

# 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 2014
Previous Corresponding Reporting Period	Year ended 30 June 2013

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

	\$'000	Percentage increase /(decrease) over previous corresponding period
Revenue from continuing operations	12,002	368%
Loss after related income tax benefit	(11,181)	(34%)
Net loss attributable to members of the parent entity	(11,181)	(34%)

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 with the first seven shipsets of C-130J and 184 JSF parts delivered.

The Group has incurred a loss after tax for the twelve months to 30 June 2014 of \$11.2 million. This reflects continuing investment in productive capacity for aerospace composite manufacturing activities and further investment in development of the Quickstep process.

The Group has net current liabilities at 30 June 2014 of \$0.1 million.

Since 30 June 2013, the Group has:

- Seen significant growth in new orders finishing the year with a \$49 million order book.
- Increased the volume of JSF parts for Northrop Grumman including commencing manufacture of the most complex parts.
- Commenced C-130J production delivering the first seven shipsets and worked towards achieving three shipsets per month production during FY15.
- Substantially progressed our resin spray technology for the auto sector.

Consistent with objectives the Group has:

- Invested \$3 million in research and development activities in FY14
- Grown staff numbers to 116 with 105 in Australia
- Significantly grown revenue to \$12 million which is a 368% increase over prior year.

Subsequent to balance date Quickstep has secured a \$7 million multi-option facility from Export Finance and Insurance Corporation (Efic). This, along with anticipated growth in purchase orders and associated favourable payment terms, will enable the company to move manufacturing operations to positive cash flow.

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

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#### Part 4 – Consolidated Income Statement

	<b>2014</b> (\$)	<b>2013</b> (\$)
Sales revenue	12,001,752	2,562,621
Cost of sales	<u>(13,781,109)</u>	<u>(2,722,373)</u>
<b>Gross loss</b>	<b>(1,779,357)</b>	<b>(159,752)</b>
Other income	5,786,858	4,228,181
Operational and research and development expenses	(5,455,440)	(12,351,579)
Marketing and distribution expenses	(595,083)	(860,211)
Corporate and administrative expenses	(6,792,143)	(5,748,934)
Other expenses	<u>(196,973)</u>	<u>(1,228,556)</u>
<b>Loss from operating activities</b>	<b><u>(9,032,138)</u></b>	<b><u>(16,120,851)</u></b>
Financial income	142,643	355,157
Financial expense	<u>(2,291,906)</u>	<u>(1,220,200)</u>
<b>Net financing costs</b>	<b><u>(2,149,263)</u></b>	<b><u>(865,043)</u></b>
<b>Loss before income tax</b>	<b>(11,181,401)</b>	<b>(16,985,894)</b>
Income tax (expense) benefit	<u>-</u>	<u>-</u>
<b>Loss for the period</b>	<b><u>(11,181,401)</u></b>	<b><u>(16,985,894)</u></b>

#### Part 5 – Accumulated losses

	<b>2014</b> (\$)	<b>2013</b> (\$)
Accumulated losses at the beginning of the year	(77,448,618)	(60,462,724)
Loss for the year	<u>(11,181,401)</u>	<u>(16,985,894)</u>
Accumulated losses at the end of the year	<u><u>(88,630,019)</u></u>	<u><u>(77,448,618)</u></u>

**Part 6 – Consolidated Balance Sheet**

	<b>2014</b>	<b>2013</b>
	(\$)	(\$)
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	565,583	1,393,320
Trade and other receivables	6,180,827	4,564,303
Inventories	8,260,333	1,650,674
Other financial assets	3,848,833	390,400
Other assets	394,718	387,430
Assets held for sale	445,385	1,878,000
<b>Total Current Assets</b>	<u>19,695,679</u>	<u>10,264,127</u>
<b>NON CURRENT ASSETS</b>		
Property, plant and equipment	13,454,853	13,799,229
Intangible assets	36,557	65,422
<b>Total Non Current Assets</b>	<u>13,491,410</u>	<u>13,864,651</u>
<b>TOTAL ASSETS</b>	<u>33,187,089</u>	<u>24,128,778</u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	5,290,832	2,569,237
Deferred income	13,809,490	2,795,014
Loans and borrowings	7,394	1,696,785
Employee benefits	473,720	261,289
<b>Total Current Liabilities</b>	<u>19,581,436</u>	<u>7,322,325</u>
<b>NON CURRENT LIABILITIES</b>		
Trade and other payables	-	654,118
Employee benefits	61,337	26,668
Deferred income	-	6,086,391
Loans and borrowings	10,456,325	9,773,722
<b>Total Non Current Liabilities</b>	<u>10,517,662</u>	<u>16,540,899</u>
<b>TOTAL LIABILITIES</b>	<u>30,099,098</u>	<u>23,863,224</u>
<b>NET ASSETS</b>	<u><b>3,087,991</b></u>	<u><b>265,554</b></u>
<b>EQUITY</b>		
Issued capital	88,228,474	74,754,828
Reserves	3,489,536	2,959,344
Accumulated losses	(88,630,019)	(77,448,618)
<b>TOTAL EQUITY</b>	<u><b>3,087,991</b></u>	<u><b>265,554</b></u>

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

	<b>2014</b>	<b>2013</b>
	(\$)	(\$)
<b>Cash flows from operating activities</b>		
Cash receipts in the course of operations	15,601,190	10,732,977
Interest received	97,430	95,829
Interest and other finance cost paid	(96,579)	(140,868)
R&D tax offset rebate and government grants	5,226,829	4,763,093
Cash payments in the course of operations	(27,120,458)	(18,495,694)
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<i>Net cash used in operating activities</i>	<i>(6,291,588)</i>	<i>(3,044,663)</i>
<b>Cash flows from investing activities</b>		
Payments for property, plant and equipment	(1,239,136)	(4,006,642)
Sale of plant and equipment	3,000	-
Investment in term deposits	(3,678,659)	300,000
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<i>Net cash used in investing activities</i>	<i>(4,914,795)</i>	<i>(3,706,642)</i>
<b>Cash flows from financing activities</b>		
Net proceeds from issues of shares	12,625,293	-
Proceeds from borrowings	-	8,353,192
Repayment of borrowings	(1,750,405)	(2,822,835)
Payment of borrowing costs	(421,724)	(340,835)
Finance lease payments	(16,693)	(39,441)
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<i>Net cash provided by financing activities</i>	<i>10,436,471</i>	<i>5,150,081</i>
<b>Net decrease in cash held</b>	<b>(769,912)</b>	<b>(1,601,224)</b>
Effects of foreign exchange rate changes	(57,825)	(6,128)
<b>Cash at the beginning of the year</b>	<b>1,393,320</b>	<b>3,000,672</b>
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<b>CASH AT THE END OF THE YEAR</b>	<b>565,583</b>	<b>1,393,320</b>
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## Part 8 – Other Income and Expenses

The loss before income tax includes the following items of revenue and expense:	2014 (\$)	2013 (\$)
<b>(a) Other income</b>		
Government grants	5,329,751	3,710,624
Other income	457,107	516,357
Profit on sale of assets	-	1,200
	5,786,858	4,228,181
<b>(b) Other expenses</b>		
Amortisation of intangible assets	53,795	209,060
Loss on disposal of assets	171,076	11,785
Impairment (reversal) /charge of assets held for sale	(27,898)	1,007,711
	196,973	1,228,556
<b>(c) Employee benefits expense</b>		
Wages and salaries	9,428,387	6,949,944
Defined contribution plan expenses	857,769	599,779
Other associated personnel expenses	1,422,536	987,249
Increase in liability for annual leave	198,542	107,029
Expense of share based payments	308,591	474,543
	12,215,825	9,118,544

## 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

	2014	2013
<b><i>Basic loss per share</i></b>		
Ordinary shares	(2.93 cents)	(5.25 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.	381,591,850	323,412,485
<b><i>Diluted loss per share</i></b>		
Diluted ordinary shares	(2.93 cents)	(5.25 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.	381,591,850	323,412,485

## Part 11 – Net Tangible Assets per Security

	2014	2013
Net tangible asset backing per ordinary security	0.77 cents	0.06 cents

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

Not applicable.

## Part 13 – Issued Securities

	2014 (\$)	2013 (\$)
<b>Issued capital</b>		
397,457,534 (2013: 323,845,045) fully paid ordinary shares	88,228,474	74,754,828

*The following movements in issued capital occurred during the year:*

	<u>2014</u>		<u>2013</u>	
	No. of shares	\$	No. of shares	\$
Balance at the beginning of the year	323,845,045	74,754,828	322,748,630	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	2,675,637	-	1,096,415	-
Share issue and capital raising costs	66,640,000	12,625,293	-	-
Balance at the end of the year	397,457,534	88,228,474	323,845,045	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	
		2014	2013
22 November 2019	\$0.00	-	987,739

### *Unissued shares under option*

At 30 June 2014, unissued ordinary shares of the Company under option are:

Expiry Date	Exercise Price	Number of Options	
		2014	2013
30 March 2017	\$0.00	1,091,144	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	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 the company issued 306,480 shares as a result of the exercise of options (2013: nil).

***Lapse of options***

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

**Part 14 – Reserves**

	<b>2014</b>	<b>2013</b>
	(\$)	(\$)
<b>Share-based Payments Reserve</b>		
Balance at the beginning of the year	3,088,499	2,613,956
Grant of rights to key management personnel	89,469	278,219
Grant of options to key management personnel	87,035	141,340
Issue of shares to key management personnel	132,086	54,984
	<u>3,397,089</u>	<u>3,088,499</u>
<p>This reserve is used to record the fair value of options and rights to shares granted as consideration for services provided.</p>		
<b>Foreign Currency Translation Reserve</b>		
Balance at the beginning of the year	(129,155)	(291,257)
Total recognised income and expense	221,602	162,102
	<u>92,447</u>	<u>(129,155)</u>
<p>The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.</p>		
	<u>3,489,536</u>	<u>2,959,344</u>
<b>Total reserves</b>	<u>3,489,536</u>	<u>2,959,344</u>



## Part 15– Financial Position

As at 30 June 2014 the company has cash and deposits of \$4.4 million of which \$3.8 million is in restricted term deposits held in Other Financial Assets of which \$3m will be released in accordance with Part 16 below.

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. The development of the production facility continues in order to service the current order book.

## Part 16– Subsequent Events

Since the end of the financial period the Group has:

- Secured support from Efic for the bonds of \$3m, disclosed within Other Financial Assets, associated with the ORPE program. This has allowed the Group access to the previously restricted funds; and
- Secured from Efic a \$2.5m working capital guarantee facility to support the anticipated growth in production volumes; and
- Received a customer advance payment of \$2.3m

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 2014.

## 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 2014, the accounts may contain an emphasis of matter reflecting a material uncertainty in respect of going concern. The uncertainty relates to the need for ongoing production orders and their associated commercial terms consistent with the planned increase in production to fund continuing operations.

**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