ANNUAL REPORT 2013

MATRIX COMPOSITES & ENGINEERING LTD

VISION STATEMENT

To be the first choice integrated engineering solutions provider, applying innovative manufacturing, advanced material technologies and superior service, to deliver value and exceed customer expectations.

ANNUAL REPORT 2013

MATRIX COMPOSITES & ENGINEERING LTD

"The focus for 2013 was on stabilising production levels at nameplate capacity and continuing to aggressively penetrate the market for SURF ancillary equipment and well construction products. At the same time, Matrix grew its market share for new-build riser buoyancy systems to over 50 per cent of the global market".

2013 ANNUAL GENERAL MEETING

Date: Wednesday 6th November 2013
Time: 10am (AWST)
Location: AMC Jakovich Centre, Lake Coogee Room, 4 McGrath Road, Henderson WA

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FY 2013 ANNUAL REPORT
SNAPSHOT

MATRIX COMPOSITES & ENGINEERING - SNAPSHOT

KEY DATA (AS AT 30 JUNE 2013)

Market Capitalisation	$73.7m
Revenue	$145.5m
EBITDAF	$9.6m
EBITDA	$7.5m
Net Profit/ (Loss) after Tax	($2.9m)
Total Equity	$132.3m
Share Price as at 30 June 2013	$0.78
Final Dividend	nil
No. of Employees	350

COMPANY PROFILE

Matrix Composites & Engineering (Matrix) provides solutions consisting of engineered products and integrated services to the global oil and gas, and mineral resources industries. Using innovative manufacturing and advanced composite and polymer materials technology, Matrix is a global market leader in the manufacture of drilling riser buoyancy systems.

Matrix is a leading developer of syntactic foam materials and technology, with the largest, most technically advanced composites syntactic foam plant in the world located in Henderson, Western Australia. The new facilities provide large scale manufacturing and technology capabilities. Supported by the Company's efficient global service and distribution network, Matrix has grown its global market share for new-build riser buoyancy systems to over 50 per cent in FY2013, and is aggressively penetrating its 'newer' markets for SURF ancillary equipment and well construction products.

Matrix is the only company of its kind located in the southern hemisphere with close proximity to the large Asian shipbuilding market which gives the Company a competitive advantage in terms of speed to market.

With a focus on Research and Development (R&D) and Intellectual Property (IP), Matrix is expanding and developing its product range to remain ahead of industry trends and client demands.

COMPANY STRUCTURE

Matrix provides solutions consisting of engineered products and integrated services through its two divisions; Matrix Composite Materials (MCM) and Matrix Offshore Services & Engineering (MOSE).

MCM designs, tests, manufactures, distributes and services a range of advanced engineered products used in the global oil and gas industry, including;

- Drilling Products
- SURF Ancillary Equipment
- Well Construction Products

MOSE specialises in equipment services and heavy engineering for the oil and gas, and mineral resources industries, providing:

- Maintenance services
- Machining
- Fabrication
- Equipment rental
- Offshore services and engineering

Throughout 2013 the division began the process of transitioning to a service based business model for the domestic oil and gas industry in-line with market conditions and subsequent demand.

PRODUCTS/ SERVICES & MARKETS

DRILLING PRODUCTS

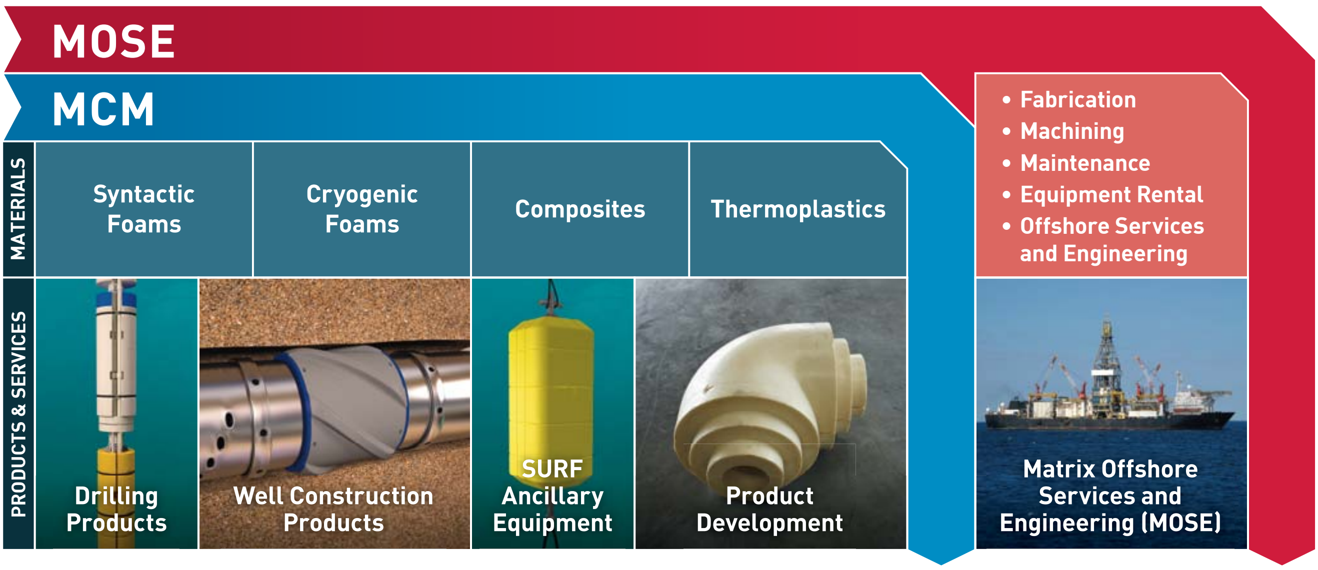
Matrix manufactures and supplies riser buoyancy modules designed to provide partial flotation for marine riser systems. This allows the rig to deploy, operate and recover the marine riser to the depth capability of the drilling vessel.

Matrix manufactures four grades of riser buoyancy systems ranging from its standard density composite syntactic foam module to its premium range of ultra-low density modules designed for maximum uplift in ultra-deep waters. Matrix also manufacturers other riser ancillary products including riser shims, riser protectors and riser clamping systems.

Key current markets* (FY2013)
USA, Korea, Malaysia, Brazil

Growth markets*
USA, Korea, Malaysia, Brazil, France, UK, Norway, UAE

Matrix expects future growth to be largely driven by the buoyancy repair and replacement market for vessels over ten years of age, and to a lesser extent, the market for new-build drillships.



FY 2013 ANNUAL REPORT
SNAPSHOT

UPSTREAM SURF ANCILLARY EQUIPMENT

Using similar materials, technologies and processes as its industry leading riser buoyancy systems, Matrix has entered the market for subsea umbilicals, risers and flowline (SURF) ancillary equipment that supports, protects and secures subsea equipment used for conventional and deep-water applications. Products include pipeline and umbilical buoyancy, general buoyancy, ROV buoyancy, and flexible flowlines and umbilical accessories.

Key current markets* (FY2013)
Australia, Singapore, UK, Norway, India

Growth markets*
Brazil, USA, Norway, UK, France

Growth for SURF ancillary products is being driven by increasing global capital expenditure and deployment of subsea hardware.

WELL CONSTRUCTION PRODUCTS

Matrix designs and manufactures a range of low friction advanced polymer casing centralizers, as well as the traditional industry standard steel and aluminium centralizers. Centralizers are designed to convey well screens, completion tool strings and typical casing and tubing strings into highly deviated and challenging horizontal wellbores. Matrix also manufactures and supplies primary cementing equipment and casing reamer shoes.

Key current markets* (FY2013)
USA, Canada, Asia Pacific

Growth markets*
USA, Canada, Brazil, UAE,
Saudi Arabia, Russia, Thailand

Future growth for well construction products will be driven by the rapidly growing global shale gas market, as well as continued growth in the number of horizontal well completions throughout North America.

MATRIX OFFSHORE SERVICES & ENGINEERING (MOSE)

MOSE supplies maintenance support services and well construction equipment to the oil and gas sector, specialised engineering services to the domestic resources sector, and manufactures engineered products for MCE.

Key current markets* (FY2013)
Australia, NZ

Growth markets*
Australia, NZ, Singapore

Growth for MOSE is expected to come from the provision of maintenance services to the less cyclical domestic onshore and offshore oil and gas industry. This market will be fuelled by the increasing number of fixed and floating platforms that will be operating in Australian waters over the next five years.

* Location of purchasing entity

FY 2013 ANNUAL REPORT
2013 IN SUMMARY

A YEAR OF STABILISATION...

- Production levels stabilised throughout the year, with Q4 FY13 at 112 per cent of designed plant capacity
- Significant advances in production processes in-line with the Company's continuous improvement program
- MOSE began the process of transitioning to a services based business model for the domestic oil and gas industry
- Increasing penetration into well construction and SURF ancillary markets via new and expanded distribution channels and engineering resources.

GROWTH STRATEGIES

- Continue materials and product research to develop improved riser buoyancy systems and grow market share in the new-build drillship and repair and replacement market
- Optimise plant revenue by focusing on high value syntactic foam products
- Continue to diversify and expand product lines and revenue streams in-line with market opportunities
- Focus on cost control and working capital management
- Build a backlog of contracted work in excess of 12 months of production
- Continue the transition of MOSE to a services based model for the domestic oil and gas industry.

NOTE - In accordance with the requirements of the Workplace Gender Equality Act 2012 (Act), Matrix has lodged its annual public report with the Workplace Gender Equality Agency (Agency). A copy of this report is available on our website; www.matrixengineered.com under 'Investors/ Corporate Governance'.

OPERATIONAL HIGHLIGHTS AND CHALLENGES

HIGHLIGHTS

Ongoing development of a strong safety and quality focused culture	• 0 Lost Time Injury Frequency Rate (LTIFR) for MCM and MOSE • Decline in Medical Treatment Injury (MTI) rates • MOSE awarded API Q1 certification by the American Petroleum Institute (API)
Stabilisation of production rates	• 112 per cent of designed plant capacity in Q4 FY13 • Increased daily buoyancy targets by 19 per cent in March 2013 • Future improvements expected from plant/ labour optimisation
Grew market share to over 50 per cent for new-build drillship riser buoyancy systems	• Future growth for drilling products expected to come from the growing riser repair and replacement market for drillships over 10 years of age • Further growth from the new-build drillship market will come from the development of improved riser buoyancy systems
Achieved vendor and technical qualification from key SURF customers	• Achieved vendor and technical qualification for Matrix's SURF products • Positions the Company for increased orders and plant throughput in FY2014
Expansion of SURF ancillary and well construction product lines/ revenue streams	• Well construction products - Expanded range of low friction composite and completions centralizers • SURF ancillary equipment - Installation buoyancy - Polyurethane field joint coating - ROV skid/ tooling buoyancy
Expansion of marketing and distribution channels for well construction and SURF ancillary products	• Expansion of engineering capabilities in the UK to further penetrate the SURF market in Europe, West Africa and the Middle East • Restructured and expanded distribution channels in the US and Canada to penetrate the market for well construction products
Commencement of group wide branding and culture initiative	• To become a higher performing, more successful organisation
MOSE - successful transitioning to a services based model for the oil and gas industry	• Established a services model for the domestic oil and gas industry • MOSE achieved consistent revenue in the face of declining capital expenditure in the mineral resources industry

FY 2013 ANNUAL REPORT
2013 IN SUMMARY

CHALLENGES

AUD:USD exchange rate	• Continued high AUD:USD exchange rate • Sharp fall in the AUD in June 2013 which adversely impacted reported earnings
Lower than anticipated well construction sales volumes	• Restructured and expanded distribution channels in the US and Canada to more aggressively penetrate the market going forward
Disruption to production arising from the restructure of the operating shift roster	• Reconfigured shift roster from three to two x eight hour shifts in Q2 FY13 in-line with market demand
Weakening of the capital expenditure cycle for the WA minerals industry	• Refocused the MOSE business to a services based model targeting the domestic oil and gas industry
Lower than anticipated order conversion and short term demand for riser buoyancy systems	• Stronger conversion in FY14 expected due to the continual compression of drillship delivery times

THREE YEAR FINANCIAL SUMMARY

		2013	2012	2011
PROFITABILITY				
TOTAL REVENUE	$000	145,487	144,812	174,641
EBITDA	$000	7,477	(13,205)	47,821
EBITDA MARGIN	%	5	(9)	27
PROFIT AFTER TAX FROM CONTINUING OPERATIONS	$000	(2,947)	(14,446)	30,225
EARNINGS PER SHARE (UNDILUTED)	cents	(3.1)	(18.4)	41.4
CASH FLOW				
CASH FLOW FROM OPERATIONS	$000	(2,189)	10,908	1,477
BALANCE SHEET				
NET CURRENT ASSETS	$000	13,654	11,533	48,933
TOTAL EQUITY	$000	132,290	136,735	121,911
NET ASSET BACKING PER SHARE	$	1.40	1.45	1.58
ADJUSTED NET DEBT	$000	10,707.5	15,749.5	20,128.9
RATIOS				
CURRENT RATIO	times	1.25	1.16	1.96
RETURN ON TOTAL EQUITY	%	(2.23)	(10.56)	24.79
RETURN ON TOTAL ASSETS	%	(1.45)	(6.87)	14.65
NET DEBT/(NET DEBT + EQUITY)	%	7.49	10.33	14.17
MARKET CAPITALISATION				
SHARE PRICE AT 30 JUNE	$	0.78	1.75	7.22
ORDINARY SHARES ON ISSUE	million	94.56	94.56	77.08
MARKET CAPITALISATION	$m	73.8	165.5	556.5

FY 2013 ANNUAL REPORT
CHAIRPERSON'S REPORT

On behalf of the Board I am pleased to present the 2013 Annual Report for Matrix Composites & Engineering Ltd (Matrix).

Following a disappointing performance in FY2012 due to the commissioning of the new manufacturing plant, Matrix was able to stabilise its production output and return the business to a position of positive earnings throughout FY2013. Over the course of the financial year Matrix enhanced its reputation as a world class oil and gas, and mineral resources equipment manufacturer and services provider. The Company also expanded its market share for new-build drilling riser buoyancy systems and developed new and growing revenue streams for the future.

The significant investment in the new manufacturing facilities at Henderson, Western Australia is expected to deliver improved earnings opportunities for Matrix Composite Materials (MCM) as the Company continues to grow its market share for drilling riser buoyancy and subsea umbilicals, risers and flowline (SURF) buoyancy products used in the offshore oil and gas exploration and production sectors. Matrix Offshore Services and Engineering (MOSE) continued to enhance its inspection and maintenance services offering, and align its revenue base with the domestic oil and gas industry as capital expenditure continued to slow in the mineral resources sector.

The Matrix group recorded significantly improved safety performance across all operating sites throughout the year. MCM and MOSE reported a zero LTIFR as at 30 June 2013, and a decline in MTI rates.

The Matrix group generated sales revenue of $145.5 million, an increase of $0.7 million over the previous year, and earnings before interest, tax and depreciation (EBITDA) of $7.5 million, an improvement of $20.7 million over the previous year. A high level of depreciation associated with the substantial capital investment at the Henderson manufacturing facility resulted in the Company reporting a net loss after tax of $(2.9) million. An increase in order flow and continued cost management is required to return the business to headline profitability.

Despite stabilised production and positive cash earnings, cash flow from operations decreased from $10.9 million in FY2012 to $(2.2) million in FY2013. This was largely a result of the transition to contracts which, due primarily to bonding requirements, consume significant amounts of working capital. Matrix continues to focus on reducing debt levels with $6.1 million of debt repaid during the financial year.

Matrix did not declare a final dividend for FY2013. The decision was made taking into account the financial and operating results and anticipated cash flow movements. Matrix is committed to enhancing shareholder returns which are expected to be significantly enhanced in the future through greater production output and increased product range. The Board is confident of improving these earnings drivers over the course of FY2014.

Once sustainable profitability has been demonstrated, the Board expects to be in a position to consider dividend distributions.

Despite the lower than anticipated financial result, Matrix recorded a number of achievements during the 2013 financial year including:

- Growth in global market share (based on awarded contracts) for drilling riser buoyancy systems used on new-build drilling rigs to over 50 per cent;
- Achieved a 0 LTIFR for MCM and MOSE;
- Achieved API Q1 accreditation for MOSE from the American Petroleum Institute;
- Achieved vendor and technical qualification from key customers for its SURF products, positioning MCM for increased orders and plant throughput in FY2014; and
- Commencement of group wide branding and culture initiative.

Matrix stands to benefit in the medium term from the recent fall in the USD: AUD exchange rate. The Company remains leveraged to the global oil and gas exploration and development sector which continues to attract high levels of investment supported by ongoing strong demand for hydrocarbons. Matrix continues to investigate and embrace opportunities to grow its revenue and earnings base through increased market penetration of its existing product and services suite, research and development of new products and exploiting its expertise in materials technology and processes.

The Board of Matrix is committed to a high level of corporate governance and fostering a culture that values ethical behaviour, integrity and respect. The Company has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Matrix's corporate governance practices for the year ended 30 June 2013 are outlined in the Corporate Governance Statement in the following annual report for 2013.

On behalf of the Matrix Board I would like to thank our senior management and employees for their commitment and determination during the year. We look forward to maximising the opportunities from the Company's growing exposure to the oil and gas sector and delivering greater shareholder returns in FY2014.

Peter Hood
Chairperson

FY 2013 ANNUAL REPORT
CHIEF EXECUTIVE OFFICER'S REPORT

As reflected in the Company's vision statement, Matrix continued its focus throughout FY13 on being the first choice integrated engineering solutions provider, applying innovative manufacturing, advanced materials technology and superior service, to exceed customer expectations and deliver value.

BUSINESS

The Company grew its market share for Drilling Riser Buoyancy Modules (DRBM) used on new-build drillships, itself a growing market, to over 50 per cent of the awarded global market. Matrix also gained greater market share of the growing repair and replacement market, a key focus for the Company given the rapidly aging global rig fleet. Over 95 per cent of DRBM output was produced for the export market including South Korea, Malaysia, US and Brazil.

The Company continued to penetrate the global market for subsea umbilicals, risers and flowline (SURF) ancillary products securing a major order for production buoyancy to be used on a project off the coast of West Africa. This project, along with a recent upgrade in testing facilities has placed the Company in a favourable position to capture future work from the growing global SURF market. Activity remained strong throughout the year from clients in other regions including the Gulf of Mexico, the North Sea and NW Australia. In FY13 Matrix was qualified by several new major OEMs and operators to supply a range of SURF ancillary products.

Matrix continued to penetrate the large North American centralizer market throughout FY13 and is in the process of establishing further relationships with major oil and gas producers via newly appointed US distributors. Centralizer sales were below expectations for FY13 as Matrix refined its product range to meet client expectations. Sales and revenues are expected to grow throughout FY14 as the Company continues its move into the North American market via its new and expanding distribution channels and as new products are developed and released into the marketplace. The total market for centralizers remains strong and continues to grow with the development of new shale gas fields, growth in horizontal well completions and continued demand for hydrocarbon independence in North America.

Throughout FY13 MOSE continued its transition towards the provision of specialised offshore services, as well as the inspection, repair and maintenance of capital drilling equipment (CDE) for the domestic oil and gas industry. Growth in the offshore oil and gas market counter-balanced the downturn in mining capital equipment sales experienced in Q2 FY13. As a result, revenue for FY13 was consistent with the previous year. Future earnings from this division will be heavily weighted towards the oil and gas industry.

The Henderson plant achieved nameplate capacity in August 2012. In Q2 FY13 Matrix reconfigured its plant shift roster from three x eight hour shifts to two x eight hour shifts and amended its operational structure which resulted in lower production levels for the quarter. The new operational structure will allow for an increase in the potential output from the plant at a lower cost structure which will increase the Company's leverage to any future increase in demand. The reconfiguration of the plant shift roster was achieved in conjunction with an increase in output above nameplate capacity in Q3 FY13, in-line with the Company's continuous improvement program to increase plant efficiencies and reduce costs.

The closing order backlog for FY13 was approximately US$80 million which was impacted by the deferral of client purchase decisions, short term demand for buoyancy products and lower than anticipated demand for well construction products. Quoting levels remained high throughout the year (greater than $400 million in Q4 FY13) due to strong market conditions for DRBM and SURF ancillary products. The Company expects to convert a significant proportion of these quotes to orders over the course of FY14 and FY15.

PEOPLE

A core value of the organisation is to provide a safe operating environment for employees, clients and contractors across all operating sites and remote work locations. Matrix recorded a zero LTIFR for MCM and MOSE and experienced a decline in the MTI rate in FY13, a result of an ongoing group wide focus on building and embedding a strong safety culture within the organisation.

Throughout FY13 Matrix embarked on a formal brand and culture initiative which aims to strengthen internal culture, align employee roles with the strategic direction of the Company, and make it easier to attract and retain employees. Ultimately the initiative will allow the Company to become a higher performing, more successful organisation. The initiative is ongoing and is an important component to the performance and future growth of the organisation.

Throughout FY13 Matrix maintained its international service and distribution network consisting of sales offices in Newcastle (UK), Houston (USA) and Rio de Janeiro (Brazil), a warehouse in Houston (USA) and agents in Malaysia, India and South Korea.

FY 2013 ANNUAL REPORT
CHIEF EXECUTIVE OFFICER'S REPORT

STRATEGY & OUTLOOK

Matrix will continue to service domestic and international service operators, contractors and OEMs, and expand its range of products and services for drilling, SURF ancillary and well construction products, as well as site and equipment services in-line with market demand and potential opportunities.

Other key Company strategies include:

- Continue materials and product research to develop improved drilling riser buoyancy systems and grow market share
- Optimise plant revenue by focusing on high value syntactic foam products
- Focus on cost control and working capital management
- Build a strong backlog of contracted work
- Continue the transition of MOSE to a services based model for the oil and gas industry
- Continue to ingrain the branding and culture initiative within the fibre of the organisation

The outlook for Matrix's key products and services including drilling products, SURF ancillary equipment, offshore services and well construction products remains strong based on industry expectations for sustained growth over the next five years. Orders for an expected 25-30 new drillship and mobile offshore drilling units (MODUs) per year until 2020 will underpin growth for drilling products. The number and age of operating rigs around the world is also growing significantly which will drive growth in the DRBM repair and replacement, and equipment services market.

Continuing demand for deepwater drillships and semi-submersibles is supporting the number of subsea tree installations. Subsea completions and the associated global spend on subsea hardware is expected to grow 15 per cent per annum over the next five years, a lead indicator for SURF ancillary product sales. This growth also reflects the continuing shift towards deepwater developments which is forecast to constitute approximately 59 per cent of total offshore development spending.

The well construction market in North America is large and continues to grow due to the proliferation of horizontal onshore well completions, increasing expenditure in the shale gas market and continued demand for hydrocarbon independence. Having only recently begun to penetrate the market for low friction centralizers, Matrix expects continued growth in demand for its well construction product range in the medium to long term.

MOSE's offshore service and oilfield equipment service business is expected to grow organically as the business continues to target support services for offshore installations and drilling operations in Australian waters. The Australian regional market for offshore services is expected to grow with several major projects entering the operating phase and a pipeline of new offshore projects that will require well construction, drilling, installation and permanent subsea equipment.

Capital expenditure for plant maintenance in FY14 is expected to be low. The business will continue to closely manage working capital and all operational expenses. The Henderson plant has considerable operating leverage which can be used as demand for our product range increases.

Despite a number of challenges throughout the year including a strong dollar, operational restructuring and lower than anticipated order conversions, the Company returned to positive EBITDA. The result is a leaner, more efficient business that is well positioned to take advantage of the projected growth in the global oil and gas market.

AARON BEGLEY
Managing Director
& Chief Executive Officer

FY 2013 FINANCIAL REPORT
DIRECTORS REPORT

The Directors of Matrix Composites & Engineering Ltd ("Matrix" or "the Company") submit herewith the annual report of the Company for the financial year ended 30 June 2013. In order to comply with the provisions of the Corporations Act 2001, the Directors report as follows.

INFORMATION ABOUT THE DIRECTORS

The names and particulars of the Directors of the Company during or since the end of the financial year are:

PETER J HOOD

Independent Non-Executive Chairman

QUALIFICATIONS & EXPERIENCE

Peter Hood is a qualified Chemical Engineer with over 40 years' experience in senior management and project development in the mining, oil and gas, and chemical industries.

Mr Hood was previously the CEO of Coogee Resources Ltd, a Company involved in the exploration and production of oil and gas in the Timor Sea. Prior to this he was the CEO of Coogee Chemicals Pty Ltd where he oversaw a period of significant growth in the Company's enterprise value.

Mr Hood is currently the Deputy President of the Australian Chamber of Commerce and Industry (ACCI), a Non-Executive Director of the Chamber of Commerce and Industry of WA and GR Engineering Ltd, and Chairman of MAK Industrial Water Systems Pty Ltd. He was also previously Chairman of Apollo Gas Ltd and Vice-Chairman of APPEA.

Mr Hood is a member of both the Audit and Risk and Remuneration Committees.

EDUCATION

Advanced Management Program, Harvard Business School, 1997

Graduate Diploma of Administration, Western Australian Institute of Technology (now Curtin University), 1974

Bachelor of Engineering (Chemical), Melbourne University, 1970

MEMBERSHIPS/COMMITTEES

Fellow of the Australian Institute of Company Directors

Fellow of the Institute of Chemical Engineers

Member of the Australasian Institute of Mining and Metallurgy

AARON P BEGLEY

Managing Director & Chief Executive Officer

QUALIFICATIONS & EXPERIENCE

Aaron Begley has 19 years' experience in manufacturing and marketing products in the field of industrial ceramics and composite materials for the offshore energy industry.

Prior to his current role as Managing Director and Chief Executive Officer, Mr Begley held various positions within Matrix Composites & Engineering Ltd since joining the Company in 1993. Throughout his tenure, Mr Begley has overseen the Company's growth from a local engineering firm to a global market leader in the manufacture and development of composite materials technologies and engineered products for the oil and gas sector.

EDUCATION

Post Graduate Diploma of Management, Curtin University, 2002

Bachelor of Economics, University of Western Australia, 1993

MEMBERSHIPS

Australian Institute of Company Directors

Society of Underwater Technology (SUT)

CRAIG N DUNCAN

Independent Non-Executive Director

QUALIFICATIONS & EXPERIENCE

Craig Duncan has over 35 years' experience in the petroleum and mining industries in Australia, Asia, the Middle East and Africa. He was previously a Drilling Superintendent at Apache Energy for 12 years and was responsible for managing well construction operations. Prior to this role, Mr Duncan was involved in manufacturing specialised equipment for the gold mining industry.

Mr Duncan is Chairman of the Audit and Risk Committee and a member of the Remuneration Committee.

EDUCATION

Graduate Diploma in Petroleum Engineering, University of New South Wales, 2005

NIGEL L JOHNSON

Independent Non-Executive Director

QUALIFICATIONS & EXPERIENCE

Nigel Johnson is a Chartered Accountant with over 40 years' experience in corporate finance, treasury, accounting and risk management. Mr Johnson has specific expertise in accounting and financial management, capital raisings, debt financing, treasury and financial risk management, change and relationship management, and strategic planning.

Mr Johnson has worked for a number of public and private organisations across a range of industries including Straits Resources Ltd as the company's CFO and Heytesbury Pty Ltd in the role of Group Treasurer. Mr Johnson has also been a director for various public and private companies and has provided consultancy services to these companies in Australia and overseas.

Mr Johnson is a member of the Remuneration Committee.

EDUCATION

Diploma in Accountancy Studies, University of Rhodesia, 1975

MEMBERSHIPS/COMMITTEES

The Institute of Chartered Accountants in Australia

Australian Institute of Company Directors

PAUL R WRIGHT

Non-Executive Director

QUALIFICATIONS & EXPERIENCE

Paul Wright has worked in public accounting and has held managerial roles for a number of engineering and manufacturing businesses.

Mr Wright has been involved with the Matrix Group since 1995 and was instrumental in securing capital for the establishment of the composites business. Prior to the Company's listing on the ASX in 2009, Mr Wright was the CFO for 11 years and CEO for two years. Preceding the listing, he resumed the role of CFO for a further year before retiring in October 2010. Between 22 September 2011 and 18 December 2011 Mr Wright acted in an executive capacity as the acting Chief Financial Officer of the Group.

Prior to his involvement with Matrix, Mr Wright was the Managing Director of Centurion Industries Ltd, a national heavy engineering firm, for nine years. In this role he was responsible for an employee buy-out of Tomlinson Steel Ltd and the subsequent ASX listing of the Company (now RCR Tomlinson).

Mr Wright is a member of the Audit and Risk Committee.

EDUCATION

Bachelor of Business, Western Australian Institute of Technology (now Curtin University), 1978

The above named Director's held office during the whole of the financial year and since the end of the financial year.

FY 2013 FINANCIAL REPORT
DIRECTORS REPORT

DIRECTORSHIPS OF OTHER LISTED COMPANIES

Directorships of other listed companies held by Directors in the three years immediately before the end of the financial year are as follows:

NAME	COMPANY	PERIOD OF DIRECTORSHIP
PJ HOOD	APOLLO GAS LTD GR ENGINEERING LTD	2009 – 2010 2010 - CURRENT

DIRECTORS SHAREHOLDINGS

The following table sets out each Director's relevant interest in shares, debentures, and rights or options in shares or debentures of the Company or a related body corporate as at the date of this report.

DIRECTORS	FULLY PAID SHARES NUMBER	SHARE OPTIONS NUMBER
PJ HOOD	180,000	-
AP BEGLEY	3,545,877	-
NL JOHNSON	116,176	-
PR WRIGHT	1,343,641	-
CN DUNCAN	590,429	-

No shares or options have been issued for compensation purposes during or since the end of the financial year to any Director of the Company.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Information about the remuneration of key management personnel is set out in the remuneration report of this Directors report, on pages 18 to 20. The term 'key management personnel' refers to those persons having authority and responsibility for planning, directing and controlling the activities of the consolidated entity, directly or indirectly, including any Director (whether executive or otherwise) of the consolidated entity.

No shares or options have been issued for compensation purposes during or since the end of the financial year to any employee of the Company.

COMPANY SECRETARY

Mr Peter Tazewell, Chartered Accountant, joined Matrix in December 2011 and held the position of Company Secretary of the Company at the end of the financial year. He is a Fellow of the Institute of Chartered Accountants in Australia and Senior Associate of the Financial Services Institute of Australasia.

PRINCIPAL ACTIVITIES FOR FY2013

The consolidated entity's principal activities during the course of the financial year 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 businesses; 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 year.

SAFETY

Matrix continued to improve safety performance across all of its operating sites during the financial year. The Henderson plant maintained an enviable and low recordable injury count. Workforce stability, and high expectations set at the recruitment stage have been integral to the continuous improvement in safety culture and workforce commitment at all sites.

Matrix operates an operational health and safety ("OHS") system that is aligned with AS4801, which is being reviewed and updated to align with OHSAS18001. In the transition towards OHSAS18001 accreditation, Matrix continues to scrutinise and identify hazards and risks and their management to best practice to improve controls and understanding of what is still a very new and unique operating environment.

Improvements in understanding of hazards, risks and exposures have supported the Group wide lost time injury frequency rate ("LTIFR") of zero, and the decline of medical treatment injury ("MTI") rates throughout the year. Proactive lead indicators are being developed, with the intent of further improving the intangible issues attributable to workplace safety culture.

FY 2013 FINANCIAL REPORT
DIRECTORS REPORT

Matrix is a member of IFAP, has an affiliation with the Occupational Health Society of WA, and is again providing mentoring and professional practicum opportunities for undergraduate OHS students from Curtin University.

Matrix recorded a Group LTIFR of 0 at 30 June 2013, compared with 1.1 at 30 June 2012, and 22.6 at 30 June 2011. Each site has a plan to measure successes, or otherwise, so that the OHS objectives can be monitored and met.

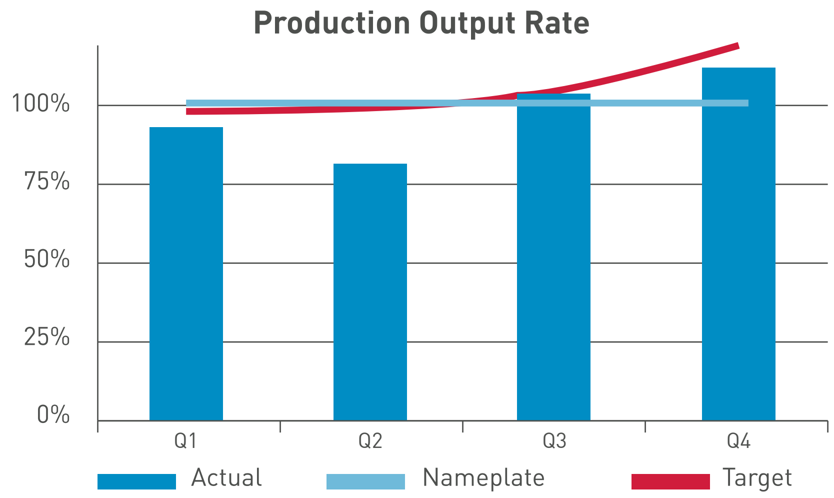


Chart 1

MATRIX COMPOSITE MATERIALS

MCM manufactures and distributes a range of specialised engineered products for the global oil and gas exploration and production ("E&P") sector using syntactic foam and thermoplastic technologies.

Matrix manufactures and distributes a range of specialised engineered products including:

- Drilling riser buoyancy modules;
- Subsea umbilicals, risers and flow line ("SURF") ancillary products;
- Standard or stock size composite syntactic foam products; and
- Well construction products, including thermoplastic centralizers.

MANUFACTURING OPERATIONS

During the financial year MCM achieved nameplate capacity across three shifts before operations were restructured to two shifts in order to align capacity with market demand.

During March 2013 Matrix increased its targeted output to 119 per cent of nameplate capacity and, for the three months ended 30 June 2013, the Henderson manufacturing facility operated at 112 per cent of its target output of syntactic foam products.

MCM's continuous improvement approach has enabled it to progressively improve its production of buoyancy products relative to targets, as indicated in Chart 1. MCM has achieved a number of production process improvements during the year which has:

- Enabled the setting, and achievement, of production targets above the nameplate capacity;
- Reduced the volume of raw materials required to achieve equivalent buoyancy uplift; and
- Improved the cycle time for completion of products through the plant.

Ongoing improvements in the supply chain function have enabled MCM to reduce offsite storage costs as well as reducing raw material costs.

MCM continued production of its patented centralizer products at Henderson. Ongoing investment in tooling and materials research during the year has enabled MCM to expand its market offering in this product line.

A number of minor capital projects were completed during the year to improve the efficiency of the production process.

COMMERCIAL

MCM continues to develop its commercial processes to ensure optimum commercial outcomes from its manufacturing activities. A planned enterprise resource planning ("ERP") upgrade was deferred until plant operating rates could be stabilised and it is likely this project will be resumed in FY2014.

MCM is focused on building a sustainable backlog of work to support the ongoing operation of its manufacturing facility. MCM is targeting a minimum backlog of 12 months' work and at 30 June 2013 had a backlog equivalent to approximately eight months production at the current production rates. This compares to a backlog of approximately seven months production at 30 June 2012.

OUTLOOK

MCM continues its strategy to diversify its revenue streams across different products and sectors in the oil and gas industry. The market for buoyancy products remains strong with MCM recording strong market share (in excess of 50 per cent) with its drilling riser buoyancy products in the new-build market.

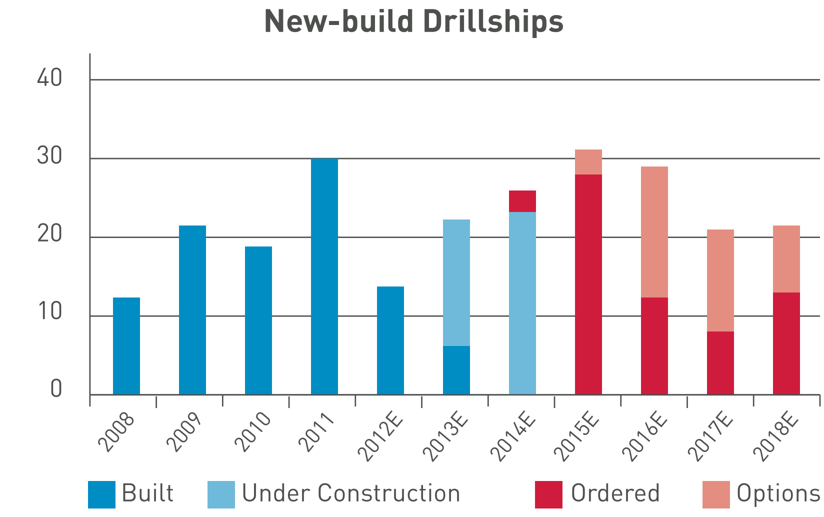


Chart 2

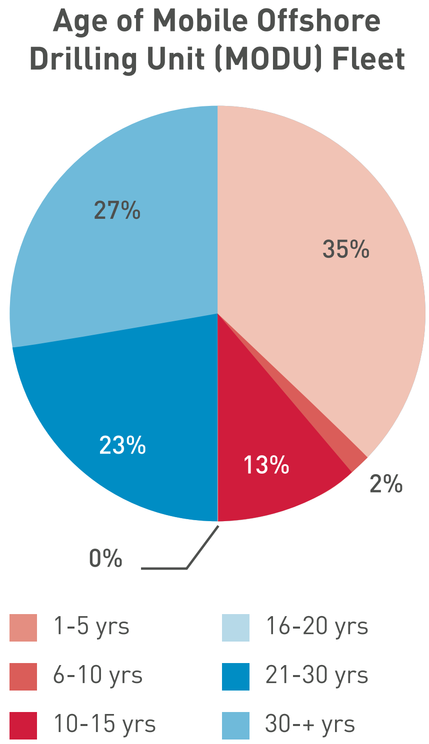


Chart 3

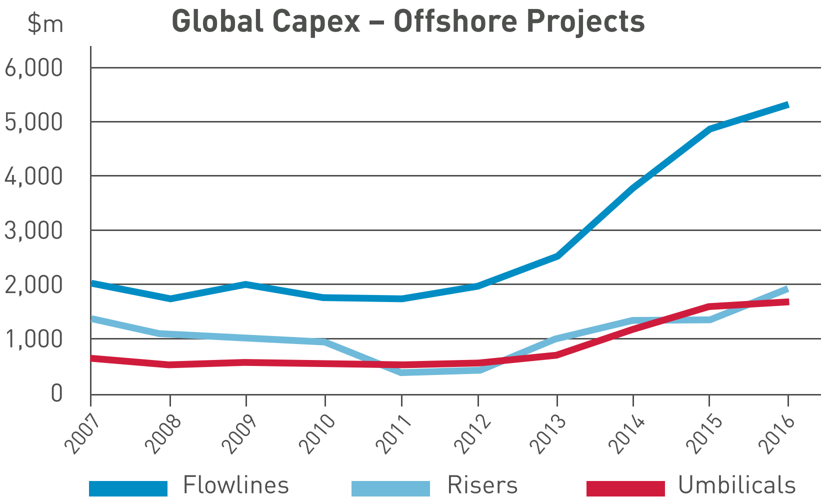


Chart 4

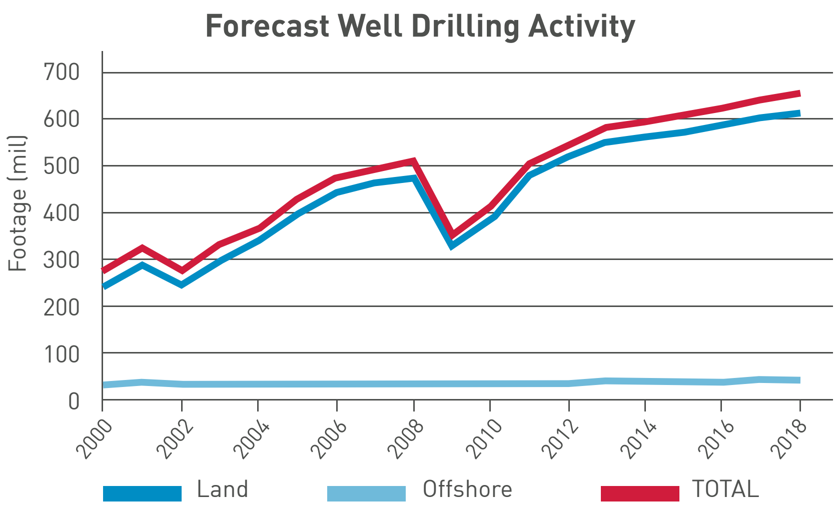


Chart 5

Chart 2 shows the anticipated construction profile for new drillships over the next five years. Matrix expects to maintain and grow its market share for buoyancy in this sector. Matrix also expects continued growth in revenue from the replacement market. Chart 3 shows the age of the fleet of mobile offshore drilling units ("MODU") which utilise drilling riser buoyancy products. Matrix anticipates significantly increased work from repairing and replacing buoyancy for vessels over ten years of age.

MCM continues to develop products for SURF applications which remains a strong growth opportunity for the Company. MCM's outlook is supported by a significant increase in the enquiry level for these products. Chart 4 sets out the forecast capital expenditure for offshore oil and gas developments over the next five years which is a lead indicator for SURF buoyancy products.

Chart 5 sets out the historical and forecast 'feet volume' to be drilled over the next five years on land and offshore. The strong growth in drilling activity supports Matrix's forecast for a strong improvement in sales of its well construction products.

The outlook for MCM products continues to be strong, underwritten by continued high energy prices and committed capital projects in the oil and gas sector.

FY 2013 FINANCIAL REPORT
DIRECTORS REPORT

MATRIX OFFSHORE SERVICES & ENGINEERING

From its Malaga base, MOSE supplies specialised engineering services to the domestic resources sector (particularly iron ore mining), well construction equipment to the oil and gas sector, engineered products for MCM and provides maintenance support services to the oil and gas sector.

OPERATIONS

MOSE continued its fabrication, machining and maintenance services operations from its Malaga base during the year. MOSE maintained its ISO 9001:2008 accreditation throughout the year and was accredited by the American Petroleum Institute with API Q1.

COMMERCIAL

MOSE recorded consistent revenue with the prior year, principally from its continued strategy to focus on the provision of maintenance services to the regional oil and gas service sector. Margins in this business were adversely impacted by the competitive market place and additional costs incurred in transitioning the business towards a services based business model.

OUTLOOK

The outlook for the MOSE operations has been adversely impacted by the softening in the capital expenditure cycle in the domestic minerals sector. MOSE has been successful in broadening its business by generating revenue from providing maintenance services to the offshore and onshore oil and gas sector. MOSE expects continued growth in revenue from this sector, with continuing decline in capital expenditure for the domestic minerals sector expected.

SUPPORT FUNCTIONS

Matrix provides corporate support functions to its two operating divisions in the areas of safety and environmental management, finance, human resources, information technology and public affairs.

During the financial year Matrix:

- Continued the roll-out of its group wide cultural development programme;
- Implemented a new occupational health, safety and environment recording and tracking system;
- Completed the mapping of commercial and operational business processes; and
- Completed a project for the identification of a replacement ERP system.

The group wide cultural development programme is an ongoing programme focussed on maintaining a values based organisation. While a replacement ERP system has been identified, the implementation was deferred until operations at MCM stabilised. It is likely that the implementation of a new ERP system will be resumed during FY2014.

FY 2013 FINANCIAL REPORT
DIRECTORS REPORT

FINANCIAL RESULTS FOR THE YEAR

GROUP FINANCIAL METRICS

- Sales revenue of $145.5 million, 0.5 per cent higher than FY2012 ($144.8 million).
- EBITDA of $7.5 million, $20.7 million higher compared with FY2012 EBITDA of $(13.2) million.
- Net loss after tax of $2.9 million, $11.5 million higher compared with FY2012 net loss after tax of $14.4 million.

The table below sets out summary information about the consolidated entity's earnings and movement in shareholder wealth for the three years to 30 June 2013.

MARGINS

MCM operating margins recorded during the year continued to be adversely impacted by:

- The sustained high AUD:USD exchange rate;
- The recognition of superannuation contributions relating to prior financial periods;
- A reduction in output to meet market demand; and
- An ongoing global surplus of syntactic foam manufacturing capacity.

MOSE also suffered reduced operating margins as the business transitioned to a service based business model.

CASH FLOW

Cash flow from operations was adversely impacted by the requirement to provide cash security to support bank guarantees provided to shipyard customers. Net cash used in operations was $2.2 million, which was a reduction from the previous year. This reduction is attributed to a reduction in progress billing, representing work contracted but not yet performed ($2.1 million), together with the level of cash committed to supporting bonding requirements ($9.3 million) as described above.

Capital expenditure was significantly reduced following the completion of the Henderson manufacturing facility and borrowing costs were reduced as a result of the ongoing sharp reduction in financial indebtedness.

FINANCIAL POSITION

As at the end of the financial year, Matrix was in a sound financial position with a strong working capital position, near new plant and equipment and reducing financial indebtedness. Matrix expects to maintain its focus on reducing financial indebtedness over the next 12 to 24 months.

BUSINESS STRATEGIES

Matrix's business strategies are as follows:

- Build a backlog of contracted work in excess of 12 months of production for its Henderson manufacturing facility;
- Continue materials and product research to develop improved riser buoyancy systems;
- Continue to develop and broaden the SURF product range;
- Continue to develop its range of well construction products;
- Continue diversification of revenues from MOSE;
- Continue the roll-out its group wide cultural development programme as part of its strategy to improve organisational effectiveness; and
- Implement a new ERP system to support group business systems and processes.

CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the consolidated entity for the year ended 30 June 2013.

SUBSEQUENT EVENTS

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

FUTURE DEVELOPMENTS

Having regard to its current balance of contracted work for buoyancy products (including both drilling and SURF products), Matrix anticipates its Henderson manufacturing facility will continue to operate at production rates consistent with the production rate achieved during Q4 FY2013. Should sufficient contracted work be secured, Matrix has a number of capacity alternatives that will permit higher production output. Matrix's infrastructure has the capacity to produce at rates 75 per cent higher than the production rates experienced in Q4 FY2013. The principal risk to Matrix being able to continue operating at the current production rate is its ability to secure contracted work in a timely manner.

		30 JUNE 2013	30 JUNE 2012	RESTATED 30 JUNE 2011
REVENUE	$	**145,487,485**	144,811,799	174,640,578
EBITDAF[1]	$	**9,639,029**	(10,801,872)	45,960,808
EBITDA	$	**7,477,215**	(13,204,784)	47,821,348
NET (LOSS)/PROFIT BEFORE TAX	$	**(4,171,282)**	(25,675,142)	42,495,062
NET (LOSS)/PROFIT AFTER TAX	$	**(2,947,138)**	(14,445,748)	30,225,319
SHARE PRICE AT START OF YEAR	$	**1.75**	7.22	2.68
SHARE PRICE AT END OF YEAR	$	**0.78**	1.75	7.22
INTERIM DIVIDEND[2]	cents per share	**-**	2.0	3.0
FINAL DIVIDEND[2,3]	cents per share	**-**	-	5.0
BASIC (LOSS)/EARNINGS PER SHARE	cents per share	**(3.1)**	(18.4)	41.4
DILUTED (LOSS)/EARNINGS PER SHARE	cents per share	**(3.1)**	(18.4)	41.4

[1] EBITDAF stands for earnings before interest, taxes, depreciation, amortisation and foreign exchange
[2] Franked to 100 per cent at 30 per cent corporate income tax rate
[3] Declared after the end of the reporting period and not reflected in the financial statements

Matrix expects that demand for its well construction products will continue to grow, particularly in North America where expenditure in the growing shale gas market is a significant driver for its products. The principal risks to Matrix achieving growth in this sector is its ability to effectively market its products in this market and continued demand for hydrocarbons in North America.

Matrix expects ongoing demand for maintenance services to the offshore oil and gas sector in Western Australia which will continue to provide market opportunities for its MOSE business. The principal risk to securing revenue in this business is the ongoing competitive nature for delivery of these services in Australia.

ENVIRONMENTAL REGULATIONS

The consolidated entity's principal operating site at Henderson, Western Australia is subject to the operation of the Environmental Protection Act 1986 (WA) ("EP Act"). Compliance with the provisions of the EP Act, and reporting of any breaches, is overseen by the Group Occupational Health Safety and Environment department. When breaches occur, they are reported to the Department of Environment and Conservation as required and actions are taken to prevent recurrences.

During the year there were no material breaches of the Act and Matrix has been able to demonstrate continued good environmental performance. This is demonstrated by the completion of all Environmental Works Approval requirements for the Henderson plant and being issued with a licence in accordance with the public process applied by the Environmental Protection Act. The Henderson site continues to operate as designed, and had no reportable events.

DIVIDENDS

In respect of the financial year ended 30 June 2012, as detailed in the Directors report for that financial year, an interim dividend of two cents per share, franked to 100 per cent at 30 per cent corporate income tax rate, was paid to the holders of fully paid ordinary shares on 30 April 2012.

In respect of the financial year ended 30 June 2013, no interim dividend was paid and the Directors did not recommend payment of a final dividend.

SHARES UNDER OPTION OR ISSUED ON EXERCISE OF OPTIONS

During the financial year there were no shares issued as a result of exercise of options.

As at the end of the financial year there were no options granted over unissued shares.

INDEMNIFICATION OF OFFICERS AND AUDITORS

During the financial year, the Company paid a premium in respect of a contract insuring the Directors of the Company (as named above) and all executive officers of the Company and any related body corporate against a liability incurred as such Director or executive officer to the extent permitted by the Corporations Act 2001. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate, against a liability incurred as such an officer or auditor.

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

DIRECTORS MEETINGS

The following table sets out the number of Directors meetings (including meetings of committees of Directors) held during the financial year and the number of meetings attended by each Director (while they were a Director or committee member). During the financial year ten board meetings, two remuneration committee meetings and two audit and risk committee meetings were held.

PROCEEDINGS ON BEHALF OF COMPANY

No person has applied for leave of Court under the Corporations Act 2001 to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or any part of those proceedings.

NON-AUDIT SERVICES

Details of amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in note 5 to the financial statements. The Directors are satisfied that the provision of non-audit services, during the year, by the auditor (or by another person or firm on the auditor's behalf) is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001.

The Directors are of the opinion that the services as disclosed in note 5 to the financial statements do not compromise the external auditor's independence, based on advice received from the Audit & Risk Committee, for the following reasons:

- All non-audit services have been reviewed and approved to ensure that they do not impact the integrity and objectivity of the auditor; and
- None of the services undermine the general principles relating to auditor independence as set out in APES 110 'Code of Ethics for Professional Accountants' issued by the Accounting Professional & Ethical Standards Board, including reviewing or auditing the auditor's own work, acting in a management or decision-making capacity for the Company, acting as advocate for the Company or jointly sharing economic risks and rewards.

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 26 of the annual report.

	BOARD OF DIRECTORS		REMUNERATION COMMITTEE		AUDIT & RISK COMMITTEE	
DIRECTORS	HELD	ATTENDED	HELD	ATTENDED	HELD	ATTENDED
PJ HOOD	10	10	2	2	2	2
AP BEGLEY (CEO)	10	10	-	-	-	-
CN DUNCAN	10	9	2	2	2	2
NL JOHNSON	10	10	2	2	-	-
PR WRIGHT	10	8	-	-	2	2

FY 2013 FINANCIAL REPORT
AUDITED REMUNERATION REPORT

AUDITED REMUNERATION REPORT

This remuneration report, which forms part of the Directors report, sets out information about the remuneration of the Company's Directors and key management personnel for the financial year ended 30 June 2013. The term 'key management personnel' refers to those persons having authority and responsibility for planning, controlling and directing the activities of the Consolidated Entity, directly or indirectly. The prescribed details for each person covered by this report are detailed below under the following headings:

- Directors
- Key management personnel
- Remuneration policy
- Relationship between the remuneration policy and Company performance
- Remuneration of Directors and key management personnel
- Key terms of employment contracts

DIRECTORS AND SENIOR MANAGEMENT DETAILS

The following persons acted as Directors of the Company during or since the end of the financial year:

Mr PJ Hood (Chairman)

Mr AP Begley (Chief Executive Officer)

Mr CN Duncan

Mr NL Johnson

Mr PR Wright

The named persons held their current position for the whole of the financial year and since the end of the financial year.

KEY MANAGEMENT PERSONNEL

The term 'key management personnel' is used in this remuneration report to refer to the above named Directors and following persons:

Mr P Tazewell (Chief Financial Officer/ Company Secretary)

Mr A Vincan (Chief Operating Officer – Matrix Composites & Engineering)

Mr P Riordan (General Manager – Matrix Offshore Services & Engineering)

Except as noted, the named persons held their current position for the whole of the financial year and since the end of the financial year.

REMUNERATION POLICY

DIRECTORS

The remuneration policy aims to attract, retain and motivate talented and highly skilled non-executive Directors and to remunerate fairly and responsibly with regards to the following:

- Level of fees paid to non-executive Directors are at market rate for comparable companies;
- Size and complexity of the Company's operations;
- Responsibilities and work requirements of the Board members.

The Remuneration Committee determines payments to the non-executive Directors and reviews their remuneration annually based on market practice, duties and accountability. Independent external advice is sought where required. The maximum aggregate amount of fees that can be paid to non-executive Directors is subject to approval by shareholders (currently $500,000 per annum).

KEY MANAGEMENT PERSONNEL

The Company's remuneration policy for key management personnel (including executive Directors) is to fairly and responsibly reward them having regard to the performance of the Group, the performance of the executive and prevailing remuneration expectations in the market. Key management personnel are not paid incentives resulting from increases in the Company's share price. The payment of any bonuses to executive Directors, key management personnel and other employees is based on the delivery of key Group and individual outcomes and profitability of the Matrix Group. As detailed in the remuneration table, executive Directors and key management personnel were paid a bonus for FY 2012 based on delivery of key non-financial outcomes.

Overall, remuneration policies are subject to the discretion of the Board and can be changed to reflect the competitive market and business conditions when in the interest of the Company and shareholders.

The remuneration packages are reviewed annually by the Remuneration Committee and evaluation is based on specific criteria including business performance of the Company and its subsidiaries, whether strategic objectives are being achieved and the development of management and personnel.

A comprehensive Performance Bonus Policy and Plan ('Bonus Plan') has been established for key management personnel. The Bonus Plan is based on a number of key performance indicators (KPIs) including a subjective performance KPI, safety performance KPI and profitability KPI. The Bonus Plan allows executives and employees to benefit from achieving results that surpass their target KPIs. Conversely, they will only be proportionately rewarded should the KPI targets not be fully achieved.

For the year ended 30 June 2013, Matrix did not achieve the profitability KPI target and, as such, no bonuses attributable to this KPI are payable under the Bonus Plan. Notwithstanding this, several non-financial KPIs were achieved and the Board retains the discretion to award bonuses to certain individuals.

The amount of compensation for current and future periods for those named above is based on consideration of market factors, comparison to peers and reference to the individual's experience and performance.

FY 2013 FINANCIAL REPORT
AUDITED REMUNERATION REPORT

KEY TERMS OF EMPLOYMENT CONTRACTS

EXECUTIVE SERVICE AGREEMENTS

NAME	COMMENCEMENT DATE	TERM	NOTICE PERIOD
AP BEGLEY – MANAGING DIRECTOR & CEO	19 DECEMBER 2012	36 MONTHS	3 MONTHS
PJ TAZEWELL – CFO & COMPANY SECRETARY	19 DECEMBER 2012	36 MONTHS	3 MONTHS
A VINCAN – CHIEF OPERATING OFFICER	19 DECEMBER 2012	36 MONTHS	3 MONTHS

Each of the above named key management personnel are entitled to participate in long term incentive schemes to be established by the Company.

OPTIONS AWARDED AND VESTED DURING THE YEAR

No options were issued during the year to the Directors or key management personnel and no options vested during the year (2012: nil).

As noted above, each of the named key management personnel are entitled to participate in a long term incentive scheme to be established by the Company. As at the date of this report the Company has not yet established a long term incentive plan. There were no other share-based payment arrangements in place as at 30 June 2013.

During the year, there were no options exercised or granted to Directors or key management personnel as part of their compensation.

REMUNERATION OF DIRECTORS & KEY MANAGEMENT PERSONNEL

	YEAR	SHORT-TERM BENEFITS				POST EMPLOYMENT BENEFITS	LONG-TERM BENEFITS	TOTAL	PROPORTION PERFORMANCE RELATED
		SALARY & FEES	CASH BONUS[4]	NON - MONETARY BENEFITS[5]	TOTAL	SUPER-ANNUATION BENEFITS	LONG SERVICE LEAVE		
		$	$	$	$	$	$	$	%
EXECUTIVE DIRECTOR									
AP BEGLEY (MD & CEO)	2013	466,666	45,000	18,112	529,778	16,470	7,778	554,026	8
	2012	450,000	75,000	16,096	541,096	21,956	7,500	570,552	13
NON - EXECUTIVE DIRECTORS									-
PJ HOOD[1]	2013	90,000	-	-	90,000	8,100	-	98,100	-
	2012	71,654	-	-	71,654	6,448	-	78,102	-
CN DUNCAN	2013	55,000	-	-	55,000	4,950	-	59,950	-
	2012	52,500	-	-	52,500	4,725	-	57,225	-
NL JOHNSON	2013	49,500	-	-	49,500	24,938	-	74,438	-
	2012	22,735	-	-	22,735	46,736	-	69,471	-
PR WRIGHT[2]	2013	55,000	-	-	55,000	4,950	-	59,950	-
	2012	110,225	-	-	110,225	4,725	-	114,950	-
MG BEGLEY[3]	2013	-	-	-	-	-	-	-	-
	2012	43,731	-	-	43,731	3,900	-	47,631	-
EXECUTIVE OFFICERS'									-
PJ TAZEWELL[6] (CFO/COMPANY SECRETARY)	2013	333,333	30,000	-	363,333	16,470	-	379,803	8
	2012	175,000	-	-	175,000	7,888	-	182,888	-
A VINCAN (GENERAL MANAGER)	2013	319,810	35,000	-	354,810	16,470	-	371,280	9
	2012	285,358	45,000	-	330,358	18,131	-	348,489	13
P RIORDAN (MATRIX OFFSHORE SERVICES & ENGINEERING)	2013	203,251	-	4,468	207,719	16,141	-	223,860	-
	2012	196,546	-	5,181	201,727	17,059	-	218,786	-
MP KENYON[7] (CFO/COMPANY SECRETARY)	2013	-	-	-	-	-	-	-	-
	2012	68,041	33,000	-	101,041	9,525	-	110,566	30
TOTAL	**2013**	**1,572,560**	**110,000**	**22,580**	**1,705,140**	**108,489**	**7,778**	**1,821,407**	**-**
TOTAL	**2012**	**1,475,790**	**153,000**	**21,277**	**1,650,067**	**141,093**	**7,500**	**1,798,660**	**-**

**There have been no share based payments to Directors and executive officers during the financial year (2012 nil).

[1] Mr PJ Hood was appointed a Director on 15 September 2011.

[2] Mr PR Wright acted in an executive capacity from 22 September 2011 until 18 December 2011. Fees for these executive duties totaling $57,725 were paid to Fortress Enterprises Pty Ltd, a Company of which PR Wright is a Director and a substantial shareholder.

[3] Mr MG Begley resigned as a Director on 2 May 2012.

[4] No bonuses pertaining to FY2013 had been recommended or paid at the date of this report. The amounts shown above were paid in the year ending 30 June 2013 in relation to achievement of objectives in FY2012. The bonuses were at the discretion of the Board of Directors.

[5] Provision of fully maintained Company vehicle.

[6] Mr P Tazewell was appointed to the position of CFO/Company Secretary of the Company on 19 December 2011.

[7] Mr MP Kenyon resigned from the Company on 22 September 2011.

INTRODUCTION

The Board of Matrix Composites & Engineering Ltd ("Matrix" or "the Company") is responsible for the corporate governance of Matrix and its subsidiary companies. The Board determines all matters relating to the strategic direction, corporate governance, policies, practices, management and operations of Matrix with the aim of protecting the interests of its shareholders and other stakeholders, including employees, customers and suppliers.

The ASX Corporate Governance Council's (Council) "Corporate Governance Principles and Recommendations" (Principles and Recommendations) articulate eight core corporate governance Principles, with commentary about implementation of those Principles in the form of Recommendations.

Under ASX Listing Rule 4.10.3, Matrix is required to provide a statement in its annual report disclosing the extent to which it has followed the Recommendations in the reporting period. Where a Recommendation has not been followed, the fact must be disclosed, together with reasons for departure from the Recommendation. In addition, a number of the Recommendations require the disclosure of specific information in the corporate governance statement of the annual report.

Matrix's corporate governance statement is structured with reference to the Council's Principles and Recommendations. Principles:

- Principle 1 – Lay solid foundations for management and oversight
- Principle 2 – Structure the Board to add value
- Principle 3 – Promote ethical and responsible decision-making
- Principle 4 – Safeguard integrity in financial reporting
- Principle 5 – Make timely and balanced disclosure
- Principle 6 – Respect the rights of shareholders
- Principle 7 – Recognise and manage risk
- Principle 8 – Remunerate fairly and responsibly

Details of Matrix's compliance with the Recommendations for the year ended 30 June 2013 are disclosed in this statement. Unless disclosed below, all Recommendations have applied for the entire financial year ended 30 June 2013.

STATEMENT OF NON-COMPLIANCE

The Company uses alternative methods of good corporate governance to those included in the Council's Principles and Recommendations and considers that it has complied with all of the Recommendations other than as set out below:

Recommendation 2.4: The board should establish a Nomination Committee

As at the date of this report, the Board has not established a separate Nomination Committee. The Directors consider that the functions of such a committee be reserved for the entire Board at this stage of its public Company development.

Recommendation 2.5: The board should disclose the process for evaluating the performance of the board, its committees and individual Director's

The process for evaluating the performance of the board, its committees and individual Director's involves an internal review of the performance of the board, committees or individual Director's against its objectives and responsibilities as set out in the relevant committee charter. During the reporting period a formal performance evaluation of each committee has not been conducted.

For further information on the corporate governance policies adopted by Matrix, please refer to the Company's website.

This statement reports on Matrix's key governance principles and practices which were in place throughout the reporting period and as at the date of this report.

LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

The Company has established the functions reserved to the Board pursuant to the Board Charter which details the Board's role, powers, duties and functions.

Under the Board Charter, the Board is responsible for, and has the authority to determine, all matters relating to the strategic direction, policies, practices, establishing goals for management and the operation of the Company.

Certain functions have been delegated to the Executive Directors (currently the CEO is the only Executive Director) under the Board Charter. The Executive Director's general responsibility is to manage the Company in accordance with the strategy, policies and programs approved by the Board.

The Board has established the following committees to assist in discharging its responsibilities;

- Audit & Risk Committee
- Remuneration Committee

Each committee operates according to its Board approved charter. The responsibilities of each committee are described in more detail elsewhere in this section. Copies of the Board Charter, Code of Conduct, Committee Charters and Corporate Governance Statement are all publicly available on the Company's website.

The process for reviewing the performance of the CEO and other senior executives is disclosed in the Remuneration Report.

STRUCTURE OF THE BOARD TO ADD VALUE

The Board is comprised of three independent, non-executive Directors, one non-executive Director and one executive Director (CEO). The skills, experience and expertise relevant to the position of Director held by each Director in office at the date of this report are included in the Directors Report on pages 11 and 12.

The mix of skills, qualifications, experience and expertise which the Board seeks to achieve in its membership includes a broad base of industry, business, technical, administrative, financial and corporate skills and experience considered necessary to represent shareholders and fulfil the business objectives of the Company. In assessing the composition of the Board, the Board Charter provides that the Directors have regard to the following principles:

- The Chairman should be non-executive and independent;
- The role of Chairman and CEO should not be filled by the same person;
- Where practical, the majority of the Board should comprise Directors who are non-executive and independent;
- The Board should represent an appropriate mix of skills and expertise considered of benefit to the Company having to the size and resources available to the Board.

FY 2013 FINANCIAL REPORT
CORPORATE GOVERNANCE STATEMENT

The Company's constitution sets the Board size between three and 10 Directors. The Board considers that collectively, the current five members have the range of skills, knowledge and experience necessary to direct the Company.

INDEPENDENCE OF DIRECTORS

A Director is considered to be independent where he or she is a non-executive Director, is not a member of management and is free of any relationship that could, or could reasonably be perceived to, materially interfere with the independent exercise of their judgment. The existence of the following relationships may affect independent status, if the Director:

- Is a substantial shareholder of Matrix or an officer of, or otherwise associated directly with a substantial shareholder of Matrix (as defined in section 9 of the Corporations Act);
- Is employed, or has previously been employed in an executive capacity by the Matrix Group, and there has not been a period of at least three years between ceasing such employment and serving on the Board;
- Has within the last three years been a principal of a material professional adviser or a material consultant to the Matrix Group, or an employee materially associated with the services provided;
- Is a material supplier or customer of the Matrix Group, or an officer of or otherwise associated directly or indirectly with a material supplier or customer;
- Has a material contractual relationship with the Matrix Group other than as a Director.

Directors are expected to bring independent views and judgement to the Board's deliberations. The Board Charter requires that at least one half of the Directors of Matrix will be non-executive (preferably independent) Directors and that the Chair will be an independent, non-executive Director.

In the context of Director's independence, "materiality" is considered from both the Company and individual Director's perspective. The determination of materiality requires consideration of both quantitative and qualitative elements. An item is presumed to be quantitatively immaterial if it is equal to or less than five per cent of the appropriate base amount, being the monetary value of the transaction or item in question. It is presumed to be material (unless there is qualitative evidence to the contrary) if it is equal to or greater than 10 per cent of the appropriate base amount. Qualitative factors considered include whether a relationship is strategically important, the competitive landscape, the nature of the relationship and the contractual or other arrangements governing it.

In accordance with the definition of independence above, and the materiality thresholds set, the Board reviewed the positions and associations of each of the five Directors in office at the date of this statement and considers that three of the Directors are independent as follows:

NAME	POSITION
PETER HOOD	NON-EXECUTIVE CHAIRMAN
CRAIG DUNCAN	NON-EXECUTIVE DIRECTOR
NIGEL JOHNSON	NON-EXECUTIVE DIRECTOR

Accordingly, the majority of the Board are independent. To facilitate independent judgement in decision-making, each Director has the right to seek independent professional advice at the Company's expense. However, prior approval from the Chair is required, which may not be unreasonably withheld.

The term in office held by each Director in office at the date of this statement is as follows:

NAME	TERM IN OFFICE (YEARS)
PETER HOOD	TWO YEARS
AARON BEGLEY	13 YEARS
CRAIG DUNCAN	FIVE YEARS
NIGEL JOHNSON	FIVE YEARS
PAUL WRIGHT	SIX YEARS

RETIREMENT AND RE-ELECTION OF DIRECTORS

Rule 11.3 of the Constitution requires that at each annual general meeting of the Company, one third (or the number nearest to but not exceeding one third) of the Directors and any Director who has held office for three years or more must retire from office and no Director may retain office for more than three years without submitting himself or herself for re-election. Rule 11.4 of the Constitution provides that a retiring Director is eligible for re-election without the necessity of giving any previous notice of his or her intention to submit him or herself for re-election. The Managing Director is not subject to retirement by rotation. The resolution for re-election of a Director is included in the Company's notice of annual general meeting and voted upon by shareholders at that meeting.

FY 2013 FINANCIAL REPORT
CORPORATE GOVERNANCE STATEMENT

INDEPENDENT PROFESSIONAL ADVICE

Under the Board Charter, all Directors are entitled to obtain independent external professional advice at the Company's expense, subject to prior consultation with the Chairman.

DIRECTOR REMUNERATION

It is Matrix's objective to provide maximum stakeholder benefit from the retention of a high quality Board by remunerating Directors fairly and appropriately with reference to relevant market conditions.

For a full discussion of Matrix's remuneration philosophy and framework and the remuneration received by Directors in the current period, please refer to the remuneration report which is contained in pages 18 to 20 of the Directors Report.

There is no scheme to provide retirement benefits, other than statutory superannuation, to non-executive Directors.

SELECTION AND APPOINTMENT OF NEW DIRECTORS

Matrix's policy for the nomination, selection and appointment of new Directors is set out in the Board Charter and requires consideration be given to the ability of a potential appointee to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company.

Any candidate for election as a Director, who is not an existing Director seeking re-election, must deliver to the Company, at its registered office, written notice consenting to his or her nomination and signifying his or her candidature for the office or the intention of a shareholder to propose them. The consent to act as a Director must include all details required by the Corporations Act and Listing Rules.

The Board may also appoint a Director to fill a casual vacancy, or as an addition to the existing Directors at any time, provided that any such Director holds office only until the next annual general meeting, is eligible for re-election at the next general meeting and will not result in the total number of Directors exceeding ten.

BOARD MEETINGS

During the financial year the Board held ten Board meetings, two Audit and Risk Committee meetings and two Remuneration Committee meetings. Details of the Directors attendance at these meetings are set out on page 17 of the Director's Report.

COMPANY SECRETARY

The appointment and removal of a Company secretary is a matter for decision by the Board. The current Company secretary is Mr Peter Tazewell.

NOMINATIONS COMMITTEE

As at the date of this report, the Board has not established a separate Nominations Committee. The Directors consider that the functions of such a committee be reserved for the entire Board at this stage of its public Company development. The Board as a whole serves as a Nomination Committee and acts in accordance with the Nomination Committee charter.

BOARD AND DIRECTOR PERFORMANCE EVALUATION

In the absence of a formal Nominations Committee, the Chairman of the Board is responsible for conducting individual performance evaluations of the Board, its committees and individual Directors. During the year the Chairman conducted an informal self-evaluation of the performance of the Board, its committees and individual Directors.

PROMOTING ETHICAL & RESPONSIBLE DECISION MAKING

CODES OF CONDUCT

The Board considers it essential that Directors, management and employees of the Group employ sound corporate governance practices in carrying out their duties and responsibilities. In particular, the Board has responsibility for developing and monitoring:

- Expectations with regard to ethical conduct;
- Periods during which Directors may deal in the securities of the Company and procedures for notification of any dealings;
- Procedures to be adopted in respect of potential conflicts of interest; and
- Procedures for prior approval of contracts with Directors.

Matrix has established codes of conduct to provide:

- A framework for decisions and actions in relation to ethical conduct which underpins the Company's commitment to integrity and fair dealing in its business affairs and to a duty of care to all employees, clients and stakeholders;
- Practices necessary to take into account its legal obligations and the reasonable expectations of its stakeholders; and
- Responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

These codes of conduct, entitled "Board Code of Conduct" and "Corporate Code of Conduct" are publicly available on the Company's website.

DIVERSITY POLICY

Matrix recognises that a talented and diverse workforce is a key competitive advantage and that Matrix's success is a reflection of the quality and skills of its people. Specifically, the Company provides equal opportunities in respect to employment and employment conditions and does not discriminate on the basis of a candidate's gender, age, ethical or cultural background. Matrix is committed to promoting a workplace that recognises and embraces the skills, characteristics and experiences that people bring to the Group.

During the year the Board adopted a Diversity Policy, which is publicly available on the Company's website.

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CORPORATE GOVERNANCE STATEMENT

GENDER DIVERSITY

Matrix has established a medium term target of 20 per cent of all employees to be female in order to promote gender diversity within the Company.

As at 30 June 2013 all five Board positions (100 per cent) were held by men.

Of five senior executive positions, four (80 per cent) were held by men and one (20 per cent) was held by a woman.

Of 354 employees, 50 (14.1 per cent) were women and 304 (85.9 per cent) were men.

As at 30 June 2013, the proportion of women employed by the Matrix Group is set out in the table below:

	NUMBER OF EMPLOYEES				
	FULL TIME	PART TIME	CASUAL	TOTAL	PROPORTION (%)
FEMALE	44	4	2	50	14.1
MALE	300	1	3	304	85.9
TOTAL	**344**	**5**	**5**	**354**	**100.0**

SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

AUDIT & RISK COMMITTEE

The purpose of the Audit and Risk Committee is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance.

The Board has established an Audit and Risk Committee that operates under a charter approved by the Board. The purpose of the Audit and Risk Committee is to assist the Board in monitoring and reviewing any matters of significance affecting financial reporting and compliance.

The Audit and Risk Committee comprises the following members:

- Craig Duncan (Chair)
- Peter Hood
- Paul Wright

Mr Duncan and Mr Hood are assessed by the Board as independent.

The Company's external auditors, other Directors, CEO, CFO/Company Secretary and senior executives may be invited to committee meetings at the discretion of the committee.

For details on the number of meetings of the Audit and Risk Committee held during the year and the attendees at those meetings, please refer to page 17 of the Directors Report. For details of the respective experience and qualifications of Committee Members, please refer to page 11 and 12 of the Directors Report.

The Charter of the Audit and Risk Committee is publicly available on the Company's website.

EXTERNAL AUDITOR

The Audit and Risk Committee are responsible for recommending the appointment and evaluation of the Company's external auditor's on a regular basis, and considers whether it is appropriate to tender the audit as it deems necessary. The current auditor's of Matrix were appointed on 10 February 2011. The Audit and Risk Committee has not considered the issue of auditor selection, appointment and rotation in the last 12 months. Matrix expects to implement a formal written policy regarding auditor selection, appointment and rotation over the next 12 months.

The performance of the external auditor is reviewed on an annual basis by the Audit & Risk Committee and recommendations are made to the Board.

MAKING TIMELY AND BALANCED DISCLOSURE

CONTINUOUS DISCLOSURE

To ensure compliance with the ASX Listing Rules, disclosure requirements and accountability at a senior management level for that compliance, the Board has established policies and procedures that are incorporated into the Company's corporate governance plan. Matrix has established written policies designed to ensure:

- Compliance with ASX Listing Rule disclosure; and
- Accountability at a senior executive level for that compliance.

The relevant policy, entitled "Continuous Disclosure" is publicly available on the Company's website.

SECURITIES TRADING POLICIES

The Company has established a policy concerning trading in its securities by Directors, senior executives and employees.

This policy, entitled "Guidelines for Buying and Selling Securities" is publicly available on the Company's website.

RESPECT THE RIGHTS OF SHAREHOLDERS

The Company is committed to informing shareholders of all major developments affecting the operations of the Company and the state of its affairs. The Company has adopted a Communications Policy to ensure that shareholders and other stakeholders are informed of all major developments affecting the Company's state of affairs.

The policy, entitled "Shareholder Communications Strategy", is publicly available on the Company's website.

RECOGNISE AND MANAGE RISK

RISK MANAGEMENT

Matrix recognises the importance of risk management and has a formal risk management framework, including policies for the oversight and management of material business risks. The Matrix Board determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

FY 2013 FINANCIAL REPORT
CORPORATE GOVERNANCE STATEMENT

The Board has delegated to the Audit and Risk Committee responsibility to:

- Oversee the Company's risk management systems, practices and procedures to ensure effective risk identification and management and compliance with internal guidelines and external requirements;
- Assist management to determine the key risks to the businesses and prioritise work to manage those risks; and
- Review reports by management on the efficiency and effectiveness of risk management and associated internal compliance and control procedures.

Management is responsible for identifying and evaluating risks within their area of responsibility, implementing agreed actions to manage risk and for reporting as well as monitoring any activity or circumstance that may give rise to new or changed risks.

The Board has required management to design and implement a risk management and internal control system to manage Matrix's material business risks, and to report on whether those risks are being managed effectively. During the financial year the Audit and Risk Committee commissioned an independent review of the operational risks of the Group's composite products manufacturing division based at Henderson. The outcome of this review was the establishment of a Risk Register and action plan which was subsequently executed by management under the direction of the Audit and Risk Committee.

In summary, the Matrix risk management and internal control system comprises:

- Identifying and measuring risks that might impact upon the achievement of the Company's goals and objectives, and monitoring the environment for emerging factors and trends that affect these risks;
- Formulating risk management strategies to manage identified risks and designing and implementing appropriate risk management policies and internal controls;
- Monitoring the performance of and improving the effectiveness of risk management systems and internal compliance and controls, including regular assessment of the effectiveness of risk management and internal compliance and control.

The Board has received a formal report from management under Recommendation 7.2 as to the effectiveness of Matrix's management of its material business risks with respect to the reporting period. Upon due consideration of Matrix's risk management and internal control system, management formally reported that, as at 30 June 2013, Matrix maintains a risk management and internal control system that is sufficient to manage its material business risks.

In addition, the Board has received a written assurance from the Chief Executive Officer and the Chief Financial Officer that, to the best of their knowledge and belief, the declaration provided by them in accordance with section 295A of the Corporations Act is founded on their evaluation of the Company's system of risk management and internal control and that, as at 30 June 2013, the system is operating effectively in relation to financial reporting risks. The Board understands that these assurances regarding the internal control systems provide a reasonable level of assurance only and do not imply a guarantee against adverse events, or losses, or more volatile outcomes arising in the future and that the design and operation of the internal control systems relating to financial reporting has been assessed primarily through the use of declarations by process owners who are responsible for those systems.

The Group Risk Management Policy is publicly available on the Company's website.

REMUNERATE FAIRLY AND RESPONSIBLY

ROLE OF THE REMUNERATION COMMITTEE

The Board has established a Remuneration Committee that operates under a charter approved by the Board. The purpose of the Remuneration Committee is to provide advice, recommendations and assistance to the Board with respect to remuneration matters. The Remuneration Committee comprises the following members:

- Peter Hood (Chair)
- Craig Duncan
- Nigel Johnson

Mr Hood, Mr Duncan and Mr Johnson are assessed by the Board as independent.

For details of Directors attendance at meetings of the Remuneration Committee, please refer to page 17 of the Directors Report. For details of the respective experience and qualifications of Committee Members, please refer to page 11 and 12 of the Directors Report.

The Remuneration Committee is responsible for:

- Reviewing and approving the executive remuneration policy;
- Ensuring the executive remuneration policy demonstrates a clear relationship between executive performance and remuneration;
- Recommending to the Board the remuneration of executive Directors;
- Fairly and responsibly rewarding executives having regard to the performance of the Group, the performance of the executive and the prevailing remuneration expectation in the market;
- Reviewing the Company's recruitment, retention and termination policies;
- Reviewing and approving the remuneration of direct reports to the Chief Executive Officer, and as appropriate other senior executives; and
- Reviewing and approving any equity based plans and other incentive schemes.

The Charter of the Remuneration Committee is publicly available on the Company's website.

EVALUATION OF THE PERFORMANCE OF MANAGEMENT

The performance of key executives is reviewed internally on an annual basis pursuant to a Group wide performance planning and review process. The outcome of the review then provides the basis for a professional development plan for the key executives. The performance of all senior executives with greater than 12 months service has been evaluated during the reporting period in accordance with this process.

This Directors report is signed in accordance with a resolution of Directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors

Aaron P Begley
Managing Director
and Chief Executive Officer
Perth, 14 August 2013

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

14 August 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 audit of the financial statements of Matrix Composites & Engineering Ltd for the financial year ended 30 June 2013, 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 audit; and

(ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Rupp
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

FY 2013 FINANCIAL REPORT
CONSOLIDATED STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	2013	2012
		$	$
CONTINUING OPERATIONS			
REVENUE	3	145,487,485	144,811,799
COST OF SALES		(131,004,843)	(147,188,999)
GROSS PROFIT/(LOSS)		**14,482,642**	**(2,377,200)**
OTHER INCOME	3	654,124	479,370
OTHER LOSSES	3	(4,085,430)	(10,199,916)
ADMINISTRATION EXPENSES		(7,439,672)	(6,470,927)
FINANCE COSTS		(1,583,887)	(2,433,384)
MARKETING EXPENSES		(5,658,697)	(4,264,490)
RESEARCH EXPENSES		(540,362)	(408,595)
LOSS BEFORE INCOME TAX	**4**	**(4,171,282)**	**(25,675,142)**
INCOME TAX BENEFIT	6	1,224,144	11,229,394
LOSS FOR THE YEAR FROM CONTINUING OPERATIONS		**(2,947,138)**	**(14,445,748)**
LOSS ATTRIBUTABLE TO:			
OWNERS OF THE COMPANY		(2,947,138)	(14,445,774)
NON-CONTROLLING INTEREST		-	26
		(2,947,138)	**(14,445,748)**
LOSS PER SHARE			
BASIC LOSS PER SHARE (CENTS)	29	(3.1)	(18.4)
DILUTED LOSS PER SHARE (CENTS)	29	(3.1)	(18.4)

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

FY 2013 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	2013	2012
	$	$
LOSS FOR THE YEAR	**(2,947,138)**	**(14,445,748)**
OTHER COMPREHENSIVE INCOME		
ITEMS THAT MAY BE RECLASSIFIED SUBSEQUENT TO PROFIT OR LOSS:		
NET FOREIGN CURRENCY TRANSLATION DIFFERENCES	26,220	279,270
	26,220	**279,270**
CHANGE IN FAIR VALUE OF CASH FLOW HEDGES	(2,137,637)	(1,404,693)
INCOME TAX BENEFIT	641,291	421,408
	(1,496,346)	**(983,285)**
ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS:		
REVALUATION OF FREEHOLD PROPERTY	-	(78,711)
INCOME TAX BENEFIT	-	23,613
	-	**(55,098)**
OTHER COMPREHENSIVE LOSS FOR THE YEAR NET OF TAX	(1,470,126)	(759,113)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(4,417,264)**	**(15,204,861)**
TOTAL COMPREHENSIVE LOSS ATTRIBUTABLE TO:		
OWNERS OF THE PARENT ENTITY	(4,417,264)	(15,204,887)
NON-CONTROLLING INTEREST	-	26
TOTAL COMPREHENSIVE LOSS FOR THE YEAR	**(4,417,264)**	**(15,204,861)**

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

FY 2013 FINANCIAL REPORT
CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS OF 30 JUNE 2013

	NOTE	2013	2012
		$	$
CURRENT ASSETS			
CASH AND CASH EQUIVALENTS	7	15,960,631	29,921,332
TRADE AND OTHER RECEIVABLES	8	26,813,423	13,542,845
INVENTORY	9	23,597,244	34,561,130
OTHER CURRENT ASSETS	10	1,323,046	1,001,339
FINANCIAL ASSETS	12	-	1,681,019
INCOME TAX ASSETS	17	4,571	1,098,708
TOTAL CURRENT ASSETS		**67,698,915**	**81,806,373**
NON CURRENT ASSETS			
TRADE AND OTHER RECEIVABLES	8	9,315,364	-
PROPERTY, PLANT AND EQUIPMENT	11	104,584,765	109,950,749
INTANGIBLE ASSETS	13	8,306,773	7,579,398
DEFERRED TAX ASSETS	6	13,613,322	11,053,550
TOTAL NON CURRENT ASSETS		**135,820,224**	**128,583,697**
TOTAL ASSETS		**203,519,139**	**210,390,070**
CURRENT LIABILITIES			
TRADE AND OTHER PAYABLES	14	23,404,957	22,101,903
PROGRESS CLAIMS AND DEPOSITS	15	17,560,890	19,718,196
FINANCIAL LIABILITIES	16	11,680,094	26,759,026
PROVISIONS	18	1,399,137	1,694,723
TOTAL CURRENT LIABILITIES		**54,045,078**	**70,273,848**
NON CURRENT LIABILITIES			
FINANCIAL LIABILITIES	16	13,137,140	-
DEFERRED TAX LIABILITIES	6	3,602,360	3,011,769
PROVISIONS	18	444,853	369,622
TOTAL NON CURRENT LIABILITIES		**17,184,353**	**3,381,391**
TOTAL LIABILITIES		**71,229,431**	**73,655,239**
NET ASSETS		**132,289,708**	**136,734,831**
EQUITY			
ISSUED CAPITAL	19	111,784,863	111,812,722
RESERVES	20	(313,991)	1,156,135
RETAINED EARNINGS		20,829,039	23,776,177
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		**132,299,911**	**136,745,034**
NON-CONTROLLING INTEREST		(10,203)	(10,203)
TOTAL EQUITY		**132,289,708**	**136,734,831**

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

FY 2013 FINANCIAL REPORT
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	NOTE	2013	2012
		$	$
CASH FLOWS FROM OPERATING ACTIVITIES			
RECEIPTS FROM CUSTOMERS		135,676,726	173,315,077
PAYMENTS TO SUPPLIERS AND EMPLOYEES		(136,864,384)	(154,088,146)
INTEREST RECEIVED		191,526	356,811
FINANCE COSTS PAID		(1,608,473)	(2,433,384)
NET RECEIPT/(PAYMENT) FROM INCOME TAX		415,580	(6,242,634)
NET CASH (USED IN)/FROM OPERATING ACTIVITIES	**21 (b)**	**(2,189,025)**	**10,907,724**
CASH FLOWS USED IN INVESTING ACTIVITIES			
PROCEEDS FROM SALE OF PROPERTY, PLANT AND EQUIPMENT		30,051	-
PAYMENTS FOR PROPERTY, PLANT AND EQUIPMENT		(4,911,512)	(27,113,784)
PAYMENTS FOR RESEARCH AND DEVELOPMENT COSTS		(727,375)	(1,164,182)
NET CASH USED IN INVESTING ACTIVITIES		**(5,608,836)**	**(28,277,966)**
CASH FLOWS FROM FINANCING ACTIVITIES			
PROCEEDS FROM ISSUE OF SHARE CAPITAL AND EXERCISE OF OPTIONS (NET OF CAPITAL RAISING COSTS)		(39,798)	35,284,347
REPAYMENT OF BORROWINGS		(6,123,042)	(21,380,287)
PROCEEDS FROM BORROWINGS		-	12,125,205
DIVIDENDS PAID		-	(5,395,705)
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		**(6,162,840)**	**20,633,560**
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(13,960,701)**	**3,263,318**
CASH AND CASH EQUIVALENTS AT 1 JULY		29,921,332	26,658,014
CASH AND CASH EQUIVALENTS AT 30 JUNE	**21 (a)**	**15,960,631**	**29,921,332**

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

FY 2013 FINANCIAL REPORT
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	ISSUED CAPITAL	RETAINED EARNINGS	OPTION PREMIUM RESERVE	PROPERTIES REVALUATION RESERVE	CASH FLOW HEDGE 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									
LOSS FOR THE YEAR	-	(2,947,138)	-	-	-	-	(2,947,138)	-	(2,947,138)
OTHER COMPREHENSIVE INCOME									
FOREIGN CURRENCY TRANSLATION	-	-	-	-	-	26,220	26,220	-	26,220
CHANGE IN FAIR VALUE OF CASH FLOW HEDGES NET OF TAX	-	-	-	-	(1,496,346)	-	(1,496,346)	-	(1,496,346)
REVALUATION OF FREEHOLD PROPERTY NET OF TAX	-	-	-	-	-	-	-	-	-
	-	**(2,947,138)**	**-**	**-**	**(1,496,346)**	**26,220**	**(4,417,264)**	**-**	**(4,417,264)**
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY									
ISSUE OF SHARES NET OF COSTS AND TAX	(27,859)	-	-	-	-	-	(27,859)	-	(27,859)
DIVIDENDS PAID TO EQUITY HOLDERS	-	-	-	-	-	-	-	-	-
	(27,859)	**-**	**-**	**-**	**-**	**-**	**(27,859)**	**-**	**(27,859)**
BALANCE AT 30 JUNE 2013	**111,784,863**	**20,829,039**	**273,000**	**787,664**	**(1,447,000)**	**72,345**	**132,299,911**	**(10,203)**	**132,289,708**

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

FY 2013 FINANCIAL REPORT

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2013

	ISSUED CAPITAL	RETAINED EARNINGS	OPTION PREMIUM RESERVE	PROPERTIES REVALUATION RESERVE	CASH FLOW HEDGE RESERVE	FOREIGN CURRENCY TRANSLATION RESERVE	ATTRIBUTABLE TO OWNERS OF THE PARENT	NON-CONTROLLING INTEREST	TOTAL
	$	$	$	$	$	$	$	$	$
BALANCE AT 1 JULY 2011	**76,388,203**	**43,617,656**	**273,000**	**842,762**	**1,032,631**	**(233,145)**	**121,921,107**	**(10,229)**	**121,910,878**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR									
LOSS FOR THE YEAR	-	(14,445,774)	-	-	-	-	(14,445,774)	26	(14,445,748)
OTHER COMPREHENSIVE INCOME									
FOREIGN CURRENCY TRANSLATION	-	-	-	-	-	279,270	279,270	-	279,270
CHANGE IN FAIR VALUE OF CASH FLOW HEDGES NET OF TAX	-	-	-	-	(983,285)	-	(983,285)	-	(983,285)
REVALUATION OF FREEHOLD PROPERTY NET OF TAX	-	-	-	(55,098)	-	-	(55,098)	-	(55,098)
	-	**(14,445,774)**	**-**	**(55,098)**	**(983,285)**	**279,270**	**(15,204,887)**	**26**	**(15,204,861)**
TRANSACTIONS WITH OWNERS, RECORDED DIRECTLY IN EQUITY									
ISSUE OF SHARES NET OF COSTS AND TAX	35,424,519	-	-	-	-	-	35,424,519	-	35,424,519
DIVIDENDS PAID TO EQUITY HOLDERS	-	(5,395,705)	-	-	-	-	(5,395,705)	-	(5,395,705)
	35,424,519	**(5,395,705)**	**-**	**-**	**-**	**-**	**30,028,814**	**-**	**30,028,814**
BALANCE AT 30 JUNE 2012	**111,812,722**	**23,776,177**	**273,000**	**787,664**	**49,346**	**46,125**	**136,745,034**	**(10,203)**	**136,734,831**

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

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

GENERAL INFORMATION

Matrix Composites & Engineering Ltd (the Company) is a limited liability Company incorporated in Australia. The addresses of its registered office and principal places of business are disclosed in the back of the annual report. The principal activities of the Company and its subsidiaries (the Group) are described in Note 2.

STATEMENT OF COMPLIANCE

These financial statements are general purpose financial statements which have been prepared in accordance with the Corporations Act 2001, Accounting Standards and Interpretations, and comply with other requirements of the law.

The financial statements comprise the consolidated financial statements of the Group. For the purpose of preparing the consolidated financial statements, the Company is a for profit entity.

Accounting Standards include Australian Accounting Standards. Compliance with Australian Accounting Standards ensures that the financial statements and notes of the Company and the Group comply with International Financial Reporting Standards ('IFRS').

The financial statements were authorised for issue by the Directors on 15 August 2013.

BASIS OF PREPARATION

The consolidated financial statements have 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.

APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

STANDARD AND INTERPRETATIONS AFFECTING AMOUNTS REPORTED IN THE CURRENT PERIOD (AND/OR PRIOR PERIODS)

The following new and revised Standards and Interpretations have been adopted in the current year and have affected the amounts reported in these financial statements.

AMENDMENTS TO AASB 101 'PRESENTATION OF FINANCIAL STATEMENTS'	The amendment (part of AASB 2011-9 'Amendments to Australian Accounting Standards - Presentation of Items of Other Comprehensive Income' introduce 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.
AMENDMENTS TO AASB 101 'PRESENTATION OF FINANCIAL STATEMENTS'	The amendments (part of AASB 2012-5 'Further Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle') requires an entity that changes accounting policies retrospectively, or makes a retrospective restatement or reclassification to present a statement of financial position as at the beginning of the preceding period (third statement of financial position), when the retrospective application, restatement or reclassification has a material effect on the information in the third statement of financial position. The related notes to the third statement of financial position are not required to be disclosed.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

STANDARDS AND INTERPRETATIONS IN ISSUE NOT YET ADOPTED

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The reported results and position of the Group will not change on adoption of these pronouncements as currently there are no transactions that will be materially impacted by these pronouncements. Adoption of these pronouncements will however, result in changes to information currently disclosed in the financial statement. The Group does not intend to adopt any of these pronouncements before their effective dates.

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 9 'FINANCIAL INSTRUMENTS', AND THE RELEVANT AMENDING STANDARDS	1 JANUARY 2015	30 JUNE 2016
AASB 10 'CONSOLIDATED FINANCIAL STATEMENTS' AND AASB 2011-7 'AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM THE CONSOLIDATION AND JOINT ARRANGEMENTS STANDARDS'	1 JANUARY 2013	30 JUNE 2014
AASB 11 'JOINT ARRANGEMENTS' AND AASB 2011- 7 'AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM THE CONSOLIDATION AND JOINT ARRANGEMENTS STANDARDS'	1 JANUARY 2013	30 JUNE 2014
AASB 12 'DISCLOSURE OF INTERESTS IN OTHER ENTITIES' AND AASB 2011-7 'AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM THE CONSOLIDATION AND JOINT ARRANGEMENTS STANDARDS'	1 JANUARY 2013	30 JUNE 2014
AASB 127 'SEPARATE FINANCIAL STATEMENTS' (2011) AND AASB 2011-7 'AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM THE CONSOLIDATION AND JOINT ARRANGEMENTS STANDARDS	1 JANUARY 2013	30 JUNE 2014
AASB 128 'INVESTMENTS IN ASSOCIATES AND JOINT VENTURES' (2011) AND AASB 2011-7 'AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM THE CONSOLIDATION AND JOINT ARRANGEMENTS STANDARDS'	1 JANUARY 2013	30 JUNE 2014
AASB 13 'FAIR VALUE MEASUREMENT' AND AASB 2011-8 'AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 13'	1 JANUARY 2013	30 JUNE 2014
AASB 119 'EMPLOYEE BENEFITS' (2011) AND AASB 2011-10 'AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM AASB 119 (2011)'	1 JANUARY 2013	30 JUNE 2014
AASB 2011-4 'AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS TO REMOVE INDIVIDUAL KEY MANAGEMENT PERSONNEL DISCLOSURE REQUIREMENTS'	1 JULY 2013	30 JUNE 2014
AASB 2012-2 'AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – DISCLOSURES – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES'	1 JANUARY 2013	30 JUNE 2014
AASB 2012-3 'AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – OFFSETTING FINANCIAL ASSETS AND FINANCIAL LIABILITIES'	1 JANUARY 2014	30 JUNE 2015
AASB 2012-5 'AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS ARISING FROM ANNUAL IMPROVEMENTS 2009–2011 CYCLE'	1 JANUARY 2013	30 JUNE 2014
AASB 2012-10 'AMENDMENTS TO AUSTRALIAN ACCOUNTING STANDARDS – TRANSITION GUIDANCE AND OTHER AMENDMENTS.	1 JANUARY 2013	30 JUNE 2014

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(A) BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the assets and liabilities of all entities controlled by Matrix Composites & Engineering Ltd ('Company' or 'Parent Entity') as at 30 June 2013 and the results of all controlled entities for the year then ended. Matrix Composites & Engineering Ltd and its controlled entities together are referred to in this financial report as the 'Group'.

Subsidiaries are all those entities over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group. The Group measures any non-controlling interest at its proportionate interest in the identifiable net assets of the acquiree.

Inter-company transactions, balances and unrealised income and expenses on transactions between Group companies are eliminated in preparing the consolidated financial statements. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group. All controlled entities have a June financial year end.

(B) OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses (including those relating to transactions with other components of the same entity), whose operating results are regularly reviewed by the chief operating decision makers (being the Board of Directors) for which discrete financial information is available.

(C) INCOME TAX

The charge for current income tax expense is based on the profit for the year end adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantively enacted by the end of the reporting period.

Deferred tax is recognised in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Current and deferred tax is recognised in the profit or loss except where it relates to items that may be recognised directly in equity or in other comprehensive income.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to do so, and where they relate to income taxes levied by the same tax authority on the same or different tax entities that intend to settle current tax liabilities and assets on a net basis.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

TAX CONSOLIDATION

The Company and its wholly-owned Australian resident entities have formed a tax-consolidated group with effect from 1 July 2010 and are therefore taxed as a single entity from that date. The head entity within the tax-consolidated group is Matrix Composites & Engineering Limited. The members of the tax-consolidated group are identified in note 6. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognised in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach by reference to the carrying amounts in the separate financial statements of each entity and the tax values applying under tax consolidation. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and relevant tax credits of the members of the tax-consolidated group are recognised by the Company (as head entity in the tax-consolidated group).

Due to the existence of a tax funding arrangement between the entities in the tax-consolidated group, amounts are recognised as payable to or receivable by the Company and each member of the group in relation to the tax contribution amounts paid or payable between the parent entity and the other members of the tax-consolidated group in accordance with the arrangement.

Entities within the tax-consolidated group have entered into a tax funding arrangement and a tax sharing agreement with the head entity. Under the terms of the tax funding arrangement, Matrix Composites & Engineering Ltd and each of the entities in the tax-consolidated group has agreed to pay a tax equivalent payment to or from the head entity, based on the current tax liability or current tax asset of the entity.

(D) INVENTORIES

Inventories include raw materials, work in progress and finished goods, and are measured at the lower of cost and net realisable value. The cost of manufactured products includes direct materials, direct labour and an appropriate share of manufacturing overheads. Costs are assigned on the basis of weighted average costs.

(E) PROPERTY, PLANT AND EQUIPMENT

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

PROPERTY

Freehold land and buildings are shown at their fair value (being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction), based on periodic, but at least triennial, valuations by external independent valuers, less subsequent depreciation for buildings.

Upon revaluation of land and buildings, any revaluation increment is credited to the asset revaluation reserve recognised in other comprehensive income, except to the extent that it reverses a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in profit or loss.

Any revaluation decrement is recognised in profit or loss, except to the extent that it offsets a previous increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

PLANT AND EQUIPMENT

Plant and equipment are measured at cost basis less accumulated depreciation and impairment losses.

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 assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of self-constructed assets includes the cost of materials, direct labour, borrowing costs (where such assets are qualifying assets) and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the profit or loss during the financial period in which they are incurred.

DEPRECIATION

The depreciable amount of all non current assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight line basis over their useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

CLASS OF FIXED ASSET	DEPRECIATION RATE (%)
BUILDINGS	2.5
PLANT AND EQUIPMENT	7.5 – 30.0
MOTOR VEHICLES	22.5
OFFICE EQUIPMENT	11.25 – 25.0
COMPUTER EQUIPMENT	37.50 – 50.0

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

Development costs have a finite life and are amortised on a systematic basis matched to the future economic benefits over the useful life of the project.

Software is stated at cost less accumulated amortisation and impairment losses. Amortisation is charged to the income statement on a straight line basis over the estimated useful life of three to five years.

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.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(F) GOODWILL

Goodwill arising on an acquisition of a business is carried at cost as established at the date of the acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or Groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(G) LEASES

Leases of non-current assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the consolidated Group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset, or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

(H) FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

FINANCIAL ASSETS

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AFS) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT AND LOSS

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in profit or loss in the period in which they arise.

LOANS AND RECEIVABLES

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these assets are measured at amortised cost using the effective interest rate method, less any impairment losses.

HELD-TO-MATURITY INVESTMENTS

These investments have fixed maturities, and it is the Company's intention to hold these investments to maturity. Any held-to-maturity investments held by the Company are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest rate method, less any impairment losses.

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS

Classification as Debt or Equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

FINANCIAL LIABILITIES

Non-derivative financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost, using the effective interest rate method.

DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGING

The Group uses derivative financial instruments (including forward exchange contracts, currency options, call/put options and interest rate swaps) to hedge its risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently measured at fair value.

Derivative financial instruments that do not qualify for hedge accounting are remeasured to fair value with changes in fair value recognised immediately in the income statement.

The Group has entered into various put and call currency option transactions as part of its overall hedging strategy. Details of call options outstanding at 30 June 2013 are included in Note 22. There were no put option positions at 30 June 2013. Movements in the value of these derivative instruments are recognised immediately in profit or loss.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which the Group wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk.

Such hedges, if expected to be highly effective in achieving offsetting changes in the fair value or cash flows, are assessed on an ongoing basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The hedges that meet the strict criteria for hedge accounting are accounted for as follows:

CASH FLOW HEDGES

Cash flow hedges are hedges of the Group's exposure to variability in cash flows that is attributable to a particular risk associated with a highly probable forecast transaction and that could affect profit and loss. The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts recognised in other comprehensive income and accumulated in equity are transferred out of equity and included in the measurement of the hedged transaction when the forecast transaction occurs.

Hedge accounting is discontinued when the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. At that time, any cumulative gain or loss previously recognised in equity remains in equity until the forecast transaction affects profit or loss. When a forecast transaction is no longer expected to occur, amounts recognised in equity are transferred immediately to profit or loss.

The Group tests each of the designated cash flow hedges for effectiveness at the inception of the hedge and then at each reporting date both prospectively and retrospectively.

For foreign currency cash flow hedges if the risk is over-hedged, the ineffective portion is taken immediately to profit or loss.

FAIR VALUE

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

IMPAIRMENT OF FINANCIAL ASSETS

At each reporting date, the Company assesses whether there is objective evidence that a financial asset not carried at fair value through profit or loss has been impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred, and where the decline in fair value is considered significant or prolonged. Impairment losses are recognised in profit or loss.

(I) IMPAIRMENT OF NON-FINANCIAL ASSETS OTHER THAN GOODWILL

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest Group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years.

A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. The Group assesses impairment of all non-financial assets other than goodwill at each reporting date by evaluating conditions specific to the Group and to the particular asset that may lead to impairment. These include product and service delivery performance, technology, economic and political environments and future product expectations. If an impairment trigger exists the recoverable amount of the asset is determined.

The carrying amounts of all assets, other than inventory, financial assets and deferred tax assets, are reviewed half-yearly to determine whether there is indication of an impairment loss. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to profit or loss.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the Company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(J) FOREIGN CURRENCY TRANSACTIONS AND BALANCES

TRANSACTION AND BALANCES

The individual financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each Group entity are expressed in Australian dollars ('$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

In preparing the financial statements of each individual Group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the translation of monetary and non-monetary items are recognised in profit or loss, except where recognised in other comprehensive income as a qualifying cash flow or net investment hedge.

(K) EMPLOYEE BENEFITS

Provision is made for the Company's liability for employee benefits arising from services rendered by employees to balance date. Short-term employee benefits have been measured at nominal value, plus related on-costs. Long-term employee benefits have been measured at the present value of the estimated future cash outflows to be made for those benefits. Payments to defined contribution plans are recognised as an expense when employees have rendered service entitling them to contributions.

(L) PROVISIONS

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(M) CASH AND CASH EQUIVALENTS

Cash and cash equivalents includes cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

(N) REVENUE RECOGNITION

Revenue is recognised and measured at the fair value of the consideration received or receivable to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

SALE OF GOODS

Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the cost incurred or to be incurred in respect of the transaction can be measured reliably.

Risks and rewards are assessed in relation to the:

- Delivery of the goods to the customers;
- Receipt of payment from the customer;
- Achieving a relevant invoicing milestone under a contract with the customer; or
- Contractual terms.

EX-WORKS REVENUE

Revenue in relation to ex-works contracts are recognised when the goods are produced and contract terms are fulfilled.

CONTRACT REVENUE

Contract revenue and expenses are recognised in accordance with the percentage of completion method unless the outcome of the contract cannot be relied upon or estimated. Where it is probable that a loss will arise from a contract, the excess of total expected contract costs over total expected contract revenue is recognised as an expense immediately. Where the contract outcome cannot be reliably estimated, revenue is recognised only to the extent of the expenses incurred that are likely to be recoverable.

RENDERING OF SERVICES

Revenue from consulting services is recognised when the services have been provided and where the amount can be reliably estimated and is considered recoverable.

INTEREST

Revenue is recognised as interest accrues using the effective interest method. This is a method of calculating the amortised cost of a financial asset and allocating the interest income over the relevant period using the effective interest rate, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset.

All revenue is stated net of the amount of goods and services tax (GST).

(O) COST OF SALES

The cost of manufactured products includes direct materials, direct labour and manufacturing overheads.

(P) GOODS AND SERVICES TAX (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(Q) EARNINGS PER SHARE

Basic earnings per share is calculated as net profit or loss attributable to members of the Company divided by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is determined by adjusting the profit or loss attributable to members of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares.

(R) COMPARATIVE FIGURES

Where required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year

(S) SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements.

The following critical accounting policies were identified as requiring significant judgements, estimates and assumptions.

I. DETERMINATION OF PERCENTAGE OF COMPLETION OF CONTRACTS

Contract revenue is recognised as revenue in profit or loss using the percentage of completion method in the reporting periods in which the work is performed. The percentage complete is calculated based on:

- Actual costs over the sum of actual plus projected costs to complete the contract, or
- In the case where the Group participates in joint contracts and the Group's costs are not representative of overall contract costs, based on the percentage of the Group's costs to the total estimated cost for the Group associated with that project, or
- In the case where there is an independent assessment of the percentage complete, based on the independent assessment.

Contract costs are recognised as an expense in profit or loss in the reporting periods in which the work to which they relate is performed. Any expected excess of total contract costs over total contract revenue for the contract is recognised as an expense immediately.

II. IMPAIRMENT OF GOODWILL (REFER TO NOTE 13)

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated. The value in use calculation requires the Directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value.

III. VALUATION OF FINANCIAL INSTRUMENTS

As described in note 22, the Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 22 provides detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

The Directors believe that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

IV. TAXES (REFER TO NOTE 6)

Uncertainties exist with respect to the interpretation of complex tax regulations, changes in tax laws, and the amount and timing of future taxable income. Given the wide range of international business relationships and the long-term nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax income and expense already recorded. The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective counties in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the responsible tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group Company's domicile. As the Group assesses the probability for litigation and subsequent cash outflow with respect to taxes as remote, no contingent liability has been recognised.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits together with future tax planning strategies.

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 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 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, Taxes, Depreciation and Amortisation ("EBITDA") and Earnings before Interest, Taxes, Depreciation, Amortisation, and Foreign Exchange ("EBITDAF") which are 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.

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2. OPERATING SEGMENTS (CONTINUED)

SEGMENT REVENUES AND RESULTS

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

	YEAR ENDED 30 JUNE 2013			
	MCM $	**MOSE $**	**GROUP ELIMINATIONS $**	**MCE GROUP $**
REVENUE	120,965,233	24,522,253	-	145,487,485
EBITDAF[1]	**8,556,119**	**1,082,910**	**-**	**9,639,029**
FOREIGN EXCHANGE	2,093,784	68,030	-	2,161,814
EBITDA[2]	**6,462,335**	**1,014,880**	**-**	**7,477,215**
DEPRECIATION AND AMORTISATION	9,357,499	898,637	-	10,256,136
EBIT	**(2,895,164)**	**116,243**		**(2,778,921)**
NET FINANCE COSTS	1,273,164	119,197	-	1,392,361
LOSS BEFORE TAX (CONTINUING OPERATIONS)	**(4,168,328)**	**(2,954)**	**-**	**(4,171,282)**

	30 JUNE 2013			
TOTAL ASSETS	188,877,258	17,090,895	(2,449,014)	203,519,139
TOTAL LIABILITIES	62,490,082	8,127,609	(611,740)	71,229,431

	YEAR ENDED 30 JUNE 2012			
	MCM $	**MOSE $**	**GROUP ELIMINATIONS $**	**MCE GROUP $**
REVENUE	119,214,310	25,597,489	-	144,811,799
EBITDAF[1]	**(13,174,737)**	**2,372,865**	**-**	**(10,801,872)**
FOREIGN EXCHANGE	2,472,722	(69,810)	-	2,402,912
EBITDA[2]	**(15,647,459)**	**2,442,675**	**-**	**(13,204,784)**
DEPRECIATION AND AMORTISATION	9,570,393	823,392	-	10,393,785
EBIT	**(25,217,852)**	**1,619,283**	**-**	**(23,598,569)**
NET FINANCE COSTS	1,896,039	180,534	-	2,076,573
LOSS BEFORE TAX (CONTINUING OPERATIONS)	**(27,113,891)**	**1,438,749**	**-**	**(25,675,142)**

	30 JUNE 2012			
TOTAL ASSETS	197,336,843	32,387,630	(19,334,403)	210,390,070
TOTAL LIABILITIES	63,597,476	24,218,912	(14,161,149)	73,655,239

[1] EBITDAF stands for earnings before interest, taxes, depreciation, amortisation, and foreign exchange.
[2] EBITDA stands for earnings before interest, taxes, depreciation and amortisation.

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3. REVENUE

	2013 $	2012 $
MANUFACTURING REVENUE	120,965,233	119,214,310
CONTRACT REVENUE	24,522,252	25,597,489
	145,487,485	**144,811,799**
OTHER INCOME		
INTEREST RECEIVED	191,526	356,811
SUNDRY INCOME	462,598	122,559
	654,124	**479,370**
OTHER LOSSES		
FOREIGN EXCHANGE LOSS	(2,161,814)	(2,402,912)
INTEREST RATE SWAP GAIN/(LOSS)	192,807	(806,415)
FIXED ASSETS DISPOSALS/WRITE OFF	-	(4,749,960)
SUPERANNUATION PENALTIES	(2,000,000)	-
OTHER EXPENSES	(116,423)	(2,240,629)
TOTAL OTHER EXPENSES	**(4,085,430)**	**(10,199,916)**

A portion of the Group's revenue from the sale of goods denominated in foreign currencies is cash flow hedged.

Fixed assets disposals/write off relates mainly to the closure of the Malaga plant in 2012. The associated plant and equipment written off was related to the MCM reportable.

4. LOSS BEFORE INCOME TAX

Loss before income tax is stated after charging the following expenses:

	2013 $	2012 $
DEPRECIATION AND AMORTISATION	10,256,136	10,393,785
EMPLOYEE BENEFITS EXPENSE	37,716,203	39,823,564
FINANCE COSTS	1,583,887	2,433,384

5. AUDITORS' REMUNERATION

	2013 $	2012 $
AUDITOR OF THE PARENT ENTITY (DELOITTE TOUCHE TOHMATSU)		
AUDIT AND REVIEW FEES FOR THE YEAR	158,150	216,275
TAXATION AND OTHER ADVISORY SERVICES	31,248	114,564
	189,398	**330,839**

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6. INCOME TAX BENEFIT

	2013 $	2012 $
THE COMPONENTS OF TAX EXPENSE/(BENEFIT) COMPRISE:		
CURRENT TAX	124,894	(3,170,382)
DEFERRED TAX	(1,349,038)	(8,059,012)
	(1,224,144)	**(11,229,394)**

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

	2013 $	2012 $
PRIMA FACIE TAX RECEIVABLE ON OPERATING LOSS BEFORE INCOME TAX AT 30% (2012: 30%)	(1,251,384)	(7,702,543)
NON ALLOWABLE ITEMS	1,219,688	13,048
OTHER	-	274,531
RESEARCH & DEVELOPMENT TAX CONCESSION	(348,000)	(600,000)
DIFFERENTIAL INCOME TAX RATE ON MC&E ASIA PROFIT	-	(44,049)
OVER PROVISION PRIOR YEAR	(844,448)	(3,170,381)
INCOME TAX BENEFIT	**(1,224,144)**	**(11,229,394)**
AVERAGE WEIGHTED TAX RATE	29.3%	43.7%

RECONCILIATIONS

I. GROSS MOVEMENTS

The overall movement in the deferred tax account is as follows:

	2013 $	2012 $
BALANCE AT 1 JULY	8,041,781	(491,727)
RECOGNISED IN OTHER COMPREHENSIVE INCOME	620,143	334,323
RECOGNISED IN EQUITY	-	140,173
RECOGNISED IN INCOME STATEMENT	1,349,038	8,059,012
BALANCE AT 30 JUNE	**10,010,962**	**8,041,781**

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6. INCOME TAX BENEFIT (CONTINUED)

II. DEFERRED TAX LIABILITIES

The movement in deferred tax liability for each temporary difference during the year is as follows:

	2013 $	2012 $
RESERVES		
BALANCE AS AT 1 JULY	814,497	1,148,820
RECOGNISED IN OTHER COMPREHENSIVE INCOME	-	(334,323)
BALANCE AS AT 30 JUNE	**814,497**	**814,497**
OTHER		
BALANCE AT 1 JULY	2,197,272	1,160,205
RECOGNISED IN INCOME STATEMENT	590,591	1,037,067
BALANCE AT 30 JUNE	**2,787,863**	**2,197,272**
TOTAL	**3,602,360**	**3,011,769**

III. DEFERRED TAX ASSETS

The movement in deferred tax assets for each temporary difference during the year is as follows:

	2013 $	2012 $
BALANCE AT 1 JULY	11,053,550	1,817,298
RECOGNISED IN INCOME STATEMENT	1,939,629	9,096,079
RECOGNISED IN OTHER COMPREHENSIVE INCOME	620,143	-
RECOGNISED IN EQUITY	-	140,173
BALANCE AT 30 JUNE	**13,613,322**	**11,053,550**

The tax benefit of the above deferred tax assets will only be obtained if:

- The Company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised.
- The Company continues to comply with conditions for deductibility imposed by law; and
- No changes in income tax legislation adversely affect the Company in utilising the benefits.

RELEVANCE OF TAX CONSOLIDATION TO THE GROUP

The Company and its wholly-owned Australian resident entities formed a tax-consolidated Group as at 1 July 2010. From this date the Group will be taxed as a single entity. The head entity within the tax-consolidated Group is Matrix Composites & Engineering Ltd. Entering into a tax consolidation Group the Company has reset its tax base of asset and liabilities resulting in unrecognised deferred tax assets of $1.4 million.

7. CASH AND CASH EQUIVALENTS

	2013 $	2012 $
CASH ON HAND	2,178	6,545
CASH MANAGEMENT ACCOUNTS	4,841,186	22,175,579
SHORT-TERM BANK DEPOSITS	1,242,049	-
US DOLLAR ACCOUNT	9,874,489	7,729,023
OTHER	729	10,185
	15,960,631	**29,921,332**

The effective interest rate on short-term bank deposits was 0.02% (2012: 4.35%). The effective interest rate is adversely impacted by the high level of USD holdings.

8. TRADE AND OTHER RECEIVABLES

	2013 $	2012 $
CURRENT		
TRADE RECEIVABLES (i)	17,220,357	12,097,255
OTHER RECEIVABLES (ii)	8,978,253	787,249
GST REFUNDABLE	614,813	658,341
	26,813,423	**13,542,845**
NON-CURRENT		
OTHER RECEIVABLES (iii)	**9,315,364**	**-**

(i) The trade receivable's standard terms and conditions require customers to pay within 30 days from invoice date. The average collectability timeframe is ordinarily between 30 to 60 days. These amounts are generally non-interest bearing, although, there are customers who will be subjected to interest charges at management's discretion.

(ii) Other current receivables relate to products completed which are yet to be invoiced, pending customer's approval under existing commercial arrangement.

(iii) Other non-current receivables include cash backing deposits associated with the issue of performance bonds to a major customer.

9. INVENTORY

	2013 $	2012 $
RAW MATERIALS AT COST	14,801,690	20,722,640
WORK IN PROGRESS AT COST	2,635,092	10,030,595
FINISHED GOODS AT COST	6,160,462	3,807,895
	23,597,244	**34,561,130**

10. OTHER CURRENT ASSETS

	2013 $	2012 $
PREPAYMENTS	**1,323,046**	**1,001,339**

11. PROPERTY, PLANT AND EQUIPMENT

	2013 $	2012 $
LAND AND BUILDING/LEASEHOLD IMPROVEMENTS		
LAND AT INDEPENDENT VALUATION[1]	3,406,700	3,406,700
BUILDING AT INDEPENDENT VALUATION[1]	1,243,300	1,243,300
BUILDINGS[2]	34,817,462	34,817,462
OTHER LEASEHOLD IMPROVEMENTS[3]	691,556	397,471
LESS: ACCUMULATED DEPRECIATION	(2,048,441)	(974,093)
	38,110,577	**38,890,840**
PLANT AND EQUIPMENT		
PLANT AND EQUIPMENT AT COST	91,312,774	87,961,998
LESS: ACCUMULATED DEPRECIATION	(25,747,517)	(18,054,928)
	65,565,257	**69,907,070**
MOTOR VEHICLES		
MOTOR VEHICLES AT COST	166,209	241,928
LESS: ACCUMULATED DEPRECIATION	(114,118)	(120,454)
	52,091	**121,474**
OFFICE EQUIPMENT		
OFFICE EQUIPMENT AT COST	473,881	452,889
LESS: ACCUMULATED DEPRECIATION	(207,445)	(154,453)
	266,436	**298,436**
COMPUTER EQUIPMENT		
COMPUTER EQUIPMENT AT COST	2,120,054	1,977,166
LESS: ACCUMULATED DEPRECIATION	(1,635,137)	(1,244,237)
	484,917	**732,929**
ASSETS UNDER CONSTRUCTION		
PLANT AND EQUIPMENT IN PROGRESS AT COST	105,487	-
	105,487	**-**
	104,584,765	**109,950,749**

[1] The land and buildings located at 185 Camboon Road, Malaga were independently valued by Knight Frank in June 2012.

[2] Relates to the Group's recently completed Henderson manufacturing and office complex.

[3] Leasehold improvements located at 42 Truganina Road, Malaga.

ASSETS PLEDGED AS SECURITY

Land and buildings with a carrying amount of approximately $38,110,577 (2012: $38,890,840) have been pledged to secure borrowings of the Group (see note 16). The land and buildings have been pledged as security for bank facilities under a mortgage. The Group is not allowed to pledge these assets as security for other borrowings or to sell them to another entity. In addition, the Group's obligations under finance leases (see note 16) are secured by the lessors' title to the leased assets, which have a carrying amount of $10,612,567 (2012: $15,015,609).

11. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

RECONCILIATIONS

Reconciliations of the carrying amounts of each class of property, plant and equipment at the beginning and end of the current and previous financial year are set out below:

	LAND, BUILDING/ LEASEHOLD IMPROVEMENT	PLANT AND EQUIPMENT	MOTOR VEHICLES	OFFICE EQUIPMENT	COMPUTER EQUIPMENT	ASSETS UNDER CONSTRUCTION	TOTAL
	$	$	$	$	$	$	$
CONSOLIDATED							
CARRYING AMOUNT AT 1 JULY 2012	38,890,840	69,907,070	121,474	298,436	732,929	-	109,950,749
ADDITIONS	294,084	4,357,303	-	20,992	142,890	105,487	4,920,756
DISPOSALS/WRITE-OFFS	-	-	(30,604)	-	-	-	(30,604)
DEPRECIATION/AMORTISATION EXPENSES	(1,074,347)	(8,699,116)	(38,779)	(52,992)	(390,902)	-	(10,256,136)
CARRYING AMOUNT AT 30 JUNE 2013	**38,110,577**	**65,565,257**	**52,091**	**266,436**	**484,917**	**105,487**	**104,584,765**
CARRYING AMOUNT AT 1 JULY 2011	32,860,432	64,068,552	216,514	203,212	632,000	-	97,980,710
ADDITIONS	7,217,894	19,359,662	-	160,460	375,768	-	27,113,784
DISPOSALS/WRITE-OFFS	(325,261)	(4,361,288)	(52,753)	(10,658)	-	-	(4,749,960)
DEPRECIATION/AMORTISATION EXPENSES	(862,225)	(9,159,856)	(42,287)	(54,578)	(274,839)	-	(10,393,785)
CARRYING AMOUNT AT 30 JUNE 2012	**38,890,840**	**69,907,070**	**121,474**	**298,436**	**732,929**	**-**	**109,950,749**

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12. FINANCIAL ASSETS & OTHER FINANCIAL ASSETS

	2013 $	2012 $
FORWARD EXCHANGE CONTRACTS (HEDGE-ACCOUNTED)	-	388,045
FOREIGN CURRENCY OPTIONS	-	1,292,974
	-	**1,681,019**

In prior year, the Group had a net hedge asset position of $388,045 reflecting the positive mark-to-market value of foreign exchange contracts. Refer to note 22, financial instruments for further details on the instruments.

13. INTANGIBLE ASSETS

	2013 $	2012 $
DEVELOPMENT COSTS [i]	1,891,558	1,164,183
GOODWILL ON ACQUISITION OF SPECIALIST ENGINEERING SERVICES (AUST) LTD [ii]	6,415,215	6,415,215
	8,306,773	**7,579,398**

[i] Development costs incurred in the current year relates to several ongoing projects that are in the development phase that will likely result in commercially viable products.

[ii] On 31 January 2008 Matrix acquired 100 per cent of the issued share capital of Specialist Engineering Services (Aust) Ltd (MOSE). The resulting goodwill has been tested at MOSE's level for impairment. The recoverable amount of this cash generating unit is determined on a value in use calculation which uses cash flow projections based on financial budgets approved by the Directors covering a three year period, and a post-tax discount rate of 12 per cent per annum (2012: 12%).

Cash flows beyond the three year period have been extrapolated using a steady two per cent per annum growth rate which is the projected long-term average growth rate. The Directors believe that any reasonably possible change in the key assumptions on which recoverable amount is based would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit.

14. TRADE AND OTHER PAYABLES

	2013 $	2012 $
TRADE PAYABLES	17,109,576	13,882,194
GST PAYABLE	828,899	998,287
OTHER CREDITORS AND ACCRUALS	5,466,482	7,221,422
	23,404,957	**22,101,903**

Trade and other payables are generally paid within 30 to 45 days. No security is provided for these liabilities and no interest has been charged.

15. PROGRESS CLAIMS AND DEPOSITS

	2013 $	2012 $
PROGRESS CLAIMS AND DEPOSITS	**17,560,890**	**19,718,196**

Progress claims and deposits represents cash deposits received for products that have not been produced, or not reached relevant invoicing milestone under a contract with the customer.

16. FINANCIAL LIABILITIES

	2013 $	2012 $
CURRENT		
BANK LOAN – SECURED	-	1,407,124
BANK BILL – SECURED	1,720,000	9,529,878
INTEREST RATE SWAP OPTION [i]	613,608	806,415
FINANCE LEASE LIABILITY	3,755,183	15,015,609
FORWARD EXCHANGE CONTRACTS LIABILITY (HEDGE ACCOUNTED) [ii]	5,591,303	-
	11,680,094	**26,759,026**
NON CURRENT		
BANK LOAN – SECURED	6,089,878	-
FINANCE LEASE LIABILITY	6,857,384	-
DERIVATIVES – CALL/PUT OPTIONS (HEDGE ACCOUNTED) [ii]	189,878	-
	13,137,140	**-**

[i] These are held at fair value through profit or loss.

[ii] Group had a net hedge liability position of $5,781,181 (2012: net hedge asset of $388,045) reflecting the negative mark-to-market value of foreign exchange contracts and call/put options. Refer to note 22, financial instruments for further details on the instruments.

	2013 $	2012 $
TOTAL CURRENT AND NON CURRENT INTEREST BEARING LOAN LIABILITIES		
BANK LOAN	-	1,407,124
BANK BILLS	7,809,878	9,529,878
FINANCE LEASE LIABILITIES	10,612,567	15,015,609
	18,422,445	**25,952,611**

FINANCE LEASE LIABILITIES	**MINIMUM LEASE PAYMENTS**		**PRESENT VALUE OF MINIMUM LEASE PAYMENTS**	
	2013 $	**2012 $**	**2013 $**	**2012 $**
NOT LATER THAN ONE YEAR	4,368,653	17,063,174	3,755,183	4,403,042
LATER THAN ONE YEAR AND NOT LATER THAN FIVE YEARS	7,326,474	-	6,857,384	10,612,567
	11,695,127	**17,063,174**	**10,612,567**	**15,015,609**
LESS FUTURE FINANCE CHARGES	(1,082,560)	(2,047,565)	-	-
PRESENT VALUE OF MINIMUM LEASE PAYMENTS	**10,612,567**	**15,015,609**	**10,612,567**	**15,015,609**

16. FINANCIAL LIABILITIES (CONTINUED)

Included in the consolidated financial statements as:

	2013 $	2012 $
CURRENT BORROWINGS	3,755,183	15,015,609
NON-CURRENT BORROWINGS	6,857,384	-
	10,612,567	**15,015,609**

Terms and conditions of outstanding loans were as follows:

	CURRENCY	NOMINAL INTEREST RATE %	APPROVED FACILITIES $	AMOUNT DRAWN $	AVAILABLE FACILITIES $
LOAN FACILITIES					
BILL ACCEPTANCE FACILITY	AUD	2.5	810,000	810,000	-
REVOLVING LEASE LIMIT	AUD	6.05 - 8.95	1,201,509	1,201,509	-
BILL CONSTRUCTION LOAN	AUD	4.15	7,000,000	6,999,878	122
EQUIPMENT LOAN FACILITY	AUD	6.39	9,411,058	9,411,058	-
			18,422,567	**18,422,445**	**122**
CREDIT CARD & BANK GUARANTEE FACILITIES					
BUSINESS CARD FACILITY	AUD	13.70	60,000	18,937	41,063
BANK GUARANTEE FACILITY	AUD	2.50	1,060,644	981,000	79,644
MULTI-OPTION BANK GUARANTEE [i]	USD	2.25	26,122,097	24,828,924	1,293,173
FOREIGN CURRENCY OVERDRAFT FACILITY [i] & [ii]	USD		10,781,671	-	10,781,671
			38,024,412	**25,828,861**	**12,195,551**

[i] Foreign denominated facilities are converted at Australian dollar equivalent based on balance date rate.

[ii] Upon draw down of facility, interest payable will be based on base interest rate + 2.5% margin.

The Group has total credit facilities available from its bankers of $56,446,979 (2012: $25,493,075). This excludes financial derivatives.

The credit facilities are secured on the following:

- A registered first mortgage over the freehold properties of the consolidated entity;
- Mortgage of sub-lease over Henderson property;
- Fixed and floating charge over the whole of the assets of the consolidated entity;
- Guarantee and Indemnity; and
- Lease documentation.

The Group is subject to certain financial and non-financial debt covenants as prescribed by its bankers, National Australia Bank (NAB). The covenants have been complied with at 30 June 2013.

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17. INCOME TAX ASSET

	2013 $	2012 $
CURRENT TAX ASSET		
INCOME TAX ASSET	**4,571**	**1,098,708**

18. PROVISIONS

	2013 $	2012 $
CURRENT		
EMPLOYEE ENTITLEMENTS	1,399,137	1,574,618
OTHERS	-	120,105
	1,399,137	**1,694,723**
NON-CURRENT		
EMPLOYEE ENTITLEMENTS	**444,853**	**369,622**

19. ISSUED CAPITAL

	2013 $	2012 $
ISSUED AND PAID UP CAPITAL 94,555,428 (2012: 94,555,428) FULLY PAID ORDINARY SHARES	115,398,522	115,398,522
LESS: CAPITAL ISSUE COSTS NET OF TAX	(3,613,659)	(3,585,800)
	111,784,863	**111,812,722**

Changes to the then Corporations Law abolished the authorised capital and par value concept in relation to share capital from 1 July 1998. Therefore, the Company does not have a limited amount of authorised capital and issued shares do not have a par value.

MOVEMENTS IN ORDINARY SHARE CAPITAL

DATE	DETAILS	NUMBER OF SHARES	$
BALANCE 30 JUNE 2011		77,081,507	76,388,203
29 MAY 2012 [i]	SHARES ISSUED	15,605,348	32,771,230
15 JUNE 2012[ii]	SHARES ISSUED	1,868,573	3,924,003
LESS: CAPITAL ISSUE COSTS NET OF TAX		-	(1,270,714)
BALANCE 30 JUNE 2012		**94,555,428**	**111,812,722**
LESS: CAPITAL ISSUE COSTS NET OF TAX		-	(27,859)
BALANCE 30 JUNE 2013		**94,555,428**	**111,784,863**

[i] On 29 May 2012, the Company issued 15,605,348 shares at an issue price of $2.10 each to institutional investors.

[ii] On 15 June 2012, the Company finalised a Retail Entitlement Offer whereby 1,868,573 shares were issued at a price of $2.10 to retail shareholders.

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. Ordinary shares carry one vote per share.

19. ISSUED CAPITAL (CONTINUED)

CAPITAL MANAGEMENT

The Directors main objective is to ensure that the Group continues as a going concern and generates a return for shareholders better than the industry average benchmark. Management also seeks to maintain a capital structure that ensures the lowest cost of capital available to the Group.

The Directors are constantly reviewing the capital structure to ensure they can minimise the cost of capital. As the market is constantly changing, the Directors may change the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group targets a gearing ratio in the range of 10 to 20 per cent determined as a proportion of adjusted net debt to equity. Adjusted net debt is determined by treating any cash held in support of bonding facilities as cash and by treating the value of any progress claims and deposits received in advance of work commencing as debt. The gearing ratio at 30 June 2013 of (8.1 per cent) (see below) is below the lower end of the target range.

	2013 $	2012 $
DEBT[1]	18,422,445	25,952,611
PROGRESS CLAIMS AND DEPOSITS	17,560,890	19,718,196
CASH AND CASH EQUIVALENTS	(15,960,631)	(29,921,332)
OTHER NON-CURRENT RECEIVABLES[2]	(9,315,364)	-
ADJUSTED NET DEBT	**10,707,340**	**15,749,475**
EQUITY[3]	132,299,911	136,745,034
NET DEBT TO EQUITY RATIO AT 30 JUNE	**8.1%**	**11.5%**

[1] Debt is defined as long-term and short-term borrowings (excluding derivatives and financial guarantee contracts). Refer to note 16.

[2] Other receivables include cash backing deposits associated with issue of performance bonds to a major customer. Refer to note 8.

[3] Equity includes all capital and reserves of the Group that are managed as capital.

20. RESERVES - NET OF INCOME TAX

	OPTION PREMIUM RESERVE $	PROPERTIES REVALUATION RESERVE $	CASH FLOW HEDGE RESERVE $	FOREIGN CURRENCY TRANSLATION RESERVE $	TOTAL $
BALANCE AT 1 JULY 2011	**273,000**	**842,762**	**1,032,631**	**(233,145)**	**1,915,248**
FOREIGN CURRENCY TRANSLATION DIFFERENCE	-	-	-	279,270	279,270
CHANGES IN FAIR VALUE OF CASH FLOW HEDGES NET OF TAX	-	-	(983,285)	-	(983,285)
REVALUATION OF FREEHOLD PROPERTY NET OF TAX	-	(55,098)	-	-	(55,098)
BALANCE AT 30 JUNE 2012	**273,000**	**787,664**	**49,346**	**46,125**	**1,156,135**
FOREIGN CURRENCY TRANSLATION DIFFERENCE	-	-	-	26,220	26,220
CHANGES IN FAIR VALUE OF CASH FLOW HEDGES NET OF TAX	-	-	(1,496,346)	-	(1,496,346)
REVALUATION OF FREEHOLD PROPERTY NET OF TAX	-	-	-	-	-
BALANCE AT 30 JUNE 2013	**273,000**	**787,664**	**(1,447,000)**	**72,345**	**(313,991)**

20. RESERVES - NET OF INCOME TAX (CONTINUED)

OPTION PREMIUM RESERVE

The option premium reserve comprises option premium received on issue of shares.

	2013 $	2012 $
OPTION PREMIUM RESERVE		
BALANCE AT BEGINNING OF YEAR	273,000	273,000
ARISING ON SHARE-BASED PAYMENTS	-	-
BALANCE AT END OF YEAR	**273,000**	**273,000**

The above option premium reserve relates to share options granted by the Company to some of its Directors under a share option plan. Further information about share-based payments is set out in note 25.

PROPERTIES REVALUATION RESERVE

The revaluation reserve relates to the revaluation of property, plant and equipment.

	2013 $	2012 $
PROPERTIES REVALUATION RESERVE		
BALANCE AT BEGINNING OF YEAR	787,664	842,762
DECREASE ARISING ON REVALUATION OF PROPERTIES	-	(78,711)
DEFERRED TAX ASSET ARISING FROM REVALUATION	-	23,613
BALANCE AT END OF YEAR	**787,664**	**787,664**

The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land or buildings are sold, the portion of the properties revaluation reserve that relates to that asset will be transferred directly to retained earnings.

CASH FLOW HEDGE RESERVE

The hedge reserve comprises the effective portion of the cumulative net change in the fair value of cash flow hedges related to hedged transactions that have not yet occurred.

	2013 $	2012 $
CASH FLOW HEDGE RESERVE		
BALANCE AT BEGINNING OF YEAR	49,346	1,032,631
LOSSES ARISING ON CHANGES IN FAIR VALUE OF HEDGING INSTRUMENTS – FORWARD FOREIGN EXCHANGE CONTRACTS	(2,137,637)	(1,404,693)
INCOME TAX RELATED TO LOSSES RECOGNISED IN OTHER COMPREHENSIVE INCOME	641,291	421,408
BALANCE AT END OF THE YEAR	**(1,447,000)**	**49,346**

The cash flow hedge reserve represents the cumulative effective portion of gains or losses arising on changes in fair value of hedging instruments entered into for cash flow hedges. The cumulative gain or loss arising in changes in fair value of the hedging instruments that are recognised and accumulated under the cash flow hedge reserve will be reclassified to profit or loss only when the hedged transaction affects the profit or loss, or is included as a basis adjustment to the non-financial hedged item, consistent with the relevant accounting policy.

20. RESERVES - NET OF INCOME TAX (CONTINUED)

FOREIGN CURRENCY TRANSLATION RESERVE

The translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations.

	2013 $	2012 $
FOREIGN CURRENCY TRANSLATION RESERVE		
BALANCE AT BEGINNING OF YEAR	46,125	(233,145)
EXCHANGE DIFFERENCES ARISING ON TRANSLATING THE FOREIGN OPERATIONS	26,220	279,270
BALANCE AT END OF YEAR	**72,345**	**46,125**

21. NOTES TO THE STATEMENT OF CASH FLOWS

(A) RECONCILIATION OF CASH AND CASH EQUIVALENTS

Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

CASH AND CASH EQUIVALENTS	2013 $	2012 $
CASH AT BANK	**15,960,631**	**29,921,332**

(B) RECONCILIATION OF CASH FLOW FROM OPERATIONS WITH (LOSS)/PROFIT AFTER INCOME TAX

	2013 $	2012 $
LOSS AFTER INCOME TAX	(2,947,138)	(14,445,748)
ADJUSTMENT FOR NON-CASH ITEMS		
NET MOVEMENT IN DERIVATIVE INSTRUMENTS	4,394,838	6,984,578
DEPRECIATION	10,256,136	10,393,785
WRITE-OFF OF PROPERTY, PLANT & EQUIPMENT	-	4,749,960
LOSS ON DISPOSAL OF PROPERTY, PLANT & EQUIPMENT	553	-
CHANGES IN ASSETS & LIABILITIES		
(INCREASE)/DECREASE IN TRADE AND OTHER RECEIVABLES	(22,585,942)	20,364,274
(INCREASE)/DECREASE IN OTHER ASSETS	(321,707)	48,443
DECREASE/(INCREASE) IN INVENTORIES	10,963,886	(4,521,105)
(DECREASE)/INCREASE IN TRADE & OTHER PAYABLES, PROGRESS CLAIMS & DEPOSITS	(854,252)	5,698,558
DECREASE IN EMPLOYEE PROVISIONS	(220,355)	(25,788)
DECREASE/(INCREASE) PROVISION FOR TAX ASSETS	1,094,137	(9,805,725)
INCREASE IN DEFERRED TAX ASSET	(2,559,772)	(9,236,252)
INCREASE IN DEFERRED TAX LIABILITY	590,591	702,744
NET CASH FLOWS (USED IN)/FROM OPERATING ACTIVITIES	**(2,189,025)**	**10,907,724**

22. FINANCIAL INSTRUMENTS

FINANCIAL RISK MANAGEMENT POLICIES

The Group's financial instruments consist mainly of deposits with banks, trade and other receivables, trade and other payables, finance leases, bank borrowings, other borrowings and derivatives. The main purpose of non-derivative financial instruments is to raise finance for Group operations. Derivatives are used by the Group for hedging purposes. The Group does not speculate in the trading of derivative instruments. Senior executives meet regularly to analyse and monitor the financial risk associated with the financial instruments used by the Group.

FINANCIAL RISK EXPOSURES AND MANAGEMENT

The main risks the Group is exposed to through its financial instruments are interest rate risk, foreign currency risk, liquidity risk and credit risk.

INTEREST RATE RISK

The Group is exposed to interest rate risk because entities in the Group borrow funds at both fixed and floating interest rates. The risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate borrowing and the use of interest rate swap contracts where appropriate. Hedging activities are evaluated on a regular basis to align with interest rate views and defined risk appetite, ensuring the most cost-effective measures are put in place.

INTEREST RATE SENSITIVITY ANALYSIS

The following sensitivity analysis has been determined based on the exposure to interest rates for non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period.

At 30 June 2013, the after tax effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant at balance date would be as follows:

	2013 $	2012 $
CHANGE IN PROFIT		
INCREASE IN INTEREST RATE BY 2% (200 BASIS POINT)	42,679	391,570
DECREASE IN INTEREST RATE BY 2% (200 BASIS POINT)	(42,679)	(391,570)
CHANGE IN OTHER COMPREHENSIVE INCOME		
INCREASE IN INTEREST RATE BY 2% (200 BASIS POINT)	-	-
DECREASE IN INTEREST RATE BY 2% (200 BASIS POINT)	-	-

The sensitivity to a 200 basis point increase or decrease in interest rates is considered reasonable given the markets forecast available at the reporting date and under the current economic environment in which the Group operates.

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22. FINANCIAL INSTRUMENTS (CONTINUED)

FINANCIAL ASSETS

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE		FLOATING INTEREST RATE		FIXED INTEREST RATE MATURING				NON-INTEREST BEARING	
					WITHIN 1 YEAR		OVER 1 YEAR			
	2013 %	2012 %	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
CASH AND CASH EQUIVALENTS	0.02	4	-	29,914,787	1,242,049	-	-	-	14,718,582	6,545
TRADE AND OTHER RECEIVABLES	-	-	-	-	-	-	9,315,364	-	26,198,610	12,884,505
OTHER FINANCIAL ASSETS	-	-	-	-	-	-	-	-	-	1,681,019
TOTAL FINANCIAL ASSETS				**29,914,787**	**1,242,049**	**-**	**9,315,364**	**-**	**40,917,192**	**14,572,069**

FINANCIAL LIABILITIES

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE		FLOATING INTEREST RATE		FIXED INTEREST RATE MATURING				NON-INTEREST BEARING	
					WITHIN 1 YEAR		OVER 1 YEAR			
	2013 %	2012 %	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $	2013 $	2012 $
TRADE AND OTHER PAYABLES	-	-	-	-	-	-	-	-	22,576,058	21,103,616
BANK LOAN	-	7.5	-	-	-	-	-	1,407,124	-	-
FINANCE LEASES	6.5	7.5	-	-	3,755,183	15,015,609	6,857,384	-	-	-
INTEREST RATE SWAPS	2.8	2.0	613,608	806,415	-	-	-	-	-	-
BANK BILLS	4.0	5.0	7,809,878	9,529,878	-	-	-	-	-	-
OTHER FINANCIAL LIABILITIES	-	-	-	-	-	-	-	-	5,781,181	-
TOTAL FINANCIAL LIABILITIES			**8,423,486**	**10,336,293**	**3,755,183**	**15,015,609**	**6,857,384**	**1,407,124**	**28,357,239**	**21,103,616**

22. FINANCIAL INSTRUMENTS (CONTINUED)

CREDIT RISK

Credit risk relates to the risk that a counter party will default on its contractual obligations resulting in financial loss to the Group.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements. There is no material amount of collateral held as security at 30 June 2013.

Credit risk is managed on a Group basis and reviewed regularly by senior executives. It arises from exposures to customers and deposits with financial institutions. The following criteria are applied by senior executives in the assessment of counter party risk:

- Deposits and borrowings are with Australian based banks
- All potential customers are rated for credit worthiness.

EXPOSURE TO CREDIT RISK

The consolidated entity's maximum exposure to credit risk at the reporting date was:

	2013 $	2012 $
TRADE RECEIVABLES	**17,220,357**	**12,097,255**

At balance date, the aging analysis of trade receivables is as follows:

DAYS		
0-30	16,646,835	8,988,298
31-60	264,254	2,398,660
61-90	299,748	326,091
90+	9,520	384,206
	17,220,357	**12,097,255**

Trade receivables of $309,268 (2012: $710,297) were past due at 30 June, of which $193,432 has been collected up to the date of this report. There were no impairment provisions in respect of trade receivables that were past due as at 30 June 2013.

FOREIGN CURRENCY RISK

The Group undertakes transactions denominated in foreign currencies; consequently exposure to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts and currency option contracts.

The carrying amount of the Group's foreign currency denominated assets and monetary liabilities at the end of the period are as follows:

	LIABILITIES		ASSETS	
	2013	2012	2013	2012
US DOLLARS	22,720,626	19,545,499	28,874,875	16,258,074

22. FINANCIAL INSTRUMENTS (CONTINUED)

FOREIGN CURRENCY SENSITIVITY ANALYSIS

The Group is mainly exposed to fluctuations in the US dollar.

The following table details the Group's sensitivity to a 10 per cent increase and decrease in the Australian dollar against the relevant foreign currencies. 10 per cent is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10 per cent change in foreign currency rates. A positive number below indicates an increase in profit or equity where the Australian dollar strengthens 10 per cent against the relevant currency. For a 10 per cent weakening of the Australian dollar against the relevant currency, there would be a comparable impact on the profit or equity, and the balances would be negative.

		PROFIT AFTER TAX INCREASE/(DECREASE)		OTHER COMPREHENSIVE INCOME INCREASE/(DECREASE)	
		2013	2012	2013	2012
		$'000	$'000	$'000	$'000
US DOLLAR	+10%	603	(2,908)	4,597	2,382
US DOLLAR	-10%	(664)	2,975	(5,057)	(2,620)

The movement in other comprehensive income is due to an increase/decrease in the fair value of forward foreign exchange contracts designated as cash flow hedges.

FORWARD FOREIGN EXCHANGE CONTRACTS

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts within 50 to 100 per cent of the net exposure generated. The Group also enters into forward foreign exchange contracts to manage the risk associated with contracted sales transactions for the period of contracts within 50 to 100 per cent of the net exposure generated. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated sale or purchase transaction takes place.

The following table details the forward foreign currency (FC) contract outstanding at the end of the reporting period:

	AVERAGE EXCHANGE RATE		FOREIGN CURRENCY		NOTIONAL VALUE		FAIR VALUE	
	2013	2012	2013	2012	2013	2012	2013	2012
	$	$	US$000	US$000	US$000	US$000	US$000	US$000
CASH FLOW HEDGES								
SELL US DOLLAR								
LESS THAN 3 MONTHS	1.0250	1.0133	12,100	12,900	11,804	12,730	(1,456)	45
3 TO 6 MONTHS	1.0192	0.9853	5,800	5,750	5,691	5,836	(699)	146
6 MONTHS TO 1 YEAR	1.0078	0.9798	29,000	8,050	28,775	8,216	(3,436)	197
							(5,591)	**388**

The Group has entered into forward foreign exchange contracts (for terms not exceeding 1 year) to hedge the exchange rate risk arising from these anticipated future transactions, which are designated as cash flow hedges.

At 30 June 2013, the aggregate amount of gains under forward foreign exchange contracts recognised in other comprehensive income and accumulated in the cash flow hedging reserve relating to the exposure on these anticipated future transactions is loss of $1,447,000 (2012: $49,346). It is anticipated that the sales will take place during the next financial year, at which time the amount deferred in equity will be reclassified to profit or loss.

The Group is exposed to fluctuations in foreign currencies arising from the sale of goods denoted in U.S. dollars. Currently the Group uses derivatives to hedge against movements in foreign currency.

22. FINANCIAL INSTRUMENTS (CONTINUED)

FOREIGN CURRENCY OPTIONS

The consolidated Group previously entered into a European type foreign exchange option to sell USD$25,000,000 at an exchange rate of US$1.01=AU$1.00. The expiration date of the option was 26 June 2014. A premium of US$1,434,000 was payable for the option on 30 June 2014 and at 28 June 2013 the option was closed out and the deferred premium was included in a series of forward foreign exchange contracts.

The objective in previously entering the foreign currency option contracts was to protect a portion of the consolidated Group's future revenue against unfavourable exchange rate movements, which is now achieved through foreign exchange contracts.

LIQUIDITY RISK

Liquidity risk is the risk that the consolidated entity will not be able to meet its financial obligations as they fall due. The consolidated entity's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the consolidated entity's reputation.

The Group manages liquidity risk by monitoring forecast cash flows, maintaining cash reserves and managing trade payables.

The following table details the Group's expected maturity for its financial assets. The table has been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets. The inclusion of information on financial assets is necessary in order to understand the Group's liquidity risk management as the liquidity is managed on a net asset and liability basis.

	WEIGHTED AVERAGE EFFECTIVE INTEREST RATE	LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS TO 1 YEAR	1-5 YEARS	5+ YEARS	TOTAL
	%	$	$	$	$	$	$
30 JUNE 2013							
CASH AND OTHER EQUIVALENTS	0.02	14,718,582	-	1,242,049	-	-	15,960,631
TRADE AND OTHER RECEIVABLES	-	17,594,836	-	8,603,774	9,315,364	-	35,513,974
TRADE AND OTHER PAYABLES	-	(19,957,705)	(486,693)	(2,131,660)	-	-	(22,576,058)
BORROWING AND FINANCE LEASES	5.5	(404,187)	(1,212,560)	(2,892,157)	(13,340,141)	(211,274)	(18,060,319)
INTEREST RATE SWAP OPTION	2.8	-	-	(613,608)	-	-	(613,608)
FOREIGN EXCHANGE CONTRACTS	-	(821,366)	(996,356)	(3,773,581)	-	-	(5,591,303)
CALL/PUT OPTIONS	-	-	-	-	(189,878)	-	(189,878)
		11,130,160	**(2,695,609)**	**434,817**	**(4,214,655)**	**(211,274)**	**4,443,439**
30 JUNE 2012							
CASH AND OTHER EQUIVALENTS	4.35	29,921,332	-	-	-	-	29,921,332
TRADE AND OTHER RECEIVABLES	-	8,514,687	4,369,818	-	-	-	12,884,505
FOREIGN CURRENCY OPTIONS	-	-	-	1,292,974	-	-	1,292,974
FOREIGN EXCHANGE CONTRACTS	-	15,298	29,184	343,563	-	-	388,045
TRADE AND OTHER PAYABLES	-	(16,136,263)	(4,967,353)	-	-	-	(21,103,616)
BORROWING AND FINANCE LEASES	7.50	(445,119)	(1,335,358)	(27,001,726)	-	-	(28,782,203)
INTEREST RATE SWAP OPTION	2.0	-	-	(806,415)	-	-	(806,415)
		21,869,935	**(1,903,709)**	**(26,171,604)**	**-**	**-**	**(6,205,378)**

22. FINANCIAL INSTRUMENTS (CONTINUED)

The amounts included on the previous page for variable interest rate instruments for both financial assets and liabilities is subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

FAIR VALUE OF FINANCIAL INSTRUMENTS

The Directors consider that the carrying amount of financial assets and liabilities recorded in the financial statements approximates their fair value.

FAIR VALUE HIERARCHY

Fair value measurements recognised in the consolidated statement of financial position.

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, Grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
30 JUNE 2013	**$**	**$**	**$**	**$**
DERIVATIVE FINANCIAL ASSETS	-	-	-	-
DERIVATIVE FINANCIAL LIABILITIES	-	(6,394,789)	-	(6,394,789)
TOTAL	**-**	**(6,394,789)**	**-**	**(6,394,789)**
30 JUNE 2012				
DERIVATIVE FINANCIAL ASSETS	-	1,681,019	-	1,681,019
DERIVATIVE FINANCIAL LIABILITIES	-	(806,415)	-	(806,415)
TOTAL	**-**	**874,604**	**-**	**874,604**

There were no transfers between Level 1 and 2 in the period.

23. OPERATING LEASE COMMITMENTS

	2013 $	2012 $
NOT LATER THAN 1 YEAR	1,326,224	1,492,654
LATER THAN 1 YEAR BUT NOT LATER THAN 5 YEARS	4,819,710	5,896,313
LATER THAN 5 YEARS	30,333,955	28,040,984

The lease commitment is for rental of land and buildings.

24. FRANKING ACCOUNT

	2013 $	2012 $
FRANKING ACCOUNT BALANCE AT 1 JULY	**13,818,161**	**18,578,149**
TAX PAID IN RELATION TO PRIOR YEARS	2,869,057	-
TAX PAID IN RELATION TO CURRENT YEAR	-	3,998,713
TAX REFUNDED ON PRIOR YEAR TAX	-	(1,480,469)
FRANKING DEBITS THAT WILL ARISE FROM THE PAYMENT OF DIVIDENDS	-	(660,699)
OVERSTATEMENT OF PRIOR YEAR	-	(6,617,533)
FRANKING ACCOUNT BALANCE AT 30 JUNE	**16,687,218**	**13,818,161**
FRANKING CREDITS THAT WILL ARISE FROM THE PAYMENT OF INCOME TAX PAYABLE AS AT THE REPORTING DATE	-	-
FRANKING DEBITS THAT WILL ARISE FROM THE PAYMENT OF DIVIDENDS	-	-
NET FRANKING CREDITS AVAILABLE	**16,687,218**	**13,818,161**

25. SHARE-BASED PAYMENTS

There have been no share options brought forward, issued or exercised during the year (2012:Nil).

26. RELATED PARTY DISCLOSURES

(a) Key management personnel compensation

	2013 $	2012 $
SHORT TERM EMPLOYMENT BENEFITS	1,705,140	1,650,067
POST-EMPLOYMENT BENEFITS	116,267	148,593
	1,821,407	**1,798,660**

(b) Individual Director's and executives compensation disclosure

Information regarding individual Directors and executives' compensation and some equity instruments disclosures as required by Corporation Regulation 2M.3 is provided in the remuneration report section of the Directors report. Apart from the details disclosed in this note, no Director has entered into a material contract with the Group since the end of the previous financial year and there were no material contracts involving Directors interest existing at year end.

(c) Parent Entity

The ultimate parent entity within the Group is Matrix Composites & Engineering Ltd.

(d) Related Party Transactions

Transactions between related parties are on normal commercial terms.

	2013 $	2012 $
THE PREMISES AT 42 TRUGANINA ROAD IS LEASED FROM KANU PTY LTD, A COMPANY OF WHICH MAXWELL BEGLEY IS A SUBSTANTIAL SHAREHOLDER. MAXWELL BEGLEY CEASED TO BE A RELATED PARTY ON 2 MAY 2012.	-	379,426

26. RELATED PARTY DISCLOSURES (CONTINUED)

(e) Shareholdings of Directors and Key Management Personnel

The movement during the reporting period in the number of shares in Matrix Composites & Engineering Limited held, directly, indirectly or beneficially, by each key management person, including related parties, is as follows:

2013	BALANCE AT 1 JULY 2012	GRANTED AS REMUNERATION	ON EXERCISE OF OPTIONS	PURCHASES/ (SOLD)	BALANCE AT 30 JUNE 2013
DIRECTORS					
PJ HOOD[1]	130,000	-	-	50,000	180,000
AP BEGLEY	3,517,763	-	-	28,114	3,545,877
CN DUNCAN	590,429	-	-	-	590,429
NL JOHNSON	116,176	-	-	-	116,176
PR WRIGHT	1,343,641	-	-	-	1,343,641
EXECUTIVES					
P TAZEWELL[3]	-	-	-	-	-
A VINCAN	24,000	-	-	(24,000)	-
P RIORDAN	20,812	-	-	(20,812)	-

2012	BALANCE AT 1 JULY 2011	GRANTED AS REMUNERATION	ON EXERCISE OF OPTIONS	PURCHASES/ (SOLD)	BALANCE AT 30 JUNE 2012
DIRECTORS					
PJ HOOD[1]	-	-	-	130,000	130,000
AP BEGLEY	3,422,763	-	-	95,000	3,517,763
CN DUNCAN	553,528	-	-	36,901	590,429
NL JOHNSON	101,176	-	-	15,000	116,176
PR WRIGHT	2,219,942	-	-	(876,301)	1,343,641
MG BEGLEY[2]	26,253,014	-	-	N/A*	N/A*
EXECUTIVES					
P TAZEWELL[3]	-	-	-	-	-
A VINCAN	24,000	-	-	-	24,000
P RIORDAN	20,812	-	-	-	20,812
M KENYON[4]	8,588	-	-	N/A*	N/A*

[1] Mr PJ Hood was appointed to the Company on 15 September 2011.
[2] Mr MG Begley resigned as a Director on 2 May 2012.
[3] Mr P Tazewell was appointed to the position of CFO/Company Secretary on 19 December 2011.
[4] Mr MP Kenyon resigned from the Company on 22 September 2011.
*These individuals ceased to be key management personnel of the Company by 30 June 2012 and the presentation in this table may not indicate the status of their shareholding.

26. RELATED PARTY DISCLOSURES (CONTINUED)

(f) Option holdings of Key Management Personnel

There have been no movements during the reporting period (2012: nil movement) in the number of options over ordinary shares in Matrix Composites & Engineering Ltd held, directly, indirectly or beneficially, by each key management person, including related parties.

(g) Key Management Personnel

- There were no loans to key management personnel during the year or outstanding at the end of the year (2012: nil).
- No options have been issued to key management personnel during the year (2012: nil).

(h) Other transactions and balances with key management personnel

There were no other transactions with key management personnel at the end of the year (2012: nil).

27. SUBSIDIARIES

The consolidated financial statements include the following subsidiaries:

NAME	INCORPORATION	SHARES	EQUITY HOLDING %	
			2013	2012
SPECIALIST ENGINEERING SERVICES (AUST) LTD	AUSTRALIA	ORDINARY	100	100
DRILLING SOLUTIONS PTY LTD[1]	AUSTRALIA	ORDINARY	99	99
TORQUE ENGINEERING AUSTRALIA PTY LTD	AUSTRALIA	ORDINARY	100	100
MC&E (ASIA) PTE LTD	SINGAPORE	ORDINARY	100	100
MATRIX HENDERSON PROPERTY PTY LTD	AUSTRALIA	ORDINARY	100	100
MC&E (EUROPE) LIMITED	UK	ORDINARY	100	100
MATRIX COMPOSITES & ENGINEERING (US) INC.	USA	ORDINARY	100	100
MATRIX COMPOSITES BRASIL COMERSIO MANUTENCAO DE EQUIPAMENTOS PETROLIFEROS LTDA	BRAZIL	ORDINARY	100	100

[1] This entity is owned by Specialist Engineering Services (Aust) Ltd

28. PARENT ENTITY INFORMATION

The accounting policies of the parent entity, which have been applied in determining the financial information shown below, are the same as those applied in the consolidated financial statements. Refer to note 1 for a summary of the significant accounting policies relating to the Group.

FINANCIAL POSITION		
ASSETS	**2013 $**	**2012 $**
CURRENT ASSETS	61,357,230	68,438,562
NON-CURRENT ASSETS	128,650,367	123,554,995
TOTAL ASSETS	**190,007,597**	**191,993,557**
LIABILITIES		
CURRENT LIABILITIES	45,740,495	41,389,213
NON-CURRENT LIABILITIES	9,813,151	13,204,833
TOTAL LIABILITIES	**55,553,646**	**54,594,046**
NET ASSETS	**134,453,951**	**137,399,511**
EQUITY		
ISSUED CAPITAL	111,784,863	111,812,722
RETAINED EARNINGS	23,843,088	25,264,443
OPTION PREMIUM RESERVE	273,000	273,000
CASH FLOW HEDGE RESERVE	(1,447,000)	49,346
TOTAL EQUITY	**134,453,951**	**137,399,511**
FINANCIAL PERFORMANCE		
LOSS FOR THE YEAR	(1,421,355)	(12,927,805)
OTHER COMPREHENSIVE LOSS	(1,496,346)	(983,285)
TOTAL COMPREHENSIVE LOSS	**(2,917,701)**	**(13,911,090)**
COMMITMENTS FOR THE ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT BY THE PARENT ENTITY		
NO LONGER THAN 1 YEAR	368,224	-
LONGER THAN 1 YEAR AND NOT LONGER THAN 5 YEARS	-	-
LONGER THAN 5 YEARS	-	-
	368,224	**-**

FY 2013 FINANCIAL REPORT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

29. EARNINGS PER SHARE

	2013 $	2012 $
LOSS ATTRIBUTABLE TO MEMBERS OF PARENT ENTITY ($)	(2,947,138)	(14,445,774)
WEIGHTED AVERAGE NUMBER OF SHARES ON ISSUE (NUMBER)	94,555,428	78,471,436
WEIGHTED AVERAGE NUMBER OF SHARES ADJUSTED FOR DILUTION (NUMBER)	94,555,428	78,471,436
BASIC EARNINGS PER SHARE (CENTS)	**(3.1)**	**(18.4)**
DILUTED EARNINGS PER SHARE (CENTS)	(3.1)	(18.4)

30. DIVIDENDS PAID AND PROPOSED

	2013 $	2012 $
DIVIDENDS PAID AND PROPOSED		
(A) DIVIDENDS PAID DURING THE YEAR	-	-
FULLY FRANKED FINAL DIVIDEND DIVIDENDS PAID (2013:NIL; 2012: 5 CENTS, PAID 31 OCTOBER 2011)	-	3,854,075
FULLY FRANKED INTERIM DIVIDEND DIVIDENDS PAID (2013: NIL; 2012: 2 CENTS, PAID 30 APRIL 2012)	-	1,541,630
	-	**5,395,705**
(B) DIVIDENDS DECLARED (NOT RECORDED AS A LIABILITY)		
FULLY FRANKED FINAL DIVIDEND DIVIDENDS DECLARED (2013: NIL DECLARED; 2012: NIL DECLARED)	-	-
DIVIDENDS PER SHARE PAID DURING THE FINANCIAL YEAR	**-**	**7.0 CENTS**

31. CAPITAL AND OTHER COMMITMENTS
The Group has entered into capital commitments of $368,224 for plant & equipment at 30 June 2013 (2012: nil).

32. COMPANY DETAILS
The registered office and principal place of business of the Company is 150 Quill Way, Henderson, Western Australia.

33. CONTINGENT LIABILITIES AND ASSETS
There were no contingent liabilities or assets at 30 June 2013.

34. EVENTS AFTER THE REPORTING DATE
There are no other events of a material nature that have occurred subsequent to the reporting date other than the matters disclosed in Directors report.

FY 2013 FINANCIAL REPORT
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;

(b) In the Directors opinion, the attached financial statements are in compliance with International Financial Reporting Standards, as stated in note 1 to the financial statements;

(c) 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; and

(d) The Directors have been given the declarations required by s.295A of the Corporations Act 2001.

Signed in accordance with a resolution of the Directors made pursuant to s.295(5) of the Corporations Act 2001.

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

Aaron P Begley

Managing Director & Chief Executive Officer

Dated this 14 August 2013

Deloitte.

Deloitte Touche Tohmatsu
ABN 74 490 121 060

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

Report on the Financial Report

We have audited the accompanying financial report of Matrix Composites & Engineering Ltd, which comprises the statement of financial position as at 30 June 2013, the statement of profit or loss, the statement of profit or loss and other comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 27 to 66.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with International Financial Reporting Standards.

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. Those 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 of the financial report that gives a true and fair view, 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.

Auditor's Independence Declaration

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*, 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 report.

Deloitte.

Opinion

In our opinion:

(a) the financial report of Matrix Composites & Engineering Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2013 and its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 18 to 20 of the directors' report for the year ended 30 June 2013. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion the Remuneration Report of Matrix Composites & Engineering Ltd for the year ended 30 June 2013, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Rupp
Partner
Chartered Accountants
Perth, 14 August 2013

FY 2013 FINANCIAL REPORT
ADDITIONAL STOCK EXCHANGE INFORMATION

AS AT 23 SEPTEMBER 2013

ORDINARY SHARE CAPITAL

94,555,428 fully paid ordinary shares are held by 3,571 individual shareholders. All issued ordinary shares carry one vote per share and are entitled to dividends.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

RANGE	FULLY PAID ORDINARY SHARES	NO. OF HOLDERS	% OF ISSUED CAPITAL
1 - 1,000	680,640	1,309	0.72
1,001 - 5,000	3,848,389	1,461	4.07
5,001 - 10,000	2,929,227	383	3.10
10,001 - 100,000	9,982,717	369	10.56
> 100,001	77,114,455	49	81.55
TOTAL	**94,555,428**	**3,571**	**100.00**
HOLDING LESS THAN A MARKETABLE PARCEL	297,195	896	0.31

TWENTY (20) LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

RANK	NAME	NUMBER	PERCENTAGE (%)
1	MILTO PTY LTD	16,729,702	17.69
2	NATIONAL NOMINEES LIMITED	13,194,825	13.95
3	J P MORGAN NOMINEES AUSTRALIA LIMITED	11,250,529	11.90
4	CITICORP NOMINEES PTY LTD	7,106,145	7.52
5	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	5,524,247	5.84
6	BNP PARIBAS NOMINEES PTY LTD (MASTER CUST DRP)	3,476,780	3.68
7	MR AARON PAUL BEGLEY	3,062,763	3.24
8	MR MAXWELL GRAHAM BEGLEY	1,610,308	1.70
9	MILTO PTY LTD (BEGLEY FAMILY A/C)	1,553,295	1.64
10	MS LINDA SAMPEY & MR BRUCE SAMPEY (SAMPEY SUPER FUND A/C)	1,080,259	1.14
11	MR PAUL RICHARD WRIGHT	960,000	1.02
12	MR TODD JUSTIN BEGLEY	908,563	0.96
13	BEGLEY SUPERANNUATION CO PTY LTD (BEGLEY ENGINEERING S/F A/C)	844,584	0.89
14	VECTOR NOMINEES PTY LIMITED (VECTOR SUPER FUND A/C)	842,893	0.89
15	QIC LIMITED	621,348	0.66
16	MR CRAIG NEIL DUNCAN	535,214	0.57
17	BAINPRO NOMINEES PTY LIMITED	509,266	0.54
18	MR PETER LINDSAY WRIGHT	495,859	0.52
19	SINEDIE PTY LTD	461,241	0.49
20	RBC INVESTOR SERVICES AUSTRALIA NOMINEES PTY LIMITED	459,708	0.49
	TOTAL	**71,227,529**	**75.33**

FY 2013 FINANCIAL REPORT
ADDITIONAL STOCK EXCHANGE INFORMATION

SUBSTANTIAL SHAREHOLDERS

The names of substantial shareholders who have notified the Company in accordance with section 671B of the Corporations Act 2001 are:

	FULLY PAID ORDINARY SHARES	
ORDINARY SHAREHOLDERS	NUMBER	PERCENTAGE (%)
M.G. BEGLEY & ASSOCIATES	24,753,014	26.18
ALLAN GRAY AUSTRALIA PTY LTD	18,338,208	19.39
IOOF HOLDINGS LIMITED	11,268,877	11.92
NORTHCAPE CAPITAL PTY LTD	4,870,571	5.15

COMPANY SECRETARY

Mr Peter Tazewell

REGISTERED AND PRINCIPAL ADMINISTRATION OFFICE

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Henderson WA, Australia 6166
P: +61 8 9412 1200

SHARE REGISTRY

Link Market Services Ltd
Ground Floor
178 St Georges Terrace
Perth WA, Australia 6000
P: + 61 8 9211 6670

ON-MARKET SHARE BUY-BACK

The Company has no current on-market buy back scheme.

RESTRICTED SECURITIES

As at the date of the annual report there are no securities subject to any voluntary escrow or any transfer restrictions.

FY 2013 REPORT REPORT
CORPORATE DIRECTORY

DIRECTORS

Mr P J Hood (Chairman)
Mr A P Begley (CEO)
Mr C N Duncan
Mr N L Johnson
Mr P R Wright

COMPANY SECRETARY

Mr P Tazewell

HEAD OFFICE

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SUBSIDIARY COMPANIES

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BANKER

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LAWYERS

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Ashurst
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PERTH WA 6000

AUDITOR

Deloitte Touche Tohmatsu
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PERTH WA 6000

SHARE REGISTRY

Link Market Services Ltd
Ground Floor
178 St Georges Terrace
PERTH WA 6000

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MATRIX COMPOSITES & ENGINEERING LTD
AND CONTROLLED ENTITIES

ABN: 54 009 435 250