Matrix
Composites & Engineering

ANNUAL REPORT 2015

MATRIX COMPOSITES & ENGINEERING LTD

CORPORATE DIRECTORY

DIRECTORS

Mr P J Hood (Chairman)
Mr A P Begley (CEO)
Dr D P Clegg
Mr S Cole
Mr C N Duncan

COMPANY SECRETARY

Mr P J Tazewell
Mr M R Kirkpatrick

HEAD OFFICE

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Hawfinch Road
Alnwick, Northumberland
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BANKER

ANZ

Level 10, 77 St Georges Terrace
Perth WA 6000

LAWYERS

LAVAN LEGAL

1 William Street
Perth WA 6000

ASHURST

32/2 The Esplanade
Perth WA 6000

AUDITOR

DELOITTE TOUCHE TOHMATSU

Level 14
240 St Georges Terrace
Perth WA 6000

SHARE REGISTRY

LINK MARKET SERVICES LTD

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152-158 St Georges Terrace
Perth WA 6000

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ANNUAL REPORT SUMMARY

OPERATIONAL HIGHLIGHTS

Financial	Revenue:	$144.1 million	↓ 9.1 per cent
	EBITDA:	$19.5 million	↑ 5.2 per cent
	Normalised EBITDA:	$22.7 million	↑ 20.1 per cent
	NPAT:	$3.6 million	↑ 20.4 per cent
	Cash from operations:	$6.8 million	↓ 58.7 per cent
	Capital Expenditure:	$4.7 million	↓ 35.8 per cent
	Net debt position:	$7.8 million	
	Final dividend of 1.0 cps, fully franked		
	Total annual dividends of 3.0 cps, fully franked		

Operations

Return to zero LTIFR

Fall in oil price has resulted in delay in some projects

Matrix continues to win work in a highly competitive market

Penetration of drilling riser buoyancy market as supplier of choice

Development of new markets in Asia and Middle East to offset reductions in US demand for well construction products

Outlook

Order book $93.1 million at 30 June 2015

Responding to oil price weakness through reduced scheduled production output, managing costs, and improving efficiencies

Matrix positioned to return to greater production volumes in the medium term

Forecast revenue of $110 - $130 million in FY16

STRATEGIES

Core products and services

Well Construction Products

Offshore Services

SURF and Subsea

Capital Drilling Equipment

↑

Composite materials

Syntactic foams

Engineering plastics

Thermoset technologies

Growth initiatives

Volume growth

- Pursue product diversification to provide greater stability in revenue streams
- Application of new products to new industries
- Technical innovation to drive volume

Operational improvement

- Cost down initiatives
- Ongoing plant optimisation
- Development of new supply sources

Technical leadership

- Ongoing materials R&D
- Development of superior technical solutions to customer problems

Step out strategies

- Consider M&A and growth opportunities that leverage core skills in engineering and advanced materials production

THREE YEAR FINANCIAL SUMMARY

		2015	2014	2013
Profitability				
Total Revenue	$000	144,075	158,581	145,487
EBITDA	$000	19,519	18,569	7,477
EBITDA margin	%	13.5	11.7	5.1
Net Profit after Tax	$000	3,634	3,018	(2,947)
Earnings per share	cents	3.8	3.2	(3.1)
Cash Flow				
Cash flow from Operations	$000	6,801	16,462	(-2,189)
Balance Sheet				
Net Current Assets	$000	37,943	21,133	13,654
Total Equity	$000	137,814	136,812	132,290
Net asset backing per share	$	1.46	1.45	1.40
Adjusted Net Debt	$000	7,829	6,420	10,707
Ratios				
Current ratio	times	2.14	1.41	1.25
Return on total equity	%	2.6	2.2	(2.2)
Return on total assets	%	2.0	1.5	(1.4)
Net debt/Net debt + equity	%	5.4	4.5	7.5
Market Capitalisation				
Share price at 30 June	$	0.46	1.18	0.78
Ordinary shares on issue	m	94.2	94.6	94.6
Market capitalisation	$m	43.35	111.58	73.75

CHAIRMAN'S REPORT

Dear Shareholders

On behalf of the Board I am pleased to present the 2015 Annual Report for Matrix Composites & Engineering Ltd (Matrix).

FY15 was a year of further improvement for Matrix, with earnings growing for the third consecutive year. This growth came despite the Company facing a highly competitive environment and against the backdrop of a significant fall in global oil and gas prices, reflecting Matrix's standing in the market as a supplier of choice. Matrix has established itself as a leader in subsea buoyancy systems and syntactic foam technology and its ability to provide innovative technical solutions to the needs of the oil and gas sector.

Despite our leading position, Matrix was not immune to the global headwinds that confronted the oil and gas sector over the year. As a result, Matrix reported revenue of $144.1 million in FY15, which was 9.1 per cent lower than FY14. The reduction in revenue reflected a decline in demand for machining and fabrication services for the Company's Malaga workshop, a decline in sales of well construction products due to fewer operating land rigs in North America – being the shale gas market – and a reduction in output of buoyancy products in the second half of FY15 in response to delayed rig deliveries.

Despite this lower revenue base, Matrix recorded stronger earnings before interest, tax depreciation, and amortisation (EBITDA) of $19.5 million (up 5.2 per cent) and grew net profit after tax to $3.6 million (up 20.4 per cent). Matrix delivered increased earnings through significant improvements to the business's cost base through efficiencies and rationalisation across the business, and a continued focus on our people. These initiatives helped drive stronger margins across all of Matrix's key products. Matrix also remained proactive in seeking new opportunities during the year, with the Company developing new markets for its well construction products, such as South East Asia, which helped offset volume declines in the North American market.

Pleasingly, the earnings growth came despite Matrix incurring $3.2 million in non-recurring costs in FY15, relating to redundancies as part of the efficiency drive across the business and a downward adjustment to the carrying value of inventory and plant and equipment. After removing those one-off costs, Matrix reported underlying EBITDA of $22.7 million in FY15 (up 20.1 per cent) at an EBITDA margin of 15.8 per cent (compared to 11.7 per cent). The margin improvement reflects the labour and raw material efficiencies and business rationalisation referred to above, as well as a more favourable USD:AUD exchange rate.

Importantly, Matrix continued to maintain a strong balance sheet position during the year, providing the Company with flexibility and stability in the challenging conditions whilst also ensuring the Company is well placed to pursue growth opportunities in target markets. At 30 June 2015, Matrix had low gearing of 5.7 per cent and a gross cash balance of $14.5 million. Cash flow from operations was $6.8 million in FY15, which was lower than FY14 due to a temporary increase in holdings of raw materials and the weaker market conditions resulting in a slower collection of receivables. Notwithstanding this, Matrix continued to reduce gross debt over the year and also negotiated a new $50 million multi-option, multi-currency funding package with Australia and New Zealand Banking Group Limited (ANZ). This flexible three-year facility to November 2017 has a simplified covenant structure and significant liquidity available that further supports the Company's ability to pursue growth opportunities.

With the growth in earnings and strong balance sheet position, the Board elected to resume paying dividends. Matrix declared total dividends for FY15 of 3.0 cents per share, comprised of an interim dividend of 2.0 cents per share and a final dividend of 1.0 cent per share. This was in line with the Board's Dividend Policy of maintaining an ordinary fully franked dividend payout not exceeding net profit after tax.

Matrix also commenced an on-market buyback of shares as part of its ongoing capital management strategy. The Board elected to undertake the buyback because it considered Matrix's shares were trading at a level that significantly undervalued the underlying earnings and future prospects of the business. The buyback authority expires on 5 March 2016 and by 30 June 2015 Matrix had acquired 323,486 ordinary shares at an average price of $0.62.

I would like to take a moment to reflect on changes to the Board that occurred during the year. In September 2014 we welcomed Duncan Clegg as a non-executive director. Duncan has extensive engineering and leadership experience across the lifecycle of numerous oil and gas projects throughout the world and the Board has greatly valued his input. Meanwhile, Paul Wright resigned from the Board in November 2014. Paul had been involved in the Company since 1995 and operated in many roles, including CEO and CFO, and I would like to thank him for his extensive contribution to the Company during that time.

Looking ahead, Matrix entered FY16 with a US$93.1 million backlog and anticipated work that would underwrite production for the balance of FY16. Despite depressed oil prices, Matrix's outlook remains positive over the medium and long term, while short-term reductions can be well managed by the Company. Matrix has also started the year with a strong balance sheet and liquidity profile that leaves the Company well positioned for growth, whether that be in existing sectors or step out strategies that leverage off Matrix's core skills in engineering and advanced materials production. Matrix CEO Aaron Begley provides more detail on these strategies in his subsequent report.

In closing, on behalf of the Matrix Board I would like to thank our senior management and all employees for their commitment and determination to grow the Company's earnings and ensure it is well positioned against a competitive and challenging backdrop. I would also like to thank shareholders for their support throughout the year and we look forward to identifying and delivering on opportunities that will generate shareholder value in FY16.

Peter Hood

Chairman

CHIEF EXECUTIVE OFFICER'S REPORT

2015 was another year of earnings growth for Matrix, delivered in an environment with high competition for work and lower demand from operators facing declining oil and gas prices. While the falling AUD:USD throughout the year helped enhance Matrix's earnings, margin improvement across all of Matrix's products was also driven by labour and materials efficiencies delivered across the business and rationalising the Company's low margin operations. Matrix's ability to continue winning work reflected our position as a global leader and supplier of choice to the oil and gas sector for subsea buoyancy systems and syntactic foam technology, and associated services. Pleasingly, Matrix delivered improved safety performance in the year and has a solid backlog of work to support production through FY16.

FINANCIAL RESULTS

It is pleasing to report FY15 was Matrix's third year of earnings growth. Matrix reported revenue of $144.1 million, down from $158.6 million in FY14, reflecting reduced production in light of broader market conditions. However, Matrix grew earnings before interest, tax, depreciation and amortisation (EBITDA) to $19.5 million (from $18.6 million) and net profit after tax to $3.6 million (from $3.0 million). These increases reflected higher margins from significant improvements to the operating cost base through efficiencies and rationalisation across the business as well as the benefit of the falling AUD:USD.

BUSINESS REVIEW

Matrix operated its Henderson manufacturing facility on a three-shift operating structure for FY15. The Company demonstrated its ability to flex production output up or down in response to market conditions in the year, with output moderated in the second half of the year in line with customer demand. Actual production across FY15 was 15 per cent lower than in FY14, due to the reduced client demand in 2H FY15. Matrix also continued its continuous improvement program during FY15 which resulted in ongoing efficiencies in labour costs and materials consumption. This included improvements in the supply chain function, which enabled Matrix to reduce its absolute raw material costs as well as the volume of raw material stock held.

Looking at each of our core products and services, Matrix continued to secure new contracts for drilling riser buoyancy modules (DRBM) from a range of customers including shipyards, drilling contractors and original equipment manufacturers (OEM), with in excess of US$100 million of new contracts awarded during FY15. Although the broader market for these products is declining in line with lower oil and gas prices – with a reduction in new builds and greater retirements of floaters reducing an excess supply of floaters – Matrix continues to increase its market share as a supplier of choice. For example, Matrix's product build quality and higher specifications saw the Company achieve in excess of 50 per cent share of the new build market, as well as greater volume in the replacement and extension market. Matrix also increased its service offering in the year to include engineering services, analysis and testing, and riser inspection, maintenance and repair (IMR) services.

Matrix experienced further revenue growth from its SURF product line, with a strong pipeline of work. The Company delivered a number of projects based on its "IsoBlox" modular buoyancy system. These projects included a mix of local and international projects for both permanent production and temporary installation applications. Projects of note included the provision of 80 large modular assemblies for the Inpex Ichthys project that will be incorporated into 2 x 502MT Sub Sea Mid Water Arches designed for 40 year immersion. To the Company's knowledge, these will be the largest permanent syntactic structures ever deployed. Other projects that utilised the IsoBlox modular buoyancy system included installation modules for Chevron's Wheatstone Project in Western Australia , Shell's Malakai Project in Malaysia and a series of deployment buoyancy for the Ichthys project.

The well construction market was significantly impacted by the fall in the oil price during the period, principally through a reduction in the North American operating rigs in the shale gas market. Despite the decline in market conditions, Matrix maintained its FY14 volumes during FY15 through a combination of entering new markets (e.g. Middle East and South East Asia) and introducing new products which have been deployed offshore as well as onshore.

Matrix restructured its offshore services business in the face of declining revenue and surplus capacity in the local Australian market. This included a reduced focus on legacy fabrication and machining and an increased focus on maintenance and engineering services, as part of the integrated lifecycle service offering. In FY15, Matrix established a riser service centre in Karratha, Western Australia, to support offshore vessels in Australian and regional waters. This centre is the only one operating in Australia and is part of Matrix's strategy to establish a local support base for drilling contractors requiring assistance with riser storage, maintenance and preservation.

PEOPLE

Whilst 2015 was a year of earnings growth, it was importantly a year of improved safety performance across the business. Matrix is committed to safety which is one of our core values. Matrix targets a lost time injury frequency rate (LTIFR) of zero and it is pleasing Matrix delivered on this target in the year. In addition, less severe medical treatment injuries (MTI) reduced compared to FY14 and restricted work cases in FY15 were less than a third of the prior year.

Matrix sets a high standard of safety across all of the Company's operations. This begins at the recruitment stage, where high expectations assist in improving the safety culture and workforce commitment across the Company. Matrix continues to scrutinise and identify hazards and risks, and management of those to prevent injuries, as well as improve controls and understanding of what is still a dynamic operating environment. Matrix has an annual plan to measure safety success, so that the agreed occupational health and safety objectives can be monitored and achieved. These objectives are aligned with the management of Matrix's risk profile and support the Company values.

STRATEGY

Matrix has clear strategic initiatives for growing the business in the current economic environment:

1. Volume growth, by pursuing product diversification and technical innovation, which will provide greater stability in revenue streams.
2. Operational improvement, by continuing to drive unit costs down through labour efficiencies and supply chain improvements.
3. Technical leadership of the industry, through ongoing research and development into materials development and providing superior technical solutions to customer requirements.
4. Step out strategies, including considering growth opportunities that leverage the Company's core skills and competencies.

These strategic initiatives are based on the heart of the business – Matrix is a materials engineering company with specialist skills in composite materials, syntactic foams, engineering plastics, and thermoset technologies. As such, Matrix needs to leverage off these skills in supplying capital drilling equipment, well construction products, SURF and subsea, and offshore services to the oil and gas sector. However, these skills can also be applied to industries outside the oil and gas sector and Matrix will consider step-out strategies opportunities that can drive value accretive growth.

OUTLOOK

Matrix's objective for FY16 is to build a sustainable backlog of buoyancy work to support ongoing operations at the Company's Henderson facility. At 30 June 2015, Matrix had a backlog of US$93.1 million which – together with anticipated work to be completed in FY16 – will underwrite production for the coming year at similar production rates to those at the end of FY15. Matrix is well positioned to sustain operations at these production rates given the Company's strong balance sheet and low gearing, supported by ongoing cost management and improving efficiencies across the business.

Despite the continued low oil price, Matrix's outlook remains positive over the medium to long term. While the recent reduction in capital expenditure budgets across the industry has been significant, impacting the new build drillship market, Matrix has experienced growth in the replacement market, particularly activity in the Gulf of Mexico. The Company believes this sector will continue to grow as drilling contractors shift their capital expenditure budgets towards improving existing vessels rather than committing to new build drillships.

Meanwhile, capital expenditure in subsea has contracted but is forecast to increase from CY16 onwards. Matrix will target further qualifications that are critical for Matrix growing revenue in this area.

Matrix expects that demand for its well construction products will continue, as new products are introduced and new markets entered. The size of the target market remains attractive, with activity outside of the onshore North America shale gas market expected to drive growth in the short term. This includes expanding Matrix's presence and service offering in South East Asia and the Middle East.

Matrix also expects ongoing demand for maintenance services to the offshore oil and gas sector in Western Australia to provide market opportunities for IMR services. The establishment of the Karratha Riser IMR base allows Matrix to market its products and services directly to the after-market and positions the Company strongly to secure the bulk of this work.

With a strong balance sheet, Matrix can manage any short-term disruptions to demand and is positioned to capitalise on future growth opportunities, whether arising from traditional market sectors serviced by Matrix or from product diversification and step-out strategies identified to drive business growth and development. Matrix will also continue targeting growing interest from the Asian region. These initiatives will ensure Matrix is best positioned to drive shareholder value in FY16.

Aaron Begley

Managing Director & Chief Executive Officer

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 2015. 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 44 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 President of the Australian Chamber of Commerce and Industry (ACCI), a Non-Executive Director of the Chamber of Commerce and Industry of WA, 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 chairs the Remuneration and Nominations Committees and is a member of the Audit and Risk Committees.

EDUCATION

Bachelor of Engineering (Chemical), Melbourne University, 1970

Advanced Management Program, Harvard Business School, 1997

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

MEMBERSHIPS

Fellow of the Australian Institute of Company Directors

Fellow of the Institute of Chemical Engineers

Member of the Australian Institute of Mining and Metallurgy

AARON P BEGLEY

Managing Director & Chief Executive Officer

QUALIFICATIONS & EXPERIENCE

Aaron Begley has over 20 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 starting with 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 productsfor the oil & gas sector.

EDUCATION

Post Graduate Diploma of Management (Curtin), 2002

Bachelor of Economics (University of Western Australia), 1993

MEMBERSHIPS

Australian Institute of Company Directors

Society of Underwater Technology (SUT)

DUNCAN P CLEGG

Independent Non-Executive Director

QUALIFICATIONS & EXPERIENCE

Dr Clegg has 40 years' experience in the global oil and gas industry as an engineer and business executive. With extensive leadership experience, Dr Clegg has worked in venture formation, project development and management of large scale projects in Australia, Asia, Europe and Africa. Dr Clegg is a consultant to a number of energy companies. Previously, Dr Clegg was the Manager of Projects and Developments at Coogee Resources Pty Ltd, and has held senior management and executive positions at Woodside Petroleum Limited and Shell International Petroleum Maatschappij.

Dr Clegg is a member of the Risk, Remuneration and Nomination Committees.

EDUCATION

Chartered Engineer, 1985

Doctor of Philosophy (Soil Mechanics), University of Cambridge, 1981

Bachelor of Science (Hons), University of Cardiff, 1975

MEMBERSHIPS

Graduate of the Australian Institute of Company Directors

DIRECTORS' REPORT

STEVEN COLE

Independent Non-Executive Director

QUALIFICATIONS & EXPERIENCE

Steven Cole has over 40 years' of legal, business and corporate experience as well as a range of executive management and non-executive appointments.
His extensive boardroom and board sub-committee experience includes ASX listed, statutory, proprietary and NFP organisations covering the industrial, financial, educational, professional services, health and resources sectors. Mr Cole is Deputy Chairman of Neometals Limited, Chairman of the Queen Elizabeth II Medical Centre Trust, Chairman of Brightwater Care Group Inc. and a member of the General Council of the Chamber of Commerce & Industry (WA). Mr Cole was also previously WA State President and a national board member of the Australian Institute of Company Directors.

Mr Cole chairs the Audit Committee and is a member of the Remuneration and Nomination Committees.

EDUCATION

Bachelor of Laws (Hons)

MEMBERSHIPS

Fellow of the Australian Institute of Company Directors

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 chairs the Risk Committee and is a member of the Audit Committee. Mr Duncan was previously a member of the Remuneration Committee until 18 March 2015.

EDUCATION

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

PAUL R WRIGHT

Non-Executive Director

QUALIFICATIONS & EXPERIENCE

Paul Wright has an accounting degree and has worked in public accounting and 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 was a member of the Audit and Risk Committee until his retirement from the Board.

EDUCATION

Bachelor of Business, Curtin University, 1978

The above named directors held office during the whole of the financial year and since the end of the financial year except for:

- Mr Paul R Wright – resigned 5 November 2014; and
- Dr Duncan P Clegg – appointed 17 September 2014.

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	GR Engineering Ltd	2010 – Current
S Cole	Neometals Ltd	2008 – 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 APPRECIATION RIGHTS	PERFORMANCE RIGHTS
PJ Hood	500,000	nil	nil
AP Begley	3,625,877	592,593	nil
DP Clegg	nil	nil	nil
S Cole	20,000	nil	nil
CN Duncan	590,429	nil	nil

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, other than 592,593 Executive Share Appreciation Rights that have been granted to Mr Aaron Begley pursuant to the Matrix Rights Plan. The Matrix Rights Plan, and the grant of Executive Share Appreciation Rights to Mr Aaron Begley, was approved by shareholders at an Extraordinary General Meeting of shareholders held on 25 June 2015.

REMUNERATION OF KEY MANAGEMENT PERSONNEL

Information about the remuneration of key management personnel is set out in the remuneration report of this director's report, on pages 22 to 29. 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.

RIGHTS GRANTED TO DIRECTORS AND EXECUTIVE MANAGEMENT

During and since the end of the financial year, an aggregate 796,296 Executive Share Appreciation Rights and 88,709 Executive Performance Rights were granted to the following directors and senior executives of the company and its controlled entities as part of their remuneration:

DIRECTOR/EXECUTIVE	ISSUING ENTITY	EXECUTIVE SHARE APPRECIATION RIGHTS	EXECUTIVE PERFORMANCE RIGHTS
Aaron Begley	Matrix Composites & Engineering Ltd	592,593	Nil
Peter Tazewell	Matrix Composites & Engineering Ltd	148,148	64,516
Alex Vincan	Matrix Composites & Engineering Ltd	55,555	24,193

DIRECTORS' REPORT

COMPANY SECRETARY

Mr Peter Tazewell (BCom, FCA, F Fin) 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.

Mr Michael Kirkpatrick (BA, BEc, LLB (Hons)) was appointed Joint Company Secretary on 1 April 2015 and held the position at the end of the financial year. Mr Kirkpatrick is admitted to practice as a barrister and solicitor of the Supreme Court of Western Australia.

PRINCIPAL ACTIVITIES FOR FY15

The consolidated entity's principal activities during the course of the financial year were the:

- manufacture and supply of capital drilling equipment (primarily comprised of syntactic foam buoyancy) and provision of offshore services;
- manufacture and supply of subsea umbilical risers and flowline (SURF) ancillary equipment and associated services; and
- manufacture and supply of well construction products, including centralizers and conductors.

REVIEW OF OPERATIONS

During the previous financial year Matrix restructured its operations to centralise key support functions, including engineering, project management, procurement and finance, across its two business operations. This reorganisation was undertaken to improve the efficiency of these support functions and partly in response to the declining sector wide demand for fabricated metal products and machining services.

As a result of the business reorganisation, Matrix supplies products and provides services categorised as Offshore (capital drilling equipment and offshore maintenance services), SURF (subsea buoyancy and ancillary equipment) and Well Construction (conductors and centralizers).

SAFETY

Matrix continued to improve safety performance across all of its operating sites during the financial year, improving on the existing low recordable injury count. High expectations set at the recruitment stage continue to improve the safety culture and workforce commitment across the Company.

Matrix operates an occupational health and safety (OHS) system that is accredited to AS/NZS 4801. In the transition towards OHSAS18001 accreditation, Matrix continues to scrutinise and identify hazards and risks, and management of those to prevent injuries. Matrix continues to improve controls and its understanding of what is still a dynamic operating environment.

Matrix achieved a lost time injury frequency rate (LTIFR) of zero on 31 May 2015, after 12 months of no lost time injuries. Less severe medical treatment injuries (MTI) have also occurred throughout the year, with fewer recorded incidents than this time last year. Restricted work cases are less than a third of last year.

Proactive lead indicators have been applied, and the annual review of those indicators have shown an improved understanding of the workplace safety culture and commitment to safety. The lead indicators support the company wide no-blame culture, which is still evident at all levels. The recorded Group LTIFR of 0 at 30 June 2015 was very pleasing, compared with 4.1 at 30 June 2014, and 0 at 30 June 2013. It shows that zero is again the norm for this indicator.

Matrix has an annual plan to measure safety success, so that the agreed OHS objectives can be monitored and achieved. The objectives are aligned with the management of Matrix's risk profile and support the Company values.

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 HSE students from Curtin University of Technology.

MANUFACTURING OPERATIONS

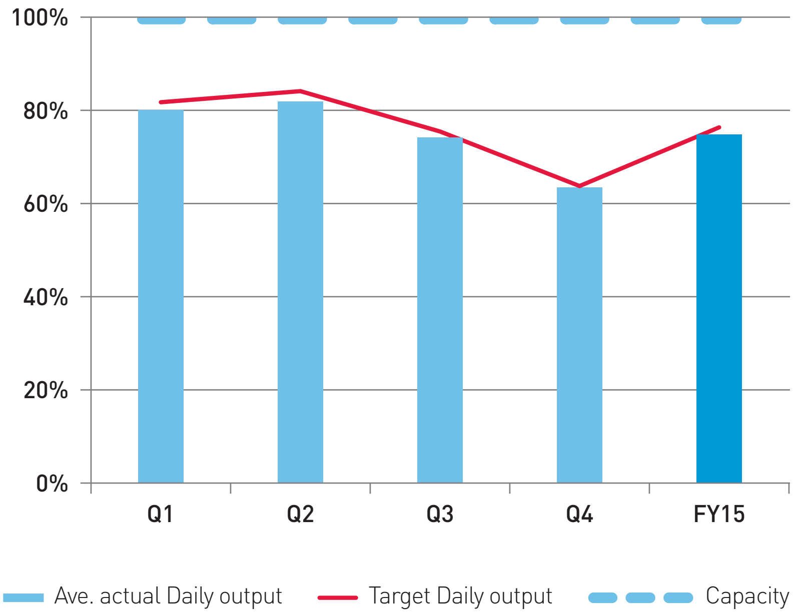


Chart 1

DIRECTORS' REPORT

Matrix operated its buoyancy production on a three-shift operating structure for the whole of the financial year. Headcount was reduced in the second half in order to moderate output in line with customer demand (Chart 1). Actual production across the full year was 15 per cent lower than in FY14, due to the reduced client demand in 2H FY15.

As a result of reducing output, Matrix has maintained a backlog (US$93.1 million at 30 June 2015) which will substantially underwrite production, at current rates, throughout FY16.

Matrix continued its continuous improvement programme during FY15 which resulted in ongoing efficiencies in labour costs and materials consumption.

During the year Matrix delivered a number of projects based on its "IsoBlox" modular buoyancy system. Matrix continues to secure new contracts for drilling riser buoyancy modules (DRBM) from a range of customers including shipyards, drilling contractors and original equipment manufacturers (OEM).

Continued improvements in the supply chain function have enabled Matrix to reduce its absolute raw material costs as well as the volume of raw material stock held.

Matrix continued production of its patented centraliser products at Henderson. Demand (and, as a consequence, production) declined during the year as the fall in global oil and gas prices had a significant adverse impact on the target shale gas market in North America.

COMMERCIAL

Matrix continued to service the oil and gas sector maintaining sales and support functions in the key markets of Asia (Perth), North America (Houston) and Europe (Alnwick).

During the year Matrix established a riser inspection, maintenance and repair (IMR) base in Karratha, Western Australia to service the IMR requirements of offshore vessels operating in Australian and regional waters. Matrix's strategy is to establish a local support base for drilling contractors requiring assistance with riser storage, maintenance and preservation.

As noted above, Matrix delivered several milestone projects based on the "IsoBlox" modular buoyancy system. These projects included a mix of local and international projects for both permanent production and temporary installation applications. Projects of note included the provision of 80 large modular assemblies for the Inpex Ichthys project that will be incorporated into 2 x 502MT Sub Sea Mid Water Arches designed for 40 year immersion. To the company's knowledge these will be the largest permanent syntactic structures ever deployed.

Other projects that utilised the Matrix "IsoBlox" modular buoyancy system included Installation modules for Chevron's Wheatstone Project in Western Australia, Shell's Malakai Project in Malaysia and a series of deployment buoyancy for the Ichthys project, including a massive 150MT subsea installation buoy which was deployed from the AMC Dock adjacent to Matrix's facility.

Matrix continues to focus on building a sustainable backlog of buoyancy work to support the ongoing operation of its buoyancy manufacturing facility. At 30 June 2015 the backlog of US$93.1 million represented approximately 60 per cent of Matrix's planned operational capacity for FY16 and FY17 combined.

The well construction market was significantly impacted by the fall in the oil price during the period. Despite the decline in market conditions, Matrix maintained its FY14 volumes during FY15 through a combination of entering new markets (Middle East and South East Asia) and introducing new products which have been deployed offshore as well as onshore.

Matrix recorded improved gross profit margins during FY15 (14.7 per cent compared to 13.7 per cent in FY14) as the business benefitted from continued labour and materials efficiencies and the declining AUD:USD exchange rate. After adjusting for $3.2 million of non-recurring expenses, FY15 gross profit margin of 16.9 per cent was achieved.

FINANCIAL RESULTS FOR THE YEAR

GROUP FINANCIAL METRICS

- Sales revenue of $144.1 million, 9.1 per cent lower than FY14 of $158.6 million.
- EBITDA of $19.5 million, 5.2 per cent higher than FY14 EBITDA of $18.6 million.
- Net profit after tax of $3.6 million, 20.4 per cent higher than the FY14 result of $3.0 million.

DIRECTORS' REPORT

The table below sets out summary information about the consolidated entity's earnings and movement in shareholder wealth for the five years to 30 June 2015.

		FY15	FY14	FY13	FY12	FY11
Revenue	**$**	144,074,596	158,580,565	145,487,485	144,811,799	174,640,578
EBITDAF[1]	**$**	21,090,256	20,044,132	9,639,029	(10,801,872)	45,960,808
EBITDA	**$**	19,518,743	18,569,036	7,477,215	(13,204,784)	47,821,348
Net profit/(loss) before tax	**$**	5,980,772	4,703,267	(4,171,282)	(25,675,142)	42,495,062
Net profit/(loss) after tax	**$**	3,633,828	3,018,004	(2,947,138)	(14,445,748)	30,225,319
Share price at start of year	**$**	1.18	0.78	1.75	7.22	2.68
Share price at end of year	**$**	0.46	1.18	0.78	1.75	7.22
Interim dividend[2]	**cps**	2.0	-	-	2.0	3.0
Final dividend[3]	**cps**	1.0	-	-	-	5.0
Basic (loss)/ earnings per share	**cps**	3.8	3.2	(3.1)	(18.4)	41.4
Diluted (loss)/ earnings per share	**cps**	3.8	3.2	(3.1)	(18.4)	41.4

[1] EBITDAF represent 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.

EARNINGS

Matrix again reported improved earnings in FY15, driven by stronger margin performance across its product and service lines. Operating margins were significantly improved as a result of the declining AUD:USD exchange rate and ongoing labour and materials efficiencies. This improved performance was achieved despite incurring significant non-recurring costs associated with reducing output at Henderson and the closure of the Malaga machining and fabrication workshops as set out below:

	$
Statutory EBIT	**6,707,053**
Depreciation and amortisation	12,811,690
Foreign Exchange losses	1,571,513
Reported EBITDAF	**21,090,256**
Redundancy Costs	1,181,610
Net realisable value assessment of Malaga plant and equipment	898,384
Write off of inventory	998,469
Write off of research and development costs	144,859
Underlying EBITDAF	**24,313,578**

DIRECTORS' REPORT

Net profit after tax continues to be challenged by the high level of depreciation resulting from the significant capital expenditure incurred between 2010 and 2012. Matrix's ongoing future capital expenditure is expected to remain relatively constant at approximately 50 per cent of annual depreciation.

Matrix incurred significantly lower finance charges in FY15 as the benefit of refinancing its debt facilities was realised. Foreign exchange losses were well managed in light of the increased volatility in the AUD:USD exchange rate.

CASH FLOW

Cash flow from operations of $6.8 million was lower than the previous year and was adversely impacted by:

i) Increased investment in working capital to support anticipated higher production which did not eventuate;

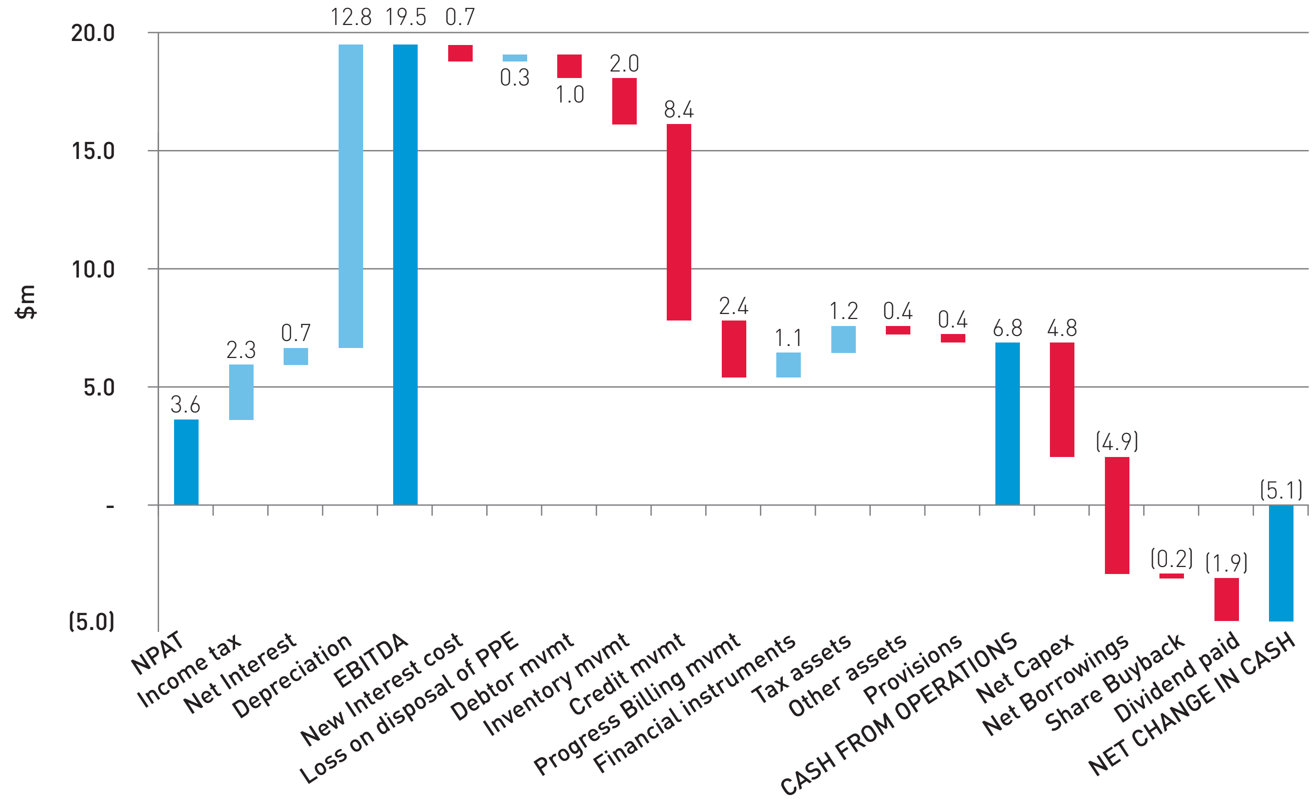
ii) Less deposits received from customers;

iii) Delayed receipts from customers attributed to the general slowdown in activity in the oil and gas sector; and

iv) Reduction in trade creditors, in line with the lower year-end production rate.

Capital expenditure ($4.7 million) and debt amortisation ($4.9 million) were both significantly reduced from the previous financial year, while the Company received a $1.2 million income tax refund attributed to under claiming allowable deductions in the 2011 income tax year.

During the financial year Matrix resumed dividend payments with the payment of a 2.0 cent interim dividend in March 2015.



DIRECTORS' REPORT

FINANCIAL POSITION

As at the end of the financial year, Matrix has again improved its financial position through positive earnings and strong balance sheet management. Gross debt has reduced, following the refinancing of the Company's debt facilities and ongoing debt repayment, while net debt has increased from $6.4 million to $7.8 million in order to fund increased working capital. Working capital is sufficient to support the current operations of the Company.

BUSINESS STRATEGIES

Matrix's business strategies are as follows:

i) Pursue volume growth through product diversification and technical innovation;

ii) continue to drive unit costs down through labour efficiencies and supply chain improvements;

iii) lead the industry through technical leadership of materials development and providing superior technical solutions to customer requirements; and

iv) pursue growth opportunities that leverage the Company's core skills and competencies.

OUTLOOK

During the financial year Matrix has maintained its strategy of driving volume throughput for its Henderson facility through a combination of product diversification and technical innovation. In addition, Matrix is seeking to leverage its manufacturing capabilities and materials expertise into new industries, less exposed to the capital investment cycle.

The market for buoyancy products for the offshore oil and gas sector has softened with the decline in oil prices and while the longer term outlook for deep sea drilling remains strong, the short to medium term outlook is challenging as the global economy adjusts to the current imbalance between oil supply and oil demand. Matrix has prudently adapted to this new macro environment by reducing short term production output and extending the backlog of contracted work into FY17.

Drillship utilisation and day-rates have declined sharply resulting in reduced commitments to newbuild drillships. In particular, up to 14 new drillships scheduled for Sete in Brazil face significant delays with the likelihood of some cancellations. Notwithstanding this, there remains 61 drillships either under construction in global shipyards, or committed. Matrix has emerged as the market and technical leader of buoyancy products, entrenching it as a supplier of choice and able to grow market share, albeit in a declining market.

Chart 2 shows the anticipated construction profile for new drill ships, historically and over the next three years. While the rate of newbuild drill ships is declining, Matrix has been able to grow its share of the total buoyancy market and has secured sufficient work to underwrite approximately 60 per cent of FY16 production at current rates.

NEWBUILD DRILLSHIPS

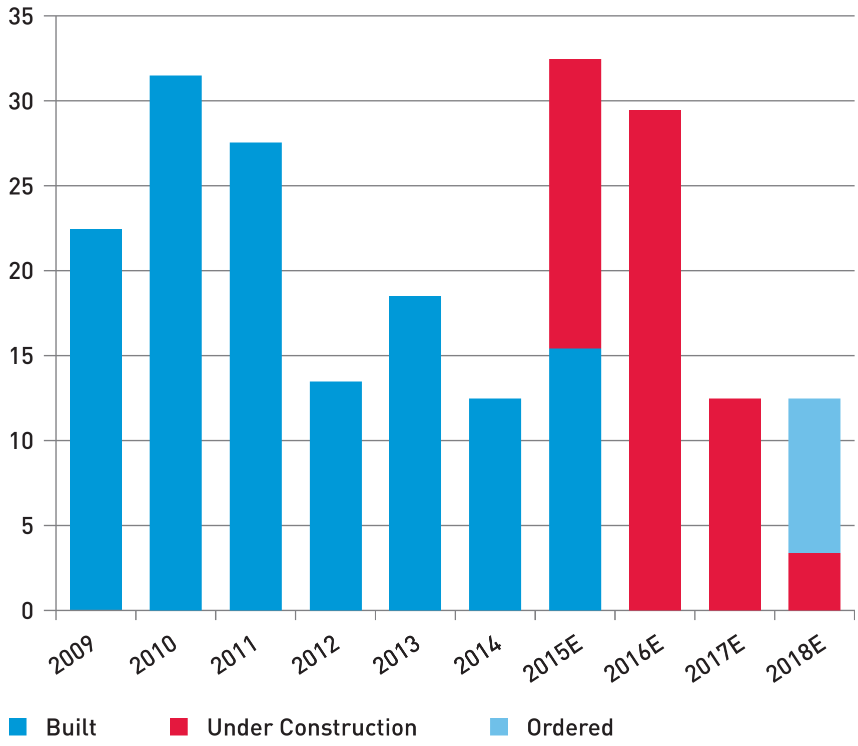


Chart 2 (Source: Company Data)

DIRECTORS' REPORT

In addition, fleet retirements are being accelerated as older vessels are either scrapped or cold-stacked where drilling contractors are unable to secure new contracts. Ultimately this will lead to increased newbuild commitments when the oil price recovers.

Matrix expects there will be continued demand from the replacement market however the rate of retirements of older vessels from the fleet means it is likely that growth from this sector will be limited.

Chart 3 shows the age of the fleet of mobile offshore drilling units ("MODU") which utilise drilling riser buoyancy products. As a result of fleet retirements, the proportion of the fleet older than 30 years has declined from 36 per cent at June 2014 to 28 per cent at June 2015. Despite the attrition of older rigs, forecast increased activity in the Gulf of Mexico is likely to sustain the demand for replacements, IMR and buoyancy repair work.

MODU FLEET – AGED

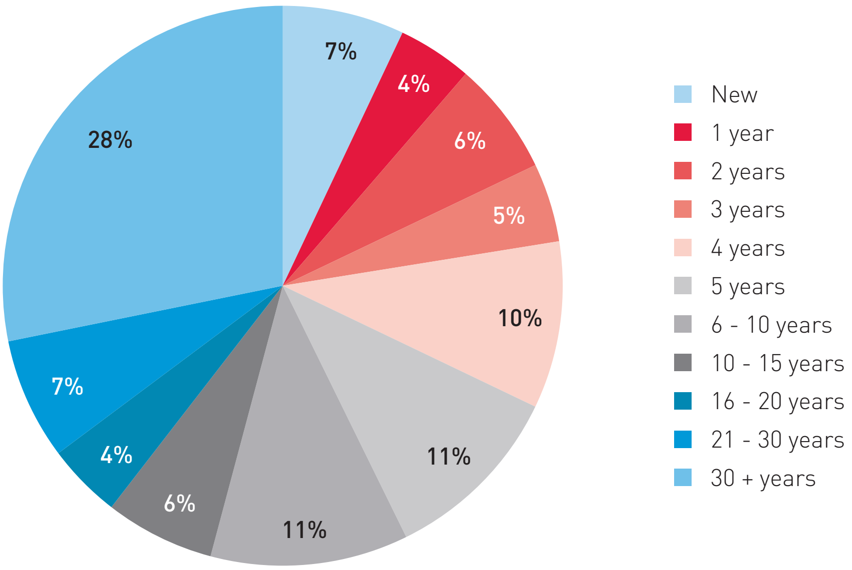


Chart 3 (Source: Company Data)

Matrix continues to develop products for SURF applications which remains a significant opportunity for the Company. While the declining oil price had a direct and significant impact on the drilling market in FY15, the development of sanctioned projects will continue with global capital expenditure forecast to increase sharply in CY16 onwards. Chart 4 below 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.

GLOBAL SUBSEA CAPEX (US$m) 2010 - 2019

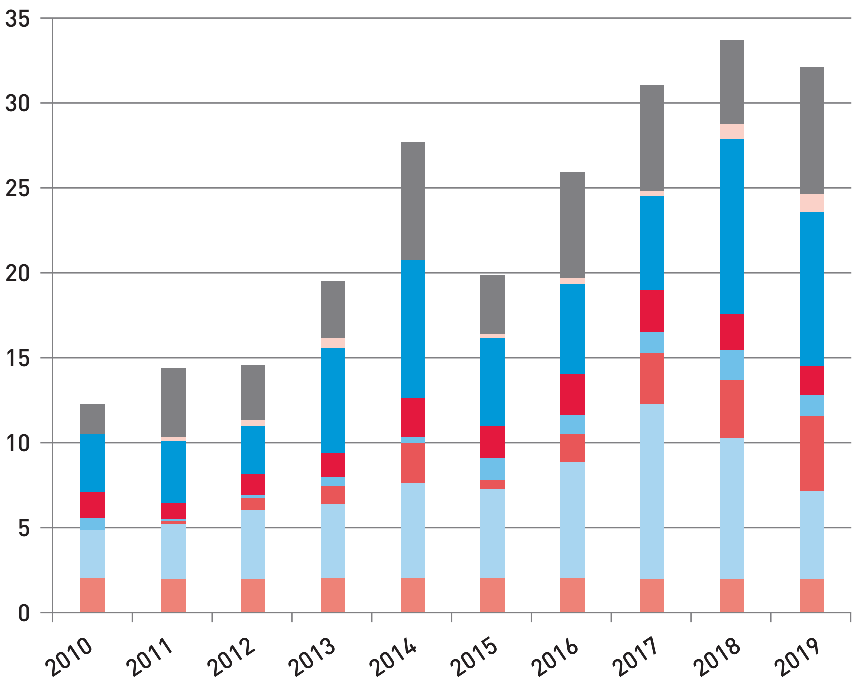


Chart 4 (Source: Infield, February 2015)

DIRECTORS' REPORT

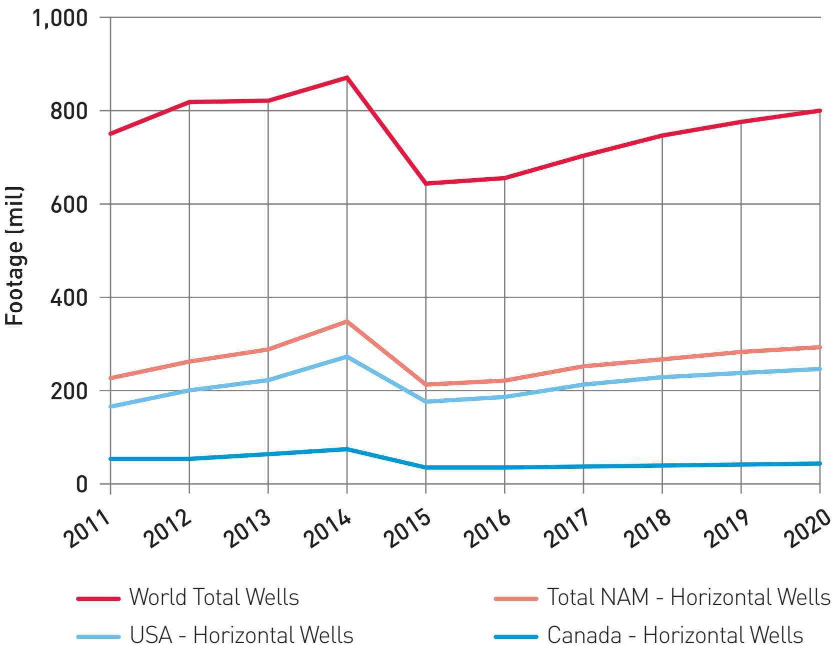


Chart 5 (Source: Spears & Associates, June 2015)

The market for Matrix's well construction products has also been adversely impacted by the fall in the oil price. Chart 5 above sets out the historical and forecast 'feet volume' to be drilled on land and offshore wells. While there has been a sharp fall (approximately 25 per cent) from the peak activity recorded in 2014, "feet volume" is forecast to grow strongly over the next five years. In addition, Matrix has been successful in developing new markets for its well construction products and expects to maintain revenue throughout FY16 at levels at least consistent with FY15.

The outlook for Matrix's products has been significantly impacted by the recent sharp decline in the oil price. Notwithstanding this, Matrix has adapted quickly to the macro drivers by reducing output and costs to ensure the business remains earnings and cash flow positive. Matrix's disciplined approach to reducing debt over the past three years has resulted in the company having a strong balance sheet and significant liquidity. The Company is well placed to sustain operations at reduced levels until an expected increase in demand for its products and services.

CHANGES IN STATE OF AFFAIRS

During the financial year Matrix commenced an orderly process of disposing of property, plant and equipment rendered surplus by the business reorganisation which occurred in FY14. In addition, Matrix has established a riser inspection, maintenance and repair (IMR) base in Karratha, Western Australia to service the IMR requirements of offshore vessels operating in Australian and regional waters. Other than these matters, there were no significant changes in the state of affairs of the consolidated entity during the financial year.

SUBSEQUENT EVENTS

On 29 July 2015, the Company granted certain rights to key executives pursuant to the Matrix Rights Plan which was approved by shareholders in General Meeting on 25 June 2015. Other than this, 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 the current production rate (approximately 65 per cent of capacity) throughout FY16. The directors are satisfied that sufficient orders will be secured to continue operations at the current level throughout FY16. The principal risk to Matrix being able to continue operating at the current production rate is the presence of global client demand and its ability to secure contracted work in a timely manner.

Matrix expects that demand for its well construction products will continue, as new products are introduced and new markets entered. Despite the lower oil prices there continues to be significant drilling activity, both onshore and offshore. To mitigate the risk of not achieving anticipated growth in this sector, Matrix will be actively marketing its products into the drilling sector and promoting its technical competitive advantages.

Matrix expects ongoing demand for maintenance services to the offshore oil and gas sector in Western Australia will continue to provide market opportunities for inspection, maintenance and repair services. The establishment of the Karratha Riser IMR base allows Matrix to market its products and services directly to the after-market and positions it strongly to secure the bulk of this work.

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 material breaches is overseen by the Group Occupational Health Safety and Environment department. When breaches occur, they are reported to the Department

DIRECTORS' REPORT

of Environmental Regulation (DER) as required and actions taken to prevent recurrences.

During the year there were no breaches of the EP Act and Matrix has been able to demonstrate continued good environmental performance. This is demonstrated by compliance against the environmental licence in accordance with Part V of the EP Act. The Henderson site continues to operate as designed, and had no reportable events.

Further, environmental objectives and new key performance indicators (KPIs) have been agreed, and accepted at the senior management level. These KPIs will be reviewed and monitored over the financial year to ensure opportunities for improvement are pursued.

DIVIDENDS

In respect of the financial year ended 30 June 2014, as detailed in the directors' report for that financial year, no interim or final dividend was paid.

In respect of the financial year ended 30 June 2015, an interim dividend of 2.0 cents per share, franked to 100 per cent at the 30 per cent corporate income tax rate, was paid to holders of fully paid shares on 31 March 2015.

In respect of the financial year ended 30 June 2015, the directors have determined the payment of a final dividend of 1.0 cent per share, franked to 100 per cent at the 30 per cent corporate income tax rate, to be paid to holders of fully paid shares on 30 September 2015.

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.

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' REPORT

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, nine board meetings, five remuneration committee meetings, two nominations committee meeting, one risk committee meeting, one audit committee meeting and one audit & risk committee meetings were held.

	BOARD OF DIRECTORS		REMUNERATION COMMITTEE		NOMINATION COMMITTEE		AUDIT & RISK COMMITTEE		AUDIT COMMITTEE		RISK COMMITTEE	
Directors	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
PJ Hood	9	9	5	5	2	2	1	1	1	1	1	1
AP Begley (CEO)	9	9	-	-	-	-	-	-	-	-	-	-
DP Clegg	8	8	3	3	2	2	-	-	-	-	1	1
S Cole	9	9	5	5	2	2	-	-	1	1	-	-
CN Duncan	9	8	2	1	-	-	1	1	1	1	1	1
PR Wright	2	1	-	-	-	-	1	1	-	-	-	-

During the year the audit & risk committee was disbanded and re-established as two separate committees; the audit committee and the risk committee. During the year a nominations committee was established for the first time.

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 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.

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The auditor's independence declaration is included on page 29 of the annual report.

CORPORATE GOVERNANCE STATEMENT

The Board of Matrix is responsible for the corporate governance of the company and its subsidiaries. The Board has governance oversight of all matters relating to the strategic direction, corporate governance, policies, practices, management and operations of Matrix with the aim of delivering value to its Shareholders and respecting the legitimate interests of its other valued stakeholders, including employees, customers and suppliers.

Under ASX Listing Rule 4.10.3, Matrix is required to provide in its annual report details of where shareholders can obtain a copy of a corporate governance statement, disclosing the extent to which the Company has followed the ASX Corporate Governance Council Principles and Recommendations in the reporting period. Matrix has published its corporate governance statement on the "Corporate Governance" page of its web site at www.matrixengineered.com

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 2015. 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. Any reference to "Executives" in this report refers to those key management personnel who are not Non-Executive Directors. The prescribed details for each person covered by this report are detailed below under the following headings:

- Key management personnel
- Remuneration policy
- Remuneration structure
- Relationship between the remuneration policy and company performance
- Remuneration of directors and key management personnel
- Key terms of employment contracts
- Remuneration consultants
- Loan to key management personnel
- Key management personnel equity holdings

KEY MANAGEMENT PERSONNEL

MATRIX DIRECTORS

The following persons acted as directors of the Company during the financial year:

Mr PJ Hood
(Chairperson)

Mr AP Begley
(Chief Executive Officer)

Dr DP Clegg
(appointed 17 September 2014)

Mr S Cole

Mr CN Duncan

Mr P Wright
(resigned 5 November 2014)

Unless otherwise stated, the named persons held their current position for the whole of the financial year and since the end of the financial year.

MATRIX EXECUTIVES

The following persons were employed as Matrix executives during the financial year:

Mr P Tazewell
(Chief Financial Officer/ Company Secretary)

Mr A Vincan
(Chief Operating Officer)

Mr G Rooke
(General Manager – MOSE)
(resigned 17 July 2014)

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

NON-EXECUTIVE DIRECTORS

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

- the level of fees paid to non-executive Directors are at market rate for comparable companies;
- the size and complexity of the Company's operations; and
- the responsibilities and work requirements of the Directors.

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. This process did not result in any change in non-executive director fees in FY15.

Non-executive Directors are paid fixed annual fees; they do not receive any variable, performance based remuneration. 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).

The allocation of fees to non-executive directors within this cap has been determined after consideration of a number of factors including the time commitment of directors, the size and scale of the Company's operations, the skillsets of Directors, the quantum of fees paid to non-executive directors of comparable companies and participation in Board Committee work.

In FY15 the Chairperson was entitled to an annual fee of $98,550 (2014: $98,325). All other non-executive directors received an annual base fee of $60,225 (2014: $60,088). All amounts specified in this section are inclusive of superannuation contributions.

MATRIX EXECUTIVES

The Company's remuneration policy for Matrix executives (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.

The Company also seeks to establish remuneration structures which align the interests of its key management personnel with the interests of the Company and its shareholders. The payment of any incentive amounts to executive Directors and Matrix executives is based on the delivery of key Group and individual outcomes, and profitability of the Matrix Group.

As detailed in the remuneration table, certain Matrix executives are entitled to receive short term incentive payments in respect of FY15 based on delivery of key financial and non-financial outcomes. Matrix executives were not paid incentives resulting from increases in the Company's share price in FY15.

In FY15, the Company introduced a long term incentive plan for its executives. Further details regarding the structure and terms of the plan are provided below.

The amount of compensation for current and future periods for Matrix executives is based on consideration of market factors, comparison to

AUDITED REMUNERATION REPORT

peers and reference to the individual's experience and performance. 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.

REMUNERATION STRUCTURE

The remuneration structure for Matrix Executives comprises fixed and variable components which are reviewed annually by the Remuneration Committee.

FIXED REMUNERATION

Fixed remuneration comprises base salary, employer superannuation contributions and other allowances and non-cash benefits. Each Executive's fixed remuneration is reviewed and benchmarked annually. In FY15, this process took place in December 2015 and resulted in an increase of 2.25 per cent effective from 1 September 2014.

The level of remuneration is set to enable the Company to attract and retain proven performers.

VARIABLE REMUNERATION

Variable remuneration comprises short term incentives (STIs) linked to Company and individual performance over one year, and long term incentives (LTIs) linked to performance over a period greater than a year.

The following table sets out the maximum variable remuneration payable to each Executive in FY15, expressed as percentage of total fixed remuneration, if maximum performance was achieved for the STI and LTI components of their variable remuneration.

EXECUTIVE	MAXIMUM STI (% OF TFR)	MAXIMUM LTI (% OF TFR)	MAXIMUM TOTAL VARIABLE REMUNERATION (% OF TFR)
AP Begley *Managing Director & CEO*	13.36	0.66	14.02
PJ Tazewell *CEO & Company Secretary*	11.86	0.69	12.56
A Vincan *Chief Operating Officer*	11.38	0.25	11.63
G Rooke[1] *General Manager - MOSE*	-	-	-

[1] Mr Rooke resigned on 17 July 2014.

STI REMUNERATION

A comprehensive Short Term Incentive Plan (STI Plan) was in place for key management personnel for FY15. The STI Plan is based on a number of key performance indicators (KPIs) including a subjective performance KPI, safety performance KPI and profitability KPI. The STI 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.

STI KEY PERFORMANCE INDICATORS

The STI KPIs comprise a mix of financial and non-financial metrics which are aligned to both the financial success of the Company and its longer term sustainability and are set each year. The KPIs for each Executive are tailored to their individual responsibilities but are broadly described in the following categories:

i)	Financial:	Achievement of predetermined targets for EBITDA and cost management.
ii)	Safety:	The Board reviews the Company's safety performance and has established a series of lagging and lead indicators to measure the Company's performance in ensuring a safe workplace. The primary metrics include lost time injuries (LTI), medical treatment injury frequency rate (MTIFR) and hazard reporting, which is a behaviour based lead indicator.
iii)	Leadership:	Providing leadership in pre-determined functional areas (technical, operational and quality) has been identified by the Board as critical to the ongoing success of the Company. Executives have tailored KPIs set in those functional areas that they have the ability to influence.
iv)	Personal Objectives:	The Board recognises each Executive contributes to the Company's business strategy differently. Progress in the achievement of each Executive's personal objectives is monitored by the Board and is included in the STI plan to ensure that an appropriate balance is maintained between the Company's short term and long term objectives.

The following table sets out the various KPI categories for the FY15 STI Plan and the weightings attributable to each of them. In the Board's view, the KPIs that have been established align the reward of the Executives with the interests of shareholders.

KPI	A BEGLEY	P TAZEWELL	A VINCAN
Financial	40.0	42.5	30.0
Safety	10.0	5.0	15.0
Leadership	15.0	0.0	40.0
Personal Objectives	35.0	52.5	15.0
TOTAL	**100.0**	**100.0**	**100.0**

LTI REMUNERATION

On 25 June 2015, the Company received shareholder approval to introduce the Matrix Rights Plan. The Matrix Rights Plan includes a Senior Executive Performance Rights Plan (SEPRP) and a Senior Executive Share Appreciation Rights Plan (SESARP) (together "the LTI Plans"). The LTI Plans apply exclusively to those Matrix Executives who are key management personnel. Separate long term incentive plans have been established for other Matrix employees.

Following shareholder approval of the LTI Plans, the Company issued offers to participate in the SEPRP and the SESARP on 29 July 2015 to Messrs Begley, Tazewell and Vincan. Although these offers were made after the end of FY15, they relate to the three year period commencing on 1 September 2012, form part of each executive's FY15 remuneration and have been reported as such in this report proportionate with the vesting period.

Under the grants made to them, the executives named above were invited to accept a dollar value grant of rights, which they could allocate between rights issued under the SEPRP and the SESARP respectively, with an allocation to the SEPRP not to exceed a maximum of 50 per cent of the total value of their respective LTI Plan grants. The total dollar value of the grant offered to each of these executives, their respective allocations of rights under the SEPRP and SESARP in FY15 and the valuation of those instruments at grant date are set out in the following table:

AUDITED REMUNERATION REPORT

NAME	GRANT VALUE	PERFORMANCE RIGHTS	SARS	VALUATION
Aaron Begley	$160,000	nil	592,593	$11,852
Peter Tazewell	$80,000	64,516	148,148	$8,769
Alex Vincan	$30,000	24,193	55,555	$3,288

RIGHTS GRANTED UNDER THE SEPRP

Performance Rights (PRs) granted under the SEPRP are entitlements to receive an ordinary fully paid share on the basis of one share for each Performance Right that vests upon satisfaction of the relevant vesting conditions and other terms and conditions determined by the Board under the Plan.

Rights granted under the SEPRP in relation to FY15 are subject to the following vesting conditions:

- three year service and TSR performance testing period from 1 July 2014; and
- relative total shareholder return (TSR) ranking of the Company against a TSR comparator group comprising all companies in the ASX300 as follows:

TSR RANKING AT END OF PERFORMANCE PERIOD	% OF PERFORMANCE RIGHTS VESTED
75% and over	100%
50 – 75%	50 – 100% on sliding scale
Below 50%	Nil

Should the vesting conditions be met, the PRs will convert into an equivalent number of shares in Matrix, or a cash equivalent (subject to Board discretion). If the vesting conditions are not met, the Performance Rights will lapse.

RIGHTS GRANTED UNDER THE SESARP

Share Appreciation Rights (SARs) issued under the SESARP are entitlements to acquire a number of ordinary fully paid shares equal to the growth in the value of the underlying Shares (if any) upon satisfaction of the relevant vesting conditions and other terms and conditions determined by the Board under the Plan.

SARs granted under the SESARP in relation to FY15 are subject to the following vesting conditions:

- three year service period from 1 July 2014; and
- the same TSR target and comparator group as applies to the PRs, set out above.

Upon vesting of any SARs, participants will be issued with shares or the cash equivalent equal to the value derived by multiplying the number of vested Rights by the relative growth in share price over the performance period. Relative share price growth is determined by a comparison of the Matrix share price growth with the hurdle share price. The hurdle share price of $1.39 is calculated by reference to:

- the 28 day volume weighted average price of Matrix shares following the release of the Company's 2014 Financial Year statutory accounts on 13 August 2014, being $1.10; and
- the annual growth rate of 8.25 per cent for the ASX300 Accumulation Index over the five years prior to 1 July 2014.

Should the vesting conditions be met in FY17, the SARs will convert into a number of ordinary fully paid shares in Matrix dependent upon the range of share price outcomes set out below, or a cash equivalent (subject to Board discretion).

AUDITED REMUNERATION REPORT

TARGET FUTURE SHARE PRICE	$1.00	$2.00	$3.00
SARs granted	100,000	100,000	100,000
Hurdle Price	$1.39	$1.39	$1.39
Share Price Uplift	Nil	$0.61	$1.61
Benefit	Nil	$61,000	$161,000

If the vesting conditions are not met, all benefits under these rights will lapse.

HEDGING LTI GRANTS

The Company's Remuneration Policy expressly prohibits participants in an equity based remuneration plan from entering into transactions which limit the economic risk of participating in the plan, through the use of derivatives or otherwise.

RELATIONSHIP BETWEEN REMUNERATION AND COMPANY PERFORMANCE

One of the directors' remuneration objectives is to align the interests of its key management personnel with the interests of the Company and its shareholders. In FY15 this was achieved through the continuation of the STI Plan which placed a material proportion of executives' remuneration at risk, with STI Plan KPIs linked to financial performance, safety performance and the achievement of key strategic goals and objectives.

In addition, the introduction of an LTI Plan in FY15 further aligns the interests of the Company's key management personnel with its shareholders.

STI payments to executives in relation to FY15 have been recommended by the Board on the basis of the improved financial performance of the Company relative to previous years and the achievement of pre-determined non-financial objectives. The Board considers these payments were warranted on the basis of the improved financial performance and financial position of the Company in a challenging market.

REMUNERATION OF DIRECTORS AND KEY MANAGEMENT PERSONNEL

Details of the elements comprising the remuneration of the Company's key management personnel are set out in the following table. The table does not include the following components of remuneration because they were not part of the remuneration package offered to Executives during FY15:

- Short term cash profit sharing bonuses.
- Payments made to KMP in respect of a period before or after the person held the KMP position.
- Long term incentives distributed in cash.
- Post employment benefits other than superannuation.
- Non-monetary benefits.

AUDITED REMUNERATION REPORT

REMUNERATION OF DIRECTORS & KEY MANAGEMENT PERSONNEL

		Short-term Benefits			Post Employment Benefits	Long-term Benefits			
	Year	Salary & fees $	STI[4] $	Total $	Super-annuation benefits $	Long Service Leave $	Share Based Payments $	Total $	Proportion Performance related %
Executive Director									
AP Begley (MD & CEO)	2015	496,004	45,500	541,504	18,783	31,048	3,951	595,286	8.3%
	2014	484,896	71,000	555,896	17,775	11,010	-	584,681	12.1%
Non - Executive Directors									
PJ Hood	2015	90,000	-	90,000	8,550	-	-	98,550	-
	2014	90,000	-	90,000	8,325	-	-	98,325	-
S Cole	2015	55,000	-	55,000	5,225	-	-	60,225	-
	2014	13,750	-	13,750	1,272	-	-	15,022	-
CN Duncan	2015	55,000	-	55,000	5,225	-	-	60,225	-
	2014	55,000	-	55,000	5,088	-	-	60,088	-
D Clegg[1]	2015	43,389	-	43,389	4,122	-	-	47,511	-
	2014	-	-	-	-	-	-	-	-
P Wright[2]	2015	22,917	-	22,917	2,177	-	-	25,094	-
	2014	55,000	-	55,000	5,088	-	-	60,088	-
Executive officers									
PJ Tazewell (CFO/Company Secretary)	2015	349,813	31,250	381,063	18,783	-	2,923	402,769	8.5%
	2014	341,979	42,500	384,479	16,043	-	-	400,522	10.6%
A Vincan (Chief Operating Officer)	2015	369,371	34,300	403,671	18,783	-	1,096	423,550	8.4%
	2014	371,286	41,875	413,161	15,962	-	-	429,122	9.8%
G Rooke[3] (General Manager – MOSE)	2015	94,861	-	94,861	4,696	-	-	99,557	-
	2014	282,073	-	282,073	16,718	-	-	298,791	-
Total	**2015**	**1,576,355**	**111,050**	**1,687,405**	**86,344**	**31,048**	**7,970**	**1,812,767**	**-**
Total	**2014**	**1,693,984**	**155,375**	**1,849,359**	**86,271**	**11,010**	**-**	**1,946,640**	**-**

[1] Dr D Clegg was appointed a director on 17 September 2014.

[2] Mr P Wright resigned on 5 November 2014.

[3] Mr Rooke resigned on 17 July 2014.

[4] No STI payments pertaining to FY15 had been paid at the date of this report. The amounts shown above in relation to FY15 have been recommended by the Board, accrued in the FY15 financial results and will be paid in the year ending 30 June 2016. The amounts shown above in relation to FY14 were accrued in the FY14 financial results but paid in the year ending 30 June 2015.

AUDITED REMUNERATION REPORT

KEY TERMS OF EMPLOYMENT CONTRACTS

EXECUTIVE SERVICE AGREEMENTS

NAME	COMMENCEMENT DATE	TERM	NOTICE PERIOD
AP Begley			
Managing Director & CEO	1 September 2012	36 months	3 months
PJ Tazewell			
CFO & Company Secretary	1 September 2012	36 months	3 months
A Vincan			
Chief Operating Officer	1 September 2012	36 months	3 months

The Company is in the process of entering into new Executive Service Agreements with its key management personnel. The new agreements are on broadly similar terms to the existing agreements, except that the new agreements all provide for an indefinite employment term.

REMUNERATION CONSULTANTS

During FY15 the Chairperson engaged Ernst & Young as a remuneration consultant to the Board in relation to the establishment of equity based remuneration plans for all Matrix employees, including its key management personnel. Ernst & Young made recommendations regarding the structure and terms of these plans; it received $48,125 for its work in relation to the equity based remuneration plans and provided no other services during FY15.

The terms of Ernst & Young's engagement required the implementation of arrangements to ensure its recommendations were free from undue influence by key management personnel. These arrangements included a requirement that Ernst & Young would take instructions during the engagement exclusively from the Chairperson, and that its recommendations would be delivered to and discussed exclusively with the Chairperson.

Having approved the terms of Ernst & Young's appointment, reviewed the arrangements designed to prevent undue influence by key management personnel and received a report from the Chairperson in relation to the Ernst & Young recommendations, the Board is satisfied that Ernst & Young's recommendations were made free from undue influence by key management personnel.

LOANS TO KEY MANAGEMENT PERSONNEL

There are no loans from the Company to a Key management person.

AUDITED REMUNERATION REPORT

KEY MANAGEMENT PERSONNEL EQUITY HOLDINGS

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

2015	Balance at 1 July 2014	Granted as Remuneration	On Exercise of Options	Net Other Change	Balance at 30 June 2015
Directors					
PJ Hood	260,000	-	-	240,000	500,000
AP Begley	3,545,877	-	-	80,000	3,625,877
S Cole[1]	-	-	-	20,000	20,000
CN Duncan	590,429	-	-	-	590,429
PR Wright	1,435,635	-	-	n/a*	n/a*
Executives					
PJ Tazewell	-	-	-	15,000	15,000
A Vincan	-	-	-	386,038	386,038
G Rooke	15,000	-	-	n/a*	n/a*

2014	Balance at 1 July 2013	Granted as Remuneration	On Exercise of Options	Net Other Change	Balance at 30 June 2014
Directors					
PJ Hood	180,000	-	-	80,000	260,000
AP Begley	3,545,877	-	-	-	3,545,877
S Cole[1]	-	-	-	-	-
CN Duncan	590,429	-	-	-	590,429
NL Johnson[2]	116,176	-	-	n/a*	n/a*
PR Wright	1,343,641	-	-	91,994	1,435,635
Executives					
PJ Tazewell	-	-	-	-	-
A Vincan	-	-	-	-	-
P Riordan	-	-	-	n/a*	n/a*
G Rooke	-	-	-	15,000	15,000

[1] Mr S Cole was appointed as a director on 2 April 2014.

[2] Mr NL Johnson resigned as a director on 21 March 2014.

* These individuals ceased to be key management personnel during the relevant reporting period and the presentation in this table may not indicate the status of their shareholding.

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, 19 August 2015

AUDITOR'S INDEPENDENCE DECLARATION

Deloitte.

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

19 August 2015

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 2015, 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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015	2014
		$	$
Continuing operations			
Revenue	3	144,074,596	158,580,865
Cost of sales		(123,013,503)	(136,924,976)
Gross profit		**21,061,093**	**21,655,889**
Other income	3	613,778	664,381
Other losses	3	(1,673,465)	(1,524,980)
Administration expenses		(7,511,532)	(7,945,639)
Finance costs		(1,022,615)	(2,002,513)
Marketing expenses		(4,829,210)	(5,742,678)
Research expenses		(657,277)	(401,193)
Profit before income tax	4	**5,980,772**	**4,703,267**
Income tax expense	6	(2,346,944)	(1,685,263)
Profit for the year from continuing operations		**3,633,828**	**3,018,004**
Profit attributable to :			
Owners of the Company		3,633,828	3,018,004
Non-controlling interest		-	-
		3,633,828	**3,018,004**
Profit per share			
Basic profit per share (cents)	28	**3.8**	3.2
Diluted profit per share (cents)	28	**3.8**	3.2

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

	2015	2014
	$	**$**
Profit for the year	3,633,828	3,018,004
Other comprehensive income		
Items that may be reclassified subsequent to profit or loss:		
Net foreign currency translation differences	(602,748)	74,543
	(602,748)	**74,543**
Change in fair value of cash flow hedges	15,549	2,042,543
Income tax expense	(4,665)	(612,763)
	10,884	**1,429,780**
Total comprehensive income for the year	**3,041,964**	**4,522,327**
Total comprehensive income attributable to:		
Owners of the parent entity	3,041,964	4,522,327
Non-controlling interest	-	-
Total comprehensive income for the year	**3,041,964**	**4,522,327**

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	2015 $	2014 $
CURRENT ASSETS			
Cash and cash equivalents	7	14,468,450	19,546,289
Trade and other receivables	8	34,482,261	33,484,070
Inventories	9	20,726,023	18,758,132
Other current assets	10	943,787	555,300
Financial assets	12	501,615	322,947
TOTAL CURRENT ASSETS		**71,122,136**	**72,666,738**
NON CURRENT ASSETS			
Property, plant and equipment	11	91,321,352	99,851,691
Intangible assets	13	8,699,057	8,470,860
Deferred tax assets	6	9,071,097	11,053,809
TOTAL NON CURRENT ASSETS		**109,091,506**	**119,376,360**
TOTAL ASSETS		**180,213,642**	**192,043,098**
CURRENT LIABILITIES			
Trade and other payables	14	11,618,252	19,983,602
Progress claims and deposits	15	14,297,482	16,681,890
Financial liabilities	16	6,164,911	13,354,189
Provisions	17	1,098,092	1,513,932
TOTAL CURRENT LIABILITIES		**33,178,737**	**51,533,613**
NON CURRENT LIABILITIES			
Financial liabilities	16	4,000,000	-
Deferred tax liabilities	6	4,847,458	3,330,619
Provisions	17	373,820	366,831
TOTAL NON CURRENT LIABILITIES		**9,221,278**	**3,697,450**
TOTAL LIABILITIES		**42,400,015**	**55,231,063**
NET ASSETS		**137,813,627**	**136,812,035**
EQUITY			
Issued capital	18	111,555,600	111,784,863
Reserves	19	678,468	1,190,332
Retained earnings		25,589,762	23,847,043
Equity attributable to owners of the Company		**137,823,830**	**136,822,238**
Non-controlling interest		(10,203)	(10,203)
TOTAL EQUITY		**137,813,627**	**136,812,035**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Note	2015 $	2014 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		148,913,385	174,009,018
Payments to suppliers and employees		(142,575,536)	(155,987,132)
Interest received		296,334	60,964
Finance costs paid		(1,022,615)	(2,002,513)
Net receipt from tax		1,189,657	381,550
Net cash from operating activities	20(b)	**6,801,225**	**16,461,887**
CASH FLOWS USED IN INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		236,520	17,005
Payments for property, plant and equipment		(4,655,142)	(7,244,786)
Payments for capitalised development costs		(392,808)	(173,265)
Net cash used in investing activities		**(4,811,430)**	**(7,401,046)**
CASH FLOWS USED IN FINANCING ACTIVITIES			
Buy-back of ordinary shares		(200,659)	-
Share buy-back costs		(28,604)	-
Payment of dividends		(1,891,109)	-
Repayment of borrowings		(4,947,262)	(5,475,183)
Net cash used in financing activities		**(7,067,634)**	**(5,475,183)**
Net (decrease)/increase in cash and cash equivalents		**(5,077,839)**	**3,585,658**
Cash and cash equivalents at 1 July		19,546,289	15,960,631
Cash and cash equivalents at 30 June	20(a)	**14,468,450**	**19,546,289**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Issued capital	Retained earnings	Option premium reserve	Properties revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Share based payment reserve	Attributable to owners of the parent	Non-controlling interest	Total
	$	$	$	$	$	$	$	$	$	$
Balance at 1 July 2014	**111,784,863**	**23,847,043**	**273,000**	**787,664**	**(17,220)**	**146,888**	**-**	**136,822,238**	**(10,203)**	**136,812,035**
Payment of dividends	-	(1,891,109)	-	-	-	-	-	(1,891,109)	-	(1,891,109)
Profit for the year	-	3,633,828	-	-	-	-	-	3,633,828	-	3,633,828
Other comprehensive income for the year, net of income tax										
Foreign currency translation	-	-	-	-	-	(602,748)	-	(602,748)	-	(602,748)
Change in fair value of cash flow hedges net of tax	-	-	-	-	10,884	-	-	10,884	-	10,884
Revaluation of freehold property net of tax	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**3,633,828**	**-**	**-**	**10,884**	**(602,748)**	**-**	**3,041,964**	**-**	**3,041,964**
Share based payments	-	-	-	-	-	-	80,000	80,000	-	80,000
Buy-back of ordinary shares	(200,659)	-	-	-	-	-	-	(200,659)	-	(200,659)
Share buy-back costs	(28,604)	-	-	-	-	-	-	(28,604)	-	(28,604)
Balance at 30 June 2015	**111,555,600**	**25,589,762**	**273,000**	**787,664**	**(6,336)**	**(455,860)**	**80,000**	**137,823,830**	**(10,203)**	**137,813,627**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	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 2013	**111,784,863**	**20,829,039**	**273,000**	**787,664**	**(1,447,000)**	**72,345**	**132,299,911**	**(10,203)**	**132,289,708**
Payment of dividends	-	-	-	-	-	-	-	-	-
Profit for the year	-	3,018,004	-	-	-	-	3,018,004	-	3,018,004
Other comprehensive income for the year, net of income tax									
Foreign currency translation	-	-	-	-	-	74,543	74,543	-	74,543
Change in fair value of cash flow hedges net of tax	-	-	-	-	1,429,780	-	1,429,780	-	1,429,780
Revaluation of freehold property net of tax	-	-	-	-	-	-	-	-	-
Total comprehensive income for the year	**-**	**3,018,004**	**-**	**-**	**1,429,780**	**74,543**	**4,522,327**	**-**	**4,522,327**
Balance at 30 June 2014	**111,784,863**	**23,847,043**	**273,000**	**787,664**	**(17,220)**	**146,888**	**136,822,238**	**(10,203)**	**136,812,035**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 introduction to 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 19 August 2015.

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

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

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

The adoption of these amendments has not resulted in any changes to the Group's accounting policies and has no significant effect on the amounts reported for the current or prior periods.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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

STANDARD/INTERPRETATION	COMMENTS
AASB 1031 Materiality (December 2013) Revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality.	Applicable to annual reporting periods beginning on or after 1 January 2014
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132) Addresses inconsistencies in current practice when applying the offsetting criteria in AASB 132 Financial Instruments: Presentation. Clarifies the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.	Applicable to annual reporting periods beginning on or after 1 January 2014
AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets Narrow-scope amendments to AASB 136 Impairment of Assets addressing the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.	Applicable to annual reporting periods beginning on or after 1 January 2014
AASB 2013-6 Amendments to AASB 136 arising from Reduced Disclosure Requirements Amends AASB 136 Impairment of Assets to establish reduced disclosure requirements for Tier 2 entities arising from AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets.	Applicable to annual reporting periods beginning on or after 1 January 2014
AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and minor editorial amendments to various standards.	Part B – Materiality Applicable to annual reporting periods beginning on or after 1 January 2014

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

STANDARD/INTERPRETATION	COMMENTS
AASB 2014-1 Amendments to Australian Accounting Standards [Part A – Annual Improvements 2010-2012 and 2011-2013 Cycles] Part A makes various amendments to Australian Accounting Standards arising from the issuance by IASB of IFRSs Annual Improvements to IFRS 2010- 2012 Cycle and Annual Improvements to IFRSs 2011-2013 Cycle. Key amendments include: • AASB 2 – definition of vesting condition; • AASB 3 – accounting for contingent consideration in a business combination; • AASB 8 – aggregation of operating segments and reconciliation of the total of the reportable segments' assets to the entity's assets; • AASB 13 – short-term receivables and payables; • AASB 116 – revaluation method: proportionate restatement of accumulated depreciation; • AASB 124 – key management personnel; • AASB 138 – revaluation method: proportionate restatement of accumulated amortisation; • AASB 1 – meaning of 'effective IFRSs'; • AASB 3 – scope exceptions for joint ventures; • AASB 13 – scope of paragraph 52 (portfolio exception); • AASB 140 – clarifying the interrelationship between AASB 3 and AASB 140 when classifying property as investment property or owner occupied property.	Part A Applicable to annual reporting periods beginning on or after 1 July 2014
AASB 2014-1 Amendments to Australian Accounting Standards (Part C – Materiality) AASB 2014-1 Part C makes amendments to particular Australian Accounting Standards to delete references to AASB 1031.	Part C Applicable to annual reporting periods beginning on or after 1 July 2014
AASB 2014-2 Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements Amends AASB 1053 Application of Tiers of Australian Accounting Standards to clarify that AASB 1053 relates only to general purpose financial statements. Aims to make AASB 1053 consistent with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors option in AASB 1 First-time Adoption of Australian Accounting Standards; and clarify certain circumstances in which an entity applying Tier 2 reporting requirements can apply the AASB 108 option in AASB 1. Specifies certain disclosure requirements when an entity resumes the application of Tier 2 reporting requirements.	Applicable to annual reporting periods beginning on or after 1 January 2014
AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality Completes the withdrawal of references to AASB 1031 in all Australian Accounting Standards and Interpretations, allowing that Standard to effectively be withdrawn.	Applicable to annual reporting periods beginning on or after 1 July 2015

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 (December 2009), AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures, AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments, AASB 2014-1 ***Amendments to Australian Accounting Standards, AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)*** AASB 9 introduces new requirements for classifying and measuring financial assets, as follows: • Debt instruments meeting both a 'business model' test and a 'cash flow characteristics' test are measured at amortised cost (the use of fair value is optional in some limited circumstances) • Investments in equity instruments can be designated as 'fair value through other comprehensive income' with only dividends being recognised in profit or loss • All other instruments (including all derivatives) are measured at fair value with changes recognised in the profit or loss • The concept of 'embedded derivatives' does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines. Through AASB 2013-9, a new hedge accounting model has been put in place that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. ^ Note: Since the issue of AASB 9 (December 2009) the IASB has reissued IFRS 9 Financial Instruments several times. These amendments: • have deferred the mandatory effective date of AASB 9 (December 2009) and the related consequential amendments to annual periods beginning on or after 1 January 2018; • allow either AASB 9 (December 2009) or AASB 9 (December 2010) to be early adopted if adopted with an initial application date before 1 February 2015, however after this period only AASB 9 (December 2014) can be early adopted.	Applies on a modified retrospective basis to annual periods beginning on or after 1 January 2018^	30 June 2018

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 (December 2010), AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures, AASB 2013-9 ***Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments, AASB 2014-1 Amendments to Australian Accounting Standards, AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)*** A revised version of AASB 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over of the existing derecognition requirements from AASB 139 Financial Instruments: Recognition and Measurement. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. Through AASB 2013-9, a new hedge accounting model has been put in place that is designed to be more closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. ^ Note: Since the issue of AASB 9 (December 2010) the IASB has reissued IFRS 9 Financial Instruments several times. These amendments: • have deferred the mandatory effective date of AASB 9 (December 2010) and the related consequential amendments to annual periods beginning on or after 1 January 2018; • allow either AASB 9 (December 2009) or AASB 9 (December 2010) to be early adopted if adopted with an initial application date before 1 February 2015, however after this period only AASB 9 (December 2014) can be early adopted.	Applies on a modified retrospective basis to annual periods beginning on or after 1 January 2018^	30 June 2018

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 (December 2014), AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) The final version of AASB 9 brings together the classification and measurement, impairment and hedge accounting phases of the IASB's project to replace AASB 139 Financial Instruments: Recognition and Measurement. This version adds a new expected loss impairment model and limited amendments to classification and measurement for financial assets. This new version supersedes AASB 9 (December 2009) and AASB 9 (December 2010). The new version of AASB 9 includes: • requirements for impairment of financial assets; and • limited amendments to classification and measurement of financial assets, including introduction of a measurement category of 'fair value through other comprehensive income' for debt instruments. ^ Note: Several versions of AASB 9 currently exist due to the issuance of the Standard over several years. In summary: • the mandatory effective date of AASB 9 (all versions) and the related consequential amendments is annual periods beginning on or after 1 January 2018; • either AASB 9 (December 2009) or AASB 9 (December 2010) can be early adopted if adopted with an initial application date before 1 February 2015, however after this period only AASB 9 (December 2014) can be early adopted.	Applicable to annual reporting periods beginning on or after 1 January 2018	30 June 2018
AASB 15 Revenue from Contracts with Customers, AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 AASB 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces AASB 111 Construction Contracts, AASB 118 Revenue, Interpretation 13 Customer Loyalty Programmes, Interpretation 15 Agreements for the Construction of Real Estate, Interpretation 18 Transfers of Assets from Customers, and Interpretation 131 Revenue-Barter Transactions Involving Advertising Services. The core principle is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.	Applicable to annual reporting periods beginning on or after 1 January 2017	30 June 2017

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
Part C incorporates the IASB's Standard IFRS 9 Financial Instruments (Hedge Accounting and amendments to IFRS 9, IFRS 7 and IAS 39) released in November 2013. • Introduces a new chapter to AASB 9 (2009 & 2010) on hedge accounting (refer above); • Permits an entity to apply only the requirements introduced in AASB 9 (2010) for the presentation of gains and losses on financial liabilities designated as at fair value through profit or loss without applying the other requirements of AASB 9, meaning the portion of the change in fair value related to changes in the entity's own credit risk can be presented in other comprehensive income rather than within profit or loss. ^ Note: AASB 2014-1 Amendments to Australian Accounting Standards [Part E – Financial Instruments] issued in June 2014 defers the application date of AASB 9 to 1 January 2018. Refer AASB 9 (2014) above which supersedes this Standard for adoption of AASB 9 with an initial application date after 1 February 2015.	Part C – Financial Instruments Applicable to annual reporting periods beginning on or after 1 January 2018^	30 June 2018
AASB 2014-1 Amendments to Australian Accounting Standards [Part E – Financial Instruments] Makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. For further details on these amendments to AASB 9, refer to sections noted above. Further, Part E makes amendments to reduced disclosure requirements for AASB 7 Financial Instruments: Disclosures and AASB 101 Presentation of Financial Statements	Part E Applicable to annual reporting periods beginning on or after 1 January 2018. ^early application permitted, subject to certain conditions	30 June 2018
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation Amends AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated.	Applicable to annual reporting periods beginning on or after 1 January 2016	30 June 2016

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

STANDARD/INTERPRETATION	EFFECTIVE FOR ANNUAL REPORTING PERIODS BEGINNING ON OR AFTER	EXPECTED TO BE INITIALLY APPLIED IN THE FINANCIAL YEAR ENDING
AASB 2015-1 Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle Amends a number of pronouncements as a result of the IASB's 2012-2014 annual improvements cycle. Key amendments include: • AASB 5 – Change in methods of disposal; • AASB 7 – Servicing contracts and applicability of the amendments to AASB 7 to condensed interim financial statements; • AASB 119 – Discount rate: regional market issue; and • AASB 134 – Disclosure of information 'elsewhere in the interim financial report'.	Applicable to annual reporting periods beginning on or after 1 January 2016	30 June 2016
AASB 2015-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 Amends AASB 101 Presentation of Financial Statements to provide clarification regarding the disclosure requirements in AASB 101. Includes narrow-focus amendments to address concerns about existing presentation and disclosure requirements and to ensure entities are able to use judgements when applying a Standard in determining what information to disclose in their financial statements.	Applicable to annual reporting periods beginning on or after 1 January 2016	30 June 2016

At the date of authorisation of the financial statements, there are no pronouncements approved by the IASB/IFRIC that have yet to be issued by the AASB.

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 financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

CHANGES IN THE GROUP'S OWNERSHIP INTERESTS IN EXISTING SUBSIDIARIES

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable AASBs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 Ltd. 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.

PLANT AND EQUIPMENT

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 is 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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 the Group's cash-generating unit 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. Impairment testing is performed annually for goodwill and intangible assets with indefinite lives. 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,

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

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/put options outstanding at 30 June 2015 are included in Note 21. There were no put option positions at 30 June 2015. 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.

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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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(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.

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:

i) delivery of the goods to the customers;

ii) receipt of payment from the customer;

iii) achieving a relevant invoicing milestone under a contract with the customer; or

iv) contractual terms.

EX-WORKS REVENUE

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

SERVICE REVENUE

Service 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).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

(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. 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.

II. VALUATION OF FINANCIAL INSTRUMENTS

As described in note 21, 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 21 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.

III. 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

2. OPERATING SEGMENTS

In conjunction with AASB 8 Operating Segments, the Group has identified its operating segment 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.

PERFORMANCE MONITORING AND EVALUATION

The CODM is identified as the Chief Executive Officer (CEO) who monitors the operating results of the consolidated group and organises its business activities and product lines to serve the global oil and gas industry. The performance of the consolidated group 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 following is an analysis of the Group's revenue and results from continuing operations by reportable segment. The comparative results have been adjusted to conform to changes in the presentation of the current financial year.

	MCE Group 30 Jun 2015	MCE Group 30 Jun 2014
	$	$
Revenue	144,074,596	158,580,865
EBITDAF	21,090,256	20,044,132
Foreign exchange loss	(1,571,513)	(1,475,096)
EBITDA	19,518,743	18,569,036
Depreciation and amortisation	(12,811,690)	(11,924,220)
EBIT	6,707,053	6,644,816
Net finance costs	(726,281)	(1,941,549)
Profit before tax (continuing operations)	**5,980,772**	**4,703,267**

	MCE Group 30 Jun 2015	MCE Group 30 Jun 2014
	$	$
Total consolidated assets	180,213,642	192,043,098
Total consolidated liabilities	42,400,015	55,231,063
Geographical Assets		
Australia	178,675,604	190,621,233
Others	1,538,038	1,421,865
	180,213,642	**192,043,098**
Geographical Liabilities		
Australia	37,386,415	50,982,531
Others	5,013,600	4,248,532
	42,400,015	**55,231,063**

MAJOR CUSTOMERS

Matrix supplies goods and services to a broad range of customers in the global oil & gas industry. During the reporting periods, four major customers (2014: three major customers), each individually accounted for greater than 10% of total group revenue; collectively represented 74% (2014: 67%) of the total group revenue.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

3. REVENUE

	2015	2014
	$	$
Manufacturing revenue	140,816,560	140,684,959
Service revenue	3,258,036	17,895,906
	144,074,596	**158,580,865**
Other Income		
Interest received	296,334	60,964
Sundry income	113,811	99,120
Import duties recovery	-	297,626
Financial instrument revaluation gain	203,633	206,671
	613,778	**664,381**
Other Losses		
Foreign exchange loss	(1,571,513)	(1,475,096)
Fixed assets disposals/write off	(42,403)	(44,258)
Other expenses	(59,549)	(5,626)
Total other expenses	**(1,673,465)**	**(1,524,980)**

The Group generates revenue in foreign currencies. As part of its risk management practices Matrix hedges a portion of this revenue.

4. PROFIT BEFORE INCOME TAX

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

	2015	2014
	$	$
Depreciation and amortisation	12,811,690	11,924,220
Employee benefits expense	32,896,143	39,989,887
Finance costs	1,022,615	2,002,513

5. AUDITORS' REMUNERATION

	2015	2014
	$	$
Auditor of the parent entity (Deloitte Touche Tohmatsu)		
Audit and review fees for the year	123,690	128,770
Taxation and other advisory services	23,000	18,375
Internal controls review	33,088	34,181
	179,778	**181,326**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. INCOME TAX EXPENSE

	2015	2014
The components of tax expense comprise:	$	$
Current tax	994,134	538,919
Deferred tax	1,352,810	516,459
De-recognition of deferred tax asset	-	629,885
	2,346,944	**1,685,263**

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

	2015	2014
	$	$
Prima facie tax payable on operating profit before income tax at 30% (2014: 30%)	1,794,232	1,410,980
Non allowable Items	413,258	(162,508)
Research & development tax concession	(351,529)	(226,892)
Under provision prior year	528,203	33,798
De-recognition of deferred tax asset	-	629,885
Amendment of prior year tax returns	1,152,437	-
Income tax refund received for amended prior year tax return	(1,189,657)	-
Income tax expense	**2,346,944**	**1,685,263**
Average weighted tax rate	39.2%	35.9%

RECONCILIATIONS

I. NET MOVEMENTS

	2015	2014
The overall movement in the deferred tax account is as follows:	$	$
Balance at 1 July	7,723,190	10,010,962
Recognised in other comprehensive income	29,371	(612,763)
Recognised in income statement	(3,528,921)	(1,045,124)
De-recognition of deferred tax asset	-	(629,885)
Balance at 30 June	**4,223,640**	**7,723,190**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

6. INCOME TAX EXPENSE *(CONT...)*

II. DEFERRED TAX LIABILITY

The movement in deferred tax liability for each temporary difference during the year is as follows:	2015 $	2014 $
Reserves		
Balance as at 1 July	814,497	814,497
Recognised in other comprehensive income	-	-
Balance as at 30 June	**814,497**	**814,497**
Other		
Balance at 1 July	2,516,122	2,787,863
Recognised in other comprehensive income	(14,068)	-
Recognised in income statement	1,530,907	(271,741)
Balance at 30 June	**4,032,961**	**2,516,122**
Total	**4,847,458**	**3,330,619**

III. DEFERRED TAX ASSETS

The movement in deferred tax assets for each temporary difference during the year is as follows:	2015 $	2014 $
Balance at 1 July	11,053,809	13,613,322
Recognised in income statement	(1,998,014)	(1,316,865)
Recognised in other comprehensive income	15,302	(612,763)
De-recognition of deferred tax asset	-	(629,885)
Balance at 30 June	**9,071,097**	**11,053,809**

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 has been taxed as a single entity. The head entity within the tax-consolidated Group is Matrix Composites & Engineering Ltd. As a result of entering into a tax consolidation Group, the Company has reset its tax base of assets and liabilities resulting in an unrecognised deferred tax asset of $1.4 million.

7. CASH AND CASH EQUIVALENTS

	2015 $	2014 $
Cash on hand	1,028	4,443
Cash management accounts	6,889,669	5,738,574
US Dollar Account	7,577,753	13,803,272
	14,468,450	**19,546,289**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

8. TRADE AND OTHER RECEIVABLES

	2015	2014
CURRENT	**$**	**$**
Trade receivables (i)	21,168,585	19,989,657
Other receivables – Trade (ii)	13,077,247	8,974,191
Other receivables – Restricted cash (iii)	-	3,662,420
GST refundable	236,429	857,802
	34,482,261	**33,484,070**

i) The Company's standard terms and conditions require customers to pay trade receivables 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 receivables – Trade, relates to products completed which have recognised as revenue but are yet to be invoiced, pending collection by customer.

iii) Other receivables – Restricted cash, relates to cash term deposits associated with the issue of performance bonds to customers.

9. INVENTORIES

	2015	2014
	$	**$**
Raw Materials at cost	8,814,030	9,493,052
Work in progress at cost	3,374,539	3,410,894
Finished goods at cost	8,537,454	5,854,186
	20,726,023	**18,758,132**

10. OTHER CURRENT ASSETS

	2015	2014
	$	**$**
Prepayments	**943,787**	**555,300**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT

	2015 $	2014 $
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]	705,806	701,772
Less: accumulated depreciation	(4,221,457)	(3,133,593)
	35,951,811	**37,035,641**
Plant and Equipment:		
Plant and equipment at cost	89,894,676	96,451,954
Less: accumulated depreciation	(36,901,886)	(36,156,850)
	52,992,790	**60,295,104**
Motor Vehicles:		
Motor vehicles at cost	140,796	136,233
Less: accumulated depreciation	(97,577)	(104,753)
	43,219	**31,480**
Office Equipment:		
Office equipment at cost	462,879	456,885
Less: accumulated depreciation	(311,250)	(261,921)
	151,629	**194,964**
Computer Equipment:		
Computer equipment at cost	2,311,417	2,228,630
Less: accumulated depreciation	(2,139,481)	(1,973,753)
	171,936	**254,877**
Assets under construction:		
Plant and equipment in progress at cost	2,009,967	2,039,625
	2,009,967	**2,039,625**
	91,321,352	**99,851,691**

[1] The land and buildings located at 185 Camboon Road, Malaga were independently valued by Knight Frank in June 2014.
[2] Relates to the Group's Henderson manufacturing and office complex.
[3] Leasehold improvements located at 42 Truganina Road, Malaga.

LAND AND BUILDING VALUATION

The Group's land and buildings located at 185 Camboon Road, Malaga are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The fair value measurements of the Group's freehold land and buildings as at 30 June 2014 was performed by Knight Frank Australia Pty Ltd, independent valuers not related to the Group. Knight Frank Australia Pty Ltd is a member of the Institute of Valuers of Australia, and has appropriate qualifications and recent experience in the fair value measurement of properties in the relevant locations.

11. PROPERTY, PLANT AND EQUIPMENT *(CONT...)*

LAND AND BUILDING VALUATION

The fair value of the freehold land was determined based on the market comparable approach that reflects recent transaction prices for similar properties. The fair value of the buildings was determined using the cost approach that reflects the cost to a market participant to construct assets of comparable utility and age, adjusted for obsolescence. There has been no change to the valuation technique during the year.

Within the fair value hierarchy these assets are Level 2. There were no transfers between hierarchy levels during the period.

ASSETS PLEDGED AS SECURITY

Land and buildings with a carrying amount of approximately $35,951,811 (2014: $37,035,641) 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

11. PROPERTY, PLANT AND EQUIPMENT *(CONT...)*

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 and building/ Leasehold improvement	Plant and equipment	Motor vehicles	Office equipment	Computer equipment	Assets under construction	Total
	$	$	$	$	$	$	$
Consolidated							
Carrying amount at 1 July 2014	37,035,641	60,295,104	31,480	194,964	254,877	2,039,625	99,851,691
Additions	3,088	4,510,588	35,805	9,563	108,663	2,298	4,670,005
Disposals/write-offs	-	(508,212)	(8,890)	(2,148)	(2,060)	(31,956)	(553,266)
Depreciation/amortisation expenses	(1,086,918)	(11,304,690)	(15,176)	(50,750)	(189,544)	-	(12,647,078)
Carrying amount at 30 June 2015	**35,951,811**	**52,992,790**	**43,219**	**151,629**	**171,936**	**2,009,967**	**91,321,352**
Carrying amount at 1 July 2013	38,110,577	65,565,257	52,091	266,436	484,917	105,487	104,584,765
Additions	12,235	5,178,755	-	4,476	113,627	1,934,138	7,243,231
Disposals/write-offs	(479)	(34,385)	(7,233)	(18,426)	(740)	-	(61,263)
Depreciation/amortisation expenses	(1,086,692)	(10,414,523)	(13,378)	(57,522)	(342,927)	-	(11,915,042)
Carrying amount at 30 June 2014	**37,035,641**	**60,295,104**	**31,480**	**194,964**	**254,877**	**2,039,625**	**99,851,691**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

12. FINANCIAL ASSETS AND OTHER FINANCIAL ASSETS

	2015	2014
	$	**$**
Forward exchange contracts (hedge-accounted)	-	169,755
Foreign currency options	501,615	153,192
	501,615	**322,947**

The group had a net hedge liability position of $1,460,002 (2014: net hedge position of $322,947) reflecting the negative mark-to-market value of foreign exchange contracts and call/put options. Refer to note 21, financial instruments for further details on the instruments.

13. INTANGIBLE ASSETS

	2015	2014
	$	**$**
Development costs net of amortisation (i)	2,457,633	2,064,823
Accumulated amortisation	(173,791)	(9,178)
Goodwill on acquisition of Specialist Engineering Services (Aust) Ltd (ii)	6,415,215	6,415,215
	8,699,057	**8,470,860**

i) Development costs incurred in the current year relates to several ongoing projects that are in the development phase prior to anticipated commercialisation.

ii) On 31 January 2008 Matrix acquired 100 per cent of the issued share capital of Specialist Engineering Services (Aust) Ltd (MOSE). Following the business reorganisation undertaken in June 2014, goodwill has now been allocated for impairment testing purposes to a single cash generating unit (CGU), being the Group.
The recoverable amount of the CGU is determined based on a value in use calculation which uses cash flow projections approved by the directors covering a five-year period and the following assumptions:

The key assumptions used in the value in use calculations for the impairment testing is as follows.

Discount rate	the post tax discount rate of 10% post tax has been applied.
Growth rate	the growth rate of 1.5% has been applied.
Terminal growth rate	the terminal growth rate of 2.0% has been applied.
Working capital management	working capital management assumes certain capital management initiatives which will reduce the capital employed in the business.
Production rate	the production rate is based on 36 units per day for FY16 and increases to 45 units per day from FY17 and thereafter.
Foreign exchange rate	the foreign exchange rate used is 0.768.

The following table sets out the impact on the recoverable amount for a change in the key assumptions set out above:

ASSUMPTION	VARIANCE	NEGATIVE IMPACT	POSITIVE IMPACT
Discount rate	± 2%	$33.2 million	$55.0 million
Growth rate	± 0.5%	$19.9 million	$20.1 million
Foreign exchange rate	± 0.05	$39.0 million	$44.4 million
Production rate	± 10%	$53.9 million	$59.0 million

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

14. TRADE AND OTHER PAYABLES

	2015	2014
	$	$
Trade payables	8,841,152	16,213,558
Other creditors and accruals	2,710,200	3,079,706
GST payable	66,900	690,338
	11,618,252	**19,983,602**

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

15. PROGRESS CLAIMS AND DEPOSITS

	2015	2014
	$	$
Progress claims and deposits	**14,297,482**	**16,681,890**

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

16. FINANCIAL LIABILITIES

	2015	2014
CURRENT	$	$
Bank bill – secured	-	6,089,878
Bank loan (i)	4,000,000	-
Interest rate swap option (ii)	203,294	406,927
Call/put options (iii)	510,556	-
Finance lease liability	-	6,857,384
Forward exchange contracts liability (hedge accounted)(iii)	1,451,061	-
	6,164,911	**13,354,189**
NON CURRENT		
Bank loan (i)	**4,000,000**	**-**

i) The Company has secured a new $50 million multi-option, multi-currency funding package with Australia and New Zealand Banking Group Limited (ANZ). The funding package comprises a $10 million term loan facility and amortising over three years, and up to $40 million of working capital and bonding facilities. The working capital and bonding facilities can be drawn in multiple currencies using a variety of instruments to assist with working capital, bonding and trade requirements.

ii) These are held at fair value through profit or loss.

iii) The Group had a net hedge liability position of $1,460,002 (2014: net hedge asset of $322,947) reflecting the negative mark-to-market value of foreign exchange contracts and call/put options. Refer to note 21 financial instruments for further details on the instruments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

16. FINANCIAL LIABILITIES *(CONT...)*

TOTAL CURRENT AND NON CURRENT INTEREST BEARING LOAN LIABILITIES:	2015	2014
	$	$
Bank bill	-	6,089,878
Bank loan	8,000,000	-
Finance lease liabilities	-	6,857,384
	8,000,000	**12,947,262**

Finance lease liabilities	**Minimum lease payments**		**Present value of minimum lease payments**	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
Not later than one year	-	7,326,475	-	6,857,384
Later than one year and not later than five years	-	-	-	-
	-	**7,326,475**	**-**	**6,857,384**
Less future finance charges	-	(469,091)	-	-
Present value of minimum lease payments	-	**6,857,384**	**-**	**6,857,384**

Included in the consolidated financial statements as:	**2015**	**2014**
	$	**$**
Current borrowings	-	6,857,384
Non-current borrowings	-	-
	-	**6,857,384**

Terms and conditions of outstanding loans were as follows:

LOAN FACILITIES	**Currency**	**Nominal interest rate**	**Approved Facilities**	**Amount Utilised**
		%	**$**	**$**
Bank Loan	AUD	3.35	**10,000,000**	**8,000,000**

WORKING CAPITAL AND CONTINGENT LINES	**Currency**	**Nominal interest rate**	**Approved Facilities**	**Amount Utilised**	**Available Facilities**
		%	**$**	**$**	**$**
Multi-option Bank Guarantee (i)	AUD/USD	2.95	25,000,000	7,460,511	17,539,489
Working capital		2.95	15,000,000	-	15,000,000
			40,000,000	**7,460,511**	**32,539,489**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

17. PROVISIONS

	2015	2014
CURRENT	**$**	**$**
Employee Entitlements	**1,098,092**	**1,513,932**
NON-CURRENT		
Employee Entitlements	**373,820**	**366,831**

18. ISSUED CAPITAL

	2015	2014
	$	**$**
Issued and paid up capital 94,231,942 (2014: 94,555,428) fully paid ordinary shares	111,784,863	111,784,863
Less: Buy-back of ordinary shares	(200,659)	-
Less: Share buy-back costs	(28,604)	-
	111,555,600	**111,784,863**

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	Number of shares	$
Balance 1 July 2013	94,555,428	111,784,863
Less: capital issue costs net of tax	-	-
Balance 30 June 2014	**94,555,428**	**111,784,863**
Less: Buy-back of ordinary shares	(323,486)	(200,659)
Less: Share buy-back costs	-	(28,604)
Balance 30 June 2015	**94,231,942**	**111,555,600**

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.

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 2015 of 5.7 per cent (2014: 4.7 per cent) is below the lower end of the target range.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

18. ISSUED CAPITAL *(CONT...)*

CAPITAL MANAGEMENT

	2015	2014
	$	$
Debt[1]	8,000,000	12,947,262
Progress claims and deposits	14,297,482	16,681,890
Cash and cash equivalents	(14,468,450)	(19,546,289)
Other receivables[2]	-	(3,662,420)
Adjusted net debt	**7,829,032**	**6,420,443**
Equity[3]	137,813,627	136,812,035
Net debt to equity ratio at 30 June	**5.7%**	**4.7%**

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

19. RESERVES

	Option premium reserve	Properties revaluation reserve	Cash flow hedge reserve	Foreign currency translation reserve	Share based payment reserve	Total
	$	$	$	$	$	$
Balance at 1 July 2013	273,000	787,664	(1,447,000)	72,345	-	(313,991)
Foreign currency translation difference	-	-	-	74,543	-	74,543
Changes in fair value of cash flow hedges net of tax	-	-	1,429,780	-	-	1,429,780
Balance at 30 June 2014	**273,000**	**787,664**	**(17,220)**	**146,888**	**-**	**1,190,332**
Foreign currency translation difference	-	-	-	(602,748)		(602,748)
Changes in fair value of cash flow hedges net of tax	-	-	10,884	-		10,884
Share based payment reserve	-	-	-	-	80,000	80,000
Balance at 30 June 2015	**273,000**	**787,664**	**(6,336)**	**(455,860)**	**80,000**	**678,468**

OPTION PREMIUM RESERVE

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

	2015	2014
	$	$
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 24.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

19. RESERVES *(CONT...)*

PROPERTIES REVALUATION RESERVE

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

	2015	2014
	$	$
Properties Revaluation Reserve		
Balance at beginning of year	787,664	787,664
Decrease arising on revaluation of properties	-	-
Balance at end of year	**787,664**	**787,664**

The properties revaluation reserve arises on the revaluation of land and buildings. When revalued land and 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.

	2015	2014
	$	$
Cash Flow Hedge Reserve		
Balance at beginning of year	(17,220)	(1,447,000)
Income arising on changes in fair value of hedging instruments – forward foreign exchange contracts	15,549	2,042,543
Income tax related to loss recognised in other comprehensive income	(4,665)	(612,763)
Balance at end of year	**(6,336)**	**(17,220)**

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.

FOREIGN CURRENCY TRANSLATION RESERVE

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

	2015	2014
	$	$
Foreign Currency Translation Reserve		
Balance at beginning of year	146,888	72,345
Exchange differences arising on translating the foreign operations	(602,748)	74,543
Balance at end of year	**(455,860)**	**146,888**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

20. NOTES TO THE STATEMENT OF CASH FLOWS

	2015 $	2014 $
(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	14,468,450	19,546,289
(b) Reconciliation of cash flow from operations with profit after income tax		
Profit after income tax	3,633,828	3,018,004
Adjustment for non-cash items		
– Net movement in derivative instruments	1,052,588	(4,804,931)
– Depreciation of property, plant & equipment	12,647,078	11,915,042
– Amortisation of intangibles	164,612	9,178
– Loss on disposal of property, plant & equipment	42,403	44,258
– Loss on disposal of property, plant & equipment included in cost of sales	274,343	-
Changes in assets & liabilities		
– (Increase)/decrease in trade and other receivables	(998,191)	2,644,717
– (Increase)/decrease in other assets	(388,487)	767,746
– (Increase)/decrease in inventories	(1,967,891)	4,839,112
– Increase in trade & other payables, progress claims & deposits	(10,749,758)	(4,300,355)
– (Decrease)/increase in employee provisions	(408,851)	36,773
– Decrease/(increase) in provision for tax assets	-	4,571
– Decrease in deferred tax asset	1,982,712	2,559,513
– Increase in deferred tax liability	1,516,839	(271,741)
Net cash flows from operating activities	**6,801,225**	**16,461,887**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

21. 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 2015, 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:

	2015 $	2014 $
Change in profit		
Increase in interest rate by 2% (200 basis point)	203,298	56,688
Decrease in interest rate by 2% (200 basis point)	(203,298)	(56,688)
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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS *(CONT...)*

FINANCIAL ASSETS

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing				Non-Interest Bearing	
					Within 1 Year		Over 1 Year			
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	%	%	$	$	$	$	$	$	$	$
Cash and Cash Equivalents	-	0.02	-	-	-	-	-	-	14,468,450	19,546,289
Trade and Other Receivables	-	-	-	-	-	3,662,420	-	-	34,245,832	28,963,848
Other Financial Assets	-	-	-	-	-	-	-	-	501,615	322,947
Total Financial Assets			**-**	**-**	**-**	**3,662,420**	**-**	**-**	**49,215,897**	**48,833,084**

FINANCIAL LIABILITIES

	Weighted Average Effective Interest Rate		Floating Interest Rate		Fixed Interest Rate Maturing				Non-Interest Bearing	
					Within 1 Year		Over 1 Year			
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	%	%	$	$	$	$	$	$	$	$
Trade and Other Payables	-	-	-	-	-	-	-	-	11,551,352	19,293,265
Bank Loan	3.35	-	8,000,000	-	-	-	-	-	-	-
Finance Leases	-	6.5	-	-	-	6,857,384	-	-	-	-
Interest Rate Swaps	3.69	2.8	203,294	406,927	-	-	-	-	-	-
Bank Bills	-	4.0	-	6,089,878	-	-	-	-	-	-
Other Financial Liabilities	-	-	1,961,617	-	-	-	-	-	-	-
Total Financial Liabilities			**10,164,911**	**6,496,805**	**-**	**6,857,384**	**-**	**-**	**11,551,352**	**19,293,265**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS *(CONT...)*

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 2015.

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:

	2015	2014
	$	**$**
Trade receivables	**21,168,585**	**19,989,657**

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

Days		
0-30	13,243,760	19,378,987
31-60	7,921,436	185,717
61-90	3,389	126,286
90+	-	298,667
	21,168,585	**19,989,657**

Trade receivables of $463,153 (2014: $424,953) were past due at 30 June, of which $256,076 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 2015.

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

	Liabilities		Assets	
	2015	**2014**	**2015**	**2014**
	$	**$**	**$**	**$**
US Dollars	**23,267,877**	**23,588,756**	**48,714,282**	**37,185,525**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS *(CONT...)*

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)	
		2015	**2014**	**2015**	**2014**
		$'000	**$'000**	**$'000**	**$'000**
A$ vs US$	+10%	(1,831)	(1,312)	1,929	656
A$ vs US$	-10%	2,015	1,443	(2,122)	(722)

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	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
	$	**$**	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**	**US$000**
Cash flow hedges								
Sell US Dollar								
Less than 1 month	0.8648	-	5,500	-	6,360	-	(776)	-
Less than 3 months	0.8418	0.9200	5,000	6,800	5,940	7,391	(580)	170
3 to 6 months	0.7617	-	4,500	-	5,908	-	(74)	-
6 months to 1 year	0.7598	-	1,300	-	1,711	-	(21)	-
							(1,451)	**170**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS *(CONT...)*

FORWARD FOREIGN EXCHANGE CONTRACTS

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 2015, 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 a loss of $6,336 (2014: loss $17,220). 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.

CALL/PUT OPTIONS

The Group has entered into a series of call/put options to protect a portion of the Group's future revenue against unfavourable exchange rate movements.

The face value of the call/put options as at 30 June 2015 was US$13.95 million (2014: US$8.7 million).

At 30 June 2015, the aggregate amount of profit recognised under call/put option in profit or loss is loss of $162,133 (2014: profit $153,192).

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS *(CONT...)*

LIQUIDITY RISK

	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 2015							
Cash and cash equivalents	-	14,468,450	-	-	-	-	14,468,450
Trade and other receivables	-	27,287,889	-	6,957,943	-	-	34,245,832
Foreign currency options	-	-	-	501,615	-	-	501,615
Foreign exchange contracts	-	(775,807)	(579,900)	(95,354)	-	-	(1,451,061)
Call/Put options liability	-	-	-	(510,556)	-	-	(510,556)
Trade and other payables	-	(6,617,777)	(3,686,793)	(1,246,782)	-	-	(11,551,352)
Borrowing and finance leases	3.35	-	-	(4,000,000)	(4,000,000)	-	(8,000,000)
Interest rate swap option	3.69	-	-	(203,294)	-	-	(203,294)
		34,362,755	**(4,266,693)**	**1,403,572**	**(4,000,000)**	**-**	**27,499,634**
30 June 2014							
Cash and cash equivalents	0.02	19,546,289	-	-	-	-	19,546,289
Trade and other receivables	-	20,833,193	-	11,793,075	-	-	32,626,268
Foreign exchange Contracts	-	-	169,755	-	-	-	169,755
Call/Put options	-	-	-	153,192	-	-	153,192
Trade and other payables	-	(3,036,098)	(15,827,039)	(430,127)	-	-	(19,293,264)
Borrowing and finance leases	5.5	(68,308)	(1,554,894)	(12,035,725)	-	-	(13,658,927)
Interest rate swap option	2.8	-	-	(406,927)	-	-	(406,927)
		37,275,076	**(17,212,178)**	**(926,512)**	**-**	**-**	**19,136,386**

The amounts included above 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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

21. FINANCIAL INSTRUMENTS *(CONT...)*

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.

The fair value of the Group's financial assets and liabilities are determined on the following basis.

FINANCIAL ASSETS AND FINANCIAL LIABILITIES THAT ARE MEASURED AT FAIR VALUE ON A RECURRING BASIS

Subsequent to initial recognition, at fair value financial instruments are grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Levels are defined as follows:

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets of liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included with 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).

The Group has derivative financial assets and liabilities which are classified as level 2 fair value measurements. There were no transfers between level 1 and 2 in the current or prior period.

These level 2 financial assets and liabilities include:

- foreign exchange derivative assets of $501,615 (2014: $322,947) are valued using discounted cash flow techniques. Under this technique future cash flows are estimated based on forward exchange contract rates (from observable forward exchange contract rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of the counterparties.
- foreign exchange derivative liabilities of $2,164,911 (2014: $406,927) that are valued using discounted cash flow techniques. Under this technique future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the counterparties.

In neither case are there significant unobservable inputs.

	Level 1	Level 2	Level 3	Total
30 June 2015	**$**	**$**	**$**	**$**
Derivative financial assets	-	501,615	-	501,615
Derivative financial liabilities	-	(2,164,911)	-	(2,164,911)
Total	**-**	**(1,663,296)**	**-**	**(1,663,296)**
30 June 2014				
Derivative financial assets	-	322,947	-	322,947
Derivative financial liabilities	-	(406,927)	-	(406,927)
Total	**-**	**(83,980)**	**-**	**(83,980)**

The Group has no significant financial assets and liabilities grouped as level 1 or level 3 fair value measurements.

Financial Assets and financial liabilities that are not measured at fair value on a recurring basis (but wherefair value disclosures are required)

At balance date, the carrying amount of financial assets and financial liabilities for the Group is considered to approximate their fair values.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

22. OPERATING LEASE COMMITMENTS

	2015 $	2014 $
Not later than 1 year	1,620,040	1,377,367
Later than 1 year but not later than 5 years	4,203,106	4,471,614
Later than 5 years	28,438,821	29,386,388

The lease commitment is for rental of land and buildings.

23. FRANKING ACCOUNT

	2015 $	2014 $
Franking account balance at 1 July	16,687,218	16,687,218
Tax paid in relation to prior years	-	-
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	-	-
Franking account balance at 30 June	**16,687,218**	**16,687,218**
Franking credits that will arise from the payment of income tax payable as at the reporting date	-	-
Franking debits that will arise from income tax return amendment refund	(1,282,632)	-
Franking debits that will arise from the payment of dividends	(810,475)	-
Net franking credits available	**14,594,111**	**16,687,218**

24. SHARE-BASED PAYMENTS

SHARE OPTIONS

There have been no share options brought forward, issued or exercised during the year (2014: nil).

LONG TERM INCENTIVE PLANS

Matrix has established a long term incentive plan designed to provide the opportunity to employees to acquire Matrix shares and thus assist with:

- attracting, motivating and retaining employees;
- delivering rewards to employees for individuals and Company performance;
- giving employees the opportunity to become shareholders; and
- aligning the interests of employees and shareholder.

The Board is able to grant long term incentive awards to eligible participants, including senior executives. In general, those executives and employees who have capacity to impact the long term performance of the Company will be granted either performance rights or share appreciation rights under the Matrix Rights Plan. Other employees will have the opportunity to acquire shares in Matrix under the Matrix Tax Exempt Share Plan (TESP).

All incentives granted to eligible participants under the Matrix long term incentive plan will only vest on the satisfaction of appropriate vesting conditions. The vesting conditions will be measured and tested over a period of three years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

24. SHARE-BASED PAYMENTS *(CONT...)*

There are three types of grant under the Rights plan offered to professional staff, senior management and senior executives of Matrix. The plans are summarised below:

TESP

The TESP is open to all employees not covered by a higher level plan, provided they have two years or more of service with Matrix. The value of shares to be issued under the grant will be not greater than $1,000 and at the absolute discretion of the Board.

Shares issued to employees under the TESP will be tax-exempt in the hands of the employee, not subject to FBT and tax deductible to the Company.

Holders of TESP shares will be entitled to vote at shareholder meetings and participate in dividends and other shareholder distributions. The TESP shares will have a trading restriction which will expire at the earlier of three years from the date of issue or upon the holder ceasing to be employed by Matrix.

MANAGEMENT PLAN - PERFORMANCE RIGHTS

The Management Performance Rights Plan (MPRP) will be open to certain professional staff with two or more years' service with Matrix. Eligible participants will be offered a grant of Performance Rights in dollar value terms up to but not exceeding $2,000. Performance Rights granted under the MPRP will be subject to a vesting condition of a three year service period from 1 July 2014. Upon vesting, the Performance Rights will convert to Matrix fully paid ordinary shares on a one for one basis or the cash equivalent, at the discretion of the Board. Any shares transferred to MPRP participants on conversion of Performance Rights may be acquired either on-market, or by way of a new issue of shares.

EXECUTIVE PLAN – PERFORMANCE RIGHTS

The Executive Performance Rights Plan (EPRP) will be open to executives who are not participants in the Senior Executive Plan with two or more years' services with Matrix. Eligible participants will be offered a grant of Performance Rights in dollar value terms up to but not exceeding $10,000. Performance Rights granted under the EPRP will be subject to the following vesting conditions:

- three year service period from 1 July 2014; and
- Total Shareholder Return (TSR) target based on a TSR comparator group comprising of ASX 300 group of companies as follows:

TSR TARGET ACHIEVED DURING PERFORMANCE PERIOD	% OF PERFORMANCE RIGHTS VESTED
75% and over	100%
50 – 75%	50 – 100% of sliding scale
Below 50%	Nil

Upon vesting, the Performance Rights will convert to Matrix fully paid ordinary shares on a one for one basis or the cash equivalent, at the discretion of the Board. Any shares transferred to MPRP participants on conversion of Performance Rights may be acquired either on-market, or by way of a new issue of shares.

SENIOR EXECUTIVE PLAN – SENIOR EXECUTIVE PERFORMANCE RIGHTS PLAN (SEPRP) & SENIOR EXECUTIVE SHARE APPRECIATION RIGHTS PLAN (SESARP)

Under the SEPRP and SESARP senior executives will be offered an annual dollar value grant in accordance with the terms of their respective Executive Service Agreements, which they may allocate to participate in the SEPRP or the SEASARP. A participant may elect to allocate up to a maximum of 50 per cent of the grant entitlement to the SEPRP.

The first grant under the SEPRP and SESARP has been in respect of executives employed under current executive service agreements which have three year terms. It is anticipated that in future years grants will be made on an annual basis.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

24. SHARE-BASED PAYMENTS *(CONT...)*

SEPRP

Rights granted under the SEPRP will be subject to the following conditions:

- three year service period from 1 July 2014; and
- TSR target based on a TSR comparator group comprising of ASX 300 group of companies as follows:

TSR TARGET ACHIEVED DURING PERFORMANCE PERIOD	% OF PERFORMANCE RIGHTS VESTED
75% and over	100%
50 – 75%	50 – 100% of sliding scale
Below 50%	Nil

Upon vesting, the Performance Rights will convert to Matrix fully paid ordinary shares on a one for one basis or the cash equivalent, at the discretion of the Board. Any shares transferred to MPRP participants on conversion of Performance Rights may be acquired either on-market, or by way of a new issue of shares.

SESARP

Under the SESARP, Share Appreciation Rights (SARs) will be issued to participants. SARs are an entitlement to a number of Shares equal to the growth in value of the underlying Shares, or to receive a cash equivalent value on terms and conditions determined by the Board.

SARs granted under the SEPRP will be subject to the following vesting conditions:

- three year service period from 1 July 2014; and
- TSR target based on a TSR comparator group comprising of ASX 300 group of companies as follows:

TSR TARGET ACHIEVED DURING PERFORMANCE PERIOD	% OF PERFORMANCE RIGHTS VESTED
75% and over	100%
50 – 75%	50 – 100% of sliding scale
Below 50%	Nil

Upon vesting of any SARs, participants will be issued with Shares, or the cash equivalent, equal to the value derived by multiplying the number of vested Rights by the growth in share price over the performance period, determined by the Matrix share price growth over and above the hurdle share price. The hurdle share price will be based on the growth rate for the ASX300 Accumulation Index over the five years prior to the grant date of the Rights.

Holders of rights under the SEPRP and SESARP will be not entitled to vote at shareholder meetings or participate in dividends or any other shareholder distributions. The rights are non-transferable however once the vesting condition is met and shares are issued there are no additional trading restrictions in relation to the shares. Once the rights have been converted into shares these shareholders will be entitled to vote at shareholder meetings and participate in dividends and other shareholder distributions.

The rights are not taxable in the hands of the employees until the vesting conditions are met. At this point the value is crystallised and subject to income tax in the employees hands. The value of the rights is only tax deductible to Matrix at the point of vesting even though it is an expense for accounting (amortised over the three year vesting period) at the point of granting.

FAIR VALUE OF SHARE RIGHTS GRANTED IN THE YEAR

The Performance Rights and Share Appreciation Rights contemplated by the Rights Plan have been subject to a valuation report by Ernst & Young dated 10 August 2015.

Ernst and Young valued the awards as at 29 July 2015, the grant date, and used the 28 calendar day volume weighted average market price (VWAMP) up to 11 September 2014 as the share price in the valuation.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

24. SHARE-BASED PAYMENTS *(CONT...)*

Ernst and Young has adopted Monte-Carlo simulation as the appropriate methodology to value the rights granted under the SEPRP and SESARP. Monte-Carlo simulation is a highly flexible valuation technique which can cope with a variety of award structures and is often used where instruments have more than one hurdle.

The key assumptions adopted by Ernst and Young in assessing the rights is set out below

	PERFORMANCE RIGHTS	SHARE APPRECIATION RIGHTS
Grant date	29 July 2015	29 July 2015
Vesting date	14 September 2017	14 September 2017
Share price at grant	$0.44	$0.44
28 calendar day VWAP at start of performance period	$1.10	$1.10
Hurdle growth rate	n/a	8.25%
Hurdle price	n/a	$1.39
Expected life	2.1 years	2.1 years
Volatility	55%	55%
Risk free interest rate	1.85%	1.85%
Dividend yield	4.1%	4.1%

Ernst & Young has assessed the value of the PRs and SARs proposed to be issued under the Rights Plan as follows:

INSTRUMENT	PLAN TYPE	PERFORMANCE HURDLE	VALUE
Performance Rights	Senior Executive Plan	Relative TSR, Share Price Hurdle and Service Condition	$0.09
Share Appreciation Rights	Senior Executive Plan		$0.02

SESARP ISSUED

In accordance with the terms of the plan, as approved by shareholders at a previous notice of general meeting, the number of SARs to be granted to the Senior Executives under the SESARP, testing date, and vesting date are as follows:

NUMBER OF SARS	TESTING DATE	VESTING DATE
796,296	Release of FY2017 statutory accounts	11 September 2017

In accordance with the terms of the plan, as approved by shareholders at a previous notice of general meeting, the number of PRs to be granted to the Senior Executives under the SEPRP, testing date, and vesting date are as follows:

NUMBER OF PRS	TESTING DATE	VESTING DATE
88,709	Release of FY2017 statutory accounts	11 September 2017

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

25. RELATED PARTY DISCLOSURES

(A) KEY MANAGEMENT PERSONNEL COMPENSATION

	2015	2014
	$	$
Short term employment benefits	1,687,405	1,947,932
Post-employment benefits	125,362	117,004
	1,812,767	**2,064,936**

(B) PARENT ENTITY

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

(C) RELATED PARTY TRANSACTIONS

Transactions between related parties are at arms-length terms.

	2015	2014
	$	$
The premises at 42 Truganina Road is leased from Kanu Pty Ltd, a company of which Maxwell Begley is a substantial shareholder. Mr Begley and his associated parties have a substantial shareholding in Matrix.	**370,767**	**407,117**

(D) OPTION HOLDINGS OF KEY MANAGEMENT PERSONNEL

There have been no movements during the reporting period (2014: 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.

(E) KEY MANAGEMENT PERSONNEL

- There were no loans to key management personnel during the year or outstanding at the end of the year (2014: nil).
- No options have been issued to key management personnel during the year (2014: nil).

(F) OTHER TRANSACTIONS AND BALANCES WITH KEY MANAGEMENT PERSONNEL

There were no other transactions with key management personnel at the end of the year (2014: nil).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

26. SUBSIDIARIES

The consolidated financial statements include the following subsidiaries:

Name	Incorporation	Shares	Equity Holding %	
			2015	2014
Specialist Engineering Services (Aust) Ltd	Australia	Ordinary	100	100
Drilling Solutions Pty Ltd[1]	Australia	Ordinary	99	99
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
MC&E (Asia) Pte Ltd[2]	Singapore	Ordinary	-	100
Torque Engineering Australia Pty Ltd[3]	Australia	Ordinary	-	100

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

[2] This entity was deregistered on 9 December 2014

[3] This entity was disposed on 14 October 2014

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

27. 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

	2015	2014
	$	$
Assets		
Current assets	72,853,478	71,987,628
Non-current assets	108,838,022	115,431,782
Total assets	**181,691,500**	**187,419,410**
Liabilities		
Current liabilities	31,147,605	47,270,041
Non-current liabilities	8,018,609	2,654,758
Total liabilities	**39,166,214**	**49,924,799**
Net assets	**142,525,286**	**137,494,611**
Equity		
Issued capital	111,555,600	111,784,863
Retained earnings	30,623,022	25,453,968
Option premium reserve	273,000	273,000
Cash flow hedge reserve	(6,336)	(17,220)
Share based payment reserve	80,000	-
Total equity	**142,525,286**	**137,494,611**

	2015	2014
	$	$
Financial Performance		
Profit for the year	7,060,163	1,610,880
Other comprehensive income	10,884	1,429,780
Total comprehensive income	**7,071,047**	**3,040,660**
Commitments for the acquisition of property, plant and equipment by the parent entity		
No longer than 1 year	1,406,898	942,941
Longer than 1 year and not longer than 5 years	-	-
Longer than 5 years	-	-
	1,406,898	**942,941**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

28. EARNINGS PER SHARE

	2015	2014
Profit attributable to members of parent entity ($)	3,633,828	3,018,004
Weighted average number of shares on issue (number)	94,504,583	94,555,428
Weighted average number of shares adjusted for dilution (number)	94,504,583	94,555,428
Basic profit per share (cents)	3.8	3.2
Diluted profit per share (cents)	3.8	3.2

29. DIVIDENDS PAID AND PROPOSED

	2015	2014
	$	**$**
Dividends paid and proposed		
(a) Dividends paid during the year	1,891,109	-
Fully franked final dividend		
Dividends paid (2015: Nil; 2014:Nil)	-	-
Fully franked interim dividend		
Dividends paid (2015: 2 cents per share; 2014:Nil)	1,891,109	-
(b) Dividends determined (not recorded as a liability)		
Fully franked final dividend		
Dividends determined (2015: 1 cent determined; 2014: Nil declared)	**942,319**	**-**

During the period, the directors determined a half-yearly dividend payable for the period ended 31 December 2014 of 2.0 cents per share.

The directors have determined a fully franked final dividend of 1.0 cent per share to the holders of fully paid ordinary shares in respect of the financial year ended 30 June 2015, to be paid to shareholders on 30 September 2015.

30. CAPITAL AND OTHER COMMITMENTS

The Group has entered into capital commitments of $1,406,898 for plant & equipment at 30 June 2015 (2014: $942,941).

31. COMPANY DETAILS

The registered office and principal place of business of the company is 150 Quill Way, Henderson, Western Australia.

32. CONTINGENT LIABILITIES AND ASSETS

There were no contingent liabilities or assets at 30 June 2015.

33. 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.

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 and Chief Executive Officer

Dated 19 August 2015

INDEPENDENT AUDITORS' REPORT

Deloitte.

Deloitte Touche Tohmatsu
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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 consolidated statement of financial position as at 30 June 2015, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of cash flows and the consolidated 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 30 to 81.

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.

INDEPENDENT AUDITORS' REPORT

Deloitte.

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.

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 2015 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 21 to 28 of the directors' report for the year ended 30 June 2015. 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 2015, complies with section 300A of the *Corporations Act 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

Peter Rupp
Partner
Chartered Accountants
Perth, 19 August 2015

ADDITIONAL STOCK EXCHANGE INFORMATION

AS AT 8 SEPTEMBER 2015

ORDINARY SHARE CAPITAL

94,033,008 fully paid ordinary shares are held by 2,810 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	NUMBER OF HOLDERS	% OF ISSUED CAPITAL
1-1,000	509,819	1,037	0.54
1,001-5,000	2,706,909	1,035	2.88
5,001 – 10,000	2,311,063	295	2.46
10,001 – 100,000	10,929,355	372	11.62
>100,001	77,575,862	71	82.50
Total	**94,033,008**	**2,810**	**100.00**
Holding less than a marketable parcel	564,282	1,088	0.60

TWENTY (20) LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

	FULLY PAID ORDINARY SHARES	
NAME	NUMBER	PERCENTAGE
Milto Pty Ltd	16,729,702	17.79
National Nominees Limited	12,300,518	13.08
J P Morgan Nominees Australia Limited	8,609,398	9.16
Citicorp Nominees Pty Ltd	6,506,148	6.92
HSBC Custody Nominees (Australia) Limited	4,073,902	4.33
BNP Paribas Nominees Pty Ltd	3,376,239	3.59
Mr Aaron Paul Begley	3,062,763	3.26
Ms Linda Sampey & Mr Bruce Sampey	1,969,000	2.09
Citicorp Nominees Pty Ltd	1,754,203	1.87
Mr Maxwell Graham Begley	1,610,308	1.71
Milto Pty Ltd	1,553,295	1.65
Bond Street Custodians Limited	982,690	1.05
Begley Superannuation Co Pty Ltd	914,584	0.97
Mr Todd Justin Begley	783,400	0.83
Mr Paul Richard Wright & Mrs Karen Bronwyn Wright	616,994	0.66
Fortress Enterprises Pty Ltd	553,333	0.59
Mr Craig Neil Duncan	535,214	0.57
Mr Leslie Kroll	500,000	0.53
Mr Peter Lindsay Wright	495,859	0.53
Vector Nominees Pty Limited	482,108	0.51
Total	**67,409,658**	**71.69**

ADDITIONAL STOCK EXCHANGE INFORMATION

SUBSTANTIAL SHAREHOLDERS

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

	FULLY PAID ORDINARY SHARES	
ORDINARY SHAREHOLDERS	**NUMBER**	**%**
M.G. Begley & Associates	24,753,014	26.18
Allan Gray Australia Pty Ltd	17,097,845	18.08
IOOF Holdings Limited	11,268,877	11.92

COMPANY SECRETARY

Mr Peter Tazewell

REGISTERED AND PRINCIPAL ADMINISTRATION OFFICE

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Henderson WA 6166

Phone: +61 8 9412 1200

SHARE REGISTRY

Link Market Services Ltd

Level 4, Central Park
152-158 St Georges Terrace
Perth WA 6000

Phone: + 61 8 9211 6670

ON-MARKET SHARE BUY-BACK

The Company has initiated an on-market buy back scheme which is due to conclude on 5 March 2016, unless terminated prior to this date.

RESTRICTED SECURITIES

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

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