Quickstep

World-Class Advanced Composites Manufacturing Solutions

Annual Report 2015

Highlights

FY15 sales
$39.5 m
up 229% from $12.0 million

Firm order book increase to
$74.9 m
at 30 June 2015

Strengthened management team

Quickstep's vision is to be an innovative composite solutions provider and we are at the forefront of advanced composites manufacturing and technology development.

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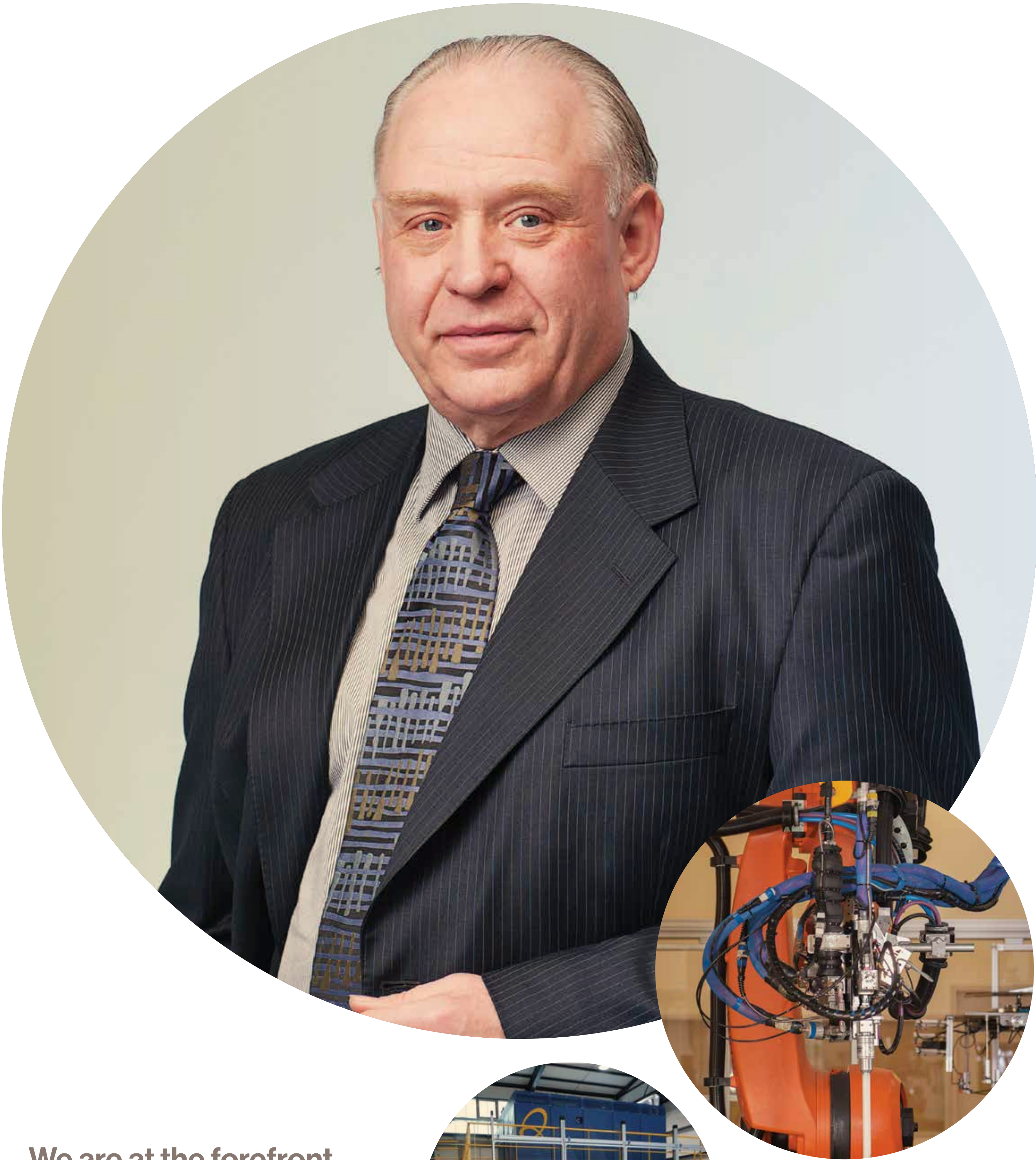
Substantial growth achieved in FY2015

↑132%
Total FY15 revenue at $41.3 million from $17.8 million

$2.2m
of second half FY15 profit

↑181%
Aerospace manufacturing sales at $33.7 million

Quickstep is today the largest independent carbon fibre composites manufacturer in Australia



We are at the forefront of advanced composites manufacturing and technology development.

Advanced Manufacturing, Smart Technology in one Quickstep

FY2015 was a year of significant expansion for Quickstep, as we accelerated our transition from being purely a research and development business into an advanced manufacturer of carbon fibre components and assemblies. We secured additional purchase orders from our key aerospace customers in Lockheed Martin, Northrop Grumman and BAE Systems, which has led to an expansion of our manufacturing facilities and capabilities at our Bankstown operations. We further extended the scope of our composite solutions capabilities with the establishment of a dedicated Automotive Division in the Geelong region of Victoria. We also demonstrated the commercial potential of our patented Qure (composite curing) technology, with the successful execution of our first external sale of the Qure process equipment to ORPE Technologiya.

Quickstep's vision is to be an **innovative composite solutions provider** and we are at the forefront of advanced composites manufacturing and technology development. We are today, the largest independent aerospace-grade advanced composite manufacturer in Australia and we have developed significant capabilities and expertise in the production of aerospace components and assemblies, using both conventional autoclave-based manufacturing and leading **Out-of-Autoclave** production technologies (developed in-house by Quickstep and patented). We are now taking these skills and capabilities into the global automotive sector.

The **Aerospace/Defense** and **Automotive** industries are the two key industry sectors for carbon fibre growth globally. Carbon fibre composites are growing in demand from the aerospace and automotive sectors because of increasingly stringent U.S. European and Asian regulations and penalties to ensure reductions in carbon emissions and fuel consumption. Aerospace and automotive companies are increasingly in need of lighter-weight solutions; reducing aircraft and vehicle weight saves fuel and lowers emissions.

Your company, therefore, has excellent prospects for further growth globally, as we ramp-up our expansion and commercialisation strategies. In order to fund our growth, we secured A$7.5 million in loan facilities, including a A$4.5 million Multi-Option Facility Agreement with Efic and ANZ and a A$3 million short-term loan facility through Newmarket Financing Management (a strategic investor in the carbon fibre sector in Australia). We were also successful in securing a A$1.76 million grant through the Geelong Region Innovation & Investment Fund (GRIIF) to assist in the establishment of our Automotive Division in the Geelong region.

Our financial results for FY2015 reflect our focus on growth and expansion with sales revenue rising from A$12.0 million in FY2014 to A$39.5 million in FY2015. This substantial increase was the result of increased aerospace orders on both our C130 and JSF programs and the success of our first external sale of a **Q**ure machine to ORPE Technologiya.

As Chairman, I would like to recognise the ongoing support of our shareholders, our customers and my colleagues on the Board. I would also like to thank David Marino, our newly appointed (February 2015) CEO and Managing Director, the executive management team and all of the Quickstep staff, for their hard work and dedication. I would also like to express my appreciation to Philippe Odouard for his leadership of the company during its early development phase.

Your company has a number of secured projects that will see sales revenue continue to increase in the year ahead. At 30 June 2015, we have a firm order book valued at A$74.9 million. We have innovative advanced manufacturing technologies, highly skilled staff, and a strong track record of product delivery. Today, we are Australia's largest independent high grade carbon-fibre composites company and have demonstrated our capacity to win competitive long-term defence sector contracts. We are emerging as an innovative automotive technology provider and are continuing to develop 'next generation' technologies to further our global growth and expansion. I am confident that the strength and capabilities of the Quickstep team will enable us to successfully pursue further growth in FY2016.

Tony Quick
Chairman

Our vision is to be a world leader in advanced composites manufacturing.

Global Provider of Choice; Delivering Advanced Composite Manufacturing Solutions

I am pleased to report that in FY2015, Quickstep has continued to grow and make substantial progress towards becoming a leading global provider of advanced composite components and manufacturing processes for the Aerospace and Automotive sectors.

We achieved a three-fold increase in sales revenue to A$39.5 million in FY2015, compared to A$12.0 million in the previous year. We delivered 31 ship-sets to Lockheed Martin for the C-130J program in FY2015. We increased the production rate of parts for the Joint Strike Fighter (JSF) program, with 464 JSF parts delivered to Northrop Grumman in the year and the qualification of our parts for the JSF vertical tails project with BAE Systems have progressed to plan. Our very first external Qure equipment contract achieved customer acceptance and approval for client installation and we received €4 million (A$5.8 million) payment from ORPE Technologiya for this project.

From an Automotive perspective we established our **Automotive Division** at Deakin University's Waurn Ponds campus in the Geelong region, with the assistance of a A$1.76 million grant from the Geelong Region Innovation & Investment Fund (GRIIF) and we have secured a niche volume production agreement with a global vehicle manufacturer, that will go into production in early FY2016. Design and development activities continued throughout FY2015 with Thales Australia for a series of composite components for their Hawkei military vehicles. This would be the first project to use Quickstep's automotive resin spray transfer (RST) process, with production representative parts required by Thales in FY2016.

Our vision is to be a world leader in advanced composites manufacturing and we are doing this through well-thought out growth and expansion strategies and implementation plans, in our four key Business Areas:

- **Aerospace Manufacturing:** Proven manufacturer of advanced carbon fibre composite components and complex assemblies for the Defence Aerospace sector
- **Quickstep Systems:** Innovation in product and process development; management of all R&D, Patents and Commercialisation projects across the Quickstep business
- **Quickstep Aerospace:** Application of Quickstep's 'disruptive' technology that lowers the overall cost of manufacturing aerospace composite components
- **Quickstep Automotive:** Application of Quickstep's 'disruptive' technology which enables the manufacture of both Class A surface and Structural parts at a substantially lower cost, compared to traditional composite manufacture, for the automotive sector

Our sales momentum is accelerating and based on contracts secured before the end of June 2015, our firm order book now stands in excess of A$74.9 million, this reflects increased orders for Quickstep's JSF and C-130J aerospace contracts, and it is anticipated that the majority of this work will be completed during the next two years.

Commercialising Quickstep's Technologies

Throughout FY2015 we continued to advance the commercialisation of both our **Qure** and **Resin Spray Transfer (RST)** technologies for use in both the aerospace and automotive industries. We branded our patented curing and moulding machine to manufacture carbon-fibre parts, '**Q**ure', recognising its unique capability and the potential for its technology to lower the cost of manufactured components. Qure represents an industry-disruptive technology which provides the aerospace industry greater flexibility and more control over the curing cycle than traditional autoclave manufactured carbon fibre composite parts.

Development programs with Airbus and negotiations with a number of light commercial and long-range commercial customers continued in FY2015. Development activities were focused on the use of Quickstep's technologies in aerospace such as cored structures, large integrated structures, spars, beams and parts with complex cure cycles.

Our automotive commercialisation activities revolved around the further development and application of both our RST and Qure technologies to manufacture components for automotive vehicle producers and we advanced our sales discussions with a number of OEMs and tier-1 automotive manufacturers. This culminated in an agreement with a global OEM to manufacture a series of up to 1,000 lightweight carbon fibre interior parts. Whilst small this agreement demonstrates Quickstep's serial production capabilities and represents early success for the first phase of our automotive strategy. Over the course of the next two years, we will target a number of niche volume automotive projects, while developing our **RapidQure** automotive technology and increasing volume capability to secure larger projects.

Outlook for FY2016

We look forward to another solid year of growth in FY2016 and the company's near-term goals are:

Aerospace Manufacturing: Maintaining production of C-130J wing flaps at three ship-sets per month; completing the JSF Vertical Tail qualification program and increasing our manufacturing capacity for JSF future growth and; pursuing additional manufacturing contracts for the Bankstown operation

Technology commercialisation – Aerospace: Completing the installation of the first commercial Qure plant in FY2016 and; securing additional Qure equipment sales and component manufacturing opportunities.

Technology commercialisation – Automotive: Progressing the commercialisation of the Qure and RST technology for niche volume manufacturing; developing the next generation RapidQure technology for higher volume manufacturing; preparing for the production of our first automotive contract; preparing for first parts supply for Thales and; pursuing additional contracts with other vehicle manufacturers

In closing, I would like to thank all of our existing shareholders for their confidence in Quickstep and the future of this company. I would also like to acknowledge the hard work and dedication of our Board of Directors, our executive management team and all our dedicated staff that are not only managing Quickstep's rapid expansion, but also identifying and delivering new product and customer opportunities, utilising our advanced composites technologies and capabilities.

David Marino
CEO and Managing Director

31 sets
of wing flaps for "Super Hercules" C-130J production in FY15

Aiming to be a world leader in advanced composites manufacturing

1. Aerospace manufacturing

Quickstep's manufacturing growth is assured, driven by continued increase in demand from the JSF program. Orders for fuselage components are scheduled to rise in FY2016 and, with qualification for vertical tails manufacturing in place, substantially increase in FY2017.

As the C130J wing flap supply program continues in production, we are confident of our ongoing role in this program, beyond the current MoA with Lockheed Martin.

In the next six to 18 months we plan to expand the Bankstown facility, increase production capacity and optimising manufacturing processes and supply chain efficiency to support contracted work. While existing contracts use autoclave technology, we expect that as additional projects are secured, they will also use Qure processes.

Our medium-term targets include niche-volume manufacturing contracts for light aircraft, sports aircraft, and defence prime contractors. Longer-term, as our capability grows, we will be able to target larger projects for defence and commercial aircraft.

2. Technology commercialisation for automotive

The overall market opportunity is significant, as global vehicle production is forecast to grow to 106 million vehicles by 2021. We are focused on the US, UK and China markets and have targeted small-volume projects with global original equipment manufacturers, with several quotes underway. We believe that our most significant opportunities include:

» Alternative energy vehicles, particularly electric vehicles

» Small-volume premium level vehicles

» Lightweight vehicles

» Specialty vehicles

» Sports cars

Quickstep's technology is highly flexible for production of lightweight sandwich and core structures, structural interior parts, and structural body parts. We currently target small-volume projects of 500-2,000 units per year which, over the next three years, is expected to increase to projects of 5,000-10,000 units per year, including larger parts and assemblies.

1st contract
with leading global automotive manufacturer secured

Quickstep's long-term goal is to become a world leader in advanced composites manufacturing. We are focused on the aerospace, defence, automotive and transport sectors where the opportunity is most significant. Aerospace sector demand for carbon fibre is expected to grow at a cumulative annual growth rate of 14.7% from 2010 to 2020 and demand from the fastest-growing sector, automotive, is forecast to increase at about 50% per year in the same timeframe. Here we present a forward-looking roadmap for the next three years.

3. Technology development

We are investing to boost the efficiency of our Qure and resin spray transfer (RST) technologies. Our roadmap for improvement expects Qure's throughput to reach 2,000-5,000 units per year in the next three years. Our competitiveness will improve with the production capacity of our technology.

Together with RST, the Qure process manufactures components with a very high-quality surface finish. Quickstep believes this technology provides the automotive industry a superior alternative to compression moulding. A faster, fully industrialised process of Qure, named RapidQure, is being developed to increase mass production capacity and process reliability, facilitating lower costs for customers. We expect to commercialise this technology over the next 18 to 36 months and, longer term, aim to increase capacity beyond 50,000 units per year.

152%
increase in Joint Strike Fighter fuselage parts

4. Technology commercialisation for aerospace

The first commercial sale of Quickstep's Qure has passed customer approval and is expected to reduce our customer's running costs to one third of current costs using an autoclave in addition to the lower capital costs. Over time, it will provide a strong endorsement of Quickstep's technology.

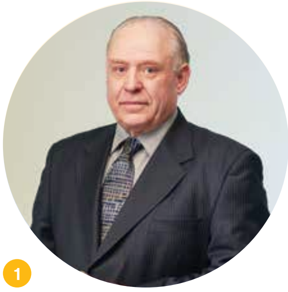
Our target markets include:

» Space and exploration aircraft: Quickstep will focus on customers that need relatively flat, large surface area parts in low-to-medium volumes for unmanned aircraft.

» Light and sports aircraft: Qure provides a flexible manufacturing solution for low volume component production, and potential customers are located in both developing and mature geographic markets.

» Defence and commercial aircraft: Qualification of Qure is needed to manufacture parts for prime contractors and Tier 1 defence and commercial aerospace companies. Our business model envisages manufacturing in Australia in conjunction and international 'asset-light' models (where Quickstep's operations are located near to its customer).

Directors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1 Mr Tony Quick, MA (Cantab)

Independent Non Executive Chairman
– appointed 14 February 2013
(interim appointment as Executive Chair 29 May 2014 to 15 February 2015)

Mr Tony Quick, aged 59, joined Quickstep following a highly successful career in the aerospace and defence industries. He is Chair of the Defence Materials Technology Centre, which is a Defence funded Co-operative Research Centre, 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 October 2000 he left Westland to emigrate to Australia and, in 2001, set up GKN Aerospace Engineering Services Pty Ltd to service global demand for engineering services. The Company's parent, GKN Aerospace, is one of the world's largest independent first-tier suppliers to the global aviation industry providing integrated metal and composite assemblies for aerostructures and engine products. GKN Aerospace Engineering Services Pty Ltd provided design services to the F-35 Joint Strike Fighter program for Lockheed Martin and Northrop Grumman and grew to employ more than 240 aerospace engineering staff in Australia. He was the Managing Director and General Manager of that company until 2009. Mr Quick was the Director of the Defence Industry Innovation Centre, Enterprise Connect from 2009 to 2011.

2 Mr David James Marino, B Eng (Mech) (Hons)

Managing Director and CEO
– appointed 16 February 2015

Mr David Marino, aged 44, was appointed Chief Executive Officer and Managing Director in February 2015. David has over 20 years of manufacturing experience. This includes leading Australian and International businesses through Asia and the U.S., directing as many as 1600 people, and being responsible for revenues in excess of $400 million per annum. Since being recruited by Ford Australia through its graduate program, David has held a number of diverse roles in engineering, operations, program and general management with Lear Corporation, Air International and most recently with Futuris Group as part of the Executive leadership team from 2004 to 2015. He was a key driver in its business globalisation, and held a number of senior roles including General Manager Seating, Executive General Manager Australia, Executive General Manager Strategy and Advanced Operations and most recently, Chief Operating Officer.

David has significant experience in Mergers and Acquisitions, led post integration teams and has also executed partnerships and joint ventures in Australia, South Africa, Thailand and India. His experience includes serving on local and international joint venture company boards managed by the Futuris Group, and he was the Chairman of the Feltex-Futuris board in South Africa.

David has an honours degree in Mechanical Engineering from Swinburne University in Melbourne (1994) and has completed a number of post graduate business studies including The General Manager Program (TGMP) at Harvard Business School (2005).

3 Mr Philippe Marie Odouard, M.Sc (Bus)

Executive Director – Appointed CEO & MD 13 October 2008 to 29 May 2014,and Executive Director 29 May 2014

Mr Philippe Odouard, aged 60, was appointed Chief Executive Officer and Managing Director in October 2008. In May 2014 Mr Odouard left his role as CEO and Managing Director to focus on Business Development activities as an executive director. 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.

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

Independent Non Executive Director
– appointed 8 July 2013

Mr Nigel Ampherlaw, aged 60, 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 the Chair of the Audit Committee, member of the Risk Committee and Remuneration Committee, Elanor Investor Group where he is Chair of the Audit Committee and a member of the Remunertion Committee Chair; 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.

5 Mr Peter Chapman Cook, Mpharm., PhC, Cchem, Fmonash, FRMIT, MPS, MRACI, MAICD.

Independent Non Executive Director
– appointed 14 July 2005

Mr Peter Cook, aged 68, is the Chairman of the Remuneration, Nomination and Diversity Committee and has extensive business experience, both within Australia and overseas.

Current appointments include Chair, Pharmaceutical Science Advisory Group (Monash University), Chair, Monash Institute of Pharmaceutical Science's Foundation and Director Myostin Therapeutics.

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 2015 and the auditor's report thereon.

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His most recent Executive appointment was as Managing Director and Chief Executive Officer of Biota Holdings Limited, Mr Cook has also 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.

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.

6 Mr Bruce Griffiths, OAM

Independent Non Executive Director

– appointed 14 February 2013

Mr Bruce Griffiths OAM, aged 65, 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: Board Member – Industry Capability Network Limited (ICNL), Director – Air International Thermal Systems, Director – Carbon Revolution Pty Limited.

Previous appointments include: Rail Supplier Advocate from 2009 to 2014, 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, Chairman – Sail Melbourne ISAF Sailing World Cup.

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.

7 Air Marshal Errol John McCormack (Ret'd), AO

Independent Non Executive Director

– appointed 11 August 2010

Air Marshal Errol McCormack, aged 74, 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.

8 Mr David Patrick Alexander Singleton, BSc (Hons)

Independent Non Executive Director

– appointed 11 October 2010

Mr David Singleton, aged 55, 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.

9 Mr. Jaime Pinto, B.Com, CA, AIGA

Company secretary

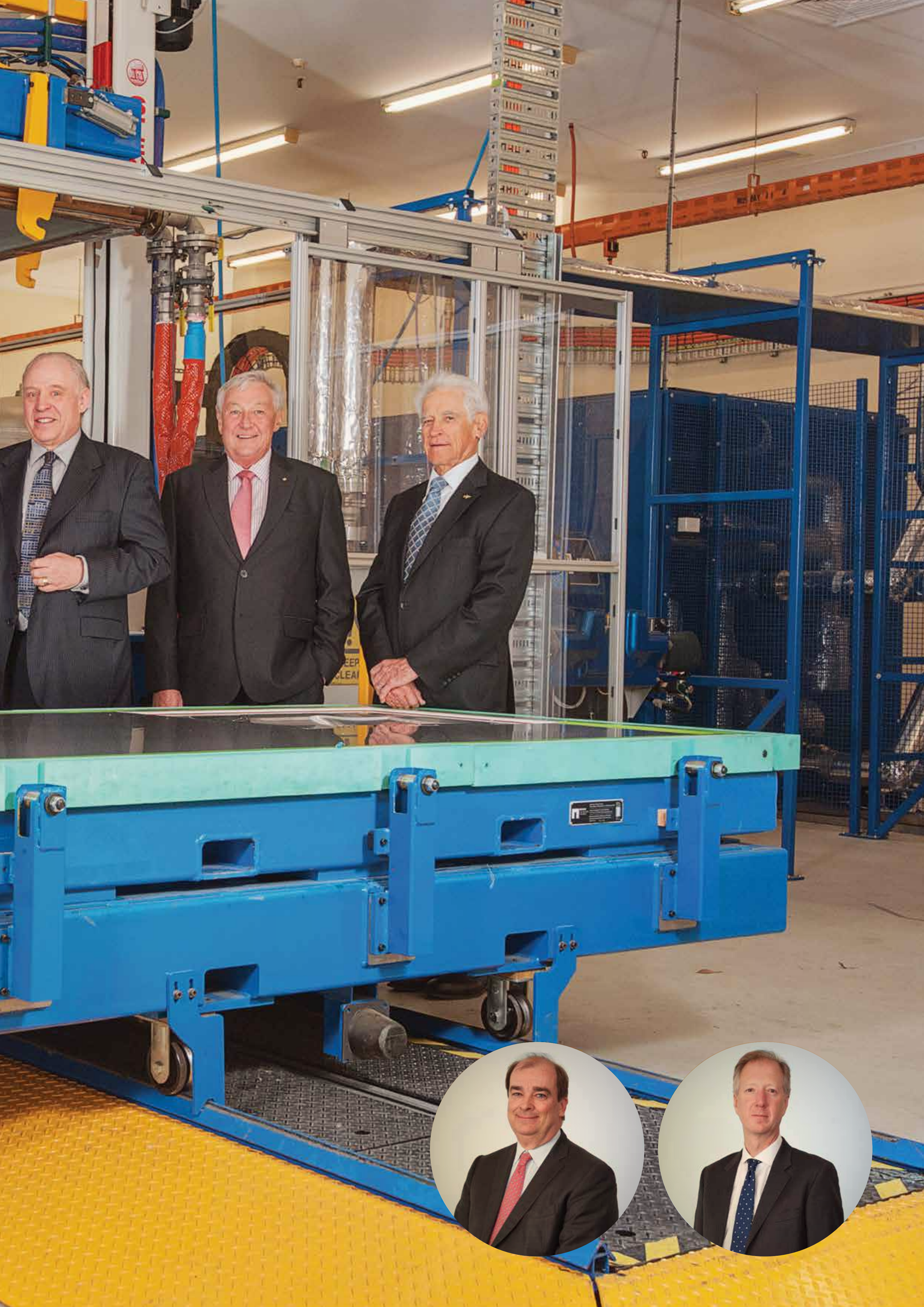
– appointed 20 November 2012

Mr Pinto, aged 44, is a Chartered Accountant with over 20 years experience in both professional practice 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, is a member of The Institute of Chartered Accountants Australia, and an Associate Member of Governance Institute.

FY2015 was a year of significant expansion for Quickstep, as we accelerated our transition from being purely a research and development business into an advanced manufacturer of carbon fibre components and assemblies.

Tony Quick
Chairman



Board Structure & Director Independence

The Company continually monitors the structure and performance of the Board to ensure it is of an appropriate size, composition and skill to lead the Company and meet its current governance and strategic needs.

The Chairman manages the Board to achieve responsive and effective business outcomes with highly committed directors. Quickstep has a Remuneration, Nomination and Diversity Committee (RND Committee), whose responsibilities include the development and on-going review of Board competencies, structure, performance and renewal. Both the RND Committee Charter and "Policy and Procedure for Selection and Appointment of Directors" are accessible from the Company's website as follows.

- http://www.quickstep.com.au/359_QHL_RND_Committee_Charter_-_September_2014
- http://www.quickstep.com.au/366_QHL_Selection_and_Appointment_of_Directors_Policy_V1_-_02102014

The Policy and Procedure for Selection and Appointment of Directors includes an extensive matrix of skills that are considered necessary within the non-executive director group to facilitate an effective and efficient Board. The RND Committee periodically reviews both this matrix and the directors' actual skills mix to ensure they satisfy the current and immediately foreseeable needs of the Company.

The Board maintains a varied level of tenure amongst its directors, which is seen as essential for its effective functioning given the significant growth and change experienced by Quickstep in recent years. This has resulted in both an influx of fresh ideas and the retention of sufficient Quickstep specific understanding to optimise strategic and operational changes. As Quickstep transitions from a Development to a Manufacturing and Commercial organization the Board is committed to managing the change of both Directors and the Executive team in order to ensure the appropriate blend of skills, capability and experience.

The Board is committed to a majority of its directors being independent to ensure the Board acts in the best interest of the entity itself, its security holders and stakeholders generally. Director independence is assessed on a regular basis, and all directors are required to advise the Board of any actual or potential conflicts of interest as they arise, with any such conflicts tabled at Board meetings.

In assessing independence the Board considers a number of factors which include, but are not limited to, the "Factors relevant to assessing the independence of a director" listed in Recommendation 2.3 of the Corporate Governance Principles and Recommendations 3rd Edition established by the ASX Corporate Governance Council ('the ASX Principles and Recommendations").

In 2015 the Board specifically assessed the independence of Mr Tony Quick, following his period as Executive Chairman, Mr Peter Cook, based on his duration of tenure, and Mr David Singleton, due to the fact he is eligible for re-election at the 2015 Annual General Meeting.

Mr Tony Quick was appointed on an interim basis as Executive Chairman in May 2014 to assist in the management of the business during a period of significant growth and the appointment of a new CEO. Mr Quick relinquished his executive duties in February 2015 upon the appointment of a new CEO/Managing Director, and resumed his role as Non-Executive Chairman from this date.

During his tenure as Executive Chairman Mr Quick fulfilled his role as Chairman in a manner independent of his Executive role, brought independent judgement to bear upon issues before the Board, and was remunerated separately and distinctly in each capacity. The ASX Principles and Recommendations suggest that a director's independence should be reviewed if they have been employed in an executive capacity by the Company and it has not been three years since ceasing this role. However, the Board does not see the interim assumption of executive duties as atypical, or as constituting any compromise to the independence of a director per se, when as part of their non-executive director's responsibilities a director may need to assume a short term executive capacity should conditions warrant. Indeed such a step asserts the Board's and the director's actual independence. The Board also considered Mr Quick's activities and interactions with senior management during the period as Executive Chairman, and the consequent operational structural changes implemented. Since Mr Quick resumed his role as Non-Executive Chairman, the Board (independently of the Chairman) considered the above factors and unanimously resolved that Mr Quick should be considered to have remained independent.

Mr Peter Cook's initial appointment as a director was in July 2005. At the end of July 2015 Mr Cook had been a director for just over ten years. The ASX Principles and Recommendations suggest that the Board should regularly assess the independence of a director who has served for more than 10 years. Also, and in accordance with the Company's rotation policy, Mr Cook is eligible to stand for re-election at this year's Annual General Meeting, his fourth term of office, subject to the Company's "Policy and Procedure for Selection and Appointment of Directors" that special requirements apply for the nomination of directors that have served 9 years and/or three terms of office.

After appropriate consideration, the Board's members (excluding Mr Cook) unanimously resolved that Mr Cook's independence has not been impaired by his tenure, due in part to the significant change within senior management since his initial appointment. The Board further resolved that Mr Cook's distinct set of skills, including in innovation and R&D, coupled with his experience is of obvious and on-going benefit to the Board. Accordingly, Mr Cook's nomination for re-election to the Board was unanimously supported.

Mr David Singleton's initial appointment as a director was in October 2010. At the end of July 2015 Mr Singleton had been a director for just under five years. In accordance with the Company's rotation policy, Mr Singleton is eligible to stand for re-election at this year's Annual General Meeting, his third term of office.

After appropriate consideration, the Board's members (excluding Mr Singleton) unanimously resolved that Mr Singleton independence has not been impaired during his tenure, and that Mr Singleton's distinct set of skills and experience, including in aerospace and defence industries, is of obvious and on-going benefit to the Board. Accordingly, Mr Singleton's nomination for re-election to the Board was unanimously supported.

Meetings of directors

The numbers of meetings of the Company's board of Directors and of each board committee held during the year ended 30 June 2015, and the numbers of meetings attended by each Director were:

	Board Meetings		Audit, Risk and Compliance Committee Meetings		Remuneration, Nomination and Diversity Committee Meetings	
Director	A	B	A	B	A	B
Mr T Quick	20	20	–	–	–	–
Mr D J Marino	8	7	–	–	–	–
Mr P M Odouard	20	16	–	–	–	–
Mr N Ampherlaw	20	20	6	6	–	–
Mr P C Cook	20	20	–	–	6	6
Mr B Griffiths	20	20	–	–	6	6
Mr M B Jenkins	7	5	4	4	–	–
Mr E J McCormack	20	20	6	6	–	–
Mr D Singleton	20	17	6	5	6	5

A = Number of meetings held during the time the Director held office during the year

B = Number of meetings attended

Principal Activities

During the year the principal continuing activities of the Group consisted of:

a) increasing production supply of parts to Northrop Grumman for the Joint Strike Fighter Project from the Bankstown manufacturing facility;
b) increasing production supply to 3 ship sets per month of C-130J wing flaps for Lockheed Martin;
c) producing first preproduction parts for qualification testing of Joint Strike Fighter vertical tails for BAE;
d) driving growth in firm order book to A$74.9M;
e) delivery of first Qure equipment contract with ORPE Technologiya;
f) commencement of facility planning for Hawkei preproduction parts;
g) continued development of RST and Qure technologies for scaled volume production (RapidQure).

Results

The loss from ordinary activities after income tax amounted to $3,937,888 (2014 loss: $11,181,401).

Review of Operations

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

Dividends

No dividends have been paid during the financial year. The Directors do not recommend that a dividend be paid in respect of the financial year (2014: $nil).

Events Since the end of the Financial Year

Since the end of the financial year the following events occurred:

a) First global Automotive OEM carbon fibre production contract secured
b) Presche development project completed with Audi confirming Quickstep superior Automotive manufacturing Technology for volumes below 10,000 units
c) Secured an extension to repayments of the Efic Multi-Option facility, now expiring 30 March 2016
d) Invest Victoria Grant received for R&D activities at Waurn Ponds
e) Waurn Ponds Lease and Research and Development agreements with Deakin finalised for Automotive and R&D activities

Likely developments and expected results of operations

Strategies, prospects and risks by division

Aerospace Manufacturing

Strategic objective	Prospects	Risks
Continue production ramp of JSF parts in line with Northrop Grumman demand	Program schedules indicate a continued increase in sales for the FY16	Capital availability to meet demand curve which is mitigated by capacity planning program over the period
Commencement of supply of JSF Vertical Tail composite parts and assemblies to BAE	Current schedule has production commencing in Q4 of FY16	Final testing compliance of preproduction parts supplied
New contract award to optimize assets and improve overhead utilisation	A number of quotations are under current negotiation with OEMs	Requirements of additional skilled employment to be able to deliver increased volume. Skills planning in place

Quickstep Systems

Strategic objective	Prospects	Risks
Award of additional Automotive and Aerospace contracts using RST and Qure	A number of opportunities are currently under negotiation with customers	Adoption of alternative technologies for the same opportunities
Technology development of RapidQure to take advantage of larger volume manufacturing opportunities in the global market	Program has commenced	Timing of development exceeds program plan and investment expectations
Set up of manufacturing facility in Waurn Ponds for the delivery of first OEM contract part and Hawkei preproduction components	Letters of Intent with Thales and Global OEM orders signed	Capital timing to support and final decision on Hawkei program

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:

	Shares	Options	Rights
Mr T Quick	100,000	–	–
Mr D J Marino	–	–	2,491,694
Mr P M Odouard	2,140,685	3,256,593	1,909,420
Mr N Ampherlaw[1]	275,000	–	–
Mr P C Cook[2]	220,758	–	–
Mr B Griffiths[3]	224,000	–	–
Mr M B Jenkins[4]	100,000	–	–
Mr D P A Singleton[5]	100,000	–	–
Mr E J McCormack[6]	369,315	–	–

1) The registered holder of the shares is NIJS Fund which is a superannuation fund of which Mr Ampherlaw is a trustee and member.
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 Bond Street Custodians Limited as custodian for the B A Griffiths Superannuation Fund, of which Mr Griffiths is a trustee.
4) Mr Jenkins retired as a Director on 20 November 2014. The interest disclosed is at the date of cessation as Director.
5) The registered holder of the shares is Belvoir Fund of which Mr Singleton is a Trustee.
6) The registered holder of the shares is Aviops Pty Ltd, of which Mr McCormack is a Director.

Share Options and Rights

During the financial year 4,945,825 rights were granted under the Incentive Rights Plan (IRP) to executives as part of their remuneration with vesting based on future conditions. 298,512 rights were forfeited with continued service conditions not met.

No options were granted during the year, nor were options granted in prior years exercised during the year ending 30 June 2015. No other rights or options have been granted during or since the end of the financial year.

Unissued Shares Under Options and Rights

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

Employee	Earliest possible vesting date	Expiry date	Exercise price	Number of shares/ options/rights
Options				
Mr P M Odouard	30/06/2011	30/03/2017	$0.00	619,446
Mr P M Odouard	30/06/2012	30/03/2017	$0.00	471,698
Mr P M Odouard	30/06/2013	26/11/2017	$0.00	471,337
Mr P M Odouard	31/08/2014	23/11/2018	$0.00	706,373
Mr P M Odouard	31/08/2015	23/11/2019	$0.00	987,739
Rights				
Mr P M Odouard	31/08/2016	22/11/2018	$0.00	802,000
Mr P M Odouard	31/08/2017	31/08/2019	$0.00	1,107,420
Mr D J Marino	31/08/2015	31/08/2015	$0.00	207,641
Mr D J Marino	31/08/2015	31/08/2015	$0.00	207,641
Mr D J Marino	31/08/2016	31/08/2016	$0.00	415,283
Mr D J Marino	31/08/2016	31/08/2016	$0.00	415,282
Mr D J Marino	31/08/2017	31/08/2017	$0.00	1,245,847
Ms T Swinley	31/08/2017	31/08/2019	$0.00	233,999
Mr T Olding	31/08/2017	31/08/2019	$0.00	304,540
Mr M Schramko	31/08/2017	31/08/2019	$0.00	244,660
Mr J Johnson	31/08/2017	31/08/2019	$0.00	265,000
Total				8,705,906

No option or right holder has any right under the options to participate in any other share issue of the Company or any other entity.

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 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.

Non-Audit Services

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

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 60.

Corporate Governance Statement

Quickstep's Corporate Governance Statement can be found on the Company's website at the following address:
http://www.quickstep.com.au/Investors-Media/Corporate-Governance

Remuneration report – audited

The report contains the following sections:

1 Principles of compensation
2 Details of remuneration
3 Share based compensation
4 Analysis of bonuses included in remuneration
5 Services from remuneration consultant

1 Principles of Compensation

Key management personnel, including Directors of the Company, have authority and responsibility for planning, directing and controlling the activities of the Group. 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	Chairman, Interim Executive Chairman from 29 May 2014 until 15 February, 2015
Mr N I Ampherlaw	Chair of Audit Risk and Compliance Committee
Mr P Cook	Chair of Remuneration, Nomination and Diversity Committee Senior Independent Director from 29 May 2014 until 15 February 2015
Mr B Griffiths	Air Marshal (R'td) E McCormack
Mr D Singleton	

Executive directors

Mr D Marino	CEO and Managing Director (appointed 16 February, 2015)
Mr P Odouard	Executive Director, Joint CEO Quickstep GmbH

Executive and officers

Mr J Pinto	Company Secretary
Ms N Sharman	Chief Financial Officer
Mr J Johnson	Vice President of Commercial and Administration
Mr M Schramko	Vice President of Manufacturing and Operations
Ms T Swinley	Vice President of Human Resources
Mr D Brosius	President Quickstep Composite LLC (resigned 31 December 2014)
Dr J Schlimbach	Joint CEO, Quickstep GmbH
Mr T Olding	Vice President Systems

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 RN&D 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.

Quickstep has also developed an Executive Remuneration Policy and a Director Remuneration Policy that are available on the Company's website at http://www.quickstep.com.au/Investors-Media/Corporate-Governance.

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, options or rights 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.

The Company's policy is to provide executives with a fixed compensation to meet the median of that paid by like sized companies undertaking similar work. The Company also offers additional short and long term incentives to allow the executive to achieve top quartile compensation if all performance hurdles are met. All incentives are capped.

During FY 2015 the Company appointed a new Managing Director & Chief Executive Officer (MD). In determining an appropriate remuneration package for the new MD, the company obtained Managing Director remuneration benchmarking data from Godfrey Remuneration Group. The methodology used in the benchmarking process is summarised below:

- 2013/2014 survey data (the latest actually available) from the comparator companies was forecasted to increase by 2%, 4% and 6% at the P25 (bottom quartile), P50 (median) and P75 (top quartile) points respectively;
- 20 comparator companies were included in the benchmark data group to ensure an adequate sample size that was both specific and robust;

1 Principles of Compensation (continued)

- of the comparator companies, 10 had a market capitalisation larger than Quickstep and 10 smaller than Quickstep;
- the comparator companies were limited to between half and double the Company's size;
- the comparator companies included all direct competitors for customers and talent from within that range; and
- the comparator companies included those with a similar global industry classification standard (GICS) and of the most similar size.

A market median (P50) total fixed remuneration was generated from this benchmarking data. The actual fixed remuneration package awarded to the CEO was $450,000, which is close to but below the market median. The comparator group companies generated a Total Remuneration Package (total fixed remuneration plus short and long term incentives). The MD's short term incentive (STI) and long term incentive (LTI) are each capped at 50% of total fixed remuneration creating in a maximum remuneration package of $900,000; a figure consistent with both the market comparator companies and Quickstep's own remuneration policy.

The Company's policy is to provide non-executive directors with a fixed fee comparable to the median of that paid by similar sized ASX listed companies operating in similar fields. Non-executive directors are not eligible for participation in any of the Company's incentive schemes.

Fixed compensation

Fixed compensation consists of base compensation, as well as employer contributions to superannuation.

Compensation levels are reviewed annually through a process that considers current labour market rates, the individual's contribution 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, excluding non-executive directors, for meeting or exceeding the Company's business and their 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.

a) Short-term incentives

i) Cash and equity settled short term incentive

Certain executives receive short term incentives (STI) in cash and/or shares based on achievement of key performance indicators (KPIs). Each year the RN&D Committee considers the appropriate KPIs and associated targets to align individual rewards with the Group's desired performance. These targets may include measures related to the annual performance of the Group and/or specified parts of the Group. Certain KPI are classified as Corporate KPIs, and are applicable to all executives in varying proportions. Each executive may also have personal KPIs that apply only to them, which are tailored to ensure greater alignment on an individual basis. The Corporate KPIs are, however, the major component of the targets for Key Management Personnel (KMP).

In FY2015 12 Corporate KPIs were used, including five financial KPIs, two business development KPIs, two operational KPIs and three strategic KPIs. The weighting of corporate KPIs used in the determination of an executive's STI ranged from 50% for certain functional specialists to 100% for the Managing Director.

The RN&D Committee is responsible for assessing whether the KPIs have been achieved and meet the criteria set out at the beginning of the year. Each year a limited number of corporate KPIs are designated as threshold metrics, with no STI payable to any executive if these are not achieved. In FY2015 there were two (2) threshold metrics in use, with the hurdles having been achieved.

Actual performance is then assessed against both a target outcome and a stretch outcome. Generally, where performance falls below the target outcome no payment is made against that KPI and where performance exceeds the stretch outcome the stretch cap is payable. Generally, where performance falls between target and stretch outcomes an appropriate proportion of the KPI is payable.

After determining the overall achievement of KPIs based on the above review process, the RN&D Committee recommends the total incentive to be paid to each executive and the aggregate amount of any additional STI incentive to be paid to any other beneficiary, for approval by the Board.

Where a proportion of STI is payable in shares, the number of shares issued to executives is based on the accrued equity settled STI value divided by the weighted average share price on the date the shares were/are granted.

b) Long-term incentives

i) Introduction

The Company currently has two long term incentive plans in use: an Employee Incentive Plan (EIP) and an Incentive Rights Plan (IRP). The former has been progressively replaced with the latter.

In November 2009 the Company established the Quickstep Employee Incentive Plan (EIP). The EIP enabled the Board to grant (zero exercise price) options to selected Quickstep employees, with each option being a conditional right to one Quickstep ordinary share, subject to the satisfaction of the applicable performance conditions and continued service. Participation in the EIP was open to all employees of the Group, but in practice, options have only ever been issued to one executive.

In November 2013 the Company established the Quickstep Incentive Rights Plan (IRP). The IRP was designed to facilitate the Company moving towards best practice remuneration structures for executives, and offers under the IRP have been made to a number of executives since its introduction.

Further details of both plans are set out below;

ii) Quickstep Employee Incentive Plan (EIP)

Under the EIP, the Board may grant options to selected Quickstep employees on such terms as it determines appropriate. Participatioon 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.

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.

1 Principles of Compensation (continued)

b) Long-term incentives (continued)

ii) Quickstep Employee Incentive Plan (EIP) (continued)

In general, options granted under the EIP 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 term of the grant, options will lapse on the seventh anniversary of their grant date.

The options granted under the EIP are subject to performance conditions based on achieving pre-set 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 minimum three year performance condition from their grant date and are tested annually until they lapse seven years after grant date. At each re-testing date TSR hurdles are increased by an annual growth rate as set out in the following table.

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 annually until the options lapse and against the higher TSR hurdle.

Grant			Tranche 3	Tranche 4	2010 Year	2011 Year	2012 Year
Earliest vesting date			30/06/11	30/06/12	30/06/13	31/08/2014	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 an 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 they hold will vest as at the 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 an employee ceases employment in these circumstances and hold vested options they may exercise those options within the 12 month period following the date of cessation (or, the remaining period until the expiry of the options, if less than 12 months).

If an employee ceases 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.

iii) Quickstep Incentive Rights Plan (IRP)

The IRP authorises the granting of Rights to executives of the Company, in the form of Performance Rights (PRs) and/ or Deferred Rights (DRs) and/or Restricted Rights (RRs) (together, Rights). These rights represent an entitlement on vesting to fully paid ordinary shares in the issued capital of the Company (Shares) and cash with the total value of cash and Shares being equal to the value of vested Rights (number of vested Rights x market value of a Share). PRs may vest if Performance Conditions are satisfied. DRs may vest if the relevant service conditions are satisfied. DRs were granted to only Mr DJ Marino in FY2015. The DRs require Mr DJ Marino to remain in continual employment until the relevant testing date set out in Note 16 (b) at which time they will vest. RRs are fully vested rights that are subject to dealing restrictions, and may be granted or may arise from vesting of PRs and DR. There were no RRs granted in FY2015 and none arose from PRs or DRs.

The Board has the discretion to set the terms and conditions on which it will offer PRs under the IRP, including the performance conditions and modification of the terms and conditions as appropriate to ensuring the IRP operates as intended. All PRs offered will be subject to performance conditions which are intended to be challenging.

The PRs are subject to a performance condition based on achieving a relative Total Shareholder Return (TSR) equivalent to or in excess of the ASX All Ordinaries Accumulation Index (AOAI) over the performance period. The AOAI is an index of total shareholder return achieved by ASX listed companies which combines both share price movement and dividends paid during the performance period (assuming that they are reinvested into Shares). As a general rule, Quickstep uses a performance period of three (3) years with an anniversary date of 1 September each year.

1 Principles of Compensation (continued)

b) Long-term incentives (continued)

iii) Quickstep Incentive Rights Plan (IRP) (continued)

For vesting to occur the Company's TSR (share price movement plus dividends) over the performance period must be positive (i.e. if shareholders have not gained then PRs will not vest) relative to the All Ordinaries Accumulation Index (AOAI). If the Company's TSR is positive but the AOAI movement is negative over the performance period then vesting, if any, will be at the discretion of the Board (i.e. only applies if the Company has outperformed a general fall in the market by protecting against a similar fall in the Company's Share price). If the Company's TSR is positive and the movement in the AOAI is also positive then the following vesting scale will apply:

Performance Level	Company's TSR relative to AOAI movement over the performance period	Vesting %
Below threshold	< Increase in the AOAI	0%
Threshold	= Increase in the AOAI	25%
	> 100% of AOAI increase & < 110% of AOAI increase	Pro-rata
Target	110% of AOAI increase	60%
	> 110% of AOAI increase & < 120% of AOAI increase	Pro-rata
Stretch and above	120% of AOAI increase	100%

For PRs issued to executives other than Mr DJ Marino, testing of the TSR hurdle will occur on the third anniversary of the commencement of the performance period and then semi-annually until the rights lapse or the fifth anniversary of the commencement of the performance period. PRs issued to MR DJ Marino are vested at various dates. Refer to Note 16(b) for further detail. Once a right has vested it may not become unvested based on performance at a subsequent test date. If at a test date some rights have previously vested and the Company's performance at the test date is higher than at previous test dates then additional rights will vest. Such vesting will apply on the basis that the total number of rights that have vested from a tranche (previous and current vesting) is equal to the number that would have vested at the current test date had no vesting occurred earlier.

Upon the satisfaction of the performance conditions, the value of PRs granted under the IRP will be evaluated. The Board has discretion to vary vesting if it considers it to be appropriate to do so given the circumstances that prevailed over the performance period. This provision aims to address situations where vesting may otherwise be inconsistent with shareholder expectations.

The IRP contains provisions concerning the treatment of vested and unvested rights in the event that a participant ceases employment. Unless the Board determines otherwise, if a participant ceases employment in other than special circumstances (death, total and permanent disablement, retrenchment, redundancy, permanent retirement from full-time work with the consent of the Board or other circumstances determined by the Board), all unvested rights held by the participant lapse.

Unless the Board determines otherwise, if a participant ceases employment under special circumstances, rights that were granted to the participant during the financial year in which the termination occurred will be forfeited in the same proportion as the remainder of the financial year bears to the full year. All remaining rights for which performance conditions have not been satisfied as at the date of cessation of employment will then remain "on foot", subject to the original performance conditions.

c) 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, a fee for Chairmanship of a committee of $10,000 p.a. and $2,500 for membership of each committee. 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[1]	126,000	N/A
N Ampherlaw	60,000	10,000
P Cook	60,000	10,000
B Griffiths	60,000	2,500
M Jenkins	60,000	2,500
E McCormack	84,000	2,500
D Singleton	60,000	5,000

1) Mr T Quick was appointed on an interim basis from 29/5/2014 as Executive Chairman at a rate of $2,000 a day. This role ceased on 15 February 2015.

1 Principles of Compensation (continued)

d) Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the RN&D committee gives regard to the following indices in respect of the current financial year and the previous four financial years.

	2015	2014	2013	2012	2011
Loss attributable to owners of the company	**$(3,937,888)**	$(11,181,401)	$(16,985,894)	$(11,801,601)	$(13,734,713)
Dividends paid	**$nil**	$nil	$nil	$nil	$nil
Operating income	**$39,511,931**	$12,001,752	$2,562,621	$503,168	$471,524
Change in share price	**(12.4%)**	35.7%	(17.6%)	(34.6%)	13%
Return on capital employed	**(6.1%)**	(66.4%)	(95.9%)	(60.9%)	(52.5%)

The reduction in overall loss is one of the financial performance targets considered in setting the STI. Loss amounts have been calculated in accordance with Australian Accounting Standards (AASBs). Return on capital employed is calculated as Profit before Interest and Tax (EBIT) divided by Total Assets less Current Liabilities.

The overall level of compensation takes into account the performance of the Group over a number of years. Over the previous four years the Group's loss from ordinary activity after income tax has remained relatively consistent. FY2015 has shown a marked improvement as the business works towards reporting profits through achieving commercialisation.

e) Service agreements

Name	Initial agreement date	Duration	Notice period	Termination benefits (to the extent permitted by law)	STI cap as a % of TFR [1]	LTI cap as a % of TFR [2]
Mr D J Marino	16 Feb 2015	Open	6 months	12 months annual Total Fixed Remuneration (TFR) and Pro-rated annual bonus (at Board's discretion) If due to change of control, 100% of annual TFR is paid immediately plus pro-rated annual bonus	50	50
Mr P M Odouard	13 Oct 2008	Open	6 months	12 months annual salary and Pro-rated annual bonus (at Board's discretion)	30	50
Ms N Sharman	17 Feb 2014	Open	3 months	3 months of annual salary package and Pro-rated annual bonus (at Board's discretion).	20	20
Mr J Johnson	1 Apr 2011	Open	3 months	6 months of annual salary package and Pro-rated annual bonus (at Board's discretion).	20	20
Dr J Schlimbach	30 Mar 2009	Fixed term/ external contractor	3 months	n/a	20	20
Ms Tracy Swinley	26 Nov 2012	Open	3 months	3 months of annual salary package and Pro-rated annual bonus (at Board's discretion).	20	20
Mr M Schramko	25 Jul 2011	Open	3 months	3 months of annual salary package and Pro rated annual bonus (at Board's discretion)	20	20
Mr Timothy Olding	19 Feb 2015	Open	3 months	3 months of annual salary package and Pro rated annual bonus (at Board's discretion)	20	20

1) STI (Short Term Incentive) is based upon performance against key performance indicators (KPIs) set and reviewed by the RN&D Committee or the Board as appropriate. The STI cap refers to the maximum amount payable in cash as a percentage of Total Fixed Remuneration. 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 the Group's performance against relative Total Shareholder Return and is tested at multiple dates. This is the measure currently used in the IRP applicable to the 2015 financial year.

2 Details of remuneration

The following tables show details of the remuneration received by the Directors and the key management personnel of the Group for the current and previous financial year.

2015	Short-term Employee Benefits				Post-Employment Benefits				Share Based Payments		
	Salary / fees $	STI cash bonus [3] $	Non-monetary benefits $	Total $	Super-annuation levy $	Termination benefits $	Equity based short term incentive [1] $	Options & rights [2] $	Total $	Proportion of remuneration performance related	Value of SBP as proportion of remuneration
Executive Directors											
Mr T Quick (29/5/14 until 15/2/15) [4]	227,000	–	–	227,000	–	–	–	–	227,000	–	–
Mr D J Marino (appointed 16/3/15)	156,772	31,207	785	188,764	7,224	–	31,207	101,197	328,392	50%	40%
Mr P M Odouard	361,478	56,236	20,748	438,462	14,252	–	45,000	140,291	638,005	38%	29%
Non-executive Directors											
Mr T Quick	126,000	–	–	126,000	–	–	–	–	126,000	–	–
Mr N Ampherlaw	63,927	–	–	63,927	6,073	–	–	–	70,000	–	–
Mr P C Cook	63,927	–	–	63,927	6,073	–	–	–	70,000	–	–
Mr B Griffiths	61,500	–	–	61,500	–	–	–	–	61,500	–	–
Mr M B Jenkins (retired 20/11/14)	25,625	–	–	25,625	–	–	–	–	25,625	–	–
Air Marshal E J McCormack AO	78,995	–	–	78,995	7,505	–	–	–	86,500	–	–
Mr D Singleton	59,361	–	–	59,361	5,639	–	–	–	65,000	–	–
Executives											
Mr D E Brosius (terminated 31/12/14)	51,955	8,113	–	60,068	–	154,203	7,566	–	221,837	7%	3%
Mr J Pinto	40,000	–	–	40,000	–	–	–	–	40,000	–	–
Ms N Sharman	224,351	–	43,462	267,813	25,442	–	–	–	293,255	–	–
Mr J F Johnson	234,992	37,942	9,000	281,934	25,560	–	1,588	10,623	319,705	16%	4%
Dr J Schlimbach	194,395	28,663	–	223,058	–	–	(1,124)	–	221,934	12%	(1%)
Mr M Schramko	227,658	32,248	–	259,906	22,735	–	(891)	9,808	291,558	14%	3%
Ms T Swinley	213,623	49,843	–	263,466	23,384	–	(1,852)	9,380	294,378	19%	3%
Mr T Olding (appointed 19/2/15)	89,171	14,918	1,490	105,579	6,837	–	–	6,692	119,108	18%	6%

1) Equity based STI includes:
   a. Accrual adjustments
   b. Accrual of estimated STI relating to the current year to be settled through share based payments
2) Options and rights include:
   a. The accounting expense attributable to the current year of:
   i. Employee Incentive Plan (EIP)
   ii. Incentive Rights Plan (IRP)
3) The Short Term Incentive (STI) is comprised of an accrued current year cash bonus plus adjustment for differences between the amount accrued during the prior financial year and the amount paid in the current financial year. This adjustment results in a negative expense appearing in the tables above in relation to executives for whom the prior year accrual exceeded the payment made in the current year in respect of FY2014.
4) Mr Quick was appointed on an interim basis as Executive Chairman to manage the day to day growth of the organisation in addition to his role as Chairman of the Board. This arrangement commenced on 29 May 2014 and ceased on 15 February 2015.

2 Details of remuneration (continued)

2014	Short-term Employee Benefits				Post-Employment Benefits			Share Based Payments			
	Salary / fees $	STI cash bonus[3] $	Non-monetary benefits $	Total $	Super-annuation levy $	Termination benefits $	Equity based short term incentive[1] $	Options & rights[2] $	Total $	Proportion of remuneration performance related	Value of SBP as proportion of remuneration
Executive Directors											
Mr T Quick (29/5/14 until 30/6/14)[4]	26,000	–	–	26,000	–	–	–	–	26,000	–	–
Mr P M Odouard	382,225	60,890	–	443,115	27,061	–	–	113,603	583,779	30%	19%
Non-executive Directors											
Mr T Quick	126,000	–	–	126,000	–	–	–	–	126,000	–	–
Mr N Ampherlaw (appointed 8/7/13)	61,785	–	–	61,785	5,715	–	–	–	67,500	–	–
Mr P C Cook	63,227	–	–	63,227	5,849	–	–	–	69,076	–	–
Mr B Griffiths	61,875	–	–	61,875	–	–	–	–	61,875	–	–
Mr M B Jenkins	61,875	–	–	61,875	–	–	–	–	61,875	–	–
Air Marshal E J McCormack AO	78,604	–	–	78,604	7,271	–	–	–	85,875	–	–
Mr D Singleton	58,352	–	–	58,352	5,398	–	–	–	63,750	–	–
Mr DE Wills (retired 5/7/13)	1,147	–	–	1,147	106	–	–	–	1,253	–	–
Executives											
Mr D E Brosius	210,957	(13,268)	–	197,689	–	–	–	–	197,689	(7%)	–
Mr S Godbille (resigned 31/3/14)	174,397	1,010	–	175,407	15,897	–	1,010	27,481	219,795	13%	13%
Mr J Pinto	48,000	–	–	48,000	–	–	–	–	48,000	–	–
Ms N Sharman (appointed 11/3/14)	68,139	–	–	68,139	6,303	–	–	–	74,442	–	–
Mr J F Johnson	237,590	21,298	–	258,888	23,947	–	21,298	24,352	328,485	20%	14%
Dr J Schlimbach	199,663	19,192	–	218,855	–	–	18,603	–	237,458	16%	8%
Mr M Schramko	210,845	19,756	–	230,601	21,272	–	19,835	–	271,708	15%	7%
Ms T Swinley	170,910	18,670	–	189,580	16,634	–	18,670	–	224,884	17%	8%
Mr P Robertson (resigned 25/11/13)	98,243	(9,375)	–	88,868	5,870	28,846	(9,375)	–	114,209	(16%)	(8%)
Mr A Vihersaari (resigned 12/6/14)	177,786	3,100	–	180,886	–	–	2,562	41	183,489	3%	1%

1) Equity based STI includes:
   a. Accrual adjustments
   b. Accrual of estimated STI relating to the current year to be settled through share based payments
2) Options and rights include:
   a. The accounting expense attributable to the current year of:
   i. Employee Incentive Plan (EIP)
   ii. Incentive Rights Plan (IRP)
3) The Short Term Incentive (STI) is comprised of an accrued cash current year bonus plus adjustment for differences between the amount accrued during the prior financial year and the amount paid in the current financial year. This adjustment results in a negative expense appearing in the tables above in relation to executives for whom the prior year accrual exceeded the payment made in the current year in respect of FY2014.
4) Mr Quick was appointed on an interim basis as Executive Chairman to manage the day to day growth of the organization in addition to his role as Chairman of the Board. This arrangement commenced on 29 May 2014 ceased on 15 February 2015.

3 Share Based Compensation

a) Short Term Incentives

Equity settled short term incentive

Short term performance 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:

Name	No. of shares granted and vested during FY15 in respect of FY14 performance	Fair value $	Total fair value $
Ms T Swinley	65,257	$0.192	12,523
Mr J Johnson	128,175	$0.192	24,597
Dr J Schlimback	56,034	$0.192	10,753
Mr M Schramko	60,768	$0.192	11,661
Mr D Brosius	39,428	$0.192	7,566
Mr B McDonald	39,713	$0.220	8,737
Mr P Salvati	26,592	$0.192	5,103
Total	**415,967**		**80,940**

Equity settled short term incentives accrued in the current year for FY2015 performance are expected to be settled through share based payments during the next financial year, valued at the market value on the day of issue.

b) Long Term Incentives

i) Quickstep Employee Incentive Plan (EIP)

At 30 June 2015, Mr P Odouard is the only employee to be granted options pursuant to the EIP. No options were granted during the 2015 financial year under the EIP. Movement in EIP options during the year are set out below:

Name	Tranche	Grant date	FV per option at grant date [a]	Balance at 30 June 2014	Exercised/ vested during the year [b]	Lapsed/ cancelled during the year	Balance at 30 June 2015	Cumulative vesting level at end of year
Mr P Odouard	Tranche 3	30/03/2010	$0.315	619,446	–	–	619,446	0%
Mr P Odouard	Tranche 4	30/03/2010	$0.270	471,698	–	–	471,698	0%
Mr P Odouard	FY2010	26/11/2010	$0.362	471,337	–	–	471,337	0%
Mr P Odouard	FY2011	23/11/2011	$0.173	706,373	–	–	706,373	0%
Mr P Odouard	FY2012	22/11/2012	$0.125	987,739	–	–	987,739	0%

a) The fair value of options granted was calculated using a Monte Carlo simulation analysis.

b) Vesting is conditional on continuing employment and certain TSR hurdles. Refer to section 1 of this remuneration report for details. The value of options exercised during the year is $nil (2014: $64,361). This is calculated as the market price of shares of the company as at close of trading on the date the options were exercised.

At 30 June 2015 executives accrued rights pursuant to the IRP. Movements in IRP rights during the year are set out below:

Name	Performance and deferred rights	Tranche	Grant date	FV per right at grant date [a]	Balance at 30 June 2014	Granted during the year [b]	Lapsed/ cancelled during the year	Balance at 30 June 2015	Cumulative vesting level at end of year
Mr P Odouard	Performance	FY2013	22/11/2013	$0.152	802,000	–	–	802,000	0%
Mr P Odouard	Performance	FY2015	20/11/2014	$0.145	–	1,107,420	–	1,107,420	0%
Mr D Marino	Performance	FY2015	16/02/2015	$0.100	–	207,641	–	207,641	0%
Mr D Marino	Deferred	FY2015	16/02/2015	$0.200	–	207,641	–	207,641	0%
Mr D Marino	Performance	FY2015	16/02/2015	$0.110	–	415,283	–	415,283	0%
Mr D Marino	Deferred	FY2015	16/02/2015	$0.200	–	415,283	–	415,283	0%
Mr D Marino	Performance	FY2015	16/02/2015	$0.155	–	1,245,847	–	1,245,847	0%
Ms N Sharman	Performance	FY2015	31/08/2014	$0.145	–	298,512	(298,512)	–	0%
Ms T Swinley	Performance	FY2015	31/08/2014	$0.145	–	233,999	–	233,999	0%
Mr T Olding	Performance	FY2015	19/02/2015	$0.155	–	304,540	–	304,540	0%
Mr M Schramko	Performance	FY2015	31/08/2014	$0.145	–	244,660	–	244,660	0%
Mr J Johnson	Performance	FY2015	31/08/2014	$0.145	–	265,000	–	265,000	0%

a) The fair value of rights granted was calculated using a Monte Carlo simulation analysis.

b) The fair value of rights granted in the year is $743,031 (2014: $121,904). The total value of the rights is allocated to remuneration over the vesting period.

3 Share Based Compensation (continued)

b) Long Term Incentives (continued)

See note 16(b) for first testing date of all above grants.

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.

4 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 2015	Included in remuneration $ [1]	% vested in year [2]	% forfeited in year [2]
Directors			
Mr P Odouard	56,236	75%	25%
Mr D Marino	31,207	75%	25%
Executives			
Mr D Brosius	8,113	87%	13%
Mr J Johnson	37,942	75%	25%
Dr J Schlimbach	28,663	75%	25%
Mr M Schramko	11,661	75%	25%
Ms T Swinley	32,523	75%	25%
Mr T Olding	14,918	75%	25%

1) Amounts included in remuneration for the financial year represent the amount that vested in the financial year based on estimated achievement of Group and/or personal goals and satisfaction criteria and accrued adjustments in relation to FY2014.

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. Vesting and forfeiture levels are based on estimates which will be finalized by 31 October 2015.

5 Services from remuneration consultant

During FY15 Quickstep engaged Godfrey Remuneration Group Pty Limited (GRG) to provide advice in relation to the CEO's remuneration and the Quickstep Incentive Rights Plan. Total fees paid for these services were $10,000 + GST.

The board is satisfied that the remuneration recommendations made by GRG were free from undue influence by members of the key management personnel about whom the recommendations may relate, and GRG has provided the RND committee with a written statement to this effect. The work was undertaken directly with a non-executive director and no communication occurred between GRG and the CEO.

In addition to the above services, the Company purchased a general remuneration survey published by Godfrey Remuneration Group. This survey, which is generally available to the market, was not tailored in any way to the Company and the Company paid market rate for it.

This report is made in accordance with a resolution of Directors.

Mr D J Marino
CEO and Managing Director

Sydney, New South Wales
24 September 2015

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Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2015

	Notes	2015 $	2014 $
Revenue	2	**39,511,931**	12,001,752
Cost of sales of goods		**(27,853,298)**	(13,781,109)
Gross profit (loss)		**11,658,633**	(1,779,357)
Government grant income	2	**1,817,225**	5,329,751
Other income	2	**–**	457,107
Operational expenses		**(4,076,533)**	(2,435,981)
Marketing		**(181,381)**	(595,083)
Corporate and administrative expenses		**(7,158,284)**	(6,764,245)
Research and development expenses		**(2,678,222)**	(3,019,459)
Other	3(a)	**(105,112)**	(224,871)
Loss from operating activities		**(723,674)**	(9,032,138)
Finance income	4	**1,024,535**	142,642
Finance expenses	4	**(4,238,749)**	(2,291,905)
Net Financing costs		**(3,214,214)**	(2,149,263)
Loss before income tax		**(3,937,888)**	(11,181,401)
Income tax benefit	6	**–**	–
Loss for the period		**(3,937,888)**	(11,181,401)
Other comprehensive (loss) income net of income tax			
Item that may be reclassified to profit or loss			
Foreign currency translation difference for foreign operations		**(641,849)**	221,602
Other comprehensive (loss) income for the period, net of tax		**(641,849)**	221,602
Total comprehensive loss for the period		**(4,579,737)**	(10,959,799)
Earnings per share			
Basic loss per share (cents)	5	**(0.99)**	(2.93)
Diluted loss per share (cents)	5	**(0.99)**	(2.93)

Consolidated statement of financial position

As at 30 June 2015

	Notes	2015 $	2014 $
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	**1,169,944**	565,583
Trade and other receivables	7(b)	**5,134,466**	6,180,827
Inventories	8(a)	**5,981,585**	8,260,333
Other financial assets	7(c)	**709,400**	3,848,833
Other current assets	7(d)	**528,046**	394,718
Assets classified as held for sale	8(b)	**–**	445,385
Total current assets		**13,523,441**	19,695,679
Non-current assets			
Property, plant and equipment	8(c)	**12,024,843**	13,454,853
Intangible assets	8(d)	**20,081**	36,557
Total non-current assets		**12,044,924**	13,491,410
Total assets		**25,568,365**	33,187,089
LIABILITIES			
Current liabilities			
Trade and other payables	7(e)	**4,565,718**	5,290,832
Deferred income	7(f)	**3,203,926**	13,809,490
Loans and borrowings	7(g)	**5,244,195**	7,394
Employee benefits	8(e)	**748,615**	473,720
Total current liabilities		**13,762,454**	19,581,436
Non-current liabilities			
Deferred income	7(f)	**2,425,606**	–
Loans and borrowings	7(g)	**10,500,256**	10,456,325
Employee benefits	8(e)	**113,163**	61,337
Total non-current liabilities		**13,039,025**	10,517,662
Total liabilities		**26,801,479**	30,099,098
Net (liabilities) assets		**(1,233,114)**	3,087,991
EQUITY			
Share capital	9(a)	**88,228,474**	88,228,474
Reserves	9(b)	**3,106,319**	3,489,536
Accumulated Losses	9(c)	**(92,567,907)**	(88,630,019)
Total equity		**(1,233,114)**	3,087,991

Consolidated statement of changes in equity

For the year ended 30 June 2015

Consolidated	Notes	Share capital $	Foreign currency translation reserve $	Share based payments $	Accumulated losses $	Total equity $
Balance at 1 July 2013		74,754,828	(129,155)	3,088,499	(77,448,618)	265,554
Total comprehensive loss for the period						
Loss for the period	9(c)	–	–	–	(11,181,401)	(11,181,401)
Other comprehensive income						
Foreign currency translation difference	9(b)	–	221,602	–	–	221,602
Total comprehensive loss for the period		–	221,602	–	(11,181,401)	(10,959,799)
Transactions with owners in their capacity as owners:						
Share based transaction payments	9(b)	–	–	308,590	–	308,590
Issue of ordinary shares net of transaction costs	9(a)	13,473,646	–	–	–	13,473,646
		13,473,646	–	308,590	–	13,782,236
Balance at 30 June 2014		88,228,474	92,447	3,397,089	(88,630,019)	3,087,991
Balance at 1 July 2014		88,228,474	92,447	3,397,089	(88,630,019)	3,087,991
Total comprehensive loss for the period						
Loss for the period	9(c)	–	–	–	(3,937,888)	(3,937,888)
Other comprehensive loss						
Foreign currency translation difference	9(b)	–	(641,849)	–	–	(641,849)
Total comprehensive loss for the period		**–**	**(641,849)**	**–**	**(3,937,888)**	**(4,579,737)**
Transactions with owners in their capacity as owners:						
Share based transaction payments	9(b)	–	–	258,632	–	258,632
Balance at 30 June 2015		**88,228,474**	**(549,402)**	**3,655,721**	**(92,567,907)**	**(1,233,114)**

Consolidated statement of cash flows

For the year ended 30 June 2015

	Notes	2015 $	2014 $
Cash flows from operating activities			
Cash receipts in course of operations		**27,967,034**	15,601,190
Interest received		**33,922**	97,430
Interest paid		**(492,351)**	(96,579)
Research and development tax incentive and government grants		**6,053,337**	5,226,829
Cash payments in the course of operations		**(39,941,831)**	(27,502,511)
Net cash (used in) operating activities	10(a)	**(6,379,889)**	(6,673,641)
Cash flows from investing activities			
Acquisition costs for plant and equipment		**(952,130)**	(1,263,810)
Proceeds from sale of property, plant and equipment	8(c)(d)	**257,000**	189,501
Receipts from (Investment in) restricted cash and term deposit		**3,150,885**	(3,458,433)
Net cash from (used in) investing activities		**2,455,755**	(4,532,742)
Cash flows from financing activities			
Net proceeds from issues of shares		**–**	12,625,293
Proceeds from borrowings		**5,500,000**	–
Repayment of borrowings		**(500,000)**	(1,750,405)
Payment of borrowing costs		**(403,720)**	(421,724)
Finance lease payments		**(43,627)**	(16,693)
Net cash from financing activities		**4,552,653**	10,436,471
Net increase (decrease) in cash and cash equivalents		**628,519**	(769,912)
Effects of exchange rate changes on cash and cash equivalents		**(24,158)**	(57,825)
Cash and cash equivalents at the beginning of the period		**565,583**	1,393,320
Cash and cash equivalents at end of period	7(a)	**1,169,944**	565,583

Notes to the consolidated financial statements

30 June 2015

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1 Segment information

a) Description of segments

The Group has two operating segments, Manufacturing and Quickstep Systems.

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

Aerospace Manufacturing – Targeting manufacturing contracts for Aerospace utilising a range of manufacturing solutions including traditional manufacturing technologies such as autoclaves and 'next generation' technologies.

Quickstep Systems – Licensing our Qure and RST technologies to Original Equipment Manufacturers (OEM's) and their suppliers, and providing them with Quickstep machines and support services and manufacturing parts using the Qure and RST processes.

b) Segment results

	Aerospace Manufacturing $	Quickstep Systems $	Total $
2015			
External Revenues	**33,756,679**	**5,755,252**	**39,511,931**
Other income	**–**	**1,817,225**	**1,817,225**
Depreciation, amortisation and impairment	**2,332,494**	**119,519**	**2,452,013**
Interest expense	**1,844,477**	**–**	**1,844,477**
Reportable segment loss before income tax	**(2,862,920)**	**(348,515)**	**(3,211,435)**
Reportable segment assets	**23,052,622**	**2,515,743**	**25,568,365**
Reportable segment liabilities	**25,181,907**	**1,619,572**	**26,801,479**
Reportable capital expenditure	**952,130**	**–**	**952,130**
2014			
External Revenues	11,955,593	46,159	12,001,752
Other income	3,292,333	2,393,514	5,685,847
Depreciation, amortisation and impairment	2,236,083	195,842	2,431,925
Interest expense	987,468	130,662	1,118,130
Reportable segment loss before income tax	(4,933,805)	(2,104,508)	(7,038,313)
Reportable segment assets	23,671,724	6,376,586	30,048,310
Reportable segment liabilities	23,810,203	4,260,905	28,071,108
Reportable capital expenditure	1,217,643	21,493	1,239,136

c) Understanding the segment results

	2015 $	2014 $
Reconciliation of reportable segment loss		
Total loss for reportable segments	**(3,211,435)**	(7,038,313)
Unallocated amount: other corporate expenses	**(726,453)**	(4,143,088)
Consolidated loss before income tax	**(3,937,888)**	(11,181,401)
Reconciliation of reportable segment assets		
Total assets for reportable segments	**25,568,365**	30,048,310
Unallocated:		
Other corporate assets	**–**	3,138,779
Consolidated total assets	**25,568,365**	33,187,089
Reconciliation of reportable segment liabilities		
Total liabilities for reportable segments	**26,801,479**	28,071,108
Unallocated:		
Other corporate liabilities	**–**	2,027,990
Consolidated total liabilities	**26,801,479**	30,099,098

1 Segment information (continued)

d) Major customers

The revenue earned by the manufacturing segment includes amounts from the following customers:

Northrop Grumman ISS Int, Inc	$11,129,026
Lockheed Martin Aeronautics	$22,108,565

e) 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 non-current assets are based on the geographical location of the assets.

	Revenue $	Non-current assets $
2015		
Australia	**4,056**	**11,703,773**
United States of America	**33,238,550**	**–**
Europe	**6,269,325**	**341,541**
Total	**39,511,931**	**12,044,924**
2014		
Australia	46,600	12,995,613
Europe	8,980	426,603
United States of America	11,946,172	69,194
Total	12,001,752	13,491,410

2 Revenue and income

	2015 $	2014 $
Sales revenue		
Sale of goods	**39,511,931**	12,001,752
Government grant income		
R&D tax incentive	**1,817,225**	4,463,253
SADI program grant	**–**	157,326
Other government grant income	**–**	481,453
NACC	**–**	227,719
	1,817,225	5,329,751
Other Income		
Other income	**–**	457,107

3 Expenses

a) Other expenses

	Notes	2015 $	2014 $
Amortisation of intangible assets	8(d)	**31,545**	53,795
Loss on disposal of plant and equipment		**70,386**	
Loss on disposal of assets held for sale		**3,181**	171,076
		105,112	224,871

b) Personnel expenses

	Notes	2015 $	2014 $
Wages and salaries		**13,114,334**	9,379,829
Defined contribution plan expense		**1,131,204**	857,769
Other associated personnel expenses		**1,283,180**	1,422,536
Increase in leave liabilities		**326,721**	247,100
Share based payments expense	16(d)	**258,632**	308,590
		16,114,071	12,215,824

4 Finance income and expense

	Note	2015 $	2014 $
Recognised in profit or loss			
Interest income		**24,535**	103,918
Change in fair value of deferred income through profit or loss		**–**	(201,460)
Foreign currency gains		**–**	66,687
Gain on settlement of debt by equity instruments		**–**	173,497
Change in fair value of share option liability	7(g)(iv)	**1,000,000**	–
Finance income		**1,024,535**	142,642
Finance lease interest paid		**(1,033)**	(1,606)
Interest expense on liabilities measured at amortised cost		**(1,844,477)**	(1,118,130)
Foreign currency losses		**(2,134,029)**	(1,038,675)
Other expenses		**(259,210)**	(133,494)
Finance expense		**(4,238,749)**	(2,291,905)
Net finance costs		**(3,214,214)**	(2,149,263)
Recognised in other comprehensive income			
Foreign currency translation difference for foreign operations		**(641,849)**	221,602
Total recognised in other comprehensive income, net of tax		**(641,849)**	221,602

5 Loss per share

The calculation of basic loss per share at 30 June 2015 was based on the loss attributable to ordinary shareholders of $3,937,888 (2014: $11,181,401) and a weighted average number (W.A.N.) of ordinary shares outstanding during the financial year ended 30 June 2015 of 397,663,615 (2014: 381,291,850) calculated as follows:

		2015		2014	
	Note	Actual No.	W.A.N.	Actual No.	W.A.N.
Issued ordinary shares 1 July		**397,457,534**	**397,457,534**	323,845,045	323,845,045
Effect of shares issued on exercise of rights and to Executives as remuneration		**415,967**	**206,081**	2,982,117	1,128,030
Effect of shares issued		**–**	**–**	66,640,000	53,891,754
Effect of shares exchanged for debt settlement		**–**	**–**	3,990,372	2,427,021
Issued ordinary shares at 30 June	9(a)	**397,873,501**	**397,663,615**	397,457,534	381,291,850

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

	2015	2014
Weighted average number of ordinary shares (basic and diluted)	**397,663,615**	381,291,850
Basic and diluted loss per share (cents)	**(0.99)**	(2.93)

6 Income tax expense

a) Income tax expense

	2015 $	2014 $
Current tax	**–**	–
Deferred tax	**–**	–
Adjustments for current tax of prior periods	**–**	–
Income tax benefit reported in the consolidated income statement	**–**	–

b) Numerical reconciliation of income tax expense to prima facie tax payable

	2015 $	2014 $
Loss from continuing operations before income tax expense	**(3,937,888)**	(11,181,401)
Tax at the Australian tax rate of 30.0% (2014 – 30.0%)	**(1,181,366)**	(3,354,420)
Expenditure not allowable for income tax purposes	**759,267**	2,496,813
Effect of different tax rate for overseas subsidiaries	**(85,152)**	108,711
Income not assessable	**(995,300)**	(1,295,611)
Deferred tax asset not brought to account	**1,502,551**	2,044,507
Income tax expense	**–**	–

c) Tax losses not brought to account

	2015 $	2014 $
The gross amount of unused tax losses for which no deferred tax asset has been recognised.	**59,894,506**	57,429,276

d) Temporary differences not brought to account

	2015 $	2014 $
Deferred tax assets/(liabilities):		
Prepayments	**(250)**	–
Other provisions	**1,237,960**	844,765
Borrowing costs	**14,812**	29,174
Deductible capital raising costs	**169,206**	273,315
Property, plant and equipment	**1,654,840**	1,166,332
Intangibles	**207,754**	207,754
Deferred tax assets relating to temporary differences not recognised	**(3,284,322)**	(2,521,340)
	–	–

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.

6 Income tax expense

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

No R&D tax offset incentive (2014: $3,500,000) has been recorded as receivable as at 30 June 2015 due to current year turnover exceeding the threshold for eligibility for any further cash refund entitlements. 2014 was the final year of eligibility recording a $3,500,000 entitlement. An additional $1,817,225 above the amount recorded as a receivable in 2014 was received on finalisation of the 2014 R&D claim during 2015. This amount has been recognised in profit or loss during the year (refer to Note 2).

7 Financial assets and financial liabilities

a) Cash and cash equivalents

	2015 $	2014 $
Current assets		
Cash at bank and in hand	**1,169,944**	565,583
	1,169,944	565,583

Cash and cash equivalents of $733,798 (2014: $397,929) have been pledged as collateral against a secured bank loan (refer to Note 7(g)).

b) Trade and other receivables

	2015 $	2014 $
Current assets		
Trade receivables	**4,456,740**	2,326,468
Other receivables		
R&D tax incentive and government grants receivables	**–**	3,500,000
GST and VAT receivables	**411,891**	58,622
Accrued interest	**–**	8,462
Payroll tax refund receivable	**241,000**	278,530
Other receivables	**24,835**	8,745
	5,134,466	6,180,827

Trade and other receivables of $4,493,764 (2014: $913,640) have been pledged as collateral against a secured bank loan (refer Note 7(g)).

c) Other financial assets

	2015 $	2014 $
Current assets		
Held to maturity term deposits	**709,400**	779,400
Restricted cash deposits	**–**	3,069,433
	709,400	3,848,833

d) Other current assets

	2015 $	2014 $
Current assets		
Prepayments	**495,237**	340,454
Other	**32,809**	54,264
	528,046	394,718

e) Trade and other payables

	2015 $	2014 $
Current liabilities		
Trade payables	**2,252,675**	4,374,324
Sundry payables and accrued expenses	**2,313,043**	916,508
	4,565,718	5,290,832

7 Financial assets and financial liabilities (continued)

f) Deferred income

	Consolidated					
	2015			2014		
	Current $	Non-current $	Total $	Current $	Non-current $	Total $
Deferred income	**3,203,926**	**2,425,606**	**5,629,532**	13,809,490	–	13,809,490
	3,203,926	**2,425,606**	**5,629,532**	13,809,490	–	13,809,490

The amounts reported as current deferred income includes amounts received as a 30% prepayment of ship-sets 40 through 58 of C-130J wing flaps to be sold to Lockheed Martin, scheduled to be completed and therefore income expected to be recognised by January 2016.

g) Loans and borrowings

	2015			2014		
	Current $	Non-current $	Total $	Current $	Non-current $	Total $
Secured bank loan [ii]	**629,756**	**9,370,244**	**10,000,000**	–	10,000,000	10,000,000
Capitalised interest facility [ii]	**–**	**1,524,189**	**1,524,189**	–	1,062,801	1,062,801
Prepaid borrowing cost [ii]	**–**	**(394,875)**	**(394,875)**	–	(615,188)	(615,188)
Secured bank loan carrying amount	**629,756**	**10,499,558**	**11,129,314**	–	10,447,613	10,447,613
Finance lease liability [v]	**8,015**	**698**	**8,713**	7,394	8,712	16,106
Short term facility-Efic [iii]	**2,000,000**	**–**	**2,000,000**	–	–	–
Short term facilty – Newmarket loan [iv]	**3,000,000**	**–**	**3,000,000**	–	–	–
Short term facility-Newmarket loan deferred costs [iv]	**(2,018,576)**	**–**	**(2,018,576)**	–	–	–
Newmarket loan carrying amount	**981,424**	**–**	**981,424**	–	–	–
Newmarket share options at fair value [iv]	**1,625,000**	**–**	**1,625,000**	–	–	–
	5,244,195	**10,500,256**	**15,744,451**	7,394	10,456,325	10,463,719

i) Term and debt repayment schedule

			2015		2014	
	Effective interest rate %	Year of maturity	Maximum facility value $	Drawn amount $	Maximum facility value $	Drawn amount $
Secured bank loan	8.562	2021	**10,000,000**	**10,000,000**	10,000,000	10,000,000
Capitalised Interest	8.562	2021	**3,333,333**	**1,524,189**	3,333,333	1,062,801
Short term facility – Efic	2.246	2016	**2,000,000**	**2,000,000**	n/a	n/a
Short term facility – Newmarket	12.000	2016	**3,000,000**	**3,000,000**	n/a	n/a
Finance lease liabilities	8.397	2016	**n/a**	**8,713**	n/a	16,106

7 Financial assets and financial liabilities (continued)

g) Loans and borrowings (continued)

ii) 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 2015 the facility had been fully drawn to $10,000,000 together with capitalised interest of $1,524,189.

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 2016 which is 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 has been recorded as prepaid borrowing cost and is recognised in the profit and loss through the effective interest rate method, with a carrying value of $394,875 at 30 June 2015 ($615,188 at 30 June 2014).

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 2015 is $23,172,938 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 2015 is $88,017,349 and its carrying value net of impairment is $35,978,911.

iii) Short term facility – Efic

Quickstep Holdings Limited is party to a short term debt facility provided by the Export Finance and Insurance Corporation which is classified as current in accordance with repayment date of 31 October 2015 ($2,000,000). The repayment terms of this facility has been amended subsequent to the balance sheet date with repayment now due at 31 December 2015 ($1,500,000) and 30 March 2016 ($500,000).

iv) Short term facility – Newmarket loan

In February 2015 a $3,000,000 debt facility was secured from Newmarket Financing Management Pty Ltd and Associates (Newmarket). This facility provides short-term working capital support to assist Quickstep's long term growth as its deliveries for the F-35 Lightning II Joint Strike Fighter (JSF) and Lockheed Martin C-130J Super Hercules programs accelerate. The term of the facility is 18 months (expiring on 31 August 2016). The debt is secured against Quickstep Group assets but subordinated to senior debt.

As partial consideration for providing the loan, Quickstep has issued 25 million options to Newmarket to acquire ordinary shares in Quickstep which expire on 31 December 2018. The exercise price will be the lesser of $0.25 or 25% above the issuance price of any equity capital raising up to $10 million undertaken prior to the exercise of that tranche of options.

The options were granted on 9 January 2015 and initially measured at fair value of $2,625,000 using a Monte Carlo valuation technique. This initial fair value has been deferred against the $3,000,000 face value of the loan and is being amortised through profit or loss using the effective interest rate method over the 18 month term of the loan. The option liability was also remeasured through profit or loss at 30 June 2015 to a fair value of $1,625,000 resulting in a gain of $1,000,000 during the year.

The Newmarket loan and associated Options are treated and disclosed in this manner because, under the relevant accounting standard, the Options are treated as a financial instrument. Consequently, even though the carrying value of the Newmarket loan is disclosed at $981,424, the Company has an obligation to repay $3,000,000 (plus interest) to Newmarket at the expiration of the term of the facility.

7 Financial assets and financial liabilities (continued)

g) Loans and borrowings (continued)

v) Finance lease liabilities

	2015 $	2014 $
Future minimum lease payments		
Less than one year	**8,427**	8,427
Between one and five years	**702**	9,129
	9,129	17,556
Interest		
Less than one year	**412**	1,033
Between one and five years	**5**	417
	417	1,450
Present value of minimum lease payments		
Less than one year	**8,015**	7,394
Between one and five years	**698**	8,712
	8,713	16,106

8 Non-financial assets and liabilities

a) Inventories

	2015 $	2014 $
Current assets		
Raw materials and consumables	**3,622,305**	5,162,989
Work in progress	**2,359,280**	3,097,344
	5,981,585	8,260,333

Inventories of $5,981,585 (2014:$6,905,757) have been pledged as collateral against a secured bank loan (refer to Note 7(g)).

b) Assets classified as held for sale

During the 2013 financial year, following the decommissioning of the Company's North Coogee facility, the company identified certain plant and equipment which were deemed surplus to the needs of the Company. The assets were classified as held for sale and an impairment to the carrying value of the assets was recognised.

A reassessment of the benefits of the surplus assets was made in the last financial year and it was determined the majority of the surplus assets should be utilized for the JSF Project. The assets were reclassified as plant and equipment and the remaining fair value less cost to sell the remaining assets held for sale at 30 June 2014 was $445,385.

During the year ended 30 June 2015 the assets classified as held for sale have been disposed of through sales to third parties or utilised within the business leaving a $nil residual balance classified as held for sale at 30 June 2015. The loss on disposal of the assets sold was $3,181.

8 Non-financial assets and liabilities (continued)

c) Property, plant and equipment

	Plant and equipment $	Assets under construction $	Office furniture & equipment $	Total $
At 1 July 2013				
Cost	17,432,426	1,452,269	1,309,995	20,194,690
Accumulated depreciation	(5,674,392)	–	(721,069)	(6,395,461)
Net book amount	11,758,034	1,452,269	588,926	13,799,229
Year ended 30 June 2014				
Opening net book amount	11,758,034	1,452,269	588,926	13,799,229
Additions	264,403	866,146	108,587	1,239,136
Disposals	(163,565)	–	(197,012)	(360,577)
Transfers	2,086,492	(2,225,892)	139,400	–
Assets held for sale	1,432,615	–	–	1,432,615
Effect of movements in exchange rates	(7,680)	797	5,967	(916)
Depreciation charge	(2,453,055)	–	(201,579)	(2,654,634)
Closing net book amount	12,917,244	93,320	444,289	13,454,853
At 30 June 2014				
Cost	22,103,601	93,320	1,071,002	23,267,923
Accumulated depreciation	(9,186,357)	–	(626,713)	(9,813,070)
Net book amount	12,917,244	93,320	444,289	13,454,853
Year ended 30 June 2015				
Opening net book amount	12,917,244	93,320	444,289	13,454,853
Additions	907,744	29,500	–	937,244
Disposals	(77,282)	–	(14,110)	(91,392)
Transfers	93,320	(93,320)	–	–
Assets held for sale	149,265	–	–	149,265
Effect of movements in exchange rates	(2,682)	–	(1,977)	(4,659)
Depreciation charge	(2,288,696)	–	(131,772)	(2,420,468)
Closing net book amount	11,698,913	29,500	296,430	12,024,843
At 30 June 2015				
Cost [i]	25,510,395	29,500	755,580	26,295,475
Accumulated depreciation	(13,811,482)	–	(459,150)	(14,270,632)
Net book amount	**11,698,913**	**29,500**	**296,430**	**12,024,843**

i) Refer to Note 7(g) for details of fixed and floating charges over certain of the above assets.

8 Non-financial assets and liabilities (continued)

d) Intangible assets

	Computer software $	Total $
At 30 June 2013		
Cost	**689,003**	689,003
Accumulation amortisation and impairment	**(623,581)**	(623,581)
Net book amount	**65,422**	65,422
Year ended 30 June 2014		
Opening net book amount	**65,422**	65,422
Additions	**24,674**	24,674
Effect of movement in exchange rates	**256**	256
Amortisation for the year	**(53,795)**	(53,795)
Closing net book amount	**36,557**	36,557
At 30 June 2014		
Cost	**714,422**	714,422
Accumulation amortisation and impairment	**(677,865)**	(677,865)
Net book amount	**36,557**	36,557
Year ended 30 June 2015		
Opening net book amount	**36,557**	36,557
Additions	**14,886**	14,886
Effect of movement in exchange rates	**183**	183
Amortisation for the year	**(31,545)**	(31,545)
Closing net book amount	**20,081**	20,081
At 30 June 2015		
Cost	**729,491**	729,491
Accumulated amortisation	**(709,410)**	(709,410)
Net book amount	**20,081**	20,081

e) Employee benefits

	2015			2014		
	Current $	Non-current $	Total $	Current $	Non-current $	Total $
Liability for annual leave	**748,615**	**–**	**748,615**	473,720	–	473,720
Liability for long service leave	**–**	**113,163**	**113,163**	–	61,337	61,337
Total	**748,615**	**113,163**	**861,778**	473,720	61,337	535,057

9 Equity

a) Share capital

i) Share capital

	Notes	2015 Shares	2014 Shares	2015 $	2014 $
Ordinary shares – fully paid	9(a)(ii)	**397,873,501**	**397,457,534**	88,228,474	88,228,474

ii) Movements in ordinary share capital

Details Year ended 30 June 2014	Number of shares	$
Opening balance 1 July 2013	323,845,045	74,754,828
Shares issued on exercise of rights	2,204,589	–
Shares issued to Executives as remuneration	471,048	–
Shares issued on exercise of options	306,480	–
Shares issued for debt settlement	3,990,372	848,353
Issue of ordinary shares, net of costs	66,640,000	12,625,293
Balance 30 June 2014	397,457,534	88,228,474
Year ended 30 June 2015		
Opening balance 1 July 2014	397,457,534	88,228,474
Shares issued on exercise of rights	415,967	–
Balance 30 June 2015	397,873,501	88,228,474

a) During the year, the Company issued 415,967 (2014: 2,982,117) 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.

iii) Options

Options granted during the year

At 30 June 2015, Mr P Odouard is the only employee to be granted options pursuant to the Quickstep Employee Incentive Plan (EIP). No options were granted during FY15 under the EIP, which has been replaced by the Quickstep Incentive Rights Plan (IRP) as set out at Note 16 (b) below.

Unissued shares under option

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

		Number of options	
Expiry date	Exercise price	2015	2014
30 March 2017	$0.00	**1,091,144**	1,091,144
26 November 2017	$0.00	**471,337**	471,337
23 November 2018	$0.00	**706,373**	706,373
22 November 2019	$0.00	**987,739**	987,739

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

Exercise of options

During the year no options (2014: 306,480) were exercised.

Lapse of options

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

9 Equity (continued)

a) Share capital (continued)

iv) Rights

At 30 June 2015, unissued ordinary shares of the Company under rights totalled 5,449,314 (2014: 802,000). The rights are issued pursuant to:

- Executive services agreements and vesting at various future dates on completion of relevant service periods, and
- Offers under the IRP which vest at various future dates upon satisfaction of performance conditions and service criteria.

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 16).

During the year, no shares (2014: 2,204,589 shares) were issued as a result of the exercise of rights.

298,512 rights (2014: 220,720) were forfeited in the current year.

b) Reserves

	Notes	Share-based payments $	Foreign currency translation reserve $	Total $
Balance at 1 July 2013		3,088,499	(129,155)	2,959,344
Grant of rights to shares to key management personnel		89,469	–	89,469
Grant of options to key management personnel		87,035	–	87,035
Issue of shares to key management personnel		132,086	–	132,086
Foreign currency translation differences		–	221,602	221,602
At 30 June 2014		3,397,089	92,447	3,489,536
Balance at 1 July 2014		3,397,089	92,447	3,489,536
Grant of rights to shares to key management personnel	16(d)	125,674	–	125,674
Grant of options to key management personnel	16(d)	52,018	–	52,018
Issue of shares to key management personnel	16(d)	80,940	–	80,940
Foreign currency translation differences		–	(641,849)	(641,849)
At 30 June 2015		**3,655,721**	**(549,402)**	**3,106,319**

c) Accumulated losses

	2015 $	2014 $
Balance 1 July	**(88,630,019)**	(77,448,618)
Net (loss) for the year	**(3,937,888)**	(11,181,401)
Balance 30 June	**(92,567,907)**	(88,630,019)

10 Cash flow information

a) Reconciliation of cash flows from operating activities to loss after income tax:

	2015 $	2014 $
Loss for the year	**(3,937,888)**	(11,181,401)
Amortisation of intangibles	**31,545**	53,795
Depreciation	**2,420,468**	2,654,634
Interest income	**(24,535)**	(103,918)
Share based payment expense	**258,632**	308,590
Loss on disposal of assets	**73,567**	171,076
Non-cash finance costs	**1,844,477**	1,118,130
Impairment / (writeback)	**–**	(27,898)
Gain on settlement of debt by equity instruments	**–**	(173,497)
Foreign currency losses	**3,204,055**	1,038,675
Foreign currency gains	**(1,070,026)**	(66,687)
Change in fair value of share option liability	**1,000,000**	133,494
Present value on deferred income	**–**	(201,460)
Operating profit /(loss) before changes in working capital	**3,800,295**	(6,276,467)
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**1,046,361**	(1,615,524)
Increase/(decrease) in inventories	**(2,278,748)**	(6,609,659)
Decrease/(increase) in other current assets	**(133,328)**	(7,288)
(Decrease)/ increase in trade and other payables	**(1,181,545)**	2,308,947
Increase in employee benefits	**326,721**	247,100
(Decrease)/increase in deferred income	**(8,179,958)**	4,928,085
Decrease in prepaid interest	**220,313**	351,165
Net cash used in operating activities	**(6,379,889)**	(6,673,641)

11 Financial instruments – fair values and 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.

11 Financial instruments – fair values and risk management (continued)

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.

i) Trade 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. 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.

ii) 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.

iii) 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:

	2015 $	2014 $
Cash and cash equivalents	**1,169,944**	565,583
Held-to-maturity financial assets	**709,400**	779,400
Trade and other receivables	**5,134,466**	6,180,827
Restricted cash deposits	**–**	3,069,433
	7,013,810	10,595,243

As at 30 June 2015, no financial asset was considered past due (2014: nil).

As at 30 June 2015, no financial asset was considered impaired (2014: nil).

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

	2015 $	2014 $
Australia	**437,768**	3,882,803
Europe	**318,612**	1,286,625
USA	**4,378,086**	1,011,399
	5,134,466	6,180,827

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 19(d).

11 Financial instruments – fair values and risk management (continued)

c) Liquidity risk (continued)

i) Maturities of financial liabilities

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

Contractual maturities of financial liabilities	Carrying amount $	Contractual cash flows $	Less than 6 months $	6 – 12 months $	Between 1 and 2 years $	Between 2 and 5 years $	Over 5 years $
At 30 June 2015							
Trade and other payables	**4,565,718**	**(4,565,718)**	**(4,565,718)**	**–**	**–**	**–**	**–**
Finance lease liabilities	**8,713**	**(9,129)**	**(4,213)**	**(4,213)**	**(703)**	**–**	**–**
Secured bank loan	**11,129,314**	**(14,947,412)**	**(150,000)**	**(814,342)**	**(2,180,239)**	**(9,058,570)**	**(2,744,261)**
Short term facility agreement – Newmarket	**981,424**	**(3,360,000)**	**(180,000)**	**(3,180,000)**	**–**	**–**	**–**
Newmarket options	**1,625,000**	**–**	**–**	**–**	**–**	**–**	**–**
Short term facility agreement – Efic	**2,000,000**	**(2,040,534)**	**(2,040,534)**	**–**	**–**	**–**	**–**
	20,310,169	**(24,922,793)**	**(6,940,465)**	**(3,998,555)**	**(2,180,942)**	**(9,058,570)**	**(2,744,261)**
At 30 June 2014							
Trade and other payables	5,290,832	(5,290,832)	(5,290,832)	–	–	–	–
Finance lease liabilities	16,106	(17,555)	(4,213)	(4,213)	(8,427)	(702)	–
Secured bank loan	10,447,613	(15,550,315)	(150,000)	(150,000)	(1,020,445)	(8,309,809)	(5,920,061)
	15,754,551	(20,858,702)	(5,445,045)	(154,213)	(1,028,872)	(8,310,511)	(5,920,061)

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.

i) 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 the 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.

Profile

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

	2015 $	2014 $
Fixed rate instruments		
Held-to-maturity term deposits [i]	**709,400**	779,400
Finance lease liabilities [ii]	**(8,713)**	(16,106)
Short term facility agreement – Newmarket [iii]	**(3,000,000)**	–
	(2,299,313)	763,294
Variable rate instruments		
Cash and cash equivalents [iv]	**1,169,944**	565,583
Secured bank loan [v]	**(11,524,189)**	(11,062,801)
Short term facility agreement – Efic [vi]	**(2,000,000)**	–
	(12,354,245)	(10,497,218)

11 Financial instruments – fair values and risk management (continued)

d) Market risk (continued)

i) Interest rate risk (continued)

As at the end of the reporting period, the Group had the following variable rate borrowings outstanding:

i) Held-to-maturity term deposits include three security deposits as follows;
$45,000 with an interest rate of 2.14%, maturing on 7 July 2015
$274,000 with an interest rate of 2.13%, maturing on 29 October 2015
$390,400 with an interest rate of 2.6%, maturing on 10 May 2016

ii) The average interest rate applicable to the Group's finance leases is 8.40% (2014: 8.40%).

iii) The short term facility provided by Newmarket is subject to a 12% interest rate with interest payable monthly in arrears.

iv) Cash includes funds held in short term deposits during the year, which earned a weighted average interest rate of 2.39% (2014: 1.6%).

v) 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 3.64% at 30 June 2015.

vi) The short term facility provided by Efic in July 2014 incurs a variable rate of interest inclusive of a base rate representing Efic cost of funding plus a 2% margin.

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 2014.

Effect in AUD	2015 $	2014 $
Variable rate instruments – increase by 100 basis points	**(133,357)**	(104,972)
Variable rate instruments – decrease by 100 basis points	**133,357**	104,972
Cash flow sensitivity (net)	**–**	–

ii) 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 subsidiary is not hedged as the currency positions are considered to be long-term in nature.

Exposure

The Group's exposure to foreign currency risk at the end of the reporting period, expressed in Australian dollars, was as follows:

	30 June 2015		30 June 2014	
	USD $	EUR $	USD $	EUR $
Receivables	**3,640,404**	**222,965**	3,251,010	1,429,419
Cash	**333,879**	**291,646**	132,646	46,261
Trade payables	**(779,054)**	**(52,097)**	(279,849)	(120,460)
	3,195,229	**462,514**	3,103,807	1,355,220

The following significant exchange rates applied during the year:

	Average rate		Reporting date spot rate	
	2015	2014	2015	2014
AUD v USD	**0.8382**	0.9184	**0.7680**	0.9420
AUD v EUR	**0.6963**	0.6770	**0.6866**	0.6906

11 Financial instruments – fair values and risk management (continued)

d) Market risk (continued)

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 2014.

	Increase/(decrease) in loss		Increase/(decrease) in equity	
Index	2015 $	2014 $	2015 $	2014 $
US/AUD exchange rate – increase 10%	**378,223**	299,537	**(591,734)**	(391,873)
US/AUD exchange rate – decrease (10%)	**(462,273)**	(366,101)	**723,231**	478,956
EUR/AUD exchange rate – increase 10%	**61,239**	178,398	**(199,089)**	(329,611)
EUR/AUD exchange rate – decrease (10%)	**(74,848)**	(218,042)	**243,331**	402,858
	(97,659)	(106,208)	**175,739**	160,330

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.

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 except for Newmarket options which are considered level 2 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.

12 Group entities

		Ownership interest	
Name of entity	Country of incorporation	2015 %	2014 %
Parent entity			
Quickstep Holdings Limited	Australia	100.0	100.0
Controlled entities			
Quickstep Technologies Pty Ltd	Australia	100.0	100.0
Quickstep Systems Pty Ltd (formerly Quickstep Operations Pty Ltd)	Australia	100.0	100.0
Quickstep GmbH	Germany	100.0	100.0
Quickstep Composites LLC (deregistered FY2015)	USA	–	100.0
Quickstep Automotive Pty Ltd (formerly Commercial Aerospace Composites Pty Ltd)	Australia	100.0	100.0
Quickstep Aerospace Pty Ltd (formerly Quickstep Australia Pty Ltd)	Australia	100.0	100.0

13 Capital and other commitments

a) Non-cancellable operating leases

	2015 $	2014 $
Non-cancellable operating lease contracted for but not capitalised in the financial statements payable as follows:		
Less than one year	**1,805,330**	1,234,730
Between one and five years	**6,412,775**	8,096,621
More than five years	**9,117,960**	7,253,238
	17,336,065	16,584,589

The Company's operating lease expense recognized in the year was $2,001,062 (2014: $1,508,610).

The Company's operating lease commitments comprise of three property leases, and five capital finance agreements for IT equipment.

13 Capital and other commitments (continued)

a) Non-cancellable operating leases (continued)

The first property 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 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 Ottobrunn, Germany. It is a non-cancellable with a ten year term with two options to renew for five years each. It contains a provision for rent reviews on an annual basis.

14 Events occurring after the reporting period

Since the end of the financial year the Group:

Secured an extension to payment terms of the Efic Multi Option facility. The remaining $2,000,000 balance was originally due in October 2015. New payment terms are $500,000 due in December 2015 with the remaining $1,500,000 due in March 2016.

15 Related party transactions

a) Key management personnel compensation

The key management personnel compensation included in “Personnel expenses” in note 3(b) is as follows:

	2015 $	2014 $
Short-term employee benefits	**2,835,385**	2,638,893
Post-employment benefits	**150,724**	141,323
Share-based payments	**359,485**	238,080
Termination benefits	**154,203**	28,846
	3,499,797	3,047,142

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 2010 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.

16 Share-based payments

a) Quickstep Employee Incentive Plan

The Company previously 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). Further details regarding the EIP are set out in the Remuneration Report.

At 30 June 2015, Mr P Odouard is the only employee to be granted options pursuant to the EIP. No options were granted during FY15 under the EIP, which has been replaced by the Incentive Rights Plan (IRP) as set out at Note 16 (b) below.

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

	2015		2014	
	No. of options	WAEP	No. of options	WAEP
Employee Incentive Plan				
As at 1 July	**3,256,593**	**$0.00**	3,563,073	$0.00
Exercised during the year	**–**	**–**	(306,480)	$0.00
As as at 30 June	**3,256,593**	**$0.00**	3,256,593	$0.00
Exercisable as at 30 June	**–**	**–**	–	–

No share options were exercised in FY15. The weighted average share price at the date of exercise for share options exercised in FY14 was $0.21.

16 Share-based payments (continued)

a) Quickstep Employee Incentive Plan (continued)

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	619,446	$0.3150	195,125
Tranche 4	471,698	$0.2700	127,358
FY2010	471,337	$0.3620	170,624
FY2011	706,373	$0.1730	122,203
FY2012	987,739	$0.1250	123,467
Total	**3,256,593**		**738,777**

During 2015, an expense of $52,018 (2014:$87,035) has been included in the financial statements as the portion attributable to the current financial year as required by accounting standards.

A Monte-Carlo simulation has been used to value all grants that had a future vesting condition at the grant date of the options. Assumptions used in the relevant valuations 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	31/08/2014	31/08/2015
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%

b) Quickstep Inventive Rights Plan (IRP)

During the 2014 financial year the Company established the Quickstep Incentive Rights Plan (IRP).

The IRP was designed to facilitate the Company moving towards best practice remuneration structures for executives.

The IRP authorises the granting of Rights to executives of the Company, in the form of Performance Rights (PRs) and/or Deferred Rights (DRs) (together, Rights). These rights represent an entitlement on vesting to fully paid ordinary shares in the issued capital of the Company (Shares) and cash with the total value of cash and Shares being equal to the value of vested Rights (number of vested Rights x market value of a Share). PRs may vest if Performance Conditions are satisfied. DRs may vest if service conditions are satisfied. Further details regarding the IRP are set out in the Remuneration Report.

At 30 June 2015 executives accrued rights pursuant to the IRP. Details of the fair value of unvested rights are set out below.

Executive	Grant	No. of rights	Performance or Deferred Right	First Testing date	Fair value per right at the grant date	Total fair value at grant date $
Mr P Odouard	FY2013	802,000	Performance	31 August 2016	$0.152	121,904
Mr P Odouard	FY2015	1,107,420	Performance	31 August 2017	$0.145	160,576
Mr D J Marino	FY2015	207,641	Performance	31 August 2015	$0.100	20,764
Mr D J Marino	FY2015	207,641	Deferred	31 August 2015	$0.200	41,528
Mr D J Marino	FY2015	415,283	Performance	31 August 2016	$0.110	45,681
Mr D J Marino	FY2015	415,282	Deferred	31 August 2016	$0.200	83,056
Mr D J Marino	FY2015	1,245,847	Performance	31 August 2017	$0.155	193,106
Mr T Swinley	FY2015	233,999	Performance	31 August 2017	$0.145	33,930
Mr T Olding	FY2015	304,540	Performance	31 August 2017	$0.155	47,204
Mr M Schramko	FY2015	244,660	Performance	31 August 2017	$0.145	35,476
Mr J Johnson	FY2015	265,000	Performance	31 August 2017	$0.145	38,425
Total		**5,449,313**				**821,650**

16 Share-based payments (continued)

b) Quickstep Inventive Rights Plan (continued)

During FY15 an expense of $125,674 (2014: $26,569) has been recognised in the financial statements in respect of the portion of the fair value of rights attributable to the current financial year as required by accounting standards.

A Monte-Carlo model was used to value the rights issued. Key assumptions in the relevant valuation models included:

Deferred Rights

Mr D J Marino Tranche	FY2015 Tranche 1	FY2015 Tranche 2
Grant date	16/02/2015	16/02/2015
First testing date	31/08/2015	31/08/2016
Share price at grant date	$0.200	$0.200
Exercise price	Nil	Nil
Expected life (years)	0.5 years	1.5 years
Risk free rate	2.00%	1.87%
Volatility of QHL	55%	55%
Dividend yield	0%	0%

Performance Rights

Mr P Odouard Tranche	FY2013
Grant date	31/08/2013
First testing date	31/08/2016
Expiry date	31/08/2019
Share price at grant date	$0.195
Exercise price	Nil
Expected life (years)	3.3 years
Volatility of QHL	55%
Volatility of AOAI	15%
Dividend yield	0%

Mr D J Marino Tranche	FY2015 Tranche 1	FY2015 Tranche 2	FY2015 Tranche 3
Grant date	16/02/2015	16/02/2015	16/02/2015
First testing date	31/08/2015	31/08/2016	31/08/2017
Expiry date	31/08/2015	31/08/2016	31/08/2019
Share price at grant date	$0.200	$0.200	$0.200
Exercise price	Nil	Nil	Nil
Expected life (years)	0.5 years	1.5 years	2.9 years
Risk free rate	2.00%	1.87%	1.86%
Volatility of QHL	55%	55%	55%
Volatility of AOAI	12%	12%	12%
Dividend yield	0%	0%	0%

16 Share-based payments (continued)

b) Quickstep Inventive Rights Plan (continued)

Mr T Olding

Tranche	**FY2015**
Grant date	19/02/2015
First testing date	31/08/2017
Expiry date	31/08/2019
Share price at grant date	$0.200
Exercise price	Nil
Expected life (years)	2.9 years
Risk free rate	1.83%
Volatility of QHL	55%
Volatility of AOAI	12%
Dividend yield	0%

Executive:
Ms T Swinley, Mr M Schramko, Mr J Johnson, and Mr P Odouard

Tranche	**FY2015**
Grant date	31/08/2014
First testing date	31/08/2017
Expiry date	31/08/2019
Share price at grant date	$0.185
Exercise price	Nil
Expected life (years)	3.3 years
Risk free rate	2.69%
Volatility of QHL	55%
Volatility of AOAI	12%
Dividend yield	0%

Movements in the IRP are as follows:

Incentive Rights Plan	**2015 No. of rights**	**2014 No. of rights**
As at 1 July	**802,000**	–
Granted during the year	**4,945,825**	802,000
Forfeited during the year	**(298,512)**	
As at 30 June	**5,449,313**	802,000

c) Equity settled short term incentive

Certain executives receive short term incentives (STI) in cash and/or shares based on achievement of key performance indicators (KPIs). Each year the RN&D Committee considers the appropriate targets and KPIs and the alignment of individual rewards to the Group's performance. These targets may include measures related to the annual performance of the Group and/or specified parts of the Group and are measured against actual outcomes. The number of shares issued to executives is based on the accrued equity settled STI value divided by the weighted average share price on the date the shares are granted.

415,967 shares (2014: 471,048) were issued to employees as consideration for $80,940 (2014: $102,217) of short term incentives paid in respect of short term incentive achievement in the previous financial year.

This plan has ceased and so no further incentives will accrue.

16 Share-based payments (continued)

d) Share-based payment expense

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

	2015 $	2014 $
Equity settled short term incentive	**80,940**	132,086
IRP, performance rights	**125,674**	89,469
EIP options	**52,018**	87,035
	258,632	308,590

17 Remuneration of auditors

a) KPMG

i) Audit and other assurance services

	2015 $	2014 $
Amounts received or due and receivable by the auditor for:		
Audit services		
KPMG – current year	**226,700**	179,600
KPMG – under/(over) accrual from prior year	**58,000**	30,000
	284,700	209,600

18 Parent entity financial information

a) Summary financial information

As at, and throughout, the financial year ending 30 June 2015 the parent company of the Group was Quickstep Holdings Limited.

	2015 $	2014 $
Results of the parent entity		
Profit or loss for the year	**(5,130,760)**	(43,516,385)
Other comprehensive income	**–**	–
	(5,130,760)	(43,516,385)
Financial position of the parent entity at year end		
Current assets	**1,020,356**	4,217,115
Total Assets	**1,020,356**	4,217,115
Current liabilities	**(2,253,470)**	(640,207)
Total Liabilities	**(2,253,470)**	(640,207)
Net Assets	**(1,233,114)**	3,576,908
Total equity of the parent entity comprises of:		
Share capital	**88,228,474**	88,228,474
Reserves		
Share-based payments reserve	**3,655,721**	3,334,983
Accumulated losses	**(93,117,309)**	(87,986,549)
Total Equity	**(1,233,114)**	3,576,908

19 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 2015 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 licensing its "Quickstep Process" technology to Original Equipment Manufacturers and suppliers, and providing them with the Quickstep machines and support services.

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 2015.

Basis of measurement

The financial statements are prepared on the historical cost basis. 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 16 – Share-based payments
- Note 19 (d) – Going Concern

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 2015 of $3,937,888 (2014: loss after tax of $11,181,401). At 30 June 2015 the Group has net liabilities of $1,233,114 (2014: net assets of $3,087,991)

The loss reflects the ongoing commercialisation of the Group which was largely completed in the 2015 financial year. This activity was funded through a combination of advanced payments from customers (which have been recognized as deferred income in the financial statements) and loan facilities. The level of production of JSF components and C-130J wing flaps increased in the 2015 financial year, and Management and the Directors expect this to continue as the Group's aerospace order book at 30 June 2015 is $74.9 million with more than 61% of these orders to be fulfilled in 2016.

The existing net liability position of the Group and the need to support current operating cash flow requirements and associated growth in both Aerospace and Automotive activities in relation to new technology developments, has resulted in the cash flow of the Group being materially dependant on a combination of the following funding solutions:

- Continuing firm orders for the JSF Project and C-130J wing flaps and their associated payment terms;
- Continued cost control;
- Increased debt; or
- Increased equity

The Directors consider that there are reasonable grounds to expect the Group will be able to meet its commitments and accordingly, the financial report has been prepared on the basis of a going concern. This basis presumes that a combination of the above funding solutions, as deemed appropriate by the Directors, will be achieved and that the realisation of assets and settlement of liabilities will occur in the normal course of business. Notwithstanding the confidence of the Directors, should the funding solutions discussed above not be successful there is a material uncertainty as to whether the Group would 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 2015 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. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group, and de-consolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

19 Significant accounting policies (continued)

e) Basis of consolidation (continued)

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 translation

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 de-recognises 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.

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:

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

iii) Share Capital

Ordinary shares

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

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.

19 Significant accounting policies (continued)

g) Financial instruments (continued)

v) Derivative financial instruments

The group holds a derivative financial instrument in the form of options issued in relation to borrowed funds.

Derivatives are recongsied initially at fair value; any directly attributable transaction costs are recognized in profit or loss as they are incurred. Subsequent to initial recognition, derivatives are measured at fair value and changes therein are generally recognized 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	2½ years

j) Leased assets

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

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

k) Inventories

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

19 Significant accounting policies (continued)

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 wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months after the end of the period in which the employees render the related service are recognised in respect of employee's services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave and accumulating sick leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

The liabilities for long service leave and annual leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period of government bonds with terms and currencies that match, as closely as possible, the estimated future cash outflows. Remeasurements as a result of experience adjustments and changes in actuarial assumptions are recognised in profit or loss.

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

Sale of goods

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.

19 Significant accounting policies (continued)

n) Revenue (continued)

Sale of goods (continued)

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.

Construction contracts

Construction contract revenue recognised results from the construction of a number of Quickstep process machines. These machines have been constructed based on specifically negotiated contracts with customers.

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments, to the extent that it is probable that they will result in revenue and can be measured reliably.

If the outcome of a construction contract can be estimated reliably, then contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. The stage of completion is assessed with reference to manufacturing schedules. Otherwise, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable.

Contract expenses are recognised as incurred. Any expected loss on a contract is recognised immediately in the statement of profit or loss.

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.

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 income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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 (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

19 Significant accounting policies (continued)

t) Earnings per share

Removed as not applicable to Quickstep Holdings Limited.

i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

u) Segment reporting

Removed as not applicable to Quickstep Holdings Limited.

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 accounting 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.

w) Changing Comparatives

Where necessary, comparative disclosures have been reclassified to conform with current year presentation.

20 Determination of fair values

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

a) Trade and other receivables

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

b) Non-derivative financial liabilities

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

c) Share-based payment transactions

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

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.

Directors' declaration

30 June 2015

In the Directors' opinion:

a) the consolidated financial statements and notes that are set out on pages 25 to 58 and the Remuneration Report within the Directors' Report are in accordance with the *Corporations Act 2001*, including:
   i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   ii) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the year ended on that date, and

b) subject top the Going Concern note in 19(d) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

c) at the date of this declaration, there are reasonable grounds to believe that the members of the extended closed group will be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Note 19(b) confirms that the consolidated financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001* for the year ended 30 June 2015.

This declaration is made in accordance with a resolution of Directors.

Mr D J Marino
CEO and Managing Director

Sydney, New South Wales
24 September 2015

KPMG

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of Quickstep Holdings Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 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
24 September 2015

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 2015, and consolidated statement of profit or loss and other and comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 20 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 19(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*.

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 2015 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 19(b).

Material uncertainty regarding continuation as a going concern

Without modifying our opinion, we draw attention to note 19(d), which provides disclosure regarding the Group's ability to continue as a going concern. As set out in note 19(d), the directors have indicated the need for a combination of continuing sales orders and associated cash flows from certain customers, continued cost control, increased debt or equity as deemed appropriate by the directors, to support current operating cash flow requirements and growth. 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 the directors' report for the year ended 30 June 2015. 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 2015, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Cameron Slapp
Partner

Sydney
24 September 2015

Shareholder information

30 June 2015

The shareholder information set out below was applicable as at 31 August 2015.

A. Voting rights

The voting rights attaching to each class of equity securities are set out below:

a) 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.

b) Options do not carry any voting rights.

B. Substantial holders

Substantial holders in the Company are set out below:

C. On-Market buy back

There is no current on-market buy back.

D. Distribution schedules

Distribution of each class of security as at 31 August 2015:

Ordinary fully paid shares

Range	Holders	Units	%
1 – 1,000	437	126,823	0.03
1,001 – 5,000	1,241	4,190,259	1.05
5,001 – 10,000	1,003	8,457,353	2.13
10,001 – 100,000	2,991	110,406,526	27.75
100,001 – Over	564	274,692,540	69.04
Total	**6,236**	**397,873,501**	**100.00**

Options exercisable at the lesser of $0.25 or 25% above the issue price of any equity capital raising up to $10M undertaken prior to 31 December 2018 (unlisted)

Range	Holders	Units	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	–
100,001 – Over	1	25,000,000	100.00
Total	**1**	**25,000,000**	**100.00**

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

Range	Holders	Units	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	–
100,001 – Over	1	1,091,144	100.00
Total	**1**	**1,091,144**	**100.00**

Options exercisable at $0.00 on or before 26 November 2017 (unlisted)

Range	Holders	Units	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	–
100,001 – Over	1	471,337	100.00
Total	**1**	**471,337**	**100.00**

D. Distribution schedules (continued)

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

Range	Holders	Units	%
1 – 1,000	–	–	–
1,001 – 5,000	–	–	–
5,001 – 10,000	–	–	–
10,001 – 100,000	–	–	–
100,001 – Over	1	706,373	100.00
Total	**1**	**706,373**	**100.00**

Options exercisable at $0.00 on or before 23 November 2019 (unlisted)

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

E. Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 2,777 shares at $0.18 per share):

Holders	Units
915	1,080,062

F. Top holders

The 20 largest registered holders of each class of quoted security as at 31 August 2015 were:

Rank	Holder Name	Securities	%
1	Washington H Soul Pattinson And Company Limited	68,172,570	17.13
2	WSF Pty Ltd <Woodstock S/F A/C >	10,088,235	2.54
3	State One Stockbroking Pty Ltd	8,711,618	2.19
4	Romsup PL <Romadak S/F A/C>	8,597,976	2.16
5	Decta Holdings Pty Ltd	8,209,972	2.06
6	HSBC Custody Nominees (Australia) Limited	5,720,234	1.44
7	Aileendonan Investments PL	4,000,000	1.01
8	Best Holding Pty Ltd	3,000,000	0.75
9	Vcamm Ltd	2,364,757	0.59
10	Sandhurst Trustees Ltd	2,347,543	0.59
11	Yarraandoo Pty Ltd <Yarraandoo Super Fund A/C>	2,271,576	0.57
12	Philippe Odouard	2,140,685	0.54
13	Sols Super Pty Ltd	2,109,567	0.53
14	Prunelle Holding Pty Ltd	2,077,692	0.52
15	Equilibrium Pensions Limited <Campbell Family Int PPPS A/C>	2,003,450	0.50
16	Gellatly DC + EMR < D & E Gellatley Sup>	1,900,000	0.48
17	Gellatly David C + EM	1,650,000	0.41
18	Petia Super Pty Ltd	1,500,739	0.38
19	Farjoy PL	1,500,000	0.38
20	De Vitis Carmine	1,460,000	0.37
		139,826,614	**35.14**

Corporate Directory

Directors
Mr T Quick
Chairman

Mr D J Marino
CEO & Managing Director

Mr P M Odouard
Executive Director

Mr N Ampherlaw
Independent Non-Executive Director

Mr P Cook
Independent Non-Executive Director

Mr B Griffiths
Independent Non-Executive Director

Mr E J McCormack
Independent Non-Executive Director

Mr D Singleton
Independent Non-Executive Director

Secretary
Mr J Pinto

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Registered Office
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Auditor
KPMG
Chartered Accountants
10 Shelley Street
Sydney Australia 2000

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

Patent Attorney
Watermark
Building 1, Binary Centre
Level 3, 3 Richardson Place
North Ryde New South Wales 2113

Share Registry
Security Transfer Registrars Pty Ltd
110 Stirling Highway
Applecross Western Australia 6153

Stock Exchange
Australian Securities Exchange Limited
Exchange Centre, 20 Bridge Street
Sydney New South Wales 2000

ASX Code
QHL

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