Quickstep

CORPORATE DIRECTORY

Directors

Mr Tony Quick
Non-Executive Chairman

Mr Philippe Marie Odouard
Managing Director

Mr Nigel Ian Ampherlaw
Non-Executive Director

Mr Peter Chapman Cook
Non-Executive Director

Mr Bruce Griffiths
Non-Executive Director

Mr Mark Bernard Jenkins
Non-Executive Director

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

Mr David Singleton
Non-Executive Director

Company Secretary

Mr Jaime Pinto

Principal Office

361 Milperra Road
Bankstown Airport
NSW 2200
Australia

T +61 2 9774 0300
F +61 2 9771 0256
E info@quickstep.com.au
www.quickstep.com.au

Registered Office

Level 2, 160 Pitt Street
Sydney, NSW 2000 Australia

Auditors

KPMG
Chartered Accountants
10 Shelley Street
Sydney, NSW 2000 Australia

Solicitors

Clifford Chance
Level 7, 190 St Georges Terrace
Perth, WA 6000 Australia

Patent Attorney

Watermark
Building 1, Binary Centre
Level 3, 3 Richardson Place
North Ryde, NSW 2113 Australia

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
Applecross, WA 6153 Australia

Stock Exchange

Australian Securities Exchange Limited
Exchange Centre
20 Bridge Street
Sydney, NSW 2000 Australia

ASX Code: QHL

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To listen live to the Managing Directors' Report during Quickstep's AGM at 3.15pm on 21 November 2013 and to replay thereafter, go to **http://www.brr.com.au/event/117237**

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info@quickstep.com.au **www.quickstep.com.au** facebook.com/quickstep.technologies twitter.com/QuickstepTech

KEY MESSAGES

Commenced delivery of aerospace parts from Bankstown and achieved **$6.8 million** in sales and revenue for the year

Continued **strong growth** expected in FY2014

Firm order book now more than **$30 million**

The only Australian listed company with **direct exposure** to the fast-growing carbon-fibre market

MILESTONES

First Quickstep Process
sale to leading satellite launcher part manufacturer for the production of large carbon-fibre composite shielding, and taking Quickstep into the space market

Successful transition
from Coogee to Bankstown whist maintaining the build-up in JSF parts delivery

Significant orders received
for Joint Strike Fighter carbon-fibre composite parts from the world's largest military aerospace program

Delivered the first flying part
for the Joint Strike Fighter manufactured at Quickstep's state-of-the-art facility at Bankstown Airport

Secured largest purchase order to date, valued at
$12 million,
for Lockheed Martin C – 130J carbon-fibre composite wing flaps contract

Completed all qualification tasks for Lockheed Martin's engineering testing program, receiving
'qualified producer status'
in July 2013

Achieved technical success developing Quickstep's
resin spray transfer (RST)
technology for high-volume, low-cost automotive production and enabling spectacular finish

Quickstep continued to lead a
joint development project with Audi and supported by the German government to manufacture carbon-fibre composite parts for the automotive industry

CHAIRMAN'S REPORT

"Quickstep is a company which looks to the future, and we are today the only ASX-listed company with direct exposure to the multibillion dollar global advanced carbon-fibre composites market"

FY2013 was a year of outstanding achievement for Quickstep, as we consolidated the progress of the previous year and achieved new and significant successes. We moved our operations from Perth to Sydney, achieved the necessary qualifications and secured purchase orders related to prestigious aerospace and defence contracts. Furthermore we demonstrated the commercial potential of our patented technology.

Quickstep is a company which looks to the future, and we are today the only ASX-listed company with direct exposure to the multibillion dollar global advanced carbon-fibre composites market. Transport and other industries are changing as the increasing cost of fuel and taxes on carbon dioxide emissions drive a shift towards the use of strong lightweight composites. Our specialist skills and technologies provide us with a substantial market opportunity as we seek to consolidate a position in the global supply chains of both aerospace and defence and automotive markets.

The aerospace and defence industry is valued at more than US$700 billion annually, and Quickstep is delighted to have as its flagship contract the Joint Strike Fighter program which is the world's largest military aerospace program. We have also been selected, against international competition, to supply C-130J carbon-fibre composite wing flaps to Lockheed Martin. We continued to meet qualification and delivery milestones for these programs during the year.

Legislation is forcing manufacturers to meet new emission standards. Lightening vehicles is a critical way to achieve this, and carbon-fibre composite materials are destined to play a major role. More than 80 million new vehicles were delivered worldwide in 2012, and carbon-fibre passenger cars will be launched this year. Our initial marketing of Quickstep's patented resin spray transfer (RST) technology to automotive manufacturers has been very well received. RST provides a carbon-fibre composite solution capable of manufacturing parts at low cost, high speed, and importantly, it enables the finish the most demanding automotive companies require.

Your company, therefore, has excellent prospects for rapid growth as we continue to pursue our commercialisation strategies. In order to fund our path of substantial growth, we raised more than $12.7 million net after balance date. This included a $5.6 million institutional placement in August/September 2013 and we were pleased by strong shareholder support for our subsequent share purchase plan which raised $7.1 million. This ensures a strong cash position for your company as it continues its sales expansion in the world's major markets.

Having taken over as chairman in February 2013, I would like to thank Mark Jenkins for his previous six years as chairman. While Mark Jenkins continues as an independent non-executive director of the company, two long serving directors – Deryck Graham Jnr and Dale Brosius – retired as directors, and I would also like to thank them for their services.

We continued renewal of the board and welcomed Bruce Griffiths as a non-executive director of the company, following his highly successful career with Futuris Automotive, and in July 2013 Nigel Ampherlaw, an experienced director and chartered accountant, also joined Quickstep's board. Following the retirement of David Wills, all of the board would like to thank David for his 3 years of contribution to the Company.

In my first year as chairman, I would like to recognise the ongoing support of our shareholders, customers and my colleagues on the board. I also thank Philippe Odouard, our Managing Director, the executive team and all Quickstep staff for their hard work and dedication.

Your company has bright prospects to increase sales in the year ahead. We have innovative technologies, skilled staff, and a strong track record of delivery. Today, Quickstep is Australia's largest independent high grade carbon-fibre composites company. We have demonstrated capacity to win competitive long-term defence sector contracts, and a tremendous opportunity to license our patented RST technology to the automotive market. I am confident that the strength of the team will enable Quickstep to successfully pursue growth in FY2014.

TONY QUICK
Chairman

Quickstep Holdings Limited. Annual Report 2013

MANAGING DIRECTOR'S REPORT

I am pleased to report that this year Quickstep has continued to grow and make substantial progress towards becoming a leading supplier of carbon-fibre composite parts and processes for Aerospace and Automotive.

We achieved a five-fold increase in sales revenue to $2.6 million in FY 2013, compared to $0.5 million in the previous year. We also generated a combined sales and revenue of $6.8 million for the year 2012/13. This demonstrated the strength of our increasing sales momentum from major military aerospace manufacturing contracts. Operating cash receipts for FY2013 were $16.4 million compared to $0.9 million in FY2012, indicating the company's strong focus on cash flow as well as sound cash management.

Our sales momentum is accelerating, and based on contracts secured before the end of August 2013, our firm order book now stands in excess of $30 million, mostly to be delivered before the end of December 2014.

We continued to demonstrate strong progress against our strategy by focusing on two revenue-generating components:

- Winning and delivering manufacturing contracts using traditional manufacturing technologies, such as autoclaves, and "next generation" technologies, such as our patented Quickstep Process;
- Licensing the Quickstep Process and associated technologies, such as our resin spray transfer (RST) system, to the aerospace, defence and automotive industries.

Quickstep's aerospace and defence contracts ramp up

A highlight of the year was the on-time delivery of our first Joint Strike Fighter parts to our principal F-35 partner, Northrop Grumman, from our new facility at Bankstown Airport. This program is ramping up, with 140 JSF aircraft complete or under construction. Our JSF agreements are expected to generate up to $700 million over the next 20 years.

During the year, we transferred production from our Western Australian plant to Sydney and closed the Perth facility. Purchase orders steadily increased and firm orders covering all three groups of parts were approximately $7 million when Quickstep delivered its 100th carbon-fibre composite manufactured part in July 2013.

We received our first Lockheed Martin C-130J Super Hercules production purchase order, valued at $12 million, in September 2012. This covered the manufacture and delivery of the first sets of carbon-fibre wing flaps for 24 aircraft. Subsequently, we completed all qualification tasks and received qualified producer status in July 2013, which paved the way for delivery of parts to begin. This contract, won against international competition, is expected to generate revenue of between $75 million – $100 million over the next five years, and deliveries are expected to begin during FY2014.

Commercialising Quickstep's technologies

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 sale of plant to component manufacturers. In FY2013 we finalised development of new technologies which are poised to revolutionise the industry.

The Quickstep Process is an innovative system that uses a liquid to cure carbon-fibre parts much faster than traditional autoclave methods. When used with our RST technology, we can produce carbon-fibre composite parts straight out of the mould enabling spectacular finishes – ideal for the high-volume, high-technology automotive industry. Development of this technology was partially funded by a $2.6 million government grant.

Quickstep's RST offers a quantum leap forward in manufacturing strong, lightweight carbon-fibre car parts that can dramatically reduce finishing time, making advanced composites a competitive replacement for metal automotive body parts. We have demonstrated our products and a compelling business case to a number of automotive manufacturers, and negotiations are continuing.

We are also continuing to lead the PRESCHE joint development project to manufacture larger series of carbon-fibre composite parts for the automotive industry. This project with Audi is supported by the German government and aims to reduce the production costs of existing processes by approximately one-third using Quickstep's carbon-fibre technology.

First Quickstep Process sale

We were delighted to announce our first sale of the Quickstep Process in July 2013 to the Russian company, ORPE Technologiya, which will produce large carbon-fibre shield for satellite launching using our technology. This contract is valued at €4.2 million (AUD $6 million), opening up the satellite and a number of new markets to Quickstep. Importantly, it demonstrates our capability to produce large parts cured in a single shot. In the past year, we have been working to demonstrate how our technology can be used to build wing skins with integrated stiffeners for commercial aircraft. This further application could open up the commercial aircraft market for Quickstep, as the next generation of aeroplanes will transition from using aluminium to primary carbon-fibre parts.

Outlook

We anticipate strong sales growth as production for both the Joint Strike Fighter and C-130J Hercules programs increase, and expect sales to exceed $15 million in FY2014, a six time increase compared to last year. Based on our firm order book and scheduled delivery dates, Quickstep expects to become cash flow positive during FY2015. With our recent success in raising over $12.7 million of equity on the market, we have a strong cash basis to deliver this aggressive continuing growth.

Our performance for the Joint Strike Fighter program has earned Quickstep a positive reputation for high quality and delivery. We continue to bid for new aerospace and defence work, and we are well positioned to capitalise on opportunities.

Quickstep's resin spray technology offers a unique technology for the automotive sector, and we believe we have significant commercial opportunities to licence RST and sell plants and associated services.

I would like to thank our existing shareholders for their confidence in the future of the company and their support during the SPP. I would like to welcome our new shareholders, from Australia and more and more from overseas who invested in Quickstep through the placement or the market.

In closing, I would like to acknowledge the hard work and dedication of our strong team of executives and staff that manage the company's rapid expansion and commissioning of manufacturing plants, delivering this massive growth in a short period of time.

Yours sincerely,

PHILIPPE ODOUARD
Managing Director

QUICKSTEP'S RST

Quickstep's mini-plant automates production using the company's breakthrough Quickstep Process and resin spray transfer (RST) technology to make carbon-fibre components in minutes. Bespoke configurations enable tailoring for automotive or aerospace and defence purposes and for manufacturing small or large sized parts.

The Quickstep Process transfers heat 25 times faster than the autoclave to mould carbon-fibre composites more efficiently. This high-speed system facilitates mass production and reduces capital costs.

The spectacular finish supported by Quickstep's RST technology is a carbon-fibre industry first, eliminating the need for labour-intensive bogging and sanding.

QUICKSTEP'S AUTOMOTIVE OPPORTUNITY

Quickstep is focused on developing licensing opportunities for its technologies in the global automotive sector. Over the decade the demand for carbon-fibre is expected to increase tenfold and the automotive sector is expected to become one of the largest users of carbon-fibre composite technology.

The industry's shift to composites is being driven by legislation in Europe and the United States to reduce carbon dioxide emissions. Carbon-fibre can halve the weight of components compared to steel, and is just as strong. We believe that our resin spray transfer (RST) technology is poised to revolutionise the industry.

It allows strong components to be made in minutes and at very low cost compared to traditional, more capital intensive methods.

In fact, RST meets the industry's 'holy grail' of producing carbon-fibre parts at low cost, high speed and with a spectacular finish. Until RST, no composite solution met all three objectives. Its capacity to mass-produce car parts with a high-quality finish direct from the mould is a powerful leap forward compared to prior carbon-fibre processes.

Quickstep has embarked on a program to provide demonstration parts and business cases to leading global automotive manufacturers.

This has been well received and luxury 'supercar' manufacturers have proven the value of RST in their extreme environmental ageing tests. Negotiations are continuing, and we are also pursuing large-volume production tests in cooperation with industrial partners in Germany, including Audi. Our development facilities in Australia, Germany and the USA, place us at the forefront of carbon-fibre technology.

Additionally, we have commissioned our first production plant using the patented Quickstep Process technology.

This plant, located at Bankstown Airport, fully automates production of lightweight carbon-fibre composite car panels. These plants can be replicated and sold as separate units, with specialised resins and services also providing revenue for Quickstep.

More than 80 million new vehicles were produced worldwide in 2012, indicating a significant automotive industry market for Quickstep.

Carbon-fibre can halve the weight of components compared to steel, and is just as strong.

QUICKSTEP'S AEROSPACE AND DEFENCE CAPABILITY

Quickstep has contracts in place with several of the world's largest and most recognised aerospace companies.

We entered the global defence sector in 2009 with a cornerstone agreement to supply centre fuselage carbon-fibre components for the F-35 Lightning II Joint Strike Fighter program, which is the world's largest military contract. Nine nations – Australia, the United States, United Kingdom, Italy, the Netherlands, Turkey, Canada, Denmark, and Norway – partnered to develop the JSF, and Israel and Singapore have agreed to join the program as security cooperation participants. Quickstep will manufacture 21 different parts for the JSF program for Northrop Grumman over the next twenty years.

This work represents a significant proportion of our current forward order book, and Quickstep has earned a positive reputation for on-time performance through this flagship contract. We have, therefore, a strong opportunity to establish a position in the global aerospace and defence supply chain, supported by the Australian government's defence industry participation program. Military contracts have very high barriers to entry and our high value added specialised focus ensures protection from competition in low-labour cost countries.

We have already capitalised on this performance by winning, against global competition, a contract to manufacture wing flaps for Lockheed Martin's C-130J military transport aircraft. Fifteen countries have already selected the C-130J to meet their airlift requirements. Quickstep services these large-scale, long-term contracts through our new state-of-the-art carbon-fibre composites facility at Bankstown Airport, which also has capacity for expansion.

Quickstep is actively bidding for further contracts with a number of other potential clients. Our aerospace and defence partners to date include some of the sector's leading organisations including Airbus, BAE Systems, EADS, Eurocopter, Lockheed Martin, Northrop Grumman and Sikorsky.

As Australia's largest independent carbon-fibre composites manufacturer, we have a tremendous opportunity to consolidate our position in the growing global supply chain.

We entered the global defence sector in 2009 with a cornerstone agreement to supply centre fuselage carbon-fibre components for the F-35 Lightning II Joint Strike Fighter program, which is the world's largest military contract.

FINANCIAL REPORT
FOR THE YEAR END 30 JUNE 2013

DIRECTOR'S REPORT

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 2013 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 were:

Mr Tony Quick, MA (Cantab)
Independent Non Executive Chairman - *appointed 14 February 2013*

Mr Tony Quick, aged 57, is also Chair of the Defence Materials Technology Centre which is a Defence funded Co-operative Research Centre. He is also the TCF Supplier Advocate in the Department of Industry, and an Adjunct Professor at RMIT University.

After graduating from Cambridge University, Mr Quick spent most of his career in International Business Development, Program and Business Management. He joined an Aerospace composites business in 1988 and in 1993 he joined Westland Helicopters in England where he held senior international business development and program management roles. In 2001 he set up GKN Aerospace Engineering Services Pty Ltd in Australia to service global demand for engineering services, he was the Director and General Manager until 2009. The company provided design services to the F-35 Joint Strike Fighter program for Lockheed Martin and Northrop Grumman. Its parent company, GKN Aerospace, is one of the world's largest independent first-tier composite suppliers to the global aerospace industry. Mr Quick was the Director of the Defence Industry Innovation Centre, Enterprise Connect from 2009 to 2011.

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

Mr Philippe Odouard, aged 58, 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 $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 Mr Odouard was responsible for managing large contracts with innovative developments as well as technology transfers in both Australia and Europe. 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 Force.

Mr Nigel Ian Ampherlaw, B.Com, FCA, MAICD

Independent Non Executive Director - *appointed 8 July 2013*

Mr Nigel Ampherlaw, aged 58, joined the Quickstep Board in July 2013 and is chairman of the Audit, Risk and Compliance Committee. He was a Partner of PricewaterhouseCoopers for 22 years where he held a number of leadership positions, including heading the financial services audit, business advisory services and consulting businesses. He also held a number of senior client Lead Partner roles. Mr Ampherlaw has extensive experience in Risk Management, technology, consulting and auditing in Australia and the Asia-Pacific region.

Mr Ampherlaw's current corporate Directorships include a Non-Executive Directorship with Credit Union Australia, where he is Chair of the Risk and Technology Committees and a member of the Audit and Strategy Committees; and a Non-Executive Director of the Australia Red Cross Blood Service, where he is a member of the Finance and Audit Committee and of the Risk Committee. Mr Ampherlaw has also been a member of the Grameen Foundation Australia charity Board since 2012.

Mr Dale Edwin Brosius, B. Sc. (Chem. Eng.), MBA
Executive Director and President Quickstep Composite LLC - *appointed 13 August 2004, resigned as director 14 February 2013. Dale remains as an Executive of the Group.*

Mr Dale Brosius, aged 55 - as President of Quickstep Composites LLC, the Company's USA subsidiary in Dayton, Ohio, is responsible for the commercial development of the Company's technology in the Americas. 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.

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

Mr Peter Cook, aged 66, is the Chairman of the Remuneration, Nomination and Diversity Committee and has extensive business experience, both within Australia and overseas.

Prior to his most recent Executive appointment as Managing Director and Chief Executive Officer of Biota Holdings Limited, Mr Cook had 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 considerable experience in mergers and acquisitions, particularly with technology-based companies, and has a strong manufacturing background.

Mr Cook has had a wide exposure 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.

Mr Deryck Fletcher Gow Graham, Dip. Co. Dir.
Executive Director *(not classified as Independent) - appointed 16 June 2001, resigned as director and Executive 14 February 2013*

Mr Deryck Graham, aged 52, 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 assisted 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 Bruce Griffiths, OAM
Independent Non Executive Director - *appointed 14 February 2013*

Mr Bruce Griffiths OAM, aged 63, is a member of the Remuneration, Nomination and Diversity Committee. Bruce has had a successful and extensive career, spanning more than 40 years, in the manufacturing industry. He has held a number of senior Executive roles within the industry and has a long history in working with Government. Bruce was recently awarded the Order of Australia Medal for services to the automotive manufacturing industry and to the community.

Current appointments include: Rail Supplier Advocate since 2009, Board Member - Industry Capability Network Limited (ICNL), Director - Air International Thermal Systems, Chairman - Sail Melbourne ISAF Sailing World Cup.

Previous appointments include: Chairman - Futuris Automotive Group (2007-2012), Managing Director - Futuris Automotive Group (1992 -2007), Chairman - Air International Thermal Systems (2008-2011), Board Member - AutoCRC (Advanced Automotive Technology Ltd) (Inception -2012), Vice President of the Federation of Automotive Products Manufacturers (FAPM) (1990-2012). Member - Automotive Industry Innovation Council, Advisory Board Member - Enterprise Connect

Mr Griffiths' honours include: Order of Australia Medal – 2013, Centenary Medal for Services to the Development of the Auto Industry Policy, Victorian Manufacturing Hall of Fame for services to the Manufacturing Industry.

Mr Mark Bernard Jenkins, B. Comm., Grad. Dip. Bus.
Independent Non Executive Director - *appointed as director 14 July 2005; appointed as Chairman 13 March 2007. Resigned as Chairman 14 February 2013*

Mr Mark Jenkins, aged 49, is a member of the Audit, Risk and Compliance Committee. Mark 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.

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

Air Marshal Errol McCormack, aged 72, is a member of the Audit, Risk and Compliance Committee. Errol 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.

DIRECTOR'S REPORT

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

Mr David Singleton, aged 53, is a member of the Audit, Risk and Compliance Committee and the Remuneration, Nomination and Diversity Committee. David 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 a degree in Mechanical Engineering from University College London.

Mr David Edward Wills, B Comm., FCA
Independent Non Executive Director - *appointed 26 November 2010, retired 5 July 2013*

Mr David Wills, aged 65, was Chairman of the Audit, Risk and Compliance Committee until his recent retirement. David 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 (from 2004 to July 2013); and
- Souls Private Equity Limited (since 2005);

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

Mr. Jaime Pinto, B.Com, CA. - *appointed 20 November 2012*

Mr Pinto, aged 42, is a Chartered Accountant with over 20 years experience in both professional practise and commerce. He has held senior finance roles in organisations of varying size and complexity, including small private businesses, large national groups and ASX listed entities. He is currently the Company Secretary of a number of ASX-listed and unlisted companies in the manufacturing, investing, real estate and advisory industries.

Mr Pinto holds a Bachelor Degree in Commerce from the University of NSW, and is a member of The Institute of Chartered Accountants Australia.

Mr Phillip James MacLeod, B. Bus., ASA. MAICD - *resigned 20 November 2012*

Mr MacLeod, aged 48, 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.

DIRECTOR'S 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		Audit, Risk and Compliance Committee Meetings		Remuneration, Nomination and Diversity Committee Meetings	
	A	B	A	B	A	B
Mr T Quick	6	6	-	-	-	-
Mr P M Odouard	12	12	-	-	-	-
Mr N Ampherlaw	-	-	-	-	-	-
Mr D E Brosius	7	4	-	-	-	
Mr P C Cook	12	9	-	-	5	5
Mr D F G Graham	7	7	-	-	-	-
Mr B Griffiths	6	6	-	-	1	1
Mr M B Jenkins	12	11	-	-	-	-
Mr E J McCormack	12	11	3	3	-	-
Mr D Singleton	12	10	3	3	5	3
Mr D E Wills	12	10	3	3	5	5

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:

- delivery of the first twelve months of production parts to Northrop Grumman for the Joint Strike Fighter Project including those manufactured at the new Bankstown manufacturing facility;
- building the capability and capacity of the organisation in advance of the start of production of C-130J wing flaps for Lockheed Martin;
- 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; and
- coordination of a cohesive strategic plan for the Group's global research & development initiatives;

5. Results

The Group incurred a loss after tax of **$16,985,894** for the year ended 30 June 2013 (2012: loss of $11,801,601).

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.

8. Events Subsequent to Reporting Date

Since the end of the financial year the Group:

- delivered its 100th manufactured carbon-fibre composite part for its F-35 Lightning II Joint Strike Fighter contract with global aerospace company Northrop Grumman Corporation
- Completed all qualification tasks required by Lockheed Martin's materials and process technical engineering testing program for manufacture of C130J wing flaps
- Secured a EUR 4.2m contract to provide leading Russian aircraft composites manufacturer, ORPE Technologiya, with its Quickstep Process to manufacture large carbon-fibre composite components
- Advanced its patented Resin Spray Transfer (RST) technology with a key European automotive manufacturer targeted at lightweight strong vehicle parts to be produced at relatively high speed and low cost with a high quality finish
- Raised $6.1m (before costs) through two placements of fully paid ordinary shares to institutional and sophisticated investors
- Raised $7.2m (before costs) through a share purchase plan with existing investors
- Received additional purchase orders to the value of $2.6m for non-recurring work relating to existing aerospace agreements

9. Likely Developments

Strategies, Prospects and Risk by Division

Manufacturing

Strategic Objective	Prospects	Risks
Achieve sales revenue from new and existing manufacturing contracts	Program schedules indicate a significant increase in sales for the 2014 financial year	Steep ramp up over a short period, mitigated by strong management team
Begin delivery of C-130J ships sets	Start delivery of C-130J during 2013/14	Manage the transition of the work from Boeing and the design authority from Boeing to Lockheed Martin, mitigated by employing a number of professionals and staff from Boeing as they close down their site in Bankstown
Control of labour hours and material costs to proposed levels	Achieve budget performance	Risk mitigated by strong management team and systems
Sign new manufacturing agreements to deliver more manufacturing hours	A number of bids are being negotiated as present	Introduce new work in addition to a fast ramp up on the 2 existing contracts, mitigated by the end of the non recurring phase of Northrop Grumman's work

Quickstep Systems

Strategic Objective	Prospects	Risks
Fully demonstrate RST cell capability by producing motor vehicle parts capable of sale	Develop real parts for manufacture	Finalise all related technologies to the parts (Tools, faster machine...)
Manufacture and deliver first motor vehicle part to an Original Equipment Manufacturer (OEM)	Sign a contract with OEM to produce such part	New technology needs to be accepted, risk mitigated by a growing team of automotive specialist on the technical and sales areas.

DIRECTOR'S REPORT

10. Directors' Interests

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

Director	Shares	Options	Rights
Mr T Quick	-	-	-
Mr P M Odouard	2,134,205	3,563,073	-
Mr. N. Ampherlaw[(5)]	275,000	-	-
Mr D E Brosius[(6)]	600,000	-	-
Mr P C Cook [(2)]	220,758	-	-
Mr D F G Graham [(1)]	26,039,341	-	-
Mr B Griffiths	-	-	-
Mr M B Jenkins	-	-	-
Mr E McCormack[(3)]	369,315	-	-
Mr D Singleton	-	-	-
Mr D E Wills[(4)]	460,107	-	-

1. The registered holder of the shares is Decta Holdings Pty Ltd, the trustee for a discretionary trust of which Mr Graham is a potential beneficiary. Mr Graham resigned as Director on 14 February 2013. The interest disclosed is at the date of cessation as Director.
2. The registered holder of the shares is Bond Street Custodians Limited as custodian for the Lloyds Wharf Superannuation Fund, of which Mr Cook is a trustee.
3. The registered holder of the shares is Aviops Pty Ltd, of which Mr McCormack is a director.
4. The registered holder of the shares is Jammit Pty Ltd, of which Mr Wills is a director. Mr Wills retired as a Director on 5 July 2013. The interest disclosed is at the date of cessation as Director.
5. The registered holder of the shares is NIJS Fund which is a superannuation fund of which Mr Ampherlaw is a trustee and member.
6. The registered holder of the shares resigned as Director on 14 February 2013. The interest disclosed is at the date of cessation as Director.

11. Share Options and Rights

During the financial year 987,739 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 2013. No other options have been granted during or since the end of the financial year.

During the financial year, the Company granted 255,363 in rights to Michelle Withers for no consideration over unissued ordinary shares in the Company as part of her remuneration. No other key management personnel were granted any rights during 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:

Employee	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
Mr P Odouard	31/08/2015	22/11/2019	$0.00	987,739
Rights				
Mr S Godbille	12/7/2013	12/7/2013	$0.00	267,605
Mr S Godbille	31/12/2013	31/12/2013	$0.00	764,818
Mr J Johnson	1/7/2013	1/7/2013	$0.00	471,698
Mr J Johnson	31/12/2013	31/12/2013	$0.00	688,337
Mr A Vihersaari	1/7/2013	1/7/2013	$0.00	250,000
Mr B Pillay	31/12/2013	31/12/2013	$0.00	312,620
Total				**6,318,151**

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
769,131	$0.00

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

12. Indemnification and Insurance of Officers

Except as indicated below, 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.

Indemnification

The Group has indemnified the Directors (as named in this Report) 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*.

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.

DIRECTOR'S REPORT

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 2013, is set out on page 73

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.

The report includes details relating to:

Non Executive Directors

Mr T Quick	Chair of Board (appointed 14th February 2013)
Mr N I Ampherlaw	Chair of Audit Risk and Compliance Committee (appointed 8th July 2013)
Mr P Cook	Chair of Remuneration, Nomination and Diversity Committee
Mr B Griffiths	(appointed 14th February 2013)
Mr M Jenkins	(resigned as Chair of Board 14th February 2013)
Air Marshal (R'td) E McCormack	
Mr D Singleton	
Mr D Wills	Chair of Audit Risk and Compliance Committee (retired 5th July 2013)

Executive Directors

Mr P Odouard	Managing Director and Chief Executive Officer
Mr D Brosius	President Quickstep Composite LLC (resigned as Director 14th February 2013)
Mr D Graham (Jnr)	Business Development Manager – Australia (resigned 14th February 2013)

Executives and Officers

Mr J Pinto	Company Secretary (appointed 20th November 2012)
M P Macleod	Company Secretary (resigned 20th November 2012)
Mr J Johnson	Vice President of Commercial and Admin
Mr S Godbille	Vice President of Quickstep Systems
Mr P Robertson	Vice President of Finance (appointed 19th October 2012)
Mr M Schramko	Vice President of Manufacturing and Operations
Mr P Salvati	Quality Manager (until 1st October 2012)
Ms T Swinley	Vice President of Human Resources (appointed 3rd December 2012)
Dr J Schlimbach	Joint CEO, Quickstep GmbH
Mr A Vihersaari	Vice President of Global Business Development
Ms M Withers	Vice President of Human Resources (resigned 21st December 2012)

The Board has established a Remuneration, Nomination and Diversity (RN&D) 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 RND 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 a general meeting.

The Group does not have any scheme relating to retirement benefits for its key management personnel other than contributions defined under its statutory obligations.

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 current labour market rates, 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. Each individual's performance linked compensation is capped as a percentage uplift of fixed compensation. 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 RN&D Committee considers the appropriate targets and KPIs and the alignment of the individuals rewards to the Group's 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 RN&D 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 RN&D 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 34 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 Shareholder Return and are measured against actual share price performance over a period of 3 years. The incentives are considered to promote alignment of management and shareholder interests, continuity of employment and to 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 certain short term key performance indicators (KPIs) in respect of current year performance. The RN&D Committee considers the appropriate targets and KPIs and the individual's contribution to the Group's 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.

DIRECTOR'S REPORT

(ii.c) Other Equity-based compensation

Other 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 such as the transfer of manufacturing to NSW.

The RN&D Committee considers that the above performance linked compensation structure is generating the desired outcomes. The benefits of such incentives for shareholder's wealth creation may not directly align with the Company's current market performance, particularly during its current investment and developmental stage, and considers market 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 based on directors responsibilities at the date of this report. Non-Executive directors do not receive performance related compensation.

Non Executive Directors	Fees	Committee Chairmanship
T Quick	126,000	N/A
N Ampherlaw (apt. 08/07/2013)	60,000	5,000
P Cook	60,000	5,000
B Griffiths	60,000	N/A
M Jenkins	60,000	N/A
E McCormack	84,000	N/A
D Singleton	60,000	N/A

B. Service agreements

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

	Initial 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	Open	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	Open	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).	20 (5)	-	-
Mr S Godbille	10 June 2010	Open	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 (4)
Mr J Johnson	1 April 2011	Open	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 (4)
Dr J Schlimbach	1 Jan 2012	Fixed term	3 months	• n/a	12.5	12.5	-
Mr A J Vihersaari	1 July 2011	Fixed term	1 month	• n/a	12.5	12.5	250,000 rights(4)
Ms Tracy Swinley (from December 3, 2012)	26 November 2012	Open	3 months	• 3 months of annual salary package; and • Pro-rated annual bonus (at Board's discretion).	12.5	12.5	-
Mr M Schramko	25 July 2011	Open	3 months	• 3 months of annual salary package; and • Pro-rated annual bonus (at Board's discretion).	12.5	12.5	-
Mr Paul Robertson (from October 19, 2012)	19 October 2012	Open	3 months	• 3 months of annual salary package; and • Pro-rated annual bonus (at Board's discretion).	12.5	12.5	-

(1) STI (Short Term Incentive) is determined on performance against key performance indicators (KPIs) set and reviewed by the RN&D 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 (KPIs) set and reviewed by the RN&D Committee or the Board as appropriate.

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

(4) Retention single bonus based on continuity of service, payable in shares.

(5) Maximum US$30,000

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:

	Year	Short Term: Salary / fees $	Short Term: STI cash bonus (3) $	Short Term: Non-Monetary benefits $	Short Term: Total	Post Employment: Super-annuation Guarantee Levy $	Other Long-Term $	Term-ination Benefits $	Share-based Payments: Shares $	Share-based Payments: Options & rights $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Directors *Executive*													
Mr P M Odouard (1&2)	2013	305,718	29,932	-	335,650	31,436	-	-	-	141,340	508,426	33.7%	27.8%
	2012	296,516	51,851	-	348,367	31,138	-	-	-	43,115	422,620	22.5%	10.2%
Non-Executive													
Mr T Quick (appointed 14/02/13)	2013	52,500	-	-	52,500	-	-	-	-	-	52,500	-	-
	2012	-	-	-	-	-	-	-	-	-	-	-	-
Mr P C Cook	2013	60,000	-	-	60,000	-	-	-	-	-	60,000	-	-
	2012	60,418	-	-	60,418	-	-	-	-	-	60,418	-	-
Mr D F G Graham	2013	55,000	-	-	55,000	-	-	-	-	-	55,000	-	-
	2012	73,500	(2,250)	-	71,250	-	-	-	-	-	71,250	(3.2)%	-
Mr B Griffiths (appointed 14/02/13)	2013	23,712	-	-	23,712	-	-	-	-	-	23,712	-	-
	2012	-	-	-	-	-	-	-	-	-	-	-	-
Mr M B Jenkins	2013	102,000	-	-	102,000	-	-	-	-	-	102,000	-	-
	2012	127,200	-	-	127,200	-	-	-	-	-	127,200	-	-
Air Marshal E J McCormack AO	2013	77,061	-	-	77,061	6,936	-	-	-	-	83,997	-	-
	2012	77,358	-	-	77,358	6,962	-	-	-	-	84,320	-	-
Mr D Singleton	2013	55,045	-	-	55,045	4,955	-	-	-	-	60,000	-	-
	2012	55,256	-	-	55,256	4,973	-	-	-	-	60,229	-	-
Mr D E Wills (retired 5/7/13)	2013	56,191	-	-	56,191	5,057	-	-	-	-	61,248	-	-
	2012	46,046	-	-	46,046	4,144	-	-	-	-	50,190	-	-

	Year	Short Term: Salary / fees $	Short Term: STI cash bonus (3) $	Short Term: Non-Monetary benefits $	Short Term: Total	Post Employment: Super-annuation Guarantee Levy $	Other Long-Term $	Term-ination Benefits $	Share-based Payments: Shares $	Share-based Payments: Options & rights $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Executives													
Mr W Beckles (resigned 12/8/11)	2013	-	-	-	-	-	-	-	-	-	-	-	-
	2012	42,827	5,516	-	48,343	3,458	-	-	-	-	51,801	10.6%	-
Mr D E Brosius	2013	183,149	31,409	6,112	220,670	8,304	-	-	-	-	228,974	13.7%	-
	2012	189,749	10,655	-	200,404	-	-	-	-	-	200,404	5.3%	-
Mr S Godbille	2013	206,912	10,940	-	217,852	19,895	-	-	8,556	116,547	362,850	37.5%	-
	2012	196,953	15,664	-	212,617	18,937	-	-	15,664	66,010	313,228	31.1%	-
Mr J F Johnson (2)	2013	254,292	(4,900)	-	249,392	22,886	-	-	(11,505)	118,456	379,229	26.9%	-
	2012	292,179	27,909	-	320,088	28,674	-	-	27,909	83,707	460,378	30.3%	-
Mr P J MacLeod (resigned 20/11/12)	2013	17,500	-	-	17,500	-	-	-	-	-	17,500	-	-
	2012	42,000	-	-	42,000	-	-	-	-	-	42,000	-	-
Mr J Pinto (appointed 20/11/12)	2013	32,000	-	-	32,000	-	-	-	-	-	32,000	-	-
	2012	-	-	-	-	-	-	-	-	-	-	-	-
Mr P Robertson (commenced 19/10/12)	2013	103,846	9,375	-	113,221	9,346	-	-	9,375	-	131,942	14.2%	-
	2012	-	-	-	-	-	-	-	-	-	-	-	-
Mr P Salvati (until 1/10/12)	2013	35,000	(2,334)	-	32,666	3,150	-	-	(2,378)	-	33,438	(14.1%)	-
	2012	121,154	10,938	-	132,092	10,904	-	-	10,938	-	153,934	14.2%	-
Dr J Schlimbach	2013	162,091	9,759	-	171,850	-	-	-	7,646	-	179,496	9.7%	-
	2012	150,813	10,011	-	160,824	-	-	-	10,465	-	171,289	12.0%	-
Mr M Schramko (commenced 25/7/11)	2013	194,087	8,563	-	202,650	18,584	-	-	8,545	-	229,779	7.4%	-
	2012	172,899	15,768	-	188,667	15,561	-	-	15,768	-	219,996	14.3%	-

DIRECTOR'S REPORT

	Year	Short Term				Post Employment	Other Long-Term		Share-based Payments				
		Salary / fees $	STI cash bonus (3) $	Non-Monetary benefits $	Total	Super-annuation Guarantee Levy $	$	Term-ination Benefits $	Shares $	Options & rights $	Total $	Proportion of remuneration performance related %	Value of options as proportion of remuneration %
Executives													
Ms T Swinley (commenced 3/12/12)	2013	74,005	4,625	-	78,630	6,660	-	-	4,625	-	89,915	10.3%	-
	2012	-	-	-	-	-	-	-	-	-	-	-	-
Mr A Vihersaari (2)	2013	152,624	3,186	-	155,810	-	-	-	(906)	15,017	169,921	10.2%	-
	2012	155,727	10,908	-	166,635	-	-	-	8,217	26,293	201,145	22.6%	-
Ms M Withers (2) (resigned 21/12/12)	2013	80,900	(3,294)	-	77,606	8,055	-	81,120	(3,179)	23,733	187,335	9.2%	-
	2012	154,788	14,799	-	169,587	15,120	-	-	14,799	45,535	245,041	30.7%	-

Notes in relation to the table of remuneration:

(1) Other incentives 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. Accrual adjustments

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

Retention 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	83,745	$0.168	14,069
Mr P Salvati	50,955	$0.168	8,560
Dr J Schlimbach	50,724	$0.168	8,522
Mr M Schramko	73,728	$0.168	12,386
Ms M Withers	68,133	$0.168	11,447
Total	**327,285**		**54,984**

Long term incentives accrued in the current year of **$95,804** 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 2013, Mr Odouard accepted an offer of 987,739 (2012: 706,373) options from the Quickstep Employee Incentive Plan (EIP) in accordance with the resolutions passed at the 2012 Annual General Meeting. 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 2012 being 16.95 cents (Prior year: 22.79 cents).

The options will vest if certain performance hurdles relating to an increase in share value are achieved at the prescribed testing dates. Such a performance hurdle is chosen to align the performance objectives of key Executives with those of the Company's shareholders. The fair value of the options, as calculated under the accounting standards, (refer note 34), 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 2013 is $123,467 (2012:$122,203).

No options granted during 2013 vested, were exercised or lapsed.

The expense recorded in the financial statements of $141,340 (2012: $139,110) 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 (2012: nil).

Unvested options at 30/6/2013 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
2012 Year – 31/8/2015	987,739	$0.1250	123,467
Total	3,563,073		835,319

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

DIRECTOR'S REPORT

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 (1)	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
Mr P Odouard	987,739	22/11/2012	0	0	2016

(1) 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 Ms Withers were granted, as compensation during the previous reporting period, rights to shares offered through a performance and retention bonus scheme. The rights vest on 31 December 2013 upon performance of criteria related to the Company's relocation objectives and are conditional upon continued employment. Ms Withers resigned from the company on 21 December 2013 and as a consequence, her entitlements under the retention bonus scheme have lapsed. Refer to the table below for further details.

The rights have a $nil exercise price and have no expiry date. During the 2013 Financial Year, Ms Withers' rights were forfeited due to termination of employment (2012: nil).

The rights have been valued at fair value based on a Monte Carlo simulation (refer note 34) at the issue date. An expense of $169,244 (2012:$96,046) 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	100,719	0
Mr J Johnson	688,337	10/02/12	171,360	90,647	0
Mrs M Withers	434,847	10/02/12	108,254	(22,122)	0
Total	**1,888,002**			**169,244**	

(iii.b) Loyalty Bonus

Rights have been issued to a number of key management personnel in prior years as 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 $104,509 (2012:$135,502) has been included in the financial statements as the portion of the offer attributable to the current financial year as required by accounting standards.

769,131 rights vested (2012: 680,235 vested) during the period.

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

(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 (2)	No of rights forfeited in year(1)	% vested in year	Market Value of rights vested(2) $	Financial years in which grant vests
Executives								
Mr S Godbille	(2)	267,605	12/07/2010	89,202	-	33.33%	23,193	2013 & 2014
	(3)	764,818	10/02/2012	-	-	-	-	2014
Mr J Johnson	(2)	471,698	01/04/2011	157,233	-	33.33%	41,667	2013 & 2014
	(3)	688,337	10/02/2012	-	-	-	-	2014
Mr A Vihersaari	(2)	250,000	01/07/2010	83,333	-	33.33%	22,499	2013 & 2014
Ms M Withers	(2)	276,000	01/10/2009	184,000	-	66.67%	58,880	2012 & 2013
	(2)	255,363	06/07/2012	255,363	-	100.00%	40,858	2013
	(1)	434,847	10/02/2012	-	434,847	-	-	2014

(1) Rights were forfeited due to termination of employment.

(2) 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. During the year 769,131 rights were exercised at $nil consideration. The market value of the rights exercised was $187,097.

(3) 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 2013		
	Included in remuneration $ (1)	**% vested in year**	**% forfeited in year (2)**
Directors			
Mr P Odouard	29,932	39.16%	60.84%
Executives			
Mr D Brosius	31,409	87.39%	12.61%
Mr S Godbille	10,940	43.89%	56.11%
Mr J Johnson	(4,900)	-	100.00%
Mr P Robertson	9,375	50.00%	50.00%
Dr J Schlimbach	9,759	83.85%	16.15%
Mr M Schramko	8,563	35.90%	64.10%
Ms T Swinley	4,625	20.00%	80.00%
Mr A Vihersaari	3,186	22.45%	77.55%

(1) 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 2013 year. The amounts included in remuneration for the current reporting period include adjustments to the 2012 bonus paid during the current reporting period compared to the bonus accrual made in the prior reporting period.

(2) 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 Sydney, New South Wales this 30 day of September 2013.

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 Remuneration, Nomination 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 hold 9 scheduled meetings each year, including strategy meetings, plus additional meetings at such other times as are necessary to address any specific significant matters that may arise.

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 seven Non-Executive directors, one of whom is the Chairperson, and one Executive director.

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 assesses existing and potential directors' skills to ensure they have appropriate industry experience in the Group's operating segments.

The Board, through its Remuneration, Nomination and Diversity (RN&D) 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 RN&D Committee, identify as appropriate, although they shall be guided by current market practices and rates.

2. Remuneration, Nomination and Diversity Committee

The RN&D Committee is comprised of three Non-Executive Directors, and meets at least twice per year.

The function of the RN&D 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;
- the size and composition of the Board;
- the selection of new directors and senior Executives;
- the evaluation methods used in determining the performance of directors and senior Executives; and
- a corporate culture of ethnic, gender, religious and social diversity.

The RN&D Committee is chaired by Mr Peter Cook. Attendance at RN&D Committee meetings held during the financial year is disclosed in the Directors' Meetings section of the Directors Report.

3. Audit, Risk and Compliance Committee

The Audit, Risk and Compliance (AR&C) Committee is comprised of four independent non-Executive directors, and meets at least twice per year. Its key roles are to:

- monitor the integrity of the financial statements of the Group;
- review significant financial reporting judgements;
- recommend to the Board the appointment of external auditors and in particular the scope of the audit, level of fees and their independence; and
- oversee the establishment, implementation and review of the Group's risk management systems

CORPORATE GOVERNANCE STATEMENT

The AR&C Committee was chaired by Mr David Wills for the year ended 30 June 2013. Since balance date, Mr David Wills retired as Director and Chairman of the AR&C Committee, and has been replaced by Mr Nigel Ampherlaw.

4. Risk Management

Oversight of the risk management system

The AR&C 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 Vice President of Finance 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 a risk profile on a regular basis to the AR&C 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 AR&C 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 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 29 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); and
- financial reporting accuracy and compliance with the financial reporting regulatory framework (see below).

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 Vice President of Finance 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 Company has adopted policies requiring compliance with environmental laws. The Directors are not aware of any material breach of these laws.

5. 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 supplemented by a Whistleblower policy.

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 32 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 the Group's 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 requires 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.

6. 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.

Further information can be found on Quickstep Holdings Limited official website www.quickstep.com.au.

7. Diversity

The Company has established and disclosed on its website its Diversity Policy. The Board is committed to appointing employees, directors and other officers based on merit, free from positive or negative bias on any ground including ethnicity, gender, religion or social background, recognising the security obligations of Quickstep's business activities. The Board is still developing comprehensive processes and procedures to support this policy, and measurable objectives to assess its effectiveness.

The Board has therefore determined that the most appropriate initial measurable objectives addressing gender diversity will be those that ensure Quickstep implements appropriate workplace policies and practices, including but not limited to the recruitment and retention of employees and Board members.

The following table outlines the measureable objectives the Company will initially focus on to achieve gender diversity:

Objective	Progress achieved to date
Develop and promote a Diversity Policy that promotes a corporate culture of diversity	Policy developed, displayed on corporate website
Update recruitment documents, processes, and partners to ensure the Company always appeals to, and targets, a diverse pool of potential employees	Performing review of existing recruitment documents and RN&D policies and procedures
Update internal policies and procedures to reflect flexible work culture	Performing review of current policies.

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

	30 June 2013		30 June 2012	
Gender representation	**Female (%)**	**Male (%)**	Female (%)	Male (%)
Board representation	**0%**	**100%**	0%	100%
Key management personnel representation	**11%**	**89%**	13%	87%
Other employee representation	**17%**	**83%**	20%	80%
Total Officers and Employees	**14%**	**86%**	16%	84%

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 directors believe that the Company has followed the best practice recommendations set by the ASX Corporate Governance Council.

	Note	2013 $	2012 $
Revenue	5	2,562,621	503,168
Cost of sales		(2,722,373)	(1,502,637)
Gross profit		(159,752)	(999,469)
Government grant income	5	3,710,624	4,257,448
Other income	5	517,557	393,532
Operational expenses		(8,581,401)	(7,130,207)
Marketing expenses		(860,211)	(1,072,049)
Corporate and administrative expenses		(5,748,934)	(5,882,128)
Research and development expenses		(3,770,178)	(2,968,978)
Other expenses	6	(1,228,556)	(261,596)
Loss from operating activities		(16,120,851)	(13,663,447)
Financial income	8	355,157	2,072,655
Financial expense	8	(1,220,200)	(210,809)
Net financing income/(cost)		(865,043)	1,861,846
Loss before income tax		(16,985,894)	(11,801,601)
Income tax benefit		-	-
Loss for the period		(16,985,894)	(11,801,601)
Other comprehensive loss, net of income tax			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation difference for foreign operations		162,102	(70,601)
Effective portion of changes in fair value of cash flow hedges		-	71,065
Other comprehensive income for the period, net of income tax		162,102	464
Total comprehensive loss for the period		(16,823,792)	(11,801,137)
Loss attributable to:			
Owners of the Company		(16,985,894)	(11,801,601)
Total comprehensive loss attributable to:			
Owners of the Company		(16,823,792)	(11,801,137)
Earnings per share			
Basic loss (cents/share) for Quickstep Holdings Ltd	11	(5.25)	(3.96)
Diluted loss (cents/share) for Quickstep Holdings Ltd	11	(5.25)	(3.96)

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the accompanying notes.

	Note	2013 $	2012 $
CURRENT ASSETS			
Cash and cash equivalents	12	1,393,320	3,000,672
Trade and other receivables	13	4,564,303	4,915,978
Inventories	14	1,650,674	418,591
Other financial assets	15	390,400	690,400
Other current assets	16	387,430	326,301
Assets held for sale	17	1,878,000	-
TOTAL CURRENT ASSETS		10,264,127	9,351,942
NON-CURRENT ASSETS			
Property, plant and equipment	18	13,799,229	16,491,346
Intangible assets	19	65,422	230,776
TOTAL NON-CURRENT ASSETS		13,864,651	16,722,122
TOTAL ASSETS		24,128,778	26,074,064
CURRENT LIABILITIES			
Trade and other payables	21	2,569,237	3,352,297
Deferred income	22	2,795,014	-
Loans and borrowings	23	1,696,785	10,700
Employee benefits	25	261,289	292,961
TOTAL CURRENT LIABILITIES		7,322,325	3,655,958
NON-CURRENT LIABILITIES			
Trade and other payables	21	654,118	561,365
Deferred income	22	6,086,391	-
Loans and borrowings	23	9,773,722	5,241,938
Employee benefits	25	26,668	-
TOTAL NON-CURRENT LIABILITIES		16,540,899	5,803,303
TOTAL LIABILITIES		23,863,224	9,459,261
NET ASSETS		265,554	16,614,803
EQUITY			
Share capital	26	74,754,828	74,754,828
Reserves	27	2,959,344	2,322,699
Accumulated losses	28	(77,448,618)	(60,462,724)
TOTAL EQUITY		265,554	16,614,803

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 2013

	Note	Share capital	Translation reserve	Hedging Reserve	Share based payments reserve	Accumulated losses	Total equity
		$	$	$	$	$	$
Balance as at 1 July 2012		74,754,828	(291,257)	-	2,613,956	(60,462,724)	16,614,803
Total comprehensive income for the period							
Loss for the period	28	-	-	-	-	(16,985,894)	(16,985,894)
Other comprehensive income							
Foreign currency translation difference	27	-	162,102	-	-	-	162,102
Effective portion of changes in fair value of cash flow hedges	27	-	-	-	-	-	-
Total comprehensive income for the period		-	162,102	-	-	(16,985,894)	(16,823,792)
Transactions with owners, recorded directly in equity							
Contributions by and distributions to owners							
Share based transaction payments	27	-	-	-	474,543	-	474,543
Total transactions with owners		-	-	-	474,543	-	474,543
Balance at 30 June 2013		**74,754,828**	**(129,155)**	**-**	**3,088,499**	**(77,448,618)**	**265,554**

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 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	28	-	-	-	-	(11,801,601)	(11,801,601)
Other comprehensive income		-					
Foreign currency translation difference	27	-	(70,601)	-	-	-	(70,601)
Effective portion of changes in fair value of cash flow hedges	27	-	-	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	26	937,488	-	-	-	-	937,488
Issue of ordinary shares	26	7,520,000	-	-	-	-	7,520,000
Share raising costs	26	(557,555)	-	-	-	-	(557,555)
Share based transaction payments	27		-	-	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

	Note	2013 $	2012 $
Cash flows from operating activities			
Cash receipts in the course of operations		10,732,977	489,172
Interest received		95,829	392,192
Interest paid		(140,868)	(211,604)
Research and development tax incentive and government grants		4,763,093	392,778
Cash payments in the course of operations		(18,495,694)	(16,332,179)
Net cash used in operating activities	31	(3,044,663)	(15,269,641)
Cash flows from investing activities			
Acquisition of plant and equipment		(4,006,642)	(10,180,301)
Receipts from (Investment in) term deposit		300,000	-
Government grants		-	3,000,000
Net cash used in investing activities		(3,706,642)	(7,180,301)
Cash flows from financing activities			
Proceeds from issues of shares		-	7,520,000
Payment of transaction costs		-	(557,509)
Proceeds from convertible loans		-	468,456
Repayment of convertible note		-	(604,017)
Proceeds from borrowings		8,353,192	6,106,048
Repayment of borrowings		(2,822,835)	-
Payment of borrowing costs		(340,835)	(871,400)
Finance lease payments		(39,441)	(17,645)
Net cash from financing activities		5,150,081	12,043,933
Net (decrease) / increase in cash and cash equivalents		(1,601,224)	(10,406,009)
Effects of exchange rate changes on cash held in foreign currencies		(6,128)	464
Cash and cash equivalents at 1 July		3,000,672	13,406,217
Cash and cash equivalents at 30 June	12	1,393,320	3,000,672

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 2013 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) 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 30 September 2013.

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 24) and derivative financial instruments measured at fair value. 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 1 (d) – Financial position and going concern;
- Note 17 – Recoverable amount of assets held for sale;
- Note 18 – Recoverable amount of property, plant and equipment;
- Note 21 – Royalties payable; and
- Note 34 – Share-based payments

(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) Going concern

The Group has incurred a loss after tax for the year ended 30 June 2013 of **$16,985,894** (2012: loss after tax of $11,801,601). The loss reflects a combination of the ongoing commercialisation of the operations of the Group and a number of one off costs associated with the relocation of the business from Western Australia to New South Wales. To fund these activities the Group has fully drawn its existing loan facilities and has received a customer payment of $8,881,405 in advance of manufacture and delivery of product, which has been recognised as deferred income in the statement of financial position.

Management and the Directors expect that during the 2014 and 2015 financial years the level of production required to satisfy orders placed for the JSF project and to fulfil advance paid orders under the C-130J contract will increase. As a consequence the level of working capital required will also increase.

Subsequent to year end the Group successfully raised $6.1 million (before costs) from the placement of shares to institutional and sophisticated investors, and an additional $7.2 million (before costs) through a share purchase plan offered to eligible investors, raising a total of $12.7 million net of transaction costs.

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The financial report has been prepared on the basis of going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities will occur in the normal course of business. The projected build up of working capital arising from increasing customer orders will require further funding until the Group becomes cash flow positive (which, assuming research and development expenditure remains consistent with current development expenditure, is currently expected to occur during the financial year ending 30 June 2015). Until then, the ability of the Group to continue as a going concern in the ordinary course of business and to achieve its business growth strategies and objectives is dependent upon the ability of the Group to do a sufficient combination of the following things to enable its commitments to be met:

- raising debt funding;
- receiving further advance payments from customers
- reducing cash outflows through cost control measures; and
- reducing the Group's expenditure on research and development.

The Directors are of the view that reducing expenditure on research and development would not be in the best interests of long term wealth creation for shareholders. Consequently, the Directors would prefer to use a combination of the other measures listed above to manage its working capital requirements if possible, none of which are committed at the date of this report.

The Directors consider that there are reasonable grounds to expect that the Group will be able to meet its commitments through the measures listed above, and accordingly have prepared the financial report on a going concern basis in the belief that the Group will realise its assets and settle its liabilities and commitments in the normal course of business. However, should the Group not be successful in the matters discussed above, there is some uncertainty as to whether the Group would be able to continue as a going concern.

(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 2013 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.

Intra-group balances, and any recognised gains and losses or income and expenses arising from intra-group 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 receivables 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 on 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 21).

Loans and borrowings, including a secured loan facility from the ANZ Bank of $10 million plus capitalised interest of $3.3 million, and secured loan from Macquarie Bank for the R&D factoring facility.

(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.

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 profit or loss.

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 a 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.

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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 bringing 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) of 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 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

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(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 (the value in use of the asset in the cash generating unit (CGU) to which it relates) is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset exceeds its estimated 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 profit and loss 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 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

The Group has adopted all new and amended Australian Accounting Standards and Australian Accounting Standards Board (AASB) interpretations that are mandatory for the current reporting period and relevant to the Group.

Adoption of these standards and interpretations has not resulted in any material changes to the Group's financial statements.

New accounting standards

Several new accounting standards have been published that are not mandatory for this reporting period and have not yet been adopted by the Group.

- AASB 9 Financial Instruments (2010);
- AASB10 Consolidated Financial Statements;
- AASB 11 Joint Arrangements;
- AASB 12 Disclosure of Interests in Other Entities;
- AASB 13 Fair Value Measurement;
- AASB 119 Employee Benefits revised; and
- AASB 128 Investments in Associates and joint Ventures

The impact of these changes are still being fully assessed, however, initial assessments indicate that there will be no significant impact on the Group's financial statements.

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.

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(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.

(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.

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.

As at the reporting date, no financial assets are neither past due or impaired.

(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 defer interest payments up to $3,333,333 over the first 5 years of the loan and interest will be accrued on deferred amount. 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 5.03%. 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.

Fair Value Hierarchy

As at the reporting date, all financial instruments held by Quickstep Holdings Limited are considered level 1 in the fair value hierarchy. Quickstep Holdings Limited's financial instruments are primarily made up of cash and cash equivalents and trade receivables, to which there is active market to ascertain its value. During the year, there have been no transfers from levels in the fair value hierarchy.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

4. Operating Segments

The Group has two operating segments, Manufacturing and Quickstep Systems. This has changed from the previous year to exclude Research & Development (R&D) as an operating segment. Instead, R&D becomes a support function of the two operating segments.

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 Systems -** Licensing our "Quickstep Process" technology to Original Equipment Manufacturers (OEM's) and their suppliers, and providing them with Quickstep machines and support services.

	Manufacturing		Quickstep Systems		Total	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
External revenues	**2,225,997**	130,068	**336,624**	373,100	**2,562,621**	503,168
Other income	**1,982,433**	-	**2,245,748**	4,650,980	**4,228,181**	4,650,980
Depreciation, amortisation and impairment	**2,908,176**	2,225,082	**372,358**	273,980	**3,280,534**	2,499,062
Interest expense	**960,807**	184,610	**224,948**	-	**1,185,755**	184,610
Reportable segment profit/(loss) before income tax	**(7,598,330)**	(6,451,746)	**(2,604,877)**	(1,741,150)	**(10,203,207)**	(8,192,896)
Reportable segment assets	**17,381,123**	17,135,012	**5,097,790**	5,101,709	**22,478,912**	22,236,721
Reportable segment liabilities	**20,913,124**	7,123,044	**1,177,744**	1,357,297	**20,090,868**	8,480,341
Reportable Capital Expenditure	**3,160,200**	9,073,926	**321,924**	105,285	**3,482,124**	9,179,211

	Consolidated 2013 $	2012 $
Reconciliation of reportable segment loss		
Total loss for reportable segments	**(10,203,207)**	**(8,192,896)**
Unallocated amount: other corporate expenses	**(6,782,687)**	**(3,608,705)**
Consolidated loss before income tax	**(16,985,894)**	**(11,801,601)**
Reconciliation of reportable segment assets		
Total assets for reportable segments	**22,478,912**	**22,236,721**
Unallocated amount: other corporate assets	**1,649,866**	**3,837,343**
Consolidated total assets	**24,128,778**	**26,074,064**
Reconciliation of reportable segment liabilities		
Total liabilities for reportable segments	**22,090,868**	**8,480,341**
Unallocated amount: other corporate liabilities	**1,772,356**	**978,920**
Consolidated total liabilities	**23,863,224**	**9,459,261**

Major Customers

The amount earned by the manufacturing segment is attributable to the following customers:

Northrop Grumman ISS Int, Inc	$1,283,665
Lockheed Martin Aeronautics	$ 939,032

Geographical information

The Manufacturing and Quickstep Systems segments are managed at Quickstep's head office in Australia.

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.

	2013 $ Revenue	Non-current assets	2012 $ Revenue	Non-current assets
Australia	**3,300**	**13,233,270**	-	16,188,012
Germany	**53,972**	**544,855**	103,739	425,360
United States of America	**2,505,349**	**86,526**	399,429	108,750
Total	**2,562,621**	**13,864,651**	503,168	16,722,122

5. Revenue and Income

	Consolidated 2013 $	2012 $
Sales	**2,562,621**	503,168
Total revenue from operating actives	**2,562,621**	503,168
Government grant income		
R & D tax incentive	**3,310,882**	3,267,459
Climate ready grant	**(1,451)**	670,821
SADI program grant	**128,695**	170,413
Other government grant income	**272,498**	148,755
Total government grant income	**3,710,624**	4,257,448
Other Income		
Profit on foreign exchange transactions	**-**	120,993
Profit on sale of assets	**1,200**	30,490
Other income	**516,357**	242,049
Total other income	**517,557**	393,532

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FOR THE YEAR ENDED 30 JUNE 2013

	Note	Consolidated 2013 $	2012 $
6. Other expenses			
Amortisation of intangibles	19	**209,060**	261,596
Loss on disposal of assets		**11,785**	-
Impairment of assets held for sale	17	**1,007,711**	-
		1,228,556	261,596
7. Personnel expenses			
Wages and salaries		**6,949,944**	6,013,199
Defined contribution plan expense		**599,779**	470,899
Other associated personnel expenses		**987,249**	812,032
Increase/(decrease) in liability for annual leave		**107,029**	(23,618)
Expense of share based payments	34	**474,543**	490,321
		9,118,544	7,762,833
8. Finance income and expense			
Recognised in profit and loss			
Interest income		**83,445**	325,675
Change in fair value of derivatives at fair value through profit or loss	24	**-**	1,746,980
Change in fair value of deferred income through profit or loss		**201,460**	-
Realised foreign currency gains		**70,252**	-
Finance income		**355,157**	2,072,655
Finance lease interest paid		**(3,003)**	(4,450)
Convertible loan costs		**-**	(15,436)
Borrowing cost		**(3,227)**	(10,312)
Other		**(28,215)**	(3,748)
Interest expense on liabilities measured at amortised cost		**(1,185,755)**	(176,863)
Finance expense		**(1,220,200)**	(210,809)
Net finance income/ (expense)		**(865,043)**	1,861,846
Recognised in other comprehensive income			
Foreign currency translation differences for foreign operations		**162,102**	(70,601)
Effective portion of changes in fair value of cash flow hedges		**-**	71,065
Finance income recognised in other comprehensive income, net of tax		**162,102**	464
Attributable to:			
Owner of the Company		**162,102**	464
Finance income recognised in other comprehensive income, net of tax		**162,102**	464

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 2013 $	2012 $
(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	**(16,985,894)**	(11,801,601)
At the statutory income tax rate of 30%	**(5,095,768)**	(3,540,480)
Expenditure not allowable for income tax purposes	**2,719,443**	1,916,529
Effect of different tax rate for overseas subsidiaries	**28,981**	11,650
Income not assessable	**(1,060,499)**	
Deferred tax asset not brought to account	**3,407,843**	1,612,301
Income tax benefit	**-**	-
(c) Tax losses not brought to account		
The tax effect of unused tax losses for which no deferred tax asset has been recognised.	**54,997,902**	39,046,886
(d) Temporary differences not brought to account		
Deferred tax assets/(liabilities):		
Prepayments	**(3,213)**	-
Other provisions	**964,532**	1,134,346
Borrowing costs	**43,535**	45,600
Deductible capital raising costs and black hole expenditure	**221,000**	163,962
Property, plant and equipment	**927,123**	558,314
Intangibles	**207,754**	443,386
Deferred tax assets relating to temporary differences not recognised	**(2,360,731)**	(2,345,608)
	-	-

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 such benefits.

(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 $3,310,882 (2012: $3,267,459) has been recorded as a receivable as at 30 June 2013 based on eligible expenditure incurred during the year of tax. This amount has been recorded as a government grant (refer Note 5).

10. Auditor's remuneration

	Consolidated 2013 $	2012 $
Amounts received or due and receivable by the auditor for:		
Audit services		
KPMG – current year	**171,100**	**128,000**
KPMG – under/(over) accrual from prior year	**100,667**	**70,000**
	271,767	**198,000**

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11. Loss per share

The calculation of basic loss per share at 30 June 2013 was based on the loss attributable to ordinary shareholders of **$16,985,894** (2012:$11,801,601) and a weighted average number (W.A.N.) of ordinary shares outstanding during the financial year ended 30 June 2013 of 323,412,485 (2012:297,979,266) calculated as follows:

		2013		2012	
	Note	**Actual No.**	**W.A.N.**	**Actual No.**	**W.A.N.**
Issued ordinary shares 1 July	26	322,748,630	322,748,630	270,038,762	270,038,762
Effect of shares issued		-	-	47,000,000	23,693,151
Effect of conversion of notes		-	-	4,689,810	3,623,998
Effect of shares issued on exercise of rights and to Executives as remuneration		1,096,415	663,855	1,020,058	623,355
Effect of share options exercised					
Issued ordinary shares at 30 June	26	323,845,045	323,412,485	322,748,630	297,979,266

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

	2013 $	2012 $
Weighted average number of ordinary shares (basic)	**323,412,485**	297,979,266
Basic loss cents per share	**(5.25)**	(3.96)

12. Cash and cash equivalents

	Consolidated 2013 $	2012 $
Cash at bank and on hand	**1,393,320**	1,000,672
Short-term bank deposits	**-**	2,000,000
	1,393,320	3,000,672

Cash and cash equivalents of $309,633 have been pledged as collateral against a secured bank loan (refer to Note 23).

13. Trade and other receivables

	2013	2012
Current		
Trade receivables	**1,087,096**	497,800
Other receivables:		
R&D tax incentive and government grants receivable (i)	**3,395,130**	3,906,594
GST and VAT receivable	**38,521**	401,265
Accrued interest	**2,237**	14,717
Other	**41,319**	95,602
	4,564,303	4,915,978

(i) The R&D Tax Incentive Receivable of $3,310,882 have been pledged as security against a short term facility agreement (refer to Note 23).

14. Inventories

	Consolidated 2013 $	2012 $
Raw materials and consumables	**1,404,184**	347,427
Work in progress	**246,490**	71,164
	1,650,674	418,591

Inventories of $1,557,009 have been pledged as collateral against a secured bank loan (refer to Note 23).

15. Other financial assets

Held-to-maturity investments	**390,400**	690,400

Held-to-maturity investments comprises of an interest bearing deposit which matures in May 2014.

16. Other current assets

	Consolidated 2013 $	2012 $
Prepayments	**359,425**	302,959
Other	**28,005**	23,342
	387,430	326,301

17. Assets held for sale

During the de-commissioning of the North Coogee, WA site, it was determined that a number of high value items of capital equipment had become surplus to the needs of the Company. As a consequence, management have committed to selling the surplus assets and they are presented as assets held for sale. The fair value less costs to sell of these assets at 30 June 2013 is $1,878,000, after recognition of a $1,007,711 impairment.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

18. Property, plant & equipment

	Consolidated			
	Plant & Equipment $	**Assets Under Construction $**	**Office Furniture & Equipment $**	**Total $**
Costs				
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	(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**
Balance at 1 July 2012	19,188,703	1,661,307	687,036	21,537,046
Additions	870,742	2,376,201	235,181	3,482,124
Disposals	(257,896)	-	(215,823)	(473,719)
Transfers	2,132,319	(2,587,199)	454,880	-
Assets Held For Sale	(4,687,840)	-	-	(4,687,840)
Effect of movements in exchange rates	186,398	1,960	148,721	337,079
Balance at 30 June 2013 (i)	**17,432,426**	**1,452,269**	**1,309,995**	**20,194,690**
Accumulated depreciation and impairment losses				
Balance at 1 July 2011	3,869,474	235,802	337,032	4,442,308
Depreciation 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**
Balance at 1 July 2012	4,694,171	-	351,529	5,045,700
Depreciation for the year	2,874,587	-	351,440	3,226,027
Disposals	(225,255)	-	(93,843)	(319,098)
Transfers	-	-	-	-
Assets Held For Sale	(1,802,129)	-	-	(1,802,129)
Effect of movements in exchange rates	133,018	-	111,943	244,961
Balance at 30 June 2013	**5,674,392**	**-**	**721,069**	**6,395,461**
Carrying Amounts				
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
At 1 July 2012	14,494,532	1,661,307	335,507	16,491,346
At 30 June 2013	11,758,034	1,452,269	588,926	13,799,229

(i) Refer to Note 23 for details of fixed and floating charges over certain of the above assets

19. Intangible assets

	Patents & Rights $	Royalty Buy-Back $	Computer Software	Total $
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)
Balance at 30 June 2012	**646,908**	**94,419**	**739,398**	**1,480,725**
Costs				
Balance at 1 July 2012	646,908	94,419	739,398	1,480,725
Additions	-	-	44,730	44,730
Disposals	-	-	(101,573)	(101,573)
Effect of movement in exchange rates	-	-	6,448	6,448
Balance at 30 June 2013	**646,908**	**94,419**	**689,003**	**1,430,330**
Accumulated amortisation and impairment losses				
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	-	-	-	-
Effect of movement in exchange rates	-	-	1,735	1,735
Balance at 30 June 2012	**634,491**	**84,194**	**531,264**	**1,249,949**
Balance at 1 July 2012	634,491	84,194	531,264	1,249,949
Amortisation for the year	12,417	10,225	186,418	209,060
Disposals	-	-	(98,974)	(98,974)
Effect of movement in exchange rates	-	-	4,873	4,873
Balance at 30 June 2013	**646,908**	**94,419**	**623,581**	**1,364,908**
Carrying amounts				
At 1 July 2011	45,143	18,880	432,203	496,226
At 30 June 2012	12,417	10,225	208,134	230,776
At 1 July 2012	12,417	10,225	208,134	230,776
At 30 June 2013	-	-	65,422	65,422

20. Group entities

	Country of incorporation	Entity interest 2013	Entity interest 2012
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%
Quickstep Composites LLC	USA	**100%**	100%
Quickstep Australia Pty Ltd	Australia	**100%**	100%
Commercial Aerospace Composites Pty Ltd	Australia	**100%**	100%

	Consolidated 2013 $	2012 $
21. Trade and other payables		
Current		
Unsecured trade payables	**738,837**	1,387,109
Sundry payables and accrued expenses	**1,460,178**	1,482,637
Royalties payable (i)	**370,222**	482,551
	2,569,237	3,352,297
Non-current		
Royalties payable (i)	**654,118**	561,365
	654,118	561,365

(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 3.31%.

	2013 $	2012 $
22. Deferred income		
Current		
Deferred Income	**2,795,014**	-
	2,795,014	-
Non-current		
Deferred Income	**6,086,391**	-
	6,086,391	-

The amounts reported as deferred income refer to amounts received as a 77.10% prepayment of the first 24 ship sets of C-130J wing flaps to be sold to Lockheed Martin in 2014.

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	Consolidated 2013 $	2012 $
23. Loans and borrowings		
Current		
Finance lease liability	**6,821**	10,700
Short term facility agreement	**1,750,405**	-
Prepaid borrowing cost	**(60,441)**	-
	1,696,785	10,700
Non-current		
Secured bank loan	**10,000,000**	6,106,048
Capitalised interest	**600,156**	131,825
Prepaid borrowing cost	**(842,540)**	(997,857)
Finance lease liability	**16,106**	1,922
	9,773,722	5,241,938

Term and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

			2013		2012	
	Effective interest rate %	**Year of maturity**	**Maximum Facility Value**	**Carrying amount**	**Maximum Facility Value**	**Carrying amount**
Secured bank loan	**9.286**	**2021**	**10,000,000**	**10,000,000**	**10,000,000**	**6,106,048**
Capitalised Interest	**9.286**	**2021**	**3,333,333**	**600,156**	**3,333,333**	**131,825**
Short term facility agreement	**19.897**	**2013**	**2,400,000**	**1,750,405**	**-**	**-**
Finance lease liabilities	**12.990**	**2014**	**n/a**	**22,927**	**n/a**	**12,622**

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 2013 the facility had been fully drawn to $10,000,000 together with capitalised interest of $600,156.

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 2013 is $17,649,676 which represents the cash and cash equivalents, plant and equipment, inventory and other assets owned by Quickstep Technologies Pty Ltd.

Under this agreement, Quickstep Technologies Pty Ltd (Chargor) has agreed to the following restrictions on title on any of the assets under which EFIC (Chargee) has a fixed charge over. Without the consent of the Chargee, the Chargor may not:

- dispose of the Secured Property; or
- lease or license the Secured Property or any interest in it, or deal with any existing lease or licence; or
- part with possession of the Secured Property; or
- waive any of the Chargor's rights or release any person from its obligations in connection with the Secured Property; or
- deal in any other way with the Secured Property or any interest in it, or allow any interest in it to arise or be varied.

Quickstep Holdings Limited has entered into a 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 2013 is $72,737,544 and its carrying value net of impairment is $33,357,874.

Short Term Facility Agreement

On 29 October 2012 Quickstep Holdings Ltd executed a Facility Agreement which provides for a loan facility of up to $2,400,000 and is secured against the Australian Taxation Office R&D Tax Offset receivable (note 13).

The Interest Rate of the facility comprises of a rate being equal to the greater of:

- The aggregate of:
  - BBR on the first day of the Interest Period; and
  - 9% per annum; or
- 12.50% per annum

A commitment fee is also payable on the undrawn balance of the facility at a flat rate of 5% per annum. As at 30 June 2013 the undrawn facility balance is $649,595.

Both the Interest and Commitment fees are payable monthly in arrears.

As at 30 June 2013 the face value of the Facility was $1,750,405.

Finance lease liabilities

	Future minimum lease payments	Interest	Present value of minimum lease payments	Future minimum lease payments	Interest	Present value of minimum lease payments
	$	$	$	$	$	$
	2013	**2013**	**2013**	**2012**	**2012**	**2012**
Less than one year	**8,426**	**1,605**	**6,821**	11,717	1,017	10,700
Between one and five years	**17,555**	**1,449**	**16,106**	1,953	31	1922
	25,981	**3,054**	**22,927**	13,670	1,048	12,622

24. Financial liabilities at fair value through profit and loss

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.

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	
	2013	**2012**
	$	**$**
Reconciliation of Fair Value Measurement		
Balance 1 July	**-**	**2,820,000**
Convertible note drawdown's	**-**	**468,456**
Convertible notes repaid	**-**	**(603,988)**
Conversion to Equity	**-**	**(937,488)**
Gain / Loss recognised through Profit and Loss	**-**	**(1,746,980)**
Balance 30 June	**-**	**-**

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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[1] 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.

	2013 $	2012 $
25. Employee benefits		
Current		
Liability for annual leave	**261,289**	154,259
Other employee benefits	**-**	138,702
	261,289	292,961
Non-current		
Liability for long service leave	**26,668**	-
	26,668	-
26. Share capital		
(i) Issued capital		
323,845,045 (2012: 322,748,630) fully paid ordinary shares	**74,754,828**	74,754,828

The following movements in issued capital occurred during the year:

	Note	2013 No. of shares	2013 $	2012 No. of shares	2012 $
Balance at the beginning of the year		**322,748,630**	**74,754,828**	**270,038,762**	**66,854,895**
Shares issued for cash (a)		**-**	**-**	**47,000,000**	**7,520,000**
Shares issued on exercise of options (ii)		**-**	**-**	**-**	**-**
Shares issued on conversion of notes	24	**-**	**-**	**4,689,810**	**937,488**
Shares issued on exercise of rights (b)		**769,130**	**-**	**680,235**	**-**
Shares issued to Executives as remuneration (b)		**327,285**	**-**	**339,823**	**-**
Shares issued under share purchase plan		**-**	**-**	**-**	**-**
Share issue and capital raising costs		**-**	**-**	**-**	**(557,555)**
Balance at the end of the year		**323,845,045**	**74,754,828**	**322,748,630**	**74,754,828**

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

(b) During the year, the Company issued 1,096,415 (2012: 1,020,058) 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 2013	2012
22 November 2019	$0.00	987,739	-
23 November 2018	$0.00	-	706,373

Unissued shares under option

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

Expiry Date	Exercise Price	Number of Options 2013	2012
30 March 2017	$0.00	**1,397,624**	1,397,624
26 November 2017	$0.00	**471,337**	471,337
23 November 2018	$0.00	**706,373**	706,373
22 November 2019	$0.00	**987,739**	-

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

Exercise of options

No options were exercised during this or last financial year.

Lapse of options

During the current and prior financial years, no options lapsed.

(iii) Rights

At 30 June 2013, unissued ordinary shares of the Company under rights totalled 2,425,310 (2012: 3,373,924). 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 December 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 34).

During the year, 769,130 shares (2012: 680,235 shares) were issued as a result of the exercise of rights. A total of 434,847 rights (2012: nil) were forfeited in the current year on the termination of employment of employees.

	Consolidated 2013 $	2012 $
27. Reserves		
Share based payments reserve		
Balance at the beginning of the year	**2,613,956**	2,027,637
Grant of rights to shares to key management personnel	**278,219**	379,958
Grant of options to key management personnel	**141,340**	139,110
Issue of shares to key management personnel	**54,984**	67,251
Balance at the end of the year	**3,088,499**	2,613,956

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.

	2013 $	2012 $
Foreign currency translation reserve		
Balance at the beginning of the year	**(291,257)**	(220,656)
Foreign currency translation differences	**162,102**	(70,601)
Balance at the end of the year	**(129,155)**	(291,257)

The foreign currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

	2013 $	2012 $
Hedging reserve		
Balance at the beginning of the year	-	(71,065)
Effective portion of changes in fair value of cash flow hedges	-	71,065
Balance at the end of the year	-	-

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.

	2013 $	2012 $
Total reserves	**2,959,344**	**2,322,699**

28. Accumulated losses

	2013 $	2012 $
Accumulated losses at the beginning of the year	**(60,462,724)**	**(48,661,123)**
Loss for the year	**(16,985,894)**	**(11,801,601)**
Accumulated losses at the end of the year	**(77,448,618)**	**(60,462,724)**

29. 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:

	Consolidated 2013 $	2012 $
Cash and cash equivalents	**1,393,320**	3,000,672
Held-to-maturity financial assets	**390,400**	690,400
Trade and other receivables	**4,564,303**	4,915,978
	6,348,023	8,607,050

As at 30 June 2013, no financial asset was considered past due (2012: nil).

As at 30 June 2013, no financial asset was considered impaired (2012: nil).

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

	2013 $	2012 $
Australia	**3,441,686**	4,468,799
Germany	**38,686**	225,708
USA	**1,083,931**	221,471
	4,564,303	4,915,978

Liquidity risk

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

30 June 2013	Carrying amount	Contractual Cash Flows	6 months or less	6-12 months	1-2 years	2-5 years	5 years+
VCAMM royalties payable	1,024,340	(1,043,749)	(183,989)	(183,989)	(675,771)	-	-
Trade and other payables	2,199,015	(2,199,015)	(2,199,015)	-	-	-	-
Finance lease liabilities	22,927	(25,982)	(4,213)	(4,213)	(8,427)	(9,129)	-
Secured Bank Loan	9,757,616	(15,978,577)	(150,000)	(150,000)	(300,000)	(6,177,885)	(9,200,693)
Short Term Facility Agreement	1,689,964	(1,878,455)	(1,878,455)	-	-	-	-
	14,693,862	(21,125,778)	(4,415,672)	(338,202)	(984,198)	(6,187,014)	(9,200,693)
30 June 2012							
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	5,240,016	(10,687,961)	(97,526)	(100,770)	(211,744)	(1,739,939)	(8,537,982)
	9,166,300	(14,635,958)	(3,212,141)	(345,985)	(799,911)	(1,739,939)	(8,537,982)

Currency risk

Exposure to currency risk

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

2013	USD	EUR
Cash	186,904	621,601
Trade payables	(80,538)	(24,249)
Receivables	20,531	54,462
	126,897	651,814

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

The following significant exchange rates applied during the year:

	Average Rate 2013	2012	Reporting Date Spot Rate 2013	2012
AUD v USD	1.0270	1.0314	0.9275	1.0191
AUD v EUR	0.7936	0.7705	0.7095	0.8092

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 2012.

	2013 (Increase)/decrease consolidated loss		2012 (Increase)/decrease consolidated loss	
	+10% $	-10% $	+10% $	-10% $
USD	**(38,146)**	**46,623**	(12,445)	12,445
EUR	**(32,042)**	**39,162**	(9,839)	9,839
	(70,188)	**85,785**	(22,284)	22,284

	2013 (Increase)/decrease consolidated Equity		2012 (Increase)/decrease consolidated Equity	
	+10% $	-10% $	+10% $	-10% $
USD	**(118,127)**	**144,378**	-	-
EUR	**(235,335)**	**287,632**	-	-
	(353,462)	**432,010**	-	-

Interest rate risk

Profile

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

	Consolidated 2013 $	2012 $
Fixed rate instruments		
Held-to-maturity term deposits	390,400	690,400
Finance lease liabilities	(22,927)	(12,622)
	367,473	677,778
Variable rate instruments		
Cash and cash equivalents	1,393,320	3,000,672
Secured bank loan	(10,600,156)	(6,237,873)
Short term facility agreement	(1,750,405)	-
	10,957,241	(3,237,201)

Cash includes funds held in short term deposits during the year, which earned a weighted average interest rate of 3.19% (2012: 5.33%).

The interest rates applicable to the Group's finance leases are 12.99% (2012: 12.99%).

Financial assets held-to-maturity includes a security deposit for $390,400 with an interest rate of 4.1%, which matures on 10 November 2013.

(i) 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 4.43% at 30 June 2013.

(ii) The secured loan balance (inclusive of capitalised interest) incurs a rate of interest of the higher of 12.5% or the aggregate of the BBR on the first day of the interest period and 9% per annum. The base rate plus margin of this facility was 12.5% at 30 June 2013.

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 2012.

Effect in AUD	(Increase)/decrease Consolidated loss	
	100 bp increase	100 bp decrease
30 June 2013		
Variable rate instruments	(13,933)	13,933
Cash flow sensitivity (net)	(13,933)	13,933
30 June 2012		
Variable rate instruments	(32,372)	32,372
Cash flow sensitivity (net)	(32,372)	32,372

Fair values

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

	Consolidated 2013 $	2012 $
30. 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	998,662	759,895
- between 1 and 5 years	7,685,481	3,024,358
- more than 5 years	8,852,388	2,269,206
	17,536,531	6,053,459

The Company's operating lease commitments comprise of three property leases.

The first lease relates to premises at North Coogee, WA. It is a non-cancellable lease with a five year term with provision for rent reviews on an annual basis. Subsequent to reporting date, this lease was re-assigned to an unrelated third party.

The second lease relates to premises at Bankstown, NSW. It is a non-cancellable lease with a ten year term with two options to renew for five years each. This lease contains provision for rent reviews on an annual basis.

The third lease relates to premises at Bankstown, NSW. It was entered into subsequent to reporting date, and is non-cancellable with a ten year term with two options to renew for five years each. It 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:

	2013	2012
Payable		
- less than 1 year	588,401	799,935
	588,401	799,935

31. Cash flow information

	Note	2013	2012
Reconciliation of cash flows from operating activities to loss after income tax:			
Loss for the year		(16,985,894)	(11,801,601)
Adjustments for:			
- Amortisation of intangibles	19	209,060	261,596
- Depreciation	18	3,226,027	2,377,238
- Share based payment expense	27	474,543	586,319
- Forex revaluation reserve	27	162,102	-
- Finance costs	8	1,185,755	176,863
- Impairment	17	1,007,711	-
- Present value on deferred income	8	201,460	-
- Change in fair value of derivatives at fair value through profit and loss	24	-	(1,746,980)
Operating loss before changes in working capital		(10,519,236)	(10,146,565)
(Increase)/decrease in trade & other receivables		351,675	(4,119,265)
(Increase)/decrease in inventories		(1,232,083)	(219,535)
(Increase)/decrease in other current assets		(61,129)	(192,517)
Increase/(decrease) in trade and other payables		(228,101)	(461,198)
Increase/(decrease) in employee benefits		(5,004)	40,887
Increase/(decrease) in deferred income		8,881,405	-
Increase in prepaid interest		(232,190)	(171,448)
Net cash used in operating activities		(3,044,663)	(15,269,641)

	Note	Consolidated 2013 $	2012 $

32. Related parties

Key management personnel compensation

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

		2013 $	2012 $
Short-term employee benefits		2,387,006	2,427,150
Post-employment benefits		145,265	139,871
Share based payments		435,873	368,420
Termination Benefit		81,120	-
		3,040,264	2,935,441

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

Mr D Graham, a previous key management person of the Group, held positions in other entities that resulted in him having control or significant influence over the financial or operating policies of those entities.

During the comparative financial year, the entities transacted with the Company or its subsidiaries. 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 2013 $	2012 $
Mr D Graham	(i)	-	24,000
	(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.

(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 movements during the year 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, 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
2013							
Directors							
Mr P M Odouard	-	-	-	-	-	-	-
Executives							
Mr S Godbille	1,032,423	-	(89,202) (1)	-	943,221	89,202	-
Mr J Johnson	1,160,035	-	(157,233) (1)	-	1,002,802	157,233	-
Mr A Vihersaari	250,000	-	(83,333) (1)	-	166,667	83,333	-
Ms M Withers	618,847	255,363	(439,363) (1)	(434,847) (2)	-	439,363	-
	3,061,305	255,363	(769,131)	(434,847)	2,112,690	769,131	-

(1) Share price at date of exercise $0.168
(2) Shares were forfeited due to cessation of employment

	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) (3)	-	-	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) (3)	-	618,847	92,000	-
	1,853,538	1,888,002	(680,235)	-	3,061,305	680,235	-

(3) Share price at date of exercise $0.185

(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
2013							
Directors							
Mr P M Odouard	2,575,334	987,739	-	-	3,563,073	-	-
2012							
Directors	1,868,961	706,373	-	-	2,575,334	-	-
Mr P M Odouard							

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Shares

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

	Held at 1 July	Purchases	Disposals	Received on exercise or options / rights	Issued as compensation	Held at 30 June
2013						
Directors						
Mr T Quick (c)	-	-	-	-	-	-
Mr P M Odouard	2,134,205	-	-	-	-	2,134,205
Mr N Ampherlaw (a)	-	-	-	-	-	-
Mr P C Cook	145,758	-	-	-	-	145,758
Mr D F G Graham (e)	26,039,341	-	-	-	-	26,039,341
Mr B Griffiths (c)	-	-	-	-	-	-
Mr M Jenkins	-	-	-	-	-	-
Mr E J McCormack	294,315	-	-	-	-	294,315
Mr D Wills (b)	460,107	-	-	-	-	460,107
Executives						
Mr D E Brosius	600,000	-	-	-	-	600,000
Mr S Godbille	67,992	-	-	89,202	83,745	240,939
Mr J F Johnson	252,943	-	-	157,233	-	410,176
Mr J Schlimbach	36,342	-	-	-	50,724	87,066
Mr M Schramko	-	-	-	-	73,728	73,728
Mr A Vihersaari	35,203	-	-	83,333	-	118,536
Ms M Withers (d)	158,773	-	-	439,363	68,133	666,269
2012						
Directors						
Mr P M Odouard	1,545,970	-	-	588,235	-	2,134,205
Mr D E Brosius	600,000	-	-	-	-	600,000
Mr P C Cook	145,758	-	-	-	-	145,758
Mr D F G Graham(e)	26,039,341	-	-	-	-	26,039,341
Mr E J McCormack	50,250	244,065	-	-	-	294,315
Mr D Wills(b)	210,106	250,001	-	-	-	460,107
Executives						
Mr S Godbille	-	-	-	-	67,992	67,992
Mr J F Johnson	71,250	48,180	-	-	133,513	252,943
Mr J Schlimbach	-	-	-	-	36,342	36,342
Ms M Withers(d)	-	-	-	92,000	66,773	158,773
Mr A Vihersaari	-	-	-	-	35,203	35,203

a Commenced as a Director 8 July 2013, after year end. Shareholding at 30 June 2013 excluded.

b Ceased being a Director 5 July 2013, after year end. Relevant interest noted is interest as at date of retirement.

c Commenced as a Director 14 February 2013, and has held nil relevant interest in QHL shares during the term of his appointment to date.

d Ceased being an Executive on 21 December 2012. Relevant interest noted is interest as at date employment ceased.

e Ceased being a Director 14 February 2013. Relevant interest noted is interest as at date of retirement.

33. 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, Quickstep has no financial obligations or liabilities under the joint venture agreement.

34. 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 2013, 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	**2013 Number**	**2013 WAEP**	2012 Number	2012 WAEP
Outstanding at 1 July	**2,575,334**	**$0.00**	**1,868,961**	$0.00
Granted during the period	**987,739**	**$0.00**	**706,373**	$0.00
Outstanding at the end of the year	**3,563,073**	**$0.00**	**2,575,334**	$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.

Grant			Tranche 3	Tranche 4	2010 Year	2011 Year	2012 Year
Earliest vesting date			**01/07/11**	**01/07/12**	**1/7/2013**	**1/9/2014**	**31/08/15**
TSR Hurdle VWAP as at			**30 June 2011**	**30 June 2012**	**30 June 2013**	**31 Aug 2014**	**31 Aug 2015**
	% Annual Growth (TP)	**% Vesting**					
Initial value			$0.165	$0.250	$0.326	$0.228	$0.169
Threshold	5	25	$0.188	$0.290	$0.378	$0.264	$0.196
Target	8	50	$0.204	$0.315	$0.410	$0.287	$0.214
Stretch	12	100	$0.227	$0.352	$0.458	$0.320	$0.239

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
2012 Year	987,739	0.1250	123,467
Total	**3,563,073**		**835,319**

During 2013, an expense of $141,340 (2012:$139,100) 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, 2011 year and 2012 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, 2011 year and 2012 year at grant date included:

Tranche	3	4	2010 Year	2011 Year	2012 Year
Grant date	30/03/2010	30/03/2010	26/11/2010	23/11/2011	22/11/2012
First testing date	30/06/2011	30/06/2012	30/06/2013	31/8/2014	31/8/2015
Expiry date	30/03/2017	30/03/2017	26/11/2017	23/11/2018	23/11/2019
Share price at grant date	$0.35	$0.35	$0.41	$0.21	$0.17
Exercise price	Nil	Nil	Nil	Nil	Nil
Expected life (years)	1.3	2.3	2.9	3.1	3.0
Volatility	80%	80%	75%	75%	55%
Risk free interest rate	4.66%	5.01%	5.07	3.08%	2.68%
Dividend yield	0%	0%	0%	0%	0%

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Rights

Executive Performance and Retention Bonus

During the previous year 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 December 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 $210,413 (2012:$111,950) 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 $104,509 (2012: $135,502) has been included in the financial statements as the portion of the offer, attributable to the current financial year as required by accounting standards.

769,131 rights vested (2012: 680,253 rights vested) during the period.

Performance rights issued were as follows:

	2013 Number	2012 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	**1,173,303**	1,853,538	
Performance rights terminated	**-**	-	
Performance rights exercised	**(769,131)**	(680,235)	
Performance rights granted	**255,363**	-	
Performance rights on issue 30 June	**659,535**	1,173,303	
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	**2,200,621**	-	
Performance rights granted	**-**	2,200,621	
Performance rights forfeited	**(434,847)**	-	
Performance rights on issue 30 June	**1,765,774**	2,200,621	

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Shares

The Company issued 327,285 shares as long term incentives accrued for in the prior year (refer Note 32). 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.

Incentives accrued for in the current year of $101,307 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 2013 $	2012 $
Employee expenses		
Shares	**101,307**	103,759
Share rights granted	**231,896**	247,452
Options	**141,340**	139,110
	474,543	490,321

35. Parent entity

As at, and throughout, the financial year ending 30 June 2013 the parent company of the Group was Quickstep Holdings Limited.

	Company 2013 $	2012 $
Results of the parent entity		
Profit/(Loss) for the period	**(16,985,894)**	(11,801,601)
Other comprehensive income	**162,102**	464
	(16,823,792)	(11,801,137)
Financial position of the parent entity at year end		
Current assets	**3,869,695**	**6,703,537**
Total assets	**35,541,672**	**20,192,457**
Current liabilities	**2,358,178**	**3,577,654**
Total liabilities	**2,358,178**	**3,577,654**
Total equity of the parent entity comprising of:		
Share capital	**74,754,828**	**74,754,828**
Share based payments reserve	**2,959,344**	**2,613,956**
Accumulated losses	**(77,448,618)**	**(60,753,981)**
Total equity	**265,554**	**16,614,803**

36. Subsequent events

Since the end of the financial year the Group:

- Raised $6.1 million through the placement of fully paid ordinary shares to institutional and sophisticated investors; and
- Raised $7.2 million through a share purchase plan with all eligible investors.
- Combined equity raising net of costs since balance date totalled $12.7 million.

Other than the matters referred to above, there have been no events subsequent to balance date which would have a material effect on the Group's financial statements as at 30 June 2013.

DIRECTOR'S 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 29 to 72 and pages 5 to 23 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 2013 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).

2. During 2014 and 2015 financial years the level of production required to satisfy orders placed for the JSF project and to fulfil advance paid orders under the C-130J contract is expected to increase. As a consequence the level of working capital required will also increase. The projected build-up of working capital arising from increasing customer orders will require further funding through debt raisings or advanced payments from customers. As these facilities have not been finalised at the date of this report, there is some uncertainty as to whether the Group will be able to arrange these working capital facilities and pay debts as and when they become due and payable. Further information can be found in Note 1(d) of the Financial Statements.

3. The directors have been given the declarations required by s.295A of the *Corporations Act 2001* for the financial year ended 30 June 2013

Dated at Sydney, New South Wales this 30 day of September 2013.

Signed in accordance with a resolution of the Directors:

P M Odouard
Managing Director

AUDITOR'S INDEPENDENCE DECLARATION

KPMG

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

To: the directors of Quickstep Holdings Ltd

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2013 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

Cameron Slapp
Partner

Sydney

30 September 2013

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 2013, and consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 36 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company 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 note 1(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.

Independence

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

KPMG

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF QUICKSTEP HOLDINGS LIMITED (continued)

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 2013 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).

Material uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to note 1(d), which provides disclosure regarding the Group's ability to continue as a going concern. As set out in note 1(d), the directors have indicated the need for future access to debt facilities, advance payments from customers, or a combination of the above, to fund the expected increase in working capital requirements. This indicates the existence of a material uncertainty as to whether the Group will be able to continue as a going concern and realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.

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 2013. 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 2013, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Cameron Slapp
Partner

Sydney

30 September 2013

DETAILS OF SHARES AND OPTIONS AS AT 24 SEPTEMBER 2013

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	No. of Shares	%
Washington H Soul Pattinson and Company Limited	68,172,570	17.71%
Decta Holdings Pty Ltd	26,039,341	6.76%

On-Market buy back

There is no current on-market buy back.

Distribution schedules

Distribution of each class of security as at 24 September 2013:

Ordinary fully paid shares

Range	Holders	Units	%
1 - 1,000	401	141,676	0.04
1,001 - 5,000	902	2,862,353	0.74
5,001 - 10,000	764	6,438,136	1.67
10,001 - 100,000	2,488	95,242,746	24.74
100,000 - Over	526	280,300,134	72.81
Total	**5,081**	**384,985,045**	**100.00**

Options exerciseable at $0.00 on or before 31 August 2015 (unlisted)

Range	Holders	Units	%
1 - 1,000	-	-	-
1,001 - 5,000	-	-	-
5,001 - 10,000	-	-	-
10,001 - 100,000	-	-	-
100,000 - Over	1	987,739	100.00
Total	**1**	**987,739**	**100.00**

Options exerciseable 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
Total	**1**	**1,397,624**	**100.00**

SHAREHOLDER INFORMATION

DETAILS OF SHARES AND OPTIONS AS AT 24 SEPTEMBER 2013

Options exerciseable 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
Total	**1**	**471,337**	**100.00**

Options exerciseable at $0.00 on or before 25 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
Total	**1**	**706,373**	**100.00**

Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 2,326 shares at $0.215 per share):

Holders	Units
693	646,976

Top Holders

The 20 largest registered holders of each class of quoted security as at 24 September 2013 were:

	Name	No. Of Shares	%
1.	Washington H Soul Pattinson and Company Limited	68,172,570	17.71%
2.	Decta Holdings Pty Ltd	26,039,341	6.76%
3.	WSF Pty Ltd <Woodstock S/F A/C>	11,151,021	2.90%
4.	Romadak Pty Ltd <Romadak Super Fund A/C>	8,454,130	2.20%
5.	State One Holdings Pty Ltd	4,870,977	1.27%
6.	National Nom Ltd	4,750,000	1.23%
7.	HSBC Custody Nominees (Australia) Limited	3,163,476	0.82%
8.	State One Stockbroking Pty Ltd	3,090,641	0.80%
9.	Best Holdings Pty Ltd	2,728,846	0.71%
10.	Yarraandoo Pty Ltd <Yarraandoo Super Fund A/C>	2,271,576	0.59%
11.	Philippe Odouard	2,134,205	0.55%
12.	Sols Super Pty Ltd <Sols Super Fund A/C)	2,109,567	0.55%
13.	Prunelle Holdings Pty Ltd	2,077,692	0.54%
14.	Mr David Gellatly & Mrs Evelyn Gellatly <D&E Gellatly Super A/C>	2,000,000	0.52%
15.	Code Nominees Pty Ltd	1,890,000	0.49%
16.	Equilibrium Pensions Limited <Campbell Family Int PPPS A/C>	1,836,000	0.48%
17.	Citicorp Nominees Pty Ltd	1,681,203	0.44%
18.	Graham Brown Pty Ltd <Flying High Super Fund A/C>	1,590,000	0.41%
19.	Patel Pradip	1,520,000	0.39%
20.	Farjoy Pty Ltd	1,500,000	0.39%
		153,031,245	**39.75%**

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Principal Address

Quickstep Holdings Limited
361 Milperra Road
Bankstown Airport
NSW 2200
Australia
T +61 2 9774 0300
F +61 2 9771 0256

Registered Office

Quickstep Holdings Limited
Level 2, 160 Pitt Street
Sydney, NSW 2000
Australia
T +61 2 9210 7000
F +61 2 9210 7099

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

Quickstep