

23 February 2016

Companies Announcements Office
Australian Securities Exchange Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

Attached are the Company's results for the six months ended 31 December 2015, for immediate release to the market.

Included in this announcement are ASX Appendix 4D and the Condensed Interim Financial Statements for the half year to 31 December 2015 as required by ASX listing rule 4.2A. This information should be read in conjunction with the annual financial statements for the year ended 30 June 2015.

Yours Faithfully

A handwritten signature in black ink, appearing to be 'Jaime Pinto', written over a horizontal line.

Jaime Pinto
Company Secretary

Att.

QUICKSTEP HOLDINGS LTD
Appendix 4D
Half Year Report Period Ended 31 December 2015 (Corresponding Period 31 December 2014)
Results for announcement to the Market

	<u>Percentage Change</u>		<u>Dec 2015</u>	<u>Dec 2014</u>
Revenue from ordinary activities	82% up	to	\$24,313,920	\$13,364,849
Earnings before interest and tax	Up	to	\$848,981	(\$2,955,070)
Net Loss for the period attributable to members	54% down	to	(\$2,076,420)	(\$4,509,343)

Business activity in the period continued to focus on building production capability at our site in Bankstown. Production of parts under our JSF contract with Northrop Grumman continued in line with our contract. The manufacture of parts for our C-130J Transport Plane contract with Lockheed Martin also ramped up.

For more details around these activities please refer to the Directors Report which forms part of the Half Year Report also released today.

Dividends	Amount per security	Percentage Franked
Current period:		
Interim Dividend	Nil	N/A
Date the Dividend is Payable:		N/A
Record Date for determining entitlements to the Dividend:		N/A
Prior corresponding period:		
Interim Dividend	Nil	N/A
Net Tangible Assets per Security		
As at 31 December 2015	\$0.03	
As at 31 December 2014	-\$0.003	

Quickstep Holdings Limited

ACN 096 268 156

Interim financial statements for the six months ended 31 December 2015

Quickstep Holdings Limited ACN 096 268 156
Interim financial statements - 31 December 2015

Contents

	Page
Directors' report	1
Auditor's Independence Declaration	5
Interim financial statements	
Consolidated statement of profit or loss and other comprehensive income	6
Consolidated statement of financial position	7
Consolidated statement of changes in equity	8
Consolidated statement of cash flows	9
Notes to the consolidated financial statements	10
Directors' declaration	17
Independent auditor's review report to the members	18

This interim financial report does not include all the notes of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2015 and any public announcements made by Quickstep Holdings Limited during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001*.

Directors' report

Your Directors present their report on the consolidated entity (referred to hereafter as the Group) consisting of Quickstep Holdings Limited and the entities it controlled at the end of, or during, the six months ended 31 December 2015.

Directors

The following persons held office as Directors of Quickstep Holdings Limited during or since the end of the interim period:

Mr T Quick, Non-Executive Chairman (appointed 14 February 2013)
Mr D J Marino, CEO and Managing Director (appointed 18 February 2015)
Mr P M Odouard, Executive Director (appointed 13 October 2008, resigned 19 October 2015)
Mr N Ampherlaw, Non-Executive Director (appointed 8 July 2013)
Mr P C Cook, Non-Executive Director (appointed 14 July 2005)
Mr B Griffiths, Non-Executive Director (appointed 14 February 2013)
Mr E J McCormack, Non-Executive Director (appointed 11 August 2010)
Mr D Singleton, Non-Executive Director (appointed 11 October 2010, retired 21 January 2016)
Mr J Douglas, Non-Executive Director (appointed 19 December 2015)

Results

The Group, which is an advanced manufacturer of carbon fibre components and assemblies for the aerospace and automotive industries, reported that sales increased by 82% to \$24.3 million for the six months to 31 December 2015 (H1 FY15: \$13.4 million). This demonstrated significant growth in aerospace manufacturing production for the F-35 Lightning II Joint Strike Fighter program under Quickstep's agreement with Northrop Grumman and the C-130J 'Super Hercules' memorandum of agreement with Lockheed Martin.

Total revenue of \$24.6 million (H1 FY15: \$15.7 million) was driven by aerospace manufacturing, with grant revenues decreasing to \$0.3 million from \$2.3 million in the prior comparable period (pcp).

Operating profit was \$0.8 million (H1 FY15: operating loss of \$3.0 million). Following one-off non-cash costs of \$1.5 million related to accounting treatment of the \$3.0 million Newmarket working capital funding loan, NPAT was a loss of \$2.1 million (H1 FY15: NPAT loss of \$4.5 million).

Operating cash outflow of (\$0.8) million for the half reflected business activities which will help drive future sales. Costs impacting the operating cashflow included approximately \$0.5 million for the Joint Strike Fighter (JSF) vertical tail program and the building of inventory in preparation for equipment shutdowns as the business deploys capital investments. Investment in capital equipment to support increasing production volumes for the JSF program at Bankstown has commenced which will support growth in future years.

While these investments will continue in the second half, the company is expected to return to positive cash flow in the third quarter of FY16.

At 31 December 2015, Quickstep's order book was valued in excess of \$120 million. Quickstep maintains FY16 revenue guidance of \$48 million.

Operating review

AEROSPACE MANUFACTURING

JSF production growth continues

Quickstep is a global supplier to Northrop Grumman for 21 JSF parts including doors, panels, lower skins and other composite parts, through an overall agreement to supply JSF parts to several different original equipment manufacturers (OEMs) valued at up to A\$700 million over two decades. The JSF program is the world's largest defence aerospace program.

During the half Quickstep completed 287 JSF parts, compared to 200 JSF parts in the pcp.

Qualification of JSF vertical tail fairings, skins and spars continued and the qualification process for fairings has been completed. Four vertical tail fairings were delivered during the half. Qualification processes for vertical tail skins and spars continue and, subject to client approval, initial deliveries are expected to commence in the fourth quarter of FY16.

Steady Lockheed Martin C130-J production

Quickstep is the exclusive supplier of carbon fibre composite wing flaps for Lockheed Martin's C130-J 'Super Hercules' aircraft under a memorandum of agreement (MOA) valued at US\$75 million to Quickstep over five years.

During the half, 18 ship-sets were completed, consistent with plan. The company has maintained a production rate of three ship sets per month since the second quarter of FY15. Each ship-set comprises two inboard and two outboard flaps, each including more than 200 individual parts. C130-J orders extend through to 2019 in line with Lockheed Martin's recently announced multi-year contract with the US Department of Defense.

Capital expenditure

The company invested approximately \$1 million in capital equipment at its Bankstown facility to support increased JSF production volumes, which are expected to rise threefold from FY15 levels over three years.

Manufacturing award

In October 2015, Quickstep received the Premier's NSW Manufacturing Award for 2015, presented for outstanding international success by a manufacturer.

New business development

Quickstep continues to progress discussions with current customers and targeted aerospace OEMs regarding new contracts and mandates.

NEW TECHNOLOGY

Hawkei vehicle progress

Quickstep is the exclusive supplier of the bonnet, side skirts and mudguards composite parts for Thales Australia's Hawkei vehicles. This follows the Australian government awarding Thales a \$1.3 billion contract to build 1,100 military vehicles and 1,000 trailers in October 2015. Design and development is underway and manufacturing tools are arriving in preparation for production to begin in the second half. Quickstep's agreement is expected to generate revenue in excess of \$8 million. Production of composite parts using Quickstep's innovative resin spray transfer (RST) technology is expected to commence in the fourth quarter of FY16.

Ford Falcon XR6 Sprint niche production order secured

During the half Quickstep secured its first automotive passenger vehicle production order from the one of the world's leading automotive manufacturers, the Ford Motor Company. Quickstep will manufacture up to 1,000 lightweight carbon fibre engine air intake systems over the life of the program for the Falcon XR6 Turbo Sprint. The air duct will include materials, resins and processes by Quickstep and provide a showcase for our carbon fibre component manufacturing skills to the automotive industry. Production commenced in the third quarter of FY16.

Operating review (continued)
NEW TECHNOLOGY (continued)

ORPE

The installation of Quickstep's Qure for ORPE Technologiya, a leading European aerospace composites manufacturer, at the customer's premises is continuing.

Waurm Ponds New Technology Centre

In a strategic step which expedites development of Quickstep's technology and intellectual property in Australia, our global R&D centre has been relocated from Germany to Waurm Ponds supported by the State Government of Victoria's investment promotion arm Invest Victoria. The centre manages ongoing development of all Quickstep technologies and intellectual property and supports the group's aerospace and automotive facilities in Australia and Germany. Quickstep also benefits from access to its strategic partner Deakin University's carbon cluster, with its skilled researchers, laboratories and industry networks, located close to the Geelong automotive hub.

In order to improve its technologies' commercial application, Quickstep is investing in its Qure and resin spray transfer (RST) processes to enable them to compete more effectively with high-volume manufacturing processes.

Funds from the capital raising completed during the half will help develop 'RapidQure', a new generation of Qure capable of low-cost mass production. It is envisaged that RapidQure will support medium-to-high-volume projects greater than 10,000 units p.a., offering improved cure cycles and faster resins to support production of larger components and assemblies.

New business development

In the next 18 months, Quickstep will target niche volume new technology orders of up to 10,000 parts p.a. Discussions with automotive and aerospace OEMs are continuing.

CORPORATE

Capital Raise

Quickstep completed a fully underwritten \$22.0 million capital raising (before costs) in December 2015. This included a \$5.0 million placement to a strategic investor at \$0.15 per share, followed by a 1 for 3.3 non-renounceable pro rata entitlement offer at \$0.13 per share.

Balance Sheet

In December 2015 post the successful capital raise, the company repaid all short term debt of \$5.0 million including \$2.0 million from Efic, Australia's export credit agency, and the \$3.0 million loan from Newmarket Financing Pty Limited and associates.

Quickstep maintains a fully drawn \$10.0 million loan which has \$1.8 million in capitalised interest from Efic. This will be repaid in instalments beginning May 2016 through to 2021.

The company receives advance payments for aerospace manufacturing projects with long lead times required to source necessary materials. These prepayments are recognised as deferred income, which was \$2.7 million at 31 December 2015 (H1 FY15: \$3.2 million).

Operating review (continued)
CORPORATE (continued)

Board changes

Quickstep appointed James Douglas as a non-executive Director on 17 December 2015. Mr Douglas is Chairman of Australian composite automotive wheels manufacturer Carbon Revolution and a founder of investment firm Newmarket Capital, a strategic investor in the carbon fibre manufacturing sector. He brings more than 20 years' global investment banking experience to Quickstep including former roles as Global Head of Consumer Products at Merrill Lynch, Head of Consumer Products – Americas at UBS and Head of Global Banking Australia & New Zealand at Citi. He holds a B.Law and Science from the University of Melbourne.

Mr Philippe Odouard resigned from the Quickstep board and all subsidiary boards as at 19th October 2015 to focus on business development activities in the role of General Manager – Strategy and Business Development (Aerospace and Defence).

Mr David Singleton retired from Quickstep's board effective 22 January 2016. This follows his appointment as CEO designate of Austal Limited.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 5.

Auditor

KPMG continues in office in accordance with section 327 of the *Corporations Act 2001*.

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

Mr D J Marino
CEO and Managing Director

A handwritten signature in black ink, appearing to read 'David J. Marino', written in a cursive style.

Sydney
23 February, 2016



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

To: the directors of Quickstep Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the interim period ended 31 December 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

KPMG

KPMG

Cameron Slapp
Partner

Sydney

23 February 2016

Quickstep Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the six months ended 31 December 2015

	Note	31 December 2015 \$	31 December 2014 \$
Revenue		24,313,920	13,364,849
Cost of sales of goods		<u>(18,203,400)</u>	<u>(12,168,280)</u>
Gross profit		6,110,520	1,196,569
Other income		295,106	2,334,027
Corporate and administrative expenses		(3,134,571)	(3,542,679)
Marketing expenses		(317,174)	(17,506)
Operational expenses		(1,022,219)	(1,138,165)
Research and development expenses		(930,382)	(1,753,383)
Other		<u>(152,299)</u>	<u>(33,933)</u>
Profit/(loss) from operating activities		848,981	(2,955,070)
Finance income		626,544	1,740
Finance expenses		<u>(3,551,945)</u>	<u>(1,556,013)</u>
Net financing expense	7	<u>(2,925,401)</u>	<u>(1,554,273)</u>
Loss before income tax		(2,076,420)	(4,509,343)
Income tax benefit/(expense)		-	-
Loss for the period		<u>(2,076,420)</u>	<u>(4,509,343)</u>
Other comprehensive income, net of income tax			
<i>Item that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation difference for foreign operations		<u>(7,798)</u>	<u>(38,171)</u>
Other comprehensive income/(loss) for the period, net of tax		(7,798)	(38,171)
Total comprehensive income/(loss) for the period		<u>(2,084,218)</u>	<u>(4,547,514)</u>
Earnings per share			
Basic loss (cents/share) per share for Quickstep Holdings Limited		(0.48)	(1.13)
Diluted loss (cents/share) per share for Quickstep Holdings Limited		(0.48)	(1.13)

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

Quickstep Holdings Limited
Consolidated statement of financial position
As at 31 December 2015

	Notes	31 December 2015 \$	30 June 2015 \$
ASSETS			
Current assets			
Cash and cash equivalents	8	15,440,338	1,169,944
Trade and other receivables	9	4,307,473	5,134,466
Inventories	10	8,008,617	5,981,585
Other financial assets	8	709,400	709,400
Other current assets		320,944	528,046
Total current assets		28,786,772	13,523,441
Non-current assets			
Property, plant and equipment	11	11,598,136	12,024,843
Intangible assets		11,096	20,081
Total non-current assets		11,609,232	12,044,924
Total assets		40,396,004	25,568,365
LIABILITIES			
Current liabilities			
Trade and other payables		3,927,726	4,565,718
Deferred income		2,723,134	3,203,926
Loans and borrowings	12	2,289,251	5,244,195
Provisions		699,871	748,615
Total current liabilities		9,639,982	13,762,454
Non-current liabilities			
Loans and borrowings	12	10,259,442	10,500,256
Deferred income		2,568,260	2,425,606
Provisions		149,232	113,163
Total non-current liabilities		12,976,934	13,039,025
Total liabilities		22,616,916	26,801,479
Net assets/(liabilities)		17,779,088	(1,233,114)
EQUITY			
Share capital	13	109,205,153	88,228,474
Other reserves		3,218,262	3,106,319
Accumulated losses		(94,644,327)	(92,567,907)
Total equity		17,779,088	(1,233,114)

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

Quickstep Holdings Limited
Consolidated statement of changes in equity
For the six months ended 31 December 2015

	Notes	Share capital \$	Translation reserve \$	Share based payments \$	Accumulated losses \$	Total equity \$
Balance at 1 July 2014		88,228,474	92,447	3,397,089	(88,630,019)	3,087,991
Total comprehensive income for the period						
Loss for the period		-	-	-	(4,509,343)	(4,509,343)
Other comprehensive income						
Foreign currency translation difference		-	(38,171)	-	-	(38,171)
Total comprehensive income for the period		-	(38,171)	-	(4,509,343)	(4,547,514)
Transactions with owners in their capacity as owners:						
Share based transaction payments		-	-	374,894	-	374,894
Balance at 31 December 2014		88,228,474	54,276	3,771,983	(93,139,362)	(1,084,629)
Balance at 1 July 2015		88,228,474	(549,402)	3,655,721	(92,567,907)	(1,233,114)
Total comprehensive income for the period						
Loss for the period		-	-	-	(2,076,420)	(2,076,420)
Other comprehensive income						
Foreign currency translation difference		-	(7,798)	-	-	(7,798)
Total comprehensive income for the period		-	(7,798)	-	(2,076,420)	(2,084,218)
Transactions with owners in their capacity as owners:						
Share based transaction payments		-	-	119,741	-	119,741
Contributions of equity, net of transaction costs and tax	13	20,976,679	-	-	-	20,976,679
Balance at 31 December 2015		109,205,153	(557,200)	3,775,462	(94,644,327)	17,779,088

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

Quickstep Holdings Limited
Consolidated statement of cash flows
For the six months ended 31 December 2015

	Notes	31 December 2015 \$	31 December 2014 \$
Cash flows from operating activities			
Cash receipts in course of operations		25,138,979	13,375,364
Interest received		26,544	6,578
Interest paid		(365,608)	(188,548)
Research and development tax incentive and government grants		120,245	5,916,498
Cash payments in the course of operations		<u>(25,718,536)</u>	<u>(20,520,501)</u>
Net cash (outflow) from operating activities		<u>(798,376)</u>	<u>(1,410,609)</u>
Cash flows from investing activities			
Acquisition costs of plant and equipment		(894,842)	(76,188)
Proceeds from term deposits		-	2,279,992
Net cash (outflow) inflow from investing activities		<u>(894,842)</u>	<u>2,203,804</u>
Cash flows from financing activities			
Net proceeds from issues of shares	13	20,976,679	-
Proceeds from borrowings		-	2,500,000
Repayment of borrowings	12	(5,000,000)	-
Finance lease payments		<u>(3,932)</u>	<u>(10,610)</u>
Net cash inflow from financing activities		<u>15,972,747</u>	<u>2,489,390</u>
Net increase in cash and cash equivalents		14,279,529	3,282,585
Cash and cash equivalents at the beginning of the financial year		1,169,944	565,583
Effects of exchange rate changes on cash and cash equivalents		<u>(9,135)</u>	<u>(65,748)</u>
Cash and cash equivalents at end of period	8	<u>15,440,338</u>	<u>3,782,420</u>

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

1 Reporting entity

Quickstep Holdings Limited ("the Company") is a company domiciled in Australia. The consolidated interim financial statements of the Company as at and for the six months ended 31 December 2015 comprises the Company and its subsidiaries (together referred to as the "Group" or "Quickstep"). The Group is primarily involved in the manufacture of composite components for the aerospace industry, and continuing research and development in composite manufacturing processes.

The consolidated annual financial statements of the Group as at and for the year ended 30 June 2015 are available upon request from the Company's registered office at Level 2, 160 Pitt Street, Sydney, New South Wales, or may be viewed on the Company's website, www.quickstep.com.au.

2 Statement of Compliance

These consolidated interim financial statements for the half-year reporting period ended 31 December 2015 are general purpose financial statements and have been prepared in accordance with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Act 2001*. The consolidated interim financial statements do not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 30 June 2015 and any public announcements made by Quickstep Holdings Limited during the interim period in accordance with continuous disclosure requirements of the *Corporations Act 2001*.

The consolidated interim financial statements were approved by the Board of Directors on 23 February 2016.

3 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these consolidated interim financial statements are the same as those applied by the Group in its consolidated Financial Statements for the year ended 30 June 2015. These policies have been consistently applied to all the periods presented, unless otherwise stated.

Several new accounting standards have been published that are not mandatory for this reporting period and have not yet been adopted by the Group. AASB 15 Revenue from Contracts with Customers will be adopted by the Group from 1 July 2018 and may effect the timing of recognition of revenue. The impact of this change is still being fully assessed.

4 Critical accounting estimates and judgements

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 June 2015.

5 Financial risk management

The Group's financial risk management objectives and policies are consistent with that disclosed in the consolidated financial statements as at and for the year ended 30 June 2015.

6 Segment information

(a) Description of segments

The Group has two operating segments, Aerospace Manufacturing and New Technology (previously Quickstep Systems).

The following summary describes the operations in each of the Group's reportable segments:

Aerospace Manufacturing - Targeting manufacturing contracts for Aerospace utilising a range of manufacturing solutions including traditional manufacturing technologies such as autoclaves and 'next generation' technologies.

New Technology - Support services, research & development and manufacturing parts using the Qure and RST processes, licensing and providing Quickstep machines to Original Equipment Manufacturers (OEM's) and their suppliers.

(b) Segment results

The segment information provided to the Board for the reportable segments for the six months ended 31 December 2015 is as follows:

	31/12/2015	31/12/2014	31/12/2015	31/12/2014	31/12/2015	31/12/2014
	Aerospace	Aerospace	New	New	Total	Total
	Manufacturing	Manufacturing	Technology	Technology	Total	Total
	\$	\$	\$	\$	\$	\$
External revenues	24,185,542	13,360,014	128,379	4,835	24,313,921	13,364,849
Other income	46,216	1,394,254	248,891	939,773	295,107	2,334,027
Total Revenue	24,231,758	14,754,268	377,270	944,608	24,609,028	15,698,876
Reportable segment profit/(loss) before income tax	1,712,643	(2,354,429)	(863,662)	(600,641)	848,981	(2,955,070)
Reportable segment assets	39,264,275	24,599,632	1,131,729	4,194,709	40,396,004	28,794,341
Reportable segment liabilities	22,330,842	25,797,003	286,074	4,781,132	22,616,916	30,578,135

(c) Understanding the segment results

	31 December	31 December
	2015	2014
	\$	\$
Reconciliation of reportable segment loss		
Total profit/(loss) for reportable segments	848,981	(2,955,070)
Net financing expenses	(2,925,401)	(1,554,273)
Consolidated loss before income tax	(2,076,420)	(4,509,343)

Quickstep Holdings Limited
Notes to the consolidated financial statements
30 June 2015
(continued)

7 Finance income and expense

	31 December 2015	31 December 2014
Note	\$	\$
Recognised in profit or loss		
Interest income	26,544	1,740
Change in fair value of option liability	12 <u>600,000</u>	-
Finance income	<u>626,544</u>	<u>1,740</u>
Interest expense on Efic liability	(570,286)	(527,975)
Interest expense on Newmarket liability	12 <u>(2,146,555)</u>	-
Foreign currency losses	(778,164)	(855,179)
Other expenses	<u>(56,940)</u>	<u>(172,859)</u>
Finance expense	<u>(3,551,945)</u>	<u>(1,556,013)</u>
Net financing expense	<u>(2,925,401)</u>	<u>(1,554,273)</u>

8 Cash and other financial assets

	31 December 2015	30 June 2015
	\$	\$
Cash and Cash Equivalents		
Cash at bank and in hand	<u>15,440,338</u>	<u>1,169,944</u>
Other Financial Assets		
Held to maturity term deposits	<u>709,400</u>	<u>709,400</u>

9 Trade and other receivables

	31 December 2015	30 June 2015
	\$	\$
Trade receivables	2,880,791	4,456,740
Other receivables	<u>1,426,682</u>	<u>677,726</u>
	<u>4,307,473</u>	<u>5,134,466</u>

10 Inventories

	31 December 2015	30 June 2015
	\$	\$
Raw materials and consumables	4,820,862	3,622,305
Work in progress	2,659,520	2,359,280
Finished goods	<u>528,235</u>	-
	<u>8,008,617</u>	<u>5,981,585</u>

11 Property, plant and equipment

Acquisitions and disposals

During the six months ended 31 December 2015 the Group acquired assets principally relating to the Group's Bankstown facility with a cost of \$894,842 (six months ended 31 December 2014: \$76,188)

12 Loans and Borrowings

	31 December 2015			30 June 2015		
	Current \$	Non-current \$	Total \$	Current \$	Non-current \$	Total \$
Secured bank loan	1,259,470	8,740,530	10,000,000	629,756	9,370,244	10,000,000
Capitalised interest facility	-	1,755,264	1,755,264	-	1,524,189	1,524,189
Prepaid borrowing cost	-	(236,352)	(236,352)	-	(394,875)	(394,875)
Secured bank loan carrying amount	1,259,470	10,259,442	11,518,912	629,756	10,499,558	11,129,314
Finance lease liability	4,781	-	4,781	8,015	698	8,713
Short term facility - Efic	-	-	-	2,000,000	-	2,000,000
Short term facility - Newmarket	-	-	-	981,424	-	981,424
Newmarket options	1,025,000	-	1,025,000	1,625,000	-	1,625,000
	2,289,251	10,259,442	12,548,693	5,244,195	10,500,256	15,744,451

(i) Terms and debt repayment Schedule

	Effective interest rate %	Year of maturity	31 December 2015		30 June 2015	
			Maximum facility value \$	Drawn amount \$	Maximum facility value \$	Drawn amount \$
Secured bank loan	8.562	2021	10,000,000	10,000,000	10,000,000	10,000,000
Capitalised Interest	8.562	2021	3,333,333	1,755,264	3,333,333	1,524,189
Short term facility - Efic	2.246	2016	-	-	2,000,000	2,000,000
Short term facility - Newmarket	12.000	2016	-	-	3,000,000	3,000,000
Finance lease liabilities	8.397	2016	n/a	4,781	n/a	8,713

(ii) Secured bank loan

On 1 November 2011 Quickstep Technologies Pty Ltd, a subsidiary Company of the Group, executed an Export Finance Facility Agreement with Australian and New Zealand Banking Group Limited (ANZ) (Financier) and Export Finance and Insurance Corporation (Efic)(Guarantor) to fund certain capital expenditure. The Agreement provides for a loan facility of up to \$10,000,000 plus capitalised interest of up to \$3,333,333. At 31 December 2015 the facility had been fully drawn to \$10,000,000 together with capitalised interest of \$1,755,264.

Interest is to be capitalised for the first five years of the facility after which it is payable half yearly in arrears.

Loan repayments commence in 2016 which is the fifth year of the facility, with the final repayment due in year 10.

12 Loans and Borrowings (continued)

(ii) Secured bank loan

The interest rate on the facility comprises a variable base rate, a fixed margin payable to the Financier and a fixed guarantee fee payable to the Guarantor. Unused limit fees are payable to both the Financier and the Guarantor on the undrawn principle balance.

The facility includes an interest rate cap which limits the maximum rate applicable to the base rate for the duration of the capitalisation period to 5.03%. This cap ensures that the interest accruing on the facility remains within the capitalised interest limit. The cost of the cap has been recorded as prepaid borrowing cost and is recognised in the profit and loss through the effective interest rate method, with a carrying value of \$236,352 at 31 December 2015 (\$394,875 at 30 June 2015).

Efic has agreed to guarantee certain of the subsidiary's obligations under the facility. The subsidiary has provided Efic with a fixed and floating charge over its assets and undertakings. The carrying value of total assets pledged as collateral at 31 December is \$25,278,294 which represents the cash and cash equivalents, plant and equipment, inventory and other assets owned by Quickstep Technologies Pty Ltd.

Under this agreement, Quickstep Technologies Pty Ltd (Chargor) has agreed to the following restrictions on title on any of the assets under which Efic (Chargee) has a fixed charge over. Without the consent of the Chargee, the Chargor may not:

- dispose of the Secured Property; or
- lease or license the Secured Property or any interest in it, or deal with any existing lease or licence; or
- part with possession of the Secured Property; or
- waive any of the Chargor's rights or release any person from its obligations in connection with the Secured Property; or
- deal in any other way with the Secured Property or any interest in it, or allow any interest in it to arise or be varied.

Quickstep Holdings Limited has entered into a subordination agreement which subordinates certain intercompany debts due to it from Quickstep Technologies Pty Ltd to the amounts due under the Export Finance Facility. The face value of this subordinated intercompany debt at 31 December 2015 is \$88,711,102 and its carrying value net of impairment is \$35,978,911.

(iii) Short term facility - Efic

Quickstep Holdings Limited was party to a short term debt facility provided by the Efic. Quickstep repaid the debt facility in full on 30 December 2015.

(iv) Short term facility - Newmarket loan

In February 2015 a \$3,000,000 debt facility was secured from Newmarket Financing Management Pty Ltd and Associates (Newmarket). This facility provided short-term working capital support to assist Quickstep's long term growth as its deliveries for the F-35 Lightning II Joint Strike Fighter (JSF) and Lockheed Martin C-130J Super Hercules programs accelerated. Quickstep repaid the debt facility in full on 30 October, 2015. At the date of repayment the loan had a carrying value of \$1,573,475. The \$1,426,525 difference between the carrying amount and the \$3,000,000 repaid has been recognized in the profit and loss as an interest expense.

This difference is a consequence of the initial fair value of the options noted below being deferred against the \$3,000,000 face value of the loan on inception and then amortised through profit or loss using the effective interest rate method over the 18 month term of the loan. For the four month period to 30 October 2015 \$720,303 of interest expenses have been recognised in profit or loss using the effective interest rate method. The total recognised interest expense on the Newmarket facility during the period is, therefore, \$2,146,555 (note 7). The actual interest paid during the period in respect of this facility was \$121,069.

12 Loans and Borrowings (continued)

(iv) Short term facility - Newmarket loan (continued)

As partial consideration for providing the loan, Quickstep has issued 25 million options to Newmarket to acquire ordinary shares in Quickstep. These options expire on 31 December 2018. Following the capital raise completed by Quickstep during the period the exercise price of the options has been set at 16.25 cents per share. The options were revalued to a fair value of 4.1 cents per share or \$1,025,000 (30 June 2015 \$1,625,000). The gain of \$600,000 has been recognised through the profit and loss as finance income (note 7).

13 Share Capital

	31 December 2015 Shares	30 June 2015 Shares	31 December 2015 \$	30 June 2015 \$
Ordinary shares				
Ordinary shares - fully paid	562,474,143	397,873,501	109,205,153	88,228,474

	Number of shares	\$
Year ended 30 June 2015		
Opening balance 1 July 2014	397,457,534	88,228,474
Shares issued on exercise of rights	415,967	-
Balance 30 June 2015	<u>397,873,501</u>	<u>88,228,474</u>
Half Year ending 31 December 2015		
Opening balance 1 July 2015	397,873,501	88,228,474
Issue of ordinary shares, net of costs (a)	164,005,589	20,976,679
Shares issued on exercise of rights (b)	595,053	-
Balance 31 December 2015	<u>562,474,143</u>	<u>109,205,153</u>

- (a) On 27 October 2015 the Board of Directors approved the undertaking of a \$22,000,000 capital raising comprising an institutional placement of \$5,000,000 for 33,333,333 shares at an exercise price of \$0.15 cents per share and an entitlement offer to existing shareholders at an exercise price of \$0.13 cents per share for 130,672,256 shares. The placement was undertaken by the Board of Directors in accordance with ASX Listing Rule 7.1. The capital raising was undertaken across November and December 2015.

The Company does not have authorised capital or par value in respect of its issued shares. All issued shares are fully paid.

- (b) During the period, the Company issued 595,053 (2015: 415,967) shares pursuant to share-based payment arrangements with certain key management personnel.

14 Related party transactions

On 19 December 2015 Mr J Douglas became a non-executive director of the Group. Mr J Douglas is also a director of Newmarket.

Therefore at 31 December 2015 the Newmarket Options (Note 12(iv)) are considered to be a related party transaction.

15 Events occurring after the reporting period

There have been no events subsequent to the balance sheet date which would have a material impact upon the Group's Financial Statements as at 31 December 2015.

16 Financial Instruments

Fair value hierarchy

As at the reporting date, all financial instruments held by Quickstep Holdings Limited are considered level 1 in the fair value hierarchy, except for the Newmarket options which are considered level 2 in the fair value hierarchy. Quickstep Holdings Limited's financial assets and liabilities are primarily made up of cash and cash equivalents and trade receivables and payables, for which there are active markets to ascertain their values. During the year, there have been no transfers between levels in the fair value hierarchy.

In the opinion of the directors of Quickstep Holdings Limited ("the Company"):

- (a) the consolidated interim financial statements and notes set out on pages 6 to 16 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001, and
 - (ii) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the six month period ended on that date, and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors.

A handwritten signature in black ink, appearing to read "David J. Marino". The signature is written in a cursive, flowing style with a large initial 'D'.

Mr D J Marino
CEO and Managing Director

Sydney
23 February, 2016



Independent auditor's review report to the members of Quickstep Holdings Limited

We have reviewed the accompanying interim financial report of Quickstep Holdings Limited, which comprises the consolidated statement of financial position as at 31 December 2015, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the interim period ended on that date, notes 1 to 16 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the interim period's end or from time to time during the interim period.

Directors' responsibility for the interim period financial report

The directors of the company are responsible for the preparation of the interim 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 interim 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 interim 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 interim financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2015 and its performance for the interim period ended on that date; and complying with Australian Accounting Standard AASB 134 Interim Financial Reporting and the *Corporations Regulations 2001*. As auditor of Quickstep Holdings Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of an interim 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.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Quickstep Holdings Limited is not in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2015 and of its performance for the interim period ended on that date; and
- (b) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

KPMG

KPMG

Cameron Slapp
Partner

Sydney

23 February, 2016

