

Appendix 4D

Half year report Period ending on 31 December 2010

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 2010
Previous half-year ended	31 December 2009

Results for announcement to the market

Revenue	Increased	112%	To	\$'000 92,370
Profit after tax attributable to members	Increased	159%	To	19,251
Net profit for the period attributable to members	Increased	159%	To	19,251

Dividend payments	Amount per security	Franked amount per security
<u>Year ended 30 June 2010</u> Final dividend (cents per share)	2.00c	2.00c
<u>Half year ended 31 December 2010</u> Interim dividend (cents per share)	3.00c	3.00c
Record date for determining entitlement to dividend	15 April 2011	
Date the interim 2011 dividend is payable	29 April 2011	

Net tangible assets	Current half year \$	Previous half year \$
Net tangible assets per ordinary security	\$1.05	\$0.62

Total interim dividend to be paid on all securities	Current half year \$	Previous half year \$
Ordinary securities	\$2,188,923	\$1,279,282

The above information should be read in conjunction with the attached Half Year Report for the period ending 31 December 2010.

This report is based on accounts that have been reviewed.



Michael Kenyon
Company Secretary

Date: 17 February 2011

**MATRIX COMPOSITES & ENGINEERING LTD
AND CONTROLLED ENTITIES
ABN: 54 009 435 250**

HALF YEAR REPORT

31 DECEMBER 2010

**MATRIX COMPOSITES & ENGINEERING LTD
AND CONTROLLED ENTITIES
ABN: 54 009 435 250**

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**MATRIX COMPOSITES & ENGINEERING LTD
AND CONTROLLED ENTITIES
ABN: 54 009 435 250**

DIRECTORS' REPORT

Your directors submit the financial report of Matrix Composites & Engineering Ltd and its subsidiaries (the Group) for the half-year ended 31st December 2010. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

DIRECTORS

The names of the directors in office at any time during or since the end of the period are:

Nigel L Johnson (Non-Executive Chairman)
Aaron P Begley (Chief Executive Officer)
Maxwell G Begley (Non-Executive Director)
Paul R Wright (Non-Executive Director)
Craig N Duncan (Non-Executive Director)

All directors have been in office since the start of the financial year to the date of this report.

PRINCIPAL ACTIVITIES

During the period the principal activities of the consolidated Group consisted of:

- manufacture and sale of syntactic foam buoyancy and polyurethane products; and
- manufacture and sale of fabricated metal products and provision of offsite services.

REVIEW OF OPERATIONS

During the period the Group concentrated its operations on manufacturing principally for the oil and gas sector.

The Group has recorded a net profit after tax of \$19,251,095 (2009: \$7,440,980) for the six month period ended 31st December 2010.

The Group has successfully completed the building works at its Henderson site. Furthermore, commissioning of the plant is currently being undertaken at the new site. Production at Henderson will be progressively commissioned with several key processes commissioned from February through April, resulting in the relocation of warehousing, despatch and finishing during March. The Group's Malaga plant will continue to run until July to supplement Henderson production and support new orders.

At the date of this report, the Group has several Foreign Exchange Contracts (FEC's) in place to substantially protect the Group from the adverse effects of a strong Australian dollar. The FEC's have a total face value of approximately \$US59.5m at a weighted average of US84.8c/\$A and expire at various times up to 17 January 2012. In addition to the FEC's, the Group holds a currency call option expiring in December 2015 allowing the Group to acquire up to \$A29.4m at a fixed exchange rate of US85c/\$A.

DIVIDENDS PAID OR RECOMMENDED

During the period the company paid a fully franked final dividend of 2 cents per share totalling \$1,459,282 (2009: \$979,282) out of the profits earned to 30 June 2010. The directors have declared an interim dividend of 3 cents per share (fully franked) for the year ending 30 June 2011, which will be due to shareholders registered on the record date of 15 April 2011 and paid on 29 April 2011.

**MATRIX COMPOSITES & ENGINEERING LTD
AND CONTROLLED ENTITIES
ABN: 54 009 435 250**

DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration under section 307c of the Corporations Act 2001 is set out on page 3 for the half year ended 31st December 2010.

This report is made in accordance with a resolution of the Board of Directors.

On behalf of the directors:



A P Begley
Chief Executive Officer

Perth, Date: 17 February 2011

17 February 2011

The Board of Directors
Matrix Composites & Engineering Ltd
42 Truganina Road
Malaga WA 6090

Dear Board Members

Matrix Composites & Engineering Ltd

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

As lead audit partner for the review of the financial statements of Matrix Composites & Engineering Ltd for the period ended 31 December 2010, 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



Kathleen Bozanic

Partner

Chartered Accountants

**MATRIX COMPOSITES & ENGINEERING LTD
AND CONTROLLED ENTITIES
ABN: 54 009 435 250**

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Note	31 December 2010 \$	31 December 2009 \$
Continuing operations			
Revenue	3	92,369,848	43,544,742
Cost of Sales		(61,822,853)	(31,088,178)
Gross Profit		30,546,995	12,456,564
Other Revenues	3	2,205,791	883,723
Administration expenses		(1,659,774)	(1,503,634)
Corporate expenses		(1,098,607)	(710,787)
Finance costs	3	(424,320)	(201,829)
Marketing expenses		(1,113,083)	(607,882)
Research costs		(430,890)	(72,937)
Impairment charges	3	(604,302)	-
Profit before income tax expense		27,421,810	10,243,218
Income tax expense		(8,170,715)	(2,802,238)
Profit for the period		19,251,095	7,440,980
Profit attributable to:			
Owners of the parent entity		19,247,037	7,441,050
Non-controlling interest		4,058	(70)
		19,251,095	7,440,980
Earnings per share			
Basic (cents per share)		26.9 cents	14.2 cents
Diluted (cents per share)		26.9 cents	14.2 cents

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

**MATRIX COMPOSITES & ENGINEERING LTD
AND CONTROLLED ENTITIES
ABN: 54 009 435 250**

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	31 December 2010 \$	31 December 2009 \$
Profit for the period	<u>19,251,095</u>	<u>7,440,980</u>
Other comprehensive income		
Net foreign currency translation differences	<u>(4,495)</u>	<u>(151,347)</u>
Net effective portion of changes in fair value of cash flow hedges	7,188,835	(7,478)
Income tax benefit	<u>(2,120,044)</u>	<u>2,243</u>
	<u>5,068,791</u>	<u>(5,235)</u>
Total comprehensive income for the period	<u>24,315,391</u>	<u>7,284,398</u>
Total comprehensive income attributable to:		
Owners of the parent entity	24,311,333	7,284,468
Non-controlling interest	4,058	(70)
Total comprehensive income for the period	<u>24,315,391</u>	<u>7,284,398</u>

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

**MATRIX COMPOSITES & ENGINEERING LTD
AND CONTROLLED ENTITIES
ABN: 54 009 435 250**

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2010**

	Note	31 December 2010 \$	30 June 2010 \$
CURRENT ASSETS			
Cash and cash equivalents		3,270,239	13,555,077
Trade and other receivables		28,122,026	31,868,308
Inventory		20,276,448	18,902,850
Financial assets		13,951,505	2,699,580
Other current assets		847,598	1,492,243
TOTAL CURRENT ASSETS		<u>66,467,816</u>	<u>68,518,058</u>
NON CURRENT ASSETS			
Property, plant and equipment		82,155,043	57,156,816
Financial assets		2,772,394	-
Intangible assets		6,415,215	7,012,588
Deferred tax asset		1,490,373	1,614,952
TOTAL NON CURRENT ASSETS		<u>92,833,025</u>	<u>65,784,356</u>
TOTAL ASSETS		<u>159,300,841</u>	<u>134,302,414</u>
CURRENT LIABILITIES			
Trade and other payables		21,965,369	22,675,143
Progress claims and deposits		5,812,802	35,567,171
Financial liabilities		1,796,600	2,267,995
Current tax liabilities		11,265,195	5,463,739
Short-term provisions		1,456,031	1,324,971
TOTAL CURRENT LIABILITIES		<u>42,295,997</u>	<u>67,299,019</u>
NON CURRENT LIABILITIES			
Financial liabilities		28,321,259	5,792,408
Deferred tax liability		3,797,869	1,097,687
Long-term provision		336,360	220,053
TOTAL NON CURRENT LIABILITIES		<u>32,455,488</u>	<u>7,110,148</u>
TOTAL LIABILITIES		<u>74,751,485</u>	<u>74,409,167</u>
NET ASSETS		<u>84,549,356</u>	<u>59,893,247</u>
EQUITY			
Issued capital	4	42,246,325	40,446,325
Reserves		5,907,371	843,075
Retained earnings		36,405,897	18,618,142
Parent equity interest		84,559,593	59,907,542
Non-controlling interest		(10,237)	(14,295)
TOTAL EQUITY		<u>84,549,356</u>	<u>59,893,247</u>

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

**MATRIX COMPOSITES & ENGINEERING LTD
AND CONTROLLED ENTITIES
ABN: 54 009 435 250**

**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	Share Capital	Retained Earnings	Other Reserves ¹	Attributable to owners of the parent	Non-controlling Interest	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2009	13,115,727	2,716,323	4,758,708	20,590,758	(9,725)	20,581,033
Total comprehensive income for the period						
- Profit for period	-	7,441,050	-	7,441,050	(70)	7,440,980
- Foreign currency translation	-	-	(151,347)	(151,347)	-	(151,347)
- Change in fair value of cashflow hedges net of tax	-	-	(5,235)	(5,235)	-	(5,235)
	-	7,441,050	(156,582)	(7,284,468)	(70)	7,284,398
Issue of fully paid ordinary shares	15,000,000	-	-	15,000,000	-	15,000,000
Capital raising costs net of tax	(739,633)	-	-	(739,633)	-	(739,633)
Dividend paid	-	(979,282)	-	(979,282)	-	(979,282)
Balance at 31 December 2009	<u>27,376,094</u>	<u>9,178,091</u>	<u>4,602,126</u>	<u>41,156,311</u>	<u>(9,795)</u>	<u>41,146,516</u>
Balance at 1 July 2010	40,446,325	18,618,142	843,075	59,907,542	(14,295)	59,893,247
Total comprehensive income for the period						
- Profit for period	-	19,247,037	-	19,247,037	4,058	19,251,095
- Foreign currency translation	-	-	(4,495)	(4,495)	-	(4,495)
- Change in fair value of cash flow hedges net of tax	-	-	5,068,791	5,068,791	-	5,068,791
	-	19,247,037	5,064,296	24,311,333	4,058	24,315,391
Issue of fully paid ordinary shares	1,800,000	-	-	1,800,000	-	1,800,000
Dividend paid	-	(1,459,282)	-	(1,459,282)	-	(1,459,282)
Balance at 31 December 2010	<u>42,246,325</u>	<u>36,405,897</u>	<u>5,907,371</u>	<u>84,559,593</u>	<u>(10,237)</u>	<u>84,549,356</u>

¹ Other reserves includes Option premium reserve, Revaluation reserve, Hedging reserve and Foreign currency translation reserve

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

**MATRIX COMPOSITES & ENGINEERING LTD
AND CONTROLLED ENTITIES
ABN: 54 009 435 250**

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	31 December 2010 \$	31 December 2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	70,577,134	41,651,013
Payments to suppliers and employees	(74,689,018)	(33,680,537)
Interest received	65,176	105,243
Interest and other costs of finance	(424,320)	(201,829)
Payment of income tax	(1,729,904)	(492,544)
	<hr/>	<hr/>
Net cash (used in)/from operating activities	(6,200,932)	7,381,346
CASH FLOWS (USED IN) INVESTING ACTIVITIES		
Proceeds from sale of property plant and equipment	6,001	49,227
Payments for property, plant and equipment	(26,481,152)	(8,777,268)
Payments for intangibles	(6,929)	(72,937)
	<hr/>	<hr/>
Net cash (used in) investing activities	(26,482,080)	(8,800,978)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of share capital net of costs	1,800,000	13,943,381
Loans to employees	-	(22,035)
Repayment of borrowings	(1,573,100)	(937,656)
Proceeds from borrowings	23,630,556	1,750,022
Dividend paid	(1,459,282)	(979,282)
	<hr/>	<hr/>
Net cash from financing activities	22,398,174	13,754,430
Net (decrease)/increase in cash held	(10,284,838)	12,334,798
Cash and cash equivalents at beginning of financial year	<hr/>	<hr/>
	13,555,077	1,245,540
Cash and cash equivalents at end of financial year	<hr/>	<hr/>
	3,270,239	13,580,338

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

**MATRIX COMPOSITES & ENGINEERING LTD
AND CONTROLLED ENTITIES
ABN: 54 009 435 250**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report for the half year ended 31 December 2010, and was authorised for issue in accordance with a resolution of the directors dated 17th February 2011.

Matrix Composites and Engineering Ltd is a company limited by shares, incorporated and domiciled in Australia, whose shares are publically traded on the Australian Securities Exchange.

The general purpose financial report has been prepared in accordance with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Act 2001. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 134 (interim Financial Reporting).

This financial report does not include all notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the Annual Financial Report for the year ended 30 June 2010 and any public announcement 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.

Basis of preparation

The condensed consolidated financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair value of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise stated.

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 2010 annual financial report for the financial year ended 30 June 2010, except for the impact of the Standards and Interpretations described below. 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 their operations and effective for the current reporting period. These include:

- Amendments to AASB 5, 8, 101, 107, 119, 136 and 139 as a consequence of AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*.

AASB 2009-5 introduces amendments into accounting Standards that are equivalent to those made by the IASB under its program of annual improvements to its standards. The adoption of these amendments has not resulted in any changes to the Group's accounting policies and have no effect on the amounts reported for current or prior periods.

**MATRIX COMPOSITES & ENGINEERING LTD
AND CONTROLLED ENTITIES
ABN: 54 009 435 250**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

NOTE 2: OPERATING SEGMENTS

The Group has identified its operating segments based on internal reports that are reviewed and used by the management team in assessing performance and in determining the allocation of resources.

Composite Materials Business Unit

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

Heavy Engineering Business Unit

The Heavy Engineering Division supplies connectors, conductors and casings, offshore structures, subsea skids and manifolds, offshore cranes and winches together with associated testing, refurbishment and maintenance to the oil and gas industry. This division also supplies heavy material handling equipment for iron ore, rollers and pulleys, screens and filters, winches and other processing equipment to the mining and mineral processing industries.

Other and unallocated

This segment comprises the activities undertaken by all other Business Units and corporate costs.

No operating segments have been aggregated to form the above reportable operating segments.

Performance monitoring and evaluation

Management monitors the operating results of the Business Units separately for the purposes of making decisions about resource allocation and performance assessment. The performance of operating segments is evaluated based on profit before tax and is measured in accordance with the Group's accounting policies.

**MATRIX COMPOSITES & ENGINEERING LTD
AND CONTROLLED ENTITIES
ABN: 54 009 435 250**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

NOTE 2: OPERATING SEGMENTS (CONT)

Primary Reporting – Business Segments

	Composite Materials Business Unit	Heavy Engineering Business Unit	Other and unallocated	Adjustments	Consolidated
	\$	\$	\$	\$	\$
31 December 2010					
Third party revenue	82,044,217	8,462,755	1,862,876	-	92,369,848
Other revenue from external customers	2,206,363	4,988	(5,560)	-	2,205,791
Inter segment revenue	-	6,176,730	-	(6,176,730)	-
Total segment revenue	<u>84,250,580</u>	<u>14,644,473</u>	<u>1,857,316</u>	<u>(6,176,730)</u>	<u>94,575,639</u>
Profit before income tax expense and impairment charge	27,386,286	307,357	332,469	-	28,026,112
Impairment charges	-	(604,302)	-	-	(604,302)
Profit/(loss) before income tax expense	<u>27,386,286</u>	<u>(296,945)</u>	<u>332,469</u>	<u>-</u>	<u>27,421,810</u>
Segment assets as at 31 December 2010	130,087,339	30,315,321	13,859,880	(15,350,123)	158,912,417
	Composite Materials Business Unit	Heavy Engineering Business Unit	Other and unallocated	Adjustments	Consolidated
	\$	\$	\$	\$	\$
31 December 2009					
Third party revenue	37,872,427	5,400,203	272,112	-	43,544,742
Other revenue from external customers	674,785	219,985	(11,047)	-	883,723
Inter segment revenue	-	3,929,497	-	(3,929,497)	-
Total segment revenue	<u>38,547,212</u>	<u>9,549,685</u>	<u>261,065</u>	<u>(3,929,497)</u>	<u>44,428,465</u>
Profit/(loss) before income tax expense	<u>9,115,418</u>	<u>1,136,253</u>	<u>(8,453)</u>	<u>-</u>	<u>10,243,218</u>
Segment assets as at 30 June 2010	87,398,935	12,286,343	1,080,422	33,536,714	134,302,414

**MATRIX COMPOSITES & ENGINEERING LTD
AND CONTROLLED ENTITIES
ABN: 54 009 435 250**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	31 December 2010 \$	31 December 2009 \$
NOTE 3: REVENUE AND EXPENSES		
The following revenue and expense items are relevant in explaining the financial performance for the interim period:		
Revenue		
Manufacturing revenue	92,369,848	43,544,742
Other Revenue		
Interest received	65,176	105,243
Net realised foreign currency gain	724,996	91,482
Net unrealised gain on revaluation of financial instruments	1,381,221	625,557
Gain/(loss) on sale of fixed assets	(516)	15,354
Sundry income	34,914	46,087
	2,205,791	883,723
Operating Expenses		
Depreciation	1,488,971	1,616,298
Finance costs	424,320	201,829
Impairment charges		
The impairment charges represent the balance of the development costs and associated goodwill of the Raptor CBS tool		
	604,302	-

	31 December 2010 \$	30 June 2010 \$
NOTE 4: CONTRIBUTED EQUITY		
(a) Issued and fully paid shares		
72,964,098 (2010: 69,964,098) fully paid ordinary shares	42,246,325	41,905,312
Less: capital issue costs net of tax	-	(1,458,987)
	42,246,325	40,446,325
(b) Movements in issued and fully paid shares		
	Number of shares	\$
Balance at the beginning of the period	69,964,098	40,446,325
Shares issued	3,000,000	1,800,000
Less: capital issue costs	-	-
Balance at the end of the period	72,964,098	42,246,325

**MATRIX COMPOSITES & ENGINEERING LTD
AND CONTROLLED ENTITIES
ABN: 54 009 435 250**

**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 DECEMBER 2010**

	31 December 2010	31 December 2009
NOTE 5: DIVIDENDS	\$	\$
(a) Dividends paid during the half year		
Fully franked final dividend	1,459,282	979,282
(b) Dividends declared post half year end		
Fully franked interim dividend	2,188,923	1,279,282

NOTE 6: CONTINGENT LIABILITIES AND ASSETS

The Group had no contingent liabilities or assets at 31 December 2010.

NOTE 7: EVENTS SUBSEQUENT TO REPORTING DATE

No matter or circumstance has arisen subsequent to 31 December 2010 that has significantly affected, or may significantly affect the operations or the state of affairs of the Group in future financial years.

**MATRIX COMPOSITES & ENGINEERING LTD
AND CONTROLLED ENTITIES
ABN: 54 009 435 250**

DIRECTORS' DECLARATION

The directors of the company declare that:-

1. In the directors opinion,the financial statements and notes, as set out on pages 4 to 13:
 - (a) Are in accordance with the Corporations Act 2001, including compliance with accounting standards; and
 - (b) give a true and fair view of the consolidated Group's financial position as at 31 December 2010 and of its performance for the half year ended on that date.
2. 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.

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

On behalf of the directors:



A P Begley
Chief Executive Officer

Perth, Date: 17 February 2011

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

We have reviewed the accompanying half-year financial report of Matrix Composites & Engineering Ltd, which comprises the condensed statement of financial position as at 31 December 2010, and the condensed income statement, the condensed statement of comprehensive income, the condensed statement of cash flows and the condensed statement of changes in equity for the half-year ended on that date, selected explanatory notes and, the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the end of the half-year or from time to time during the half-year as set out on pages 4 to 14.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 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 and Engineering Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

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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 2010 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

Kathleen Bozanic
Kathleen Bozanic
Partner
Chartered Accountants
Perth, 17 February 2011