987
Office Equipment		
At Cost	266,519	234,734
Less Accumulated Depreciation	(181,633)	(138,487)
	84,886	96,247
Motor Vehicles		
At Cost	616,656	569,383
Less Accumulated Depreciation	(427,794)	(349,172)
	188,862	220,211
Right of Use Assets		
At Cost	5,444,610	-
Less Accumulated Depreciation	(731,797)	-
	4,712,813	-
TOTAL PROPERTY, PLANT & EQUIPMENT	11,352,221	5,862,445

(a) Movements in Carrying Amounts	**Plant & Equipment**	**Office Equipment**	**Motor Vehicles**	**Right of Use Assets**	**Total**
2020 Financial Year	**$**	**$**	**$**		**$**
Balance at the beginning of the year	5,545,987	96,247	220,211	-	5,862,445
Additions	1,921,925	39,407	47,273	5,444,610	7,453,215
Disposal of Asset	(91)	(300)	-	-	(391)
Depreciation Expense	(1,102,161)	(50,468)	(78,622)	(731,797)	(1,963,048)
Carrying Amount at the end of the year	6,365,660	84,886	188,862	4,712,813	11,352,221
2019 Financial Year	**$**	**$**	**$**		**$**
Balance at the beginning of the year	2,820,639	57,543	208,291	-	3,086,473
Additions	3,455,136	88,133	100,256	-	3,643,525
Sale / Disposal of Asset	(85,936)	(70,878)	(64,908)	-	(221,722)
Depreciation Expense	(643,852)	21,449	(23,428)	-	(645,831)
Carrying Amount at the end of the year	5,545,987	96,247	220,211	-	5,862,445

(b) Asset Additions financed	**2020**	**2019**
	$	**$**
The values for asset additions purchased utilising finance leases or hire purchase agreements are:	1,411,201	1,495,157

NOTE 9: INTANGIBLES

2020 Financial Year	Patents and Trademarks $	Other Intangibles $	Total $
Balance at the beginning of the year	16,093	23,587	39,680
Additions	-	-	-
Disposals	-	(2)	(2)
Amortisation Expense	(2,045)	(16,536)	(18,581)
Carrying Amount at the end of the year	14,048	7,049	21,097

2019 Financial Year	Patents and Trademarks $	Other Intangibles $	Total $
Balance at the beginning of the year	5.508	17.879	23.387
Additions	12,491	27,271	39,762
Disposals	-	(3,383)	(3,383)
Amortisation Expense	(1,906)	(18,180)	(20,086)
Carrying Amount at the end of the year	16,093	23,587	39,680

Amortisation charges are included in depreciation and amortisation in the statement of profits and loss.

NOTE 10: DEFERRED TAX ASSETS

	2020 $	2019 $
Deferred tax assets comprise temporary differences attributable to:		
Employee Benefits	318,176	292,166
Accruals	68,207	71,189
	386,383	363,355
Deferred tax assets expected to be recovered within 12 months	238,695	223,280
Deferred tax assets expected to be recovered after more than 12 months	147,688	140,075
	386,383	363,355

	Employee Benefits $	Expense Accruals $	Total $
At June 2018	250,744	37,296	288,040
(Charged) / credited			
- to profit or loss	41,422	33,893	75,315
- directly to equity	-	-	-
At June 2019	292,166	71,189	363,355
(Charged) / credited			
- to profit or loss	26,010	(2,982)	23,028
- directly to equity	-	-	-
At June 2020	318,176	68,207	386,383

NOTE 11: TRADE AND OTHER PAYABLES

	2020 $	2019 $
Trade Payables	1,169,047	1,280,494
Superannuation	46,504	44,094
Dividends	40,282	33,955
Other payables and accrued Expenses	70,348	679,427
	1,326,181	2,037,970

NOTE 12: CONTRIBUTED EQUITY

Issued and Paid Up Capital	2020 Shares	2020 $	2019 Shares	2019 $
Opening Balance	94,539,442	6,725,293	93,073,489	6,406,948
Issued Shares	875,208	317,065	1,465,953	318,345
	95,414,650	7,042,358	94,539,442	6,725,293

(a) Ordinary Shares

Date	Details	No. Shares	Issue Price (Cents per Share)	$
1st July 2018	Opening Balance	93,073,489		6,406,948
12th October 2018	Dividend Reinvestment Plan	812,074	15.91	127,464
23rd October 2018	Non-executive Director Remuneration	150,000	12.50	16,866
25th February 2019	Employee Share Plan	59,731	38.50	14,677
5th April 2019	Dividend Reinvestment Plan	444,148	36.68	159,338
30th June 2019	Closing Balance	94,539,442		6,725,293
11th October 2019	Dividend Reinvestment Plan	146,556	74.77	107,648
22nd October 2019	Non-executive Director Remuneration	50,000	39.00	17,578
14th February 2020	Employee Share Plan	33,325	75.00	15,317
3rd April 2020	Dividend Reinvestment Plan	645,327	28.19	176,522
30th June 2020	Closing Balance	95,414,650		7,042,358

(b) Capital Risk Management

Management effectively manages the company's capital by assessing the group'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. In order to maintain or adjust the capital structure, the company may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

NOTE 13: FINANCIAL LIABILITIES

	2020 $	2019 $
Current Liabilities		
Hire purchase and finance lease	789,751	641,201
Lease Liabilities (AASB 16)	972,090	-
	1,761,841	641,201
Non-Current Liabilities		
Hire purchase and finance lease	2,779,600	2,213,062
Lease Liabilities (AASB 16)	3,940,181	-
	6,719,781	2,213,062
	8,481,622	2,854,263

The company has committed to the purchase of a number of assets which will be funded through existing equipment financing facilities. As at the date of this report this commitment totals $2.85 million and includes the purchase of the assets of United Surface Technologies Pty Ltd in Victoria, an automated laser cladding cell for the NSW facility, a laser cladding cell for Victoria and a horizontal borer for the SA facility.

The directors are not aware of any contingent assets or contingent liabilities that would have an effect on these financial statements. (2019: Nil)

NOTE 15: 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

	2020	2019
Labour Costs	$	$
Payroll persons related to executive directors	233,242	163,363

Note: this is exclusive of executive director remuneration which is included in the remuneration report within the Directors' Report of this Annual Report.

(b) Key Management Personnel Transactions

Consultants		
Hawkesdale Group	71,250	51,875

These consultant fees are all paid to non-executive director related entities and relate to services to support executive functions. Fees relative to a non-executive director's board fees are included in the remuneration report within the Directors' Report of this Annual Report. Hawkesdale Group provided consultancy services related to sales support and strategy development. This is a director related entity.

Loans		
Director Loan – Gregory Hooper	-	4,174

All Loans are classified as current, unsecured and interest free.

Superannuation		
Contribution to superannuation funds on behalf of key management personnel	96,832	94,652

NOTE 16: KEY MANAGEMENT PERSONNEL

The key management personnel of the company for management of its affairs are all executive directors and the company secretary.

(a) Remuneration

Details in relation to the remuneration of the key management personnel of the company for management of its affairs are included in the remuneration Report within the Directors' Report of this Annual Report.

(b) Options Held

There were no options held at 30 June 2020 or 30 June 2019. There were no options issued during the financial year.

Interest		Shares Held as at 30th June 2019	Issued	Purchased (DRP)	Purchased / (Sold) on market	Shares Held as at 30th June 2020
Wayne Hooper Direct		9,625,685	-	143,112	30,000	9,798,797
Wayne Hooper Indirect		1,265,498	-	-	-	1,265,498
Greg Hooper[1] Direct		5,639,659	-	-	(241,451)	5,398,208
Greg Hooper[1] Indirect		3,936,900	-	-	-	3,936,900
Philip Suriano Indirect		708,305	50,000	18,271	-	776,576
Matthew Twist	Direct	70,909	1,333	65	-	72,307
		21,246,956	51,333	161,448	(211,451)	21,248,286

Interest		Shares Held as at 30th June 2018	Issued	Purchased (DRP)	Purchased / (Sold) on market	Shares Held as at 30th June 2019
Wayne Hooper Direct		9,351,932	-	273,753	-	9,625,685
Wayne Hooper Indirect		1,217,861	-	47,637	-	1,265,498
Greg Hooper Direct		5,639,659	-	-	-	5,639,659
Greg Hooper Indirect		3,936,900	-	-	-	3,936,900
Philip Suriano Indirect		545,131	150,000	13,174	-	708,305
Matthew Twist	Direct	65,708	2,597	2,604	-	70,909
		20,757,191	152,597	337,168	-	21,246,956

1 Greg Hooper resigned on 30 June 2020.
2 These were the amount of shares held at the date of Greg Hooper's resignation.

NOTE 17: DIVIDENDS

	2020 $	2019 $
Declared 2020 fully franked interim ordinary dividend of 0.50 (2019: 0.50) cents per share franked at the tax rate of 27.5% (2019: 27.5%)	473,634	470,339
Declared 2019 fully franked final ordinary dividend of 0.50 (2018: 0.40) cents per share franked at the tax rate of 27.5% (2018: 27.5%)	472,511	372,183
Total dividends per share for the period	1.00 cents	0.90 cents

Dividends paid in cash or satisfied by the issues of shares under the dividend reinvestment plan during the year were as follows:

	2020 $	2019 $
Paid in cash	654,623	550,380
Satisfied by the issue of shares	291,522	292,142
	946,145	842,522

Since year end the directors have recommended the payment of a final dividend of 0.6 cents per fully-paid ordinary share (2019: 0.5) fully franked based on tax paid at 27.5%. The aggregate amount of the proposed dividend expected to be paid on 9th October 2020 out of retained earnings at 30 June 2020 but not recognised as a liability at year end is $568,416. The debit expected to franking account arising from this dividend is $156,314.

Franking credits	**2020**	**2019**
	$	**$**
Franking credits available for subsequent periods based on a tax rate of 27.5% (2019: 27.5%)	2,873,260	2,253,059

NOTE 18: CASH FLOW INFORMATION

Reconciliation of profit after income tax to net cash flows from operating activities		
Profit after Income Tax for the year	2,805,061	2,809,404
Non-cash flows in operating surplus		
Depreciation, Amortisation & Impairment	1,981,629	886,070
(Profit) / loss on disposal of property, plant & equipment	302	(3,558)
Changes in assets and liabilities		
(Increase) / Decrease in trade and other receivables	1,004,627	(33,240)
(Increase) / Decrease in inventories	(907,465)	(59,903)
(Increase) / Decrease in deferred tax assets	(23,028)	(75,315)
Increase / (Decrease) in trade and other payables	(711,789)	170,473
Increase / (Decrease) in current provisions	97,615	206,349
Increase / (Decrease) in current tax liabilities	16,040	160,495
Increase / (Decrease) in non-current provisions	(3,029)	20,256
Net cash provided by operating activities	4,259,963	4,081,031

NOTE 19: FINANCIAL INSTRUMENTS

Financial Risk Management Policies

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

The Board of Directors monitors and manages financial risk exposures of the company and reviews the effectiveness of internal controls relating these risks. The overall risk management strategy seeks to assist the company in meeting its financial targets, while minimising potential adverse effects on financial performance, including the review of credit risk policies and future cash flow requirements.

Maturity of financial liabilities at 30th June 2020	**Within 1 Year**	**Greater than 1 Year**	**Total**
	$	**$**	**$**
Trade and other payables	1,326,181	-	1,326,181
Hire Purchase / Finance Lease	789,751	2,779,600	3,569,351
Lease Liabilities (AASB16)	972,090	3,940,181	4,912,271
Total financial liabilities	3,088,022	6,719,781	9,807,803

Maturity of financial liabilities at 30th June 2019	Within 1 Year	Greater than 1 Year	Total
	$	$	$
Trade and other payables	2,037,970	-	2,037,970
Hire Purchase / Finance Lease	641,201	2,213,062	2,854,263
Lease Liabilities (AASB16	-	-	-
Total financial liabilities	2,679,171	2,213,062	4,892,233

Credit Risk Exposure

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognise 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.

Liquidity Risk

Liquidity risk is the risk that the group may encounter difficulties raising funds to meet commitments. The group manages this risk by monetary cash flow forecasts

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.

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 30th June 2020 held a quantity of cash on hand in an interest-bearing bank account. The Director's do not consider that any reasonably possible movement in interest rates would cause a material effect on profit or equity.

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. The company continues to expand its operation and has some overseas customers. 100% of those overseas customers invoiced in foreign currency and 95% of overseas suppliers paid in foreign currency are affected by movement in the US dollar exchange rate. To mitigate foreign currency risk for US dollar transactions the group has a US dollar bank account. Payments made from this US dollar account are from foreign customer deposits or transfers of cash at a time the exchange rate is deemed positive (which is reviewed on a daily basis). The Directors do not consider that any reasonably possible movement in foreign currency rates would cause a material effect on profit or equity.

NOTE 20: SHARE BASED PAYMENTS

a) Employee Share Plan

A scheme under which shares may be issued by the company to employees for no cash consideration was approved by shareholders through the prospectus. Eligibility to participate is based on an employee being a full-time employee of the company (or any of its 100% owned subsidiaries), the employee is an Australian resident for income tax purposes and the employees has been directly employed by the group (or any of its 100% owned subsidiaries) for at least as period of 36 continuous months in a permanent position.

Each eligible employee will be entitled to a maximum of $1,000 of fully-paid ordinary shares annually, with the number of shares calculated based on the closing price of the group on the day each issue is formally passed by the Board. Offers under the scheme are at the discretion of the Board.

Shares issued are vested for a period of three years from date of issue, with one third released annually on each anniversary date of the Board approved issue date. If employment is ceased for any reason any shares still currently vested and not released will be forfeited by the employee. Shares are issued as fully paid ordinary shares and rank equally with existing shares on issue.

	2020	2019
Number of new shares issued under the plan to participating employees: (refer to Note 12 (a) for detail of issue)	33,325	59,731

b) Non-Executive Director Remuneration (Non-Cash)

Non-Executive Directors may be paid remuneration through both cash fees and non-cash benefits in the form of equity issues. The fees will be a fixed sum determined annually that reflects the time, commitment and responsibilities of their role, financial forecasts and cash-flow position of the company.

No shares will be issued until shareholder approval is gained at the next Annual (Or Extraordinary) General Meeting.

Where the issue of shares results in the aggregate amount of fees to exceed the sum approved last by shareholders, shareholder approval may be sought to modify the agreed aggregate amount of fees.

Where the issue of shares results in a non-executive director's total remuneration for a fiscal year to be in any way deemed 'unreasonable remuneration', shareholder approval will be sought to approve any recommended issue. Unreasonable remuneration is defined as the aggregate amount of fees most recently approved by shareholders divided by the total number of non-executive directors.

The required approval, if any, will be determined by the Board prior to the next Annual (or Extraordinary) General meeting.

A non-executive director is ineligible for non-cash benefits in the form of equity issues if the non-executive director has not held a position on the Board for the full twelve months of each fiscal year.

At the 2019 Annual General Meeting shareholder approval was sought and gained for the issue of 50,000 shares to one non-executive director who held office for the full twelve months of fiscal year 2019. No approval has as yet been sought or gained for the 2020 fiscal year.

c) **Expense arising from share-based payment transactions**	**2020 $**	**2019 $**
Shares Issued under employee share plan	19,161	16,861
Shares Issued under Non-Executive Director Remuneration	19,500	18,750
	38,661	35,611

NOTE 21: SEGMENT REPORTING

The company has identified its operating segment based on internal reports that are reviewed and used by the executive directors (chief decision makers) in assessing performance and determining allocation of resources. The company operates entirely within Australia. Segment information for the reporting period is as provided below. Other category consists of the Technology and Research and Development segments.

Segment Definitions:

a) Services – the reclamation or repair of worn components for end users, or the manufacture of products that do not incorporate LaserBond® cladding applications.
b) Products – the manufacture of products incorporating LaserBond® cladding applications.
c) Technology – the sale of LaserBond® cladding technology and associated licensing fees and consumables supply.
d) Research & Development – costs related to the ongoing development of new or improved technology, applications and products.

	30 June 2020				
	Services	**Products**	**Technology**	**R&D**	**Total**
Revenue	12,830,584	9,166,460	180,220	-	22,177,264
Gross Profit	51.7%	52.7%	30.8%	-	52.0%
EBITDA	4,023,105	2,962,847	(39,166)	(761,769)	6,185,017
Interest	255,678	182,663	-	-	438,341
Depreciation & Amortisation	1,140,308	814,661	-	26,660	1,981,629
Profit Before Income Tax	2,627,119	1,965,523	(39,166)	(788,429)	3,765,047
Income tax expense	(669,844)	(501,156)	9,986	201,028	(959,986)
Profit after Income Tax	1,957,275	1,464,367	(29,180)	(587,401)	2,805,061
Assets					23,603,381
Liabilities					(11,367,176)

	30 June 2019				
	Services	**Products**	**Technology**	**R&D**	**Total**
Revenue	11,175,053	9,132,229	2,359,918	-	22,667,200
Gross Profit	47.5%	51.9%	29.2%	-	47.4%
EBITDA	2,575,341	2,653,777	342,313	(667,004)	4,904,427
Interest	93,509	76,416	-	-	169,925
Depreciation & Amortisation	404,191	494,011	-	1,433	899,635
Profit Before Income Tax	2,077,641	2,083,350	342,313	(668,437)	3,834,867
Income tax expense	(555,222)	(557,448)	(91,536)	178,743	(1,025,463)
Profit after Income Tax	1,522,419	1,525,902	250,777	(489,694)	2,809,404
Assets					16,401,204
Liabilities					(6,340,980)

NOTE 22: MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

a) Dividends

The directors have recommended the payment of a final dividend of 0.6 cents per fully-paid ordinary share (2019: 0.5) fully franked based on tax paid at 27.5%. The aggregate amount of the proposed dividend is expected to be paid on 9th October 2019.

Subject to the group continuing to develop in accordance with future plans, the Board expects to continue to maintain future dividends.

NOTE 23: ECONOMIC DEPENDENCY

Revenues of $10,152,242 (2019 - $10,504,279) are derived from two independent customers.

1. Substantial Shareholders at 28th July 2020

Holder LaserBond Limited	Number of Ordinary Fully Paid Shares Held	%
Ms Diane Constance Hooper	9,768,797	10.238
Mr Wayne Edward Hooper	9,768,797	10.238
Mr Wayne Edward Hooper (W&D Hooper Investments Pty Ltd)	1,295,498	1.358
Mr Rex John Hooper	7,283,916	7.634
Ms Lillian Hooper	6,227,406	6.527
Mr Gregory John Hooper	5,356,842	5.614
Mr Gregory John Hooper (Grendy Super Fund A/C)	3,936,900	4.126
Lornat Pty Ltd <WK & LM Peachey S/Fund A/C>	4,943,344	5.181

2. Distribution of Shareholders as at 29th July 2019

Holdings Ranges	Holders	Total Units	%
1-1,000	97	36,392	0.04
1,001-5,000	272	768,845	0.81
5,001-10,000	154	1,249,851	1.31
10,001-100,000	365	12,102,366	12.68
100,001-9,999,999,999	99	81,257,196	85.16
Totals	**987**	**95,414,650**	**100.000**

Holdings less than a marketable parcel	106	45,935	0.04814

3. Twenty Largest Shareholders as at 29th July 2019

Holder LaserBond Limited	Number of Ordinary Fully Paid Shares Held	%
Ms Diane Constance Hooper	9,768,797	10.238
Mr Wayne Edward Hooper	9,768,797	10.238
Mr Rex John Hooper	7,283,916	7.634
Mrs Lillian Hooper	6,227,406	6.527
Lornat Pty Ltd <WK & LM Peachey S/Fund A/C>	4,943,344	5.181
Mr Gregory John Hooper	4,356,842	4.566
Mr Gregory John Hooper <Grendy Super Fund A/C>	3,936,900	4.126
Mr Ian Davies	2,789,718	2.924
Mr Keith Knowles	2,506,993	2.627
Parks Australia Pty Ltd	1,900,000	1.991
Myall Resources Pty Ltd <Myall Group Super Fund A/C>	1,798,599	1.885
Mr Brendan Thomas Birthistle	1,459,841	1.530
W&D Hooper Investments Pty Ltd <W&D Hooper Unit A/C>	1,295,498	1.358
Mr Makram Hanna & Mrs Rita Hanna <Hanna & Co P/L Super A/C>	1,247,000	1.307
Fortitude Enterprises Pty Ltd < Fortitude Super Fund A/C>	1,010,327	1.537
Dixson Trust Pty Limited	1,000,100	1.048
Mr Gregory John Hooper	1,000,000	1.048
Mr William Ross Fenner	977,135	1.024
Mr Keith Knowles	752,415	0.789
Mr Michael Cottrell & Mrs Jennifer Mae Cottrell	618,783	0.649
Totals for Top 20	64,642,411	67.749
Security Totals	**95,414,650**	

4. Voting Rights

The voting rights attached to each class of equity securities are:

a) Ordinary shares - on a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.
b) Options – No voting rights.

5. Restricted Securities

The group has no restricted securities.

6. Securities subject to voluntary escrow

Total number of shares held in escrow	Escrow Release Date 1	Escrow Release Date 2	Escrow Release Date 3
44,460	16 Dec 2020 – 44,460 shares		
36,351	21 Feb 2021 – 18,186 shares	21 Feb 2022 – 18,165 shares	
31,967	7 Feb 2021 – 10,656 shares	7 Feb 2022 – 10,656 shares	7 Feb 2023 – 10,655 shares

LASERBOND

PRODUCTIVITY | INNOVATION | CONSERVATION

LaserBond Limited
ABN 24 057 636 692

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QAS INTERNATIONAL
REGISTERED FIRM

Quality 9001,
Environment 14001,
Health & Safety 4801