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Financial Report

For the Half Year Ended December 2020



Appendix 4D & Half-Yearly Financial Report LaserBond Limited

ABN 24 057 636 692

Half Year Information given to the ASX under Listing Rule 4.2A
For half-year ended 31st December 2020

CONTENTS PAGE

Chairman's Letter	2
Section 1: Appendix 4D	5
Section 2: Half Yearly Financial Report	
Directors' Report	7
Directors' Declaration	12
Auditor's Independence Declaration	13
Independent Auditor's Review Report	14
Condensed Statement of Profit or Loss and Other Comprehensive Income	16
Condensed Statement of Financial Position	17
Condensed Statement of Cash Flows	18
Condensed Statement of Changes in Equity	19
Notes to the Condensed Financial Statements	20

CHAIRMAN'S LETTER

Dear Shareholders,

On behalf of the Board, I am pleased to present the company's results for the half-year ended 31 December 2020. The summary below reflects a business that has withstood the effects of an unprecedented global event whilst maintaining an unwavering commitment to its growth strategy. All key metrics were positive, which resulted in increased total sales revenue, representing an up-lift of 13.4% in EBITDA and ensuing increases in NPBT and NPAT.

Performance Highlights

	1H21		1H20
Revenue from Continuing Operations	\$11.798 M	Up 4.8% from	\$11.255 M
EBITDA	\$3.096 M	Up 13.4% from	\$2.731 M
Net Profit Before Tax	\$1.698 M	Up 7.8% from	\$1.575 M
Net Profit After Tax	\$1.188 M	Up 2.8% from	\$1.156 M

These stable financial results are underpinned by innovative technologies developed by LaserBond to meet a range of needs across multiple industries. They prove the relevance of our business to our clients even in times of adversity and economic uncertainty. To this end, we continue to invest in research and development, with four new products progressed along the development / commercialisation continuum. One of the most significant is our E-Clad technology which offers a clean and healthier alternative to the current hard chrome plating process that is both carcinogenic and environmentally problematic. In Europe, there exists a regulatory process to justify the use of some current hard chrome technologies, hence the development of E-Clad to harness the opportunities that will come with the inevitable tightening of regulations more widely.

The Victorian operations, acquired in August 2020, has provided less revenue than forecast, due to the repeated lockdown conditions and COVID restrictions in Melbourne. A new LaserBond® cladding cell has been designed and is being assembled, with operation scheduled for April 2021. We expect a solid contribution in the Victorian business from this cell in the second half, combined with increased revenue as restrictions ease.

In terms of our growth plans, we have revised our business strategy out to FY2025, taking into account the changed trading conditions. Under this strategy, we intend to focus strongly on the domestic market, as well as international opportunities, with an expanded sales team to reach a larger client base through:

- the continued search for acquisition targets or greenfield sites to expand the footprint of LaserBond in Australia.
- investment in technology to achieve production and revenue targets, such as improved automation / robotics
- adoption of our new E-Clad technology, which replaces the traditional hard chrome process, domestically and internationally
- continued investment in R&D to develop innovative new products and solutions that anticipate future market demand.

Outlook

While we are nearing a year of operating under the changed COVID conditions, and there is much talk about the 'new normal', there is still a significant level of uncertainty in the economy as businesses find ways to reinvent themselves by cutting costs, diversifying and developing new ways to operate profitably. While we have experienced some delays in work

orders, we are now seeing a resurgence in orders and some signs of recovery, as businesses adapt to their new environments and resume their maintenance programs. We are confident that the second half of 2021 will be stronger than the first half as clients seek to catch up on critical equipment preservation schedules. Further out, we remain committed to our 2022 revenue target of approximately \$40 million per annum.

Dividends

In recognition of our half-year result, positive outlook, and strong balance sheet, the Directors have declared an increased interim dividend of 0.6 cents per share fully franked. This is a 20% increase over the interim dividend for FY20 and is equal to the final dividend. It reflects the solid financial and operating performance delivered for this first half together and the Board's confidence for the business and its growth prospects over the medium-term, balanced by the need for capital to fund such growth.

On behalf of the Board, I would like to thank the entire LaserBond community; our steadfast team of employees for their loyalty and innovation as they adapted to change not witnessed before across the international economy, our customers and suppliers for their continued support over the past 12 months; and our shareholders for believing in the innovation of our work and the future of LaserBond.



Philip Suriano
Chairman

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RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half year ended 31st December 2020		Half year ended 31st December 2019
Revenues from ordinary activities	\$11,798,110	Up 4.8% from	\$11,255,148
Net profit from ordinary operating activities after tax attributable to members	\$1,188,349	Up 2.8% from	\$1,156,301
Net profit for the period attributable to members	\$1,188,349	Up 2.8% from	\$1,156,301
Earnings per share (cents) from profit attributable to members	1.24	Up 1.6% from	1.22
Net tangible assets per ordinary share (NTA Backing - cents)	13.51	Up 18.0% from	11.45
Net tangible assets includes right of use assets with a carrying value of \$4,891,658 as at 31 December 2020 (31 December 2019: \$5,078,712)			

Dividend Information

Dividends	Amount Per Share (cents)	Total	Franked Amount	Record Date	Payment Date
2020 Final	0.6	\$574,642	100%	11 September 20	9 October 20
2021 Interim	0.6	\$574,648	100%	9 March 21	1 April 21

The Board has resolved to pay a fully franked interim dividend of 0.6 cent per share. With the forecasted continued growth, the Board expects to be able to continue to pay dividends in the future. As the Board resolution regarding dividends was made after 31st December 2020, the dividend will be paid from retained earnings but is not recognised as a liability in the half-year financial statements.

Dividend Reinvestment Plans

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

The Board has resolved to offer the DRP for the FY2021 interim dividend. The discount applied to determine the market price in accordance with the DRP terms and conditions will be 5%.

Brief Explanation of Results

Further detail on operating performance and outlook is held in the Director's Report as well as the ASX release lodged in conjunction with the Report.

Details of Subsidiaries

During the period from 1st July 2020 to 31st December 2020, LaserBond Limited has not gained or lost control over any entities.

Details of Associates and Joint Venture Entities

During the period from 1st July 2020 to 31st December 2020, LaserBond Limited has no interest in any Associates or Joint Venture Entities.

Details of Foreign Entities

During the period from 1st July 2020 to 31st December 2020, LaserBond Limited has no interest in any foreign entities.

Audit Modified Opinion, Emphasis of Matter or other matter

None.

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DIRECTORS' REPORT

Your Directors present their report on the entity for the half-year ended 31st December 2020.

Directors

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

Director	Position Held	In Office Since
Philip Suriano	Non-Executive Chairman	6 May 2008
Wayne Hooper	Executive Director & CEO	21 April 1994
Matthew Twist	Executive Director & CFO	30 June 2020

Overview

LaserBond continues to produce stable results and pursue its \$40 million revenue target by the end of FY2022 and beyond, despite ongoing global uncertainty. The business has been successful in a number of areas, with a continued and committed focus on its strategic direction, and how best to mitigate risk and adapt to changed trading conditions. The 1H21 results show that the diversified nature of the business has protected LaserBond's total revenue with the Products Division delivering new revenue that counters the temporary fall in revenues in the Services Division and low revenue in the Technology Division.

The business achieved a 4.8% revenue increase, from \$11.26 million in 1H20 to \$11.80 million in 1H21. This includes revenue from the acquisition of certain assets of United Surface Technologies Pty Ltd in Altona, Victoria which was lower than forecast due to the impact of the stringent COVID lockdown in Victoria. However, the lower-than-normal activity has enabled LaserBond to focus on the skills and equipment upgrade necessary for the business to offer its new E-Clad technology Australia wide and other services to the Victorian market.

EBITDA increased by 13.4% to \$3.10 million, compared with \$2.73 million in 1H20, while NPBT increased 7.8% and NPAT increased by 2.8. As a gesture of appreciation for their commitment over a prolonged and difficult period of operation, the Board awarded a one-off bonus to every employee at the end of the half. These bonuses totaled approximately \$192,000 inclusive of on-costs, providing a payout to our employees of over 10% of our pre-bonus profit. Net profit before tax, before these bonuses were paid, represented an increase of approximately 20%, a strong rationale for the Board's decision.

Cash flow from operations was a strong \$1.73 million, compared with \$0.58 million in the previous corresponding period. The business invested significantly in equipment to expand capabilities at each site and deliver future growth, resulting in a higher cash outflow for investing activities of \$1.23 million. This included the major components for additional LaserBond® cladding cells for Victoria and NSW, and a new additional CNC borer for SA. Most of this cash outflow was associated with pre-payments for the equipment and will be recovered utilising our equipment financing facilities during the second half. Overall, there was a small decrease of 7.1% in net cash from \$4.0 million at the beginning of the half to \$3.71 million. Despite the challenges presented by COVID, the business remains in a strong cash position and is investing for its future growth.

Domestic Expansion

In August 2020, LaserBond acquired certain assets of United Surface Technologies Pty Ltd in Melbourne, opening up the market for the business in Victoria and Tasmania by gaining a surface engineering facility with complementary advanced thermal spray coatings. The cost of the Victoria assets acquisition was \$732,592 exclusive of GST, inclusive of all plant & equipment, work in progress and inventories less an adjustment for employee entitlements. The LaserBond projects team

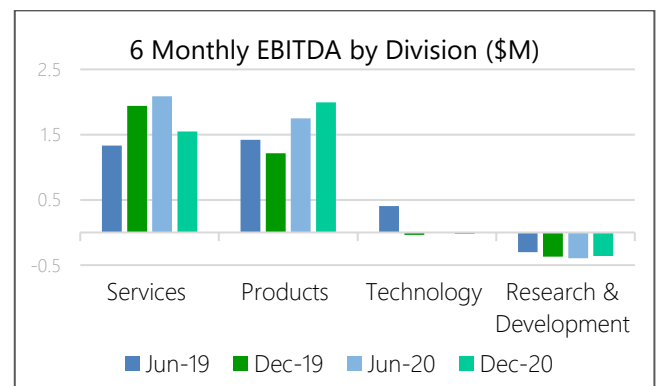
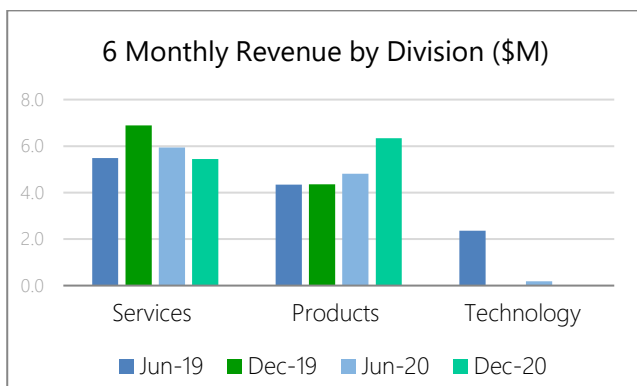
is in the final stages of construction of a proprietary technology LaserBond® cladding cell, with final commissioning planned for March 2021 and production expected to commence in April. This enhanced service offering is expected to provide considerable growth for our southern-state operations.

The Victorian acquisition is the first of a number of planned state-based expansions through mergers or by acquisition, with opportunities in both Western Australia and Queensland currently under consideration.

COVID-19 Mitigation

LaserBond responded quickly and effectively in establishing a risk management framework to manage the risks associated with the COVID-19 outbreak, thereby protecting both its employees and its operations during a time of unprecedented health and economic crisis. With the continued co-operation of all LaserBond employees, there have been no cases of coronavirus at any of our sites, and management continues to take a range of precautions throughout the operations as introduced in March last year.

Segment Reporting



Services Division

As a consequence of the COVID-19 pandemic, many of the industries we serve delayed normal maintenance activities. Interstate travel restrictions and customers' reluctance to receive site visitors also resulted in reduced access by sales personnel. For the last 12 months, this has put downwards pressure on Services Division revenue. For this half year, it was \$5.45 million, a reduction of 21.0% over the very strong prior corresponding period. The Board and management have been encouraged by the resilience of the business unit during these challenging times as well as growth in demand for Services Division production in the second half to date. Macro-indicators, such as significant increases in commodity prices including iron ore and coal, as well as strong export volumes indicate demand for repairs and maintenance will continue to increase, and bode well for the continued strong growth of this Division.

Historically, LaserBond has traded from New South Wales and South Australian facilities, with some revenue drawn from interstate customers. However, the requirement for rapid turnaround and logistics can curtail the ability to obtain interstate repairs. With the addition of the Victorian assets in 1H21 and the imminent commissioning of a LaserBond® cladding cell at the facility, the business can now expand more effectively into the southern states. Plans remain in place for expansion into other states as the Board continues to develop and assess opportunities in Western Australia and Queensland.

Products Division

The Products Division achieved a 45.2% increase in revenue over the p.c.p. to \$6.33 million, which more than offset the COVID driven decline in Services Division revenue. This strong growth was underpinned by both increases in demand and an upgrade in customer specifications. On the development front, further growth will emanate from products that are being commercialised or under development.

The company has several products and services in the process of commercialisation. These include steel mill rolls, rotary feeders and a range of products and services incorporating LaserBond NanoClad™ and E-Clad™. LaserBond's composite carbide steel mill rolls are proprietary technology and can increase wear life by up to five times. Sales efforts have been focused on the US steel market which is 10 to 15 times larger than the Australian market and showing strong signs of recovery. The prevention of international travel has caused some delays in expected growth but LaserBond is investigating sales and distribution arrangements in the US and other countries. Similarly, LaserBond has developed rotary feeders for pneumatic conveying of mulch, soil, sand and aggregate and is also targeting the substantial US market. NanoClad™ combines a high density of extremely fine (sub-micron) carbide hard phases with a metallurgical bond to provide a superior result in particular applications. Field trials with several customers have been underway for this half year and results so far are very good, leading to initial and growing orders for domestic and international markets.

Traditional hard chroming technology, while relatively inexpensive, is based on hexavalent chrome, which is categorised as a carcinogen. Exposure can occur at any stage of the plating process, which also produces toxic waste. With increasingly stringent process regulation being introduced in Europe, LaserBond's E-Clad is an alternative method that has broad appeal for existing and new customers across all divisions. The new E-Clad technology is a cost-effective alternative solution to chrome plating that provides better durability and avoids the harmful carcinogenic and environmental impacts.

Technology Division

Our UK licensee is in the process of field testing the applications for the LaserBond technology in their internationally distributed products, and has been constrained by the global impact of COVID. Revenue achieved was \$20,430 compared with no revenue in the prior corresponding period.

LaserBond in the process of negotiation and demonstration for a number of licensing opportunities. We have developed a solution for an OEM in North America, and testing of LaserBond's technology in their applications to date has proven to be successful. License terms have been negotiated and agreed. Subject to the imminent final testing of the compatibility of the technology with their process, we have confidence this agreement will proceed.

The development of our E-Clad application as a valuable alternative to the environmental and health hazards of global hard chrome applications has opened up opportunities throughout Australia and internationally with established hard chrome customers and applications. With two promising local opportunities and one international opportunity under negotiation, the company has made the decision to invest in some major components of the systems in advance of closing sales. These are long lead time components supplied from overseas that are incorporated into our LaserBond® cladding cells. The business is working actively on all opportunities to deliver the sale of one LaserBond cell and license this financial year, and further cells next year.

Strategy

With the continuing uncertainty in the global economy, short term plans particularly related to Services Division growth and global products business development have been impacted. However, to meet its FY2022 revenue target, the company has reassessed its business strategy, adapting it to suit the changed trading conditions in the short to medium-term and extending it out to 2025. Key tenets of the strategy include:

- expansion plans for the Services Division with acquisitions to increase facilities across a broader Australian footprint
- growth in the Products Division through increased international marketing with likely warehousing, distribution and possibly manufacturing offshore
- growth in the Technology Division through licensing of the new E-Clad technology and other proprietary technologies
- continued investment in appropriate resources, both equipment and human, to expand capacity and capability to support growth

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- a continued commitment to research and development to identify opportunities for future market solutions that are ahead of the competition.

Over the past twelve months LaserBond has invested in enhanced people and equipment resources to achieve growth. Staff levels have increased by 36% to 105, including the additional staff based at our recently acquired Victorian facility. The two core human resource areas being boosted are:

- nation-wide sales and business development resources to harness the value from existing and newly developed products and services
- projects team staff with expertise in robotics, automation and control to capture Technology Division sales opportunities and increase operational capability and efficiency.

Further investment has been made in strengthening the culture of the organisation, with the implementation of an employee engagement program and the establishment of a broader skill-based management team to steer business during the next phase of targeted growth.

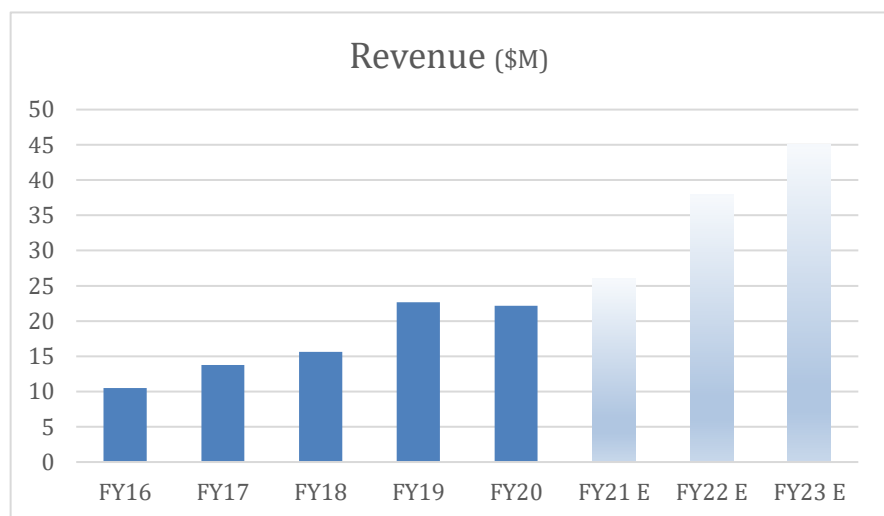
Similarly, the business is investing in the necessary equipment to grow its operations and is currently designing and/or commissioning a number of major pieces of equipment, including:

- a large capacity horizontal borer, recently commissioned in our South Australian facility, which provides critical additional capabilities as well as reducing the need for subcontractors
- a LaserBond® laser cladding cell being commissioned for our Victoria facility with planned production by April 2021
- an automated LaserBond® laser cladding cell being designed and assembled for our New South Wales facility to provide automated cladding of volume products, and increased capacity on existing laser cells for larger reclamation work for the Services Division.

Outlook

LaserBond remains committed to its FY2022 revenue target of \$40 million, despite the impact of COVID-19 on the global economy, which has impacted its short-term growth aspirations. This view is based on a number of factors that largely include:

- the several acquisition targets that are being considered by the business in Western Australia and Queensland
- the record volume of open quotes for active opportunities that currently exceeds \$10 million, with much of this work expected to proceed
- the recovery of the US steel industry, which



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from December has struggled to keep up with demand, is expected to generate, in turn, solid demand for steel mill rolls

- an enhanced business development team with dedicated state-based sales resources to accelerate organic growth
- a range of products and processes in various stages of commercialisation which have been developed to replace industry processes, including some that are becoming obsolete due to health and environmental concerns
- the operation of the new LaserBond® cladding cell in Victoria to service the southern markets.

Events subsequent to balance date

Since 31 December 2020 and up to the date of this report there has not been any item, transaction or event of a material nature likely, in the opinion of the Directors, to affect substantially the operations of the Company, the results of those operations or the state of affairs of the company in subsequent financial years.

Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is included on page 13 of the financial report for the half-year ended 31 December 2020.

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



Wayne Hooper
Executive Director

Dated this 22nd day of February 2021.

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DIRECTORS' DECLARATION

The Directors of the Company declare that:

1. The half-year financial statements and notes, as set out on pages ?? to ?? are in accordance with the Corporations Act 2001 including:
 - a) complying with Accounting Standards AASB134: Interim Financial Reporting and the Corporations regulation 2001; and
 - b) giving a true and fair view of the Company's financial position as at 31st December 2020 and of its performance for the half-year ended on that date.
2. In the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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



Wayne Hooper
Executive Director

Dated this 22nd Day of February 2021.

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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 31 December 2021, I declare that, to the best of my knowledge and belief, there have been:

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

LNP Audit and Assurance Pty Ltd



Archana Kumar
Director

Sydney, 22 February 2021

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

REPORT ON THE HALF-YEAR FINANCIAL REPORT

Conclusion

We have reviewed the half-year financial report of LaserBond Limited, (the Company), which comprises the condensed statement of financial position as at 31 December 2020, the condensed statement of profit or loss and other comprehensive income, the condensed statement of changes in equity and the condensed statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the Directors' Declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of LaserBond Limited's does not comply with the Corporation Act 2001 including:

- (a) Giving a true and fair view of LaserBond Limited's financial position as at 31 December 2020 and of its financial performance for the half-year ended on that date; and
- (b) complying with Australian Accounting Standards 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of Financial Report Performance by the Independent Auditor of the Entity*. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Review of the Financial Report* 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 annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporation Act 2001* which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the Directors for the Financial Report

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

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Auditor's Responsibility for the Review of the Financial Report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2020 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

LNP Audit and Assurance Pty Ltd



Archana Kumar
Director

Sydney, 22 February 2021

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Condensed Statement of Profit or Loss and Other Comprehensive Income For the Half-Year Ended 31 December 2020

	31 Dec 2020	31 Dec 2019
	\$	\$
Revenue from continuing operations	11,798,110	11,255,148
Cost of Sales	(5,808,691)	(5,668,702)
Gross Profit from continuing operations	5,989,419	5,586,446
Other Income	839,163	216,429
Administration Expenses	(1,118,653)	(1,014,230)
Depreciation & Amortisation	(1,174,758)	(955,549)
Employment Expenses	(1,905,825)	(1,464,910)
Finance Costs	(224,295)	(217,272)
Research & Development Costs	(451,363)	(513,668)
Other Expenses	(255,675)	(61,831)
Profit before tax	1,698,013	1,575,415
Income tax expense	(509,664)	(419,114)
Profit for the period	1,188,349	1,156,301
Other comprehensive income for the period, net of tax	–	–
Total comprehensive income attributable to members of LaserBond Limited	1,188,349	1,156,301
Earnings per share for profit attributable to members:		
Basic and Diluted Earnings per share (cents)	1.24	1.22

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

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Condensed Statement of Financial Position for the Half-Year Ended 31 December 2020

	Notes	31 Dec 2020 \$	30 Jun 2020 \$
CURRENT ASSETS			
Cash and cash equivalents		3,710,798	3,997,653
Trade and Other Receivables		4,500,808	4,391,054
Inventories	2	4,070,070	3,454,973
Total Current Assets		12,281,676	11,843,680
NON-CURRENT ASSETS			
Property, plant and equipment	3	13,523,516	11,352,221
Deferred tax assets		535,089	386,383
Intangible Assets		77,794	21,097
Total Non-Current Assets		14,136,399	11,759,701
TOTAL ASSETS		26,418,075	23,603,381
CURRENT LIABILITIES			
Trade and Other Payables		1,283,849	1,326,181
Employee Benefits	4	1,449,236	1,096,393
Financial Liabilities	5	1,665,537	1,761,841
Current Tax Liabilities		301,884	402,367
Total Current Liabilities		4,700,506	4,586,782
NON-CURRENT LIABILITIES			
Financial Liabilities	5	8,634,514	6,719,781
Employee Benefits	4	70,380	60,613
Total Non-Current Liabilities		8,704,894	6,780,394
TOTAL LIABILITIES		13,405,400	11,367,176
NET ASSETS		13,012,675	12,236,205
EQUITY			
Issued Capital	6	7,205,121	7,042,358
Retained earnings		5,807,554	5,193,847
TOTAL EQUITY		13,012,675	12,236,205

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

Condensed Statement of Cash Flows for the Half-Year Ended 31 December 2020

	31 Dec 2020	31 Dec 2019
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Customers	13,460,479	13,416,013
Payments to suppliers and employees	(11,053,879)	(12,305,663)
Interest Paid	(224,295)	(138,843)
Interest Received	894	1,018
Income Taxes Paid	(448,708)	(397,415)
Net cash provided by operating activities	1,734,491	575,110
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(423,234)	(195,585)
Payment for Victorian acquisition	(805,851)	-
Loans to employees, net	(4,000)	4,524
Net cash used in investing activities	(1,233,085)	(191,061)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments for share issue costs	(8,195)	(3,896)
Repayment of finance leases	(347,839)	(333,991)
Dividends Paid	(432,227)	(358,751)
Net cash used in financing activities	(788,261)	(696,638)
NET (DECREASE) / INCREASE IN CASH HELD	(286,855)	(312,589)
Cash at beginning of period	3,997,653	2,192,535
CASH AT END OF PERIOD	3,710,798	1,879,946

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

Condensed Statement of Changes in Equity for the Half-Year Ended 31 December 2020

	Issued ordinary capital \$	Retained earnings \$	Total equity \$
Opening Balance at 1st July 2019	6,725,293	3,334,931	10,060,224
Profit for the period	-	1,156,301	1,156,301
Dividends paid during the period	-	(472,511)	(472,511)
Issue of Share Capital (net of costs)	134,424	-	134,424
Closing Balance at 31st December 2019	6,859,717	4,018,721	10,878,438
Opening Balance at 1st July 2020	7,042,358	5,193,847	12,236,205
Profit for the period	-	1,188,349	1,188,349
Dividends paid during the period	-	(574,642)	(574,642)
Issue of Share Capital (net of costs)	162,763	-	162,763
Closing Balance at 31st December 2020	7,205,121	5,807,554	13,012,675

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

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Notes to the Condensed Financial Statements for the Half-Year Ended 31 December 2020

Corporate Information

LaserBond Limited (the company) is a for profit listed public company incorporated and domiciled in Australia. The financial report for the half year ended 31 December 2020 relates to LaserBond Limited as an individual entity. The company specialises in developing technologies and implementing its metal cladding methodologies to increase operating performance and wear life of capital-intensive machinery components. LaserBond operates from facilities in New South Wales, South Australia and Victoria.

The financial statements have been approved and authorised for issue by the Board of Directors on 22nd February 2021.

Note 1: Significant Accounting Policies

a) General information and basis of preparation

The condensed financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001*, applicable Accounting Standards (including AASB 134 *Interim Financial Reporting*) and other mandatory professional reporting requirements. All amounts are presented in Australian dollars (\$AUD). The condensed financial report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the annual report for the year ended 30 June 2020 and any public announcements made during the half year to 31 December 2020 in accordance with the continuous disclosure obligations under the Australian Securities and Exchange Listing Rules and the *Corporations Act 2001*. The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's annual financial report for the financial year ended 30 June 2020, unless stated otherwise.

b) New and Amended Standards Adopted

The accounting policies adopted in the preparation of the half year financial statements are consistent with those followed in the preparation of the company's annual financial statements for the year ended 30 June 2020, except for the adoption of new standards effective as of 1 July 2020. The company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The company has adopted all the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and are effective for the financial year beginning 1 July 2020. Adoption of these standards did not have a material impact on the company's half year financial report.

Note 2: Inventories

	31 Dec 2020	30 Jun 2020
	\$	\$
Stock on Hand – Raw Materials	2,308,391	2,075,143
Stock on Hand – Finished Goods	527,936	476,292
Work in Progress	1,233,743	903,538
	<u>4,070,070</u>	<u>3,454,973</u>

The increase in inventories has been impacted by the asset purchase of the Victorian facility which included all existing inventories at time of acquisition. Work in progress is further impacted by the progress of the design and commissioning of the additional laser for NSW and new laser for the Victorian facility.

Note 3: Plant & Equipment

<i>Work in Progress (a)</i>	1,718,131	264,848
<i>Plant & Equipment</i>		
At cost	12,371,749	11,029,987
Less accumulated depreciation	(5,698,662)	(4,929,175)
	<u>6,673,087</u>	<u>6,100,812</u>
<i>Office Equipment</i>		
At cost	296,085	266,519
Less accumulated depreciation	(211,262)	(181,633)
	<u>84,823</u>	<u>84,886</u>
<i>Motor Vehicles</i>		
At cost	631,603	616,656
Less Accumulated depreciation	(475,785)	(427,794)
	<u>155,818</u>	<u>188,862</u>
<i>Right of Use Assets</i>		
At cost	6,082,032	5,444,610
Less Accumulated depreciation	(1,190,374)	(731,797)
	<u>4,891,658</u>	<u>4,712,813</u>
Total plant & equipment	<u>13,523,516</u>	<u>11,352,221</u>

The increase in all assets has been impacted by the Victorian facility assets acquired in August 2020, and a number of new assets including an upgraded robot (expanding the capabilities for an existing laser cladding cell) and a temperature controlled metrology room (for more precise quality inspections and reporting).

- a) Work in Progress includes progress payments for assets either undelivered or completing commissioning including laser units and robots (new laser cladding cells including the advance ordering in preparation for the next Technology division sale) and a new horizontal borer (to increase capabilities in SA and reduce reliance on subcontractors).

Note 4: Employee Benefits

<i>Current Liabilities</i>		
Annual Leave Entitlements	803,556	619,956
Long Service Leave Entitlements	645,680	476,437
	<u>1,449,236</u>	<u>1,096,393</u>
<i>Non-Current Liabilities</i>		
Long Service Leave Entitlements	70,380	60,613
	<u>1,519,616</u>	<u>1,157,006</u>

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The increase in employee benefits has been impacted by the leave entitlements for the Victorian facility employees, with employee entitlements reducing the purchase price at the time of acquiring the business assets. Further a number of NSW and SA employees have cancelled or postponed planned leave due to travel restrictions.

Note 5: Financial Liabilities

	31 Dec 2020	30 Jun 2020
	\$	\$
Current Liabilities		
Hire purchase and finance lease	955,691	789,751
Lease Liabilities (AASB 16)	709,846	972,090
	<u>1,665,537</u>	<u>1,761,841</u>
Non-Current Liabilities		
Hire purchase and finance lease	4,157,325	2,779,600
Lease Liabilities (AASB 16)	4,477,189	3,940,181
	<u>8,634,514</u>	<u>6,719,781</u>
	<u><u>10,300,051</u></u>	<u><u>8,481,622</u></u>

Additional equipment financing for the period includes the Victorian facility assets acquired, robots for the new cladding cells being designed and commissioned and a horizontal borer for the SA facility.

Note 6: Contributed Equity

Issued and Paid Up Capital	<u>7,205,121</u>	<u>7,042,358</u>
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	31 Dec 2020	31 Dec 2020	30 Jun 2020	30 Jun 2020
	Shares	\$	Shares	\$
Existing Shares	95,414,650	7,042,358	94,539,442	6,725,293
Issued Shares	308,420	162,763	875,208	317,065
	<u>95,723,070</u>	<u>7,205,121</u>	<u>95,414,650</u>	<u>7,042,358</u>

a) Ordinary Shares

Date	Details	No. Shares	Issue Price (Cents per Share)	\$
1 st July 2020	Opening Balance	95,414,650		7,042,358
9 th October 2020	Dividend Reinvestment Plan	258,420	0.5455	134,779
20 th November 2020	Non-Exec. Director Remuneration	50,000	0.3950	17,828
31 st December 2020	ESP Share Based Payment Expense	-	-	10,156
31 st December 2020	Closing Balance	<u>95,723,070</u>		<u>7,205,121</u>

Note 7: Dividends

	31 Dec 2020	31 Dec 2019
	\$	\$
Declared fully franked 2020 final dividend of 0.6 cents per share (2019: 0.5)	574,642	472,697

Dividends not recognised during reporting period

Since 31 December 2020, the Directors have recommended the payment of an interim dividend of 0.6 cents per fully paid ordinary share (2019: 0.5), fully franked based on tax paid at 26.0%. The aggregate amount of the proposed dividend expected to be paid on 1 April 2020 out of retained earnings at 31 December 2020, but not recognized as a liability, is \$574,648.

Note 8: Contingent Liabilities

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

Note 9: Acquisition of Assets

In August 2020 the company acquired certain assets and assumed certain liabilities of United Surface Technologies Pty Ltd for a total consideration of \$732,592 exclusive of GST.

The fair value of assets as at the date of acquisition were:

	\$
Plant & Equipment	845,909
Inventories	185,190
Acquisition Costs	13,860
	<u>1,044,959</u>

The liabilities assumed as at date of acquisition were:

Employee Entitlements	312,367
	<u>312,367</u>

Net tangible assets acquired as at date of acquisition amounted to \$732,592. The company also acquired the right of use asset in the sum of \$637,422 and lease liabilities of the same amount.

A substantial part of the fair value of total gross assets acquired is attributable to plant and equipment, meeting the asset concentration test. This transaction has been accounted for as an asset acquisition in the financial statements for the half year ended 31 December 2020. The company assessed that the value of any intangibles that were acquired consequential to the tangible assets were \$nil.

Note 10: Subsequent Events

Since 31 December 2020 and up to the date of this report there has not been any item, transaction or event of a material nature likely, in the opinion of the Directors, to affect substantially the operations of the Company, the results of those operations or the state of affairs of the company in subsequent financial years.

Note 11: Segment Reporting

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

31 December 2020				
	Services \$	Product \$	Other \$	Total \$
Revenue	5,446,099	6,331,581	20,430	11,798,110
EBITDA	1,545,827	1,992,431	(442,086)	3,096,172
Interest	103,302	120,098	-	223,400
Depreciation & Amortisation	533,585	620,341	20,833	1,174,759
Profit Before Income Tax	908,940	1,251,992	(462,919)	1,698,013
Income tax expense	(263,961)	(363,584)	117,881	(509,664)
Profit after Income Tax	644,979	888,408	(345,038)	1,188,349
				Dec 20
Assets				26,459,089
Liabilities				(13,012,675)

31 December 2019				
	Services \$	Product \$	Other \$	Total \$
Revenue	6,893,706	4,361,442	-	11,255,148
EBITDA	1,939,300	1,231,144	(423,226)	2,747,218
Interest	132,454	83,800	-	216,254
Depreciation & Amortisation	549,368	401,916	4,265	955,549
Profit Before Income Tax	1,257,478	745,428	(427,491)	1,575,415
Income tax expense	(334,640)	(198,239)	113,765	(419,114)
Profit after Income Tax	922,838	547,189	(313,726)	1,156,301
				Dec 19
Assets				21,523,294
Liabilities				(10,644,856)

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Company Details

Registered Office and Principal Place of Business:

LaserBond Ltd	2/57 Anderson Road SMEATON GRANGE NSW 2565 Phone: 02 4631 4500 www.laserbond.com.au
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Divisions of Head Office:

South Australia	112 Levels Road CAVAN SA 5094 Phone: 08 8262 2289
Victoria	26-32 Aberdeen Road ALTONA VIC 3018 Phone: 03 9398 5925

Share Registry:

Boardroom Pty Ltd	Grosvenor Place Level 12, 225 Kent Street SYDNEY NSW 2000 Phone: 1300 737 760 www.boardroomlimited.com.au
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Auditor:

LNP Audit & Assurance Pty Ltd	Level 14, 309 Kent Street SYDNEY NSW 2000 www.lnpaudit.com.au
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Solicitor:

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

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