Annual Report **2012**

Quickstep

Why wait for the future.





Corporate Directory

Directors
Mr Mark Bernard Jenkins
Chairman

Mr Philippe Marie Odouard
Managing Director

Mr Dale Edwin Brosius
Executive Director

Mr Deryck Fletcher Gow Graham
Executive Director

Mr Peter Chapman Cook
Non-executive Director

Air Marshal Errol John McCormack (Ret'd) AO
Non-executive Director

Mr David Singleton
Non-executive Director

Mr David Edward Wills
Non-executive Director

Company Secretary
Mr Phillip James MacLeod

Principal Office
361 Milperra Road
Bankstown Airport
New South Wales 2200
Australia

T +61 2 9774 0300
F +61 2 9771 0256

E info@quickstep.com.au
www.quickstep.com.au

Registered Office
136 Cockburn Road
North Coogee
Western Australia 6163

Auditors
KPMG
Chartered Accountants
235 St George's Terrace
Perth Western Australia 6000

Solicitors
Clifford Chance
London House
216 St George's Terrace
Perth Western Australia 6000

Patent Attorney
Watermark
21st Floor, 77 St George's Terrace
Perth Western Australia 6000

Share Registry
Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross Western Australia 6153

Stock Exchange
Australian Securities Exchange Limited
Exchange Plaza
2 The Esplanade
Perth Western Australia 6000

ASX Code: QHL

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PLEASE NOTE;
To listen live to the Managing Directors' Report during Quickstep's AGM at 2pm on 23 November 2012 and to replay thereafter, go to:
www.brrmedia.com/event/104821

Join over 1,000 Quickstep followers and receive our ASX releases.
Email: **info@quickstep.com.au**

About Quickstep

Over the course of 2011-2012 Quickstep has consistently achieved significant milestones to position ourselves to become a leading independent advanced composite manufacturer.

JULY 2011

Maiden F35 Lightning II Joint Strike Fighter (JSF) Purchase Order received from Northrop Grumman as part of total agreement worth up to $700 million

AUGUST 2011

First A-Class finish flat panel produced via patented Resin Spray Transfer (RST) process for the automotive industry

OCTOBER 2011

First test composite part for the JSF shipped ahead of schedule

NOVEMBER 2011

$10M loan facility secured with ANZ backed by guarantees provided by the Australian Federal Government's Export Finance Insurance Corporation

NOVEMBER 2012

Quickstep heads joint development program with leading car manufacturer Audi to deliver industrialised composite car manufacturing solutions using RST technology

STATE ONE
STOCKBROKING LTD

Congratulates

QUICKSTEP HOLDINGS LTD

(ASX Code: QHL)

on its successful capital raising of

$7,500,000

via a non-renounceable entitlement offer

Underwritten by:
State One Equities Pty Ltd

State One Stockbroking Ltd acted as Lead Manager

December 2011

This notice serves as a matter of record.

Quickstep

DECEMBER 2012

Quickstep raises $7.5m from a Rights Issue from existing shareholders

MARCH 2012

Lockheed Martin selects Quickstep as future sole source supplier for the C-130J 'Super Second Hercules' composite wing flaps in deal worth up to $100 million

APRIL 2012

First JSF flying part delivered on schedule according to a plan agreed 29 months earlier

MAY 2012

Quickstep wins prestigious major international innovation award at the JEC Asia 2012 Show for its RST process

JUNE 2012

Official opening of state-of-the-art facility at Bankstown Airport. Guests of honour, NSW Premier Barry O'Farrell and Northrop Grumman's President of Aerospace Division Mr Gary Ervin

JUNE 2012

Second Long Term Agreement signed with Northrop Grumman underpinning significant cash flows through to 2020

Chairman's Report

"Ours is an exciting business on the cusp of a revolutionary change impacting capital-intensive industries such as automotive and aerospace"

Dear Shareholder,

I am pleased to report that your company made tremendous progress in the 2012 financial year. We secured new contracts with leading global companies, opened a state of the art manufacturing facility at Bankstown in Sydney, were appointed to lead a joint development program using our technology funded by the German government and successfully raised finance in difficult markets to maintain our momentum.

Quickstep is a manufacturer and supplier of advanced carbon fibre composite components and manufacturing technologies to the aerospace and automotive industries. It is the only ASX listed company with direct exposure to the multibillion-dollar global advanced carbon fibre composites market.

Carbon Fibre: The building block replacing steel

Ours is an exciting business on the cusp of a revolutionary change impacting capital-intensive industries. The trend of using carbon fibre and carbon fibre composites as structural components for the aerospace and automobile industries is growing. For example composite materials in both the Boeing 787 Dreamliner and Airbus A350 now make up more than 25 per cent of the aircraft and lightweight carbon fibre composites are enabling next-generation electric and hybrid cars to achieve performance and safety not possible using traditional metal construction.

Carbon emissions legislation in Europe and the US is driving development. Because weight determines the energy needed for propulsion, these regulations are effectively forcing vehicle manufacturers to lighten their cars in order to meet compulsory standards in Europe by 2015 and in the US by 2017. Ultra-light, ultra-strong carbon fibre composites enable engines to be smaller, reducing both fuel consumption and emissions. Worldwide, carbon fibre production capacity is increasing to accommodate demand, which is expected to rise ten-fold to 350,000 tonnes annually by 2020. We expect this to drive demand for non-autoclave composite curing technologies and are positioning Quickstep with the major automotive and aerospace manufacturing companies in anticipation of this need.

Quickstep is focused on automotive and aerospace

In light of the expected considerable market growth, we have focused our resources on exploiting opportunities in the aerospace defence sector and the automobile industry. Our strategy is to build consistent revenue streams through contract manufacturing for the military aerospace industry, and to commercialise our patented carbon fibre composite technology for the mass production of passenger cars.

Quickstep's automotive sector potential

A transformation is taking place in the global automotive industry. While carbon fibre is mainly used in high-end sports cars and racing cars, its potential broader use could substantially reduce the industry's capital costs of mass production. The market for carbon fibre for automotive manufacturing is expected to be as little as 120,000 to as much as 400,000 tonnes in 2020.

We are excited by the opportunities for Quickstep, as our innovative products and technologies are designed to serve a mainstream, high-production market. Due to the size and geographic location of major markets, our focus is to licence our technology rather than manufacture the parts ourselves, a more profitable proposition than investing heavily in large scale production facilities plant and equipment. Quickstep plans to offer a fully automated process through a standardised carbon fibre composite plant capable of producing 350 tonnes of carbon fibre car panels annually. The plants are designed to be reliable and easy to use, with specialised resins developed by Quickstep and provided under license through which the company may derive further royalty streams. We believe this unique product provides a significant competitive advantage and will soon begin to market this technology to the world's leading automotive companies.

Benefits for the automotive industry

We have now achieved a high level of quality and repeatability over the extensive testing program undergone by our RST technology. Much of this development was supported by the Australian Federal government's Climate Ready Grant program.

Since November 2011, we have been working with the German government and leading car manufacturer Audi to produce composite parts in volume cost-effectively, and this project will continue through to October 2014. Quickstep's German office manages development and they anticipate that our technology can help reduce production costs by up to 30 per cent compared to existing costs.

At present, carbon fibre composite panels are being used for cars' outer skins, but there is potential to use composites in floor pans, suspension members, drive trains and gearbox housings. The use of carbon fibre composites to reduce weight, paves the way for hybrid and electric cars as less power is needed and batteries can be smaller, reducing emissions and lowering fuel consumption. Passenger safety will not be sacrificed because composites can be substantially stronger than steel at a fraction of the weight, and can absorb six to twelve times the impact absorbed by steel. Also, the potential for higher volume production is expected to offer manufacturers new options to reduce costs.

The Joint Strike Fighter program

By 2017, our contract to supply global aerospace companies Lockheed Martin and Northrop Grumman with carbon fibre composite components for the Joint Strike Fighter (JSF) program is expected to generate annual revenues of $40 million for Quickstep. This is the world's largest military program and our contract provides a strong opportunity for Quickstep to win further international business, based on the high quality manufacturing operation that we have established at Bankstown.

The JSF program is ramping up. 2011 was the best year in the JSF program's history with new heights achieved in flight testing and factory production. By September 2012, 36 F-35 Lightning II aircraft had been delivered to the US Department of Defence and other partner countries. More than 3,000 JSF aircraft will be delivered over the life of the program and, importantly, Quickstep's contracts have not been impacted by the Australian government's defence cuts to Military contracts.

Having successfully completed its 'apprenticeship', Quickstep is the leading independent aerospace composites manufacturer in Australia. This is a steady high-technology market and the significant skill and reliability hurdles provide protection against competition from low labour cost. Our reputation has already transformed into new business through our contract with Lockheed Martin to supply specialist composite parts for the C-130J 'Hercules', which is the latest generation of the longest continuously produced aircraft in history. We have also signed a memorandum of understanding with global helicopter manufacturer Sikorsky and are progressing discussions to participate in Sikorsky's global supply chain.

Management and staff

Under the leadership of managing director, Mr Philippe Odouard, and his senior management team Quickstep achieved a great deal in FY2012, and I would like to take this opportunity to thank our staff, whose hard work and commitment contributed to our achievements. It is our employees' dedication and team spirit which has enabled us to consistently meet tight production schedules on time and on budget for our customers. I would also like to thank our shareholders, who have supported us as we progress our long-term plans to build an internationally-focused business.

Looking ahead

The mass production automobile industry has shown considerable interest in the carbon fibre composites technologies which we are poised to commercialise. As Mr Odouard points out in his report, our technologies are now proven and we believe have enormous potential to create shareholder value.Our work over the past decade and breakthroughs in delivering these technologies suggest that your company now has a competitive advantage; and there is a substantial market of automobile manufacturers that need a low-cost, high-speed carbon fibre composites solution to manage changes in emissions legislation.

In FY2013 we anticipate revenue growth as contract manufacturing for both the Joint Strike Fighter program and the Lockheed Martin C-130J engagement increases. In addition, we are bidding for substantial contract work which, if Quickstep is successful, will add significantly to this activity. We believe that we have a strong opportunity to establish a position as an efficient, trusted provider of specialised manufacturing and technology to the aerospace industry's global supply chain. In parallel we expect to further commercialise the new RST program and see sales of the Quickstep Process to commercial end users commence.

These two industries offer Quickstep substantial opportunities, giving us great confidence in the company's future.

Yours sincerely,

Mark Jenkins
Chairman

Managing Directors' Review

"Quickstep won the tender to supply composite carbon fibre wing flaps for Lockheed Martin's C130-J Super Hercules aircraft against international competition..."

Dear Shareholder,

The 2012 financial year saw major achievements across all of Quickstep's activities. We are now an internationally recognised manufacturer of advanced carbon fibre composites, and have made significant progress toward our goals of becoming a leading supplier of advanced carbon fibre composite parts to the global defence and aerospace industries. At the same time, Quickstep was recognised by the world's largest composite industry body, JEC, as having a truly revolutionary technology for the automotive industry, a technology we are now starting to industrialise with car companies involved or closely watching our progress.

During the year, Quickstep achieved a significant milestone when it began to generate revenue from commercial manufacturing contracts, following completion of the exacting qualification processes demanded by our clients.

We continued to demonstrate strong progress against the strategy we have presented to our shareholders in recent years. As our manufacturing capability and innovative technology has matured, our strategy has focused on two revenue generating components.

ONE During the year, Quickstep achieved a significant milestone when it began to generate revenue from commercial manufacturing contracts.

TWO The automotive industry requires car parts to be produced at high-speed, low cost and with high-quality finish. Quickstep's patented RST technology combines all three of these attributes.

Manufacturing

As previously reported, Quickstep has secured contracts to supply the international F-35 Lightning II Joint Strike Fighter (JSF) military aircraft program with carbon fibre composite components. These contracts are expected to generate up to $700 million in revenue for Quickstep over the next twenty years.

The highlight of the year, therefore, was the on-time delivery of our first JSF parts to the principal F-35 subcontractor Northrop Grumman. This was a remarkable achievement as it met a date specified in a Memorandum of Understanding 29 months before. As a result, we established a reputation for being a professional, reliable, high-performance company in the JSF community; as well as throughout the aerospace industry.

In June 2012, we signed a second Long Term Agreement with Northrop Grumman for further JSF parts and in July 2012 received the first purchase order against this contract.

These contracts represent a breakthrough for Quickstep. They follow years of dedicated effort and hard work, surmounting international defence industry requirements that pose perhaps the highest barriers to entry of any industry in the world. The rewards are expected to be substantial, as companies that overcome these barriers stand to benefit from secure, large-scale contracts and long-term work.

International recognition flowing from our work has already resulted in additional significant contracts. In March 2012 Quickstep won the tender to supply composite carbon fibre wing flaps for Lockheed Martin's C-130J Super Hercules aircraft against international competition. Quickstep subsequently received a contract worth US$12million to produce 24 shipsets of these flaps to be delivered from the end of 2013.Overall this program is expected to generate revenue of between $75 million to $100 million over the next five years.

In parallel to starting production, Quickstep was honoured by having its new aerospace manufacturing facility at Bankstown Airport in south-west Sydney jointly opened by President of Northrop Grumman Aerospace Systems Division Mr Gary Ervin and the NSW Premier, the Hon Barry O'Farrell. The facility was previously used by US aerospace giant Boeing and together with other surrounding buildings will secure our long-term manufacturing expansion plans.

A number of other discussions have been held and offers have been made to current and new customers for new business and this activity is expected to bring in new contracts in the coming months.

Quickstep Technology for the automotive industry

Quickstep is also focused on developing licensing opportunities in the global automotive sector, where we aim to drive revenue through the use of our resins, licensing fees and the sale of machines to component manufacturers.

Pursuing our strategy to develop one of our patents for the high-volume automotive industry, we have now proven the potential of our technology in that market.

Using the Quickstep Process and our patented resin spray transfer (RST) technology, we can now manufacture carbon fibre composite parts with superior surface finish 'straight out of the mould'. The parts do not show any signs of fibre 'print through' after painting and ageing, which has been the critical issue for all other automotive carbon fibre technologies.

We have also demonstrated consistent and repetitive high quality finishes on complex shaped parts, an important feature for modern day cars. Quickstep's resin formulation and process control, therefore, can develop strong automotive parts with an A-grade finish. In a high-volume, high technology industry, this can dramatically reduce finishing time, potentially making advanced composites a competitive replacement for traditional metal automotive bodies for the first time.

The automotive industry requires car parts to be produced at high-speed, at low cost, and with high-quality finish. Because Quickstep's patented RST technology combines all three of these attributes it offers a quantum leap in terms of improvement, which can facilitate manufacture of carbon fibre car parts and enable serial production of lightweight cars with a reduced carbon footprint.

We believe there is substantial demand for such a solution, as taxes being introduced by European and US governments to reduce high levels of carbon dioxide emission will increase the costs of traditional automobile manufacturing.

Our progress to date includes:

- Securing cooperation with leading automotive manufacturers
- Formulating resins (used in the Quickstep process)
- Demonstrating outstanding results in terms of the finished quality of parts
- Proving most steps, leading towards a robust manufacturing solution; and
- Designing business solutions that could generate substantial revenues for shareholders.

A Climate Ready Grant awarded to Quickstep by the Australian Department of Innovation has supported our development of this technology.

Also, Quickstep has designed a fully robotic industrial cell capable of automated production of small to medium quantities of automotive panels. This is being commissioned, demonstrating that the technology has now progressed from 'research phase' to commercial deployment.

Further developments are being pursued to test the production of automotive parts in larger quantities in cooperation with industrial partners in Germany, including the car manufacturer, Audi.

Quickstep's RST process received a prestigious JEC Innovation Award at Singapore's 2012 Asia Innovation Awards, recognising the capability of our automotive technology.

In the aerospace sector, we have progressed the qualification of the Quickstep Process for JSF within the US government's Small Business Innovation Research program.

In addition, we have demonstrated that a fully integrated part can be assembled, infused with resin and cured in one shot. This technology is a breakthrough in terms of weight and cost reduction for the aerospace industry, as it avoids the costly and heavy bonding of parts. A new European program has been structured around Quickstep's technology, funded by the aeronautical environmental research program Cleansky.

Corporate

In November 2011, Quickstep signed a loan guaranteed by the Australian government's Export Finance Insurance Corporation (EFIC) and supplied by the Australian and New Zealand Banking Group (ANZ). The loan comprises $10 million principal plus up to $3.3 million in capitalised interest, and has a 10-year term.

Quickstep also undertook an entitlement offer to shareholders raising A$7.5 million before cost in December 2011. Part of these funds were used to repay and close the La Jolla convertible note facility.

All of the above achievements were outlined as the main objectives of the company in my presentation at last year's annual general meeting, and have been successfully delivered.

Outlook

In recent years Quickstep has experienced encouraging growth. We continue to evolve and develop in order to build our portfolio of patents, manufacturing skills and revenue base. In the coming year we aim to achieve four major milestones:

» Ramping up production for the Joint Strike Fighter project

» Transferring all Western Australia activity at Coogee to our NSW-based Bankstown Airport manufacturing facility by the end of 2012

» Beginning qualification and delivery of first parts on the C-130J wing flaps contract; and

» Commercialising and delivering the first automotive parts using Quickstep's RST.

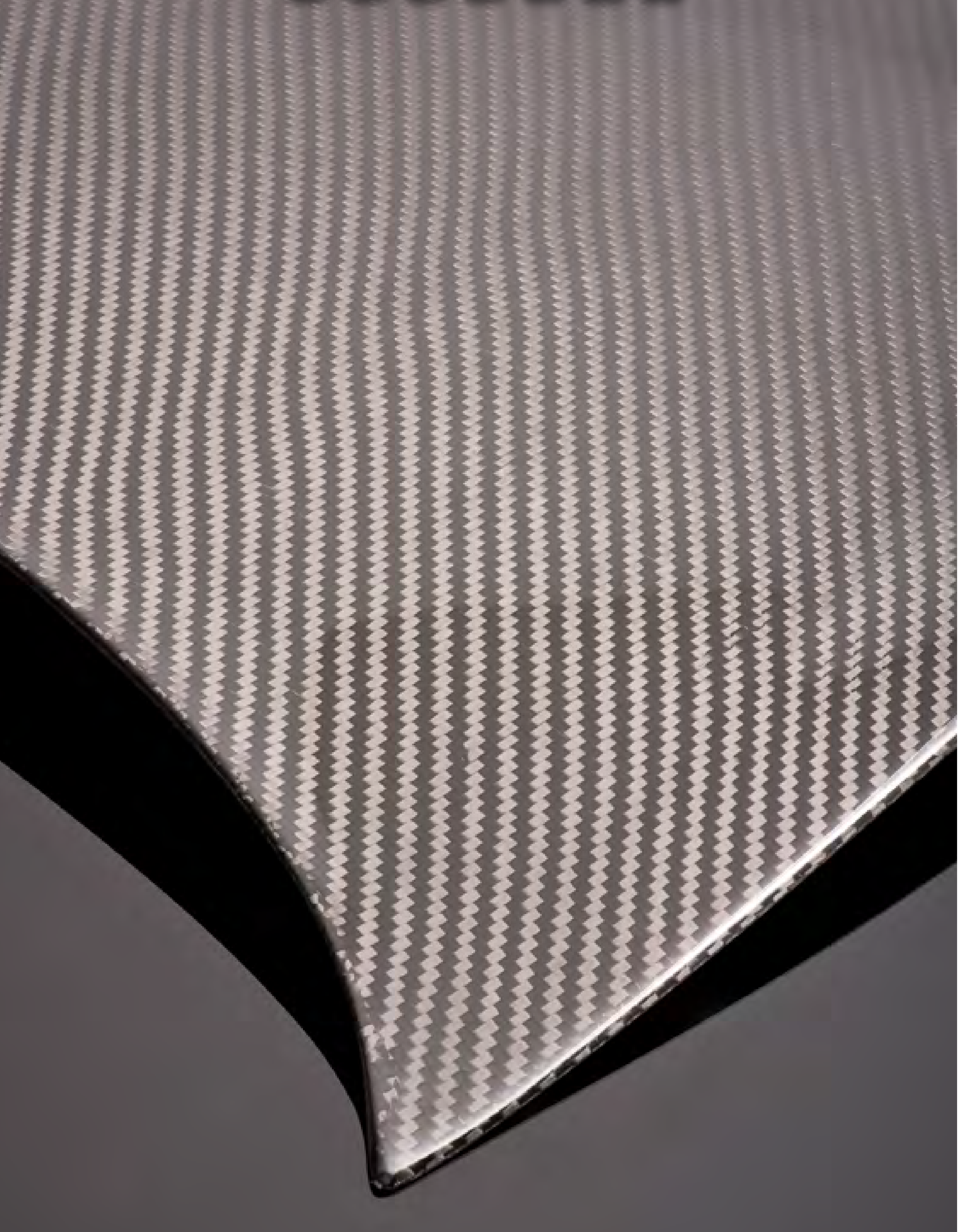
These four milestones will provide the Company with a solid base from which we can continue to expand.

We expect to continue bidding for new programs. The aerospace and defence sectors offer scope for growth and our focus is on ensuring that Quickstep is well positioned to capitalise on the opportunities.

Concurrently, our efforts to commercialise Quickstep's technology are starting to bear fruit. We believe we have a number of opportunities to licence technology, sell Quickstep machines and associated support services, and form partnerships in specific programs to advance our position in the aerospace and automotive sectors.

Yours sincerely,

Philippe Odouard
Chief Executive Officer



Financial Report

For the year end 30 June 2012

The Directors present their report together with the financial statements of the Group, being Quickstep Holdings Limited (the "Company") and its subsidiaries, for the financial year ended 30 June 2012 and the auditor's report thereon.

1. Directors

The Directors of the Company at any time during or since the end of the financial year are:

Mr Mark Bernard Jenkins, B. Comm., Grad. Dip. Bus.
Independent Chairman - appointed as director on 14 July 2005; appointed as Chairman 13 March 2007

Mr Jenkins, aged 48, has over 20 years consulting, operational/financial management and business development experience in professional services firms (chartered accountants), investment banking, government agencies and public companies.

Initially qualifying as a Chartered Accountant in Australia, his career includes two extended periods in London and has involved successful and extensive investment, commercial, financial and government dealings in Australia, Asia, the United States of America and Europe. Mr Jenkins has also been involved as an advisor and investor in early stage technology companies, taking them through the initial funding and commercialisation stages.

Mr Jenkins holds a Bachelor Degree in Commerce from the University of Western Australia and a Graduate Diploma in Business from Curtin University. He has also been involved in numerous professional development programs, including Cranfield University in England.

Philippe Odouard M.Sc (Bus)
Managing Director and CEO - appointed 13 October 2008

Mr Philippe Odouard aged 57 was appointed Chief Executive Officer and Managing Director in October 2008. He has significant management experience within the global aerospace and defence sectors - both of which are primary target markets for Quickstep's technology.

Prior to joining Quickstep, Mr Odouard held a dual role with Thiess Pty Ltd - one of Australia's largest infrastructure and services contractors - as Senior Manager of Strategy and Business Development: Defence, and Project Director for the A$3 billion Melbourne desalination plant.

Mr Odouard has also held a number of senior management roles with profit and loss responsibility within Thomson-CSF (now Thales Group) - a world leader in information systems for the aerospace, defence and security markets. During this time, which included roles in both Australia and Europe, Mr Odouard was responsible for managing large contracts with innovative developments as well as technology transfers. He negotiated and managed long term contracts with major global aerospace and defence groups including several worth in excess of $1 billion.

Significantly, Mr Odouard managed the Minehunter project, which at the time was the largest user of composites in Australia. In addition, he negotiated and managed significant contracts with Eurocopter when they sold the all-composite Tiger helicopter to the Australian Defence forces.

Mr Dale Edwin Brosius, B. Sc. (Chem. Eng.), MBA
Executive Director and President Quickstep Composite LLC - appointed 13 August 2004

Mr Brosius, aged 54, as President of Quickstep Composites LLC is responsible for the commercial development of the Company's technology in the Americas, and serves as president of Quickstep Composites LLC, the Company's USA subsidiary in Dayton, Ohio. He brings extensive practical experience in the composites field, having led composites-oriented businesses in the USA , with a strong emphasis on materials. He is based near Indianapolis, Indiana.

Mr Brosius spent eight years with Dow Chemical, in manufacturing and commercial development roles, with a focus on automotive composites. He then spent twelve years in various commercial and general management roles at Fiberite and Cytec Fiberite, gaining considerable exposure to advanced composites processes and applications in aerospace, sporting goods, and industrial markets.

DIRECTORS' REPORT

In 1999 Mr Brosius created a successful consulting business serving manufacturers of composite materials, equipment and parts manufacturers worldwide. During this time he obtained a thorough understanding of the global market and developed numerous relationships at the original equipment manufacturer (OEM) and supplier levels.

Mr Brosius is active in leadership levels in key composites professional associations and is the author of over forty published articles in the field.

In 1979 Mr Brosius graduated with a Bachelor of Science in Chemical Engineering from Texas A&M University, and in 1990 earned his MBA from the University of Phoenix.

Mr Deryck Fletcher Gow Graham, Dip. Co. Dir.
Executive Director *(not classified as Independent)* - appointed 16 June 2001

Mr Graham, aged 51, has over 25 years' experience in senior management, administration and marketing positions.

His experience includes five years as Managing Director of an ASX listed Company that designed, developed, manufactured and distributed hardware and software products for the broadcasting and entertainment industries. He has been a director of Eagle Aircraft Australia Limited, where he held the role of Marketing Director. Since 1986, Mr Graham has been involved in the composites and aerospace industries. Mr Graham is also a founder and adviser to emerging technology companies in the mining, civil engineering, software development and marine industries.

Mr Graham assists Quickstep on corporate communication and marketing strategy in addition to his role as director.

Mr Graham holds a Diploma of Company Directors from the Australian Institute of Company Directors.

Mr Peter Chapman Cook, MPharm., PhC, CChem, FMonash, FRMIT, MPS, MRACI, MAICD.
Independent Non-Executive Director - appointed 14 July 2005

Mr Cook, aged 65, has extensive business experience, both within Australia and overseas.

Prior to his current appointments as Managing Director and Chief Executive Officer of Biota Holdings Limited, Mr Cook has held the positions of Managing Director and Chief Executive Officer of Orbital Corporation Limited, Chief Executive Officer of Faulding Hospital Pharmaceuticals, President of Ansell's Protective Products Division, Deputy Managing Director of Invetech and Director of Research and Development for Nicholas Kiwi. Mr Cook has had extensive experience in the commercialisation of innovation, both in new and established markets. Mr Cook also has extensive experience in mergers and acquisitions, particularly with technology-based companies and has a strong manufacturing background.

Mr Cook has over ten years of international commercial experience in Europe, USA and Asia, where he has both lived and worked. He holds a Masters Degree in Pharmacy, post graduate qualifications in Management from RMIT University and is a Fellow of Monash University.

Air Marshal Errol John McCormack (Ret'd), AO
Independent Non-Executive Director - appointed 11 August 2010

Air Marshal McCormack, aged 71, has extensive experience as a Senior Commander in the Royal Australian Air Force.

Errol McCormack served in the Royal Australian Air Force for 39 years, retiring in 2001 as Chief of Air Force with the rank of Air Marshal. During his period of service he commanded at unit, wing and command level, held staff positions in capability development, operations and educational posts and attended both RAAF and Joint Services Staff Colleges. His overseas postings included flying tours in Vietnam, Thailand, Malaysia and Singapore, an exchange tour with the US Air Force flying the RF4C, Air Attaché Washington and Commander Integrated Air Defence System in the Five Power Defence Agreement between Malaysia, Singapore, UK, New Zealand and Australia.

Since his retirement from the RAAF he has established a company providing consultancy services for multi-national companies working with the Australian Department of Defence.

He is also Non-Executive Chairman of Chemring Australia Pty Ltd, a countermeasures and pyrotechnic manufacturing company based in Victoria, and consults for Chemring Group PLC and General Electric Military Engines.

His pro-bono work includes Chairman of the Board of the Sir Richard Williams Foundation, an independent think-tank supporting development of Australian military aviation policy. He is a member of the Royal Aeronautical Society and the Australian Institute of Company Directors.

Mr David Patrick Alexander Singleton, BSc (Hons)
Independent Non-Executive Director - appointed 11 October 2010

Mr Singleton, aged 52, worked for 19 years for BAE Systems (formerly British Aerospace) in a variety of roles. He was the Group Head of Strategy, Mergers and Acquisitions for BAE Systems based in London. Prior to that, Mr Singleton spent three successful years as the Chief Executive Officer of Alenia Marconi Systems (a BAE Systems European Joint Venture) and was based in Rome, Italy. Mr Singleton has served as a member of the National Defence Industries Council in the UK, and as a board member and Vice-President of Defence for Intellect. Mr Singleton became the Chief Executive Officer and Managing Director of Poseidon Nickel in July 2007. He was the Chief Executive Officer and Managing Director of Clough Limited between August 2003 and January 2007. He is a non-executive Director of Austal Ships based in Perth WA and also Deputy Chair of Council to Methodist Ladies College in Perth. Mr Singleton has over 20 years international business experience in senior executive roles, primarily in Europe, USA and Australia.

Mr. Singleton has a degree in Mechanical Engineering from University College London.

Mr David Edward Wills, B Comm., FCA
Independent Non-Executive Director - appointed 26 November 2010

Mr Wills, aged 64, is a Chartered Accountant having been a Partner in PriceWaterhouseCoopers (and its predecessor firm Coopers & Lybrand) for 25 years. He was Deputy Chairman of the firm from 2000 to 2004, Managing partner of the Sydney office from 1997 until 2003 and Chairman of the firm's manufacturing practice from 1995 - 1997. Mr Wills' major area of practice throughout all of his career was as an audit partner and his client base included many large manufacturing companies, both publicly listed in Australia and subsidiaries of US based companies. In addition to audit, Mr Wills was experienced in mergers and acquisitions and special investigations of companies.

Mr Wills is now (or has been) a director of the following publicly listed companies:

- Washington H Soul Pattinson Limited (since 2006);
- Clover Corporation Limited (since 2004);
- Souls Private Equity Limited (since 2005); and
- Dyno Nobel Limited (2006 – 2008).

In addition, Mr Wills is Chairman of Sir David Martin Foundation, a charity that raises funds to support youth programs undertaken by Mission Australia.

Mr Wills graduated from the University of New South Wales with a Bachelor of Commerce in 1970 and qualified as a Chartered Accountant in 1972.

2. Company Secretary

Company Secretary

Mr Phillip James MacLeod, B. Bus., ASA. MAICD

Mr MacLeod, aged 47, was appointed to the position of company secretary on 13 November 2009. Mr MacLeod has over 20 years commercial experience and has held the position of company secretary with listed companies since 1995. Mr MacLeod has provided corporate, management and accounting services to domestic and international public companies involved in the technology, resources, healthcare and property industries.

Mr MacLeod holds a Bachelor Degree in Business from Edith Cowan University and is an associate member of CPA Australia having qualified as a CPA.

DIRECTORS' REPORT

3. Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and the number of meetings attended by each of the Directors of the Company during the financial year are:

Director	Board Meetings A	Board Meetings B	Audit, Risk and Compliance Committee Meetings A	Audit, Risk and Compliance Committee Meetings B	Remuneration, Nominations and Diversity Committee Meetings A	Remuneration, Nominations and Diversity Committee Meetings B
Mr M B Jenkins	11	10				
Mr P M Odouard	11	11				
Mr D E Brosius	11	9				
Mr D F G Graham	11	11				
Mr P C Cook	11	7			2	2
Mr E J McCormack	11	11	3	3		
Mr D Singleton	11	9	3	2	2	2
Mr D E Wills	11	11	3	3	2	2

A – Number of meetings held during the time the director held office during the year

B – Number of meetings attended

4. Principal Activities

During the financial year, the principal activities of the Group consisted of:

- building the capability and capacity of the organisation to achieve accredited supplier status with Northrop Grumman in relation to the Joint Strike Fighter (JSF) project including delivery of first production parts and establishment of the Bankstown manufacturing facility;
- proposing and securing additional manufacturing workload through the Lockheed Martin C-130 program
- working closely with potential customers through the international network of Quickstep 'Centres of Excellence' to qualify the Quickstep Process as a viable and effective alternative to traditional autoclave-based composite manufacturing techniques;
- further expansion of the Group's existing portfolio of international research and development alliances and partnerships with major aerospace, industrial and automotive groups and their tier one suppliers;
- coordination of a cohesive strategic plan for the Group's global research & development initiatives; and
- expansion of the global employee team to ensure that the Group is positioned to take full advantage of new business opportunities as they arise.

5. Results

The Group incurred a loss after tax of $11,801,601 for the year ended 30 June 2012 which was better than expectations and consistent with the strategic development phase of the business (2011: loss of $13,734,713).

6. Operating Review

A review of operations and activities for the financial year is set out in the Managing Director's Review.

7. Dividends

No dividend has been declared or paid by the Company to the date of this report.

DIRECTORS' REPORT

8. Events Subsequent to Reporting Date

Since the end of the financial year the Group:

- Has entered into a lease for an additional building at the Bankstown site; and.
- Obtained a purchase order for $12 million for first deliveries of C-130 parts, commencing in late 2013

9. Likely Developments

The Group's key areas of focus for the 2012/13 financial year will include;

- Finalising process qualifications to support JSF production, transfer of production to the Bankstown facility and closure of the Coogee facility;
- Obtaining further contracts for JSF production in accordance with the initial MOU signed in 2009;
- Commencing production of C-130 wing flaps;
- Obtaining contracts for the commercial application of the Group's patented process technology; and
- Expanding the Group's existing portfolio of international research and development alliances and partnerships with major aerospace, industrial and automotive groups and their tier one suppliers.

Note 1(d) in the financial statements sets out the effect of projected operating cash flow requirements on the Group's financial positon.

Further information about likely developments in the operations of the group and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the group.

10. Directors' Interests

The relevant interest of each Director in the shares, rights and options at the date of this report is as follows:

Director	Shares	Options	Rights
Mr M B Jenkins	-	-	-
Mr P M Odouard	2,134,205	2,575,334	-
Mr D E Brosius	600,000	-	-
Mr D F G Graham (1)	26,039,341	-	-
Mr P C Cook (2)	145,758	-	-
Mr E McCormack(3)	294,315	-	-
Mr D Singleton	-	-	-
Mr D E Wills(4)	460,107	-	-

1. The registered holder of the shares is Decta Holdings Pty Ltd. Decta Holdings Pty Ltd is trustee for a discretionary trust. Mr Graham is a potential beneficiary of that trust.
2. The registered holder of the shares is Bond Street Custodians Limited as custodian for the Lloyds Wharf Super Fund of which Mr Cook is a trustee.
3. The registered holder of the shares is Aviops Pty Ltd for which Mr McCormack is a director.
4. The registered holder of the shares is Jammit Pty Ltd for which Mr Wills is a director.

11. Share Options and Rights

During the financial year, 706,373 options were granted under the Quickstep Employee Incentive Plan (EIP) to the CEO, Mr Philippe Odouard, as part of his remuneration with vesting based on future conditions. No options granted in prior years were exercised during the year ending 30 June 2012. No other options have been granted during or since the end of the financial year.

During the financial year, the Company granted rights for no consideration over unissued ordinary shares in the Company to the five most highly remunerated officers, including key management personnel of the Group as part of their remuneration:

Executives	Exercise Price	Number of Rights Granted
Mr S Godbille	$0.00	764,818
Mr J Johnson	$0.00	688,337
Ms M Withers	$0.00	434,847

None of these rights have vested during or since the end of the financial year. The rights do not have an expiry date.

No rights have been granted since the end of the financial year.

Unissued shares under options and rights

At the date of this report, unissued ordinary shares of the Company under options and rights are:

Executive	Earliest Possible Vesting Date	Expiry Date	Exercise Price	Number of Shares
Options				
Mr P Odouard	1/7/2012	30/03/2017	$0.00	1,397,624
Mr P Odouard	1/7/2013	26/11/2017	$0.00	471,337
Mr P Odouard	31/8/2014	23/11/2018	$0.00	706,373
Rights				
Mr S Godbille	12/7/2013	-	$0.00	267,605
Mr S Godbille	31/12/2013		$0.00	764,818
Mr J Johnson	1/7/2013	-	$0.00	471,698
Mr J Johnson	31/12/2013		$0.00	688,337
Mr A Vihersaari	1/7/2013	-	$0.00	250,000
Ms M Withers	1/10/2012	-	$0.00	184,000
Ms M Withers	31/12/2013	-	$0.00	434,847
Mr B Pillay	31/12/2013	-	$0.00	312,620
Total				5,949,259

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

Shares issued on exercise of options and rights

During the prior financial year, the Company issued ordinary shares as a result of the exercise of rights as follows (there were no amounts unpaid on the shares issued):

Number of Shares	Amount paid on each Share
680,235	$0.00

No ordinary shares were issued as a result of exercise of options

12. Indemnification and Insurance of Officers

Indemnification

The Group has indemnified the Directors (as named above) and all executive officers of the Group and of any related body corporate against any liability incurred as a Director, secretary or executive officer to the maximum extent permitted by the *Corporations Act 2001*.

The Group has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer of the Group or of any related body corporate against a liability incurred as an officer.

Insurance Premiums

The Group has paid a premium in respect of a directors' and officers' liability insurance policy, insuring the directors of the Company, the company secretary and all executive officers of the Company and Group against a liability incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses' insurance contracts, as such disclosure is prohibited under the terms of the contract.

13. Non-audit Services

During the financial year, KPMG, the Group's auditor, has not performed any additional services to their statutory duties.

14. Lead Auditor's Independence Declaration

The lead auditor's independence declaration as required under Section 307C of the *Corporations Act 2001*, which forms part of this Directors' Report for the financial year ended 30 June 2012, is set out on page 75.

15. REMUNERATION REPORT - AUDITED

The remuneration report is set out under the following main headings:

A: Principles of compensation

B: Service agreements

C: Details of remuneration

D: Share-based compensation

E: Analysis of bonuses in remuneration

Remuneration is referred to as compensation throughout this report.

A. Principles of compensation

Key management personnel have authority and responsibility for planning, directing and controlling the activities of the Group, including directors of the Company. Key management personnel comprise the directors of the Company and executives for the Group including the five most highly remunerated Company and Group executives.

The report includes details relating to:

Non Executive directors

Mr M Jenkins	Chair of Board
Mr P Cook	Chair of Remuneration, Nomination and Diversity Committee
Air Marshal E McCormack	Chair of Government Liaison Committee
Mr D Singleton	
Mr D Wills	Chair of Audit Risk and Compliance Committee

Executive Directors

Mr P Odouard	Managing Director and Chief Executive Officer
Mr D Graham (Jnr)	Business Development Manager - Australia
Mr D Brosius	President Quickstep Composite LLC

DIRECTORS' REPORT

Executives and Officers

Mr P McLeod	Company Secretary
Mr J Johnson	Chief Financial Officer
Dr J Schlimbach	Joint CEO, Quickstep GmbH
Ms M Withers	Human Resources Manager
Mr S Godbille	General Manager of Quickstep Process Systems
Mr A Vihersaari	Vice President of Global Business Development
Mr M Schramko	Operations Manager (appointed 25/7/2011)
Mr P Salvati	Quality Manager (appointed 01/7/2011)
Mr W Beckles	Operations Manager (resigned 12/8/2011)

The Board has established a remuneration committee which assists the Board in formulating policies on and in determining:

- the remuneration packages of executive directors, non-executive directors and senior executives; and
- cash bonuses and equity based incentive plans, including appropriate performance hurdles, total payments proposed and plan eligibility criteria.

If necessary, the committee obtains independent advice on the appropriateness of remuneration packages given trends in comparable companies and in accordance with the objectives of the Group. The Corporate Governance Statement provides further information on the role of this committee.

Compensation levels for key management personnel of the Group are competitively set to attract and retain appropriately qualified and experienced directors and executives. The remuneration structures are designed to attract suitably qualified candidates, reward the achievement of strategic objectives, and achieve the broader outcome of creation of value for shareholders. Compensation packages include a mix of fixed compensation, short-term incentives and equity-based compensation as well as employer contributions to superannuation funds.

Shares and options may only be issued to directors subject to approval by shareholders in general meeting.

The Group does not have any scheme relating to retirement benefits for its key management personnel.

Fixed compensation

Fixed compensation consists of base compensation (which is calculated on a total cost basis), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually through a process that considers individual achievement of objectives and overall performance of the Group. Compensation is also reviewed in the event of promotion or significant change in responsibilities.

Performance Linked compensation

Performance linked compensation includes both short and long term incentives and is designed to reward key management personnel for meeting or exceeding their financial and personal objectives. Other than as disclosed in this report, there have been no performance-linked payments made by the Group to key management personnel.

(i) Short-term incentives

Certain key management personnel receive short-term incentives (STI) in cash based on achievement of key performance indicators (KPIs). Each year, the remuneration committee considers the appropriate targets and KPIs and the alignment of the individuals rewards to the Groups performance. These targets may include measures related to the annual financial performance of the Group or specified parts of the group and are measured against actual outcomes.

The committee is responsible for assessing whether the KPIs meet the criteria set out at the beginning of the year. No bonus is awarded where performance fall below the minimum level of performance. The remuneration committee recommends the total incentive to be paid to the individuals for approval by the Board.

(ii) Equity-based compensation (long-term incentives)

(ii.a) Employee Incentive Plan

Long-term incentives may be provided to key management personnel via the Quickstep Employee Incentive Plan (EIP) (refer to note 32 to the financial statements). The incentives are provided as options over ordinary shares of the Company and the plan is open to eligible employees of the Group. The incentives include performance targets related to Total Shareholders Return and are measured against actual share price performance over a period of 3 years. The incentives are considered to promote continuity of employment and encourage superior performance.

(ii.b) *Share based payments*

Certain key management personnel received long-term incentives (LTI) as share based payments based on achievement of key performance indicators (KPIs). The remuneration committee considered the appropriate targets and KPIs and the alignment of the individual's contribution to the Groups performance. These targets may include measures related to the annual financial performance of the Group or specified parts of the group and are measured against actual outcomes.

(ii.c) Other Equity-based Compensation

Other long term incentives may be provided to key management personnel as rights over ordinary shares of the company. These rights have been provided as;

- loyalty bonuses as an incentive for continuity of employment; and
- executive performance and retention bonuses (EPRB) for performance against objectives relating to the Company's relocation objectives and continuity of employment. The EPRB will be evaluated against specific criteria vital to the success of the transfer of manufacturing to NSW.

The committee considers that the above performance linked compensation structure is generating the desired outcomes. In considering the benefits for shareholder's wealth the committee recognizes the developmental stage of the Groups' business and considers that current financial performance is not representative of the achievements of the group. Factors such as the attraction and retention of key staff, securing long term contracts and commercialisation and development of technology will provide longer term shareholder wealth.

Non-executive directors' fees

Total remuneration for all non-executive directors, last voted upon by shareholders at the 2010 Annual General Meeting, is not to exceed $600,000 per annum. Fees are set with reference to fees paid to non-executive directors of comparable companies. Directors are entitled to receive a fee which covers all main board activities and membership of committees. In 2011 a fee for Chairmanship of a committee of $5,000 p.a. was introduced. The table below indicates the maximum annual fees. Non-executive directors do not receive performance related compensation.

Executives	Directors Fees	Committee Chairmanship
Mr M Jenkins	127,600	N/A
Mr P Cook	60,000	5,000
Mr E McCormack	84,000	N/A
Mr D Singleton	60,000	N/A
Mr D Wills	50,000	5,000

B. Service agreements

Key management personnel have entered into service agreements. The employment contracts outline the components of compensation paid to the key management personnel and are reviewed on an annual basis.

	Agreement Date	Duration	Notice Period	Termination Benefits	STI (1) % of salary	LTI (2) % of salary	Other Benefits (4)(5)
Mr P M Odouard	13 October 2008		6 months	• 12 months annual salary and pro-rated annual bonus (at board's discretion)	25	50(3)	588,235 rights(4)
Mr D E Brosius	1 September 2005		3 months	• 6 months of annual salary package; • Any cash bonus due but not paid; and • Pro rated current year cash bonus (in accordance with contract).	33.3 (6)		
Mr S Godbille	10 June 2010		3 months	• 3 months of annual salary package; and • Pro-rated annual bonus (at Board's discretion).	12.5	12.5	267,605 rights(4) 764,818 rights (5)
Mr D F G Graham	5 January 2009		1 month	• n/a	25	-	-
Mr J Johnson	1 April 2011		3 months	• 6 months of annual salary package; and • Pro rated annual bonus (at board's discretion)	20	20	471,698 rights(4) 688,337 rights (5)
Dr J Schlimbach	1 Jan 2012	12 months	3 months	• n/a	12.5	12.5	-
Mr A J Vihersaari	1 July 2011	12 months	1 month	• n/a	12.5	12.5	250,000 rights(4)
Ms M A Withers	1 October 2009		3 months	• 6 months of annual salary package; and • Pro rated annual bonus (at board's discretion)	12.5	12.5	276,000 rights(4) 434,847 rights (5)
Mr M Schramko	25 July 2011		3 months	• 3 months of annual salary package; and • Pro-rated annual bonus (at Board's discretion).	12.5	12.5	
Mr P Salvati	1 July 2011		3 months	• 3 months of annual salary package; and • Pro-rated annual bonus (at Board's discretion).	12.5	12.5	
Mr W Beckles	1 September 2009	Resigned 12 August 2011	3 months	• 6 months of annual salary package; and • Pro rated annual bonus (at board's discretion)	12.5	12.5	468,750 rights(4)

(1) STI (Short Term Incentive) is determined on performance against key performance indicators (KPI's) set and reviewed by the Remuneration, Nomination and Diversity committee, or the Board as appropriate. Percent (%) of salary refers to the maximum amount payable (as per service agreement). The KPIs include company financial objectives, such as order intake, profit and cash flow, and personal objectives including control of responsibility centre expenditure and functional outcomes aligned to the annual strategic plan.

(2) LTI (Long Term Incentive) is determined on performance against key performance indicators (KPI's) set and reviewed by the Remuneration, Nomination and Diversity committee, or the board as appropriate.

(3) LTI determined on performance against total shareholder's return.

(4) Long term loyalty bonus based on years of services, payable in shares.

(5) Executive Performance and Retention bonus for performance against objectives relating to the Company's relocation objectives, payable in shares.

(6) Maximum US$30,000

DIRECTORS' REPORT

C. *Details of remuneration*

Details of the nature and amount of each major element of the remuneration of each director of the Company and other key management personnel of the Group for the year are:

		Short Term				Post Employment	Other Long-Term		Share-based Payments				
	Year	Salary / fees $	STI cash bonus (3) $	Non-Monetary benefits $	Total	Super-annuation benefits $	$	Term-ination Benefits $	Shares $	Options & rights $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors													
Executive													
Mr P M Odouard (1&2)	2012	296,516	51,851		348,367	31,138	-	-	-	43,115	422,620	22.5%	10.2%
	2011	283,174	52,999	-	336,173	30,130	105,998	-	-	303,745	776,046	59.6%	39.1%
Mr D E Brosius	2012	189,749	10,655	-	200,404	-	-	-	-	-	200,404	10.1%	-
	2011	181,814	23,118	7,029	211,961	17,077	-	-	-	-	229,039	10.1%	-
Mr D F G Graham	2012	73,500	(2,250)	-	71,250	-	-	-	-	-	71,250	(3.2)%	-
	2011	120,000	22,500	-	142,500	-		-	-	-	142,500	15.8%	-
Non-executive													
Mr P C Cook	2012	60,418	-	-	60,418	-	-	-	-	-	60,418	-	-
	2011	57,479	-	-	57,479	3,278	-	-	-	-	60,757	-	-
Mr M B Jenkins	2012	127,200	-	-	127,200	-	-	-	-	-	127,200	-	-
	2011	127,200	-	-	127,200	-	-	-	-	-	127,200	-	-
Air Marshal E J McCormack AO	2012	77,358	-	-	77,358	6,962	-	-	-	-	84,320	-	-
	2011	58,265	-	-	58,265	5,244	-	-	-	-	63,509	-	-
Mr D Singleton	2012	55,256	-	-	55,256	4,973	-	-	-	-	60,229	-	-
	2011	35,144	-	-	35,144	3,163	-	-	-	-	38,307	-	-
Mr D E Wills	2012	46,046	-	-	46,046	4,144	-	-	-	-	50,190	-	-
	2011	27,346	-	-	27,346	2,461	-	-	-	-	29,807	-	-

		Short Term				Post Employment	Other Long-Term		Share-based Payments				
	Year	Salary / fees $	STI cash bonus (3) $	Non-Monetary benefits $	Total	Super-annuation benefits $	$	Term-ination Benefits $	Shares $	Options & rights $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Executives													
Mr J F Johnson (2)	2012	292,179	27,909	-	320,088	28,674	-	-	27,909	83,707	460,378	30.3%	-
	2011	270,344	33,027	-	303,371	5,705	33,027	-	-	48,424	390,527	29.3%	-
Mr S Godbille	2012	196,953	15,664	-	212,617	18,937	-	-	15,664	66,010	313,228	31.1%	-
	2011	179,253	15,768	-	195,021	16,133	15,768	-	-	26,139	253,061	22.8%	-
Mr P J MacLeod	2012	42,000	-	-	42,000	-	-	-	-	-	42,000	-	-
	2011	37,000	-	-	37,000	-	-	-	-	-	37,000	-	-
Dr J Schlimbach	2012	150,813	10,011	-	160,824	-	-	-	10,465	-	171,288	12.0%	-
	2011	156,214	8,439	-	164,653	-	8,439	-	-	-	173,092	9.8%	-
Mr A Vihersaari (2)	2012	155,727	10,908	-	166,635	-	-	-	8,217	26,293	201,145	22.6%	-
	2011	166,181	13,750	-	179,931	-	13,750	-	-	26,149	219,830	24.4%	-
Ms M A Withers (2)	2012	154,788	14,799	-	169,587	15,120	-	-	14,799	45,535	245,041	30.7%	-
	2011	138,581	13,040	-	151,621	14,514	13,040	-	-	34,329	213,504	28.3%	-
M Schramko (commenced 25/7/2011)	2012	172,899	15,768	-	188,667	15,561	-	-	15,768	-	219,996	14.3%	-
	2011	-	-	-	-	-	-	-	-	-	-	-	-
P Salvati (commenced 1/7/2011)	2012	121,154	10,938	-	132,092	10,904	-	-	10,938	-	153,933	14.2%	-
	2011	-	-	-	-	-	-	-	-	-	-	-	-
W Beckles (resigned 12/8/2011)	2012	42,827	5,516	-	48,343	3,458	-	-	-	-	51,801	10.6%	-
	2011	155,094	14.484	-	169,578	16,574	-	-	-	-	186,152	10.5%	-

Notes in relation to the table of remuneration:

(1) Other Long Term incentives accrued in the prior year have been settled through share based payments during the year, valued at the market value on the day of issue

(2) Share based payments include:

a. Adjustments to the prior year accrued cash LTI for actual amounts paid through share based payments during the prior financial year

b. Shares issued as Long term incentives

c. Accrual of estimated Long term incentives relating to the current year to be settled through share based payments

d. The portion attributable to the current year of :

i. Options (EIP)

ii. Loyalty bonuses

iii. Executive performance and retention bonuses (EPRB)

(3) The Short Term Incentive (STI) is comprised of an accrued cash bonus plus adjustments to the accrued STI for actual amounts paid during the prior financial year.

D. Share based compensation

(i)Shares

Other Long term incentives accrued in the prior year have been settled through share based payments during the year, valued at the market value on the day of issue:

	No of Shares granted and vested	Fair Value ($)	Total Fair Value ($)
Mr S Godbille	67,992	$0.1979	13,456
Mr J Johnson	133,513	$0.1979	26,422
Mr A Vihersaari	35,203	$0.1979	6,967
Ms M Withers	66,773	$0.1979	13,214
Dr J Schlimbach	36,342	$0.1979	7,192
Total	339,823		67,251

Long term incentives accrued in the current year, $121,258 are expected to be settled through share based payments during the next financial year, valued at the market value on the day of issue.

(ii)Options

During 2012, Mr Odouard has accepted offers of 706,373 (2011: 471,337) options from the Quickstep Employee Incentive Plan (EIP) in accordance with the resolutions passed at the 2011 Annual General Meetings. The number of options granted was calculated with reference to the volume weighted average of the ASX quoted price for QHL shares at 31 August 2011 (22.79 cents). (2011: 32.62 cents)

The options will vest if certain performance hurdles relating to an increase in share value are achieved at the prescribed testing dates. The fair value of the options, as calculated under the accounting standards, (refer note 32), takes into account a range of assumptions including the likelihood of the options vesting and the projected share price at the time of vesting (see below). The fair value of options granted in 2012 is $122,203 (2011:$170,624).

No options granted during 2012 were vested, exercised or lapsed

The expense recorded in the financial statements of $139,110 (2011: $272,039) is the portion of the current offer and all prior offers, attributable to the current financial year as required by accounting standards.

No options vested or were exercised in the current year. (2011:1,851,852 options). 925,926 options issued in prior years were evaluated against performance criteria and failed to meet the vesting criteria. These option will be re-evaluated at 30/6/2013.

DIRECTORS' REPORT

Unvested options at 30/6/2012 are as follows:

Earliest possible vesting date	No. of options granted	Fair value per option at grant date ($)	Total fair value ($)
Tranche 3 - 30/06/2011	925,926	$0.3150	291,667
Tranche 4 - 30/06/2012	471,698	$0.2700	127,358
2010 Year – 30/06/2013	471,337	$0.3620	170,624
2011 Year – 31/8/2014	706,373	$0.1730	122,203
Total	2,575,334		711,852

All of the above options have an exercise price of $nil and an expiry date of 4 years after their earliest possible vesting date.

Details of the vesting profile of the options granted in this and prior years are detailed below.

	Number of options granted	Grant date	% vested in this year	% forfeited in this year (A)	Financial years in which grant vests
Directors					
Mr P Odouard	925,926	30/03/2010	0	0	2013
Mr P Odouard	471,698	30/03/2010	0	0	2013
Mr P Odouard	471,337	26/11/2010	0	0	2014
Mr P Odouard	706,373	23/11/2011	0	0	2015

(A) The % forfeited in the year represents the reduction from the maximum number of options available to vest due to performance criteria not being achieved.

Exercise of options granted as compensation

During the reporting period no shares were issued on the exercise of options previously granted as compensation. No options lapsed.

(iii)Rights to shares

(iii.a) Executive Performance and Retention Bonus

Mr Godbille, Mr Johnson and Mrs Withers were granted, as compensation during the reporting period rights to shares offered through a performance and retention bonus scheme. The rights vest on 31/12/2013 upon performance of criteria related to the company's relocation objectives and are conditional upon continued employment. Refer to the table below for further details

The rights have a $nil exercise price and have no expiry date. No rights granted during 2012 were vested, exercised, lapsed or forfeited.

The rights have been valued at fair value based on a Monte Carlo simulation (refer note 32) at the issue date. An expense of $96,046 (2011:nil) has been included in the financial statements as the portion of the current offer, attributable to the current financial year as required by accounting standards

	Number of rights granted during 2012	Grant date	Fair value at grant date ($)	Expensed ($)	Number vested during the year
Executives					
Mr S Godbille	764,818	10/02/12	$190,400	38,908	0
Mr J Johnson	688,337	10/02/12	$171,360	35,017	0
Mrs M Withers	434,847	10/02/12	$108,254	22,121	0
Total	1,888,002			96,046	

(iii.b) Loyalty Bonus

Rights have been issued to a number of key management personnel in prior years as long term retention incentives. The rights vest in two tranches provided the employee remains employed with the Group. 1/3 vest 2 years from the date granted, 2/3 vest 3 years from the date granted.

The rights are valued at market value of the Group's share on the date of grant of the rights. An expense of $135,502 (2011:118,507) has been included in the financial statements as the portion of the offer, attributable to the current financial year as required by accounting standards.

680,235 rights vested (2011; 468,750 rights lapsed) during the period

The value disclosed is the portion of the fair value of the options recognised in the reporting period

DIRECTORS' REPORT

(iii.c) Vesting profile of Rights

Details of the vesting profile of the rights to shares granted as remuneration to each key management person of the Group are detailed below.

		Number of rights granted	Grant date	No of rights vested in year	% vested in year	Market Value of rights vested	Financial years in which grant vests
Directors							
Mr P Odouard		882,353	13/10/2008	588,235	66.66%	108,823	2011 & 2012
Executives							
Mr S Godbille	(B)	267,605	12/07/2010	-	-	-	2013 & 2014
	(C)	764,818	10/02/2012	-	-	-	2014
Mr J Johnson	(B)	471,698	01/04/2011	-	-	-	2013 & 2014
	(C)	688,337	10/02/2012	-	-	-	2014
Mr A Vihersaari	(B)	250,000	01/07/2010	-	-	-	2013 & 2014
Ms M Withers	(B)	276,000	01/10/2009	92,000	33.33%	17,020	2012 & 2013
	(C)	434,847	10/02/2012	-	-	-	2014

(A) No rights were forfeited or lapsed during the period

(B) During the year 680,235 rights were exercised at $nil consideration. The market value of the rights exercised was $125,843

(C) Rights vest in two tranches provided the employee remains with the group. 1/3 vest 2 years from the date granted, 2/3 vest 3 years from the grant date

(D) Rights vest subject to performance conditions.

(iv) Modification of terms of equity-settled share-based payment transactions

No terms of equity-settled share-based payment transactions (including options and rights granted as compensation to a key management person) have been altered or modified by the issuing entity during the reporting period or the prior period.

E. Analysis of bonuses included in remuneration

Details of the vesting profile of the short-term incentive cash bonuses awarded as remuneration to each director of the Company and each of the named Company executives and relevant Group executives and other key management personnel of the Group are detailed below:

	Short-term incentive bonus 2012		
	Included in remuneration $ (A)	% vested in year	% forfeited in year (B)
Directors			
Mr P Odouard	51,851	70%	30%
Mr D Brosius	10,655	28%	72%
Mr D Graham	(2,250)	-	112%
Executives			
Mr S Godbille	15,664	64%	36%
Mr J Johnson	27,909	61%	39%
Dr J Schlimbach	10,011	53%	47%
Mr A Vihersaari	10,908	56%	44%
Ms M Withers	14,799	76%	24%
Mr M Schramko	15,768	73%	27%
Mr P Salvati	10,938	72%	28%
Mr W Beckles	5,516	28%	72%

(A) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on achievement of Group and/or personal goals and satisfaction criteria. No amounts vest in future financial years in respect of the bonus schemes for the 2012 year. The amounts included in remuneration for the current reporting period include adjustments to the 2011 bonus paid during the current reporting period compared to the bonus accrual made in the prior reporting period.

(B) The amounts forfeited are due to the Group performance , personal performance or service criteria not being met in relation to the current financial year.

Dated at Perth, Western Australia this 28th day of September 2012.

Signed in accordance with a resolution of the Directors:

P M Odouard

Managing Director

This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the ASX Corporate Governance Council recommendations, unless otherwise stated.

1. Board of directors

Role of the Board

The Board's Charter identifies its key objectives as:

- increasing shareholder value;
- safeguarding shareholders' rights and interests; and
- ensuring that the Company is properly managed.

The Board is responsible for:

- guiding the development of an appropriate culture and values for the Group through the establishment and review of Codes of Conduct and policies and procedures to enforce ethical behaviour and provide guidance on appropriate work methods;
- monitoring financial performance including approval of the annual and half-year financial statements and liaison with the Company's auditors;
- appointment of, and assessment of the performance of the Chief Executive Officer;
- monitoring managerial performance;
- ensuring that an appropriate set of internal controls is implemented so that significant risks facing the Company and its controlled entities have been identified;
- reporting to shareholders and regulatory authorities; and
- making all decisions outside the scope of powers and authorities otherwise delegated.

Day-to-day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are delegated by the Board to the Managing Director and senior executives.

Board Processes

To assist in the execution of its responsibilities, the board has established a number of board committees including an Audit, Risk and Compliance Committee and a Remunerations, Nominations and Diversity Committee These committees have written mandates and operating procedures, which are reviewed on a regular basis. The board has also established a framework for the management of the Group including a system of internal control, a business risk management process and the establishment of appropriate ethical standards.

The full board currently held 13 scheduled meetings each year, including strategy meetings and extraordinary meetings at such other times as were necessary to address any specific significant matters that arose.

The agenda for meetings is prepared in conjunction with the chairperson, chief executive officer and company secretary. Standing items include the chief executive officer's report, financial reports, strategic matters, governance and compliance. Submissions are circulated in advance. Executives are regularly involved in board discussions and directors have other opportunities, including visits to business operations, for contact with a wider Group of employees.

Director and executive education

The Group has a formal process to educate new directors about the nature of the business, current issues, the corporate strategy and the expectations of the Group concerning performance of directors. Directors also have the opportunity to visit Group facilities and meet with management to gain a better understanding of business operations. Directors are given access to continuing education opportunities to update and enhance their skills and knowledge.

The Group also has a formal process to educate new senior executives upon taking such positions. The induction program includes reviewing the Group's structure, strategy, operations, financial position and risk management policies. It also familiarises the individual with the respective rights, duties, responsibilities and roles of the individual and the Board.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior consultation with the chairperson, may seek independent professional advice from a suitably qualified adviser at the Group's expense. The director must consult with an advisor suitably qualified in the relevant field, and obtain the chairperson's approval of the fee payable for the advice before proceeding with the consultation. A copy of the advice received by the director is made available to all other members of the board.

Composition of the board

During the prior financial year, the Board composition changed to comprise five non-executive directors, one of whom is the Chairperson, and three executive directors.

The Company's Constitution provides that the number of directors shall not be less than three and not more than nine. There is no requirement for any shareholding qualification.

The Board considers the mix of skills and the diversity of Board members when assessing the composition of the Board. The Board assess existing and potential director's skills to ensure they have appropriate industry experience in the Group's operating segments.

The Board, through its Remuneration, Nomination and Diversity Committee, is responsible for establishing criteria for Board membership, reviewing Board membership and identifying and nominating directors. Board membership is regularly reviewed to ensure the Board has an appropriate mix of qualifications, skills and experience. Directors appointed by the Board hold office only until the next Annual General Meeting and are then eligible for re-appointment.

Directors, (other than the Managing Director) are eligible for re-appointment by shareholders, no later than the third anniversary following their last appointment. Subject to the requirements of the Corporations Act, there is no maximum period of service as a director.

The Managing Director may be appointed for any period and on any terms the Directors, through its Remuneration, Nomination and Diversity Committee, identify as appropriate, although they shall be guided by current market practices and rates.

2. Remuneration, Nomination and Diversity Committee

The Remuneration, Nomination and Diversity Committee was established during the year to incorporate the functions previously undertaken by the remunerations committee and the nominations Committee and to incorporate responsibility for Corporate diversity. The committee is comprised of three non-executive Directors. The committee meets at least twice per year.

The function of the committee is to assist the Board in formulating policies on and in determining:

- the remuneration packages of executive directors, non-executive directors and senior executives;
- cash bonuses and equity based incentive plans, including appropriate performance hurdles and total payments proposed.
- determine the size and composition of the Board;
- select new directors and senior executives; and
- establish the evaluation methods used in determining the performance of directors and senior executives

The Remuneration, Nomination and Diversity Committee is chaired by Mr P Cook. Attendance at Remuneration, Nomination and Diversity Committee meetings held during the financial year is disclosed in the Directors' Meetings section of the Directors Report.

4. Audit, Risk and Compliance Committee

The Audit, Risk and Compliance Committee was established during the year to incorporate the functions previously undertaken by the Audit committee and introduce the expanded role of review and oversight of Corporate Risk and Compliance. During the financial year, the Audit, Risk and Compliance Committee was comprised of the independent non-executive directors. The Audit Committee meets at least twice per year and its key roles are to:

- monitor the integrity of the financial statements of the Group;
- review significant financial reporting judgements; and
- recommend to the Board the appointment of external auditors.

CORPORATE GOVERNANCE STATEMENT

- oversees the establishment, implementation and review of the Group's risk management systems

The Audit Committee comprises three independent non-executive directors and is Chaired by Mr David Wills who has both relevant financial qualifications and business experience required for this role.

5. Risk Management

Oversight of the risk management system

The Audit, Risk and Compliance Committee oversees the establishment, implementation and review of the Group's risk management systems which have been established by management for assessing, monitoring and managing operational, financial reporting and compliance risks. The chief executive officer and the chief financial officer have provided assurance, in writing to the committee and the board, that the financial reporting risk management and associated compliance and controls have been assessed and found to be operating effectively. The operational and other risk management compliance and controls have also been assessed and found to be operating effectively.

Risk profile

Management provide the risk profile on a regular basis to the Audit, Risk and Compliance Committee that outlines the material business risks to the company. Risk reporting includes the status of risks through integrated risk management programs aimed at ensuring risks are identified, assessed and appropriately managed.

The Audit, Risk and Compliance Committee reports the status of material business risks to the board on a regular basis. Further details of the Company's risk management policy and internal compliance and control system are available on the Company's website.

Each business operational unit is responsible and accountable for implementing and managing the standards required by the program.

Material business risks for the company may arise from such matters as actions by competitors, government policy changes, the impact of exchange rate movements on the price of raw materials and sales, difficulties in sourcing raw materials, environment, occupational health and safety, property, financial reporting, and the purchase, development and use of information systems.

Risk management and compliance control

The Group strives to ensure that its products are of the highest standard. Towards this aim it has undertaken a program to achieve AS/NZS ISO 9002 accreditation for each of its business segments.

The board is responsible for the overall internal control framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities. The board's policy on internal control is comprehensive, details of which are available on the Company's website. It comprises the Company's internal compliance and control systems, including:

- Operating unit controls – Operating units confirm compliance with financial controls and procedures including information systems controls detailed in procedures manuals;
- Functional speciality reporting – Key areas subject to regular reporting to the board include treasury and derivatives operations, environmental, legal matters; and
- Investment appraisal – Guidelines for capital expenditure include annual budgets, detailed appraisal and review procedures, levels of authority and due diligence requirements where businesses are being acquired or divested.

Comprehensive practices have been established to ensure:

- capital expenditure and revenue commitments above a certain size obtain prior board approval;
- financial exposures are controlled, including the use of derivatives. Further details of the Company's policies relating to interest rate management, forward exchange rate management and credit risk management are included in note 27 to the financial statements;
- occupational health and safety standards and management systems are monitored and reviewed to achieve high standards of performance and compliance with regulations;
- business transactions are properly authorised and executed;

- the quality and integrity of personnel (see below);
- financial reporting accuracy and compliance with the financial reporting regulatory framework (see below); and

Quality and integrity of personnel

Written confirmation of compliance with policies in the Ethical Standards Manual is obtained from all operating units. Formal appraisals are conducted at least annually for all employees. Training and development and appropriate remuneration and incentives with regular performance reviews create an environment of cooperation and constructive dialogue with employees and senior management. A formal succession plan is also in place to ensure competent and knowledgeable employees fill senior positions when retirements or resignations occur.

Financial reporting

The chief executive officer and the chief financial officer have provided assurance in writing to the board that the Company's financial reports are founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board.

Monthly actual results are reported against budgets approved by the directors and revised forecasts for the year are prepared regularly.

Appropriate risk management strategies and procedures are developed to mitigate any identified risks to the business. The procedures include identifying the context, registering, analysing, evaluating, treating, monitoring and escalating the identified risks accordingly.

Environmental regulation

The Group's activities to date have not been subject to any particular and significant environmental regulation under Laws of either the Commonwealth or a State or Territory. The Directors are not aware of any material breach of environmental regulations as they relate to the Group.

6. Ethical standards

All directors, managers and employees are expected to act with the utmost integrity and objectivity, striving at all times to enhance the reputation and performance of the Group. Every employee has a nominated supervisor to whom they may refer any issues arising from their employment.

Conflict of interest

Directors must keep the board advised, on an ongoing basis, of any interest that could potentially conflict with those of the Company. The board has developed procedures to assist directors to disclose potential conflicts of interest.

Where the board believes that a significant conflict exists for a director on a board matter, the director concerned does not receive the relevant board papers and is not present at the meeting whilst the item is considered. Details of director related entity transactions with the Company and the Group are set out in note 30 to the financial statements.

Code of conduct

An *Employee Code of Conduct* has been developed and applies to all directors, managers, employees and contractors. The code specifies the standards of behaviour and the following principles embody the Code:

- To act with integrity and professionalism in the performance of duties and be scrupulous in the proper use of Quickstep Technologies Pty Ltd information, funds, equipment and facilities;
- To edify the company and colleagues when dealing with customers, visitors, suppliers and shareholders;
- To exercise fairness, equity, proper courtesy, consideration and sensitivity in all dealings in the course of carrying out duties;
- To avoid real, apparent or perceived conflicts of interest; and
- To increase shareholder value within an appropriate framework to safeguard the rights and interests of the Company's shareholders and the financial community.

Trading in general company securities by directors and employees

A security Trading Policy has been established and is published on the Company web site. It reqires that Directors, officers and employees who wish to trade in Company securities must have regard to the statutory provisions of the *Corporations Act 2001* dealing with insider trading. Furthermore, directors and officers are required to observe Blackout Periods in accordance with ASX rulings and to notify the Chairman prior to undertaking transactions at any other time.

7. Communication with shareholders

The Board encourages participation of shareholders at the Annual General Meeting. In addition, Quickstep proactively provides additional information with its quarterly reports to the ASX and periodically produces Shareholder newsletters to update on the latest developments and results for the Group.

8. Diversity

The board is committed to having an appropriate blend of diversity on the board and in the Group's senior executive positions. However, at this time it has not developed a gender diversity policy due to the constraints relating to the current size and nature of operations.

The Group's current gender representation at Board and key management level is as follows:

	30 June 2012		30 June 2011	
Gender representation	**Female (%)**	**Male (%)**	Female (%)	Male (%)
Board representation	**0%**	**100%**	0%	100%
Key management personnel representation	**13%**	**87%**	13%	87%
Group representation	**13%**	**87%**	13%	87%

DIRECTOR PERFORMANCE EVALUATION

The performance of the Board and the various committees is formally reviewed annually by the full Board. The performance of each director is continually monitored by the Chairman and the other directors and is reviewed by each director with the Chairman. The performance of the Chairman is reviewed by the other directors and the results discussed with the Chairman by a nominated director.

DIRECTOR'S DISCLOSURE OBLIGATIONS

This policy is included in the *Code of Conduct* to ensure trading in the Company's securities is conducted on a fair basis. Quickstep directors are obliged (subject to specific exceptions) to advise the ASX of any information that a reasonable person would expect to have material effect on the price or value of the Company's issued securities.

INDEPENDENT PROFESSIONAL ADVICE

Individual directors have the right, in connection with their duties and responsibilities as directors, to seek independent professional advice at the Company's expense. With the exception of expenses for legal advice in relation to a director's rights and duties, the engagement of outside advisors is subject to prior approval of the Chairman, which will not be unreasonably withheld.

ASX GUIDELINES ON CORPORATE GOVERNANCE

Pursuant to ASX Listing Rule 4.10.3, the Company advises that it has followed the best practice recommendations set by the ASX Corporate Governance Council.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Note	2012 $	2011 $
Revenue	5	**503,168**	471,524
Cost of sales		**(1,502,637)**	(535,256)
Gross profit		**(999,469)**	(63,732)
Government grant income	5	**4,257,448**	5,054,944
Other income	5	**393,532**	141,658
Operational expenses		**(7,130,207)**	(7,785,973)
Marketing expenses		**(1,072,049)**	(907,565)
Corporate and administrative expenses		**(5,882,128)**	(5,711,712)
Research and development expenses		**(2,968,978)**	(2,615,573)
Other expenses	6	**(261,596)**	(218,168)
Loss from operating activities		**(13,663,447)**	(12,106,121)
Financial income	8	**2,072,655**	752,612
Financial expense	8	**(210,809)**	(2,381,204)
Net financing income/(cost)		**1,861,846**	(1,628,592)
Loss before income tax		**(11,801,601)**	(13,734,713)
Income tax benefit		**-**	-
Loss for the period		**(11,801,601)**	(13,734,713)
Other comprehensive loss, net of income tax			
Foreign currency translation difference for foreign operations		**(70,601)**	(124,049)
Effective portion of changes in fair value of cash flow hedges		71,065	(71,065)
Total comprehensive loss for the period		**(11,801,137)**	(13,929,827)
Loss attributable to:			
Owners of the company		**(11,801,601)**	(13,734,713)
Total comprehensive loss attributable to:			
Owners of the company		**(11,801,137)**	(13,929,827)
Earnings per share			
Basic loss (cents/share) for Quickstep Holdings Ltd	11	**(3.96)**	(6.65)
Diluted loss (cents/share) for Quickstep Holdings Ltd	11	**(3.96)**	(6.65)

The consolidated statement of comprehensive income is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2012

	Note	2012 $	2011 $
CURRENT ASSETS			
Cash and cash equivalents	12	**3,000,672**	13,406,217
Trade and other receivables	13	**4,915,978**	796,731
Inventories	14	**418,591**	185,036
Other financial assets	15	**690,400**	690,400
Other assets	16	**326,301**	133,784
TOTAL CURRENT ASSETS		**9,351,942**	15,212,168
NON-CURRENT ASSETS			
Property, plant and equipment	17	**16,491,346**	12,769,447
Intangible assets	18	**230,776**	496,226
Work in progress		**-**	14,020
TOTAL NON-CURRENT ASSETS		**16,722,122**	13,279,693
TOTAL ASSETS		**26,074,064**	28,491,861
CURRENT LIABILITIES			
Trade and other payables	20	**3,352,297**	5,038,611
Loans and borrowings	21	**10,700**	17,645
Employee benefits	23	**292,961**	252,074
TOTAL CURRENT LIABILITIES		**3,655,958**	5,308,330
NON-CURRENT LIABILITIES			
Trade and other payables	20	**561,365**	421,221
Loans and borrowings	21	**5,241,938**	12,622
Financial liabilities at fair value through profit and loss	22	**-**	2,820,000
TOTAL NON-CURRENT LIABILITIES		**5,803,303**	3,253,843
TOTAL LIABILITIES		**9,459,261**	8,562,173
NET ASSETS		**16,614,803**	19,929,688
EQUITY			
Share capital	24	**74,754,828**	66,854,895
Reserves	25	**2,322,699**	1,735,916
Accumulated losses	26	**(60,462,724)**	(48,661,123)
TOTAL EQUITY		**16,614,803**	19,929,688

The consolidated statement of financial position is to be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Note	Share capital	Translation reserve	Hedging Reserve	Share based payments reserve	Accumulated losses	Total equity
		$	$	$	$	$	$
Balance as at 1 July 2011		66,854,895	(220,656)	(71,065)	2,027,637	(48,661,123)	19,929,688
Total comprehensive income for the period							
Loss for the period		-	-	-	-	(11,801,601)	(11,801,601)
Other comprehensive income		-					
Foreign currency translation difference	25	-	(70,601)	-	-	-	(70,601)
Effective portion of changes in fair value of cash flow hedges	25	-	-	71,065	-	-	71,065
Total comprehensive income for the period	-	-	(70,601)	71,065	-	(11,801,601)	(11,801,137)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of shares on the conversion of notes	24	937,488	-	-	-	-	937,488
Issue of ordinary shares	24	7,520,000	-	-	-	-	7,520,000
Share raising costs	24	(557,555)	-	-	-	-	(557,555)
Share based transaction payments	25		-	-	586,319	-	586,319
Total transactions with owners		7,899,933	-	-	586,319	-	8,486,252
Balance at 30 June 2012		74,754,828	(291,257)	-	2,613,956	(60,462,724)	16,614,803

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2012

	Note	Share capital	Translation reserve	Hedging reserve	Share based payments reserve	Accumulated losses	Total equity
		$	$	$	$	$	$
Balance as at 1 July 2010		62,296,410	(96,607)	-	1,157,091	(34,926,410)	28,430,484
Total comprehensive income for the period							
Loss for the period		-	-	-	-	(13,734,713)	(13,734,713)
Other comprehensive income							
Foreign currency translation difference	25	-	(124,049)	-	-	-	(124,049)
Effective portion of changes in fair value of cash flow hedges		-	-	(71,065)	-	-	(71,065)
Total comprehensive income for the period		-	(124,049)	(71,065)	-	(13,734,713)	(13,929,827)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Issue of ordinary shares	24	4,696,285	-	-	-	-	4,696,285
Share raising costs	24	(137,800)	-	-	-	-	(137,800)
Share based transaction payments	25	-	-	-	870,546	-	870,546
Total transactions with owners		4,558,485	-	-	870,546	-	5,429,031
Balance at 30 June 2011		66,854,895	(220,656)	(71,065)	2,027,637	(48,661,123)	19,929,688

The consolidated statement of changes in equity is to be read in conjunction with the accompanying notes

	Note	2012 $	2011 $
Cash flows from operating activities			
Cash receipts in the course of operations		**489,172**	590,986
Interest received		**392,192**	949,777
Interest paid		**(211,604)**	(6,133)
Research and development tax incentive and government grants		**392,778**	5,480,845
Cash payments in the course of operations		**(16,332,179)**	(15,093,949)
Net cash used in operating activities	29	**(15,269,641)**	(8,078,474)
Cash flows from investing activities			
Acquisition of plant and equipment		**(10,180,301)**	(4,843,826)
Acquisition of intangibles		**-**	(350,118)
Investment in term deposit		**-**	9,309,660
Net cash used in investing activities		**(10,180,301)**	4,115,716
Cash flows from financing activities			
Proceeds from issues of shares		**7,520,000**	4,696,285
Payment of transaction costs		**(557,509)**	(137,800)
Proceeds from convertible loans		**468,456**	808,875
Repayment of convertible note		**(604,017)**	-
Proceeds from borrowings		**6,106,048**	-
Payment of borrowing costs		**(871,400)**	-
Government grants		**3,000,000**	-
Finance lease payments		**(17,645)**	(17,163)
Net cash from financing activities		**15,043,933**	5,350,197
Net (decrease) / increase in cash and cash equivalents		**(10,406,009)**	1,387,439
Effects of exchange rate changes on cash held in foreign currencies		**464**	(207,045)
Cash and cash equivalents at 1 July		**13,406,217**	12,225,823
Cash and cash equivalents at 30 June	12	**3,000,672**	13,406,217

The consolidated statement of cash flows is to be read in conjunction with the accompanying notes.

1. Significant accounting policies

(a) Reporting entity

Quickstep Holdings Limited ("the Company") is a company domiciled in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2012 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities"). The Group is a for profit entity and is primarily involved in the manufacture of composite components for the aerospace industry, and continuing research and development in composite manufacturing processes.

(b) Basis of preparation

Statement of compliance

The consolidated financial statements are general purpose financial statements, which have been prepared in accordance with the Australian Accounting Standards (AASBs) (including Australian interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The consolidated financial statements of the Group comply with the International Financial Reporting Standards (IFRS) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of Directors on 28th September 2012.

Basis of measurement

The financial statements are prepared on the historical cost basis except for financial liabilities measured at fair value through the profit and loss (refer note 22). These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

Use of estimates and judgements

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes:

- Note 17 – Recoverable amount of property, plant and equipment;
- Note 20 – Royalties payable; and
- Note 32 – Share-based payments; and
- Note 22 – Financial liabilities at fair value through profit or loss

(c) Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by all entities in the Group,.

(d) Financial position

The Group has incurred a loss after tax for the year ended 30 June 2012 of $11.8 million (2011: $13.9 million). The loss was in line with the corporate strategy and consistent with the development phase of the business. The Group has successfully completed major milestones necessary for supplier approval to the JSF program, with the final approval of the Bankstown facility to be assessed in late 2012. The Group, in line with its strategy, anticipates continuing to incur losses in FY 2013 until significant delivery rates are achieved in 2014 . The Group has a surplus in working capital at 30 June 2012 of $5.7 million (2011: $9.9 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 high value aerospace, automotive and consumer product manufacturing opportunities; and
- develop its program of research into composite curing technologies in the automotive and aerospace industries.

Consistent with these objectives the Group has during the 2012 financial year:

- invested $10.2 million in capital equipment to develop its composite manufacturing capability;
- utilised net cash resources of $16.3 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.

Since 30 June 2011, the Group has:

- secured additional purchase orders and negotiated long term contracts with 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 production facilities in Bankstown, NSW and commenced qualification of the facility to Northrop Grumman's quality requirements;
- continued to enhance and innovate on its manufacturing technology, including generating new knowledge through enhancing and improving manufacturing processes for the aerospace industry; and
- continued its research and development programs to improve the Quickstep Process technology through partially funded programs to enhance capability in the automotive and aerospace sectors.

To fund these on-going activities, during the 2012 financial year, 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 $6.2 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; 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 $557,555.

The activities of the Group, 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.

As at 30/6/2012 the Group has cash and deposits of $3.7 million and has an undrawn balance of $3.9 million under its long term loan facilities which can be used for funding of capital expenditure. In 2013 production deliveries pursuant to the JSF project increase and new contracts are expected to commence.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

The Group has substantially completed the building of its production facility in Bankstown and is now receiving increasing enquiries from major companies in order to quote on high value projects in the aerospace, automotive and consumer products sectors. Certain sale contracts are in the process of being negotiated and the directors are confident that they will be finalised shortly. These contracts, together with other fund raising alternatives and the proposed sale of certain plant and equipment, which will become excess to requirements following the closure of the Western Australian facility, are expected to enable the Group to meet its commitments for at least the next 12 months, subject to there being no unforeseen circumstances.

(e) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Quickstep Holdings Limited ("Company" or "parent entity") as at 30 June 2012 and the results of all subsidiaries for the year then ended. Quickstep Holdings Limited and its subsidiaries together are referred to in the financial statements as the consolidated entity or the Group.

A subsidiary is any entity controlled by the Company. Control exists where the Company has the power, directly or indirectly, to govern the financial and operating policies of another entity so as to obtain benefits from its activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and de-consolidated from the date that control ceases.

Intragroup balances and any recognised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

Associates and jointly controlled entities (equity accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity. Jointly controlled entities are those entities over whose activities the Group has joint control, established by contractual agreement and requiring unanimous consent for strategic financial and operating decisions. Associates and jointly controlled entities are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Group's investment includes goodwill identified on acquisition, net of any accumulated impairment losses.

The consolidated financial statements include the Group's share of the income and expenses and equity movements of equity accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that significant influence or joint control commences until the date that significant influence or joint control ceases. When the Group's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

(f) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Australian dollars at the foreign exchange rate at that date. Foreign exchange differences arising on translation are recognised in profit and loss. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction.

Foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the FCTR is transferred to the statement of comprehensive income.

Foreign exchange gains and losses arising from a monetary item receivable from or payable to a foreign operation, the settlement of which is neither planned nor likely in the foreseeable future, are considered to form part of a net investment in a foreign operation and are recognised directly in equity in the FCTR.

(g) Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset of liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: held-to-maturity financial assets, and loans and receivables.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale, and prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Loans and receivables

*Loans and receivable*s are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Subsequent to initial recognition loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and trade and other receivables including service concession receivables.

Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash consists of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

(ii) Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities recorded at amortised cost:

Trade and other payables,

Royalties payable (refer note 20).

Loans and borrowings including secured loan facility from the ANZ Bank of $10 million plus capitalised interest of $3.3 million

(iii) Share Capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

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Dividends

Dividends are recognised as a liability in the period in which they are declared.

(iv) Compound financial instruments

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

(v) Derivative financial instruments, including hedge accounting

Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument(s) and hedged item(s), including the risk management objectives and strategy in undertaking the hedge transaction, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported net income.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognised in other comprehensive income to the extent that the hedge is effective and presented in the hedging reserve in equity. To the extent that the hedge is ineffective, changes in fair value are recognised in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income and presented in the hedging reserve in equity remains there until the forecast transaction affects profit or loss. When the hedged item is a non-financial asset, the amount recognised in other comprehensive income is transferred to the carrying amount of the asset when the asset is recognised. If the forecast transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in profit or loss. In other cases the amount recognised in other comprehensive income is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Separable embedded derivatives

Changes in the fair value of separable embedded derivatives are recognised immediately in profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not held for trading, and is not designated in a qualifying hedge relationship, all changes in its fair value are recognised immediately in profit or loss.

(h) Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to brining the assets to a working condition for their intended use, the costs of dismantling the items and restoring the site on which they are located and capitalised borrowing costs.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) or property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within other income/other expense in profit or loss.

Government grants that compensate the Group for the cost of an asset are recognised as a deduction in arriving at the carrying value of the asset.

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of the asset, that component is depreciated separately. Depreciation is recognised in profit and loss on a reducing balance basis over the estimated useful lives of each component of an item of property plant and equipment. The depreciation rates used for each class of depreciable asset for the current and prior years are:

Class of depreciable asset	*Depreciation rate*
Plant and factory equipment	6.67% to 37.50%
Office equipment	6.67% to 50.00 %

(i) Intangible assets

(i) Research and development

Expenditure on research activities, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is recognised in the statement of comprehensive income as an expense as incurred.

Development activities involve a plan or design of new or substantially improved products and processes. Development expenditure is only capitalised only if development costs can be measured reliably, the product or process is technically or commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the asset. The expenditure capitalised includes the cost of materials, direct labour and overheads costs that are directly attributable to preparing the asset for its intended use and capitalised borrowing costs.

Capitalised development expenditure is measured at cost less accumulated amortisation and accumulated impairment losses.

(ii) Other Intangible Assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Amortisation

Amortisation is based on the cost of an asset less its residual value. Amortisation is recognised in profit and loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives in the current and comparative periods are as follows:

• Licences, patents and rights to technology	10 years
• Royalty buy-back	10 years
• Capitalised development costs	5 – 10 years
• Software	2 ½ years

(j) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and the leased assets are not recognised on the Group's statement of financial position.

(k) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first in first out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

(l) Impairment

(i) Non-Derivative Financial assets

A financial asset not carried at fair value through profit and loss is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has a negative effect on the estimated future cash flows of that asset that can be measured reliably.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost, the reversal is recognised in profit or loss.

(ii) Non-financial assets

The carrying amounts of the Group's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds it estimated recoverable value.

An impairment loss is recognised whenever the carrying amount of an asset of its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the statement of comprehensive income.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

An impairment write down to goodwill may not be reversed in future years. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(m) Employee entitlements

Wages, salaries, annual leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries, annual leave and other entitlements represent present obligations resulting from employees' services provided to reporting date, and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as, workers compensation insurance and payroll tax.

Provisions made in respect of other employee entitlements which are not expected to be settled within 12 months (such as long service leave) are measured as the present value of the estimated future cash outflows to be made by the Group in respect of services provided by employees up to the reporting date.

Share-based payment transactions

An expense is recognised for all equity-based remuneration and other transactions, including shares, rights and options issued to employees and directors. The fair value of equity instruments granted is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('vesting date'). The amount recognised is adjusted to reflect the actual number of shares and options that vest, except for those that fail to vest due to market conditions not being met. The fair value of equity instruments granted is measured using a generally accepted valuation model, taking into account the terms and conditions upon which the equity instruments were granted. The fair value of shares, options and rights granted is measured based on relevant market prices at the grant date.

(n) Revenue

Revenue from sale of goods is recognised in the statement of comprehensive income when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the buyer, recovery of consideration is probable, the associated costs and possible return of the goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. Revenue from the rendering of a service is recognised in the income statement in proportion to the stage of completion of the transaction at balance sheet date. The stage of completion is assessed by reference to analysis of work performed.

To the extent to which amounts are received in advance of the provision of the related services, the amounts are recorded as unearned income and credited to the statement of comprehensive income as earned.

Licence fee revenue is recognised on an accruals basis when the Group has the right to receive payment under the relevant agreement and has performed its obligations.

(o) Government grants

Government grants that compensate the group for expenses incurred are recognised initially as deferred income where there is a reasonable assurance that the grant will be received and all grant conditions will be met and are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised. Grants that compensate the Group for the cost of an asset are recognised as a deduction in arriving at the carrying value of the asset.

(p) Lease payments

Payments made under operating leases are recognised in the statement of comprehensive income on a straight-line basis over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

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Determining whether an arrangement contains a lease

At inception of an arrangement, the Group determines whether such an arrangement is or contains a lease. A specific asset is the subject of a lease if fulfilment of the arrangement is dependent on the use of that specified asset. An arrangement conveys the right to use the asset if the arrangement conveys to the Group the right to control the use of the underlying asset.

(q) Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets), dividend income, gains on the disposal of available-for-sale financial assets and fair value gains on financial assets at fair value through profit and loss. Interest income is recognised as it is accrues in profit and loss, using the effective interest method.

Finance costs comprise interest expense on borrowings calculated using the effective interest method, dividend income, transaction costs, unwinding discounting of provisions and foreign exchange gains and losses. The interest expense component of finance lease payments is recognised in the profit and loss using the effective interest method.

(r) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit and loss except to the extent that it related to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantially enacted at reporting date, and any adjustment to tax payable in respect of previous years. Current tax payable also included any tax liability arising from the declaration of dividends.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, nor differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Quickstep Holdings Limited and its subsidiaries have unused tax losses. However, no deferred tax balances have been recognised, as it is considered that asset recognition criteria have not been met at this time.

(s) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(t) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options and rights granted and convertible notes and convertible loans on issue.

(u) Segment reporting

Determination and presentation of operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are regularly reviewed by the Group's CEO to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and income tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

(v) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these consolidated financial statements are set out below. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 *Financial Instruments*, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption at 30 June 2012, but have not been applied in preparing these financial statements.

AASBs and Interpretation	Application date	Key requirements	Transitional Provisions
AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities	1 January 2014	The amendments to AASB 132 clarify when an entity has a legally enforceable right to set-off financial assets and financial liabilities permitting entities to present balances net on the balance sheet	Retrospective application General provisions of AASB 108 apply
AASB 2011-4 Amendments to Australian Accounting Standards to remove individual key management personnel disclosure requirements	1 July 2013	Removes the requirements to include individual key management personnel disclosures in the notes to the financial statements. Companies will still need to provide these disclosures in the Remuneration Report under s.300a of the *Corporations Act* 2001	Early adoption is NOT permitted
AASB 9 *Financial Instruments (Dec 2010)*	1 January 2013	In AASB 9 (Dec 2010), the AASB added requirements for the classification and measurement of financial liabilities that are generally consistent with the equivalent requirements in AASB 139 except in respect of the fair value option; and certain derivatives linked to unquoted equity instruments. The AASB also added the requirements in AASB 139 in relation to the de-recognition of financial assets and financial liabilities to AASB 9.	
AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (Dec 10) AASB 9 *Financial Instruments* (Dec 09) (Financial asset requirements only)	1 January 2013	AASB 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets; amortised cost and fair value. The basis of classification depends on the entity's business model and contractual cash flow characteristics of the financial asset. The guidance in AASB 139 on impairment of financial assets and on hedge accounting continues to apply. NB: The IASB has deferred the application of IFRS 9 until 1 January 2015, however the AASB has yet to issue a corresponding amendment to AASB 9 (2010) and AASB 2009 (see table 1)	
AASB 10 Consolidated Financial Statements	1 January 2013	AASB 10 introduces a new approach to determining which investees should be consolidated. An investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee	Retrospective application where there is a change in the control conclusion between AASB 127/Interpretation 112 and AASB10. There are specific requirements when retrospective application is impracticable. Early application is only available if AASB 11, AASB 12, AASB 127 (2011) and AASB 128 (2011) are applied at the same time
AASB 13 Fair Value Measurement AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13	1 January 2013	AASB 13 explains how to measure fair value when require to by other AASB's. It does not introduce new fair value measurements, nor does it eliminate the practicability exceptions to fair value that currently exist in certain standards.	Propective application The disclosure requirements in AASB 13 need not be applied in comparative information for periods before initial application.

AASB 119 *Employee Benefits* (Sep 2011) AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (Sep 2011)	1 January 2013	AASB 119 is amended focusing on but not limited to the accounting for defined benefit plans. In addition it changes the definition of short-term and other long-term employee benefits and some disclosure requirements.	Retrospective application General provisions of AASB 108 apply
AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (June 2012)	1 January 2013	AASB 7 is amended to increase the disclosures about offset provisions, including the gross position and the nature of the arrangements.	Retrospective application General provisions of AASB 108 apply.
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009 – 2011 Cycle	1 January 2013	A collection of non-urgent but necessary improvements to the following accounting standards: AASB 1, AASB 101, AASB 116, AASB 132, AASB 134 and Interpretation 2	Retrospective application General provisions of AASB 108 apply Early adoption of amendments to individual permitted
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	1 July 2012	Makes a number of changes to the presentation of other comprehensive income including presenting separately those items that would be reclassified to profit or loss in the future and those that would never be reclassified to profit or loss and the impact of tax on those items	Retrospective application General provisions of AASB 108 apply

2. Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. This fair value is determined for disclosure purposes.

(b) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. In respect of the liability component of convertible notes and loans, the market rate of interest is determined by reference to similar liabilities that do not have a conversion option. For finance leases the market rate of interest is determined by reference to similar lease agreements.

(c) Share-based payment transactions

The fair value of the Employee Incentive Plan (EIP) is measured using Monte Carlo Simulation. The fair value of the share rights is measured using the Black-Scholes formula. Measurement inputs include share price on measurement date, the exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for expected changes expected due to publicly available information), expected term of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). In the case of the EIP, market performance conditions attaching to the grant are taken into account in the Monte Carlo Simulation in determining fair value. Service and non-market performance conditions attached to the EIP transactions are not taken into account in determining fair value.

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(d) Derivatives

The fair value of forward exchange contracts is based on their quoted market price, if available. If a quoted market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity for the contract using a risk-free interest rate.

(e) Fair value of derivatives recognised through profit and loss

The fair value of the derivatives associated with the La Jolla convertible notes was determined by Monte Carlo simulation in the prior year. This facility was terminated during the year.

3. Financial risk management

(a) Overview

The Group has exposure to the following risks from their use of financial instruments:

- credit risk;
- liquidity risk; and
- market risk.

This note presents information about the Group's exposure to each of the above risks, their objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework and is responsible for developing and monitoring risk management policies.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Group's Audit, Risk and Compliance Committee oversees how management monitors compliance with the Group's risk management policies and formally documented procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(b) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and cash balances and deposits.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers other characteristics including the demographics of the Group's customer base, the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. Geographically, other than in Australia for amounts due from the Australian Taxation Office, there is no concentration of credit risk. Goods are generally sold subject to retention of title clauses, so that in the event of non-payment the Group may have a secured claim. The Group does not require collateral in respect of trade and other receivables.

Cash balances and deposits

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating of at least A+ from Standard & Poor's. Given these high credit ratings, management has assessed the risk that counterparties fail to meet their obligations as low.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquid assets to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

Typically, the Group ensures that it has sufficient cash or funds otherwise reasonably available to it from fundraising activities to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of circumstances that cannot reasonably be predicted. Further details are set out in Note 1(d).

(d) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group is exposed to interest rate risk predominantly on cash balances and deposits. Given the relatively short investment horizon for these, management has not found it necessary to establish a policy on managing the exposure of interest rate risk.

The Group has entered into a variable rate secured loan agreement for a period of 10 years. The facility includes an allowance to capitalise interest up to $3,333,333 over the first 5 years of the loan. Interest is re-set on a monthly basis in accordance with the 30 days bank bill rate. The facility includes an interest rate cap which limits the bank bill rate component of the variable rate to a maximum of 5.1%. This limit will ensure that the interest to be capitalised will not exceed the capitalisation limit.

Currency risk

The Group is exposed to currency risk on sales, purchases and cash holdings that are denominated in a currency other than the respective functional currencies of Group entities, primarily the Australian dollar (AUD), Euro (EUR) and US Dollar (USD). The currencies in which these transactions primarily are denominated are AUD, EUR and USD.

In respect of other monetary assets and liabilities denominated in foreign currencies, the Group ensures that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short-term imbalances.

The Group's investment in its German and USA subsidiaries are not hedged as the currency positions are considered to be long-term in nature.

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future development in accordance with the business strategy. In order to maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group's focus has been to raise sufficient funds through equity and borrowings so as to fund its working capital and commercialisation of technology requirements.

There were no changes in the Group's approach to capital management during the year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

4. Operating Segments

The Group has three operating segments, as described below. These operating segments are managed separately because they address Quickstep's three separate strategies to grow the business and are reported to the CEO on at least a monthly basis.

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

- **Manufacturing** - Targeting manufacturing contracts utilising a range of manufacturing solutions including traditional manufacturing technologies such as autoclaves and 'next generation' technologies such as the patented "Quickstep Process".
- **Quickstep Process -** Licensing our "Quickstep Process" technology to Original Equipment Manufacturers (OEM's) and their suppliers, and providing them with Quickstep machines and support services.
- **Research and Development -** Conducting research and development on Quickstep and associated technologies where possible on a paid basis on behalf of customers to validate its suitability for their needs and/or develop the technology to meet their specific requirements.

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There is integration between the segments in the form of use of the Manufacturing segment assets for Research and Development purposes.

	Manufacturing		Quickstep Process		Research and Development		Total	
	2012	2011	2012	2011	2012	2011	2012	2011
External revenues	130,068	-	-	-	373,100	471,524	503,168	471,524
Other income	-	4,302,582	-	-	4,650,980	894,021	4,650,980	5,196,603
Depreciation, amortisation and impairment	2,225,082	805,438	-	-	273,980	715,351	2,499,062	1,520,789
Reportable segment profit/(loss) before income tax	(6,451,746)	(3,654,983)	(393,754)	(330,619)	(1,347,396)	(1,544,583)	(8,192,896)	(5,530,185)
Reportable segment assets	17,135,012	10,842,346	-	1,425	5,101,709	417,658	22,236,721	11,261,429
Reportable segment liabilities	7,123,044	2,022,198		-	1,357,297	35,634	8,480,341	2,057,832
Reportable Capital Expenditure	9,073,926	-	-	-	105,285	-	9,179,211	-

	Consolidated 2012 $	2011 $
Reconciliation of reportable segment loss		
Total loss for reportable segments	**(8,192,896)**	(5,530,185)
Unallocated amount: other corporate expenses	**(3,608,705)**	(8,204,528)
Consolidated loss before income tax	**(11,801,601)**	(13,734,713)
Reconciliation of reportable segment assets		
Total assets for reportable segments	**22,236,721**	11,261,429
Unallocated amount: other corporate assets	**3,837,343**	17,230,432
Consolidated total assets	**26,074,064**	28,491,861
Reconciliation of reportable segment liabilities		
Total liabilities for reportable segments	**8,480,341**	2,057,832
Unallocated amount: other corporate liabilities	**978,920**	6,504,341
Consolidated total liabilities	**9,459,261**	8,562,173

Geographical information

The Manufacturing, Quickstep Process and Research and Development segments are managed on a worldwide basis with offices in Australia, Germany and the United States of America.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	2012 $ Revenue	2012 $ Non-current assets	2011 $ Revenue	2011 $ Non-current assets
Australia	**130,068**	**16,188,012**	-	12,649,662
Germany	**103,739**	**425,360**	157,739	543,852
United States of America	**269,361**	**108,750**	313,785	86,179
Total	**503,168**	**16,722,122**	471,524	13,279,693

	Note	Consolidated 2012 $	2011 $
5. Revenue and Income			
Sales		**503,168**	471,524
Total revenue from operating actives		**503,168**	471,524
Government grant income			
R & D tax incentive		**3,267,459**	-
Climate ready grant		**670,821**	710,641
SADI program grant		**170,413**	300,934
NSW relocation grant (i)		**-**	4,000,000
Other government grant income		**148,755**	43,369
Total government grant income		**4,257,448**	5,054,944
Other Income			
Profit on foreign exchange transactions		**120,993**	-
Profit on sale of assets		**30,490**	-
Other income		**242,049**	141,658
Total other income		**393,532**	141,658

(i) Prior year NSW relocation grant requires the Group to operate a manufacturing facility in NSW until 30 June 2019.

	Note	Consolidated 2012 $	2011 $
6. Other Expenses			
Amortisation of intangibles	18	**261,596**	218,168
7. Personnel expenses			
Wages and salaries		**6,484,098**	7,063,826
Other associated personnel expenses		**812,032**	762,058
Increase/(decrease) in liability for annual leave		**(23,618)**	(96,348)
Expense of share based payments	32	**490,321**	390,545
		7,762,833	8,120,081

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	Note	Consolidated 2012 $	2011 $
8. Finance income and expense			
Recognised in profit and loss			
Interest income		**325,675**	752,612
Change in fair value of derivatives at fair value through profit or loss	22	**1,746,980**	-
Finance income		**2,072,655**	752,612
Finance lease interest paid		**(4,450)**	(6,143)
Convertible loan costs		**(15,436)**	(393,936)
Amortisation of convertible note costs			
Borrowing cost		**(10,312)**	-
Other		**(3,748)**	-
Change in fair value of derivatives at fair value through profit or loss	22	**-**	(1,981,125)
Interest expense on liabilities measured at amortised cost		**(176,863)**	-
Finance expense		**(210,809)**	(2,381,204)
Net finance income		**1,861,846**	(1,628,592)
Recognised in other comprehensive income			
Foreign currency translation differences for foreign operations		**(70,601)**	(124,049)
Effective portion of changes in fair value of cash flow hedges		**71,065**	(71,065)
Finance income recognised in other comprehensive income, net of tax		**464**	(195,114)
Attributable to:			
Owner of the company		**464**	(195,114)
Finance income recognised in other comprehensive income, net of tax		**464**	(195,114)

9. Income tax

(a) Income tax benefit

The major components of income tax benefit are:		
Current income tax benefit	**-**	-
Adjustments in respect of current income tax of previous years	**-**	-
Income tax benefit reported in the consolidated income statement	**-**	-

	Consolidated 2012 $	2011 $
(b) Numerical reconciliation between tax benefit and pre-tax net loss		
A reconciliation between tax benefit and the product of accounting loss before income tax multiplied by the Group's applicable income tax rate is as follows:		
Loss before tax from continuing operations	**(11,801,601)**	(13,734,713)
At the statutory income tax rate of 30%	**(3,540,480)**	(4,120,414)
Expenditure not allowable for income tax purposes	**1,916,529**	756,871
Effect of different tax rate for overseas subsidiaries	**11,650**	(10,726)
Deferred tax asset not brought to account	**1,612,301**	3,374,269
Income tax benefit	**-**	-

	Note	Consolidated 2012 $	2011 $
(c) Tax losses not brought to account			
The tax effect of unused tax losses for which no deferred tax asset has been recognised.		**11,714,066**	10,317,568
(d) Temporary differences not brought to account			
Deferred tax assets/(liabilities):			
Accrued income		**-**	(23,363)
Interest receivable		**-**	-
Prepayments		**-**	-
Other provisions		**234,347**	322,050
Borrowing costs		**45,600**	342
Deductible capital raising costs and black hole expenditure		**163,962**	311,383
Property, plant and equipment		**1,458,314**	494,048
Intangibles		**443,386**	419,830
Deferred tax assets relating to temporary differences not recognised		**(2,345,609)**	(1,524,290)
		-	-

The deductible temporary differences and tax losses do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable at this time that future taxable profit will be available against which the Group can utilise the benefits there from.

(e) Tax consolidation legislation

Quickstep Holdings Limited and its 100% owned Australian resident subsidiaries have formed a tax consolidated group effective from 1 July 2010.

(f) R&D tax offset incentive

An R&D tax offset incentive of $3,267,459 has been recorded as a receivable as at 30 June 2012 based on eligible expenditure incurred during the year of tax. This amount has been recorded as a government grant (refer Note 5).

	Note	Consolidated 2012 $	2011 $
10. Auditor's remuneration			
Amounts received or due and receivable by the auditor for:			
Audit services			
KPMG – current year		**128,000**	124,000
KPMG – under/(over) accrual from prior year		**70,000**	(5,558)
		198,000	118,442

11. Loss per share

The calculation of basic loss per share at 30 June 2012 was based on the loss attributable to ordinary shareholders of $11,801,601 (2011: $13,734,713) and a weighted average number (W.A.N.) of ordinary shares outstanding during the financial year ended 30 June 2012 of 297,979,266 (2011: 206,683,922) calculated as follows:

		2012		2011	
	Note	**Actual No.**	**W.A.N.**	**Actual No.**	**W.A.N.**
Issued ordinary shares 1 July	24	270,038,762	270,038,762	251,416,900	202,961,683
Effect of shares issued		47,000,000	23,693,151	16,475,892	2,144,270
Effect of conversion of notes		4,689,810	3,623,998	-	-
Effect of shares issued on exercise of rights and to executives as remuneration		1,020,058	623,355	294,118	152,297
Effect of share options exercised				1,851,852	1,425,672
Issued ordinary shares at 30 June	24	322,748,630	297,979,266	270,038,762	206,683,922

Potential ordinary shares on issue are not considered to be dilutive and therefore the diluted loss per share equals the basic loss per share

	2012 $	2011 $
Weighted average number of ordinary shares (basic)	**297,979,266**	206,683,922
Basic loss cents per share	**(3.96)**	(6.65)

	Note	Consolidated 2012 $	2011 $
12. Cash and cash equivalents			
Cash at bank and on hand		**1,000,672**	7,706,217
Short-term bank deposits		**2,000,000**	5,700,000
		3,000,672	13,406,217
13. Trade and other receivables			
Current			
Trade receivables		**497,800**	130,814
Other receivables:			
R&D tax incentive and government grants receivable		**3,906,594**	274,623
GST and VAT receivable		**401,265**	310,059
Accrued interest		**14,717**	81,235
Other		**95,602**	-
		4,915,978	796,731
14. Inventories			
Raw materials and consumables		**347,427**	185,036
Work in progress		**71,164**	-
		418,591	185,036

15. Other financial assets

Held-to-maturity investments		**690,400**	690,400

	Note	Consolidated 2012 $	2011 $
16. Other current assets			
Prepayments		**302,959**	133,165
Other		**23,342**	619
		326,301	133,784

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17. Property, plant & equipment

	Consolidated			
	Plant & Equipment $	Assets Under Construction $	Office Furniture & Equipment $	Total $
Costs				
Balance at 1 July 2010	8,338,537	2,362,443	564,387	11,265,367
Additions	31,524	6,127,987	150,186	6,309,697
Transfers	-	-	-	-
Transfer to intangible assets	2,817,225	(3,144,579)	-	(327,354)
Effect of movements in exchange rates	11,047	-	(47,002)	(35,955)
Balance at 30 June 2011	**11,198,333**	**5,345,851**	**667,571**	**17,211,755**
Balance at 1 July 2011	11,198,333	5,345,851	667,571	17,211,755
Additions	5,278,477	3,719,356	181,378	9,179,211
Disposals	(1,658,564)	-	(137,595)	(1,796,159)
Transfers	7,403,900	(7,403,900)	-	-
Government Grant deducted in arriving at the carrying value of assets (i)	(3,000,000)	-	-	(3,000,000)
Effect of movements in exchange rates	(33,443)	-	(24,318)	(57,761)
Balance at 30 June 2012	**19,188,703**	**1,661,307**	**687,036**	**21,537,046**
Accumulated depreciation and impairment losses				
Balance at 1 July 2010	2,686,377	235,802	252,006	3,174,185
Depreciation for the year	1,209,436	-	75,709	1,285,145
Effect of movements in exchange rates	(26,339)	-	9,317	(17,022)
Balance at 30 June 2011	**3,869,474**	**235,802**	**337,032**	**4,442,308**
Balance at 1 July 2011	3,869,474	235,802	337,032	4,442,308
Depreciation/Impairment for the year	2,220,967	-	156,270	2,377,237
Disposals	(1,623,408)	-	(132,482)	(1,755,890)
Transfers	235,802	(235,802)	-	-
Effect of movements in exchange rates	(8,664)	-	(9,291)	(17,955)
Balance at 30 June 2012	**4,694,171**	**-**	**351,529**	**5,045,700**
Carrying Amounts				
At 1 July 2010	5,652,160	2,126,641	312,381	8,091,182
At 30 June 2011	7,328,859	5,110,049	330,539	12,769,447
At 1 July 2011	7,328,859	5,110,049	330,539	12,769,447
At 30 June 2012	14,494,532	1,661,307	335,507	16,491,346

(i) The grant has been received by the Group in connection with its relocation and establishment of manufacturing operations in Bankstown, NSW. The terms of the grant include operating within NSW until 30 June 2019 manufacturing composite components for the defence and aerospace industries including work done in respect of the Joint Strike Fighter program.
(ii) Refer to Note 21 for details of fixed and floating charges over certain of the above assets
(iii) During the year the Group established plans to close its Coogee manufacturing operations. As a result an impairment write-off of $646,094 relating to certain non-relocating assets has been recorded during the period to record them at their recoverable amount.

18. Intangibles

	Patents & Rights $	Royalty Buy-Back $	Computer Software	Total $
Costs				
Balance at 1 July 2010	649,027	94,419	385,940	1,129,386
Additions	-	-	26,104	26,104
Transfer from property, plant & equipment	-	-	327,354	327,354
Balance at 30 June 2011	**649,027**	**94,419**	**739,398**	**1,482,844**
Costs				
Balance at 1 July 2011	649,027	94,419	739,398	1,482,844
Additions	5,307	-	-	5,307
Disposals	(7,426)			(7,426)
Transfer from property, plant & equipment	-	-	-	-
Balance at 30 June 2012	**646,908**	**94,419**	**739,398**	**1,480,725**
Accumulated amortisation and impairment losses				
Balance at 1 July 2010	548,858	66,098	132,927	747,883
Amortisation for the year	51,935	9,441	174,268	235,644
Transfer from property, plant & equipment	-	-	-	-
Effect of movement in exchange rates	3,091	-	-	3,091
Balance at 30 June 2011	**603,884**	**75,539**	**307,195**	**986,618**
Balance at 1 July 2011	603,884	75,539	307,195	986,618
Amortisation for the year	30,607	8,655	222,334	261,596
Disposals	-	-	-	-
Transfer from property, plant & equipment	-	-	-	-
Effect of movement in exchange rates	-	-	1,735	1,735
Balance at 30 June 2012	**634,491**	**84,194**	**531,264**	**1,249,949**
Carrying amounts				
At 1 July 2010	100,169	28,321	253,013	381,503
At 30 June 2011	45,143	18,880	432,203	496,226
At 1 July 2011	45,143	18,880	432,203	496,226
At 30 June 2012	12,417	10,225	208,134	230,776

19. Group entities

	Country of incorporation	Entity interest 2012	Entity interest 2011
Parent entity			
Quickstep Holdings Limited	Australia		
Controlled entities			
Quickstep Technologies Pty Ltd	Australia	**100%**	100%
Quickstep Operations Pty Ltd	Australia	**100%**	100%
Quickstep GmbH	Germany	**100%**	100%
QuickBoats Pty Ltd (i)*	Australia	**-**	100%
Quickstep Composites LLC	USA	**100%**	100%
Quickstep Australia Pty Ltd (ii)	Australia	**100%**	-
Commercial Aerospace Composites Pty Ltd (ii)	Australia	**100%**	-

(i) Previously wholly owned entity QuickBoats Pty Ltd was sold on 5 April 2012 (refer Note 30)

(ii) Incorporated during the year

	Consolidated 2012 $	2011 $
20. Trade and other payables		
Current		
Unsecured trade payables	**1,387,109**	356,199
Sundry payables and accrued expenses	**1,482,637**	4,023,779
Royalties payable (i)	**482,551**	658,633
	3,352,297	5,038,611
Non-current		
Royalties payable (i)	**561,365**	421,221

(i) On 21 July 2005, a Heads of Agreement was executed between Quickstep Holdings Limited (QHL), Quickstep Technologies Pty Ltd (QTPL) and VCAMM Limited which agreed the value of services provided by VCAMM to the Group during the period 1 July 2003 to 30 June 2005 and which formalised arrangements that existed before 30 June 2005 between the parties. The agreed consideration for services provided was $1,790,000, which was satisfied by the grant of 2,160,000 ordinary fully paid shares in QHL (issued at $0.25 per share), with the balance of $1,250,000 to be paid to VCAMM on a quarterly basis from total cash revenues received by QTPL on a percentage basis (varying from 4% to 7% of QTPL's cash revenues for the period), subject to a maximum annual repayment of $650,000. The discount rate that has been used to calculate the royalties payable is 7.03%.

	Consolidated 2012 $	2011 $
21. Loans and borrowings		
Current		
Finance lease liability	**10,700**	17,645
Non-current		
Secured bank loan	6,106,048	-
Capitalised interest	131,825	-
Prepaid borrowing cost	(997,857)	-
Finance lease liability	1,922	12,622
	5,241,938	12,622

Term and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

			2012		2011	
	Effective interest rate %	Year of maturity	Maximum Facility Value	Carrying amount	Maximum Facility Value	Carrying amount
Secured bank loan	9.981	2021	10,000,000	6,106,048	-	-
Capitalised Interest	9.981	2021	3,333,333	131,825	-	-
Finance lease liabilities	12.990	2014	n/a	12,622	n/a	30,267

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 30 June 2012 the facility had been drawn to $6,106,048 with together with capitalised interest of $131,825 .

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 the fifth year of the facility, with the final repayment due in year 10.

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 ($680,400) has been recorded as prepaid borrowing cost and is recognised in the profit and loss through the effective interest rate method.

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 30 June 2012 is $20,135,012

Quickstep Holdings Limited has entered into 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 30 June 2012 is $64,529,157 and its carrying value net of impairment is $13,011,968.

Finance lease liabilities

	Future minimum lease payments $ 2012	Interest $ 2012	Present value of minimum lease payments $ 2012	Future minimum lease payments $ 2011	Interest $ 2011	Present value of minimum lease payments $ 2011
Less than one year	**11,717**	**1,017**	**10,700**	**22,115**	**4,470**	**17,645**
Between one and five years	**1,953**	**31**	**1,922**	**13,670**	**1,048**	**12,622**
	13,670	**1,048**	**12,622**	**35,785**	**5,518**	**30,267**

	Consolidated 2012 $	2011 $
22. Financial liabilities at fair value through profit and loss		
Non-current		
Derivative Financial liabilities at fair value through Profit and Loss (Convertible Note)	-	2,820,000

On 24 April 2011 the Group executed a Funding Agreement subject to conditions precedent with La Jolla Cove Investors Inc (La Jolla); a US private equity firm, for the issue of US$15,000,000 of convertible notes. The Agreement included an initial issue of a convertible note for US$ 7,500,000 (initial note) with an option at the Group's discretion, to subsequently issue another convertible note of US$7,500,000 (Subsequent Note).

On 12 May 2011 the conditions precedent were satisfied and the Group issued the initial Note with the issue price of US$7,500,000 to La Jolla. The Group elected to account for these instruments at fair value through the profit and loss.

During the period, $468,456 (2011: $838,875) of convertible notes were drawn down. $750,000 of notes were converted to 4,689,810 shares at a market value of $937,488.

In December 2011 the Group executed a termination agreement, under which the balance of the convertible notes at 20 December 2011,of $604,016 was repaid. There were no termination costs. On termination, the resulting net decrease in fair value of the financial instrument, $1,746,980, was recognised through the profit and loss as finance income.

Valuation

The fair value of the convertible notes has been determined using a Monte Carlo simulation.

	Consolidated 2012 $	2011 $
Reconciliation of Fair Value Measurement		
Balance 1 July	**2,820,000**	**-**
Loss recognised through Profit and Loss at inception	**-**	**1,930,000**
Convertible note drawdowns	**468,456**	**838,875**
Convertible notes repaid	**(603,988)**	**-**
Conversion to Equity	**(937,488)**	**-**
(Gain) / Loss recognised through Profit and Loss	**(1,746,980)**	**51,125**
Balance 30 June	**-**	**2,820,000**

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Key term/Note component/Clause	Description
Number of notes	2
Face value of each	US$7,500,000
Coupon / Interest Rate	Fixed rate of 3.00% p.a. payable monthly in arrears, calculated on the unconverted principal amount. Interest is payable in Ordinary shares at Quickstep's election
Initial Note	The initial payment of US$400,000 for Note 1 The remaining US$7,100,000 of Note 1 is to be received in monthly payments: • of not less than US$500,000; and • not more than US$1,000,000 (or such higher amount as Quickstep agrees in writing).
Subsequent Note – Note 2)	The form of and terms of the Subsequent Note, the purchase of the Subsequent Note, and the payment of the US$7,500,000 for the Subsequent Note, are subject to the same terms and conditions of this Agreement applicable to the Initial Note
Term / Maturity Date	Each note has a term of 4 years from the date of initial drawdown
Conversion Option	At the investors option, a note may be converted into ordinary shares at the Conversion Price, either in whole or in part,,
Conversion Option	Quickstep has the option to force conversion of the outstanding principal amount into ordinary shares. This election can be made in the six months prior to maturity of the note
Conversion price	The number of shares to be issued on conversion is calculated as: US$ face value x exchange rate / Conversion Price The Conversion Price is the lesser of: • AU$0.90 (as adjusted for any stock splits, stock dividends, combinations, subdivisions, recapitalisations or the like); or • 80% of the average VWAP of Quickstep's shares during the 10 days prior to conversion
Cash settlement option	If the investor elects to convert the notes, when the VWAP is below AU$0.28 then Quickstep has the right to prepay that portion of the note If Quickstep makes the election to prepay the cash amount, then the investor has the right to withdraw the conversion notice.
Contingent Settlement Provisions / Cash Settlement	There are certain circumstances in which Quickstep may be required to settle / redeem the notes for cash.

	Consolidated 2012 $	2011 $
23. Employee benefits		
Current		
Liability for annual leave	**154,259**	177,877
Other employee benefits	**138,702**	74,197
	292,961	252,074
24. Contributed equity		
(i) Issued capital		
322,748,630 (2011: 270,038,762) fully paid ordinary shares	**74,754,828**	66,854,895

The following movements in issued capital occurred during the year:

	Note	2012 No. of shares	2012 $	2011 No. of shares	2011 $
Balance at the beginning of the year		**270,038,762**	**66,854,895**	251,416,900	62,296,410
Shares issued for cash (a), (b)		**47,000,000**	**7,520,000**	10,277,500	3,288,800
Shares issued on exercise of options (ii)		**-**	**-**	1,851,852	-
Shares issued on conversion of notes	22	**4,689,810**	**937,488**	-	-
Shares issued on exercise of rights (c)		**680,235**	**-**	294,118	-
Shares issued to executives as remuneration (c)		**339,823**	**-**	-	-
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		**322,748,630**	**74,754,828**	270,038,762	66,854,895

(a) During the year the company issued 47,000,000 shares at an issue price of 16 cents to raise $7,520,000.

(b) During the prior year, the Company issued 10,277,500 shares at an issue price of 32 cents per share to raise $3,288,800.

(c) During the year, the Company issued 1,020,058 (2011: 294,118) shares pursuant to share-based payment arrangements with certain key management personnel.

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

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

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(ii) 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
23 November 2018	$0.00	706,373	-
26 November 2017	$0.00	-	471,337

Unissued shares under option

At 30 June 2012, 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

No options were exercised during the year. In 2011, the company issued 1,851,852 ordinary shares as a result of the exercise of options at the exercise price of nil and the share price at date of expiry was $0.34.

Lapse of options

During the current and prior financial yeasr, no options lapsed:

(iii) Rights

At 30 June 2012, unissued ordinary shares of the Company under rights totalled 3,373,924 (2011: 1,853,528). The rights are issued pursuant to;

- executive services agreements which vest at various times in the future according to years of service completed; and
- an executive performance and retention bonus scheme which vest on 31/12/2013 upon performance of criteria related to the company's relocation objectives and are conditional upon continued employment

The exercise price of the rights is nil and the rights are forfeited if employment is terminated prior to the vesting date. Refer to Note 32

During the year, 2,200,622 rights (2011: 989,303) were granted.

During the year, 680,235 shares (2011: 294,118 shares), were issued as a result of the exercise of rights. 468,750 rights were forfeited in the prior year on the termination of employment of employees

25. Reserves

Share based payments reserve

Balance at the beginning of the year	**2,027,637**	1,157,091
Grant of rights to shares to key management personnel	**379,958**	118,507
Grant of options to key management personnel	**139,110**	272,039
Issue of shares to key management personnel	**67,251**	-
Exercise of options	**-**	480,000
Balance at the end of the year	**2,613,956**	2,027,637

This reserve is used to record the fair value of options over ordinary shares and rights to ordinary shares granted as consideration for services provided.

	Note	Consolidated 2012 $	2011 $
Foreign currency translation reserve			
Balance at the beginning of the year		**(220,656)**	(96,607)
Foreign currency translation differences		**(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.

Hedging reserve

Balance at the beginning of the year	**(71,065)**	-
Foreign currency translation differences	**71,065**	(71,065)
Balance at the end of the year	**-**	(71,065)

The hedging reserve comprises difference arising from the translation of foreign currency hedges being the , variation between the original hedge exchange rate and the revaluation rate on balance date

Total reserves	**2,322,699**	1,735,916

26. Accumulated losses

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)

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27. Financial instruments

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

Cash and cash equivalents	**3,000,672**	13,406,217
Held-to-maturity financial assets	**690,400**	690,400
Trade and other receivables	**4,915,978**	212,049
	8,607,050	14,308,666

As at 30 June 2012, no financial asset was considered past due (2011: nil).

At 30 June 2012, no financial asset is considered impaired (2011: nil).

The Group's maximum exposure to credit risk for trade and other receivables at the reporting date by geographic region was:

Australia	**4,594,621**	81,235
Germany	**225,708**	104,419
USA	**95,649**	25,395
	4,915,978	211,049

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

30 June 2012	Carrying amount	Contractual Cash Flows	6 mths or less	6-12 mths	1-2 years	2-5 years	5 years+
VCAMM royalties payable	**1,043,916**	**(1,065,629)**	**(239,692)**	**(239,692)**	**(586,245)**	**-**	**-**
Trade and other payables	**2,869,746**	**(2,869,746)**	**(2,869,746)**	**-**	**-**	**-**	**-**
Finance lease liabilities	**12,622**	**(12,622)**	**(5,177)**	**(5,523)**	**(1,922)**	**-**	**-**
Secured Bank Loan	**5,240,015**	**(10,687,961)**	**(97,526)**	**(100,770)**	**(211,744)**	**(1,739,939)**	**(8,537,982)**
	9,166,299	**(14,635,958)**	**(3,212,141)**	**(345,985)**	**(799,911)**	**(1,739,939)**	**(8,537,982)**
Consolidated 30 June 2011							
VCAMM royalties payable	1,079,854	(1,105,168)	(329,316)	(329,316)	(446,535)	-	-
Trade and other payables	4,308,913	(4,308,913)	(4,173,384)	-	(135,529)	-	-
Foreign Exchange Contract	71,065	(71,065)	(71,065)	-	-	-	-
Finance lease liabilities	30,267	(35,785)	(11,058)	(11,058)	(11,717)	(1,952)	-
Financial liability at fair value through profit and loss	2,820,000	(100,665)	(12,583)	(12,583)	(25,166)	(50,333)	-
	8,310,099	(5,621,596)	(4,597,406)	(352,957)	(618,947)	(52,285)	-

Currency risk

Exposure to currency risk

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amounts:

2012	**USD**	**EUR**
Cash	54,590	25,203
Trade payables	(55,961)	(152,516)
Receivables	125,822	225,708
	124,451	98,395

2011	**USD**	**EUR**
Cash	64,438	60,775
Trade payables	(16,786)	(136,625)
Receivables	25,395	105,419
	73,047	29,569

The following significant exchange rates applied during the year:

	Average Rate		**Reporting Date Spot Rate**	
	2012	**2011**	**2012**	**2011**
USD	1.0314	0.9881	1.0191	1.0739
EUR	0.7705	0.7245	0.8092	0.7405

Sensitivity analysis

A 10 percent movement of the Australian dollar against the following currencies at 30 June would have increased (decreased) profit or loss and equity on balances denominated in foreign currencies by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2011.

	2012		**2011**	
	(Increase)/decrease consolidated loss		**(Increase)/decrease consolidated loss**	
	+10%	**-10%**	**+10%**	**-10%**
	$	**$**	**$**	**$**
USD	(12,445)	12,445	(6,641)	8,116
EUR	(9,839)	9,839	(2,688)	3,285
	(22,284)	22,284	(9,329)	11,401

	2012 (Increase)/decrease consolidated Equity		**2011 (Increase)/decrease consolidated Equity**	
	+10%	**-10%**	**+10%**	**-10%**
	$	**$**	**$**	**$**
USD	-	-	(15,209)	18,589
EUR	-	-	(54,711)	66,869
	-	-	(69,920)	85,458

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Interest rate risk

Profile

At the reporting date the interest rate profile of the Group's interest-bearing financial assets/(liabilities) was:

	Consolidated 2012	**2011**
	$	**$**
Fixed rate instruments		
Held-to-maturity term deposits	**690,400**	690,400
Convertible notes	**-**	(838,875)
Finance lease liabilities	**(12,622)**	(30,267)
	677,778	(178,742)
Variable rate instruments		
Cash and cash equivalents	**3,000,672**	13,406,217
Secured bank loan	**(6,237,873)**	-
	(3,237,201)	13,406,217

Cash includes funds held in short term deposits during the year, which earned a weighted average interest rate 5.33% (2011: 4.27%).

The interest rates applicable to the Group's finance leases are 12.99% (2011: 12.99%).

Financial assets held-to-maturity includes a 12 month term deposit for $300,000 with an interest rate of 5.30% which matures on 1 October 2012 and a security deposit for $390,400 with an interest rate of 5.1%, which matures maturing on 10 November 2012.

The secured loan balance (inclusive of capitalised interest) incurs a variable rate of interest, inclusive of a base rate plus margin. The Group has purchased an interest rate cap which limits the base rate for the first five years of the loan to 5.03%. The base rate plus margin of this facility was 5.22% at 30 June 2012.

All other material financial assets and liabilities are non-interest bearing.

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2011.

Effect in AUD	**(Increase)/decrease Consolidated loss**	
	100 bp increase	**100 bp decrease**
30 June 2012		
Variable rate instruments	**(32,372)**	**32,372**
Cash flow sensitivity (net)	**(32,372)**	**32,372**
30 June 2011		
Variable rate instruments	134,062	(134,062)
Cash flow sensitivity (net)	134,062	(134,062)

Fair values

The carrying amounts of financial assets and liabilities approximate fair value.

	Consolidated 2012 $	2011 $
28. Capital and other commitments		
Operating lease commitments		
Non-cancellable operating lease contracted for but not capitalised in the financial statements		
Payable		
- less than 1 year	**759,895**	733,243
- between 1 and 5 years	**3,024,358**	3,784,253
- more than 5 years	**2,269,206**	2,269,205
	6,053,459	6,786,701

The Group leases two properties. The first property is leased on a non -cancellable lease with a five year term with provision for rent reviews on an annual basis. The second property is leased on a non -cancellable lease with a ten year term with two options to renew for five years each. The lease contains provision for rent reviews on an annual basis.

Capital commitments

The Group's commitments in respect of plant and equipment contracted for but not provided for are set out below:

	2012	2011
Payable		
- less than 1 year	**799,935**	670,359
	799,935	670,359

29. Cash flow information

	Note	2012	2011
Reconciliation of cash flows from operating activities to loss after income tax:			
Loss for the year		**(11,801,601)**	(13,734,713)
Adjustments for:			
- Amortisation of intangibles	**18**	**261,596**	235,398
- Depreciation	**17**	**2,377,238**	1,285,145
- Share based payment expense	**32**	**586,319**	870,546
- Finance costs	**8**	**176,863**	-
- Change in fair value of derivatives at fair value through profit and loss	**22**	**(1,746,980)**	1,981,125
Operating loss before changes in working capital		**(10,146,565)**	(9,362,499)
(Increase)/decrease in trade & other receivables		**(4,119,265)**	953,147
(Increase)/decrease in inventories		**(219,535)**	(122,371)
(Increase)/decrease in other current assets		**(192,517)**	159,547
Increase/(decrease) in trade and other payables		**(461,198)**	460,402
Increase in employee benefits		**40,887**	31,308
Increase in unearned income		**-**	(198,008)
Increase in prepaid interest		**(171,448)**	-
Net cash used in operating activities		**(15,269,641)**	(8,078,474)

	Note	Consolidated 2012 $	2011 $

30. Related parties

Key management personnel compensation

The key management personnel compensation included in "personnel expenses" in note 7 is as follows:

	2012	2011
Short-term employee benefits	**2,427,150**	2,295,916
Post-employment benefits	**139,871**	126,490
Share based payments	**368,420**	390,546
Other long term benefits	**-**	190,022
	2,935,441	3,002,974

Individual directors and executives compensation (key management personnel remuneration) disclosures

Information regarding individual directors' and executives' compensation and some equity instruments disclosures as required by Corporations Regulations 2M.3.03 is provided in the Remuneration Report section of the Directors' Report.

Apart from the details disclosed in the Remuneration Report and below, no director has entered into a material contract with the Company or the Group since the end of the previous financial year.

Key management personnel transactions

A number of key management persons, or their related parties, hold positions in other entities that result in them having control or significant influence over the financial or operating policies of those entities.

A number of those entities transacted with the Company or its subsidiaries during the financial year. The terms and conditions of those transactions were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to unrelated entities on an arm's length basis.

The aggregate amounts recognised during the year relating to key management personnel and their related parties were as follows:

Director	**Note**	**Transaction value 2012 $**	**2011 $**
Mr D Graham	**(i)**	**24,000**	18,931
	(ii)	**50,000**	-

(i) A company associated with Mr Graham, Offshore Marine Pty Ltd, provided prototype design services, patent portfolio management and development program coordination. Terms for such services were based on market rates and amounts were payable on a monthly basis. An amount of $24,000 was outstanding to this entity at 30 June 2012 (2011: nil).

(ii) A company associated with Mr Graham, Quickboat Holdings Pty Ltd, purchased 100% of the share capital of QuickBoats Pty Ltd on 5 April 2012 for a consideration of $50,000 paid in full at that time. At the time of the sale, QuickBoats Pty Ltd had net assets of $24,942. Associated with the sale, the Group has entered into an agreement to supply technical services to Quickboat Holdings Pty Ltd in return for ongoing fees amounting to $100 per unit up to $500,000 and then $50 per unit for a further $1,000,000 capped at $1,5 million and subject to the intellectual property remaining in good stead. No services were provided during the period.

Equity holdings

Options and rights over shares

The movement during the reporting period in the number of options and rights over ordinary shares in Quickstep Holdings Limited held, directly, indirectly or beneficially by each key management persons, including their personally-related entities at 30 June 2012, are as follows:

(i) Rights

	Held at 1 July	Granted as Compensation	Exercised	Other changes	Held at 30 June	Vested during the year	Vested and exercisable at 30 June
2012							
Directors							
Mr P M Odouard	588,235	-	(588,235) (1)	-	-	588,235	-
Executives							
Mr S Godbille	267,605	764,818	-	-	1,032,423	-	-
Mr J Johnson	471,698	688,337	-	-	1,160,035	-	-
Mr A Vihersaari	250,000	-	-	-	250,000	-	-
Ms M Withers	276,000	434,847	(92,000) (1)	-	618,847	92,000	-
	1,853,538	1,888,002	(680,235)	-	3,061,305	680,235	-

(1) Share price at date of exercise $0.185

	Held at 1 July	Granted as Compensation	Exercised	Other changes	Held at 30 June	Vested during the year	Vested and exercisable at 30 June
2011							
Directors							
Mr P M Odouard	882,353	-	(294,118)	-	588,235	294,118	-
Executives							
Mr W Beckles	468,750	-	-	(468,750)	-	-	-
Mr S Godbille	-	267,605	-	-	267,605	-	-
Mr J Johnson	-	471,698	-	-	471,698	-	-
Mr A Vihersaari	-	250,000	-	-	250,000	-	-
Ms M Withers	276,000	-	-	-	276,000	-	-
	1,627,103	989,303	(294,118)	(468,750)	1,853,538	294,118	-

* Other changes represent rights that were forfeited during the year

(ii) Options

	Held at 1 July	Granted as compen-sation	Exercised	Other changes	Held at 30 June	Vested during the year	Vested and exercisable at 30 June
2012							
Directors							
Mr P M Odouard	1,868,961	706,373	-	-	2,575,334	-	-

	Held at 1 July	Granted as compen-sation	Exercised	Other changes	Held at 30 June	Vested during the year	Vested and exercisable at 30 June
2011							
Directors	3,249,476	471,337	(1,851,852)	-	1,868,961	-	-
Mr P M Odouard							

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Shares

The movement during the year in the number of ordinary shares held, directly, indirectly or beneficially by each key management person, including their personally-related entities, is as follows:

	Held at 1 July	Purchases	Disposals	Received on exercise or options / rights	Issued as compensation	Held at 30 June
2012						
Directors						
Mr P M Odouard	1,545,970	-	-	588,235	-	2,134,205
Mr D E Brosius	600,000	-	-	-	-	600,000
Mr D F G Graham	26,039,341	-	-	-	-	26,039,341
Mr P C Cook	145,758	-	-	-	-	145,758
Mr E J McCormack	50,250	244,065	-	-	-	294,315
Mr D Wills	210,106	250,001	-	-	-	460,107
Executives						
Mr J F Johnson	71,250	48,180	-	-	133,513	252,943
M. Withers	-	-	-	92,000	66,773	158,773
Mr A . Vihersaari	-	-	-	-	35,203	35,203
Mr S. Godbille	-	-	-	-	67,992	67,992
Mr J Schlimbach	-	-	-	-	36,342	36,342
2011						
Directors						
Mr P M Odouard	-	-	(600,000)	2,145,970	-	1,545,970
Mr D E Brosius	600,000	-	-	-	-	600,000
Mr D F G Graham	26,651,529	-	(612,188)	-	-	26,039,341
Mr P C Cook	137,946	7,812	-	-	-	145,758
Mr E J McCormack (1)	19,000	31,250	-	-	-	50,250
Mr D Wills (2)	163,231	46,875	-	-	-	210,106
Executives						
Mr J F Johnson	20,000	51,250	-	-	-	71,250

(1) Mr E J McCormack was appointed to the board ion 11 August 2010

(2) Mr D Wills was appointed to the Board on 26th November 2010

31. Equity accounted investments

On 1 May 2008 the Group acquired a 20 percent investment in QuickPipes Pty Ltd for the amount of $2. This investee was established as an incorporated joint venture in conjunction with Vortex Pipes Ltd to research and develop a composite pipe for industrial applications. At reporting date, the investee held no assets or liabilities and had not entered into any transactions.

11. Share based payments

Options - Quickstep Employee Incentive Plan

The Company has established the Quickstep Employee Incentive Plan (EIP). Under the EIP, the Board may grant options to selected Quickstep employees on such terms as it determines appropriate. Participation in the EIP is open to all employees of the Group, with the Board determining those employees eligible to participate in each grant under the EIP. Each option is a conditional right to one Quickstep ordinary share, subject to the satisfaction of the applicable performance conditions and payment of the exercise price (if any).

The EIP provides sufficient flexibility for the Board to grant short-term or long-term incentives to eligible employees. That is, the performance conditions set by the Board may apply over the period of time the Board determines appropriate in the circumstances. It is currently intended that the "short-term" grants under the EIP will be in the form of an equity retention incentive, with the applicable performance condition based on the key performance indicators set under the Company's short term incentive program, and that the "long term" grants will be subject to performance criteria based on achieving total shareholder return targets over a three year period.
In general, the options will not vest until the performance criteria specified by the Board at the time of the grant have been achieved and provided the participant remains a Group employee. If the performance criteria are not satisfied at the end of the applicable performance period the options will lapse. The options may lapse in other circumstances provided for in the EIP rules, including forfeiture where the employee engages in dishonest or fraudulent conduct, where there is a change in control and where the employee ceases employment. Subject to the rules and the terms of grant, options will lapse on the seventh anniversary of their grant date.

At 30 June 2012, the Group's CEO is the only employee to be granted options pursuant to the EIP.

The number and weighted average exercise prices (WAEP) of options issued under the EIP are as follows:

Employee Incentive Plan	**2012 Number**	**2012 WAEP**	2011 Number	2011 WAEP
Outstanding at 1 July	**1,868,961**	**$0.00**	3,249,476	$0.00
Granted during the period	**706,373**	**$0.00**	471,337	$0.00
Exercised during the period	**-**	**$0.00**	(1,851,852)	$0.00
Outstanding at the end of the year	**2,575,334**	**$0.00**	1,868,961	$0.00
Exercisable at the end of the year	**-**	**$0.00**	-	$0.00

The options granted from the EIP are subject to performance conditions based on achieving pre-set accumulated absolute Total Shareholder Return (TSR) targets over the applicable performance period. In summary, TSR combines share price appreciation over a period and dividends paid during that period to show the total return to shareholders over that period. For the purposes of the performance conditions attached to the options, TSR will be calculated as the 45 day volume weighted average price (VWAP) of Quickstep shares as at a test date (30 June or 31 August). The options vest on the day after the test date. This calculation has been adopted bearing in mind Quickstep's market capitalisation and to ensure the performance hurdle and testing process remain appropriate in all the circumstances.

All options are subject to a three year performance condition from their grant date.

The specific TSR targets for each Tranche are set out below.

If the Threshold hurdle of TSR is achieved at a test date, 25% of the Options in the tranche will vest. If the Target hurdle of TSR is achieved at a test date in any given year, 50% of Options in the tranche will vest. If the Stretch hurdle of TSR is achieved at a test date in any given year 100% of Options in the tranche will vest. After the initial vesting period, re-testing of the performance conditions occurs annually. Re-testing will occur over the longer performance period and against the higher TSR hurdle.

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Grant			**Tranche 3**	**Tranche 4**	**2010 Year**	**2011 Year**
Earliest vesting date			**01/07/11**	**01/07/12**	**1/7/2013**	**1/9/2014**
TSR Hurdle VWAP as at			**30 June 2011**	**30 June 2012**	**30 June 2013**	**31 Aug 2014**
	% Annual Growth (TP)	**% Vesting**				
Initial value			$0.165	$0.250	$0.326	$0.228
Threshold	5	25	$0.188	$0.290	$0.378	$0.264
Target	8	50	$0.204	$0.315	$0.410	$0.287
Stretch	12	100	$0.227	$0.352	$0.458	$0.320

If the employee ceases employment with the Group due to death, disability, bona fide redundancy or any other reason which may meet with the approval of the Board, the Board may determine that any unvested options he holds will vest as at his date of cessation, having regard to such factors as the Board considers relevant, including pro rata performance against the performance condition over the period from the grant date to the date of cessation.

If they cease employment in these circumstances and hold vested options they may exercise those options within the 12 month period following his date of cessation (or, the remaining period until the expiry of the options, if less than 12 months).

If they cease employment for any other reason any unvested options they hold will lapse on the date of cessation unless the Board determines otherwise, and any vested options must be exercised within three months.

Details of the fair value of unvested options granted are set out below

Grant	**No. of options**	**Fair value per option at the grant date $**	**Total fair value $**
Tranche 3	925,926	0.3150	291,667
Tranche 4	471,698	0.2700	127,358
2010 Year	471,337	0.3620	170,624
2011 Year	706,373	0.1730	122,203
Total	**2,575,334**		**711,852**

During 2012, an expense of $139,100 (2011:$272,039) has been included in the financial statements as the portion of the attributable to the current financial year as required by accounting standards.

A Monte-Carlo simulation has been used to value Tranche 3 and 4 and the 2010 year and 2011 year grants that had a future vesting condition at the grant date of the options. Assumptions used in the valuation of the options in Tranche 3, 4 and 2010 year and 2011 Year at grant date included:

Tranche	**3**	**4**	**2010 Year**	**2011 Year**
Grant date	30/03/2010	30/03/2010	26/11/2010	23/11/2011
First testing date	30/06/2011	30/06/2012	30/06/2013	31/8/2014
Expiry date	30/03/2017	30/03/2017	26/11/2017	23/11/2018
Share price at grant date	$0.35	$0.35	$0.41	$0.21
Exercise price	Nil	Nil	Nil	Nil
Expected life (years)	1.3	2.3	2.9	3.1
Volatility	80%	80%	75%	75%
Risk free interest rate	4.66%	5.01%	5.07	3.08%
Dividend yield	0%	0%	0%	0%

Rights

Executive Performance and Retention Bonus

During the period the company has granted rights over 2,200,621 shares with a fair value of $547,840 through an executive performance and retention bonus scheme. The rights vest on 31/12/2013 upon performance of criteria related to the company's relocation objectives and are conditional upon continued employment. In the event that the share price of the company at the exercise date is below $0.18, the number of shares to be issued will be increased by the percentage variation of the share price from $0.18.

The rights have been valued at fair value based on a Monte Carlo simulation at the issue date. An expense of $111,950 (2011:nil) has been included in the financial statements as the portion of the current offer, attributable to the current financial year as required by accounting standards.

A Monte-Carlo model was utilised to value the rights per dollar issued. The key assumptions utilised were as follows:

Input / assumption	Value
Valuation/Grant Date	10 February 2012
Maturity Date	31 December 2013
Share price at grant date	$0.17
Volatility	70%
Risk free rate	3.55%
Dividend yield	Nil
Trigger price	$0.18
Issue price	$0.2092

Loyalty Bonus

Rights have been issued to a number of key management personnel in prior years as long term retention incentives. The rights vest in two tranches provided the employee remains employed with the Group. 1/3 vest 2 years from the date granted, 2/3 vest 3 years from the date granted

The rights are valued at the market value of the Group's share on the date of issue of the rights. An expense of $135,502 (2011:118,507) has been included in the financial statements as the portion of the offer, attributable to the current financial year as required by accounting standards

680,253 rights vested (2011; 468,750 rights lapsed) during the period.

Performance rights issued were as follows:

	2012 Number	2011 Number	Vesting conditions
Loyalty bonus			Vest in two tranches provided the employee remains with the Group. 1/3 vest 2 years from the date granted, 2/3 vest 3 years from the date granted
Performance rights on issue July 1	**1,853,538**	1,627,103	
Performance rights terminated	**-**	(468,750)	
Performance rights exercised	**(680,235)**	(294,118)	
Performance rights granted	**-**	989,303	
Performance rights on issue 30 June	**1,173,303**	1,853,538	
Executive performance and retention bonus			Vest on 31/12/2013 provided the employee remains with the Group and achieves defined performance objectives.
Performance rights on issue July 1	**-**	-	
Performance rights granted	**2,200,621**	-	
Performance rights on issue 30 June	**2,200,621**	-	

Shares

The Company issued 339,823 shares as long term incentives accrued for in the prior year (refer Note 30). The fair value of shares granted is determined as the quoted price on the ASX of the shares of the Company on the day of the grant.

Long term incentives accrued for in the current year of $121,258 are expected to be settled through share based payments during the next financial year.

Employee Expenses

The expense recorded in the financial report for the portion attributable to the current financial year as required by accounting standards is:

	Consolidated 2012 $	2011 $
Employee expenses		
Shares	**103,759**	-
Share rights granted	**247,452**	118,507
Options	**139,110**	272,039
	490,321	390,546

33. Parent entity

As at, and throughout, the financial year ending 30 June 2012 the parent company of the Group was Quickstep Holdings Limited.

	Company 2012 $	2011 $
Results of the parent entity		
Profit/(Loss) for the period	**(11,801,140)**	(13,929,826)
Other comprehensive income	**-**	-
	(11,801,140)	(13,929,826)
Financial position of the parent entity at year end		
Current assets	**6,703,537**	414,374
Total assets	**20,192,457**	20,534,233
Current liabilities	**3,577,654**	604,542
Total liabilities	**3,577,654**	604,542
Total equity of the parent entity comprising of:		
Share capital	**74,754,828**	66,854,895
Share based payments reserve	**2,613,956**	2,027,637
Accumulated losses	**(60,753,981)**	(48,952,841)
Total equity	**16,614,803**	19,929,691

34. Subsequent events

Since the end of the financial year the Group:

- Has entered into a lease for an additional building at the Bankstown site; and.
- Obtained a purchase order for $12 million for first deliveries of C-130 parts, commencing in late 2013

Other than the matters referred to above or in the financial statements, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

DIRECTORS' DECLARATION

In the opinion of the directors of Quickstep Holdings Limited:

1. (a) the consolidated financial statements and notes and Remuneration Report in the Directors' Report, set out on pages 27 to 73 and pages 11 to 21 respectively, are in accordance with the *Corporations Act 2001*, including:

    (i) giving a true and fair view of the Group's financial position as at 30 June 2012 and their performance, for the financial year ended on that date; and

    (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*;

   (b) the financial statements comply with International Financial Reporting Standards as described in Note 1 (b);

   (c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2. The directors have been given the declarations required by s.295A of the *Corporations Act 2001* for the financial year ended 30 June 2012.

Dated at Perth, Western Australia this 28th day of September 2012.

Signed in accordance with a resolution of the directors:

P M Odouard
Managing Director

KPMG

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 audit for the financial year ended 30 June 2012 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Matthew Beevers
Partner

Perth

28 September 2012

KPMG

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

Report on the financial report

We have audited the accompanying financial report of Quickstep Holdings Limited (the Company), which comprises the consolidated statement of financial position as at 30 June 2012, and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 34 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the Group comprising Quickstep Holdings Limited and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation of the 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 financial report that is free from material misstatement whether due to fraud or error. In note1(b), the directors also state, in accordance with Australian Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements of the Group comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Independence

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

Auditor's opinion

In our opinion:

(a) the financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in note 1(b).

Report on the remuneration report

We have audited the Remuneration Report included in section 15 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with auditing standards.

Auditor's opinion

In our opinion, the remuneration report of Quickstep Holdings Limited for the year ended 30 June 2012, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Matthew Beevers
Partner

Perth

28 September 2012

DETAILS OF SHARES AND OPTIONS AS AT 2 OCTOBER 2012

Voting rights

The voting rights attaching to ordinary shares are:

- On a show of hands every member present in person or by proxy shall have one vote and upon a poll each share shall have one vote.
- Options do not carry any voting rights.

Substantial shareholders

The names of substantial shareholders in the Company and the number of shares to which each substantial shareholder and their associates have a relevant interest are set out below:

Substantial Shareholder	Number of Shares	%
Washington H Soul Pattinson and Company Limited	63,172,570	19.57
Decta Holdings Pty Ltd	26,039,341	8.07
WSF Pty Ltd	10,245,339	3.17

On-Market buy back

There is no current on-market buy back.

Distribution schedules

Distribution of each class of security as at 2 October 2012:

Ordinary fully paid shares

Range	Holders	Units	%
1 - 1,000	465	163,668	0.05
1,001 - 5,000	921	2,898,031	0.9
5,001 - 10,000	867	7,277,159	2.25
10,001 - -100,000	2,353	79,625,206	24.67
100,000 - Over		232,784,566	72.13
	4,955	322,748,630	100.0

Options exercisable at $0.00 on or before 30 March 2017 (unlisted)

Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 -10,000	-	-	-
10,001 - 100,000	-	-	-
100,000 - Over	1	1,397,624	100.00
	1	1,397,624	100.00

DETAILS OF SHARES AND OPTIONS AS AT 2 OCTOBER 2012

Options exercisable at $0.00 on or before 25 November 2017 (unlisted)

Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,000 - Over	1	471,337	100.00
	1	471,337	100.00

Options exercisable at $0.00 on or before 23 November 2018 (unlisted)

Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,000 - Over	1	706,373	100.00
	1	706,373	100.00

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 2,778 shares at $0.18 per share):

Holders	Units
872	935,018

Top Holders

The 20 largest registered holders of each class of quoted security as at 2 October 2012 were:

Name	No. Of Shares	%
1. Washington H Soul Pattinson and Company Limited	63,172,570	19.57
2. Decta Holdings Pty Ltd	26,039,341	8.07
3. WSF Pty Ltd <Woodstock S/F A/C>	10,245,339	3.17
4. Romadak Pty Ltd <Romadak Super Fund A/C>	7,560,798	2.34
5. M F Custodians Limited	3,699,270	1.15
6. Mr David Creighton Gellatly & Mrs Evelyn May Gellatly <D&E Gellatly Super A/C>	3,400,000	1.05
7. HSBC Custody Nominees (Australia) Limited	3,198,646	0.99
8. State One Stockbroking Ltd	2,693,141	0.83
9. Yarraandoo Pty Ltd <Yarraandoo Super Fund A/C>	2,196,576	0.68
10. Mr Julius Solomons & Mrs Dianne Solomons	2,109,567	0.65
11. Prunelle Holdings Pty Ltd	2,077,692	0.64
12. Code Nominees Pty Ltd	1,900,000	0.59
13. State One Equities Pty Ltd	1,891,301	0.59
14. Equilibrium Pensions Limited <Campbell Family Int PPPS A/C>	1,836,301	0.59
15. Boldbow Pty Ltd	1,832,830	0.57
16. Mr Carmine De Vitis	1,610,000	0.50
17. Davmin Pty Ltd	1,600,000	0.50
18. Patel Pradip	1,520,000	0.47
19. Farjoy Pty Ltd	1,500,000	0.46
20. FWMI Pty Ltd	1,326,983	0.41
	141,410,355	43.82

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Quickstep

Principal Address
Quickstep Holdings Limited
361 Milperra Road
Bankstown Airport
New South Wales 2200
Australia

T +61 2 9774 0300
F +61 2 9771 0256

Registered Office
Quickstep Holdings Limited
136 Cockburn Road
North Coogee
Western Australia 6163
Australia

T +61 8 9432 3200
F +61 8 9432 3222

E info@quickstep.com.au
www.quickstep.com.au