

Appendix 4D

Half year report

Period ending on 31 December 2017

Name of entity

Matrix Composites & Engineering Ltd

ABN or equivalent company
reference

54 009 235 450

The information contained in this report relates to the following years:

Current half-year ended	31 December 2017
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Previous half-year ended	31 December 2016
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Results for announcement to the market

					\$000s
Revenue	Decreased	48.1%	To		11,874
Profit/(losses) after tax attributable to members	Decreased	46.8%	To		(6,594)
Profit/(losses) after tax attributable to owners of the parent	Decreased	46.8%	To		(6,594)

Dividend payments	Amount per security	Franked amount per security
<u>Year ended 30 June 2017</u> Final dividend (cents per share)	-	-
<u>Half year ended 31 December 2017</u> Interim dividend (cents per share)	-	-
Record date for determining entitlement to dividend	n/a	
Date the interim 2018 dividend is payable	n/a	

Net tangible assets	Current half year \$	Previous half year \$
Net tangible assets per ordinary security	\$1.00	\$1.17

Total interim dividend to be paid on all securities	Current half year \$	Previous half year \$
Ordinary securities	nil	nil

The above information should be read in conjunction with the attached Half Year Report for the period ending 31 December 2017.

This report is based on accounts that have been reviewed.



BRENDAN COCKS
CHIEF FINANCIAL OFFICER

Date: 21 February 2018



HALF YEAR REPORT

31 DECEMBER 2017

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DIRECTORS' REPORT

The directors of Matrix Composites & Engineering Ltd ("Matrix" or "the Company") submit herewith the financial report of the Company and its subsidiaries ("Group" or "Consolidated Entity") for the half-year ended 31 December 2017. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

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

Peter J Hood	<i>(Independent Non-Executive Chairman)</i>
Aaron P Begley	<i>(Managing Director & Chief Executive Officer)</i>
Steven Cole	<i>(Independent Non-Executive Director)</i>
Craig N Duncan	<i>(Independent Non-Executive Director)</i>

The above named directors held office since the start of the half-year to the date of this report.

Review of Operations

Overview

The Consolidated Entity's principal activities during the course of the period were: the supply of manufactured goods and provision of engineering services to the global oil and gas sector. The goods manufactured and services provided by Matrix can be summarised as follows:

- 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; and
- Manufacture and supply of well construction products, including centralisers and conductors.

Matrix mainly supplied the above products to the global oil and gas sector. The company also marketed composite manufacturing products to the Resources, Civil & Infrastructure and Defence sectors.

Financial Performance

The Group has recorded a net loss after tax of \$6.6m (Dec 2016: net loss \$12.4m) for the six month period ended 31 December 2017.

The Group has reported an EBITDA loss of (\$2.3m) for the six month period ended 31 December 2017 on revenue of \$11.9m, compared with the previous corresponding period loss of (\$9.9m) on revenue of \$22.9m. The company was able to minimise the EBITDA loss in a lower revenue environment compared with the prior period due to a cost base restructure during 2016 and 2017. The prior period also included a non-cash goodwill impairment charge of \$6.4m and redundancy and lease termination costs of \$2.4m. While the Company continued to experience subdued demand for its riser buoyancy products in a weak oil & gas sector there was an increase in the sale of well construction products (centralisers) as well as a \$4m project completed for a SURF application of our LGS technology.

The Company still retains a strong cash position with cash in the bank at the end of the period at \$11.6m (Jun 17: \$16.6m). Cash usage for the period included an operating deficit of (\$3.3m), Capital expenditure and R&D of (\$0.6m) and net repayment of borrowings of (\$1.0m).

The Company maintained banking facilities with no term debt and \$0.5m of trade finance outstanding at the end of the period.

Strategy and Outlook

Matrix continues its strategy to diversify its products and services and leverage its manufacturing capabilities and customer relationships. Key to the financial success of the Company is the ability to secure sufficient work to efficiently load its manufacturing capacity.

The business is encouraged by increased revenue for SURF and Well Construction products during the half, and also an increase in quotation activity across all Oil and Gas related products during the period. The Company continues to receive material enquiries from its historical customer base.

The Company is also marketing its capability to the Resources, Civil & Infrastructure and Defence sectors under a strategy to diversify our revenue base in the future. There were small amounts of revenue recorded across all these sectors during the period, and encouragingly a 3 year manufacturing agreement was signed for a Civil construction product (minimum order +\$2m) and a Letter of Intent received for a contract award for a resources infrastructure project. Engagement within the Defence sector continues to gain momentum.

Dividends

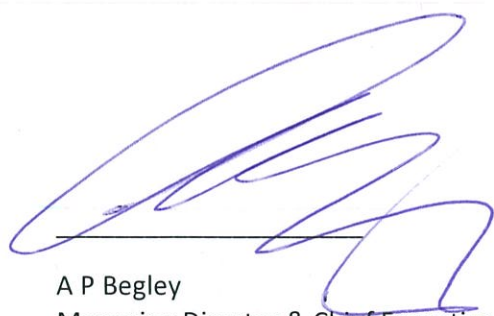
The directors have determined that no interim dividend will be paid for the period ended 31 December 2017.

Auditor's independence declaration

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

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

On behalf of the Directors

A handwritten signature in blue ink, appearing to read "A P Begley", written over a horizontal line.

A P Begley
Managing Director & Chief Executive Officer

Perth, 21 February 2018

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

21 February 2018

Dear Board Members

Auditor's Independence Declaration to Matrix Composites & Engineering Ltd

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

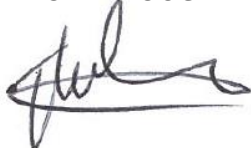
As lead audit partner for the review of the financial report of Matrix Composites & Engineering Ltd for the half-year ended 31 December 2017, I declare that to the best of my knowledge and belief, there have been no contraventions of:

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

Yours sincerely

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



John Sibenaler
Partner
Chartered Accountants

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Note	31 Dec 2017	31 Dec 2016
		\$	\$
Continuing operations			
Revenue		11,873,670	22,894,863
Cost of sales		(14,073,644)	(26,167,525)
Gross loss		(2,199,974)	(3,272,662)
Other income	3	333,719	73,910
Other losses	3	-	(6,559,401)
Administration expenses		(2,479,347)	(2,719,694)
Finance costs	3	(44,790)	(10,144)
Marketing expenses		(1,707,900)	(1,790,216)
Research expenses		(493,303)	(493,173)
Loss before income tax		(6,591,595)	(14,771,380)
Income tax (expense)/ benefit	4	(1,879)	2,386,379
Loss for the period from continuing operations		(6,593,474)	(12,385,001)
Loss attributable to :			
Owners of the parent		(6,593,474)	(12,385,001)
Non-controlling interest		-	-
		(6,593,474)	(12,385,001)

Loss per share			
Basic loss per share (cents)		(7.0)	(13.2)
Diluted loss per share (cents)		(7.0)	(13.2)

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

**CONDENSED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	31 Dec 2017	31 Dec 2016
	\$	\$
Loss for the period	(6,593,474)	(12,385,001)
Other comprehensive expense		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Net foreign currency translation differences	69,581	(118,953)
	69,581	(118,953)
Change in fair value of cash flow hedges	(4,384)	319,755
Income tax on fair value movements	-	-
	(4,384)	319,755
Total comprehensive expense for the period	(6,528,277)	(12,184,199)
Total comprehensive expense attributable to:		
Owners of the parent	(6,528,277)	(12,184,199)
Total comprehensive expense for the period	(6,528,277)	(12,184,199)

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

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2017**

	Note	31 Dec 2017	30 Jun 2017
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents		11,559,638	16,603,004
Trade and other receivables	5	10,093,781	6,404,135
Inventory		7,890,997	8,743,119
Other current assets		682,563	420,596
TOTAL CURRENT ASSETS		30,226,979	32,170,854
NON CURRENT ASSETS			
Property, plant and equipment		71,401,717	73,727,306
Intangible assets	6	2,620,673	2,809,753
Deferred tax assets		12,555,184	12,555,184
TOTAL NON CURRENT ASSETS		86,577,574	89,092,243
TOTAL ASSETS		116,804,553	121,263,097
CURRENT LIABILITIES			
Trade and other payables	7	6,279,888	3,045,208
Progress claims and deposits		555,553	957,505
Financial liabilities	8	503,658	1,524,927
Provisions		523,766	507,617
TOTAL CURRENT LIABILITIES		7,862,865	6,035,257
NON CURRENT LIABILITIES			
Provisions		464,483	414,151
TOTAL NON CURRENT LIABILITIES		464,483	414,151
TOTAL LIABILITIES		8,327,348	6,449,408
NET ASSETS		108,477,205	114,813,689
EQUITY			
Issued capital	9	111,283,768	111,283,768
Reserves		506,188	249,198
Retained earnings		(3,312,751)	3,280,723
Equity attributable to owners of the Company		108,477,205	114,813,689
TOTAL EQUITY		108,477,205	114,813,689

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

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	31 Dec 2017	31 Dec 2016
	\$	\$
CASH FLOWS GENERATED BY/(USED IN) OPERATING ACTIVITIES		
Receipts from customers	4,638,660	38,764,233
Payments to suppliers and employees	(7,934,726)	(33,115,787)
Interest received	22,291	4,559
Finance costs paid	(44,790)	(10,144)
Net receipt from tax	59,533	-
Net cash (used in)/generated by operating activities	(3,259,032)	5,642,861
CASH FLOWS USED IN INVESTING ACTIVITIES		
Proceeds from sale of property, plant and equipment	10,500	66,634
Payments for property, plant and equipment	(345,825)	(347,069)
Payments for research and development costs	(252,927)	(580,139)
Net cash used in investing activities	(588,252)	(860,574)
CASH FLOWS GENERATED BY FINANCING ACTIVITIES		
Proceeds from borrowings	488,901	3,841,090
Repayment of borrowings	(1,524,927)	(2,957,833)
Net cash (used in)/generated by financing activities	(1,036,026)	883,257
Net (decrease)/increase in cash and cash equivalents	(4,883,310)	5,665,544
Cash and cash equivalents at 1 July	16,603,004	8,403,463
Effects of exchange rate changes on the balance of cash held in foreign currencies	(160,056)	201,371
Cash and cash equivalents at 31 December	11,559,638	14,270,378

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Issued capital	Retained earnings	Cash flow hedging reserve	Foreign currency translation reserve	Share based payment reserve	Attributable to owners of the parent	Total
	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2017	111,283,768	3,280,723	-	(206,800)	455,998	114,813,689	114,813,689
Loss for the year	-	(6,593,474)	-	-	-	(6,593,474)	(6,593,474)
<i>Other comprehensive income for the year, net of income tax</i>							
Foreign currency translation	-	-	(4,384)	-	-	(4,384)	(4,384)
Change in fair value of cash flow hedges net of tax	-	-	-	69,581	-	69,581	69,581
Total comprehensive income for the year	-	(6,593,474)	(4,384)	69,581	-	(6,528,277)	(6,528,277)
Share based payments	-	-	-	-	191,793	191,793	191,793
Balance at 31 December 2017	111,283,768	(3,312,751)	(4,384)	(137,219)	647,791	108,477,205	108,477,205

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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

	Issued capital	Retained earnings	Cash flow hedging reserve	Foreign currency translation reserve	Share based payment reserve	Attributable to owners of the parent	Non- controlling interest	Total
	\$	\$	\$	\$	\$	\$	\$	\$
Balance at 1 July 2016	111,283,768	22,809,176	(392,610)	(415,102)	161,987	133,447,219	(10,213)	133,437,016
Loss for the year	-	(12,385,001)	-	-	-	(12,385,001)	-	(12,385,001)
Other comprehensive income for the year, net of income tax								
Foreign currency translation	-	-	-	(118,953)	-	(118,953)	-	(118,953)
Change in fair value of cash flow hedges net of tax	-	-	319,755	-	-	319,755	-	319,755
Total comprehensive income for the year	-	(12,385,001)	319,755	(118,953)	-	(12,184,199)	-	(12,184,199)
Share based payments	-	-	-	-	(9,800)	(9,800)	-	(9,800)
Balance at 31 December 2016	111,283,768	10,424,175	(72,855)	(534,055)	152,187	121,253,220	(10,213)	121,243,017

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

General Information

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

Statement of Compliance

The half-year financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001 and AASB 134 'Interim Financial Reporting'. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'. The half-year report does not include notes of the type normally included in an annual financial report and shall be read in conjunction with the most recent annual financial report for the year ended 30 June 2017 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001 and the ASX Listing Rules.

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

The half-year financial report was authorised for issue by the directors on 21 February 2018.

Basis of Preparation

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

The accounting policies and methods of computation adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Company's 2017 annual financial report for the financial year ended 30 June 2017. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

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

Application of New and Revised Accounting Standards

Standards and Interpretations affecting amounts reported in the current period (and/or prior periods)

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

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

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. Adoption of these pronouncements will however, result in changes to information currently disclosed in the financial statement. The analysis of impact on adoption of these pronouncements has not yet been performed. The Group does not intend to adopt any of these pronouncements before their effective dates.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
<i>AASB 9 'Financial Instruments'</i>	1 January 2018	30 June 2019
<i>AASB 15 'Revenue from Contracts with Customers', AASB 2014-5 'Amendments to Australian Accounting Standards arising from AASB 15', AASB 2015-8 'Amendments to Australian Accounting Standards – Effective Date of AASB 15', and AASB 2016-3 'Amendments to Australian Accounting Standards – Clarifications to AASB 15'</i>	1 January 2018	30 June 2019
<i>AASB 16 'Lease'</i>	1 January 2019	30 June 2020
<i>AASB 17 'Insurance Contracts'</i>	1 January 2021	30 June 2022
<i>AASB 2014-10 'Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]'</i>	1 January 2022 (Editorial corrections in AASB2017-5 apply from 1 January 2018)	30 June 2023
<i>AASB 2016-5 'Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions'</i>	1 January 2018	30 June 2019
<i>AAASB 2017-1 'Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments'</i>	1 January 2018	30 June 2019
<i>AASB 2017-6 'Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation'</i>	1 January 2019	30 June 2020
<i>AASB 2017-7 'Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)'</i>	1 January 2018	30 June 2019
<i>Interpretation 22 'Foreign Currency Transactions and Advance Consideration'</i>	1 January 2018	30 June 2019
<i>Interpretation 23 'Uncertainty over Income Tax Treatments'</i>	1 January 2019	30 June 2020

2. OPERATING SEGMENT

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

2. OPERATING SEGMENT (CONTINUED)

Performance Monitoring and Evaluation

The CODM is identified as the Chief Executive Officer (CEO) who monitors the operating results of the consolidated group and organises its business activities and product lines to serve the global oil and gas industry. The performance of the consolidated group is evaluated based on Earnings before Interest, Taxes, Depreciation and Amortisation ("EBITDA") and Earnings before Interest, Taxes, Depreciation, Amortisation, and Foreign Exchange ("EBITDAF") which are measured in accordance with the Group's accounting policies.

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

	MCE Group 31 Dec 2017	MCE Group 31 Dec 2016
	\$	\$
Revenue	11,873,670	22,894,863
EBITDAF	(2,625,030)	(9,913,208)
Foreign exchange gain	301,666	51,175
EBITDA	(2,323,364)	(9,862,033)
Depreciation and amortisation	(4,245,732)	(4,903,762)
EBIT	(6,569,096)	(14,765,795)
Net finance costs	(22,499)	(5,585)
(Loss)/profit before tax (continuing operations)	(6,591,595)	(14,771,380)

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

	MCE Group 31 Dec 2017	MCE Group 30 Jun 2017
	\$	\$
Total consolidated assets	116,804,553	121,263,097
Total consolidated liabilities	8,327,348	6,449,408
Geographical Assets	\$	\$
Australia	114,503,942	120,267,094
Others	2,300,611	996,003
	116,804,553	121,263,097
Geographical Liabilities		
Australia	9,684,004	7,763,767
Others	(1,356,656)	(1,314,359)
	8,327,348	6,449,408

Major Customers

Matrix supplies goods and services to a broad range of customers in the global oil & gas industry. During the reporting periods, five major customers (31 December 2016: one major customer), collectively accounted for greater than 80 per cent of total group revenue.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

3. OTHER INCOME AND EXPENSES

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

	31 Dec 2017	31 Dec 2016
	\$	\$
Other Income		
Interest received	22,291	4,559
Sundry income	9,762	11,197
Fixed assets gain on disposal	-	58,154
	<u>32,053</u>	<u>73,910</u>
Other Losses		
Net foreign exchange gain	301,666	51,175
Goodwill write off	-	(6,415,215)
Other expenses	-	(195,361)
	<u>301,666</u>	<u>(6,559,401)</u>
Operating Expenses		
Depreciation and amortisation	(4,245,732)	(4,903,762)
Finance costs	(44,790)	(10,144)

4. INCOME TAX (EXPENSE)/BENEFIT

Income tax (expense)/benefit recognised in profit or loss

	31 Dec 2017	31 Dec 2016
	\$	\$
The component of tax (expense)/benefit comprise		
Current tax	-	-
Deferred tax	(1,879)	2,386,379
	<u>(1,879)</u>	<u>2,386,379</u>

The income tax benefit for the period can be reconciled to the accounting loss as follows:

	31 Dec 2017	31 Dec 2016
	\$	\$
Loss before tax from continuing operations	6,591,595	14,771,380
Income tax benefit calculated at 30% (2016:30%)	1,977,478	4,431,414
Effect of expenses that are not deductible in determining taxable profit	(353,952)	(2,045,035)
Adjustments recognised in the current period in relation to the deferred tax of prior periods	(195,749)	-
Income tax benefit in the current period	<u>1,427,777</u>	<u>2,386,379</u>
Income tax benefit not recognised in the current period	(1,429,656)	-
Total income tax (expense)/benefit in the current period relating to continuing operations	<u>(1,879)</u>	<u>2,386,379</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

4. INCOME TAX (EXPENSE)/BENEFIT (CONTINUED)

The Directors have made a decision not to recognise deferred tax assets of \$1,429,656 in the financial statements for this reporting period. However, this decision has no effect on the amount accumulated tax losses that can be carried forward by the Company.

5. TRADE AND OTHER RECEIVABLES

	31 Dec 2017	30 Jun 2017
CURRENT	\$	\$
Trade receivables ⁽ⁱ⁾	6,220,876	2,221,911
Other receivables – Trade ⁽ⁱⁱ⁾	3,741,630	4,120,789
GST refundable	131,275	61,435
	<u>10,093,781</u>	<u>6,404,135</u>

- (i) The Company's standard terms and conditions require customers to pay trade receivables within 30 days from invoice date. The average collectability timeframe is ordinarily between 30 to 60 days. These amounts are generally non-interest bearing, although, there are customers who will be subjected to interest charges subject to individual contractual arrangements and management's discretion.
- (ii) Other receivables – Trade, relates to products completed which have been revenue recognised but are yet to be invoiced, pending collection by customer.

6. INTANGIBLE ASSETS

	31 Dec 2017	30 Jun 2017
	\$	\$
Development costs ⁽ⁱ⁾	5,105,261	4,849,056
Accumulated amortisation expense	<u>(2,484,588)</u>	<u>(2,039,303)</u>
	<u>2,620,673</u>	<u>2,809,753</u>

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

7. TRADE AND OTHER PAYABLES

	31 Dec 2017	30 Jun 2017
CURRENT	\$	\$
Trade creditors	2,442,782	1,657,072
GST payable	147,032	18,810
Other creditors and accruals	3,690,074	1,369,326
	<u>6,279,888</u>	<u>3,045,208</u>

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

8. FINANCIAL LIABILITIES

	31 Dec 2017	30 Jun 2017
	\$	\$
CURRENT		
Trade finance ⁽ⁱ⁾	488,901	1,524,927
Forward exchange contracts liability (hedge accounted) ⁽ⁱⁱ⁾	14,757	-
	<u>503,658</u>	<u>1,524,927</u>

(i) The Company has a \$13.3 million multi-option, multi-currency funding package with Australia and New Zealand Banking Group Limited (ANZ). The facility covers the Group's working capital, bonding and trade finance facilities and encompasses sub-limits for certain facilities. The working capital and bonding facilities can be drawn in multiple currencies using a variety of instruments.

(ii) The Group had a net hedge liability position of \$14,757 (30 June 2017: nil) reflecting the negative mark-to-market value of foreign exchange contract.

9. ISSUED CAPITAL

Movements in Ordinary Share Capital

	31 Dec 2017	30 Jun 2017
	\$	\$
Issued and paid up capital 93,750,000		
(2016: 93,750,000) fully paid ordinary shares	111,283,768	111,283,768
	<u>111,283,768</u>	<u>111,283,768</u>

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

	Number of shares	\$
Date		
Balance 1 July 2016	93,750,000	111,283,768
Balance 30 June 2017	93,750,000	111,283,768
Balance 31 December 2017	<u>93,750,000</u>	<u>111,283,768</u>

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.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017

10. FINANCIAL INSTRUMENTS

Fair Value of Financial Instruments

This note provides information about how the Group determines the fair values of various financial assets and financial liabilities.

Fair Value of the Group's Financial Assets and Financial Liabilities that are measured at fair value on a recurring basis

The Group has financial assets and financial liabilities that are measured at fair value at the end of each reporting date.

The table below gives information about how the fair values of these financial assets and financial liabilities are determined.

These level 2 financial assets and financial liabilities include:

- Foreign exchange derivative liability of \$14,757 (30 June 2017: nil), that are valued using discounted cash flow techniques. Under this technique future cash flows are estimated based on forward interest rates (from observable yield curves at the end of the reporting period) and contract interest rates, discounted at a rate that reflects the credit risk of the counterparties.

In neither case are there significant unobservable inputs.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
31 December 2017				
Derivative financial assets	-	-	-	-
Derivative financial liabilities	-	(14,757)	-	-
Total	-	(14,757)	-	-
30 June 2017				
Derivative financial assets	-	-	-	-
Derivative financial liabilities	-	-	-	-
Total	-	-	-	-

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

Financial Assets and Financial Liabilities that are not measured at fair value on a recurring basis (but where fair value disclosures are required)

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

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2017**

11. DIVIDENDS

In respect of the reporting period ended 31 December 2017, no interim dividend was paid (June 2017: nil).

12. CONTINGENT LIABILITIES AND ASSETS

The Group had no contingent liabilities or assets requiring disclosure at 31 December 2017.

13. EVENTS SUBSEQUENT TO REPORTING DATE

There are no other events of a material nature that have occurred subsequent to the reporting date other than the matters disclosed in the directors' report.

DIRECTORS' DECLARATION

The directors declare that:

- a) In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- b) In the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the directors

A large, stylized signature in blue ink, written over a horizontal line. The signature is cursive and appears to be 'A P Begley'.

A P Begley
Managing Director & Chief Executive Officer

Perth, 21 February 2018

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

We have reviewed the accompanying half-year financial report of Matrix Composites & Engineering Ltd, which comprises the condensed consolidated statement of financial position as at 31 December 2017, the condensed consolidated statement of profit or loss and other comprehensive income, the condensed consolidated statement of cash flows and the condensed consolidated statement of changes in equity for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Matrix Composites & Engineering Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Auditor's Independence Declaration

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

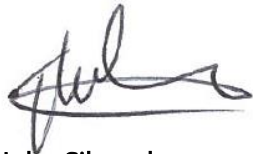
Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2017 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

DELOITTE TOUCHE TOHMATSU

DELOITTE TOUCHE TOHMATSU



John Sibenaler

Partner

Chartered Accountants

Perth, 21 February 2018