

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 2015
Previous Corresponding Reporting Period	Year ended 30 June 2014

Part 2 – Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from continuing operations	39,512	229%
Loss after related income tax benefit	(3,938)	(65%)
Net loss attributable to members of the parent entity	(3,938)	(65%)

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:

Revenue reflects significant increase in aerospace composite production delivering 31 ship sets of C-130J and 464 JSF parts being increases of 343% and 152% respectively over prior year. JSF Vertical Tail delivered first preproduction parts for testing with volume production ramp up planned for FY16 after final customer approvals.

The Group has incurred a loss after tax for the twelve months to 30 June 2015 of \$3.9 million. This represents a \$0.57 million profit in the second half of FY2015 against the half year loss after tax of (\$4.5 million). The key activities include continuing investment in the growth of aerospace composite manufacturing activities, investment in the start up of low volume niche automotive part manufacture and further investment in development of the Qure and RST processes.

Net current liabilities exceed net current assets by \$0.24 million at 30 June 2015.

Since 30 June 2014, the Group has:

- Seen further significant growth in new orders finishing the year with a \$74.9 million order book.
- Continued to increase the volume manufacture of JSF parts for Northrop Grumman.
- Achieved reliable production of three C-130J ship sets per month during FY15.
- Commenced set-up of Automotive Division at Waurin Ponds
- Achieved production acceptance of first Qure Machine to European Customer

Consistent with objectives the Group has:

- Invested \$2.7 million in research and development activities in FY15
- Grown staff numbers to 166 with 156 in Australia
- Significantly grown revenue to \$39.5 million which is a 229% increase over prior year and 1,442% over two years.

Part 3 – Contents of ASX Appendix 4E

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Part 4 – Consolidated Income Statement

	2015 (\$)	2014 (\$)
Sales revenue	39,511,931	12,001,752
Cost of sales	<u>(27,853,298)</u>	<u>(13,781,109)</u>
Gross profit (loss)	11,658,633	(1,779,357)
Other income	1,817,225	5,786,858
Operational and research and development expenses	(6,754,755)	(5,455,440)
Marketing and distribution expenses	(181,381)	(595,083)
Corporate and administrative expenses	(7,158,284)	(6,764,245)
Other expenses	<u>(105,112)</u>	<u>(224,871)</u>
Loss from operating activities	<u>(723,674)</u>	<u>(9,032,138)</u>
Financial income	24,535	142,642
Financial expense	<u>(3,238,749)</u>	<u>(2,291,905)</u>
Net financing costs	<u>(3,214,214)</u>	<u>(2,149,263)</u>
Loss before income tax	(3,937,888)	(11,181,401)
Income tax (expense) benefit	<u>-</u>	<u>-</u>
Loss for the period	<u>(3,937,888)</u>	<u>(11,181,401)</u>

Part 5 – Accumulated losses

	2015 (\$)	2014 (\$)
Accumulated losses at the beginning of the year	(88,630,019)	(77,448,618)
Loss for the year	<u>(3,937,888)</u>	<u>(11,181,401)</u>
Accumulated losses at the end of the year	<u><u>(92,567,907)</u></u>	<u><u>(88,630,019)</u></u>

Part 6 – Consolidated Balance Sheet

	2015	2014
	(\$)	(\$)
CURRENT ASSETS		
Cash and cash equivalents	1,169,944	565,583
Trade and other receivables	5,134,466	6,180,827
Inventories	5,981,585	8,260,333
Other financial assets	709,400	3,848,833
Other assets	528,046	394,718
Assets held for sale	-	445,385
Total Current Assets	<u>13,523,441</u>	<u>19,695,679</u>
NON CURRENT ASSETS		
Property, plant and equipment	12,024,843	13,454,853
Intangible assets	20,081	36,557
Total Non Current Assets	<u>12,044,924</u>	<u>13,491,410</u>
TOTAL ASSETS	<u>25,568,365</u>	<u>33,187,089</u>
CURRENT LIABILITIES		
Trade and other payables	4,565,718	5,290,832
Deferred income	3,203,926	13,809,490
Loans and borrowings	5,244,195	7,394
Employee benefits	748,615	473,720
Total Current Liabilities	<u>13,762,454</u>	<u>19,581,436</u>
NON CURRENT LIABILITIES		
Employee benefits	113,163	61,337
Deferred income	2,425,607	-
Loans and borrowings	10,500,255	10,456,325
Total Non Current Liabilities	<u>13,039,025</u>	<u>10,517,662</u>
TOTAL LIABILITIES	<u>26,801,479</u>	<u>30,099,098</u>
NET (LIABILITIES) ASSETS	<u><u>(1,233,114)</u></u>	<u><u>3,087,991</u></u>
EQUITY		
Issued capital	88,228,474	88,228,474
Reserves	3,106,319	3,489,536
Accumulated losses	(92,567,907)	(88,630,019)
TOTAL EQUITY	<u><u>(1,233,114)</u></u>	<u><u>3,087,991</u></u>

Part 7 – Consolidated Statement of Cash Flows

	2015	2014
	(\$)	(\$)
Cash flows from operating activities		
Cash receipts in the course of operations	27,967,034	15,601,190
Interest received	33,922	97,430
Interest and other finance cost paid	(492,351)	(96,579)
R&D tax offset rebate and government grants	6,053,337	5,226,829
Cash payments in the course of operations	(39,889,896)	(27,502,511)
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<i>Net cash used in operating activities</i>	(6,327,954)	(6,673,641)
Cash flows from investing activities		
Payments for property, plant and equipment	(1,004,065)	(1,263,810)
Sale of plant and equipment	257,000	189,501
Investment in term deposits	3,150,885	(3,458,433)
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<i>Net cash provided by / (used) in investing activities</i>	2,403,820	(4,532,742)
Cash flows from financing activities		
Net proceeds from issues of shares	-	12,625,293
Proceeds from borrowings	5,500,000	-
Repayment of borrowings	(500,000)	(1,750,405)
Payment of borrowing costs	(403,720)	(421,724)
Finance lease payments	(43,627)	(16,693)
	<hr/>	<hr/>
<i>Net cash provided by financing activities</i>	4,552,653	10,436,471
Net increase (decrease) in cash held	628,519	(769,912)
Effects of foreign exchange rate changes	(24,158)	(57,825)
Cash at the beginning of the year	565,583	1,393,320
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CASH AT THE END OF THE YEAR	1,169,944	565,583
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Part 8 – Other Income and Expenses

The loss before income tax includes the following items of revenue and expense:	2015 (\$)	2014 (\$)
(a) Other income		
Government grants	1,817,225	5,329,751
Other income	-	457,107
Profit on sale of assets	-	-
	<u>1,817,225</u>	<u>5,786,858</u>
(b) Other expenses		
Amortisation of intangible assets	31,897	53,795
Loss on disposal of assets	73,215	171,076
	<u>105,112</u>	<u>224,871</u>
(c) Employee benefits expense		
Wages and salaries	13,114,334	9,379,829
Defined contribution plan expenses	1,131,204	857,769
Other associated personnel expenses	1,324,703	1,422,536
(Decrease) Increase in liability for annual leave	285,198	247,100
Expense of share based payments	258,632	308,590
	<u>16,114,071</u>	<u>12,215,824</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

	2015	2014
Basic loss per share		
Ordinary shares	(0.99 cents)	(2.93 cents)
	No.	No.
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share.	397,663,615	381,291,850
Diluted loss per share		
Diluted ordinary shares	(0.99 cents)	(2.93 cents)
	No.	No.
Weighted average number of diluted ordinary shares used as the denominator in the calculation of diluted earnings per share.	397,663,615	381,291,850

Part 11 – Net Tangible Assets per Security

	2015	2014
Net tangible (liability) asset backing per ordinary security	(0.31 cents)	0.77 cents

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

Not applicable.

Part 13 – Issued Securities

	2015 (\$)	2014 (\$)
Issued capital		
397,873,501 (2014: 397,457,534) fully paid ordinary shares	<u>88,228,474</u>	<u>88,228,474</u>

The following movements in issued capital occurred during the year:

	<u>2015</u>		<u>2014</u>	
	No. of shares	\$	No. of shares	\$
Balance at the beginning of the year	397,457,534	88,228,474	323,845,045	74,754,828
Shares issued for debt settlement	-	-	3,990,372	848,353
Shares issued on exercise of options	-	-	306,480	-
Shares issued on exercise of rights	415,967	-	2,675,637	-
Share issue and capital raising costs	-	-	66,640,000	12,625,293
Balance at the end of the year	<u>397,873,501</u>	<u>88,228,474</u>	<u>397,457,534</u>	<u>88,228,474</u>

Options

Options granted during the year

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

Expiry Date	Exercise Price	Number of Options	
		2015	2014
31 December 2018	Refer below *	25,000,000	-

* Option exercise price is the lesser of \$0.25 or 25% above the issue price of any equity capital raising up to \$10 million undertaken prior to the exercise of that tranche of options.

Unissued shares under option

At 30 June 2015, unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number of Options	
		2015	2014
30 March 2017	\$0.00	1,091,144	1,091,144
26 November 2017	\$0.00	471,337	471,337
23 November 2018	\$0.00	706,373	706,373
22 November 2019	\$0.00	987,739	987,739
31 December 2018	Refer above *	25,000,000	-

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 current financial year the company issued no shares as a result of the exercise of options (2014: 306,480).

Lapse of options

During the current financial year and the previous financial year, no options lapsed.

Part 14 – Reserves

	2015	2014
	(\$)	(\$)
Share-based Payments Reserve		
Balance at the beginning of the year	3,397,089	3,088,499
Grant of rights to key management personnel	125,674	89,469
Grant of options to key management personnel	52,018	87,035
Issue of shares to key management personnel	80,940	132,086
	<u>3,655,721</u>	<u>3,397,089</u>
<p>This reserve is used to record the fair value of options and rights to shares granted as consideration for services provided.</p>		
Foreign Currency Translation Reserve		
Balance at the beginning of the year	92,447	(129,155)
Total recognised income and expense	<u>(641,849)</u>	<u>221,602</u>
Balance at the end of the year	<u>(549,402)</u>	<u>92,447</u>
<p>The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.</p>		
Total reserves	<u><u>3,106,319</u></u>	<u><u>3,489,536</u></u>

Part 15– Financial Position

As at 30 June 2015 the company has cash and deposits of \$1.9 million of which \$709,000 is in restricted term deposits held in Other Financial Assets.

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.

Cash flows are projected to improve as production deliveries for the JSF project and the C-130J wing flaps increase and JSF VT commences production. The development of the Bankstown production facility continues in order to service the current order book. Investment in the Automotive division in Waurin Ponds and the relocation of R&D from Germany will be supported in part by the \$1.76M GRIIF funding grant and the recent announcement of further support from Invest Victoria.

Part 16– Subsequent Events

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 2015.

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 and are likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.

The accounts are in the process of being audited and on publication of the audited financial statements in September 2015, the accounts may contain an emphasis of matter reflecting a material uncertainty in respect of going concern. The uncertainty relates to the existing net liability position of the Group and the need for funding solutions to support current operating cash flow requirements and associated growth in both Aerospace and Automotive activities in relation to the new technology developments. Funding solutions include cash generated from manufacturing operations associated with ongoing orders and their associated payment terms, continuing cost control or increased debt or equity as deemed appropriate by the board.

If the accounts have been audited and contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.

Not Applicable