

**LASERBOND LIMITED
(FORMERLY H.V.O.F. AUSTRALIA PTY LIMITED)**

ABN: 24 057 636 692

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2007

**LASERBOND LIMITED
(FORMERLY H.V.O.F. AUSTRALIA PTY LIMITED)**

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**LASERBOND LIMITED
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DIRECTOR'S REPORT

Your Directors present their report on Laserbond Limited for the year ended 30 June 2007.

Directors

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

Wayne Hooper
Greg Hooper
Rex Hooper (resigned 28 July 2007)
Lillian Hooper (resigned 28 July 2007)
Diane Hooper (resigned 28 July 2007)
Tim McCauley (appointed 28 August 2007)

Tim McCauley – Executive Chairman

Tim has extensive experience as a company director and senior executive with significant strengths in developing business channels, strategic development and finance. Tim began his career with KPMG accountants and recently held the position of Managing Director, in the listed company Auto One Limited. Prior to joining Auto One, Tim spent over 15 years with multinational companies in senior roles developing and managing operations throughout the USA and Australia. Tim provides his expertise at the Board level to a number of private companies, utilising his expertise throughout the international community. Tim is a qualified accountant holding university degrees in accounting and finance. Tim holds an MBA and is a member of the Institute of Company Directors.

Wayne Hooper – Executive Director

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

Greg Hooper – Executive Director

Greg was the founder of the Company in late 1992. Greg has extensive experience working with multinational suppliers to the welding and thermal sprayed coatings industries and the developments of markets. With his knowledge, and seeing the potential applications for his technology, Greg founded the Company assisted by other members of the Hooper family. Greg, utilising the in house laboratory, developed the applications parameters for the H.V.O.F. and LaserBond™ processes. Greg will focus on the ongoing research and development of laser technology and H.V.O.F. as well as new technology driven applications.

Company Secretary

Donna Woodley was appointed Company Secretary on the 28th August 2007. Donna is a member of the National Institute of Accountants. She has owned her own accounting practice for the past 8 years. Prior to this, she spent nine years with a leading commercial real estate agency.

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DIRECTOR'S REPORT (continued)

Directors' Meetings

During the financial year ended 30 June 2007 the number of meetings held and attended by each Director were as follows:

Director	Number of Meetings Held	Number of Meetings Attended	
Wayne Hooper	6	6	
Greg Hooper	6	3	
Rex Hooper	6	6	(resigned 28 July 2007)
Lillian Hooper	6	6	(resigned 28 July 2007)
Diane Hooper	6	6	(resigned 28 July 2007)
Tim McCauley	-	-	(appointed 27 August 2007)

Principal Activities

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

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

Operating Result

The net profit after income tax for the year amounted to \$523,895 or 14.7% of revenue (2006 - \$382,448 or 12.8% of revenue).

Profit before income tax amounted to \$748,421 or 20.9% of revenue (2006 - \$533,430 or 17.8% of revenue).

Review of Operations

The Company has embraced a number of strategic opportunities in the past 12 months. Most significantly were the Initial Public Offering (IPO) and the name change from HVOF Australia Pty Ltd to LaserBond Limited.

Improvements in our revenue streams resulted in sales increasing by 19.3% to \$3,573,415 in the year under review. EBIT increased by 40.3% to \$748,421 over fiscal year 2006. The year remained strong with continued growth expected into the new fiscal year. With the completion of the IPO process, the Company will be in a very strong cash position for acquisitions in key markets that have been identified in the Company's strategic plan. New key management personnel have joined LaserBond to provide a clear focus on the future development and growth opportunities for the Company.

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DIRECTOR'S REPORT (continued)

Significant Changes in State of Affairs

During the financial year the company changed both its name and its entity status in preparation for the proposed future listing on the Australian Stock Exchange (ASX). On 20th June 2007, the company changed its name from H.V.O.F. Australia Pty Limited to Laserbond Limited. On the same day, the company changed its entity status from that of a small, private company to a public unlisted entity. As the result of this, a share split transaction was undertaken whereby the total number of ordinary shares on issue increased from 1,200 to 50,000,400.

Matters Subsequent to the End of the Financial Year

On 3 September 2007, the company lodged a prospectus with the Australian Securities Commission (ASIC) to offer for subscription up to 12,600,000 shares at 20 cents each together with one (1) free attaching option for each three (3) shares to raise up to \$2,520,000. The options will be exercisable at 15 cents on or before 31 August 2009. The opening date of the offer was 11 September 2007 and the closing date is 23 October 2007. On 3 September 2007, application was made to the Australian Stock Exchange (ASX) for Official Quotation of Shares and Options. The Company's expected listing date is 1 November 2007.

Subject to the successful listing on the ASX of the Company, the following options will also be issued:

- 6,000,000 performance options to be issued to the Company Directors. The terms and conditions relating to these options are included as part of the prospectus.
- 1,000,000 options to be issued to the Tim McCauley, a Director. These options are exercisable at \$0.20 on or before 30 August 2010 subject to the condition that one third of these options will vest on the anniversary of the grant date each year.

Likely Developments

Since the end of the financial year, there have been no developments in the operations of the company which are not finalised at the date of this report which may affect the results of the company in the financial years subsequent to 30 June 2007, with the exception of those matters noted above in Matters Subsequent to the End of the Financial Year.

Environmental Regulation

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

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DIRECTOR'S REPORT (continued)

Dividends

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

	2007 \$
Interim ordinary dividend for the year ended 30 June 2007 of \$7.62 per fully paid share paid in July 2006	9,145.97
Interim ordinary dividend for the year ended 30 June 2007 of \$7.62 per fully paid share paid in August 2006	9,145.97
Interim ordinary dividend for the year ended 30 June 2007 of \$7.62 per fully paid share paid in September 2006	9,145.97
Interim ordinary dividend for the year ended 30 June 2007 of \$7.62 per fully paid share paid in October 2006	9,145.97
Interim ordinary dividend for the year ended 30 June 2007 of \$7.62 per fully paid share paid in November 2006	9,145.97
Interim ordinary dividend for the year ended 30 June 2007 of \$7.62 per fully paid share paid in December 2006	9,145.97
Interim ordinary dividend for the year ended 30 June 2007 of \$7.62 per fully paid share paid in January 2007	9,145.97
Interim ordinary dividend for the year ended 30 June 2007 of \$32.63 per fully paid share paid in February 2007	39,151.95
Interim ordinary dividend for the year ended 30 June 2007 of \$9.01 per fully paid share paid in March 2007	10,812.97
Interim ordinary dividend for the year ended 30 June 2007 of \$9.01 per fully paid share paid in April 2007	10,812.97
Interim ordinary dividend for the year ended 30 June 2007 of \$9.01 per fully paid share paid in May 2007	10,812.97
Interim ordinary dividend for the year ended 30 June 2007 of \$9.01 per fully paid share paid in June 2007	10,812.97
	<u>146,425.62</u>

In addition to the above dividends, since the end of the financial year the directors have recommended and paid final ordinary dividends of \$140,568.74 (\$117.14 per fully paid share).

Options

No options over issued shares or interests in the company or a controlled entity were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

Directors' and Auditors' Information

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

Proceedings on behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

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

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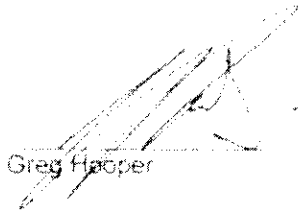
DIRECTOR'S REPORT (continued)

Auditors' Independence Declaration


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

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

Director


Greg Hooper

Director


Wayne Hooper

Dated this 16th day of October 2007



BDO Kendalls

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**DECLARATION OF INDEPENDENCE BY MELISSA ALEXANDER
TO THE DIRECTORS OF LASERBOND LIMITED**

I declare that, to the best of my knowledge and belief, for the year ended 30 June 2007, there have been no contraventions of:

- i. the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii. any applicable code of professional conduct in relation to the audit.

Melissa Alexander
Partner

BDO Kendalls
Chartered Accountants

Signed in Sydney this 16th day of October 2007

LASERBOND LIMITED
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INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
Revenue from continuing operations	2	3,573,415	2,996,109
Cost of sales		<u>(1,490,099)</u>	<u>(333,912)</u>
Gross profit		2,083,316	2,662,197
Other income	3	803,142	853,814
Selling expenses		(63,713)	(68,306)
Administration expenses		(1,232,816)	(1,471,712)
Research & development expenses		(574,676)	(649,102)
Finance lease expenses		(211,532)	(309,326)
Repairs and maintenance expenses		(29,430)	(270,404)
Finance costs		(19,576)	(12,652)
Other expenses		<u>(6,294)</u>	<u>(201,079)</u>
Net profit before income tax	4	748,421	533,430
Income tax expense	5	<u>(224,526)</u>	<u>(150,982)</u>
Net profit after income tax from continuing operations		<u>523,895</u>	<u>382,448</u>

The accompanying notes form part of this financial report

**LASERBOND LIMITED
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**BALANCE SHEET
AS AT 30 JUNE 2007**

	Note	2007 \$	2006 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	1,056,975	731,888
Trade and other receivables	7	918,566	668,881
Inventories	8	<u>240,124</u>	<u>137,118</u>
TOTAL CURRENT ASSETS		<u>2,215,665</u>	<u>1,537,887</u>
NON-CURRENT ASSETS			
Plant and equipment	9	422,713	375,238
Intangible assets	10	12,986	15,227
Deferred tax assets	11	<u>54,421</u>	<u>20,758</u>
TOTAL NON-CURRENT ASSETS		<u>490,120</u>	<u>411,223</u>
TOTAL ASSETS		<u>2,705,785</u>	<u>1,949,110</u>
CURRENT LIABILITIES			
Trade and other payables	12	316,456	78,677
Borrowings	13	49,140	104,096
Current tax liabilities	15	<u>243,047</u>	<u>21,910</u>
TOTAL CURRENT LIABILITIES		<u>608,643</u>	<u>204,683</u>
NON-CURRENT LIABILITIES			
Borrowings	13	43,593	96,594
Deferred tax liabilities	15	14,134	-
Provisions	14	<u>59,983</u>	<u>44,683</u>
TOTAL NON-CURRENT LIABILITIES		<u>117,710</u>	<u>141,277</u>
TOTAL LIABILITIES		<u>726,353</u>	<u>345,960</u>
NET ASSETS		<u>1,979,432</u>	<u>1,603,150</u>
EQUITY			
Contributed equity	16	12	1,200
Retained earnings		<u>1,979,420</u>	<u>1,601,950</u>
		<u>1,979,432</u>	<u>1,603,150</u>

The accompanying notes form part of this financial report

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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007**

	Note	Contributed Equity \$	Retained Earnings \$	Total Equity \$
At 1 July 2005		1,200	1,332,588	1,333,788
Profit for the year		-	382,448	382,448
Dividends declared in the year	21	-	(113,086)	(113,086)
At 30 June 2006		1,200	1,601,950	1,603,150
Profit for the year		-	523,895	523,895
Dividends paid to company's shareholders	21	-	(146,425)	(146,425)
Share capital – reverse formation costs	16	(1,188)	-	(1,188)
At 30 June 2007		<u>12</u>	<u>1,979,420</u>	<u>1,979,432</u>

The accompanying notes form part of this financial report

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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2007

	Note	2007 \$	2006 \$
Cash Flows from Operating Activities			
Receipts from customers		4,348,040	3,882,800
Payments to suppliers and employees		(3,434,496)	(3,225,515)
Interest received		31,623	22,644
Interest paid		(19,576)	(11,424)
Income taxes paid		<u>(210,392)</u>	<u>(150,982)</u>
Net cash provided by operating activities	22	<u>715,199</u>	<u>517,523</u>
Cash Flows from Investing Activities			
Payment for plant and equipment		(135,730)	(186,723)
Payments for intangible assets		<u>-</u>	<u>(9,334)</u>
Net cash used in investing activities		<u>(135,730)</u>	<u>(196,057)</u>
Cash Flows from Financing Activities			
Dividends paid		(146,425)	(113,086)
Payments to lessors		(88,016)	-
Repayment of borrowings		(19,941)	-
Proceeds from borrowings		<u>-</u>	<u>104,322</u>
Net cash used in financing activities		<u>(254,382)</u>	<u>(8,764)</u>
Net increase in cash		325,087	312,702
Cash and cash equivalents at the beginning of the financial year		<u>731,888</u>	<u>419,186</u>
Cash and cash equivalents at the end of the financial year	6	<u>1,056,975</u>	<u>731,888</u>

The accompanying notes form part of this financial report

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report of Laserbond Limited for the year ended 30 June 2007 was authorised for issue in accordance with a resolution of the directors on 11th October 2007 as required by the Corporations Act 2001.

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

The financial report is presented in the Australian currency.

(a) Basis of Preparation

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

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

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

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

(b) Foreign Currency Translation

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

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

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Revenue Recognition

Revenue is recognised in the following manner:

Sale of Goods and Services

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

Interest

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

Other Income

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

(d) Income Tax

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

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Inventories

Raw materials and work in progress are stated at the lower of cost and net realisable value. Costs of work in progress comprises direct materials, direct labour and any external sub-contract costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(f) Property, Plant and Equipment

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

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

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

(g) Impairment of Assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(h) Leases

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

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Financial Instruments

Classification

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

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

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

(ii) Loans and receivables

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

Recognition and Derecognition

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

Subsequent Measurement

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

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

Impairment

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

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Intangibles

Patents and trademarks

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

(k) Cash and Cash Equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(l) Trade and Other Payables

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

(m) Borrowings

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

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

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

(n) Contributed Equity

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

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

(p) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The company's assessment of the impact of these new standards and interpretations is set out below.

i) AASB 2007- Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments

These amendments insert accounting treatment options that currently exist under IFRSs into AIFRSs and remove Australian-specific disclosures that were added into AIFRSs on first-time adoption from 1 January 2005. These amendments apply to periods commencing on or after 1 July 2007. Most changes relate to certain Australian-specific disclosures not being required. The company does not intend to adopt any reinstated options for accounting treatment when the standard is adopted. As such, there will be no future financial impacts on the financial statements.

ii) AASB 7 Financial Instruments: Disclosures

Replaces the disclosure requirements relating to financial instruments currently included in AASB 132: *Disclosure and Presentation*. The disclosures are applicable for Annual periods commencing on or after 1 January 2007. As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, various additional disclosures will be required about the company's financial instruments.

iii) AASB 101 Presentation of Financial Statements

Removes Australian specific disclosure requirements. The revised standard is applicable for annual reporting periods commencing on or after 1 January 2007. As these changes result in a reduction of Australian-specific disclosures, there will be no impact on amounts recognised in the financial statements.

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(q) Employee benefits

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

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

(ii) Long Service Leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

(r) Dividends

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

(s) Government Grants

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

(t) Critical Accounting Estimates and Judgements

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

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

(u) Reclassification of Expenses

With the full implementation of the company's ERP software, the Financial Statements now allocate all Cost of Sales appropriately. With the implementation of this software during 2006-2007, this allowed a better disaggregation of accounting data and enabled this allocation.

During the prior year, this system was not in place and such costs were not able to be allocated to cost of sales. The 2006 cost of sales comparatives have not been restated to be consistent with the 2007 figures as it is impractical to do so.

**LASERBOND LIMITED
(FORMERLY H.V.O.F. AUSTRALIA PTY LIMITED)**

ABN: 24 057 636 692

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

	2007 \$	2006 \$
NOTE 2: REVENUE		
From continuing operations		
<i>Sales revenue</i>		
Sale of goods	<u>3,573,415</u>	<u>2,996,109</u>
NOTE 3: OTHER INCOME		
Interest revenue – from other persons	31,623	22,644
Government grant	263,935	298,503
Research & development - reimbursed expenses	504,903	470,707
Other	<u>2,681</u>	<u>61,960</u>
	<u>803,142</u>	<u>853,814</u>
NOTE 4: EXPENSES		
Profit before income tax includes the following specific expenses:		
<i>Finance costs:</i>		
Interest paid/payable - external	<u>19,576</u>	<u>11,424</u>
<i>Depreciation:</i>		
- plant and equipment	66,179	41,554
- motor vehicles	1,759	19,334
- research and development equipment	<u>20,317</u>	<u>7</u>
Total depreciation	<u>88,255</u>	<u>60,895</u>
<i>Amortisation:</i>		
- Intangible assets	<u>1,053</u>	<u>1,053</u>
<i>Net loss on disposal of assets:</i>		
- motor vehicles	<u>1,514</u>	<u>-</u>
<i>Rental expenses relating to operating leases</i>		
- Minimum lease payments	<u>211,532</u>	<u>309,326</u>

LASERBOND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
NOTE 4: EXPENSES (cont'd)		
<i>Auditor's Remuneration:</i>		
(a) Audit services		
- Audit and review of financial reports	<u>25,000</u>	<u>26,094</u>
(b) Non-audit services		
- Independent Experts Report (BDO Perth)	<u>10,025</u>	<u>-</u>
NOTE 5: INCOME TAX		
(a) Income Tax Expense		
Current tax	244,055	156,471
Deferred tax	<u>(19,529)</u>	<u>(5,489)</u>
	<u>224,526</u>	<u>150,982</u>
Deferred income tax (revenue)/expense included in income tax expense comprises:		
Increase in deferred tax assets (note 11)	(33,663)	(5,489)
Increase in deferred tax liabilities (note 15)	<u>14,134</u>	<u>-</u>
	<u>(19,529)</u>	<u>(5,489)</u>
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit before income tax expense	<u>748,421</u>	<u>533,430</u>
Tax at the Australian tax rate of 30% (2006: 30%)	224,526	160,029
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
- Research and development uplift	-	(3,908)
- Sundry items	<u>-</u>	<u>(5,139)</u>
Income tax expense	<u>224,526</u>	<u>150,982</u>

**LASERBOND LIMITED
(FORMERLY H.V.O.F. AUSTRALIA PTY LIMITED)**

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

	2007	2006
	\$	\$
NOTE 6: CASH AND CASH EQUIVALENTS		
Cash on hand	400	78
Cash at bank	<u>1,056,575</u>	<u>731,810</u>
	<u>1,056,975</u>	<u>731,888</u>
 NOTE 7: TRADE AND OTHER RECEIVABLES		
CURRENT		
Trade receivables	605,275	608,381
Provision for doubtful receivables	<u>-</u>	<u>-</u>
	605,275	608,381
Loan – related party	60,500	60,500
Other receivables	<u>252,791</u>	<u>-</u>
	<u>918,566</u>	<u>668,881</u>
 NOTE 8: INVENTORIES		
CURRENT		
Finished goods - at net realisable value	227,462	137,118
Work in progress	<u>12,662</u>	<u>-</u>
	<u>240,124</u>	<u>137,118</u>

LASERBOND LIMITED
(FORMERLY H.V.O.F. AUSTRALIA PTY LIMITED)

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

	2007 \$	2006 \$
NOTE 9: PLANT AND EQUIPMENT		
<i>Plant and Equipment</i>		
At Cost	726,855	607,618
Less accumulated depreciation	<u>(459,655)</u>	<u>(393,476)</u>
	<u>267,200</u>	<u>214,142</u>
<i>Motor Vehicles</i>		
At cost	243,184	269,683
Less accumulated depreciation	<u>(111,374)</u>	<u>(109,615)</u>
	<u>131,810</u>	<u>160,068</u>
<i>Research and Development Equipment</i>		
At cost	44,027	1,035
Less accumulated depreciation	<u>(20,324)</u>	<u>(7)</u>
	<u>23,703</u>	<u>1,028</u>
TOTAL PLANT AND EQUIPMENT	<u><u>422,713</u></u>	<u><u>375,238</u></u>

(a) Movements in Carrying Amounts

	Plant and Equipment	Motor Vehicles	Research and Development Equipment	Total
	\$	\$	\$	\$
2007 Financial Year				
Balance at the beginning of the year	214,142	160,068	1,028	375,238
Additions	119,237	-	42,992	162,229
Disposals	-	(26,499)	-	(26,499)
Depreciation expense	<u>(66,179)</u>	<u>(1,759)</u>	<u>(20,317)</u>	<u>(88,255)</u>
Carrying amount at the end of the year	<u>267,200</u>	<u>131,810</u>	<u>23,703</u>	<u>422,713</u>

	Plant, and Equipment	Motor Vehicles	Research and Development Equipment	Totals
	\$	\$	\$	\$
2006 Financial Year				
Balance at the beginning of the year	120,067	129,343	-	249,410
Additions	135,629	50,059	1,035	186,723
Disposals	-	-	-	-
Depreciation expense	<u>(41,554)</u>	<u>(19,334)</u>	<u>(7)</u>	<u>(60,895)</u>
Carrying amount at the end of the year	<u>214,142</u>	<u>160,068</u>	<u>1,028</u>	<u>375,238</u>

**LASERBOND LIMITED
(FORMERLY H.V.O.F. AUSTRALIA PTY LIMITED)**

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

	Note	2007 \$	2006 \$
NOTE 10: INTANGIBLES			
Patents and Trade Marks			
Cost at beginning of the year		16,365	6,946
Additions		-	9,419
Accumulated amortisation		(2,191)	(1,138)
Formation costs written-off		(1,188)	-
Net book amount at 30 June		<u>12,986</u>	<u>15,227</u>
NOTE 11: DEFERRED TAX ASSETS			
Deferred tax assets comprise temporary differences attributable to:			
Employee benefits		<u>54,421</u>	<u>20,758</u>
NOTE 12: TRADE AND OTHER PAYABLES			
CURRENT			
Trade payables		128,990	34,082
Other payables		66,047	20,085
Employee benefits		<u>121,419</u>	<u>24,510</u>
		<u>316,456</u>	<u>78,677</u>
NOTE 13: BORROWINGS			
CURRENT			
Hire purchase liabilities	17	<u>49,140</u>	<u>104,096</u>
NON CURRENT			
Loan – related party		-	19,941
Hire purchase liabilities	17	<u>43,593</u>	<u>76,653</u>
		<u>43,593</u>	<u>96,594</u>
NOTE 14: PROVISIONS			
NON-CURRENT			
Employee benefits		<u>59,983</u>	<u>44,683</u>

**LASERBOND LIMITED
(FORMERLY H.V.O.F. AUSTRALIA PTY LIMITED)**

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

	2007	2006
	\$	\$
NOTE 15: TAX LIABILITIES		
CURRENT		
Income tax	<u>243,047</u>	<u>21,910</u>
NON-CURRENT		
Deferred tax liabilities comprise temporary differences attributable to:		
Capitalised IPO expenses	<u>14,134</u>	<u>-</u>

NOTE 16: CONTRIBUTED EQUITY AND RESERVES

(a) Issued capital

Fully paid ordinary shares	<u>12</u>	<u>1,200</u>
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Ordinary shares have the right to receive dividends as declared and, in the event of winding up the company, to participate in the proceeds from the sale of all surplus assets in proportion to the number and amounts paid up on shares held.

Ordinary share entitle their holder to one vote, either in person or by proxy, at a meeting of the Company.

During the year a share split transaction occurred and the authorised share capital of the company was converted from 1,200 ordinary shares into ordinary 50,000,400 shares.

Additionally, formation costs of \$1,188 were written-off. The effect was to reduce issued capital by the same amount.

LASERBOND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
NOTE 17: CAPITAL AND LEASING COMMITMENTS		
(a) Hire Purchase Commitments		
Payable:		
Within one year	51,548	37,338
Later than one year but not later than five years	<u>62,107</u>	<u>113,655</u>
	113,655	150,993
Minimum lease payments:		
Less future finance charges	<u>(20,922)</u>	<u>(30,938)</u>
Total lease liability	<u>92,733</u>	<u>120,055</u>

The company's Hire Purchase commitments are in relation to Motor Vehicles essential to the operations of the business. These are under Hire Purchase agreements expiring within 1 to 5 years. Under the Terms of the Agreements, the Company has the option to acquire the financed assets by payment of the final installment. This option lapses in the event of a default to the agreed Terms and Conditions to the agreements.

(b) Operating Lease Commitments

Payable:		
Within one year	273,627	320,928
Later than one year but not later than five years	<u>350,363</u>	<u>509,779</u>
	<u>623,990</u>	<u>830,707</u>

NOTE 18: CONTINGENT LIABILITIES

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

NOTE 19: CORRECTION OF PRIOR YEAR ERROR

At 30 June 2006, the income tax provision and expense was calculated after deducting taxes that were paid during the year. An error occurred when a balance of \$110,146 was incorrectly accounted for as a prepayment of tax rather than a reduction of the income tax provision.

The error had the effect of overstating profit after tax by understating the income tax expense by \$110,146 and overstating total assets by overstating the prepayment balance by \$110,146 for the year ended 30 June 2006.

The error has been corrected by restating each of the affected financial statement line items for the prior year, as described above.

LASERBOND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 20: RELATED PARTY TRANSACTIONS

Key Management Personnel Compensation

Key management personnel are those persons who have authority and responsibility for planning, directing and controlling the activities of the company. Remuneration received or due and receivable by key management personnel of the company for management of its affairs is as follows:

	2007	2006
	\$	\$
Short-term benefits		
- salaries and fees	292,437	259,008
- superannuation	<u>63,477</u>	<u>53,029</u>
	<u>355,914</u>	<u>312,037</u>

Transactions with Related Parties

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

Rent paid	<u>91,898</u>	<u>69,098</u>
Rental of head office premises paid to Hooper Unit Trust, a director related entity. Rent is paid one month in advance		
Loan – other related party	<u>60,500</u>	<u>60,500</u>

This loan is receivable from Mr Greg Hooper, a director of the company. It is classified current, unsecured and is interest-free. Refer to Note 7.

LASERBOND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
NOTE 21: DIVIDENDS		
Interim dividends paid for the year ended 30 June 2007 – fully franked on tax paid at 30%	<u>146,425</u>	<u>113,086</u>

(a) Franked Dividends

The franked portions of the final dividends recommended and paid after 30 June 2007 will be franked out of existing franking credits or out of franking credits arising from the payment of income tax in the year ending 30 June 2007.

Franking credits available for subsequent financial years based on a tax rate of 30% (2006 – 30%)	<u>806,610</u>	<u>644,838</u>
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NOTE 22: CASH FLOW INFORMATION

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

Profit for the year	523,895	382,448
Non-cash flows in operating surplus		
Depreciation	88,255	60,895
Amortisation	1,053	1,053
Changes in assets and liabilities		
(Decrease) in trade debtors	3,106	55,521
(Increase)/Decrease in other debtors	(252,791)	56,873
(Increase) in inventories	(103,006)	(5,966)
(Increase) in deferred tax assets	(33,663)	(5,489)
Increase in trade creditors and accruals	237,779	9,479
Increase/(Decrease) in income tax payable	221,137	(42,796)
Increase in provisions	15,300	5,505
Increase in deferred tax liabilities	<u>14,134</u>	<u>-</u>
Net cash provided by operating activities	<u>715,199</u>	<u>517,523</u>

LASERBOND LIMITED
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NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

NOTE 23: FINANCIAL INSTRUMENTS

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

a. Interest rate risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in the market interest rates and the effective weighted average interest rate of those financial assets is as follows:

30 June 2007	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate		Non- Interest Bearing	Total
			Within 1 Year	1 to 5 Years		
	%	\$	\$	\$	\$	\$
Financial assets:						
Cash on hand	-	-	-	-	400	400
Cash at bank	4.0	1,056,575	-	-	-	1,056,575
Trade and other receivables	-	-	-	-	918,567	918,567
Total financial assets		1,056,575	-	-	918,967	1,975,542
Financial Liabilities:						
Trade and other payables		-	-	-	316,456	316,456
Borrowings	7.0	-	49,140	43,593	-	92,733
Total financial liabilities		-	49,140	43,593	316,456	409,189
30 June 2006	Weighted Average Effective Interest Rate	Floating Interest Rate	Fixed Interest Rate		Non- Interest Bearing	Total
			Within 1 Year	1 to 5 Years		
	%	\$	\$	\$	\$	\$
Financial assets:						
Cash on hand	-	-	-	-	77	77
Cash at bank	2.0	731,810	-	-	-	731,810
Trade and other receivables	-	-	-	-	779,027	779,027
Total financial assets		731,810	-	-	779,104	1,510,914
Financial Liabilities:						
Trade and other payables		-	-	-	78,677	78,677
Borrowings	7.0	-	104,096	76,653	19,941	200,690
Total financial liabilities		-	104,096	76,653	98,618	279,367

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

NOTE 23: FINANCIAL INSTRUMENTS (continued)

b. Credit risk exposures

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.

The Company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the Company.

c. Liquidity risk

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

d. Net fair values 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) approximate net fair value.

e. Price risk

The Company is not exposed to any material price risk.

NOTE 22: SEGMENT REPORTING

The company operates entirely within Australia in the laser technology industry.

NOTE 23: COMPANY DETAILS

Registered office and principal place of business: 28 York Road
Ingleburn
NSW 2565

**LASERBOND LIMITED
(FORMERLY H.V.O.F. AUSTRALIA PTY LIMITED)**

ABN: 24 057 636 692

DECLARATION BY DIRECTORS

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 28 are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2007 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.

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

Director


Greg Hooper

Director


Wayne Hooper

Dated this 16th day of October 2007



BDO Kendalls

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ABN 57 908 209 104

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF LASERBOND LIMITED

We have audited the accompanying financial report of Laserbond Limited, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Laserbond Limited on 16 October 2007, would be in the same terms if provided to the directors as at the time of this auditor's report.



BDO Kendalls

Auditor's Opinion

In our opinion the 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 2007 and of its performance for the year ended on that date; and
- b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

BDO Kendalls

BDO Kendalls
Chartered Accountants

Melissa Alexander

Melissa Alexander
Partner

Signed in Sydney this 16th day of October 2007

