

# Appendix 4E

## Preliminary Final Report to the Australian Securities Exchange

### Part 1

Name of Entity	Quickstep Holdings Limited
ABN	55 096 268 156
Financial Period	Year ended 30 June 2012
Previous Corresponding Reporting Period	Year ended 30 June 2011

### Part 2 – Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from continuing operations	503	6.71%
Loss after related income tax benefit	(11,801)	14.07%
Net loss attributable to members of the parent entity	(11,801)	14.07%

Dividends (distributions)	Amount per security	Franked amount per security
Final Dividend	Nil	Nil
Interim Dividend	Nil	Nil
Record date for determining entitlements to the dividends (if any)	Not Applicable	

#### Brief explanation of any of the figures reported above necessary to enable the figures to be understood:

The Group has incurred a loss after tax for the twelve months 30 June 2012 of \$11.801 million.

The Group has a surplus in working capital at 30 June 2012 of \$5.625 million

Since 30 June 2011, the Group has continued to;

- pursue its objectives of securing further Long Term Agreements (LTA) for the supply of Joint Strike Fighter (JSF) parts;
- develop a process capability to ready itself for advanced aerospace manufacturing activities;
- pursue other aerospace manufacturing opportunities; and
- develop its program of research into composite curing technologies in the automotive and aerospace industries.

Consistent with these objectives it has;

- invested \$9.404 million in capital equipment to develop aerospace manufacturing capability;
- utilised net cash resources of \$16.046 million for operations, a majority of which has been to develop process capability for advanced aerospace manufacturing activities and research and development relating to the automotive and aerospace industries.

These activities have been the principal contributors to the reduction in cash reserves since 30 June 2011. As a consequence of the above activities, since 30 June 2011, the Group has:

- secured additional purchase orders and negotiated long term contracts with lead JSF contractor Northrop Grumman and commenced delivery of products.
- Been confirmed as preferred tenderer for supply of C-130 J wing flaps to Lockheed Martin and received its first purchase order for the non-recurring activities for the manufacturing program. Contracts for the manufacturing stage are under negotiation:
- Substantially completed the production facilities in Bankstown, NSW and commenced qualification of the facility to Northrop Grumman's quality requirements;
- continue to enhance and innovate on its proprietary manufacturing capability, including generating new knowledge through enhancing and improving manufacturing processes to enable the manufacturing of parts for the aerospace industry and researching technical viability of, processes and capabilities for the automotive industry
- continue its research and development programs to improve the Quickstep Process technology through partially funded programs to enhance capability in the automotive and aerospace sectors
- Commenced a significant research and development project with partners for the use of composites in the automotive industry; and

To fund these on-going activities the Group has;

- established in November 2011 a 10 year loan facility of \$10 million plus capitalised interest of \$3.3 million for the purposes of providing capital expenditure funding for the Group's JSF project. At 30 June 2012, the Group has utilised \$6.3 million of the facility including capitalised interest;
- executed an agreement in the prior financial year with the NSW State Government to provide grant funding for the establishment and operation of manufacturing facilities in support of the JSF project in NSW. Performance conditions have been met and further funding from this grant have been received;
- terminated its convertible notes agreement; and
- Issued 47,000,000 shares to existing shareholders and underwriters under the terms of the non renounceable rights issue which closed on 23 December 2011. The issue raised \$7,520,000 at an issue price of \$0.16. Cost incurred in raising these funds amounted to \$557,509.

The loss after tax for the year of \$11.801 million is a net result of the investments in staff to support the establishment of the business and development of production capability and recognition of future cost for transition of production to Bankstown, partly offset by reversal on termination of the finance expense related to the convertible notes issue and recognition government grants related to the tax effect of research and development activity.

### **Part 3 – Contents of ASX Appendix 4E**

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#### Part 4 – Consolidated Income Statement

	<b>2012</b> (\$)	<b>2011</b> (\$)
Sales revenue	503,168	471,524
Cost of sales	(2,050,645)	(535,256)
<b>Gross profit</b>	<b>(1,547,477)</b>	<b>(63,732)</b>
Other income	4,499,497	5,196,602
Operational and research and development expenses	(9,543,399)	(8,327,285)
Marketing and distribution expenses	(1,072,049)	(907,565)
Corporate and administrative expenses	(5,882,128)	(7,785,973)
Other expenses	(117,891)	(218,168)
<b>Loss from operating activities</b>	<b>(13,663,447)</b>	<b>(12,106,121)</b>
Financial income	2,072,655	752,612
Financial expense	(210,809)	(2,381,204)
<b>Net financing costs</b>	<b>1,861,846</b>	<b>(1,628,592)</b>
<b>Loss before income tax</b>	<b>(11,801,601)</b>	<b>(13,734,713)</b>
Income tax benefit	-	-
<b>Loss for the period</b>	<b>(11,801,601)</b>	<b>(13,734,713)</b>

#### Part 5 – Accumulated losses

	<b>2012</b> (\$)	<b>2011</b> (\$)
Accumulated losses at the beginning of the year	(48,661,123)	(34,926,410)
Loss for the year	(11,801,601)	(13,734,713)
Accumulated losses at the end of the year	(60,462,724)	(48,661,123)

**Part 6 – Consolidated Balance Sheet**

	<b>2012</b>	<b>2011</b>
	(\$)	(\$)
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	3,000,672	13,406,217
Trade and other receivables	4,878,600	796,731
Inventories	347,427	185,036
Other financial assets	690,400	690,400
Other assets	326,301	133,784
<b>Total Current Assets</b>	<b>9,243,400</b>	<b>15,212,168</b>
<b>NON CURRENT ASSETS</b>		
Property, plant and equipment	16,491,346	12,769,447
Intangible assets	230,776	496,226
Work in progress	71,164	14,020
<b>Total Non Current Assets</b>	<b>16,793,286</b>	<b>13,279,693</b>
<b>TOTAL ASSETS</b>	<b>26,036,686</b>	<b>28,491,861</b>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	3,314,920	5,038,611
Loans and borrowings	10,700	17,645
Employee benefits	292,961	252,074
<b>Total Current Liabilities</b>	<b>3,618,581</b>	<b>5,308,330</b>
<b>NON CURRENT LIABILITIES</b>		
Trade and other payables	561,365	421,221
Loans and borrowings	5,241,937	12,622
Financial Liabilities at fair value through profit and loss	-	2,820,000
<b>Total Non Current Liabilities</b>	<b>5,803,302</b>	<b>3,253,843</b>
<b>TOTAL LIABILITIES</b>	<b>9,421,883</b>	<b>8,562,173</b>
<b>NET ASSETS</b>	<b>16,614,803</b>	<b>19,929,688</b>
<b>EQUITY</b>		
Issued capital	74,754,828	66,854,895
Reserves	2,322,699	1,735,916
Accumulated losses	(60,462,724)	(48,661,123)
<b>TOTAL EQUITY</b>	<b>16,614,803</b>	<b>19,929,688</b>

**Part 7 – Consolidated Statement of Cash Flows**

	<b>2012</b>	<b>2011</b>
	(\$)	(\$)
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	489,172	590,986
Interest received	392,192	949,777
Interest and other finance cost paid	(211,604)	(6,133)
R&D tax offset rebate and government grants	392,778	5,480,845
Cash payments in the course of operations	(17,108,633)	(15,093,949)
	<u>(16,046,095)</u>	<u>(8,078,474)</u>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(9,403,847)	(4,843,826)
Acquisition of intangibles	-	(350,118)
Investment in term deposits	-	9,309,660
	<u>(9,403,847)</u>	<u>4,115,716</u>
<b>Cash flows from financing activities</b>		
Proceeds from issues of shares	7,520,000	4,696,285
Share issue costs	(557,509)	(137,800)
Proceeds from convertible notes	468,456	808,875
Repayment of convertible notes payable	(604,017)	-
Drawdown of borrowings	6,106,048	-
Payment of borrowing costs	(871,400)	-
Government Grants	3,000,000	-
Finance Lease Payments	(17,645)	(17,163)
	<u>15,043,933</u>	<u>5,350,197</u>
<b>Net (decrease)/increase in cash held</b>	(10,406,009)	1,387,439
Effects of foreign exchange rate changes	464	(207,045)
<b>Cash at the beginning of the year</b>	13,406,217	12,225,823
	<u>3,000,672</u>	<u>13,406,217</u>
<b>CASH AT THE END OF THE YEAR</b>	<b>3,000,672</b>	<b>13,406,217</b>

## Part 8 – Other Income and Expenses

The loss before income tax includes the following items of revenue and expense:	2012 (\$)	2011 (\$)
<b>(a) Other income</b>		
Government grants	4,257,448	5,054,944
Other income	242,049	141,658
	<u>4,499,497</u>	<u>5,196,602</u>
<b>(b) Other expenses</b>		
Amortisation of intangible assets	269,374	235,644
Profit on foreign exchange transactions	(120,993)	(17,476)
Profit on Sale of Assets	(30,490)	
	<u>117,891</u>	<u>218,168</u>
<b>(c) Employee benefits expense</b>		
Wages and salaries	7,140,005	7,063,826
Other associated personnel expenses	280,460	762,058
(Decrease) / increase in liability for annual leave	(8,620)	(96,348)
Expense of share based payments	586,320	390,545
	<u>7,998,165</u>	<u>8,120,081</u>

## Part 9 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

## Part 10 – Loss per Share

	2012	2011
Basic loss per share		
Ordinary shares	(3.96 cents)	(6.65 cents)
	<b>No.</b>	<b>No.</b>
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share.	297,979,266	206,683,922
Diluted loss per share	(3.96 cents)	(6.65 cents)
	<b>No.</b>	<b>No.</b>
Weighted average number of diluted ordinary shares used as the denominator in the calculation of diluted earnings per share.	297,979,266	206,683,922

## Part 11 – Net Tangible Assets per Security

	2012	2011
Net tangible asset backing per ordinary security	5.08 cents	10.45 cents

## Part 12 – Details of Entities over Which Control has been Gained or Lost

On 5th April 2012, the Group's shares in the 100% owned subsidiary company, QuickBoats Pty Ltd were sold.

## Part 13 – Issued Securities

	2012 (\$)	2011 (\$)
<b>Issued capital</b>		
322, 748, 630 (2011:270,038,762) fully paid ordinary shares	<u>74,754,828</u>	<u>66,854,895</u>

The following movements in issued capital occurred during the year:

	<u>2012</u>		<u>2011</u>	
	No. of shares	\$	No. of shares	\$
Balance at the beginning of the year	270,038,762	66,854,895	251,416,900	62,296,410
Shares issued for cash	47,000,000	7,520,000	10,277,500	3,288,800
Shares issued on exercise of options	-	-	1,851,852	-
Shares issued on conversion of notes	4,689,810	937,488	-	-
Shares issued on exercised of rights	1,020,058	-	294,118	-
Shares issued to consultants	-	-	1,800,000	-
Shares issued under share purchase plan	-	-	4,398,392	1,407,485
Share issue and capital raising costs	-	(557,555)	-	(137,800)
Balance at the end of the year	<u>322,748,630</u>	<u>74,754,828</u>	<u>270,038,762</u>	<u>66,854,895</u>

## Options

### Options granted during the year

During the financial year, the Company granted options as follows.

Expiry Date	Exercise Price	Number of Options	
		2012	2011
26 November 2018	\$0.00	706,373	-
26 November 2017	\$0.00	-	471,337

### Unissued shares under option

At 30 June 2011, unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number of Options	
		2012	2011
30 March 2017	\$0.00	1,397,624	1,397,624
26 November 2017	\$0.00	471,337	471,337
26 November 2018	\$0.00	706,373	-

These options do not entitle the holders to participate in any share issue of the Company or any other body corporate.



***Exercise of options***

During the financial year, the Company did not issue ordinary shares as a result of the exercise of options. Details of prior year issues are as follows (there were no amounts unpaid on the shares issued).

Expiry Date	Exercise Price	Share price on expiry date	Number of Options	
			2012	2011
23 September 2010	\$0.00	\$0.34	-	1,851,852

***Lapse of options***

During the current financial year, the no options lapsed:

**Part 14 – Reserves**

	2012 (\$)	2011 (\$)
<b>Share-based Payments Reserve</b>		
Balance at the beginning of the year	2,027,636	1,157,092
Grant of rights to key management personnel	379,869	118,507
Grant of options to key management personnel	139,110	272,038
Issue of shares to key management personnel	67,251	
Success fee payable on convertible note agreement	-	480,000
	2,613,866	2,027,637
This reserve is used to record the fair value of options and rights to shares granted as consideration for services provided.		
<b>Foreign Currency Translation Reserve</b>		
Balance at the beginning of the year		(96,607)
Total recognised income and expense	(220,656)	(96,607)
	(70,601)	(124,049)
Balance at the end of the year	(291,257)	(220,656)
The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.		
<b>Hedging Reserve</b>		
Balance at the beginning of the year	(71,065)	-
Effective portion of changes in fair value of cash flow hedge	71,065	(71,065)
	-	(71,065)
Balance at the end of the year	-	(71,065)
The hedging reserve is used to record the change in fair value of cash flow hedges.		
<b>Total reserves</b>	2,322,699	1,735,916

## Part 15– Financial Position

As at 30/6/2012 the Company has cash and deposits of \$3.691 million and has an undrawn balance of \$3.894 million under its long term loan facilities for funding of capital expenditure.

The activities of the company, in the opinion of the Directors, warrant the ongoing commitment of the group’s financial resources to enable future profitable operations. Such operations are expected to enable the recovery of the group’s investment in property plant and equipment and intangible assets.

Working capital inflows are projected to improve as production deliveries increase and new contracts commence. The Group has substantially completed the development of its production facility at Bankstown and capital expenditure funded from the existing loan facilities will be reduced accordingly. Given the current cash reserves, undrawn balance of existing loans, expected proceeds from the sale of surplus assets arising from the move to Bankstown, together with positive indications from initial discussions with potential additional sources of funds and projected operating cash flows, Directors are of the opinion that there is adequate funding for ongoing operations.

## Part 16– Subsequent Events

Since the end of the financial period the Group has:

- Entered into a lease on a further building at Bankstown airport;

Other than the matters referred to above or in the financial statements, there have been no events subsequent to balance date which would have a material effect on the Group’s financial statements as at 30 June 2012.

## Part 17 – Audit Status

**This report is based on accounts to which one of the following applies:**

(Tick one)

The accounts have been audited	<input type="checkbox"/>	The accounts have been subject to review	<input type="checkbox"/>
The accounts are in the process of being audited or subject to review	<input checked="" type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>

**If the accounts have not yet been audited or subject to review and are likely to be subject to dispute or qualification, a description of the likely dispute or qualification:**

Not Applicable

**If the accounts have been audited or subject to review and are subject to dispute or qualification, a description of the dispute or qualification:**

Not Applicable