

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 2013
Previous Corresponding Reporting Period	Year ended 30 June 2012

Part 2 – Results for Announcement to the Market

	\$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from continuing operations	2,563	409.30%
Loss after related income tax benefit	(16,920)	43.37%
Net loss attributable to members of the parent entity	(16,920)	43.37%

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 2013 of \$16.9 million.

Gross margin was below expectations due to the relocation of the business from Western Australia to New South Wales. This led to once off costs associated with:

- Repeating activities at the new site to pass the required site inspections.
- Adjustment of equipment software to suit new equipment at new site.
- Overlap and increased learning curve costs as a result of the replacement of staff

The Group has a surplus in working capital at 30 June 2013 of \$2.881m.

Since 30 June 2012, the Group has:

- Delivered its 100th part to Northrop Grumman as part of the JSF Project;
- Further developed process capability to deliver C130J wing flaps to Lockheed Martin, with delivery due to start later in the financial year;
- Progressed and demonstrated the patented RST technology to leading European automotive manufacturers leading to a number of requests for quotes for parts using this technology; and
- Continued to commercialise the Quickstep Process which has led to a sale subsequent to balance date as disclosed in Part16 of this document.

Consistent with these objectives it has:

- Invested \$4.4m in capital equipment to further develop aerospace manufacturing capability; and
- Utilised net cash reserves of \$1.723m for operations, a majority of which has been to develop process capability for delivering increasingly complex parts to the JSF project and in preparation of delivery of C130J wing flaps to Lockheed Martin.

To fund these on-going activities, Quickstep has, subsequent to balance date, conducted a successful equity raise totalling \$5.03m as disclosed in Part 16 of this document.

A Share Purchase Plan (SPP) is currently being offered to existing shareholders.

Part 3 – Contents of ASX Appendix 4E

Section	Contents
Part 1	Details of entity, reporting period
Part 2	Results for announcement to the market
Part 3	Contents of ASX Appendix 4E
Part 4	Consolidated income statement
Part 5	Accumulated losses
Part 6	Consolidated balance sheet
Part 7	Consolidated statement of cash flows
Part 8	Other income and expenses
Part 9	Details relating to dividends
Part 10	Loss per share
Part 11	Net tangible assets per security
Part 12	Details of entities over which control has been gained or lost
Part 13	Issued securities
Part 14	Reserves
Part 15	Financial Position
Part 16	Subsequent events
Part 17	Audit status

Part 4 – Consolidated Income Statement

	2013 (\$)	2012 (\$)
Sales revenue	2,562,621	503,168
Cost of sales	<u>(2,722,373)</u>	<u>(1,502,637)</u>
Gross loss	(159,752)	(999,469)
Other income	4,228,181	4,650,980
Operational and research and development expenses	(12,319,780)	(10,099,185)
Marketing and distribution expenses	(860,211)	(1,072,049)
Corporate and administrative expenses	(5,656,842)	(5,882,128)
Other expenses	<u>(1,216,771)</u>	<u>(261,596)</u>
Loss from operating activities	<u>(15,985,175)</u>	<u>(13,663,447)</u>
Financial income	284,904	2,072,655
Financial expense	<u>(1,220,200)</u>	<u>(210,809)</u>
Net financing costs	<u>(935,296)</u>	<u>1,861,846</u>
Loss before income tax	(16,920,471)	(11,801,601)
Income tax benefit	<u>-</u>	<u>-</u>
Loss for the period	<u><u>(16,920,471)</u></u>	<u><u>(11,801,601)</u></u>

Part 5 – Accumulated losses

	2013 (\$)	2012 (\$)
Accumulated losses at the beginning of the year	(60,462,724)	(48,661,123)
Loss for the year	<u>(16,920,471)</u>	<u>(11,801,601)</u>
Accumulated losses at the end of the year	<u><u>(77,383,195)</u></u>	<u><u>(60,462,724)</u></u>

Part 6 – Consolidated Balance Sheet

	2013	2012
	(\$)	(\$)
CURRENT ASSETS		
Cash and cash equivalents	1,393,320	3,000,672
Trade and other receivables	4,564,303	4,915,978
Inventories	1,650,674	418,591
Other financial assets	390,400	690,400
Other assets	387,429	326,301
Assets held for sale	1,848,000	-
Total Current Assets	10,234,126	9,351,942
NON CURRENT ASSETS		
Property, plant and equipment	13,829,229	16,491,346
Intangible assets	65,422	230,776
Total Non Current Assets	13,894,651	16,722,122
TOTAL ASSETS	24,128,777	26,074,064
CURRENT LIABILITIES		
Trade and other payables	2,599,617	3,352,297
Deferred Income	2,795,014	-
Loans and borrowings	1,696,785	10,700
Employee benefits	261,289	292,961
Total Current Liabilities	7,352,705	3,655,958
NON CURRENT LIABILITIES		
Trade and other payables	654,118	561,365
Employee benefits	26,667	-
Deferred Income	6,086,391	-
Loans and borrowings	9,773,722	5,241,938
Total Non Current Liabilities	16,540,898	5,803,303
TOTAL LIABILITIES	23,893,603	9,459,261
NET ASSETS	235,174	16,614,803
EQUITY		
Issued capital	74,754,828	74,754,828
Reserves	2,863,541	2,322,699
Accumulated losses	(77,383,195)	(60,462,724)
TOTAL EQUITY	235,174	16,614,803

Part 7 – Consolidated Statement of Cash Flows

	2013 (\$)	2012 (\$)
Cash flows from operating activities		
Cash receipts in the course of operations	11,636,856	489,172
Interest received	87,373	392,192
Interest and other finance cost paid	(140,868)	(211,604)
R&D tax offset rebate and government grants	4,771,549	392,778
Cash payments in the course of operations	(18,078,036)	(16,332,179)
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<i>Net cash used in operating activities</i>	(1,723,126)	(15,269,641)
Cash flows from investing activities		
Payments for property, plant and equipment	(4,424,300)	(10,180,301)
Investment in term deposits	300,000	-
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<i>Net cash used in investing activities</i>	(4,124,300)	(10,180,301)
Cash flows from financing activities		
Proceeds from issues of shares	-	7,520,000
Share issue costs	-	(557,509)
Proceeds from convertible notes	-	468,456
Repayment of convertible notes payable	-	(604,017)
Drawdown of borrowings	4,626,478	6,106,048
Payment of borrowing costs	(340,835)	(871,400)
Government Grants	-	3,000,000
Finance Lease Payments	(39,441)	(17,645)
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<i>Net cash provided by financing activities</i>	4,246,202	15,043,933
Net (decrease)/increase in cash held	(1,601,224)	(10,406,009)
Effects of foreign exchange rate changes	(6,128)	464
Cash at the beginning of the year	3,000,672	13,406,217
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CASH AT THE END OF THE YEAR	1,393,320	3,000,672
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Part 8 – Other Income and Expenses

The loss before income tax includes the following items of revenue and expense:	2013 (\$)	2012 (\$)
(a) Other income		
Government grants	3,710,625	4,257,448
Other income	516,356	242,049
Profit on foreign exchange transactions	-	120,993
Profit on Sale of Assets	1,200	30,490
	<u>4,228,181</u>	<u>4,650,980</u>
(b) Other expenses		
Amortisation of intangible assets	209,060	261,596
Impairment of assets held for sale	1,007,711	-
	<u>1,216,771</u>	<u>261,596</u>
(c) Employee benefits expense		
Wages and salaries	7,580,106	6,484,098
Other associated personnel expenses	987,249	812,032
(Decrease) / increase in liability for annual leave	107,029	(23,618)
Expense of share based payments	378,739	490,321
	<u>9,053,123</u>	<u>7,762,833</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

	2013	2012
Basic loss per share		
Ordinary shares	(5.23 cents)	(3.96 cents)
	No.	No.
Weighted average number of ordinary shares used as the denominator in the calculation of basic earnings per share.	323,412,485	297,979,266
Diluted loss per share	(5.23 cents)	(3.96 cents)
	No.	No.
Weighted average number of diluted ordinary shares used as the denominator in the calculation of diluted earnings per share.	323,412,485	297,979,266

Part 11 – Net Tangible Assets per Security

	2013	2012
Net tangible asset backing per ordinary security	0.05 cents	5.08 cents

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

Not applicable.

Part 13 – Issued Securities

	2013 (\$)	2012 (\$)
Issued capital		
323,845,045 (2011:322,748,630) fully paid ordinary shares	74,754,828	74,754,828

The following movements in issued capital occurred during the year:

	<u>2013</u>		<u>2012</u>	
	No. of shares	\$	No. of shares	\$
Balance at the beginning of the year	322,748,630	74,754,828	270,038,762	66,854,895
Shares issued for cash	-	-	47,000,000	7,520,000
Shares issued on conversion of notes	-	-	4,689,810	937,488
Shares issued on exercise of rights	1,096,415	-	1,020,058	-
Share issue and capital raising costs	-	-	-	(557,555)
Balance at the end of the year	323,845,045	74,754,828	322,748,630	74,754,828

Options

Options granted during the year

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

Expiry Date	Exercise Price	Number of Options	
		2013	2012
22 November 2019	\$0.00	987,739	-
23 November 2018	\$0.00	-	706,373

Unissued shares under option

At 30 June 2013, unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number of Options	
		2013	2012
30 March 2017	\$0.00	1,397,624	1,397,624
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	-

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 and the previous financial year, the Company did not issue ordinary shares as a result of the exercise of options.

Lapse of options

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

Part 14 – Reserves

	2013	2012
	(\$)	(\$)
Share-based Payments Reserve		
Balance at the beginning of the year	2,613,956	2,027,637
Grant of rights to key management personnel	182,415	379,958
Grant of options to key management personnel	141,340	139,110
Issue of shares to key management personnel	54,984	67,251
	<u>2,992,695</u>	<u>2,613,956</u>
This reserve is used to record the fair value of options and rights to shares granted as consideration for services provided.		
Foreign Currency Translation Reserve		
Balance at the beginning of the year		
	(291,257)	(220,656)
Total recognised income and expense	<u>162,103</u>	<u>(70,601)</u>
Balance at the end of the year	<u>(129,154)</u>	<u>(291,257)</u>
The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.		
Hedging Reserve		
Balance at the beginning of the year	-	(71,065)
Effective portion of changes in fair value of cash flow hedge	<u>-</u>	<u>71,065</u>
Balance at the end of the year	<u>-</u>	<u>-</u>
The hedging reserve is used to record the change in fair value of cash flow hedges.		
Total reserves	<u><u>2,863,541</u></u>	<u><u>2,322,699</u></u>

Part 15– Financial Position

As at 30/6/2013 the company has cash and deposits of \$1.784 million.

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 after a capital raise in August 2013 as production deliveries for the JSF project increase and the delivery of C130J wing flaps begin in February 2014. The development of the production facility is sufficiently completed to service the current order book. Assets which represent excess capacity, particularly located at the previous operations site at North Coogee, WA, are currently being considered for sale.

Following the capital raise in August 2013 and existing unused debt facilities, the 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:

- Completed a successful equity raise totaling \$5.03m; and
- Announced a share purchase plan to raise up to \$6m through an offer to existing shareholders; and
- Secured the first equipment sale valued at EUR4.2m using the "Quickstep Process" for manufacturing large carbon fibre components to ORPE Technologiya, based in Russia; and
- Launched the Resin Spray Transfer (RST) technology to meet the requirements of the international automotive industry; and
- Successfully re-assigned the lease relating to the previous operational site in North Coogee, WA

Other than the matters referred to above, 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 2013

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 2013, the accounts may contain an emphasis of matter on going concern relating to the need for future capital raisings, access to debt facilities, asset sales, or a combination of the above. This funding will support the anticipated sharp increase in production volume during the next twelve months.

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