



HALF YEAR REPORT

31 DECEMBER 2012

CONTENTS

DIRECTORS' REPORT	2
AUDITOR'S INDEPENDENCE DECLARATION	4
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS	5
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME.....	6
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	7
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	8
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	9
NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS...	11
DIRECTORS' DECLARATION	16
INDEPENDENT REVIEW REPORT	17

DIRECTORS' REPORT

The directors of Matrix Composites & Engineering Ltd ("Matrix" or "the Company") submit herewith the financial report of the Company and its subsidiaries ("Group" or "Consolidated Entity") for the half-year ended 31 December 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

The names and particulars of the directors of the Company during or since the end of the half-year are:

Peter J Hood	<i>(Independent Non-Executive Chairman)</i>
Aaron P Begley	<i>(Managing Director & Chief Executive Officer)</i>
Craig N Duncan	<i>(Independent Non-Executive Director)</i>
Nigel L Johnson	<i>(Independent Non-Executive Director)</i>
Paul R Wright	<i>(Non-Executive Director)</i>

Unless otherwise noted, all directors have been in office since the start of the half-year to the date of this report.

Principal activities

The Consolidated Entity's principal activities during the course of the period were the:

- manufacture and sale of syntactic foam buoyancy and associated products;
- manufacture and sale of injection moulded composite plastic and polyurethane products;
- manufacture and sale of fabricated metal products; and
- provision of offshore labour and specialised maintenance services.

Review of Operations

Matrix operates two distinct business; Matrix Composite Materials ("MCM") and Matrix Offshore Services and Engineering ("MOSE"), which service the global oil and gas industry and the domestic resources sector respectively. The manufacture of composite foam buoyancy systems was the Company's principal activity throughout the period.

The Company has recorded a net profit after tax of \$527,501 (2011: loss of \$2,413,775) for the six month period ended 31 December 2012.

Sales revenue of \$81.6 million was 2.4 per cent below the corresponding period and has been adversely impacted by a combination of:

- i) a 1 per cent appreciation of the Australian dollar compared with the US dollar;
- ii) lower than projected output arising from the reduction in the operating structure of the business from three shifts to two;
- iii) reduced revenue from the sale of drilling riser buoyancy arising from delayed order conversion; and
- iv) lower than anticipated revenue from non-drilling products and services, in particular well construction and SURF products.

Prior to the reduction in output resulting from weaker than expected market conditions, the Henderson facilities achieved the targeted production rate of 63 parts per day. Operations now consistently record production in excess of 21 parts per shift as management continues to focus on driving productivity efficiencies from the plant.

Earnings for the period were adversely impacted by a combination of non-recurring items including:

- i) reduced sales revenue, as set out above;
- ii) overtime incurred in proving capacity rating of the plant;
- iii) reduced production resulting from the move from three shifts to two;
- iv) associated redundancy and restructuring costs;
- v) one week maintenance shutdown in December 2012; and
- vi) ongoing costs associated with establishing the well construction product line.

During the period Matrix has grown its contracted order book to US\$110 million which equates to a backlog of approximately 10 months. Matrix is targeting to grow its backlog of contracted orders to a minimum of 12 months.

Matrix Offshore Services & Engineering ("MOSE") continues to provide specialised engineered products to both the oil and gas and mining sectors in Western Australia. Reduced capital expenditure in the mining and resources sector in Western Australia has resulted in reduced demand for MOSE's engineering and fabrication services from these sectors. During the period MOSE increased its exposure to the provision of specialised maintenance and labour services to the offshore oil and gas sector.

Dividends

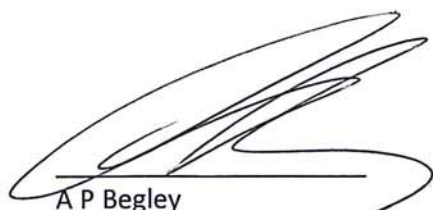
During the period the directors did not recommend the payment of a final dividend for the financial year ended 30 June 2012 (2011: \$3,755,502). The directors have not declared any interim dividend for the period ended 31 December 2012.

Auditor's independence declaration

The auditor's independence declaration is included on page 4 of the half-year report.

This Directors' report is signed in accordance with a resolution of directors made pursuant to s306(3) of the Corporations Act 2001.

On behalf of the Directors



A P Begley
Managing Director & Chief Executive Officer

Perth, 27 February 2013

The Board of Directors
Matrix Composites & Engineering Ltd
150 Quill Way
Henderson WA 6166

27 February 2013

Dear Board Members

Matrix Composites & Engineering Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Matrix Composites & Engineering Ltd.

As lead audit partner for the review of the financial statements of Matrix Composites & Engineering Ltd for the half-year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- (ii) any applicable code of professional conduct in relation to the review.

Yours sincerely


DELOITTE TOUCHE TOHMATSU



Peter Rupp
Partner
Chartered Accountants

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	Note	31 Dec 2012	31 Dec 2011
		\$	\$
Continuing operations			
Revenue	3	81,570,317	83,541,331
Cost of sales		(73,937,448)	(76,969,694)
Gross profit		7,632,869	6,571,637
Other income	3	133,315	361,064
Other gains/(loss)	3	727,793	(6,964,815)
Administration expenses		(3,843,354)	(3,030,694)
Finance costs	3	(856,433)	(1,357,857)
Marketing expenses		(2,966,500)	(2,020,370)
Research expenses		(240,930)	(1,060,039)
Profit/(loss) before income tax		586,760	(7,501,074)
Income tax(expense)/benefit	8	(59,259)	5,087,299
Profit/(loss) for the period from continuing operations		527,501	(2,413,775)
Profit/(loss) attributable to :			
Owners of the parent		527,501	(2,413,801)
Non-controlling interest		-	26
		527,501	(2,413,775)

Earnings/(loss) per share			
Basic earnings/(loss) per share (cents)		0.6	(3.1)
Diluted earnings/(loss) per share (cents)		0.6	(3.1)

The above condensed consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

		31 Dec 2012	31 Dec 2011
		\$	\$
Profit/(loss) for the period		527,501	(2,413,775)
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Net foreign currency translation differences		51,156	292,693
Change in fair value of cash flow hedges		(70,494)	(1,697,053)
Income tax benefit		21,148	509,119
		1,810	(895,241)
<i>Items that will not be reclassified subsequently to profit or loss:</i>			
Revaluation of freehold property		-	(2,949)
Income tax benefit arising from prior period tax expense		338,254	-
		338,254	(2,949)
Other comprehensive income for the period, net of tax		340,064	(898,190)
Total comprehensive income for the period		867,565	(3,311,965)
Total comprehensive income attributable to:			
Owners of the parent		867,565	(3,311,991)
Non-controlling interest		-	26
Total comprehensive income for the period		867,565	(3,311,965)

The above condensed consolidated statement of profit of loss and comprehensive income should be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012**

	Note	31 Dec 2012	30 Jun 2012
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		13,910,623	29,921,332
Trade and other receivables		26,541,365	13,542,845
Inventory		21,916,694	34,561,130
Other current assets		755,782	1,001,339
Financial assets		1,337,612	1,681,019
Income tax asset		4,318	1,098,708
TOTAL CURRENT ASSETS		64,466,394	81,806,373
NON CURRENT ASSETS			
Property, plant and equipment		107,912,422	109,950,749
Intangible assets		7,995,890	7,579,398
Deferred tax asset		11,488,600	11,053,550
TOTAL NON CURRENT ASSETS		127,396,912	128,583,697
TOTAL ASSETS		191,863,306	210,390,070
CURRENT LIABILITIES			
Trade and other payables		11,530,084	22,101,903
Progress claims and deposits		14,519,192	19,718,196
Financial liabilities		6,443,124	26,759,026
Provisions		1,354,479	1,694,723
TOTAL CURRENT LIABILITIES		33,846,879	70,273,848
NON CURRENT LIABILITIES			
Financial liabilities		17,003,440	-
Deferred tax liability		3,044,960	3,011,769
Provisions		393,490	369,622
TOTAL NON CURRENT LIABILITIES		20,441,890	3,381,391
TOTAL LIABILITIES		54,288,769	73,655,239
NET ASSETS		137,574,537	136,734,831
EQUITY			
Issued capital	4	111,784,863	111,812,722
Reserves		1,496,199	1,156,135
Retained earnings		24,303,678	23,776,177
Equity attributable to owners of the parent		137,584,740	136,745,034
Non-controlling interest		(10,203)	(10,203)
TOTAL EQUITY		137,574,537	136,734,831

The above condensed consolidated statement of financial position should be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	Note	31 Dec 2012	31 Dec 2011
		\$	\$
CASH FLOWS (USED IN)/GENERATED FROM OPERATING ACTIVITIES			
Receipts from customers		66,410,320	92,122,622
Payments to suppliers and employees		(75,254,417)	(78,932,428)
Interest received		145,466	285,840
Finance costs paid		(937,266)	(1,357,857)
Net receipt from income tax		415,580	(7,303,100)
Net cash (used in)/generated from operating activities		(9,220,317)	4,805,077
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		-	24,000
Payments for property, plant and equipment		(3,046,990)	(11,906,943)
Payments for research and development costs		(416,492)	-
Net cash used in investing activities		(3,463,482)	(11,892,943)
CASH FLOWS USED IN FINANCING ACTIVITIES			
Repayment of borrowings		(3,287,112)	(6,401,383)
Proceeds from borrowings		-	8,625,205
Dividends paid		-	(3,854,075)
Capital raising costs		(39,798)	-
Net cash used in financing activities		(3,326,910)	(1,630,253)
Net decrease in cash and cash equivalents		(16,010,709)	(8,718,119)
Cash and cash equivalents at 1 July		29,921,332	26,658,014
Cash and cash equivalents at 31 December		13,910,623	17,939,895

The above condensed consolidated statement of cash flows should be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	Issued capital	Retained earnings	Option premium reserve	Properties revaluation reserve	Cash flow hedging reserve	Foreign currency translation reserve	Attributable to owners of the parent	Non-controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2012	111,812,722	23,776,177	273,000	787,664	49,346	46,125	136,745,034	(10,203)	136,734,831
Total comprehensive income for the year									
Profit for the period	-	527,501	-	-	-	-	527,501	-	527,501
Other comprehensive income									
Foreign currency translation	-	-	-	-	-	51,156	51,156	-	51,156
Change in fair value of cash flow hedges net of tax	-	-	-	-	(49,346)	-	(49,346)	-	(49,346)
Income tax benefit arising from prior period tax expense	-	-	-	338,254	-	-	338,254	-	338,254
	-	527,501	-	338,254	(49,346)	51,156	867,565	-	867,565
Transactions with owners, recorded directly in equity									
Issue of shares net of costs and tax	(27,859)	-	-	-	-	-	(27,859)	-	(27,859)
	(27,859)	-	-	-	-	-	(27,859)	-	(27,859)
Balance at 31 December 2012	111,784,863	24,303,678	273,000	1,125,918	-	97,281	137,584,740	(10,203)	137,574,537

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

	Issued capital	Retained earnings	Option premium reserve	Properties revaluation reserve	Cash flow hedging reserve	Foreign currency translation reserve	Attributable to owners of the parent	Non-controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2011 as reported	76,388,203	48,466,944	273,000	842,762	1,032,631	(233,144)	126,770,395	(10,229)	126,760,166
Prior year correction	-	(4,849,288)	-	-	-	-	(4,849,288)	-	(4,849,288)
Balance restated at 1 July 2011	76,388,203	43,617,656	273,000	842,762	1,032,631	(233,144)	121,921,108	(10,229)	121,910,879
Total comprehensive income for the year									
Loss for the period	-	(2,413,801)	-	-	-	-	(2,413,801)	26	(2,413,775)
Other comprehensive income									
Foreign currency translation	-	-	-	-	-	292,693	292,693	-	292,693
Change in fair value of cash flow hedges net of tax	-	-	-	-	(1,187,934)	-	(1,187,934)	-	(1,187,934)
Revaluation of freehold property net of tax	-	-	-	(2,949)	-	-	(2,949)	-	(2,949)
	-	(2,413,801)	-	(2,949)	(1,187,934)	292,693	(3,311,911)	26	(3,311,965)
Transactions with owners, recorded directly in equity									
Dividends paid to equity holders	-	(3,854,075)	-	-	-	-	(3,854,075)	-	(3,854,075)
	-	(3,854,075)	-	-	-	-	(3,854,075)	-	(3,854,075)
Balance at 31 December 2011	76,388,203	37,349,780	273,000	839,813	(155,303)	59,549	114,755,042	(10,203)	114,744,839

The above condensed consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

General Information

Matrix Composites & Engineering Ltd (the Company) is a limited liability company incorporated in Australia.

Statement of Compliance

The half-year financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report for the year ended 30 June 2012 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

The half-year financial report comprises the consolidated half-year financial reports of the Group. For the purpose of preparing the consolidated financial report, the Company is a for profit entity.

The half-year financial report was authorised for issue by the directors on 27 February 2013.

Basis of Preparation

The consolidated half-year report has been prepared on the basis of historical cost, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Historical cost is generally based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2012 annual financial report for the financial year ended 30 June 2012. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board ("AASB") that are relevant to its operations and effective for the current reporting period.

New and revised standards and amendments thereof and interpretations effective for the current half year that are relevant to the Group include:

- Amendments to AASB 1, 5, 7, 101, 112, 120, 121, 132, 133 and 134 as a consequence of AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of items of Other Comprehensive Income.'

The adoption of all the new and revised Standards and Interpretations has not resulted in any changes to the Group's accounting policies and has no effect on the amounts reported for the current or prior periods. However the application of AASB 2011-9 has resulted in changes to the Group's presentation of, or disclosure in, its half-year financial report.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2012

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

AASB 2011-9 introduces new terminology for the statement of comprehensive income and income statement. Under the amendments to AASB 101, the statement of comprehensive income is renamed as a statement of profit or loss and other comprehensive income and the income statement is renamed as a statement of profit or loss. The amendments to AASB 101 retain the option to present profit or loss and other comprehensive income in either a single statement or in two separate but consecutive statements. However, the amendments to AASB 101 require items of other comprehensive income to be grouped into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis – the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to AASB 101 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

2. OPERATING SEGMENTS

In conjunction with AASB 8, the Group has identified its operating segments based on internal reports that are reviewed and used by the Chief Operating Decision Maker (CODM) in assessing performance and in determining the allocation of resources. The Board of directors is considered to be the CODM of the Group.

Matrix Composite Materials Business Unit (MCM)

The Composite Materials business unit designs, manufactures and supplies buoyancy systems, pipeline insulation, pipeline and riser protection, riser ancillaries and a range of down hole products to the offshore oil and gas industry. It also supplies product solutions for military and other commercial applications.

Matrix Offshore Services and Engineering Business Unit (MOSE)

The Offshore Services and Engineering business unit manufactures and supplies connectors, conductors and casing, offshore structures, subsea skids and manifolds, offshore cranes and winches together with associated testing, refurbishment and maintenance to the oil and gas industry. This division also supplies heavy material handling equipment, winches and other processing equipment to the mining and mineral processing industries. Furthermore, it deploys qualified labour onto its customers' vessels and other offshore facilities to complete mostly short-term works.

Performance Monitoring and Evaluation

The CODM monitors the operating results of the Business Units separately for the purposes of making decisions about resource allocation and performance assessment. The performance of operating segments is evaluated based on Earnings Before Interest, Tax and Depreciation ("EBITDA") which is measured in accordance with the Group's accounting policies. The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1.

**NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

2. OPERATING SEGMENTS

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment.

Half-year ended 31 Dec 2012

	MCM	MOSE	Group Eliminations	MCE Group
	\$	\$	\$	\$
Revenue	68,584,288	12,986,029	-	81,570,317
EBITDA	5,489,936	892,928	-	6,382,864
Depreciation and amortisation	(4,660,870)	(424,448)	-	(5,085,318)
EBIT	829,066	468,480	-	1,297,546
Net finance costs	(649,534)	(61,252)	-	(710,786)
Profit/(loss) before tax (continuing operations)	179,532	407,228	-	586,760

31 Dec 2012

Total assets	180,659,445	16,338,325	(5,134,464)	191,863,306
Total liabilities	47,446,958	7,376,911	(535,100)	54,288,769

Half-year ended 31 Dec 2011

	MCM	MOSE	Group Eliminations	MCE Group
	\$	\$	\$	\$
Revenue	73,001,312	10,540,019	-	83,541,331
EBITDA	(1,899,136)	611,949	-	(1,287,187)
Depreciation and amortisation	(4,743,814)	(398,056)	-	(5,141,870)
EBIT	(6,642,950)	213,893	-	(6,429,057)
Net finance costs	(974,089)	(97,928)	-	(1,072,017)
Profit/(loss) before tax (continuing operations)	(7,617,039)	115,965	-	(7,501,074)

30 Jun 2012

Total assets	197,336,843	32,387,632	(19,334,405)	210,390,070
Total liabilities	63,597,476	24,218,912	(14,161,149)	73,655,239

**NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2012**

3. REVENUE AND EXPENSES

The following revenue and expense items are relevant in explaining the financial performance for the period:

	31 Dec 2012	31 Dec 2011
	\$	\$
Revenue		
Manufacturing revenue	68,584,287	70,590,722
Contract revenue	12,986,030	12,950,609
	<u>81,570,317</u>	<u>83,541,331</u>
Other Income		
Interest received	145,647	285,840
Sundry (expense)/income	(12,332)	75,224
	<u>133,315</u>	<u>361,064</u>
Other gain/(loss)		
Foreign exchange gain/(loss)	684,169	(2,244,870)
Financial instruments revaluation gain/(loss)	43,624	(641,543)
Fixed assets disposals/write off	-	(4,078,402)
	<u>727,793</u>	<u>(6,964,815)</u>
Operating Expenses		
Depreciation and amortisation	5,085,318	5,141,870
Finance costs	856,433	1,357,857

4. ISSUED CAPITAL

	31 Dec 2012	30 June 2012
	\$	\$
a) Issued and fully paid shares 94,555,428 (2011: 94,555,428) fully paid ordinary shares	<u>111,784,863</u>	<u>111,812,722</u>
b) Movements in issued and fully paid shares	Number of shares	\$
Balance at beginning of period	94,555,428	111,812,722
Shares issued	-	-
Less: capital issue costs net of tax	-	(27,859)
Balance at the end of period	<u>94,555,428</u>	<u>111,784,863</u>

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2012

5. DIVIDENDS

During the period, Matrix Composites & Engineering Ltd made the following dividend payments:

	Half-year ended 31 December 2012		Half-year ended 31 December 2011	
	Cents per share	Total \$	Cents per share	Total \$
Fully franked final dividend	-	-	5.0	3,854,075

The directors did not recommend payment of a final dividend in respect of the financial year ended 30 June 2012. The directors have not declared any interim dividend for the period ended 31 December 2012.

6. CONTINGENT LIABILITIES AND ASSETS

The Group had no contingent liabilities or assets requiring disclosure at 31 December 2012.

7. EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstance has arisen subsequent to 31 December 2012 that has significantly affected, or may significantly affect the operations or the state of affairs of the Group in future financial years.

8. INCOME TAX (EXPENSE)/BENEFIT

	31 Dec 2012	31 Dec 2011
The components of tax expense comprise:	\$	\$
Current tax	(89,775)	7,800,752
Deferred tax	30,516	(2,713,453)
	<u>(59,259)</u>	<u>5,087,299</u>

The prima facie tax payable on the operating profit is reconciled to income tax as follows:

Prima facie tax (payable) / receivable on operating profit / (loss)	(166,297)	2,250,322
before income tax at 30% (2011: 30%)		
Other	(22,356)	309,501
Research & development tax concession	219,169	1,831,184
Differential income tax rate on MC&E Asia profit	-	696,292
Underprovision in prior year	(89,775)	-
Income tax (expense)/benefit	<u>(59,259)</u>	<u>5,087,299</u>

DIRECTORS' DECLARATION

The directors declare that:

- a) 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; and
- b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to section 303(5) of the Corporations Act 2001.

On behalf of the directors



A P Begley
Managing Director & Chief Executive Officer

Perth, 27 February 2013

Independent Auditor's Review Report to the members of Matrix Composites & Engineering Ltd

We have reviewed the accompanying half-year financial report of Matrix Composites & Engineering Ltd, which comprises the condensed statement of financial position as at 31 December 2012, the condensed statement of profit or loss, the condensed statement of profit or loss and other comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 5 to 16.

Directors' Responsibility for the Half-Year 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 is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Matrix Composites & Engineering Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Matrix Composites & Engineering Ltd, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Matrix Composites & Engineering Ltd is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU



Peter Rupp
Partner
Chartered Accountants
Perth, 27 February 2013