Matrix
COMPOSITES & ENGINEERING

2024 Annual Report

LIGHTER • STRONGER • SMARTER

CORPORATE DIRECTORY

Directors	Mr P J Hood AO (Chairman) Mr A P Begley (CEO) Mr S Cole Mr C Sutherland Ms A Terry Mr B W Cocks (CFO)
Company Secretary	Mr B W Cocks Ms C A Flaherty
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CHAIRPERSON'S REPORT

Dear Shareholders,

On behalf of the Board, I am pleased to present the 2024 Annual Report for Matrix Composites & Engineering Ltd (Matrix).

Matrix delivered strong financial and operational results in the 2024 Financial Year (FY24) with substantial growth in revenue and underlying earnings, principally driven by increased subsea buoyancy work and complemented by our Corrosion Technologies and emerging Advanced Materials businesses.

Group revenue was $85.0 million, up 80% on FY23 following a very strong performance in the second half of the year. This was in line with management expectations and continued to build on the positive growth momentum achieved since 2021. Underlying EBITDAF was $11.0 million, up from $0.2 million in FY23, with Net Profit After Tax of $3.6 million. The Company also generated $10.9 million in operating cashflow, increasing cash on hand at 30 June 2024 to $23.3 million.

Subsea buoyancy work for the oil and gas sector was again a strong focus of activity during the year comprising over 70% of the total revenue. This included the supply of SURF products (Subsea Umbilicals, Risers and Flowlines) into two major projects in South America thus building a substantial track record with these products. Revenue for the year also included a number of smaller projects delivered into the Drilling markets, and ancillary products for the SURF market.

Outside of the oil and gas sector, Matrix completed work on a riser buoyancy system using syntactic foam technology for a deep-sea mining and research vessel. The $13 million project represented 15% of total revenue for the year and was the largest contract Matrix has received outside the oil & gas sector.

Corrosion Technologies and Advanced Materials continue to be positive contributors for the Company with a baseload of recurring maintenance revenue, as well as adding diversity to revenue and future growth opportunities. Corrosion Technologies delivered $6.4m of revenue and Advanced Materials grew by 80% to revenue of $4.7 million. Key projects included the supply of the Company's Max-R™ Low Friction Centralizers to Aramco under an initial $1.1 million order secured in August 2023 and initial production of Fortescue green hydrogen equipment parts.

Advanced Materials also supplied the Australian Navy's Unmanned Undersea Vehicle (UUV) Program during the year, including the Anduril Ghost Shark UUV with prototype production successfully completed. Matrix is exploring further opportunities with Anduril and also exploring potential scale and mass manufacture opportunities other UUV players, as well as supporting Australian and US Navy sustainment as a part of AUKUS.

I am pleased to say that the outlook for Matrix in the 2025 financial year remains positive and the Company is targeting continued growth in revenue and earnings from the strengthening subsea market, and capturing opportunities in Advanced Materials. Furthermore, Matrix is well positioned to deliver this growth with a strong balance sheet and positive tendering momentum.

The Subsea business has a strong base of approximately $33m of secured revenue for FY25 already in place at 30 June 2024, with more near term subsea market opportunities under negotiation that can significantly add to the order book. Matrix is pursuing an active pipeline of project opportunities with around $300 million of competitive quotations yet to be awarded in the SURF market, and around $100 million of these expected to be awarded during FY25. The Company has also submitted tenders for more than $60 million in subsea buoyancy projects for the floating wind market.

Recurring revenue of at least $10m per annum is expected from Corrosion Technologies and Advanced Materials, with opportunities to grow. Advanced Materials clean energy work is continuing to emerge and Defence opportunities are building momentum.

During the year Mr Craig Duncan retired from the Matrix Board. Craig was an inaugural Board member at the time of Matrix's ASX listing in 2009 and has been fundamental to the Company's development and transformation for over 14 years. On behalf of the Board, I would again like to extend my gratitude to Craig for his significant contribution to Matrix over his extensive time with the Company.

The Board also welcomed Ms Alison Terry as a Non-Executive Director, and Mr Brendan Cocks as an Executive Director. Alison is an experienced executive and non-executive director with over two decades of experience across governance, corporate affairs, and sustainability, which will complement the Board. Brendan has been Matrix's Chief Financial Officer since joining the Company in 2016. He will continue in that role while also bringing financial and commercial experience directly to the Board.

In conclusion, on behalf of the Matrix Board, I would like to thank everyone at Matrix for their efforts in making 2024 a safe and successful year of growth for the Company. This includes the senior management team, Matrix employees and contractors. The Company is well positioned for another year of growth in 2025, and I look forward to our team continuing to deliver safely and successfully.

Finally, I would like to extend our thanks to our customers and shareholders, for their continued support and trust in our mission to deliver long-term value.

Peter Hood AO
Chairperson

DIRECTORS' REPORT

FOR THE YEAR ENDED 30 JUNE 2024

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 2024. 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 AO	Independent Non-Executive Chairman
Qualifications & Experience	Peter Hood is a qualified Chemical Engineer with nearly 50 years of 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 value. Mr Hood is a Past President of the Australian Chamber of Commerce and Industry (ACCI), and a Non-Executive Director of, GR Engineering Ltd, De Grey Mining Ltd and Cue Energy Resources 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 Nominations and Remuneration Committee and is a member of the Audit and Risk Committees.
Education	Advanced Management Program, Harvard Business School, 1997 Graduate Diploma of Administration, Western Australian Institute of Technology (now Curtin University), 1974 Bachelor of Engineering (Chemical), Melbourne University, 1970
Memberships	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 25 years' experience in manufacturing and marketing specialised industrial equipment, materials and services to the oil & gas and marine technology sectors. 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 products for the oil & gas sector.
Education	Post Graduate Diploma of Management (Curtin), 2002 Bachelor of Economics (University of Western Australia), 1993
Memberships	Society of Underwater Technology (SUT) Society of Petroleum Engineers (SPE) International Association of Drilling Contractors (IADC)

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, local government, property management and development and resources sectors. Mr Cole is Chairman of Neometals Limited and Primobius GmbH, Non-Executive Director of Bilton Canning Pty Ltd, Yourtoolkit.com Limited, and Reed Advanced Materials Pty Ltd. 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 Risk and Nominations and Remuneration Committees.
Education	Bachelor of Laws (Hons)

Chris Sutherland	Independent Non-Executive Director
Qualifications & Experience	Chris Sutherland has significant executive leadership expertise spanning more than 20 years, encompassing a wide array of sectors in Australia; including oil and gas, resources, infrastructure and manufacturing. Mr Sutherland previously spent 11 years as Managing Director and Chief Executive Officer of Programmed Maintenance Services Ltd. He has also served in other leadership roles which followed executive and management roles at major multidisciplinary engineering firms. Mr Sutherland chairs the Risk Committee and is a member of the Audit and Nominations and Remuneration Committees.
Education	Bachelor of Engineering (Hons), University of Western Australia Advanced Management Program Harvard Business School

Alison Terry	Independent Non-Executive Director
Qualifications & Experience	Alison Terry is an experienced executive and non-executive director with over 20 years of governance, corporate affairs, sustainability and legal experience in major companies nationally. Most recently she held an Executive role at Fortescue Metals Group as Director of Sustainability and Corporate Affairs and Joint Company Secretary. Ms Terry is currently a Director at RAC Insurance, Bannerman Energy Limited, UN Women Australia and the Black Swan State Theatre Company of Western Australia. Ms Terry is a member of the Risk, Audit and Nominations and Remuneration Committees.
Education	Bachelor of Economics and Bachelor of Law (Hons), The Australian National University Graduate Diploma of Business (Accounting), Monash University
Memberships	Graduate of the Australian Institute of Company Directors Member of Chief Executive Women

Brendan Cocks	Executive Director
Qualifications & Experience	Brendan Cocks is an experienced executive and Chartered Accountant with over 25 years in finance, leadership and commercial roles. Mr Cocks has been Chief Financial Officer and Joint Company Secretary of the Company since joining Matrix in 2016. In the 10 years prior to joining Matrix, Mr Cocks held Chief Financial Officer roles with a number of ASX listed companies including Kresta Holdings and LogiCamms Ltd.
Education	Bachelor of Commerce, University of Western Australia
Memberships	Member of Chartered Accountants Australia and New Zealand
Craig N Duncan	**Independent Non-Executive Director**
Qualifications & Experience	Craig Duncan has over 40 years' experience in the petroleum and mining industries in Australia, PNG, Asia, the Middle East and Africa. He has over 20 years' experience managing well construction operations. Prior to this role, Mr Duncan was involved in manufacturing specialised equipment for the gold mining industry.
Education	Graduate Diploma in Petroleum Engineering, University of New South Wales, 2005

The above-named directors held office during the whole of the financial year and since the end of the financial year other than Alison Terry and Brendan Cocks who were appointed on 12 February 2024 and Craig Duncan who retired on 19 February 2024.

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
PJ Hood	Cue Energy Resources Ltd	2018 - Current
PJ Hood	De Grey Mining Ltd	2018 - Current
S Cole	Neometals Ltd	2008 - Current
C Sutherland	Remsense Technologies Ltd	2021 - 2024
C Sutherland	Copper Search Ltd	2021 - Current
A Terry	Bannerman Energy Ltd	2022 - Current

Directors' Shareholdings

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

Directors	Fully paid shares number	Share options	Performance rights
PJ Hood	1,608,000	0	0
AP Begley	7,456,348	4,759,927	2,582,507
S Cole	500,000	0	0
C Sutherland	418,433	0	0
A Terry	100,000	0	0
BW Cocks	463,673	2,845,688	1,551,465

No shares, options in shares or performance rights have been issued for compensation purposes during or since the end of the financial year to any Director of the Company, other than 1,768,587 Executive Share Options and 1,052,816 Executive Performance Rights (2023: 1,334,533 Executive Share Options and 736,388 Executive Performance Rights) that have been granted to Mr Aaron Begley and Mr Brendan Cocks pursuant to the Matrix Rights Plan. The grant of Rights to Mr Aaron Begley was approved by shareholders at the Annual General Meeting of shareholders held in November 2023.

A total of 567,730 performance rights previously granted to Mr Begley and Mr Cocks vested during the period and were converted to ordinary shares.

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 14 to 25. 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 1,768,587 Executive Share Options and 1,052,816 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 options	Executive performance rights
Aaron Begley	Matrix Composites & Engineering Ltd	1,010,621	601,609
Brendan Cocks	Matrix Composites & Engineering Ltd	757,966	451,207

Company Secretary

Mr Brendan Cocks (BCom, CA) joined Matrix on 12 September 2016 and held the position of Company Secretary of the Company at the end of the financial year.

Ms Caitlin Flaherty (BCom, CA) joined Matrix on 26 April 2022 and held the position of Company Secretary at the end of the financial year. Ms Flaherty holds a Bachelor of Commerce Degree and is a Chartered Accountant with a decade of audit experience across various sectors including manufacturing, education, mining services, and consumer goods.

Principal Activities for FY24

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

- Manufacture of advanced composite materials, products and solutions for the energy, defence, resources and transport sectors:
- Manufacture and supply of capital drilling equipment (primarily comprised of syntactic foam buoyancy) and provision of inspection, maintenance, and repair services;
- Manufacture and supply of subsea umbilical risers and flowline (SURF) ancillary equipment and associated services;
- Manufacture and supply of VIV suppression equipment for rigid pipelines;
- Manufacture and supply of well construction products, including centralizers; and
- Supply of Epoxy based coating systems, hire of associated application equipment and coatings application training.

Review of Operations

Overview

The Company experienced a much-improved year off the back of a number of major projects executed in the subsea space. Specifically, production buoyancy for subsea umbilicals, flowlines and risers ("SURF") in South America which has been a new market for Matrix. Also, a major project for Riser Buoyancy for a subsea mining vessel in Japan was completed during the year.

Matrix recorded revenue for the year of $85.0m representing an 80% increase on the prior year revenue of $47.2m. The year was our largest revenue since the June 2016 financial year and reflects the continued momentum from a recovery for our subsea products and progress into the global SURF buoyancy market.

The Subsea buoyancy market is forecast to experience continued momentum in the coming years.

Safety

Matrix continued its strong focus on keeping our employees safe across all of its operating sites during the financial year. With the significant pick up in production, there was an increased focus on our production safety as the plant in Henderson experienced its busiest period since 2016. This led to a site wide operational safety review and appointment of a new safety team to ensure industry best practice safety practices and performance.

Matrix operates a work health and safety system that is accredited to ISO 45001. Matrix continues to scrutinise and identify hazards and risks to prevent injuries and illnesses. Matrix continues to improve controls of recognised hazards and continues to resolve or lower the risks with appropriate actions.

Manufacturing

Matrix continues to maintain its state-of-the-art manufacturing facility in Henderson, which provides the Company the capability to produce advanced composite products utilising the following technologies:

- Composite Syntactic Foam
- Engineering Thermoplastics
- Composite Laminates including carbon fibre, glass fibre and Kevlar.

Matrix has maintained its full capacity and industry qualifications in the Henderson facility in recent years ensuring that the Company has benefited from the continued market recovery for our core products.

Financial Results for the Year

Matrix recorded a revenue for the year of $85.0m (FY23: $47.2m) reflecting a growth of 80% (FY23 65% growth). The increase in the revenue was driven from the strong subsea buoyancy pipeline of work that was executed during the year.

With the activity levels in the business much improved, and only a modest increase in site overheads, the Company reported a net profit after tax of $3.6m (FY23: $8.6m). While last years profitability was heavily influenced by a non-cash impairment reversal booked during the year of $15.8m, the current year profitability was due to increased throughput and strong delivery on our buoyancy projects.

The profitability for the year was reflected in a strong operating cash inflow of $10.9m (FY23: Cash outflow $9.1m). Investing cash inflow during the period was $3.0m (FY23: Cash outflow $10.0m) which was impacted by a return of funds on term deposits ($7.5m inflow) partially offset by purchases of plant and equipment and moulds for our buoyancy projects. Financing outflows for the period were $3.1m driven by payment of security deposits for bonding purposes and costs relating to the convertible note.

Cash and term deposits at the end of the period was $23.3m (FY23: $20.0m).

Subsequent Events

There has not been any other 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.

Changes in the State of Affairs and Future Developments

There has been no material change in the state of affairs. The Company's strategic focus is three-fold.

There is a sustained recovery in demand for Matrix's syntactic foam buoyancy projects. Further penetration and share growth in the SURF market and servicing of the recovering drilling market will continue to add momentum to this key business unit. Successful participation in emerging markets in deep sea mining and floating wind will add further growth and scale to this product line.

The Company will continue to focus on market share growth within our Corrosion Technology business. Servicing existing major customers in Woodside and Inpex and expanding our offerings with other major companies will provide a platform for growth for this division.

Adding growth via our Advanced Materials offerings will continue to be a focus and will target organic growth opportunities in resources, defence and infrastructure. The Company will continue to target unique polymer solutions for our clients and pursue a suite of current opportunities in development including subsea drones for the Australian Navy, downhole centralisers for the international market and structural conveyor components for Australian resource companies.

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 Company's Health, Safety and Environment department. When breaches occur, they are reported to the Department of Environmental Regulation (DER) as required and actions are 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.

Environmental objectives and key performance indicators (KPIs) have been agreed and accepted at the senior management level. In addition, the Company has attained ISO 14001 accreditation.

Climate Risk

Matrix acknowledges the increasing interest of the Company's stakeholders regarding the possible risks and opportunities presented by climate change and the increasing momentum towards a lower carbon economy.

While Matrix's core traditional market is in the subsea oil and gas market, which the Company acknowledges as having longer term risks, the energy transition also presents significant opportunities for the Company.

Current activities of the Company in supporting our clients on energy transition projects include:

- Supplier to Fortescue Future Industries in their Green Hydrogen program
- Actively quoting buoyancy solutions for upcoming offshore floating wind developments
- Utilising recycled materials such as carbon fibre as key feedstock for our buoyancy products
- Retaining equipment and capability to support energy client decommissioning of subsea oil and gas projects in the coming years.

Further to the above, the Company is exploring other avenues and work with our local client bases to support energy transition initiatives using our advanced materials and manufacturing experience.

Matrix continues to identify ways to reduce its carbon footprint. The Company is progressing a number of initiatives including sourcing renewable energy sources for the Henderson site, supporting customers with their carbon reduction initiatives and using recycled plastics in engineered composite products produced on site.

Dividends

In respect of the financial year ended 30 June 2024, no interim dividend was paid and the directors have determined that no final dividend will be paid (2023: nil).

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' 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, seven board meetings, two remuneration committee meetings, two nominations committee meetings, two risk and sustainability committee meetings and three audit committee meetings were held.

	Board of Directors		**Remuneration Committee (i)**		**Nominations Committee (i)**		**Audit Committee**		**Risk Committee**	
	Held	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
PJ Hood	7	7	2	2	2	2	3	3	2	2
AP Begley	7	7	-	-	-	-	-	-	-	-
BW Cocks (ii)	4	4	-	-	-	-	-	-	-	-
S Cole	7	6	2	1	2	2	3	3	2	2
CN Duncan (ii)	4	4	2	2	1	1	2	2	1	1
C Sutherland	7	7	2	2	2	2	3	3	2	2
A Terry (ii)	4	4	-	-	-	-	1	1	-	-

(i) Committees have been combined as the Nominations and Remuneration Committee effective 1 July 2024.

(ii) Alison Terry and Brendan Cocks were appointed as directors on 12 February 2024. Alison Terry was appointed as a member of the Audit Committee on 19 March 2024 and the Nominations and Remuneration Committee and Risk Committee on 1 July 2024. Craig Duncan retired as a director on 19 February 2024.

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.

Provision of Non-Audit Services

No non-audit services in the current financial year.

Auditor's independence declaration

The auditor's independence declaration is included on page 27 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 include in its annual report either a corporate governance statement that meets the requirements of that rule of the URL to the page its website. Matrix has published its corporate governance statement on the "Corporate Governance" page of its web site at https://www.matrixengineered.com/investors/corporate-governance.

ASIC Instrument 2016/191

The Company is of an entity to which Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191, dated 24 March 2016 applies. Amounts in the Directors' Report and the Financial Statements have been rounded to the nearest thousand dollars in accordance with ASIC Instrument 2016/191, unless otherwise indicated.

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 2024.

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, including any director (whether executive or otherwise) of the consolidated entity. 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 remuneration and company performance
- Remuneration of directors and key management personnel
- Key terms of employment contracts
- Related Party Transactions
- Key management personnel equity holdings
- Key management personnel share-based payment holdings – Performance Rights
- Key management personnel share-based payment holdings – Share Options

Key Management Personnel

The directors and other Key Management Personnel of the consolidated entity during or since the end of the financial year were:

Non-Executive Directors

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

- Mr PJ Hood (Chairperson)
- Mr S Cole
- Mr CN Duncan (retired 19 February 2024)
- Mr C Sutherland
- Ms A Terry (appointed 12 February 2024)

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.

Audited Remuneration Report (continued)

Executive Officers

The following persons were employed as Matrix executives (Key Management Personnel) during the financial year:

- Mr AP Begley (Chief Executive Officer)
- Mr BW Cocks (Chief Financial Officer / Company Secretary)

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.

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.

The table below reflects the annual fees of non-executive directors (inclusive of superannuation) for the financial year ended 30 June 2024 as opposed to the previous year to 30 June 2023.

Name	FY24 Fees	FY23 Fees
Peter Hood	111,000	80,730
Steven Cole	77,700	50,456
Craig Duncan (i)	51,800	50,456
Chris Sutherland	77,700	50,456
Alison Terry (i)	32,375	-

(i) Ms Terry was appointed on 12 February 2024 and Mr Duncan retired on 19 February 2024. Fees represent the pro rata fee for the period.

In FY24 the Chairman received actual total annual fees of $111,000 (2023: $80,730). All other non-executive directors received an annual fee of $77,700 (2023: $50,456). 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 Company, 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 the profitability of the Matrix Group.

As detailed in this report, certain Matrix executives are entitled to receive short term incentive payments in respect of FY24 based on delivery of key financial and non-financial outcomes.

The details of Matrix's long term incentive plan for its executives are provided below.

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

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 each Executive can achieve for FY24, expressed as a percentage of total remuneration, if maximum performance was achieved for the STI and LTI components of their variable remuneration.

Executive	Maximum STI (% of Total Rem)	Maximum LTI (% of Total Rem)	Maximum Total Variable Remuneration (% of Total Rem)
Aaron Begley *Managing Director & Chief Executive Officer*	21.9%	24.2%	46.1%
Brendan Cocks *Chief Financial Officer & Company Secretary*	13.7%	30.9%	44.6%

STI remuneration

A comprehensive Short Term Incentive Plan (STI Plan) was in place for key management personnel for FY24. 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. STIs are paid as 100% cash.

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 EBITDAF (Earnings before Interest, Taxes, Depreciation, Amortisation, and Foreign Exchange) 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, medical treatment injury frequency rate (MTIFR) and hazard reporting, which is a behaviour-based lead indicator.

(iii) Individual 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.

Audited Remuneration Report (continued)

The following table sets out the various KPI categories for the FY24 STI Plan and the weightings attributable to each of them. The FY24 STI plan is under review by the Board. 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	BW Cocks
EBITDAF	60.0	60.0
Safety	10.0	10.0
Individual Objectives	30.0	30.0
TOTAL	100.0	100.0

For the year, the EBITDAF measure was met in full, while the Safety and Individual Objectives measures were partially met.

LTI remuneration

Long-term incentive remuneration is determined in accordance with the Matrix Rights Plan. The Matrix Rights Plan includes a Senior Executive Performance Rights Plan (SEPRP) and a Senior Executive Share Options Plan (SESOP) (together "the LTI Plans"). The SESOP replaced the Senior Executive Share Appreciation Rights Plan (SESARP) that had been in place from 2015 to 2020. 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 in prior years.

The Executives named below are invited to accept a dollar value grant of rights, which are allocated between rights issued under the SEPRP and the SESOP respectively, with an allocation of 50 per cent of the total value of their respective LTI Plan grants to the SEPRP and the remaining 50 per cent to the SESOP based on the total value of their respective LTI Plan grants. The total dollar value of the grant offered to each of these executives and their respective allocations of rights under the SEPRP and SESOP during the year are set out in the following table:

Name	Entitlement/Grant Value	Executive Performance Rights issued during year		Executive Share Options issued during the year (exercise price $0.35)	
	Value Granted (ii)	**Fair value per right (i)**	**Number issued**	**Fair Value per option (i)**	**Number issued**
Aaron Begley	$221,131	$0.1619	601,609	$0.1224	1,010,621
Brendan Cocks	$224,765	$0.2229	451,207	$0.1639	757,966
TOTAL			1,052,816		1,768,587

(i) The fair value of the rights and options were valued using a Monte Carlo Simulation.
(ii) The number issued was calculated using a total grant value of $200k for Mr Begley and $150k for Mr Cocks based on a valuation conducted and presented to the Board in October 2023.

The issued incentives were subsequently valued for reporting purposes based on the value at the time of deemed grant date.

Aaron Begley's rights and options were granted on 23 November 2023 with Brendan Cocks' being granted on 22 December 2023. The rights and options have a vesting date of 31 August 2026 and expiry dates of 22 December 2026 and 22 December 2028 respectively.

The entitlement amount issued to each KMP is per their Executive Services Agreement.

This LTI grant made in FY24 relates to FY23 performance. The Rights and Options issued during the year have a hurdle and exercise price of $0.35. The Board determined that the target of $0.35 was the most appropriate target providing a stretch growth target from the share price at time of issue.

Rights granted under the SESOP

Share Options granted under the SESOP are entitlements to purchase shares at the exercise price, should they vest. Share Options granted under the SESOP are subject to the following vesting conditions:

- three-year service period from issue period; and
- FY20 and FY21 - the 14-day VWAP of MCE shares at the vesting date reaching $0.32.
- FY22 - the 14-day VWAP of MCE shares at the vesting date reaching $0.38.
- FY23 - the 14-day VWAP of MCE shares at the vesting date reaching $0.35.

Options issued under the SESOP in current and prior years that had not vested prior to the start of the financial year are as follows:

Name	Date of Issue	Fair Value per option	Exercise price/hurdle	Number Issued	Value $	Expiry Date
Issued During FY21 – Senior Executive Share Options Plans (i)						
Aaron Begley	29/01/2021	$0.0338	$0.32	2,514,793	$85,000	29/01/2024
Brendan Cocks	29/01/2021	$0.0338	$0.32	857,988	$29,000	29/01/2024
Issued During FY22 – Senior Executive Share Options Plans						
Aaron Begley	15/12/2021	$0.0401	$0.32	2,414,773	$96,843	08/03/25
Brendan Cocks	08/03/2022	$0.0472	$0.32	1,420,455	$67,112	08/03/25
Issued During FY23 – Senior Executive Share Options Plans						
Aaron Begley	17/11/2022	$0.0749	$0.38	1,334,533	$100,000	15/12/25
Brendan Cocks	15/12/2022	$0.0749	$0.38	667,267	$50,000	15/12/25
Issued During FY24 – Senior Executive Share Options Plans						
Aaron Begley	23/11/2023	$0.1224	$0.35	1,010,621	$123,740	22/12/2028
Brendan Cocks	22/12/2023	$0.1639	$0.35	757,966	$124,201	22/12/2028

(i) Share options of 1,257,396 for Aaron Begley and 428,994 for Brendan Cocks vested on 17 October 2023 with the remaining entitlement lapsing. All vested options subsequently lapsed on expiry without being exercised.

Rights granted under the SEPRP

Performance Rights granted under the SEPRP are entitlements to receive a set number of shares should the rights vest.

Performance Rights granted under the SEPRP are subject to the following vesting conditions:

- Three-year service period from issue period; and
- FY20 and FY21 - the 14-day VWAP of MCE shares at the vesting date reaching $0.32.
- FY22 - the 14-day VWAP of MCE shares at the vesting date reaching $0.38.
- FY23 - the 14-day VWAP of MCE shares at the vesting date reaching $0.35.

Rights issued under the SEPRP in current and prior years that had not vested prior to the start of the financial year are as follows:

Name	Date of Issue	Fair Value per right	Exercise price/hurdle	Number issued	Value $	Expiry Date
Issued During FY21 – Senior Executive Performance Rights Plans (i)						
Aaron Begley	29/01/2021	$0.1004	$0.32	846,614	$85,000	29/01/2024
Brendan Cocks	29/01/2021	$0.1004	$0.32	288,845	$29,000	29/01/2024
Issued During FY22 – Senior Executive Performance Rights Plans						
Aaron Begley	15/12/2021	$0.0774	$0.32	1,244,510	$96,317	08/03/25
Brendan Cocks	08/03/2022	$0.0918	$0.32	732,064	$67,227	08/03/25
Issued During FY23 – Senior Executive Performance Rights Plans						
Aaron Begley	17/11/2022	$0.1358	$0.38	736,388	$100,000	15/12/25
Brendan Cocks	15/12/2022	$0.1358	$0.38	368,194	$50,000	15/12/25
Issued During FY24 – Senior Executive Performance Rights Plans						
Aaron Begley	23/11/2023	$0.1619	$0.35	601,609	$97,391	22/12/2026
Brendan Cocks	22/12/2023	$0.2229	$0.35	451,207	$100,564	22/12/2026

(i) Performance rights of 423,307 for Aaron Begley and 144,423 for Brendan Cocks vested on 17 October 2023 with the rights being converted to ordinary fully paid shares for nil consideration. The remaining entitlement lapsed on this date.

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 FY24, 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.

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 2024.

		FY24	FY23	FY22	FY21	FY20
Revenue	**$'000**	85,038	47,204	28,625	17,618	27,437
Net profit / (loss) before tax	**$'000**	3,646	8,682	(5,035)	(27,924)	(55,310)
Net profit / (loss) after tax	**$'000**	3,646	8,682	(4,776)	(27,924)	(67,865)
Share price at start of the year	**$**	0.28	0.15	0.14	0.16	0.32
Share price at end of year	**$**	0.33	0.28	0.15	0.14	0.16
Dividends paid	**cps**	-	-	-	-	-
Shareholder return of capital	**$**	-	-	-	-	-
Basic profit / (loss) per share	**cps**	1.66	5.20	(3.27)	(27.3)	(66.3)
Diluted profit / (loss) per share	**cps**	1.44	5.20	(3.27)	(27.3)	(66.3)

In addition, the operation of the Matrix Rights Plan in FY24 further aligns the interests of the Company's key management personnel with its shareholders.

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.

		Short Term Benefits				Post Employment benefits	Long term benefits	Share based payment	Total	Proportion performance realised
		Salary & fees	Cash bonuses (i)	Non-monetary benefits (ii)	Total	Superannuation benefits	Long service leave	Performance rights and share options (iii)		
		$	$	$	$	$	$	$	$	%
Executive Directors										
AP Begley (MD & CEO)	**2024**	452,603	143,050	16,185	611,838	27,399	(3,962)	211,155	846,430	41.8
	2023	382,523	96,000	13,502	492,025	25,292	9,378	204,651	731,346	41.1
BW Cocks (CFO) (iv)	**2024**	365,000	84,000	(961)	448,039	27,399	11,503	135,985	622,926	35.3
	2023	314,511	63,125	(2,441)	375,195	25,292	5,288	105,455	511,230	33.0
Non-Executive Directors										
PJ Hood	**2024**	100,000	-	-	100,000	11,000	-	-	111,000	-
	2023	73,059	-	-	73,059	7,671	-	-	80,730	-
S Cole	**2024**	70,000	-	-	70,000	7,700	-	-	77,700	-
	2023	45,662	-	-	45,662	4,794	-	-	50,456	-
CN Duncan (v)	**2024**	46,667	-	-	46,667	5,133	-	-	51,800	
	2023	45,662	-	-	45,662	4,794	-	-	50,456	-
C Sutherland	**2024**	70,000	-	-	70,000	7,700	-	-	77,700	-
	2023	45,662	-	-	45,662	4,794	-	-	50,456	-
A Terry (v)	**2024**	29,167	-	-	29,167	3,208	-	-	32,375	-
	2023	-	-	-	-	-	-	-	-	-
Total	**2024**	**1,133,437**	**227,050**	**15,224**	**1,375,711**	**89,539**	**7,541**	**347,140**	**1,819,931**	
	2023	**907,079**	**159,125**	**11,061**	**1,077,265**	**72,637**	**14,666**	**310,106**	**1,474,674**	**-**

(i) Cash bonus includes reversal of FY23 bonus accrual of $12k for Aaron Begley and $6k for Brendan Cocks. Remaining balance is the FY24 bonus accrual.

(ii) Represents the movement in accrued annual leave.

(iii) Share based payments are accounted for progressively over the vesting period.

(iv) Brendan Cocks was appointed as an Executive Director on 12 February 2024. Disclosed amount includes remuneration as Key Management Personnel prior to his date of appointment.

(v) Alison Terry was appointed as a Non-Executive Director on 12 February 2024. Craig Duncan retired as a Non-Executive Director on 19 February 2024.

Key terms of Employment Contracts

Executive service agreements

The Company has executive service agreements with each of its Key Management Personnel. The key terms of the executive service agreements are as follows.

Name	Original Start Date	Term	Notice period
AP Begley *Managing Director & CEO*	04/10/1999	Indefinite	6 months (Company)/3 months (individual)
BW Cocks *CFO & Company Secretary*	12/09/2016	Indefinite	6 months (Company)/3 months (individual)

There are no other contracted termination payments other the notice periods detailed.

Each of the above executives is entitled to participate in the Company's STI and LTI programmes.

Related Party Transactions

There were no transactions with key management personnel and their related parties for the year ended 30 June 2024.

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:

	Balance at 1 July 2023	Granted as remuneration	On Exercise of Options / Performance Rights	Purchased / (sold) on market	Balance at 30 June 2024
	No.	No.	No.	No.	No.
Directors					
PJ Hood	1,608,000	-	-	-	1,608,000
AP Begley	7,033,041	-	423,307	-	7,456,348
BW Cocks	319,250	-	144,423	-	463,673
S Cole	500,000	-	-	-	500,000
CN Duncan	1,209,008	-	-	-	1,209,008(i)
C Sutherland	418,433	-	-	-	418,433
A Terry	-	-	-	100,000	100,000

(i) Represents the balance of shares held at retirement on 19 February 2024.

Key management personnel share-based payment holdings – Performance Rights (PR)

	Balance at 1 July 2023	Granted as Remuner-ation	Exercised	Expired Rights	Balance at 30 June 2024	Balance vested at 30 June 2024	Vested but not exercisable	Vested and exercisable	PRs vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Directors									
PJ Hood	-	-	-	-	-	-	-	-	-
AP Begley	2,827,512	601,609	(423,307)	(423,307)	2,582,507	-	-	-	423,307 (i)
BW Cocks	1,389,103	451,207	(144,423)	(144,422)	1,551,465	-	-	-	144,423 (i)
S Cole	-	-	-	-	-	-	-	-	-
CN Duncan	-	-	-	-	-	-	-	-	-
C Sutherland	-	-	-	-	-	-	-	-	-
A Terry	-	-	-	-	-	-	-	-	-

(i) Represents the partial vesting of FY20 performance rights during the year

Key management personnel share-based payment holdings – Share Options (SO)

	Balance at 1 July 2023	Granted as Remuner-ation	Exercised	Expired Options	Balance at 30 June 2024	Balance vested at 30 June 2024	Vested but not exercisable	Vested and exercisable	SOs vested during year
	No.	No.	No.	No.	No.	No.	No.	No.	No.
Directors									
PJ Hood	-	-	-	-	-	-	-	-	-
AP Begley	6,264,099	1,010,621	-	(2,514,793)	4,759,927	-	-	-	-
BW Cocks	2,945,710	757,966	-	(857,988)	2,845,688				
S Cole	-	-	-	-	-	-	-	-	-
CN Duncan	-	-	-	-	-	-	-	-	-
C Sutherland									
A Terry	-	-	-	-	-	-	-	-	-

DIRECTORS’ REPORT

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, 28 August 2024

AUDITOR'S INDEPENDENCE DECLARATION

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Matrix Composites & Engineering Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit of Matrix Composites & Engineering Ltd for the financial year ended 30 June 2024 there have been:

i. No contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

ii. No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Graham Hogg
Partner
Perth
28 August 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2024

	Notes	Consolidated 2024 $'000	Consolidated 2023 $'000
Revenue	5	85,038	47,204
Cost of sales		(67,507)	(41,616)
Gross profit		**17,531**	**5,588**
Finance income	6	979	436
Other income	6	590	50
Reversal of property, plant & equipment impairment losses	13	-	7,603
Reversal of right-of-use asset impairment losses	14	-	8,197
Administration expenses		(5,524)	(4,694)
Finance costs	7	(3,807)	(4,145)
Marketing expenses		(2,103)	(1,781)
Research expenses		(573)	(517)
Engineering expenses		(2,726)	(1,673)
Other expenses	7	(721)	(382)
Profit before income tax		**3,646**	**8,682**
Income tax expense	8	-	-
Profit after income tax for the years		**3,646**	**8,682**
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
Net foreign currency translation differences		(6)	(315)
Other comprehensive loss for the year		(6)	(315)
Total comprehensive income for the year		**3,640**	**8,367**
Profit for the year is attributable to:			
Owners of Matrix Composites & Engineering Ltd		3,646	8,682
		3,646	8,682
Total comprehensive income for the year is attributed to:			
Owners of Matrix Composites & Engineering Ltd		3,640	8,367
		3,640	8,367
		Cents	**Cents**
Earnings per share			
Basic earnings per share	31	1.66	5.20
Diluted earnings per share	31	1.44	5.20

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 2024

	Notes	Consolidated 2024 $'000	2023 $'000
ASSETS			
Current assets			
Cash and cash equivalents	9	23,320	12,547
Term deposits		-	7,471
Trade and other receivables	10	26,135	21,672
Inventories	11	8,701	5,879
Prepayments	12	1,611	718
Other current assets		-	77
Total current assets		59,767	48,364
Non-current assets			
Prepayments	12	332	1,116
Property, plant and equipment	13	15,317	14,085
Right-of-use assets	14	18,745	15,378
Intangibles	15	990	944
Total non-current assets		35,384	31,523
Total assets		95,151	79,887
LIABILITIES			
Current liabilities			
Trade and other payables	16	9,835	4,043
Progress claims and deposits	5	10,317	8,530
Lease liabilities	14	630	726
Employee benefits	17	1,875	1,572
Forward contract liability	18	69	800
Total current liabilities		22,726	15,671
Non-current liabilities			
Lease liabilities	14	29,847	25,908
Employee benefits	17	98	86
Provisions	19	2,549	2,608
Convertible note	20	8,916	8,849
Total non-current liabilities		41,410	37,451
Total liabilities		64,136	53,122
Net asset		31,015	26,765
EQUITY			
Issued capital	21	139,992	139,851
Reserves	22	(398)	1,005
Accumulated losses		(108,579)	(114,091)
Total surplus in equity		31,015	26,765

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2024

Consolidated	Issued Capital	Foreign Currency translation reserve	Shared-based payment reserve	Accumulated losses	Total equity
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2023	139,851	(1,423)	2,428	(114,091)	26,765
Profit after income tax for the year	-	-	-	3,646	3,646
Other comprehensive loss for the year, net of tax	-	(6)	-	-	(6)
Total comprehensive income / (loss) for the year	-	(6)	-	3,646	3,640
Transactions with owners in their capacity as owners:					
Vesting / lapse of equity-settled share-based payments	141	-	(2,007)	1,866	-
Share-based payments (note 27)	-	-	610	-	610
Total transactions with owners in their capacity as owners	141	-	(1,397)	1,866	610
Balance at 30 June 2024	**139,992**	**(1,429)**	**1,031**	**(108,579)**	**31,015**

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 2023

Consolidated	Issued Capital	Foreign Currency translation reserve	Shared-based payment reserve	Accumulated losses	Total equity
	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2022	120,713	(1,108)	1,864	(122,773)	(1,304)
Profit after income tax for the year	-	-	-	8,682	8,682
Other comprehensive loss for the year, net of tax	-	(315)	-	-	(315)
Total comprehensive income / (loss) for the year	-	(315)	-	8,682	8,367
Transactions with owners in their capacity as owners:					
Contributions of equity, net of transaction costs (note 21)	19,138	-	-	-	19,138
Share-based payments (note 27)	-	-	564	-	564
Total transactions with owners in their capacity as owners	19,138	-	564	-	19,702
Balance at 30 June 2023	139,851	(1,423)	2,428	(114,091)	26,765

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2024

	Notes	Consolidated 2024 $'000	2023 $'000
OPERATING ACTIVITIES			
Receipts from customers (inclusive of GST)		85,649	41,790
Payments to suppliers and employees (inclusive of GST)		(73,283)	(49,107)
Interest received		888	330
Finance costs paid		(140)	(34)
Interest expense on lease liabilities		(2,236)	(2,029)
Net cash provided by / (used in) operating activities	24	10,878	(9,050)
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	13	(4,340)	(2,210)
Payments for intangibles	15	(153)	(339)
Proceeds from disposal of property, plant and equipment		15	25
Receipt of term deposits		7,471	-
Purchase of term deposits		-	(7,471)
Net cash provided by / (used in) investing activities		2,993	(9,995)
FINANCING ACTIVITIES			
Proceeds from issue of shares (net of issue costs)		-	19,138
Proceeds from issue of convertible note (net of issue costs)		-	7,131
Interest paid on convertible note	24	(725)	(1,633)
Payment of security deposit		(1,675)	-
Repayment of lease liabilities (principal portion)	24	(698)	(635)
Net cash provided by / (used in) financing activities		(3,098)	24,001
Net increase in cash and cash equivalents		10,773	4,956
Cash and cash equivalents at the beginning of the financial year		12,547	7,591
Cash and cash equivalents at the end of the financial year (i)		23,320	12,547

(i) The amount relates to cash balances held in the bank.

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1. General information

The consolidated financial statements cover Matrix Composites & Engineering Ltd as a consolidated entity (the 'Group') consisting of Matrix Composites & Engineering Ltd (the 'Company') and the entities it controlled at the end of, or during, the year.

Matrix Composites & Engineering Ltd is a limited liability company incorporated in Australia. The addresses of its registered office, principal places of business and principal activities are disclosed in the introduction to the annual report.

A description of the nature of the Group's operations and its principal activities are included in the directors' report, which is not part of the consolidated financial statements. The Group operates as a “for-profit” enterprise.

The consolidated financial statements were authorised for issue by the directors on 28 August 2024.

Note 2. Summary of material accounting policies

The following material accounting policies have been adopted in the preparation and presentation of the financial report. These policies have been consistently applied to all the years presented, unless otherwise stated.

Going concern

The consolidated financial statements have been prepared on a going concern basis which assumes the settlement of liabilities and the realisation of assets in the normal course of business.

For the year ended 30 June 2024, the Group recognised total comprehensive income of $3.64m and had operating cash inflows of $10.88m. The Group’s net current assets as at 30 June 2024 amounted to $37.04m.

Management operating forecast for the next 12 months includes:

- Execution and delivery of current contracted work at budgeted margins
- Expected work to convert in-progress (outstanding) and expected upcoming quotations with established customers, into cashflow at forecast levels and margins
- Recurring sales of established products at forecast levels and margins.

The Directors have reviewed the Company’s overall financial position, including forecast operating and financing assumptions, and believe the use of the going concern basis of accounting is appropriate as they believe the Company has sufficient funds available for at least the next 12 months.

Basis of preparation

These consolidated 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.

Note 2. Summary of material accounting policies (continued)

The financial statements comprise the consolidated financial statements of the Group and the Company. 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 Group comply with International Financial Reporting Standards ('IFRS').

Historical cost convention

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 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.

Critical accounting estimates

The preparation of the consolidated financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Standards and interpretations that are effective for the current year

The Group has adopted all new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to its operations and effective for an accounting period that begins on or after 1 July 2023.

Set out below are the new and revised Standards and amendments effective for the current year that are relevant to the Group:

A. Deferred tax related to assets and liabilities arising from a single transaction

The Group has adopted Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12) from 1 July 2023. The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences – e.g. leases and decommissioning liabilities. For leases and decommissioning liabilities, an entity is required to recognise the associated deferred tax assets and liabilities from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, an entity applies the amendments to transactions that occur on or after the beginning of the earliest period presented.

The Group previously accounted for deferred tax on leases and decommissioning liabilities by applying the 'integrally linked' approach, resulting in a similar outcome as under the amendments, except that the deferred tax asset or liability was recognised on a net basis.

Following the amendments, the Group is required to recognise a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets. However,

Note 2. Summary of material accounting policies (continued)

there was no impact on the statement of financial position because the balances qualify for offset under paragraph 74 of IAS 12. There was also no impact on the opening retained earnings as at 1 July 2023 as a result of the change. As of 30 June 2024, the taxable temporary difference related to the right-of-use asset was $10.286m and the deductible temporary difference in relation to the lease liability is $9.143m, resulting in a net deferred tax asset of $1.143m (Note 8).

B. Material accounting policy information

The Group adopted Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) from 1 July 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

Management reviewed the accounting policies and made updates to the information disclosed in Note 2 in certain instances in line with the amendments.

C. Global minimum top-up tax

The Group has adopted International Tax Reform – Pillar Two Model Rules (Amendments to IAS 12). The amendments provide a temporary mandatory exception from deferred tax accounting for the top-up tax, which is effective immediately, and require new disclosures about the Pillar Two exposure.

The mandatory exception applies retrospectively. However, because no new legislation to implement the top-up tax was enacted or substantively enacted at 30 June 2024 in any jurisdiction in which the Group operates and no related deferred tax was recognised at that date, the retrospective application has no impact on the Group's consolidated financial statements.

Standards and interpretations in issue not yet effective

A number of new standards are effective for annual periods beginning after 1 July 2023 and earlier application is permitted; however, the Group has not early adopted the new or amended standards in preparing these consolidated financial statements.

The following new and amended standards are not expected to have a significant impact on the Group's consolidated financial statements.

- Classification of Liabilities as Current or Non-current (Amendments to IAS 1).
- Supplier Finance Arrangements (Amendments to IAS7 and IFRS 7)
- Lease Liability in a Sale and Leaseback (Amendments to IFRS 16)
- Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IFRS 10 and IAS 28)
- Lack of Exchangeability (Amendments to AASB 121)

Note 2. Summary of material accounting policies (continued)

Parent entity information

In accordance with the Corporations Act 2001, these financial statements present the results of the Group only. Supplementary information about the parent entity is disclosed in note 30.

Principles 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 consolidated financial statements of subsidiaries to bring their accounting policies into line with the Company's accounting policies.

Note 2. Summary of material accounting policies (continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group 'controls' an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

Transactions eliminated on consolidation

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

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 (CODM) for which discrete financial information is available. The CODM has identified that the Group has one single operating segment which is the business operations of the Group.

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 parent and Australian subsidiaries 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 the consolidated profit or loss and other comprehensive income, except where recognised in other comprehensive income as a qualifying cash flow or net investment hedge.

Foreign currency cash flows

Cash flows arising from transactions in a foreign currency shall be recorded in an entity's functional currency by applying to the foreign currency amount the exchange rate between the functional currency and the foreign currency at the date of the cash flow.

The cash flows of a foreign subsidiary shall be translated at the exchange rates between the functional currency and the foreign currency at the dates of the cash flows.

Cash flows denominated in a foreign currency are reported in a manner consistent with AASB 121 The Effects of Changes in Foreign Exchange Rates. This permits the use of an exchange rate that approximates the actual rate.

Unrealised gains and losses arising from changes in foreign currency exchange rates are not cash flows. However, the effect of exchange rate changes on cash and cash equivalents held or due in a foreign currency is reported in the consolidated statement of cash flows in order to reconcile cash and cash equivalents at the beginning and the end of the period. This amount is presented separately from cash flows from operating, investing and financing activities and includes the differences, if any, had those cash flows been reported at end of period exchange rates.

Revenue and other income

Sale of goods

Revenue from the sale of goods is recognised when the Group satisfies performance obligations by transferring control of a promised good to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the performance obligation.

The Group becomes entitled to invoice customers for products or services based on achieving a relevant invoicing milestone. The Group recognised trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date, then the Group recognises a contract liability for the difference. There is not considered to be a significant financing component in the contract with customers as the period between the recognition of revenue and the milestone payments is generally less than one year.

Transfer of controls are assessed in relation to the:

- delivery of the goods to the customers (including goods that have been delivered to the customer under the contract and await pick up on site);
- rights to payment for performance completed to date;
- achieving a relevant invoicing milestone under a contract with the customer;
- the customer has the significant risks and rewards of ownership of the goods; or contractual terms.

Note 2. Summary of material accounting policies (continued)

Service revenue

Service revenue and expenses are recognised at a point in time or over time following the satisfaction of performance obligations unless the outcome of the contract cannot be relied upon or estimated. If a performance obligation is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that performance obligation. 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.

Revenue from consulting services is generally recognised at a point in time at which the services have been provided and where the amount can be reliably estimated and is considered recoverable.

The Group assesses the stage of completion determined as the proportion of the total costs or total time spent at the end of each reporting period is an appropriate measure of progress towards complete satisfaction of the performance obligations under AASB 15.

Interest

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).

Cost of sales

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

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 consolidated financial statements. No deferred tax is recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

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

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

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

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

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 countries 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.

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).

Note 2. Summary of material accounting policies (continued)

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.

Current and non-current classification

Assets and liabilities are presented in the consolidated statement of financial position based on current and non-current classification.

An asset is classified as current when: it is either expected to be realised or intended to be sold or consumed in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is expected to be realised within 12 months after the reporting period; or the asset is cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period. All other assets are classified as non-current.

A liability is classified as current when: it is either expected to be settled in the Group's normal operating cycle; it is held primarily for the purpose of trading; it is due to be settled within 12 months after the reporting period; or there is no unconditional right to defer the settlement of the liability for at least 12 months after the reporting period. All other liabilities are classified as non-current.

Deferred tax assets and liabilities are always classified as non-current.

Cash and cash equivalents

Cash and cash equivalents include 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 consolidated statement of financial position.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the above.

Trade and other receivables

Trade receivables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method, less any allowance for expected credit losses. Trade receivables are generally due for settlement within 30 days.

The Group has applied the simplified approach to measuring expected credit losses, which uses a lifetime expected loss allowance. To measure the expected credit losses, trade receivables have been grouped based on days overdue.

Other receivables are recognised at amortised cost, less any allowance for expected credit losses.

Note 2. Summary of material accounting policies (continued)

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 inventories is based on the weighted average principle, and included expenditures incurred in acquiring the inventories. The cost of manufactured products includes direct materials, direct labour and an appropriate share of manufacturing overheads. Costs are assigned using a standard costing methodology.

Property, plant and equipment

Each class of property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Recognition and measurement

Property, 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.

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 expenditure

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 consolidated statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of property, plant and equipment 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.

Note 2. Summary of material accounting policies (continued)

The depreciation rates used for each class of depreciable asset are shown below:

Fixed asset class	Depreciation rate (%)
Building/Leasehold improvements	2.5
Plant and equipment	1.0 – 10.0
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 reporting date.

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 consolidated statement of profit or loss and other comprehensive income.

Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

- Land and buildings 20 years
- Plant and equipment 6 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

Note 2. Summary of material accounting policies (continued)

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 'Impairment of non-financial assets'.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are determinable. After the commencement date, the amount of lease liabilities is increased to reflect incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made.

In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term. This expense is presented within "administration expenses" in the consolidated statement of profit or loss and other comprehensive income.

Intangible assets

Recognition and measurement

Research and development

Expenditure on research activities is recognised in profit or loss as incurred.

Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the assets, Otherwise, it is recognised in profit or loss as incurred. Subsequent to initial recognition, development expenditure is measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific assets to which it related. All other expenditure is recognised in profit or loss as incurred.

Amortisation

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives of development costs and software for current and comparatives periods are 3 to 5 years. Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Financial instruments

Recognition and initial measurement

Trade receivables and debt securities issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss ("FVTPL"), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All financial assets not classified as measured at amortised cost as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets – Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g., liquidity risk and administrative costs), as well as a profit margin.

Financial assets – Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in the consolidated statement of profit or loss and other comprehensive income. Any gain or loss on derecognition is recognised in the consolidated statement of profit or loss and other comprehensive income.

Financial liabilities - Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

Derivative financial instruments – Classification, subsequent measurement and gains and losses

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative. Derivatives embedded in hybrid contracts with a financial asset host within the scope of IFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate. Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of IFRS 9 (e.g., financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value through profit or loss (FVTPL). An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

Derecognition

Financial assets

The Group derecognises a financial asset when:

- the contractual rights to the cash flows from the financial asset expire; or
- it transfers the rights to receive the contractual cash flows in a transaction in which either:
    - (i) substantially all of the risks and rewards of ownership of the financial asset are transferred; or
    - (ii) the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

Impairment of non-financial assets

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 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.

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 the consolidated statement of profit or loss and other comprehensive income. The Group assesses impairment of all non-financial assets 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, non-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 Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial year and which are unpaid. Due to their short-term nature, they are measured at amortised cost and are not discounted. The amounts are unsecured and are usually paid within 30 days of recognition.

Provisions

A provision has been recognised for the present value of anticipated costs for future restoration of leased premises. The provision includes future cost estimates associated with the end of the lease term. The calculation of this provision requires assumptions such as application of end dates and cost estimates. The provision is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs are recognised in the consolidated statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Employee benefits

Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Share-based payments

Equity-settled share-based compensation benefits are provided to employees.

Equity-settled transactions are awards of shares, or options over shares, that are provided to employees in exchange for the rendering of services.

The cost of equity-settled transactions is measured at fair value on grant date. Fair value is independently determined using either the Black-Scholes or Monte Carlo option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option, together with non-vesting conditions that do not determine whether the Group receives the services that entitle the employees to receive payment. No account is taken of any other vesting conditions.

The cost of equity-settled transactions is recognised as an expense with a corresponding increase in equity over the vesting period. The cumulative charge to profit or loss is calculated based on the grant date fair value of the award, the best estimate of the number of awards that are likely to vest and the expired portion of the vesting period. The amount recognised in profit or loss for the period is the cumulative amount calculated at each reporting date less amounts already recognised in previous periods.

Market conditions are taken into consideration in determining fair value. Therefore, any awards subject to market conditions are considered to vest irrespective of whether or not that market condition has been met, provided all other conditions are satisfied.

If equity-settled awards are modified, as a minimum an expense is recognised as if the modification has not been made. An additional expense is recognised, over the remaining vesting period, for any modification that increases the total fair value of the share-based compensation benefit as at the date of modification.

If the non-vesting condition is within the control of the Group or employee, the failure to satisfy the condition is treated as a cancellation. If the condition is not within the control of the Group or employee and is not satisfied during the vesting period, any remaining expense for the award is recognised over the remaining vesting period, unless the award is forfeited.

If equity-settled awards are cancelled, it is treated as if it has vested on the date of cancellation, and any remaining expense is recognised immediately. If a new replacement award is substituted for the cancelled award, the cancelled and new award is treated as if they were a modification.

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

Termination benefits

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring. If benefits are not expected to be settled wholly within 12 months of the reporting date, then they are discounted.

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Issued capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Earnings per share

Basic earnings per share

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

Diluted earnings per share

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

Goods and Services Tax ('GST') and other similar taxes

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.

Rounding of amounts

The Company is of an entity to which Australian Securities and Investments Commission (ASIC) Corporations (Rounding in Financial/Directors' Reports) Instruments 2016/191, dated 24 March 2016 applies. Amounts in the Directors' Report and the Financial Statements have been rounded to the nearest thousand dollars in accordance with ASIC Instrument 2016/191, unless otherwise indicated.

Note 3. Critical accounting judgements, estimates and assumptions

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

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

Impairment of non-financial assets (refer to note 13, 14 and 15)

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. A specific key estimate and assumption that has a significant risk of causing a material adjustment to those carrying amounts within the next annual reporting period is the impairment of property, plant and equipment.

In accordance with Group policy, management have completed an impairment indicator and reversal assessment at 30 June 2024 (June 2023 and December 2022: impairment indicator and reversal assessment) for all material cash generating units to ensure that the carrying values can be supported. The assessment of the recoverable value of these assets requires significant judgement in respect of assumptions such as discount rates, forecast revenue growth and forecast terminal growth rates. This has been discussed further in note 13.

Provision for asset retirement obligation

A provision has been made for the present value of anticipated costs for future restoration of leased premise. The provision includes future cost estimates associated with closure of the premise. The calculation of this provision requires assumptions such as application of closure dates and cost estimates. The provision recognised for the site is periodically reviewed and updated based on the facts and circumstances available at the time. Changes to the estimated future costs for site are recognised in the consolidated statement of financial position by adjusting the asset and the provision. Reductions in the provision that exceed the carrying amount of the asset will be recognised in profit or loss.

Revenue recognition

At the end of the reporting period the Group is required to estimate costs to complete on fixed price contracts recognised over time based on the work to be performed after the reporting date. This involves an objective evaluation of project progress, evaluation of the work to be performed and the associated costs to fully deliver the contract to the customer.

Refer to Note 5 for further disclosure of performance obligations and revenue recognition policies.

Note 4. 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.

Note 4. Operating segments (continued)

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

	MCE Group 2024 $'000	MCE Group 2023 $'000
Revenue	85,038	47,204
EBITDAF (i)	**10,994**	**15,982**
Change in fair value of embedded derivate (ii)	577	(1,321)
Foreign exchange loss	(689)	(355)
EBITDA	**10,882**	**14,306**
Depreciation and amortisation	(4,376)	(3,209)
EBIT	**6,506**	**11,097**
Net finance costs	(2,860)	(2,415)
Profit before tax	**3,646**	**8,682**

(i) EBITDAF is reconciled to profit as above.

(ii) Relates to the change in fair value of the convertible note embedded derivative. Refer to Note 20.

	MCE Group 2024 $'000	MCE Group 2023 $'000
Total consolidated assets	95,151	79,887
Total consolidated liabilities	64,136	53,122
Geographical Assets		
Australia	94,823	79,433
Others	328	454
	95,151	79,887
Geographical Liabilities		
Australia	64,135	53,120
Others	1	2
	64,136	53,122

Major customers

Matrix supplies goods and services to a broad range of customers in the global oil & gas industry. During the reporting periods, two major customers (2023: three major customers), each individually accounted for greater than 10 per cent of total group revenue; collectively representing 66 per cent (2023: 77 per cent) of the total group revenue.

Note 5. Revenue

	Consolidated	
	2024 $'000	2023 $'000
Revenue from contracts with customers	85,038	47,204

Disaggregation of revenue

The disaggregation of revenue from contracts with customers is as follows:

Major product lines		
Design, manufacture and supply of engineered composite products	75,766	36,381
Coatings products, equipment and service	6,377	9,459
Others	2,895	1,364
	85,038	47,204
Geographical regions		
Australia	15,730	13,738
Brazil	46,359	15,497
Japan	12,638	-
United States of America	5,628	3,341
China	-	14,428
Others	4,683	200
	85,038	47,204
Timing or revenue recognition		
Goods and services transferred at a point in time	11,866	12,857
Goods and services transferred over time	73,172	34,347
	85,038	47,204

Note 5. Revenue (continued)

Performance obligations and revenue recognition policies

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies.

	Design, manufacture and supply of engineered composite products	**Coatings products, equipment and service**	**Others**
Nature of goods or services	The construction contract business generates revenue from design, manufacture, and supply of engineered composites products.	The Coating business generates revenue from supply of Epoxy based coating systems and associated equipment	Consultancy for and manufacture of advanced composite materials, products and solutions for the defence, energy, and resource sectors.
What revenue is recognised?	Revenue is recognised over time when performance obligations are satisfied	Revenue is recognised when goods are delivered to the customer and all criteria for acceptance have been satisfied.	Revenue is recognised when goods/services are delivered to the customer and all criteria for acceptance have been satisfied
Significant payment terms	Payment is due when the milestone is satisfied.	Payment is due when goods are delivered to the customer	Payment is due when goods are delivered to the customer.
Obligations for returns and refunds, if any	Bespoke products with no obligations for return or refunds.	No contractual requirement to accept returns. May be considered on a commercial basis.	No contractual requirement to accept returns. May be considered on a commercial basis.
Obligation for warranties	12-24 months	Nil	12 months

Note 5. Revenue (continued)

Contract balances

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	Consolidated	
	2024 $'000	2023 $'000
Trade receivables	19,283	12,302
Progress claims and deposits – contract liabilities	(10,317)	(8,530)
Other receivables - Trade	4,690	9,102
	13,656	12,874

The contract assets comprise trade receivables and other receivables (which primarily relate to the Group's rights to consideration for work completed but not billed at reporting date) on construction contracts. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

The contract liabilities primarily relates to advance consideration received from contracts with customers.

Significant changes in the contract assets and the contract liabilities balances during the period are as follows:

	Contract assets		Contract liabilities	
	2024 $'000	2023 $'000	2024 $'000	2023 $'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	-	-	8,524	434
Increase due to cash received, excluding amounts recognised as revenue during the year	-	-	10,311	8,530
Contract asset (other receivables – trade) reclassified to trade receivables	8,940	149	-	-

Note 6. Income

	2024 $'000	Consolidated 2023 $'000
Finance income		
Interest received	888	330
Change in discount on asset retirement obligation	91	106
	979	436
Other income		
Net gain on disposal of property, plant and equipment	2	25
Sundry income	11	25
Change in fair value of embedded derivative	577	-
	590	50

Note 7. Expenses

	2024 $'000	Consolidated 2023 $'000
Loss before income tax includes the following specific expenses:		
Depreciation		
Depreciation and amortisation	4,376	3,209
Finance costs		
Interest and finance charges paid on lease liabilities	2,236	2,029
Convertible note interest	1,431	761
Change in fair value of embedded derivative	-	1,321
Other finance costs	140	34
	3,807	4,145
Employee benefits expense		
Employee benefits expense	20,862	14,035
Other expenses		
Net foreign exchange losses	689	355
Accretion on asset retirement obligation	32	27
	721	382

Note 8. Income tax

	Consolidated 2024 $'000	2023 $'000
Income tax expense		
Current tax	-	-
Aggregate income tax expense	-	-
Numerical reconciliation of income tax expense and tax at the statutory rate		
Profit before income tax expense	3,646	8,682
Tax expense at the statutory tax rate of 30% (2023: 25%)	1,094	2,171
Tax effect amounts which are not deductible/(taxable) in calculating taxable income:		
Effect of expenses that are not deductible in determining tax payable profit	161	306
Effect of change in income tax rates from 25% to 30% and other adjustments	(6,407)	-
Utilisation of tax losses not previously recognised	-	(2,477)
Effect of unused tax losses not recognised	5,448	-
Other tax adjustments	(296)	-
Income tax expense	-	-

The tax rate used for 2024 was 30% (2023: 25%) payable by Australian corporate entities on taxable profits under Australian tax law.

The Directors have made a decision not to recognise deferred tax assets for tax losses in the financial statements for this reporting period (2023: $nil) given uncertainty over recovery.

Note 8. Income tax (continued)

Income tax recognised direct in equity

	Consolidated 2024 $'000	2023 $'000
Deferred tax		
Share issue costs	-	261

Deferred tax assets and liabilities

	Consolidated 2024 $'000	2023 $'000
Deferred tax assets		
Assessed losses	25,408	21,964
Capital losses	2,250	1,855
Research and development claims	4,055	4,055
Provisions (i)	11,291	9,924
Other creditors & accruals	187	37
Intangible assets	1,208	416
Lease liabilities	9,143	6,659
Capital raising costs	243	277
Inventories	-	67
Derivatives	244	330
Financial liability	-	200
Other	845	611
	54,874	46,395
Deferred tax liabilities		
Property, plant & equipment	(3,033)	(2,549)
Right-of-use assets	(10,286)	(7,730)
Cash assets	(4)	(17)
Inventories	(12)	-
Prepayments	-	(8)
	(13,335)	(10,304)
Deferred tax balances		
Deferred tax assets	54,874	46,395
Deferred tax liabilities	(13,335)	(10,304)
Not recognised as deferred tax assets	(41,539)	(36,091)
	-	-

(i) The provisions balance includes the provisions for impairment on property, plant and equipment, intangibles and right-of-use assets.

Note 8. Income tax (continued)

2024	Opening $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Closing $'000
Temporary differences				
Provisions	9,924	1,367	-	11,291
Other creditors & accruals	37	150	-	187
Intangible assets	416	792	-	1,208
Cash and cash equivalents	(17)	13		(4)
Property, plant and equipment	(2,549)	(484)	-	(3,033)
Inventories	67	(79)	-	(12)
Prepayments	(8)	8	-	-
Derivatives	330	(86)	-	244
Capital raising costs	277	(34)	-	243
Right-of-use assets	(7,730)	(2,556)	-	(10,286)
Lease liabilities	6,659	2,484	-	9,143
Financial liability	200	(200)	-	-
Other	611	234	-	845
	8,217	1,609	-	9,826
Unused tax losses and credits				
Tax losses and R&D credits	27,874	3,839	-	31,713
Not recognised as deferred tax assets	(36,091)	(5,448)	-	(41,539)
	(8,217)	(1,609)	-	(9,826)

2023	Opening $'000	Recognised in profit or loss $'000	Recognised directly in equity $'000	Closing $'000
Temporary differences				
Provisions	13,905	(3,981)	-	9,924
Other creditors & accruals	44	(7)	-	37
Intangible assets	416	-	-	416
Cash and cash equivalents	(6)	(11)	-	(17)
Property, plant and equipment	(2,244)	(305)	-	(2,549)
Inventories	231	(164)	-	67
Prepayments	(5)	(3)	-	(8)
Derivatives	-	330	-	330
Capital raising costs	99	(83)	261	277
Right-of-use assets	(7,903)	173	-	(7,730)
Lease liabilities	6,815	(156)	-	6,659
Financial liability	-	200	-	200
Other	398	213	-	611
	11,750	(3,794)	261	8,217
Unused tax losses and credits				
Tax losses and R&D credits	26,557	1,317	-	27,874
Not recognised as deferred tax assets	(38,307)	2,477	(261)	(36,091)
	(11,750)	3,794	(261)	(8,217)

Note 8. Income tax (continued)

Unrecognised deferred tax assets

	At 100% 2024 $'000	At 100% 2023 $'000
Unrecognised deferred tax assets		
Transferred tax losses	1,069	1,069
Capital losses	7,499	7,421
Group tax losses	83,623	86,785
Others	46,271	49,088
	138,462	144,363

Note 9. Cash and Cash Equivalents

		Consolidated
	2024 $'000	2023 $'000
Current assets		
Cash and bank	17,500	12,547
Short term deposits (i)	5,820	-
	23,320	12,547

(i) The short-term deposits were classified as term deposits at 30 June 2023 as they did not meet the cash classification requirement. The deposits have a maturity of 3 months and have been reclassified as cash at 30 June 2024. A portion of short-term deposit is placed as a security over the leased land, factory and administration buildings and the Group as a policy, ensures that the minimum balance of the same amount is maintained in the bank.

Note 10. Trade and other receivables

	Consolidated	
	2024	2023
	$'000	$'000
Current assets		
Trade receivables (i)	19,283	12,302
Other receivables (ii)	4,877	9,216
Security Deposits (iii)	1,706	-
GST refundable	269	154
	26,135	21,672

(i) The Group'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. The Group has assessed the recoverability of all amounts and no allowance is required for the trade receivables.

(ii) Other receivables of $4.690m (June 2023: $9.102m) relate to completed products which have been recognised as revenue but are yet to be invoiced, pending collection by customers. Refer to note 25 credit risk for further information.

(iii) Balance relates to a security deposit paid to Export Finance Australia to fully or partially cash-back bank guarantees.

Note 11. Inventories

	Consolidated	
	2024	2023
	$'000	$'000
Current assets		
Raw materials	4,598	2,657
Work in progress (i)	1,850	1,428
Finished goods	2,253	1,794
	8,701	5,879

The cost of materials and finished goods of $28,950k (2023: $18,668k) were charged to consolidated statement of profit or loss and other comprehensive income and part of cost of sales.

(i) The work in progress at cost reflected the resources consumed for uncompleted projects which are to be completed in the subsequent financial year.

Write-off

Inventories have been reduced by $42k (2023: increased by $124k) due to movement in the slow-moving stock provision. The adjustment is included in cost of sales.

Inventories of $26k previously recorded in the slow-moving stock provision have been written off during the year (2023: $542k). A net additional $68k has been provided for slow moving stock (2023: $53k).

Note 12. Prepayments

	Consolidated 2024 $'000	2023 $'000
Current assets		
Prepayments (i)	1,611	718
Non-current assets		
Prepayments (i)	332	1,116

(i) Interest prepayment on convertible note has been classified as $0.78m current (2023: $0.062m) and $0.33m non-current (2023: $1.116m).

Note 13. Property, plant and equipment

	Consolidated 2024 $'000	2023 $'000
Non-current assets		
Buildings – at cost (i)	8,409	8,409
Other leasehold improvements – at cost (ii)	281	281
Less: accumulated depreciation and impairment loss	(8,690)	(8,690)
	-	-
Plant and equipment – at cost	106,662	102,951
Less: accumulated depreciation and impairment loss	(92,131)	(89,070)
	14,531	13,881
Motor vehicles – at cost	40	56
Less: accumulated depreciation and impairment loss	(13)	(12)
	27	44
Computer equipment – at cost	2,268	2,141
Less: accumulated depreciation and impairment loss	(2,157)	(2,129)
	111	12
Office equipment – at cost	448	448
Less: accumulated depreciation and impairment loss	(444)	(442)
	4	6
Asset under construction – at cost	644	142
	15,317	14,085

Note 13. Property, plant and equipment (continued)

(i) Buildings were sold as part of the sale and lease back transactions in December 2019. However, the Group is deemed to control the offices and factory complex and hence accounted for the value to the extent of control under right-of-use assets.

(ii) Leasehold improvements are located at Henderson.

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Building / leasehold improvement	Plant and equipment	Motor vehicles	Computer equipment	Office equipment	Assets under construction	Total
Consolidated	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Balance at 1 July 2022	-	6,560	-	12	8	197	6,777
Additions (transfers)	-	2,195	46	24	-	(55)	2,210
Depreciation expense	-	(2,459)	(2)	(41)	(3)	-	(2,505)
Reversal of previously recognised impairment losses	-	7,585	-	17	1	-	7,603
Balance at 30 June 2023	-	13,881	44	12	6	142	14,085
Additions (transfers)	-	3,711	-	127	-	502	4,340
Disposals	-	-	(16)	-	-	-	(16)
Depreciation expense	-	(3,061)	(4)	(28)	(2)	-	(3,095)
Reversal of previously recognised impairment losses on disposed asset	-	-	3	-	-	-	3
Balance at 30 June 2024	-	14,531	27	111	4	644	15,317

Impairment

At 30 June 2024, management have completed an impairment indicator and reversal assessment for all material cash-generating units to ensure that the carrying values can be supported. There

Note 13. Property, plant and equipment (continued)

are no indicators of impairment nor indicators for the reversal of previously recognised impairment losses.

At 31 December 2022, the Group re-evaluated whether the recoverable amount of the CGU exceeded its carrying amount due to the existence of impairment reversal indicators. The recoverable amount is determined to be the higher of its fair value less costs to sell or its value in use. For impairment reversal testing purposes, the Group prepared a value in use model. The value in use model used cash flow projections approved by the directors covering a five-year period with a steady growth rate for years beyond the five-year period. The assessment of the recoverable amount lead to an impairment reversal for the period of $15.8m comprising of $7.603m for property, plant and equipment and $8.197m for right-of-use assets. The estimation of future cash flows requires significant estimates and judgements. Details of the key assumptions used in the value in use model at 31 December 2022 and adopted by the Board are included below.

Key Assumptions:

Discount Rate

A post-tax discount rate of 11 per cent reflecting the Group's long term weighted average cost of capital adjusted for market risk.

Revenue

Revenue forecasts used in the impairment model are based on existing awarded and quoted projects that are likely to be awarded to Matrix for the first 2 years of revenue. For years 3 to 5 it focuses on revenue levels based on a reasonable market share of our core markets at the expected level of spend indicated from medium term industry forecasts.

Cost of Goods Sold

In determining gross margin, management has used demonstrated industry margins which are aligned to both prior project delivery and the margins contained in current outstanding quotes.

Terminal Growth Rate

A terminal growth rate of two percent has been applied.

Sensitivity Analysis

Sensitivity analyses were performed to determine whether carrying values are supported by different assumptions. Key variables to the sensitivity analysis include:

- Discount rate
- Terminal value growth rate
- Buoyancy margins
- Annual capex cost to maintain facility and order book
- Industry recovery

Note 13. Property, plant and equipment (continued)

Each of the assumptions in the analysis has been evaluated at levels above and below expected values, as described above. The following table sets out the impact on the recoverable amount for a change in the key assumptions:

Assumption	**Variance**	**Negative impact $ million**	**Positive impact $ million**
Discount rate	+/- 2%	5.3	7.4
Terminal value growth rate	+/- 1%	1.9	2.1
Buoyancy margins (i.e., Riser Buoyancy and Surf)	+/- 2%	9.4	7.7
Sustaining and project capex	+/- $1M p.a.	11	10.9
Change in growth timeframe (i.e., Riser Buoyancy and Surf)	+/- $2.5M Yr 3-5	12.4	12.3

The impairment analysis is based on a number of industry and operational assumptions by management over the 5-year period to 31 December 2027, which have been endorsed by the Board.

Note 14. Leases

Right-of-use assets

		Consolidated
	2024 $'000	**2023 $'000**
Non-current assets		
Right-of-use assets – at cost	43,061	38,520
Less: accumulated depreciation and impairment loss	(24,316)	(23,142)
	18,745	15,378

Note 14. Leases (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated

	Right-of-use assets $'000
Balance at 1 July 2022	7,876
Additions	9
Reversal of previously recognised impairment losses	8,197
Depreciation expense	(704)
Balance at 30 June 2023	15,378
Additions	166
Change in rate (i)	4,375
Depreciation expense	(1,174)
Balance at 30 June 2024	18,745

(i) Primarily relates to a rate adjustment on the property lease.

The right-of-use asset is depreciated over 20 years on a straight-line basis.

The initial lease term on the Company leased land and building at Henderson is 20 years with an option of a further extension of 15 years. At the reporting date, considering the length of time, Matrix has not yet determined the likelihood of extension. Hence, the optional 15 years have not been considered in calculating the value of the right-of-use asset and lease liability.

Lease liabilities

	Consolidated 2024 $'000	2023 $'000
Current liabilities		
Lease liabilities	630	726
Non-current liabilities		
Lease liabilities	29,847	25,908

This lease liability is measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the average incremental borrowing rate of 7.9 per cent.

At 30 June 2024, the lease liabilities have increased to $30.477m (2023: $26.634m). The increase primarily reflects a rate adjustment to the property lease.

Note 14. Leases (continued)

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored internally by the Group's management. A total of $3.3m bank guarantees are in place as a security over the leases.

Lease exemptions

At 30 June 2024, Matrix is committed to $57k (2023: $113k) in relation to the office equipment leases. Matrix has assessed the value of the underlying assets and considered them as short-term or low value assets, respectively. Therefore, Matrix has applied the lease exemptions and accounted for the lease payments as an operating expense on a straight-line basis over the lease term. The operating expense presented in the consolidated statement of profit or loss and other comprehensive income are as follows:

	Consolidated	
	2024 $'000	**2023 $'000**
Multiple copiers	10	12
Multiple IT equipment	46	44
Serviced office	-	6
Equipment	-	31
	56	93
Amounts recognised in profit or loss		
Interest on lease liabilities	2,236	2,029
Expense relating to short-term leases	-	37
Expense relating to lease of low-value assets, excluding short-term leases of low-value assets	56	56
	2,292	2,122
Amounts recognised in consolidated statement of cash flows		
Total cash outflow of leases	2,934	2,664

Note 15. Intangibles

	2024 $'000	Consolidated 2023 $'000
Non-current assets		
Development – at cost (i)	7,986	7,833
Less: Accumulated amortisation	(4,737)	(4,630)
Less: impairment	(2,259)	(2,259)
	990	944

(i) Development costs incurred to date relate to various ongoing projects that are in the development phase. The Group recognised an impairment loss in FY 2021 reducing the then carrying amount to zero (note 13).

Reconciliations

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

Consolidated	**Development costs $000**
Balance at 1 July 2022	605
Additions	339
Balance at 30 June 2023	944
Additions	153
Amortisation expense	(107)
Balance at 30 June 2024	990

Note 16. Trade and other payables

	2024 $'000	Consolidated 2023 $'000
Current liabilities		
Trade payables	6,189	2,076
Other creditors and accruals	3,564	1,758
GST payable	82	209
	9,835	4,043

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.

Note 17. Employee benefits

	Consolidated 2024 $'000	2023 $'000
Current liabilities		
Employee entitlements – annual leave and long service leave	1,875	1,572
Non-current liabilities		
Employee entitlements – long service leave	98	86

Note 18. Forward contract liability

	Consolidated 2024 $'000	2023 $'000
Current liabilities		
Forward contract liability	69	800

Management has entered into foreign exchange forward contracts to manage the foreign currency risk associated with anticipated sales and purchase transactions. The forward contract liability relates to the unrealised foreign exchange loss on these contracts.

Future cash commitments amount to $30.21m at the 30 June 2024 spot rate with all forward contracts maturing within the next 12 months.

Note 19. Provisions

	Consolidated 2024 $'000	2023 $'000
Non-current liabilities		
Asset retirement obligation	2,549	2,608

Asset retirement obligation

The provision represents the present value of the estimated costs to make good the premises leased by the Group at the end of the respective lease terms.

Movements in provisions

Movements in provision during the current and previous financial years, other than employee benefits, are set out below:

Note 19. Provisions (continued)

	Consolidated 2024 $'000	2023 $'000
Carrying amount at the start of the year	2,608	2,687
Accretion	32	27
Change in discount rate	(91)	(106)
Carrying amount at the start of the year	2,549	2,608

An external specialist was engaged in FY22 to estimate the asset retirement obligation at termination of the lease. There has been no change in the cost estimate of the provision at 30 June 2024.

Note 20. Convertible note

On 5 December 2022, the Company issued a convertible note ("Note") to the Collins St Convertible Note Fund ("Fund"), managed by Collins Street Asset Management Pty Ltd, an Australian wholesale investment management company. The Note has a face value of $7.485 million, with a 3-year term to maturity and a 10.5% coupon rate paid monthly in advance.

The Note is secured and convertible in full or part at the election of Collins Street at 35 cents per share, subject to a dilutionary adjustment. The Company has the discretion to redeem the Note, no earlier than 6 months after the issue date but prior to maturity, by repaying the outstanding amount at any time in full and an early redemption fee.

The convertible note is a hybrid financial liability consisting of a financial liability and a derivative liability component.

The initial fair value of the derivative liability was calculated as $1.917 million with the residual value of the convertible note being assigned to the financial liability. The derivative liability represents the value of the dilutionary adjustment and the value of the early redemption option. The derivate liability is accounted for at fair value through profit or loss

As a result of the issue of shares in March 2023, the conversion price has been adjusted to 30.63 cents per share in line with the convertible note agreement.

The derivate liability has been revalued at 30 June 2024 with the fair value adjustment being recognised in the profit or loss. The Company has calculated the fair value of the derivative using a Black Scholes Model. Key assumptions are set out below.

- Maturity of 17 months

- Volatility of 66%

- Risk free rate of 4.205%

- Conversion price of 30.63 cents

The financial liability has been recognised at amortised cost. The interest expense for the period was calculated by applying an effective interest rate of 24.52% per cent to the financial liability component for the period since the note was issued.

Note 20. Convertible note (continued)

Movements in the derivative liability and financial liability have been included below.

	$000
Derivative liability at date of issue	1,917
Change in fair value	1,321
Derivative liability at 30 June 2023	3,238
Change in fair value	(577)
Derivative liability at 30 June 2024	2,661
Financial liability at date of issue (net of transaction costs)	5,305
Interest paid	(455)
Interest charged (using effective interest rate)	761
Financial liability at 30 June 2023	5,611
Interest paid (i)	(787)
Interest charged (using effective interest rate)	1,431
Financial liability at 30 June 2024	6,255
Total convertible note liability at 30 June 2023	8,849
Total convertible note liability at 30 June 2024	8,916

(i) Interest paid includes cash of $725k and the unwind of prepaid interest of $62k.

Note 21. Issued Capital

	2024 Shares	2023 Shares	2024 $'000	2023 $'000
Ordinary shares – fully paid	219,550,565	218,146,168	139,992	139,851

Movements in ordinary share capital

	Date	Shares	Issue Price	$'000
Balance	1 July 2023	218,146,168		139,851
Issue of shares (i)	17 October 2024	1,404,397	N/A	141
Balance	30 June 2024	219,550,565		139,992

(i) Relates to the partial vesting of FY20 performance rights for nil consideration.

Note 21. Issued Capital (continued)

Ordinary shares

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 Group does not have a limited amount of authorised capital and issued shares do not have a par value.

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.

There is no change in Group's approach to capital management during the year. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

Note 22. Reserves

		Consolidated
	2024	**2023**
	$'000	**$'000**
Foreign currency translation reserve	(1,429)	(1,423)
Share-based payments reserve	1,031	2,428
	(398)	1,005

Foreign currency translation reserve

Exchange differences relating to the translation of results and net assets of the Group's foreign operation from their functional currencies to the Group's presentation currency (i.e., Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve.

Share-based payments reserve

The above share-based premium reserve relates to equity-based instruments granted by the Group to its employees under its employee equity-based instruments plan. Further information about share-based payments is set out in note 27.

Note 22. Reserves (continued)

Movements in reserves

Movements in each class of reserve during the current and previous financial year are set out below:

Consolidated	**Foreign currency translation reserve $'000**	**Shared based payment reserve $'000**	**Total $'000**
Balance at 1 July 2022	(1,108)	1,864	756
Exchange differences arising on translation of foreign operation	(315)	-	(315)
Arising on share-based payments	-	564	564
Balance at 30 June 2023	(1,423)	2,428	1,005
Exchange differences arising on translation of foreign operation	(6)	-	(6)
Arising on share-based payments	-	610	610
Vesting / lapse of equity-settled share-based payments	-	(2,007)	(2,007)
Balance at 30 June 2024	(1,429)	1,031	(398)

Note 23. Remuneration of auditors

	Consolidated 2024 $	**2023 $**
KPMG and related network firms		
Audit of financial reports - Group	199,988	182,625

Note 24. Cash flow information

Reconciliation of profit after income tax to net cash provided by / (used in) operating activities

	2024 $'000	Consolidated 2023 $'000
Profit after income tax for the year	3,646	8,682
Adjustments for non-cash items:		
Depreciation of property, plant and equipment	3,095	2,505
Depreciation of right-of-use assets	1,174	704
Amortisation of intangibles	107	-
Reversal of impairment loss on property, plant and equipment	-	(7,603)
Reversal of impairment loss on right-of-use asset	-	(8,197)
Expense recognised in respect of equity-settled share-based payments	610	564
Effects of translation of foreign operations	(6)	(315)
Effects of exchange rate changes on security deposit	(30)	
Net loss/(gain) arising on financial liabilities designated as at fair value through profit or loss	(1,308)	2,121
Write-off of financial assets	77	
Interest on convertible note	1,431	761
Net gain on disposal of property, plant and equipment	(2)	(25)
Change in asset retirement obligation (net)	(59)	(79)
Change in operating assets and liabilities:		
Increase in trade and other receivables	(2,757)	(18,286)
Decrease / (increase) in inventories	(2,822)	637
Increase in prepayments	(170)	(188)
Increase in trade and other payables and progress billings	7,577	9,603
Increase / (decrease) in employee benefits	315	(25)
Increase in convertible note	-	91
Net cash provided by / (used in) operating activities	10,878	(9,050)

Note 24. Cash flow information (continued)

Changes in liabilities arising from financing activities

Consolidated	**Lease liabilities $'000**
Balance at 1 July 2022	27,260
Additions	9
Payment of lease liabilities	(635)
Balance at 30 June 2023	26,634
Additions	4,541
Payment of lease liabilities	(698)
Balance at 30 June 2024	30,477

Consolidated	**Convertible notes $'000**
Balance at 1 July 2022	-
Additions	7,222
Change in fair value of derivative liability	1,321
Interest paid	(455)
Interest charged (using effective interest rate)	761
Balance at 30 June 2023	8,849
Change in fair value of derivative liability	(577)
Interest paid (i)	(787)
Interest charged (using effective interest rate)	1,431
Balance at 30 June 2024	8,916

(i) Interest paid includes cash of $725k and the unwind of prepaid interest of $62k.

Note 25. 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. The main purpose of non-derivative financial liabilities is to raise finance for Group operations. 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 foreign currency risk, liquidity risk and credit risk.

Foreign currency risk

The Group undertakes transactions denominated in foreign currencies and is consequently exposed to exchange rate fluctuations arises. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amount of the Group's foreign currency denominated financial assets and financial liabilities at the reporting date were as follows:

		Assets		Liabilities
	2024	**2023**	**2024**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
US dollars	17,547	18,245	(13,897)	(1,626)
Euros	1,344	953	(345)	(67)
Pounds	18,354	9,171	(899)	(6,885)
	37,245	28,369	(15,141)	(8,578)

Note 25. Financial instruments (continued)

Foreign currency sensitivity analysis

The Group is mainly exposed to fluctuations in the US Dollar and Pounds.

The following table details the Group's sensitivity to a 10 per cent increase and decrease in the Australian dollar against the relevant foreign currency. 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.

		2024 Profit after tax Increase/(decrease) $'000	2023 Profit after tax Increase/(decrease) $'000
US dollar	+10%	(332)	(1,511)
US dollar	-10%	365	1,662
EUR	+10%	(91)	(81)
EUR	-10%	100	87
GBP	+10%	(1,587)	(208)
GBP	-10%	1,746	229

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 the reporting date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the consolidated statement of financial position and consolidated notes to the financial statements.

At 30 June 2024, there is no outstanding credit facility that has any material amount of collateral provided. The Company issues bank guarantees for projects and as security for its leased property under a facility from the ANZ bank and Export Finance. ANZ retain a right of set off over term deposits held by the company to the value of the outstanding bank guarantees. The value of this right of set off at 30 June 2024 was $5.629m (2023: $7.280m). Security deposits of $1.706m have been paid to Export Finance as cash backing for guarantees provided on projects.

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 counterparty risk:

- Deposits are with Australian based banks; and

Note 25. Financial instruments (continued)

- Significant customers are rated for credit worthiness.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of $23,320,000 at 30 June 2024 (2023: $12,547,000) and term deposits of $nil (2023: $7,471,000). The cash and cash equivalents and term deposits are held with regulated bank and financial institution counterparties.

Impairment on cash and cash equivalents and term deposits has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents and term deposits have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents and term deposits is negligible.

Trade and other receivables

The Group's maximum exposure to credit risk in trade and other receivables at the reporting date was:

		Consolidated
	2024	**2023**
	$'000	**$'000**
Trade receivables	19,283	12,302
Other receivables	4,877	9,216
Security deposits	1,706	-
Trade and other receivables	25,866	21,518

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

		Consolidated
	2024	**2023**
	$'000	**$'000**
0-30 days	24,026	12,039
31-60 days	1,765	9,095
61-90 days	75	384
	25,866	21,518

Trade and other receivables of $4,048,000 (2023: $1,474,000) were past due at 30 June, of which $3,086,000 have been collected up to the date of this report (2023: $968,000). There have been no bad debts written off during the year and there were no impairment provisions in respect of trade receivables that were past due as at 30 June 2024.

Note 25. Financial instruments (continued)

Exposure to credit risk

The exposure to credit risk for trade and other receivables and contract assets at the reporting date by geographic region was as follows:

	Consolidated 2024 $'000	2023 $'000
Australia	3,382	3,711
Brazil	18,964	14,836
China	-	2,401
United States of America	219	413
Switzerland	2,303	-
Others	998	157
	25,866	21,518

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group'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 Group's reputation.

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

Financing arrangements

Working capital and contingent lines	Currency	Nominal interest rate	Approved facilities	Amount utilised	Available facilities at 30 June 2024
		%	$'000	$'000	$'000
ANZ bank/performance guarantee and facilities	AUD	0.75%	5,679	5,679	-
Export Finance bond facility	AUD	0.50%	4,169	4,169	-

Remaining contractual maturities

The following table details the Group's expected maturity for its financial liabilities. The table has been drawn up based on the undiscounted contractual maturities of the financial liabilities including interest that will be paid on those liabilities.

Note 25. Financial instruments (continued)

Consolidated - 2024	Weighted average interest rate %	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives							
Non-interest bearing							
Trade and other payables		(9,475)	(4)	(274)	-	-	(9,753)
Interest-bearing							
Lease liabilities	7.85%	-	-	(2,899)	(12,346)	(38,092)	(53,337)
Convertible note	24.52%	-	-	-	(7,485)	-	(7,485)
Total non-derivatives		(9,475)	(4)	(3,173)	(19,831)	(38,092)	(70,575)

Consolidated - 2023	Weighted average interest rate %	Less than 1 month $'000	1-3 months $'000	3 months to 1 year $'000	1-5 years $'000	Over 5 years $'000	Remaining contractual maturities $'000
Non-derivatives							
Non-interest bearing							
Trade and other payables	-	(3,778)	(51)	(5)	-	-	(3,834)
Interest-bearing							
Lease liabilities	7.85%	-	-	(2,704)	(10,973)	(33,324)	(47,001)
Convertible note	24.52%	-	-	-	(7,485)	-	(7,485)
Total non-derivatives		(3,778)	(51)	(2,709)	(18,458)	(33,324)	(58,320)

The amounts included above for variable interest rate instruments 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.

Note 25. Financial instruments (continued)

Fair value of financial instruments

The following table shows the carrying amounts and fair values of financial assets and financial liabilities. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the financial asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data.

It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

30 June 2024						Fair value			
	Note	FVTPL	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets not measured at fair value									
Cash and other equivalents	9	-	23,320	-	23,320	-	-	-	-
Trade and other receivables	10	-	25,866	-	25,866	-	-	-	-
		-	49,186		49,186	-	-	-	-
Financial liabilities measured at fair value									
Convertible note- embedded derivative	20	(2,661)	-	-	(2,661)	-	(2,661)	-	(2,661)
Forward contract liability	18	(69)	-	-	(69)	-	(69)	-	(69)
		(2,730)	-	-	(2,730)	-	(2,730)	-	(2,730)
Financial liabilities not measured at fair value									
Trade and other payables	16	-	-	(9,753)	(9,753)	-	-	-	-
Lease liabilities	14	-	-	(30,477)	(30,477)	-	-	-	-
Convertible note- liability component	20	-	-	(6,255)	(6,255)	-	-	-	-
		-	-	(46,485)	(46,485)	-	-	-	-

Note 25. Financial instruments (continued)

30 June 2023		Fair value							
	Note	FVTPL	Financial assets at amortised cost	Financial liabilities at amortised cost	Total	Level 1	Level 2	Level 3	Total
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Financial assets not measured at fair value									
Cash and other equivalents		-	12,547	-	12,547	-	-	-	-
Term deposits	9	-	7,471	-	7,471	-	-	-	-
Trade and other receivables	10	-	21,518	-	21,518	-	-	-	-
		-	41,536	-	41,536	-	-	-	-
Financial liabilities measured at fair value									
Convertible note- embedded derivative	20	(3,238)	-	-	(3,238)	-	(3,238)	-	(3,238)
Forward contract liability	18	(800)			(800)	-	(800)	-	(800)
		(4,038)	-	-	(4,038)	-	(4,038)	-	(4,038)
Financial liabilities not measured at fair value									
Trade and other payables	16	-	-	(3,834)	(3,834)	-	-	-	-
Lease liabilities	14	-	-	(26,634)	(26,634)	-	-	-	-
Convertible note- liability component	20	-	-	(5,611)	(5,611)	-	-	-	-
		-	-	(36,079)	(36,079)	-	-	-	-

Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

Financial liabilities	Valuation technique and key inputs	Significant unobservable inputs	Relationship and sensitivity of unobservable inputs to fair value
Convertible note – embedded derivative	Black-Scholes model. The following variables were taken into consideration: current underlying share price, options strike price, time until expiration, implied share price volatility and risk -free rate.	N/A	N/A
Forward contract liability	Discounted cash flow. Future cash flows are estimated based on forward exchange rates (from observable forward exchange rates at the end of the reporting period) and contract forward rates, discounted at a rate that reflects the credit risk of various counterparties.	N/A	N/A

Note 26. Dividends

Dividends

There were no dividends paid, recommended or declared during the current or previous financial year.

Franking credits

	Consolidated 2024 $'000	 2023 $'000
Franking credits available for subsequent financial years	13,221	13,221

Note 26. Dividends (continued)

The above amounts represent the balance of the franking account as at the end of the financial year, adjusted for:

- franking credits that will arise from the payment of the amount of the provision for income tax at the reporting date;
- franking debits that will arise from the payment of dividends recognised as a liability at the reporting date; and
- franking credits that will arise from the receipt of dividends recognised as receivables at the reporting date.

Note 27. Share-based payments

Share options

There have been no share options exercised during the year (2023: nil).

Long term incentive plans

Matrix has established long term incentive plans 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 Group performance;
- giving employees the opportunity to become shareholders; and
- aligning the interests of employees and shareholders.

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 Group will be granted either performance rights or share appreciation rights under the Matrix Rights Plan.

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.

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

Employee Performance Rights Plan (EMPRP)

EMPRP 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 $1,500. Performance Rights granted under the EMPRP will be subject to a vesting condition of a three-year service period from beginning of financial year. Upon vesting, the

Note 27. Share-based payments (continued)

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 EMPRP participants on conversion of Performance Rights may be acquired either on-market, or by way of a new issue of shares.

Management Performance Rights Plan (MPRP)

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 $3,000. Performance Rights granted under the MPRP will be subject to a vesting condition of a three-year service period from beginning of financial year. 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 Performance Rights Plan (EPRP)

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 generally be subject to the following vesting conditions:

- three-year service period; and
- the 14-day VWAP of MCE shares at the end of a 3-year period exceeding a board set hurdle share price.

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) and Senior Executive Share Option Plan (SESOP)

Under the SEPRP, SESARP and SESOP senior executives will be offered an annual dollar value grant in accordance with the terms of their respective Executive Service Agreements. Grants under the SEPRP, SESARP and SESOP are made on an annual basis.

SEPRP

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

- three-year service period; and

Note 27. Share-based payments (continued)

- the 14-day VWAP of MCE shares at the end of a 3-year period exceeding a board set hurdle share price.

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 SEPRP 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;
- the 28-day VWAP of MCE shares at the end of a 3-year period exceeding a board set hurdle share price.

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, should shares be issued, there are no additional trading restrictions in relation to the shares. Should 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.

SESOP

Under the SESOP, Share Options (SOs) will be issued to participants. The SOs will be an option to acquire a share in Matrix at a pre-determined exercise price. The Option only vests if the share price of Matrix is above the exercise price at the end of the 3-year period.

SOs granted under the SESOP will be subject to the following vesting conditions:

- three-year service period; and

Note 27. Share-based payments (continued)

- the 14-day VWAP of MCE shares at the end of a 3-year period exceeding a board set hurdle share price.

Upon vesting of any of the SO's, participants will be able to subscribe for shares in the company at the exercise price up to the amount of options they have.

Share rights in existence in the year

The following share-based payment arrangements were in existence during the current and prior reporting periods:

Series	Grant Date	Share price at issue	Right/option price at grant date	Hurdle growth rate	Hurdle price	Expiry date	Vesting date
FY19 MPRP	16/12/2019	$0.30	$0.30	n/a	n/a	17/12/2022	31/08/2022
FY19 SEPRP	16/12/2019	$0.30	$0.06	103%	$0.60	17/12/2022	31/08/2022
FY19 SESARP	16/12/2019	$0.30	$0.04	103%	$0.60	17/12/2022	31/08/2022
FY19 EMPRP	16/12/2019	$0.30	$0.30	n/a	n/a	17/12/2022	31/08/2022
FY20 EPRP	29/01/2021	$0.15	$0.10	113%	$0.32	29/01/2024	31/08/2023
FY20 SESOP	29/01/2021	$0.15	$0.03	113%	$0.32	29/01/2024	31/08/2023
FY21 EPRP - Aaron Begley	15/12/2021	$0.16	$0.08	106%	$0.32	08/03/2025	31/08/2024
FY21 SESOP - Aaron Begley	15/12/2021	$0.16	$0.04	106%	$0.32	08/03/2025	31/08/2024
FY20 EPRP Top Up	08/03/2022	$0.18	$0.10	78%	$0.32	08/03/2024	31/08/2023
FY21 EPRP	08/03/2022	$0.18	$0.09	83%	$0.32	08/03/2025	31/08/2024
FY21 SESOP	08/03/2022	$0.18	$0.05	83%	$0.32	08/03/2025	31/08/2024
FY22 EPRP - Aaron Begley	17/11/2022	$0.22	$0.14	76%	$0.38	15/12/2025	31/08/2025
FY22 SESOP – Aaron Begley	17/11/2022	$0.22	$0.07	76%	$0.38	15/12/2025	31/08/2025
FY22 EPRP – Executives	15/12/2022	$0.22	$0.14	76%	$0.38	15/12/2025	31/08/2025
FY22 SESOP – Executives	15/12/2022	$0.22	$0.07	76%	$0.38	15/12/2025	31/08/2025
FY22 EPRP	31/03/2023	$0.31	$0.19	22%	$0.38	31/03/2026	31/08/2025
FY23 EPRP – Aaron Begley	23/11/2023	$0.26	$0.16	35%	$0.35	22/12/2026	31/08/2026
FY23 SESOP – Aaron Begley	23/11/2023	$0.26	$0.12	35%	$0.35	22/12/2028	31/08/2026
FY23 EPRP – Executives	22/12/2023	$0.33	$0.22	8%	$0.35	22/12/2026	31/08/2026
FY23 SESOP – Executives	22/12/2023	$0.33	$0.16	8%	$0.35	22/12/2028	31/08/2026
FY23 EPRP	10/04/2024	$0.35	$0.24	n/a	$0.35	10/04/2027	31/08/2026
FY23 SESOP	10/04/2024	$0.35	$0.19	n/a	$0.35	10/04/2029	31/08/2026

Note 27. Share-based payments (continued)

There has been no alteration of the terms and conditions of the above share-based payment arrangements since the grant date.

Fair value of share rights granted in the year

The Performance Rights, Share Appreciation Rights and Share Options contemplated by the Rights Plan have been subject to valuation reports by Stantons International Securities dated 11 September 2019, 25 September 2020, 22 June 2022, 17 October 2022, 13 April 2023, 1 February 2024 and 6 May 2024 respectively. The valuations were adopted by the Directors of the Group.

The valuation used a Monte-Carlo simulation as the appropriate methodology to value the rights and options granted under the SEPRP, SESARP and SESOP. A 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 when valuing the rights and options is set out below:

Series	Expected life	Volatility	Risk free interest rate	Dividend yield
FY19 MPRP	3 years	47.00%	0.96%	nil
FY19 EPRP/SEPRP	3 years	47.00%	0.96%	nil
FY19 SESARP	3 years	47.00%	0.96%	nil
FY19 EMPRP	3 years	47.00%	0.96%	nil
FY20 EPRP	2.6 years	66.00%	0.18%	nil
FY20 SESOP	2.6 years	66.00%	0.18%	nil
FY21 EPRP - Aaron Begley	3.3 years	70.00%	0.94%	nil
FY21 SESOP - Aaron Begley	3.3 years	70.00%	0.94%	nil
FY20 EPRP Top Up	2 years	66.00%	0.18%	nil
FY21 EPRP	3 years	70.00%	1.54%	nil
FY21 SESOP	3 years	70.00%	1.54%	nil
FY22 EPRP – Aaron Begley	3 years	75.00%	3.42%	nil
FY22 SESOP – Aaron Begley	3 years	75.00%	3.42%	nil
FY22 EPRP – Executives	3 years	75.00%	3.42%	nil
FY22 SESOP – Executives	3 years	75.00%	3.42%	nil
FY22 EPRP	3 years	75.00%	2.89%	nil
FY23 EPRP – Aaron Begley	3 years	66.99%	4.06%	nil
FY23 SESOP – Aaron Begley	5 years	70.05%	4.10%	nil
FY23 EPRP – Executives	3 years	66.95%	3.59%	nil
FY23 SESOP – Executives	5 years	69.87%	3.63%	nil
FY23 EPRP	3 years	66.05%	3.63%	nil
FY23 SESOP	5 years	69.82%	3.69%	nil

Note 27. Share-based payments (continued)

Movements in share plans during the year

The following table reconciles the share plans outstanding at the beginning and end of the year:

	Balance at the beginning of the year	Granted during the year	Forfeited during the year	Exercised during the year	Lapsed during the year	Balance at the end of the year
	No.	No.	No.	No.	No.	No.
SESOP						
FY20 SESOP	4,852,071	-	-	-	(4,852,071)	-
FY21 SESOP	5,255,682	-	-	-	-	5,255,682
FY22 SESOP	2,615,686	-	-	-	(80,072)	2,535,614
FY23 SESOP	-	2,374,959	-	-	-	2,374,959
	12,723,439	2,374,959	-	-	(4,932,143)	10,166,255
EPRP						
FY20 EPRP	1,633,467	-	-	(816,734)	(816,733)	-
FY20 EPRP Top Up	1,205,191	-	-	(587,663)	(617,528)	-
FY21 EPRP	4,480,234	-	-	-	(219,620)	4,260,614
FY22 EPRP	2,474,266	-	-	-	(187,779)	2,286,487
FY23 EPRP	-	2,356,499	-	-	(27,072)	2,329,427
	9,793,158	2,356,499	-	(1,404,397)	(1,868,732)	8,876,528

Note 28. Related party transactions

Parent entity

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

Subsidiaries

Interests in subsidiaries are set out in note 29.

Note 28. Related party transactions (continued)

Key management personnel compensation

	Consolidated 2024 $'000	2023 $'000
Short term employment benefits	1,375,711	1,077,265
Share based payments	347,140	310,106
Post-employment benefits	97,080	87,303
	1,819,931	1,474,674

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 Company, 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 the profitability of the Matrix Group.

Related party transactions

There were no related party transactions during the year.

In the prior financial year, a local customer Remsense Pty Ltd had a common director, Chris Sutherland. All transactions with Remsense Pty Ltd were quoted on an arm's length basis and the total invoiced amount as at 30 June 2023 was $55. There have been no transactions with Remsense Pty Ltd in the current financial year and Chris Sutherland resigned as a director on 21 February 2024.

Key management personnel

There were no loans to key management personnel during the year or outstanding at the end of the year (2023: nil).

Other transactions and balances with key management personnel

There were no other transactions with key management personnel at the end of the year (2023: nil).

Disclosures relating to key management personnel are set out in the remuneration report included in the directors' report.

Note 29. Interests in subsidiaries

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in note 2:

	Principal place of business/country of incorporation	Ownership interest 2024 %	Ownership interest 2023 %
Specialist Engineering Services (Aust) Pty Ltd	Australia	100%	100%
Matrix Henderson Property Pty Ltd	Australia	100%	100%
Matrix Coating Technologies Pty Ltd	Australia	100%	100%
Matrix Composites & Engineering (US) Inc.	USA	100%	100%

Note 30. 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 2 for a summary of the material accounting policies relating to the Group.

	2024 $'000	2023 $'000
Statement of financial position		
Assets		
Current assets	59,771	49,028
Non-current assets	31,956	27,310
Total assets	91,727	76,338
Liabilities		
Current liabilities	22,373	14,945
Non-current liabilities	42,041	38,178
Total liabilities	64,414	53,123
Equity		
Issued capital	139,992	139,851
Accumulated loss	(113,710)	(119,064)
Share based payment reserve	1,031	2,428
Total surplus	27,313	23,215
Statement of profit or loss and other comprehensive income		
Profit for the year	3,488	8,133
Other comprehensive income	-	-
Total comprehensive income	3,488	8,133

Note 30. Parent entity information (continued)

Guarantees

The parent entity had bank guarantees of $9.80m as at 30 June 2024 (2023: $7.28m) with cash-backing to the value of $7.34m (2023: $7.28m).

Contingent liabilities

The parent entity had no contingent liabilities as at 30 June 2024 and 30 June 2023.

Capital commitments - Property, plant and equipment

The parent entity had no capital commitments for property, plant and equipment as at 30 June 2024 and 30 June 2023.

Material accounting policies

The accounting policies of the parent entity are consistent with those of the Group, as disclosed in note 2, except for the following:

- Investments in subsidiaries are accounted for at cost, less any impairment, in the parent entity.

Note 31. Earnings per share

	2024 $'000	2023 $'000
Profit after income tax	3,646	8,682
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	219,136,153	167,102,494
Weighted average number of ordinary shares used in calculating diluted earnings per share	253,089,276	167,102,494
	Cents	**Cents**
Basic earnings per share	1.66	5.20
Diluted earnings per share	1.44	5.20

Note 32. Contingencies

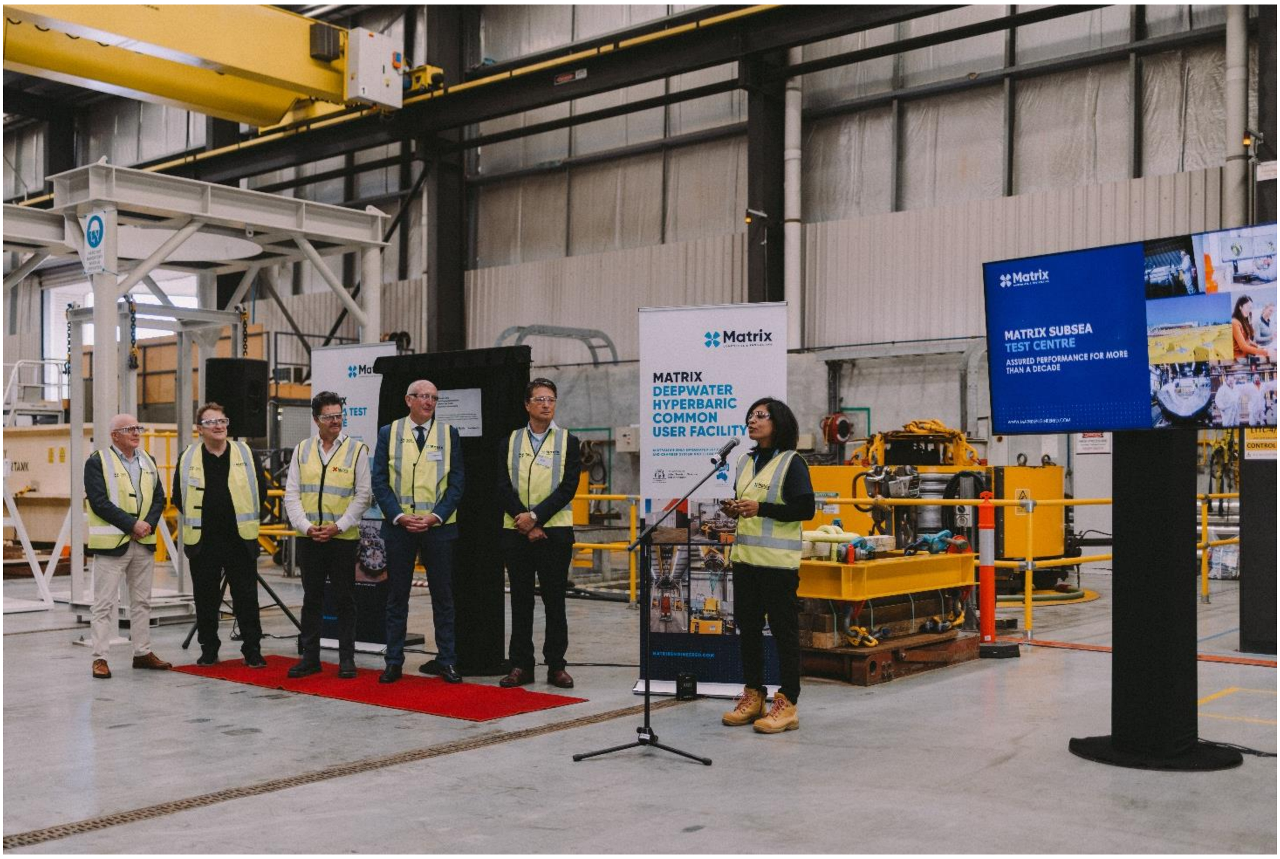
In the opinion of the Directors, the Group did not have any contingencies at 30 June 2024 (30 June 2023: None).

Note 33. Commitments

The Group had no capital commitments as at 30 June 2024 (30 June 2023: nil) other than the forward contracts disclosed in note 18.

Note 34. Events after the reporting period

No matter or circumstance has arisen since 30 June 2024 that has significantly affected, or may significantly affect the Group's operations, the results of those operations, or the Group's state of affairs in future financial years.



CONSOLIDATED ENTITY
DISCLOSURE STATEMENT

FOR THE YEAR ENDED 30 JUNE 2024

		Body corporates		Tax residency	
Entity name	**Entity type**	**Place formed or incorporated**	**% of share capital held**	**Australian or foreign**	**Foreign jurisdiction**
Matrix Composites & Engineering Ltd	Body corporate	Australia	N/A	Australian (i)	N/A
Specialist Engineering Services (Aust) Pty Ltd	Body corporate	Australia	100%	Australian (i)	N/A
Matrix Henderson Property Pty Ltd	Body corporate	Australia	100%	Australian (i)	N/A
Matrix Coating Technologies Pty Ltd	Body corporate	Australia	100%	Australian (i)	N/A
Matrix Composites & Engineering (US) Inc.	Body corporate	USA	100%	Foreign	Jurisdiction USA

(i) This entity is part of a tax-consolidated group under Australian taxation law, for which Matrix Composites & Engineering Ltd is the head entity

DIRECTORS' DECLARATION

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, the Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes comply with International Financial Reporting Standards as issued by the International Accounting Standards Board as described in note 2 to the financial statements;
- the attached financial statements and notes give a true and fair view of the Group's financial position as at 30 June 2024 and of its performance for the financial year ended on that date;
- the attached consolidated entity disclosure statement is true and correct; and
- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

The directors have been given the declarations required by section 295A of the Corporations Act 2001.

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

On behalf of the directors

Aaron P Begley
Managing Director and Chief Executive Officer

28 August 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MATRIX COMPOSITES & ENGINEERING LTD

KPMG

Independent Auditor's Report

To the shareholders of Matrix Composites & Engineering Ltd

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Matrix Composites & Engineering Ltd (the Company).

In our opinion, the accompanying Financial Report of the Company gives a true and fair view, including of the ***Group***'s financial position as at 30 June 2024 and of its financial performance for the year then ended, in accordance with the *Corporations Act 2001*, in compliance with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated statement of financial position as at 30 June 2024;
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity, and Consolidated statement of cash flows for the year then ended;
- Consolidated entity disclosure statement and accompanying basis of preparation as at 30 June 2024;
- Notes, including material accounting policies; and
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with these requirements.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgement, were of most significance in our audit of the Financial Report of the current period.

This matter was addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

KPMG

Revenue recognition ($85.0 million)	
Refer to Note 5 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
Group has several revenue streams of services and products, the most significant of which includes: • Design, manufacture and supply of engineered composite products; and • Coatings products, equipment hire and service. Revenue recognition was a key audit matter due to the quantum of the balance, and the significant audit effort and judgment we have applied in assessing the Group's recognition and measurement of revenue. This was the result of the: • The different revenue recognition policies for sale of goods and rendering of services on either an overtime or on a point in time basis; • Significant judgements made by the Group in the recognition and measurement of revenue and associated contract asset (or liability) from ongoing revenue contracts and the level of audit effort required by us in assessing the Group's assumptions underlying the timing of its recognition based on the terms of the relevant agreements and estimated costs to complete; and • Presumed fraud risk pursuant to the auditing standard ASA 240 Auditor's Responsibilities Relating to Fraud in an Audit of a Financial Report whilst the risk is assessed to be concentrated towards the year-end and post year-end revenue transactions. In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and the economic environment it operates in.	Our procedures included: • Understanding the nature of the Group's revenue streams and the related revenue recording processes, systems and controls; • Evaluating the appropriateness of the Group's revenue recognition policies on allocation of the transaction price, including variable consideration, to performance obligations; • Evaluating the appropriateness of the Group's accounting policies related to revenue recognition against the requirements of the accounting standard and our understanding of the business and industry practice; • Evaluating the appropriateness of assumptions and judgements made to measure and assess the transaction price and contract; • Testing a sample of revenue transactions recognised on a 'point in time' throughout the year to underlying revenue contracts and delivery documents to assess that revenue recognition for each revenue contract is based on completed performance obligations and the Group's revenue recognition policy; • For key contracts where revenue is recognised on an 'overtime' basis, we: – Obtained an understanding of the activities required to complete the customer contract from the underlying sales contract and the customer's purchase order; – Assessed the completion of performance obligation to underlying support for project completion; – Recalculated the amount of revenue based on the cost incurred to date or actual costs on completion and the projected actual costs as well as the modifications to the contract and compared the recalculated amounts against the amounts recorded by the Group; – Assessed the reasonableness of the cost to complete by comparing the cost to complete to support such as quotations, actual cost incurred post year end and to approved budgets; and

	– Assessed management's ability to budget, through review of past performance against project budgets. • For a sample of revenue items and credit notes recognised by the Group either side of the year-end, we checked that revenue is recognised in the correct period by: – Performing cut off testing by reviewing contract revenue; and – Testing credit notes issued after the year end. • Testing a sample of subsequent receipts for year end receivables to determine collectability; and • Evaluating the adequacy of the disclosures made in the financials against the requirements of the accounting standards.

Other Information

Other Information is financial and non-financial information in Matrix Composites & Engineering Ltd's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Director's Report. The Chairman's Report and Chief Executive Officer's Report are expected to be made available to us after the date of the Auditor's Report. Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- Preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*;
- Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error; and
- Assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group and Company or to cease operations, or have no realistic alternative but to do so.

KPMG

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- To obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- To issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the *Auditing and Assurance Standards Board* website at: https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf. This description forms part of our Auditor's Report.

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Matrix Composites & Engineering Ltd for the year ended 30 June 2024, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 14 to 25 of the Directors' report for the year ended 30 June 2024.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Graham Hogg
Partner
Perth
28 August 2024

ADDITIONAL ASX INFORMATION
AS AT 13 SEPTEMBER 2024

AUSTRALIAN SECURITIES EXCHANGE LISTING

Matrix's shares are listed on the Australian Stock Exchange (ASX) Limited. The company is listed as Matrix Composites and Engineering Limited with an ASX code of MCE.

ORDINARY SHARE CAPITAL

219,550,565 fully paid ordinary shares are held by 1,839 individual shareholders. All issued shares carry one vote per share and are entitled to dividends.

DISTRIBUTION OF HOLDERS OF EQUITY SECURITIES

Range Fully Paid Ordinary Shares	Shares	Number of Holders	% of Issued Capital
100,001 and over	200,576,567	148	91.36
10,001 to 100,000	16,018,709	435	7.30
5,001 to 10,000	1,435,820	181	0.65
1,001 to 5,000	1,275,951	488	0.58
1 to 1,000	243,518	587	0.11

UNMARKETABLE PARCELS

There were 646 members holding less than a marketable parcel of shares in the company.

TWENTY (20) LARGEST HOLDERS OF QUOTED EQUITY SECURITIES

Rank	Shareholder	A/C designation	13 September 2024	%IC
1	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED		43,518,859	19.82
2	HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED		37,326,353	17.00
3	BNP PARIBAS NOMINEES PTY LTD	<IB AU NOMS RETAILCLIENT>	12,889,922	5.87
4	LEMPIP NOMINEES PTY LTD	<LEMPIP SUPER FUND A/C>	11,449,946	5.22
5	MILTO PTY LTD		10,229,702	4.66
6	BELL POTTER NOMINEES LTD	<BB NOMINEES A/C>	8,583,346	3.91
7	NATIONAL NOMINEES LIMITED		4,800,000	2.19
8	BESPIN PTY LTD	<JAMES STREET FAMILY A/C>	4,267,278	1.94
9	CITICORP NOMINEES PTY LIMITED		3,963,618	1.81
10	BOND STREET CUSTODIANS LIMITED	<SHVY - D71001 A/C>	3,545,411	1.61
11	FLST PTY LTD		2,486,098	1.13
12	GENGHA HOLDINGS PTY LTD		2,412,708	1.10
13	PETER NORMAN GERALD FITZGERALD & HELEN JANE	<TAWNY TUSSOCK A/C>	2,293,267	1.04

Rank	Shareholder	A/C designation	13 September 2024	%IC
	FITZGERALD & ALBERT PETER ALLOO			
14	MR AARON PAUL BEGLEY		2,000,763	0.91
15	KATEPIP INVESTMENTS PTY LTD		1,808,714	0.82
16	KENYON ST MEDICAL CENTRE PTY LTD		1,750,000	0.80
17	MR MATTHEW JAMES COOK & MRS KYLIE NUSKE	<VISION SPLENDID S/FUND A/C>	1,679,398	0.76
18	MR MAXWELL GRAHAM BEGLEY		1,610,308	0.73
19	PACIFIC CUSTODIANS PTY LIMITED	MCE PLANS CTRL	1,605,482	0.73
20	CERTANE CT PTY LTD	<GLENMORE AUS EQ FUND>	1,385,416	0.63
		Total	159,606,589	72.70
		Balance of register	59,943,976	27.30
		Grand total	219,550,565	100.00

SUBSTANTIAL HOLDERS

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

Fully Paid Ordinary Shares		
Investor Name	**Number of Shares**	**Percentage (%)**
Samuel Terry Asset Mgt	26,251,567	11.96
Pendal Group	13,680,440	6.23
Mr Maxwell G Begley	13,572,799	6.18
Mr Michael V Piperoglou	11,702,277	5.33

COMPANY SECRETARY

Mr Brendan Cocks

Ms Caitlin Flaherty

REGISTERED AND PRINCIPAL ADMINISTRATION OFFICE

150 Quill Way
Henderson WA 6166
Phone +61 8 9412 1200

SHARE REGISTRY

Link Market Services Ltd
QV1 Building, Level 12,
250 St Georges Terrace,
Perth WA 6000
Phone +61 8 9211 6670

RESTRICTED SECURITIES

There are no securities subject to any voluntary escrow or any transfer restrictions.

LIGHTER • STRONGER • SMARTER


REPEL

matrixengineered.com