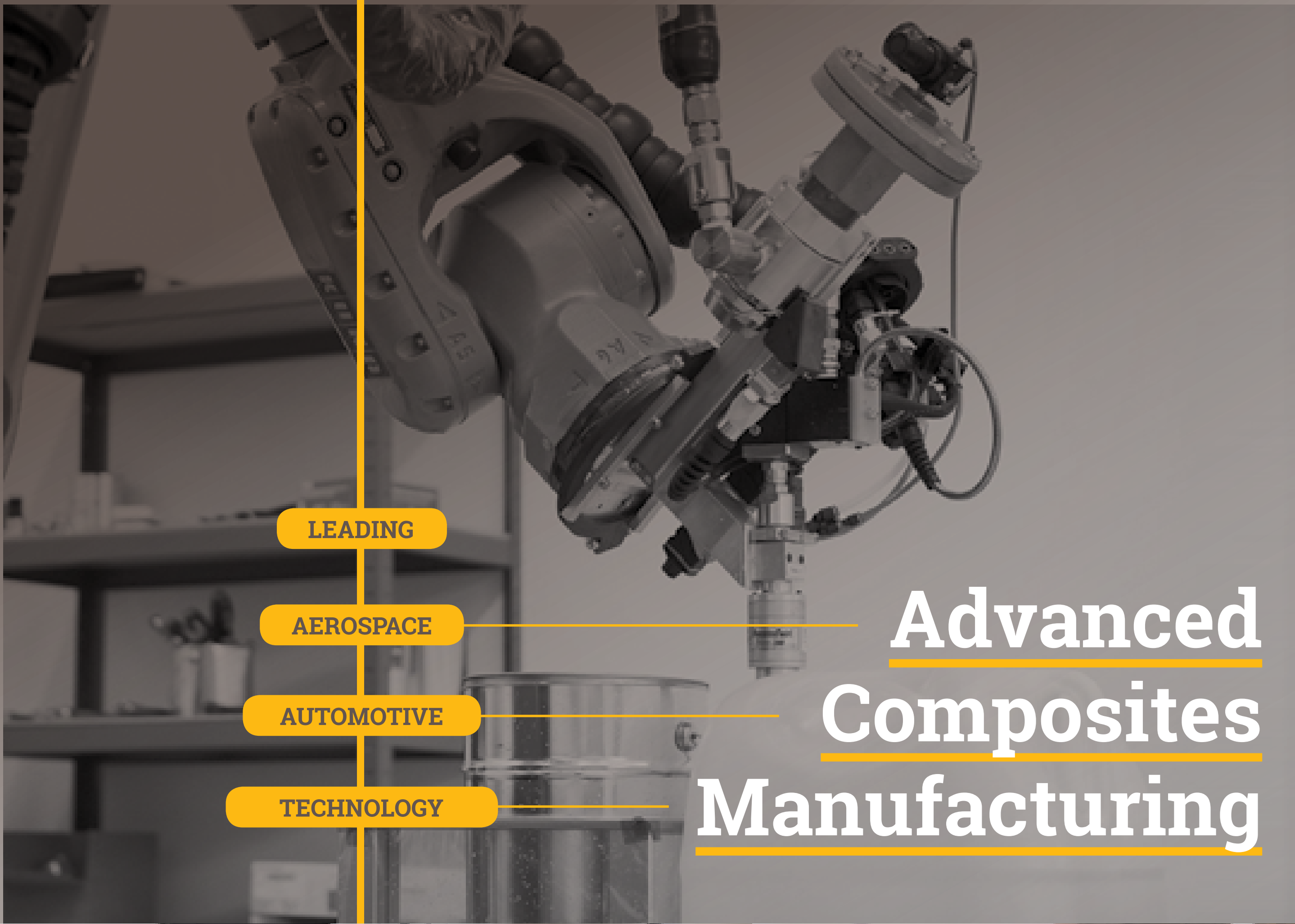


LEADING

AEROSPACE

AUTOMOTIVE

TECHNOLOGY

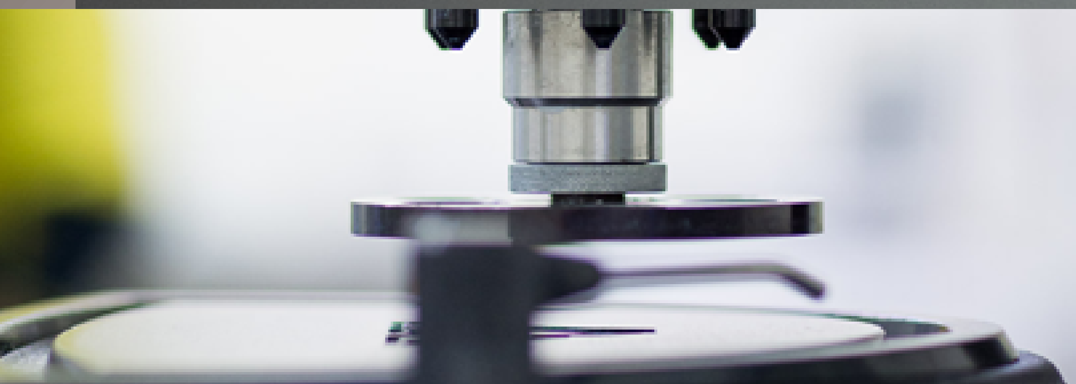
Advanced Composites Manufacturing

Annual Report 2016

Quickstep

ACN 096 268 156

Quickstep's vision is to be a world leader in advanced composites manufacturing and a global parts solutions provider at the forefront of advanced composites manufacturing and technology development.



SALES

$50.1m

up 27% from $39.5m

FIRM ORDER BOOK

$120m

increase of $45m from 2015

AEROSPACE SALES

46%

Aerospace manufacturing sales up $15.4m

NET ASSETS

$14.2m

R+D INVESTMENT

$3.5m

up from $2.1m

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

FY16 was a year of significant capital expansion for Quickstep, as we prepared the business for higher volume manufacturing of advanced carbon fibre components and assemblies in the future. We have invested heavily in additional process capability at our Bankstown facilities to accommodate higher levels of expected production for the JSF program over the coming years and we have established a new facility in Waurn Ponds to support development programs for our growing New Technology activities.

Quickstep's vision is to become a world leader in advanced composites manufacturing and we are now achieving significant progress in technology development. To achieve this vision, we need to have a highly capable management and R&D team, we need the necessary assets on the ground to manufacture parts and we need to undertake several development and demonstrator projects to fully commercialise and validate our New Technology. In FY16 we set about putting all these elements in place, as a foundation for our future growth and expansion.

Our financial results for FY16 reflect our continued focus on growth, with sales revenue rising from A$39.5 million in FY15 to A$50.1 million in FY16. This revenue increase was predominantly the result of aerospace growth for both our C-130J and JSF programs. As at 30 June 2016, we have a forward order book valued in excess of A$120 million. This includes committed orders from Lockheed Martin, Northrop Grumman and BAE Systems for C-130J and JSF Program components. Manufacturing under these committed orders will extend through to FY19. Earnings before interest, tax, research and development and significant items for FY16 were A$4.0 million, up 200% from A$1.3 million in FY15, driven by Quickstep's Aerospace Manufacturing activities.

During the course of FY16, Quickstep successfully completed a fully underwritten A$22 million (before costs) capital raising. The raising is being used to fund capital expenditure associated with our forward sales pipeline; to strengthen our balance sheet by reducing short term debt; to set up Quickstep's New Technology R&D and manufacturing facility at Waurn Ponds; and enable Quickstep to continue to commercialise the application of the company's existing technologies. These programs are all in line with expectations.

With regard to capital expenditure, we invested over A$4.0 million in FY16 in support of our growth plans for our Bankstown and Waurn Ponds manufacturing operations. In Bankstown this investment has gone into additional manufacturing capacity to support the contracted C-130J and JSF programs and further programs currently in discussion. In Waurn Ponds we have invested in the establishment of a New Technology R&D and manufacturing facility. The Waurn Ponds site features a fully operational Resin Spray Transfer (RST) cell and Qure machine, along with other manufacturing equipment to produce advanced composite components and assemblies. We received grants relating to capital of A$0.6 million for the Waurn Ponds investment. I would like to take this time to acknowledge the support given to us for this activity, through the Geelong Region Innovation and Investment Fund (GRIIF), an initiative funded by the Federal and Victorian governments and Ford Australia.

FY16 saw a significant strengthening of our management team, with the recruitment of a number of senior management personnel in the fields of Operations, Finance, Engineering, Human Resources and Business Development. We now have a highly capable management team, with extensive aerospace, broader manufacturing and automotive experience, who are experienced in establishing and running advanced manufacturing facilities globally as well as in Australia.

Our R&D team has been significantly strengthened with the relocation of our Global R&D and Technology Centre from Munich, Germany, to Deakin University's Waurn Ponds Campus in Victoria. We now have a highly skilled team operating there, supported by a long-term Strategic R&D and Education Agreement with Deakin University. I would like to take this opportunity to thank the Victorian Government's investment promotion arm, Invest Victoria, for their support in this relocation. The team in Germany remain focused on R&D projects aligned with the Waurn Ponds team and further development with European based aerospace and automotive customers.

Aerospace saw the ramp-up in volumes for JSF and commencement of deliveries for vertical tails following the qualification for spars, fairings and skins. Deliveries were on or ahead of customer expectations with JSF meeting the higher volume requirements with a 27% increase in volume over the prior year. Capital investment continues to provide capacity for the projected JSF volume growth in coming years.

Our New Technology manufacturing site in Waurn Ponds is operational and has commenced the production of two small volume programs. Several new manufacturing projects were commenced in FY16, mainly involving the application of our advanced composites solutions capabilities and adoption of our New Technology. These include:

- **Ford Australia:** Manufacture of a carbon fibre air intake duct for Ford's XR6 Sprint performance car
- **Thales Australia:** Development and manufacture of a range of composite body parts and assemblies, including bonnets, mudguards and skirting rails for the Hawkei military vehicle
- **Korea Institute of Science and Technology (KIST):** Manufacture and supply of composite manufacturing equipment, including our patented RST and Qure technologies, to a South Korean research institute

$50.6m

Up 23% from $41.3m

CAPITAL EXPANSION AND NEW TECHNOLOGY COMMERCIALISATION

TOTAL REVENUE

Chairman's Report

$14.2m NET ASSETS

SALES

$50.1m

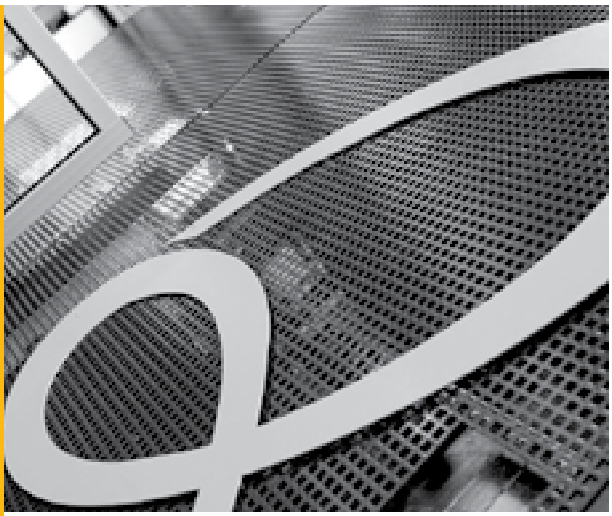
up 27% from $39.5m

Quickstep is also engaged in several development projects which are expected to lead to production contracts, with the further commercialisation of Quickstep's Qure and RST technologies. The projects include the development of innovative composite parts and assemblies for the aerospace, defence, automotive, marine and other transportation industries.

As Chairman, I would like to recognise the ongoing support of our shareholders, our customers and my fellow Board members. I would like to thank David Marino, our CEO and Managing Director, the executive management team and all of the Quickstep staff, for their hard work and dedication throughout FY16. I would also like to express my thanks to all of the members of the Quickstep senior management team that left us in FY16 and to David Singleton, who retired from the Board in January 2016 to take on the role of CEO at Austral Limited. I would also like to acknowledge James Douglas, who joined the Board in December 2015, and we look forward to his contributions to the growth of the business.

Your Company has set itself up in FY16 for a strong future in advanced composites manufacturing. The aerospace, defence, marine and other transportation industries continue to demand greater volumes of carbon fibre composites and Quickstep has focused its business and products to provide cost effective components for these industries and we have proven our ability to support global supply chains. We maintain a healthy balance sheet and are investing for future growth at the Company's premises at Bankstown for aerospace and defence and in Waurn Ponds and Munich for our New Technology. FY17 will see a continuation of the program, with a number of development projects underway, utilising our New Technology, which will establish a platform for the supply to volume production programs across our targeted industry sectors. FY17 will see us continue to invest in new technology, product development and capital to further enhance our future order book and deliver long term value for all our shareholders.

TONY QUICK
Chairman



AEROSPACE MANUFACTURING

GROWTH AND

NEW TECHNOLOGY

COLLABORATION FOCUS

CEO and Managing Director's Report

I am pleased to report that in FY16 Quickstep has continued to make substantial progress towards becoming a leading global provider of advanced composite components and manufacturing processes for the aerospace, defence, marine, automotive and other transportation sectors. The aerospace manufacturing business is growing and profitable. Investment has been boosted in our new technology business to enable Quickstep to work on a number of collaborative development programs with our customers to deliver future growth.

In FY16 we achieved an increase in sales revenue of 27% to A$50.1 million, compared to A$39.5 million in the previous year. We delivered 35 ship-sets to Lockheed Martin for the C-130J program in FY16. We also increased the production rate of components for the Joint Strike Fighter (JSF) program, with 558 JSF parts delivered to Northrop Grumman in the year and we achieved successful qualification of our parts for the JSF vertical tails project with BAE Systems. The first 32 vertical tail parts have been supplied to Marand Precision Engineering Pty Ltd (Marand), for the final Vertical Tail assembly.

We have delivered strongly in support of our committed Aerospace programs at Bankstown. Our firm order book now stands in excess of A$120 million, up 67% on the prior year, and reflects increased orders for Quickstep's JSF and C-130J aerospace contracts.

Our vision is to become a world leader in advanced composites manufacturing and we have set about achieving this through the further industrialisation of our process technologies and undertaking a number of development programs, in two key areas:

– Aerospace Manufacturing:
As a proven manufacturer of advanced carbon fibre composite components and complex assemblies for the Defence Aerospace sector, we are actively in discussions with both existing and new customers for the increased manufacturing of 'build to print' components

– New Technology:
Quickstep has developed patented process technologies for the manufacturing of composite components. We are currently collaborating with a number of potential customers on the development of demonstrator parts utilising our proprietary process technologies and unique engineered solutions. Our intention is to achieve strong customer value propositions for the supply of exterior panels, skins and interior structures for the growing Automotive and Aerospace composite markets.

Aerospace Manufacturing

Aerospace Manufacturing sales for FY16 were up 46% to $49.2 million and achieved a gross profit increase of 49% compared to the prior corresponding period (pcp) underpinned by strong JSF growth and higher than average production of C-130J wing flaps. The increase in profitability from Aerospace manufacturing ensures that capital expenditure at Bankstown is funded by its own earnings.

Capital expenditure programs continued in preparation for the planned growth in the JSF program and the ramp up in Vertical Tail production. In addition, significant investment in production optimisation of the C-130J project was made, with state of the art highly automated robotic drilling program underway. It is expected that the major capital investment will be completed during FY17 which will facilitate further 'build to print' growth at Bankstown.

Employment numbers increased at Bankstown underpinning both current and anticipated sales growth. Employee training and development continues as the JSF team targets a 100 parts per month production rate and the return to a long term C-130J production rate of 24 ship sets per year. This has allowed for the transfer of skilled production employees into the JSF program.

With the increased volume, manufacturing optimisation in the key areas of labour utilisation, asset performance, inventory and scrap reduction remain a key focus of our growing Aerospace Manufacturing business to optimise performance.

New Technology Industrialisation

Throughout FY16 we continued to advance the industrialisation of both our **Qure** and **Resin Spray Transfer** (RST) technologies for use in the aerospace, defence, marine, automotive and other transportation sectors. These disruptive processes provide significant value propositions, in terms of cost, process speed and quality to our targeted customers and these technologies are especially relevant to end-users with parts programs in the volume range of up to 30,000 units per annum.

Our industrialisation activities have focussed on development and application of both our **Qure** and **RST** technologies to manufacture components for end-users in our targeted industry sectors. Over the course of the next 18 months, we are targeting a number of niche volume projects, while continuing to develop and scale-up our next-generation **RapidQure** technology which will provide increased volume capability to enable us to secure larger production projects.

Also in FY16 we commenced a number of advanced composite projects that are establishing our credentials and solution capabilities outside the aerospace sector and this will lead to additional supply opportunities in both the domestic and export markets. These projects include activities with Ford Australia, Thales Australia, Korea Institute of Science and Technology (KIST), DCNS Group (a French naval shipbuilding company and European leader in naval defence), and several other composite end-users.

AEROSPACE SALES

↑ **46%**

Aerospace manufacturing sales up $15.4m to $49.2m

We look forward to another year of technology, parts development and growth in FY17.

Ford Falcon XR6 Sprint
In early FY16, we secured a contract with Ford Australia to manufacture carbon fibre air intake ducts for the Ford Falcon XR6 Sprint sports car. Manufacturing commenced at Waurn Ponds in February 2016 and successfully demonstrated the company's ability to move from contract to production start-up in under 8 months and to deliver 377 components by 30 June. This sports car is the first global mass-produced Ford to feature a carbon fibre air intake system and the first commercial automotive vehicle to feature a part made by Quickstep. Importantly, the project has shown rate production, quality and delivery performance capability to Ford which provides confidence for future programs. It has also provided an opportunity to participate in the Automotive Transformation Scheme (ATS), an AusIndustry fund supporting investment in Innovation in the automotive sector.

Thales Hawkei Project
In October 2015, the Federal Government confirmed that Thales Australia was successful in securing the supply contract to build the next generation of armoured vehicles for the Australian Defence Force. Quickstep is contracted to manufacture a range of composite body parts for Thales Australia.

Quickstep has already completed the first set of composite parts for Thales Australia's Hawkei light protected vehicle, for which it is the exclusive supplier of the bonnet, side skirts and mud guards. Before the end of September 2016, ten sets of parts comprising more than 190 individual components. Low-volume production for this project is expected to commence in FY17.

Korea Institute of Science and Technology (KIST)
In April 2016, Quickstep entered into an agreement with KIST, a major South Korean research centre, to design and install an RST cell and Qure machine for R&D purposes, supporting the automotive and aerospace sectors in South Korea. We plan to supply this manufacturing equipment to KIST by end of calendar 2016. The manufacturing system for KIST will be optimised for niche- to medium-volume automotive industry production. This contract opens up potential component supply opportunities for Quickstep in South Korea, one of the world's largest automotive production markets.

Collaborative Development Focus
During the year Quickstep decided to enter into a number of collaborative development projects intended to deliver commercial parts for the end-user and advance the industrialisation of our New Technology offerings. These projects involve the design of composite alternatives for existing metal parts or developing demonstrator parts for evaluation or demonstrate improved production rates to current autoclave processes. Development, manufacturing, planning and testing for these projects is expected to lead to production opportunities with our collaboration partners.

Quickstep is currently engaged in several development projects with tier-1 industry suppliers for interior structures and external panels and skins. These projects are expected to lead to niche production contracts utilising Quickstep's Qure and RST technologies in the near future.

An example of this collaborative process was the Memorandum of Understanding (MoU) with DCNS Group, a European leader in naval defence. DCNS has been selected by Australian Government as preferred partner for design of twelve submarines for Royal Australian Navy. This MoU is for joint cooperation in technology transfer, R&D projects and component manufacturing opportunities.

Outlook for FY17
The Quickstep Board and our executive management team have established targets, strategies and implementation plans for FY17 to achieve:

Aerospace Manufacturing
- A safe working environment for all employees of Quickstep
- Growth in our Bankstown build to print business by furthering our relationship with Lockheed Martin, Northrop Grumman and BAE Systems
- A continued positive operating cash flow at Bankstown by a reduction in inventory and scrap and enhanced labour utilisation
- The JSF-contracted volume increases in FY18 and FY19 will be achieved by completing the planned capital investment program and the implementation of the people development and training plans.

New Technology
- Work with global customers on product development programs and demonstrator parts to integrate the new technology into future automotive production programs and consequently secure larger contracts with those customers
- Continue to grow the engineering and design capabilities to become a full-service supplier with a focus on industrialising composites manufacturing to the automotive and other transport sectors
- Match material and process technologies to meet the increasing rate requirements of the transport sectors particularly for volumes of 10,000 – 30,000 units per annum
- Work with partners (Deakin, CSIRO & key suppliers) on material science programs

We look forward to another year of technology, parts development and growth in FY17.

FIRM ORDER BOOK

$120m

Increase of $45m

In closing, I would like to sincerely thank all of our shareholders, customers and collaboration partners for their ongoing support and confidence in Quickstep and the future of the Company. I would also like to acknowledge the guidance offered by the Board of Directors, the commitment of the executive management team and the hard work of all of our dedicated employees that are developing and industrialising our process technologies; collaborating on development projects and; delivering manufactured parts to our existing customers — **your efforts are greatly valued and appreciated.**

DAVID MARINO
CEO and Managing Director

Quickstep has invested heavily in both its Aerospace Manufacturing and New Technology activities. FY2017 will see the further transition from being an R&D company, to an advanced composites manufacturing business.

FY17

Quickstep is well positioned to become a global leader in composite manufacturing solutions.

Aerospace Manufacturing

- Complete capital investment plan to support our future contracted growth
- Surpass volumes of 100 parts per month for JSF
- Deliver manufacturing efficiencies and reduce inventory post capital installation
- Leverage existing customer relationships on new project opportunities
- Win new customer build-to-print programs

New Technology

- Work with global customers on product development programs and demonstrator parts for future contracts
- Continue the commercialisation of New Technology manufacturing through maturing of the RapidQure process
- Win contracts for target products
- Deliver Qure and RST to KIST, with 30 minute part cure time & Class A surface performance
- Continue to grow engineering and design capabilities to deliver full-service supply to our growing customer base
- Work with partners (Deakin, CSIRO, key suppliers) on material science programs

GLOBAL COMPOSITES SOLUTIONS

ADVANCED MANUFACTURING

NEW TECHNOLOGY

Where to next?

To achieve our vision of being a world leader in advanced composites manufacturing, we are focused on building on the long-term Aerospace Manufacturing contracts now that our capability is proven and additional capacity has been created, and on continuing the product development and commercialisation of our New Technology offerings for application in the global Aerospace, Defence, Automotive and other Transport sectors.

Directors and Senior Managers

Our strengthened management team has the skills and experience to deliver our strategy and growth plans.

Quickstep has refreshed its senior management team over the past 18 months. The new management team has extensive experience across a range of professional disciplines and business environments, including international market expertise.

Managing Director, David Marino, now leads a strengthened and dedicated management team, with the experience to deliver the company's growth plans and performance targets.

The Directors of Quickstep have a broad range of experience across the Aerospace, Defence, Automotive and Financial sectors.

Our Board members are active within the carbon fibre industry, technology development and participate in numerous government and defence programs.

The Quickstep Board is dedicated to delivering on the company's vision of becoming a global leader in advanced composites solutions.

The Directors of Quickstep are committed to delivering ongoing value to our shareholders, customers and our people

Our People

We have a highly skilled and dedicated workforce at all three of our locations. With strong composites capabilities, we are ready to provide advanced composite solutions to the Aerospace, Defence, Automotive and other Transport sectors.

Our people are our most important asset and have the skills and capabilities to deliver our vision.

EXPERTISE

LEADERSHIP

PROFESSIONAL

Financial Report

Quickstep delivered strong sales revenue of $50.1 million and EBIT pre R&D and significant items of $4.0 million. The company strengthened the Balance Sheet and invested in capital and R&D for future growth.

Directors' Report
30 June 2016

The directors present their report on the consolidated entity consisting of Quickstep Holdings Limited and the entities it controlled at the end of, or during, the year ended 30 June 2016. Throughout the report, the consolidated entity is referred to as the Group.

Directors

The following persons were directors of Quickstep Holdings Limited during the whole of the financial year and up to the date of this report:
Mr. T H J Quick
Mr. D J Marino
Mr. N I Ampherlaw
Mr. P C Cook
Mr. B A Griffiths
Air Marshal E J McCormack (Ret'd)

Mr. J C Douglas was appointed as director on 19 December 2015 and continues in office at the date of this report.

Mr. P M Odouard was a director from the beginning of the financial year until his resignation on 15 October 2015.

Mr. D P A Singleton was a director from the beginning of the financial year until his resignation on 21 January 2016.

Principal activities

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

- production of parts to Northrop Grumman for the Joint Strike Fighter Project
- production of C-130J wing flaps for Lockheed Martin
- producing parts for Joint Strike Fighter vertical tails for BAE Systems and Marand
- manufacturing and development of parts for the automotive industry
- continued development of RST and Qure technologies for scaled volume production (RapidQure)

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 (2015 $Nil).

Review of Operations

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the review of operations and activities included in the CEO & Managing Directors' review on pages 6 to 9 of this annual report.

Significant changes in the state of affairs

Contributed equity increased by $20,890,000 (from $88,228,000 to $109,118,000) as the result of a capital raising initiative comprising an institutional placement of $5,000,000 for 33,333,333 shares at an exercise price of $0.15 cents per share and an entitlement offer to existing shareholders at an exercise price of $0.13 cents per share for 130,672,256 shares. Details of the changes to contributed equity are disclosed in Note 9 to the financial statements.

The net cash received from the increase in contributed equity was used principally to repay borrowings, commence a capital expansion program and fund new technology development.

During FY16, the Group set up a new R&D and manufacturing facility at Waurn Ponds. Ford and Thales production commenced from this facility. This facility is now focussed on product development programs for both global aerospace and automotive customers as the business continues progress towards its strategy of being a composite components manufacturer for automotive and aerospace.

There have been no other significant changes in the state of affairs of the Group during the financial year.

Events since the end of the financial year

No matter or circumstance has arisen since 30 June 2016 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

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 FY17	To meet the required demand curve which is mitigated by detailed capacity plan for the period
Continuing supply of JSF Vertical Tail composite parts and assemblies to BAE Systems/Marand	Production commenced in FY16 and is planned to ramp up in FY17	Successful production ramp up
New contract to optimise assets and improve overhead utilisation	A number of quotations are under current negotiation with OEMs. Skills planning in place	Requirements for additional skilled employees to be able to deliver increased volume.

New Technology

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	Market growth confirmed Future capacity constraints for existing technologies Product development programs have commenced	Required rate & quality not achieved
Partnerships formally established in core target market to accelerate technology deployment	Engagement commenced	Inability to establish a partnerships will slow down or increase cost of deployment

Shares under options

Unissued ordinary shares of Quickstep Holdings Limited under option at the date of this report are as follows

Date options granted	Expiry date	Issue price of Shares	Number under option
9 January 2015	31 December 2018	$0.1625	25,000,000

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

No options were granted during the year, nor were options granted in prior years exercised during the year ending 30 June 2016. No other options have been granted since the end of the financial year.

Mr. Tony H J Quick, MA (Cantab) Chair – independent non-executive director - appointed 14 February 2013		
Experience and expertise	Mr. Quick joined Quickstep following a highly successful career in the aerospace and defence industries. 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 a 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.	
Special responsibilities	Chair of the board	
Other current directorships	Chair of the Defence Materials Technology Centre.	
Interests in shares and options	Ordinary shares in Quickstep Holdings Limited	456,062

Mr. David J Marino, B Eng (Mech)(Hnrs) - CEO and Managing Director - appointed 16 February 2015		
Experience and expertise	Mr. Marino has over 20 years of manufacturing experience. This includes leading Australian and International businesses through Asia and the US, directing as many as 1600 people, and being responsible for revenues in excess of $400 million per annum. Since being recruited by Ford Australia, Mr. Marino 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. Mr. Marino 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. Mr. Marino has completed a number of post graduate business studies including The General Manager Program (TGMP) at Harvard Business School (2005).	
Special responsibilities	Chief Executive Officer	
Other current directorships	External Independent Director of Institute of Frontier Materials (IFM). This Board oversees research, development and commercialisation activities of materials for Deakin University.	
Interests in shares and options	Rights to shares in Quickstep Holdings Limited	3,349,138
	Ordinary shares in Quickstep Holdings Limited	487,376

Mr. Nigel I Ampherlaw B Com, FCA, MAICD – independent non-executive director - appointed 8 July 2013		
Experience and expertise	Mr. Ampherlaw 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. He has extensive experience in Risk Management, technology, consulting and auditing in Australia and the Asia-Pacific region.	
Special responsibilities	Chairman of the Audit, Risk and Compliance Committee	
Other current directorships	Current Directorships include a Non-Executive Directorship with Credit Union Australia, where he is Chair of the Audit Committee and a member of the Risk Committee and Remuneration and Nominations Committee; Elanor Investor Group where he is Chair of the Audit and Risk Committee and a member of the Remuneration and Nominations Committee; 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. He has also been a member of the Grameen Foundation Australia Charity Board since 2012.	
Interests in shares and options	Ordinary shares in Quickstep Holdings Limited	500,000

Mr. Peter C Cook, MPharm, CChem, FMonash, FRMIT, MPS, MRACI, MAICD- independent non-executive director- appointed 14 July 2005		
Experience and expertise	Mr. Cook's most recent Executive appointment was as Managing Director and CEO 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	
Special responsibilities	Chairman of the Remuneration, Nomination and Diversity Committee	
Other current directorships	Chair, Pharmaceutical Science Advisory Group (Monash University), Chair, Monash Institute of Pharmaceutical Science's Foundation and Director Myostin Therapeutics.	
Interests in shares and options	Ordinary shares in Quickstep Holdings Limited	1,590,685

Mr. Bruce A Griffiths, OAM – independent non-executive director - appointed 14 February 2013		
Experience and expertise	Mr. Griffiths 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. 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' honors 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	
Special responsibilities	Member of the Remuneration, Nomination and Diversity Committee.	
Other current directorships	Current appointments include: Board Member - Industry Capability Network Limited (ICNL), Director - Carbon Revolution Pty Limited	
Interests in shares and options	Ordinary shares in Quickstep Holdings Limited	1,238,167

Air Marshal Errol J McCormack (Ret'd) AO – independent non-executive director - appointed 11 August 2010		
Experience and expertise	Mr. McCormack has extensive experience as a Senior Commander in the Royal Australian Air Force. Mr. 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. 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	
Special responsibilities	Member of the Audit, Risk and Compliance Committee and the Remuneration, Nomination and Diversity Committee.	
Other current directorships	Non-Executive Chairman of Chemring Australia Pty Ltd.	
Interests in shares and options	Ordinary shares in Quickstep Holdings Limited	481,229

Information on directors (continued)

Mr. James C Douglas, LLB, BSc – non-executive director - appointed 19 December 2015		
Experience and expertise	Mr. Douglas is Chairman of Australian composite automotive wheels manufacturer Carbon Revolution and a founder of investment firm Newmarket Capital, a strategic investor in the carbon fibre manufacturing sector. James has over 20 years of global investment banking experience and has held former roles as Global Head of Consumer Products at Merrill Lynch, Head of Consumer Products – Americas at UBS and Head of Global Banking Australia & New Zealand at Citi. He holds a LLB and BSc from the University of Melbourne.	
Special responsibilities	Member of the Audit, Risk and Compliance Committee.	
Other current directorships	Chairman of Carbon Revolution. Director of Newmarket Capital and Krash Industries.	
Interests in shares and options	Ordinary shares in Quickstep Holdings Limited	980,401
	Rights to shares in Quickstep Holdings Limited (part of Newmarket)	8,333,333

Mr. Philippe M Odouard, M.Sc (Bus) - appointed 19 October 2008, resigned 15 October 2015		
Experience and expertise	Appointed Chief Executive Officer and Managing Director of Quickstep in October 2008. Resigned as Executive Director on 15 October 2015 when he moved into the role of General Manager, Strategy and Business Development (Aerospace and Defence). Mr. Odouard subsequently departed the Company on 30 June 2016.	
Interests in shares and options	Ordinary shares in Quickstep Holdings Limited as at 30 June 2016	2,117,591
	Options over shares in Quickstep Holdings Limited	Nil
	Rights in shares in Quickstep Holdings Limited	Nil

Mr. David P A Singleton, BSc (Hons) - appointed 11 October 2010, resigned 21 January 2016		
Experience and expertise	Mr. Singleton resigned on 21 January 2016 as he was appointed CEO of Austal Limited.	
Special responsibilities	Member of the Audit, Risk and Compliance Committee and the Remuneration, Nomination and Diversity Committee	
Interests in shares and options	Ordinary shares in Quickstep Holdings Limited as at 30 June 2016	209,137

Mr. Jaime Pinto, B.Com, CA, AIGA - company secretary - appointed 20 November 2012	
Experience and expertise	Mr. Pinto 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. 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
Other current roles	He is currently the Company Secretary of a number of ASX-listed and unlisted companies in the manufacturing, investing, real estate and advisory industries

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/files/files/359_QHL_RND_Committee_Charter_-_September_2014.pdf

http://www.quickstep.com.au/files/files/366_QHL_Selection_and_Appointment_of_Directors_Policy_V1_-_02102014.pdf

The Policy and Procedure for Selection and Appointment of Directors includes a matrix of skills that are considered necessary within the independent 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 the business evolves this is continually reviewed.

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").

Meetings of directors

The numbers of meetings of the Company's board of Directors and of each board committee held during the financial year ended 30 June 2016, 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 H J Quick	22	22	-	-	-	-
Mr. D J Marino	22	22	-	-	-	-
Mr. N I Ampherlaw	22	21	6	6	-	-
Mr. P C Cook	22	22	-	-	6	6
Mr. B A Griffiths	22	22	-	-	6	6
Air Marshal E J McCormack (Ret'd)	22	21	6	6	4	3
Mr. J C Douglas	8	8	3	3	-	-
Mr. P M Odouard	8	-	-	-	-	-
Mr. D P A Singleton	16	13	3	2	2	2

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

Insurance of officers and indemnities

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

Insurance

During the financial year, Quickstep Holdings Limited 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 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.

Indemnities

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.

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 72.

Rounding of amounts

The Company is a kind referred to in Class Order 2016/91, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements and directors' report. Amounts therefore have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar in the financial statements and directors' report.

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

This report is made in accordance with a resolution of directors on 22 September 2016.

D J Marino
Director

22 September 2016
Sydney. New South Wales

Remuneration Report

The directors present the Quickstep Holdings Limited 2016 remuneration report, outlining key aspects of the Group's remuneration policy and framework, and remuneration awarded this year.

The report is structured as follows:

1 Principles of compensation
2 Details of remuneration
3 Share based compensation
4 Analysis of bonuses included in remuneration

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:

Executive Directors	
Mr. D J Marino	CEO and Managing Director
Mr. P M Odouard	Executive Director, Joint Managing Director, Quickstep GmbH (until 15 October 2015)
Non-Executive Directors	
Mr. T H J Quick	Chairman
Mr. N I Ampherlaw	Chair of Audit, Risk and Compliance Committee
Mr. P C Cook	Chair of Remuneration, Nomination and Diversity Committee
Mr. B A Griffiths	
Air Marshal E J McCormack(Ret'd)	
Mr. J C Douglas	(from 19 December 2015)
Mr. D P A Singleton	(until 21 January 2016)
Other Key Management Personnel	
Mr. J Pinto	Company Secretary
Mr. A Crane	Chief Financial Officer (from 24 September 2015)
Mr. J Johnson	Vice President of Commercial and Administration
Ms J Courtney-Pitman	Executive General Manager Human Resources (from 30 March 2016)
Mr. K Boyle	Chief Operating Officer (from 23 March 2016)
Mr. M Schramko	Vice President of Manufacturing and Operations
Mr. T Olding	Executive General Manager, Systems
Mr. M Hau	Managing Director, Quickstep GmbH (from 8 February 2016)
Mr. P M Odouard	General Manager, Strategy and Business Development (Aerospace & Defence) (from 16 October 2015 until 30 June 2016)
Ms T Swinley	Vice President of Human Resources (until 10 March 2016)
Dr J Schlimbach	Joint Managing Director, Quickstep GmbH (until 31 December 2015)
Ms N Sharman	Chief Financial Officer (until 23 September 2015)

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 other key management personnel. 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://ww.quickstep.com.au/Investors-Media/Corporate-Governance.

Remuneration Report (continued)

1. Principles of compensation (continued)

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 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 cash incentives and equity-based incentives.

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 competitive fixed compensation comparable to the median paid by like sized companies undertaking similar work and 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.

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 statutory 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 incentive

Cash and equity settled short term incentive

Certain executives receive short-term incentives (STI) in cash and/or shares on achievement of key performance indicators (KPIs). Each year, the RN&D Committee considers the appropriate KPIs and associated targets to align individual rewards to 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.

In FY16 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 70% for functional specialists to 100% for the Managing Director and Chief Financial Officer.

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 FY16 there were two threshold metrics.

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. When the target is achieved 50% of the weighting for the KPIs is payable. When both the target and stretch outcomes are achieved 100% of the weighting for the KPIs is payable.

Where a proportion of STI is payable in shares, the number of shares issued is based on the accrued equity settled STI value, less $1,000 which is paid as cash not shares, divided by the weighted average share price on the date the shares were/are granted.

After determining the overall achievement of KPIs based on the above review process, the RN&D Committee has recommended no STI is payable in respect of FY16 due to the threshold metrics not being achieved. The Board of Quickstep has approved this recommendation.

Remuneration Report (continued)

1. Principles of compensation (continued)

(b) Long term incentive

Overview

During FY16 the Company operated two long term incentive plans in use, an Employee Incentive Plan (EIP) and an Incentive Rights Plan (IRP), but as at 30 June 2016 the EIP ceased to operate due to the departure from the Company of Mr. P Odouard, the only executive that held options under that plan.

Quickstep Employee Incentive Plan (EIP)

In November 2009 the Company established the Quickstep Employee Incentive Plan (EIP).

Under the EIP, the Board could grant options to selected Quickstep employees on such terms as it determined appropriate. Participation in the EIP was open to all employees of the Group, with the Board determining those employees eligible to participate in each grant under the EIP, but in practice, options had only been issued to one executive, Mr. P Odouard – and due to his departure on 30 June 2016 all entitlements to options have lapsed and the plan has ceased to operate. Each option has a conditional right to one Quickstep ordinary share, subject to the satisfaction of the applicable performance conditions.

In general, options granted under the EIP do 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 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 lapse on the seventh anniversary of their grant date, given consideration to the applicable claw back arrangements.

The options granted from 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 table below.

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

Grant			**Tranche 3**	**Tranche 4**	**FY11**	**FY12**	**FY13**
Earliest vesting date			**01/07/11**	**01/07/12**	**01/07/13**	**01/09/2014**	**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 holds vested options, they may exercise those options within a 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. Any vested options must be exercised within three months.

Remuneration Report (continued)

1. Principles of compensation (continued)

(b) Long term incentive (continued)

Quickstep Incentive Rights Plan (IRP)

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.

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 service conditions are satisfied. There were no RRs granted in FY16 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.

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% Pro-rata
	> 100% of AOAI increase & < 110% of AOAI increase	
Target	110% of AOAI increase	60% Pro-rata
	> 110% of AOAI increase & < 120% of AOAI increase	
Stretch and above	120% of AOAI increase	100%

For PRs issued to executives other than Mr. 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. Marino have various potential vesting dates depending on the nature of the PR offer. 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 will 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 lapsed 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.

Remuneration Report (continued)

1. Principles of compensation (continued)

(c) Non-executive directors' fees

Total remuneration for all non-executive directors, was last voted upon by shareholders at the 2010 Annual General Meeting, and is not to exceed $600,000 per annum. Fees were set in FY11 with reference to fees that were paid to non-executive directors of comparable companies. There has been no increase or change since. 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	Director fees $	Committee fees $
Mr. T H J Quick	126,000	n/a
Mr. N I Ampherlaw	60,000	10,000
Mr. P C Cook	60,000	10,000
Mr. B A Griffiths	60,000	2,500
Air Marshal E J McCormack(Ret'd)	84,000	*2,500
Mr. J C Douglas	60,000	2,500
Mr. D P A Singleton	60,000	5,000

* Air Marshal E J McCormack(Ret'd) is a member of 2 committees but only elects to receive compensation for 1.

(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.

	2016	2015	2014	2013	2012
Loss attributable to owners of the company ($000)	$(5,784)	$(3,937)	$(11,181)	$(16,985)	$(11,801)
Dividends paid	$nil	$nil	$nil	$nil	$nil
Operating income ($000)	$50,128	$39,511	$12,001	$2,562	$503
Change in share price	(18.2%)	(12.4%)	35.7%	(17.6%)	(34.6%)
Return on capital employed	(8.6)%	(6.1%)	(66.4%)	(95.9%)	(60.9%)

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. The Aerospace Manufacturing segment is now profitable with further growth booked and additional volumes being pursued. The Group continues to invest in research and development to deliver new sales in the New Technology segment.

Remuneration Report (continued)

1. Principles of compensation (continued)

(e) Service agreements

Name	Initial agreement date	Duration	Notice period	Termination benefits	STI cap as a % of TFR (1)	LTI cap as a % of TFR (2)
Mr. D J Marino	16 Feb 15	Open	NES	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. A Crane	24 Sept 15	Open	NES	3 months of annual salary package; and pro-rated annual bonus (at Board's discretion)	30	30
Mr. J Johnson	1 Apr 11	Open	3 months	6 months of annual salary package; pro-rated annual bonus (at Board's discretion).	20	20
Ms J Courtney-Pitman	30 Mar 16	Open	NES	3 months of annual salary package; and pro-rated annual bonus (at Board's discretion)	20	20
Mr. K Boyle	23 Mar 16	Open	NES	3 months of annual salary package; and pro-rated annual bonus (at Board's discretion)	20	20
Mr. M Schramko	25 Jul 11	Open	3 months	3 months of annual salary package; and pro-rated annual bonus (at Board's discretion	20	20
Mr. T Olding	19 Feb 15	Open	3 months	3 months of annual salary package; and pro-rated annual bonus (at Board's discretion)	20	20
Mr. M Hau	8 Feb 16	Open	3 months	Nil	20	20
Mr. P M Odouard	13 Oct 08	30 June 16	NES	12 months annual salary; and pro-rated annual bonus (at Board's discretion)	30	50
Ms N Sharman	17 Feb 14	30 Sept 15	3 months	3 months of annual salary package; and pro-rated annual bonus (at Board's discretion)	20	20
Ms T Swinley	26 Nov 12	10 March 16	3 months	3 months of annual salary package; and pro-rated annual bonus (at Board's discretion)	20	20
Dr J Schlimbach	1 Jan 12	31 Dec 15	3 months	n/a	20	20

(1) STI (Short Term Incentive) is determined on performance against key performance indicators (KPIs) set and reviewed by the RN&D Committee or the Board as appropriate. The STI cap refers to the maximum amount payable in cash (other than Mr. Marino, whose STI is payable in a combination of cash and shares), as a percentage of Total Fixed Remuneration (TFR). 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. The LTI cap refers to the maximum amount payable in shares as a percentage of Total Fixed Remuneration (TFR). This is the measure currently used in the IRP applicable to the 2016 financial year.

(3) NES refers to the National Employment Standard, in the Fair Work Act (2009). Under section (3) (ss117-118) an employee is entitled to a minimum notice period depending on length of service and age.

Remuneration Report (continued)

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.

2016

Name	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
	$	$	$	$	$	$	$	$	$
Executive Directors									
Mr. D J Marino	458,538	(13,933)	21,771	466,376	19,750	-	(13,933)	187,682	659,875
Mr. P M Odouard (4)	352,256	(22,680)	29,969	359,545	19,308	400,000	(22,680)	(131,242)	624,931
Non-Executive Directors									
Mr. T H J Quick (5)	126,000	52,500	-	178,500	-	-	-		178,500
Mr. N I Ampherlaw	63,927	-	-	63,927	6,073	-	-		70,000
Mr. P C Cook	63,927	-	-	63,927	6,073	-	-		70,000
Mr. B A Griffiths	61,500	-	-	61,500	-	-	-		61,500
Air Marshal E J McCormack (Ret'd)	78,995	-	-	78,995	7,505	-	-		86,500
Mr. J C Douglas	35,817	-	-	35,817	3,403	-	-		39,220
Mr. D P A Singleton	35,388	-	-	35,388	3,362	-	-		38,750
Other key management personnel									
Mr. J Pinto	60,000	-	-	60,000	-	-	-		60,000
Mr. A Crane	207,823	-	-	207,823	14,481	-	-	9,706	232,010
Mr. J Johnson	249,302	(15,195)	-	234,107	23,402	-	-	23,368	280,877
Ms J Courtney-Pitman	54,144	-	7,249	61,393	4,827	-	-	1,066	67,286
Mr. K Boyle	62,950	-	6,152	69,102	4,827	-	-	1,197	75,126
Mr. M Schramko	228,462	(9,677)	-	218,785	22,702	-	-	21,558	263,045
Mr. T Olding	233,598	(6,701)	22,617	249,514	19,308	-	-	26,036	294,858
Mr. M Hau	89,164	-	-	89,164	-	-	-	1,483	90,647
Ms N Sharman	67,109	-	2,945	70,054	11,819	22,962	-	-	104,835
Ms T Swinley	135,718	(8,135)	-	127,583	15,131	57,785	-	(9,372)	191,127
Dr J Schlimbach	165,406	(16,245)	-	149,161	-	-	-	-	149,161

(1) Equity based STI includes an accrual of estimated STI relating to the current year to be settled through share based payments net of any prior year accrual adjustments.

(2) Options and rights include the accounting expense attributable to the current year of both the EIP and 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 the prior year. For FY16, the RN&D Committee has recommended no STI is payable due to the threshold metrics not being achieved. The Board of Quickstep has approved this recommendation and it is reflected in the table above.

(4) Includes full year figures for Mr. Odouard – covering both roles in FY16 – Executive Director from1 July 2015 to 15 October 2015 and as General Manager, Strategy and Business Development (Aerospace & Defence) from 16 October 2015 until his departure on 30 June 2016.

(5) The STI cash bonus for Mr. Quick represents ex-gratia payment for achievements during his interim appointment as Executive Chairman from 29 May 2014 to 15 February 2015, The RN&D committee calculated the quantum of the payment on the same basis as the current CEO's STI incentive i.e. 41.5% x 50% x TFR, being only those fees relating to his executive duties and not his ongoing chairman fees.

Remuneration Report (continued)

2. Details of remuneration (continued)

2015

Name	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
	$	$	$	$	$	$	$	$	$
Executive Directors									
Mr. D J Marino	156,772	31,207	785	188,764	7,224	-	31,207	101,197	328,392
Mr. T Quick	227,000	-	-	227,000	-	-			227,000
Mr. P M Odouard	361,478	56,236	20,748	438,462	14,252	-	45,000	140,291	638,005
Non-executive Directors									
Mr. T H J Quick	126,000	-	-	126,000	-	-	-	-	126,000
Mr. N I Ampherlaw	63,927	-	-	63,927	6,073	-	-	-	70,000
Mr. P C Cook	63,927	-	-	63,927	6,073	-	-	-	70,000
Mr. B A Griffiths	61,500	-	-	61,500	-	-	-	-	61,500
Mr. B Jenkins	25,625	-	-	25,625	-	-	-	-	25,625
Air Marshal E J McCormack (Ret'd)	78,995	-	-	78,995	7,505	-	-	-	86,500
Mr. D P A Singleton	59,361	-	-	59,361	5,639	-	-	-	65,000
Other key management personnel									
Mr. J Pinto	40,000	-	-	40,000	-	-	-	-	40,000
Mr. J Johnson	234,992	37,942	9,000	281,934	25,560	-	1,588	10,623	319,705
Mr. M Schramko	227,658	32,248	-	259,906	22,735	-	(891)	9,808	291,558
Mr. T Olding	89,171	14,918	1,490	105,579	6,837	-	-	6,692	119,108
Ms N Sharman	224,351	-	43,642	267,993	25,442	-	-	-	293,435
Ms T Swinley	213,623	49,843	-	263,466	23,384	-	(1,852)	9,380	294,378
Dr J Schlimbach	194,395	28,663	-	223,058	-	-	(1,124)	-	221,934
Mr. D Brosius	51,955	8,113	-	60,068	-	154,203	7,566	-	221,837

(1) Equity based STI includes an accrual of estimated STI relating to the current year to be settled through share based payments net of any prior year accrual adjustments.

(2) Options and rights include the accounting expense attributable to the current year of both the EIP and 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 the prior year. .

Remuneration Report (continued)

3. Share Based Compensation

(a) Short term Incentive

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 FY16 in respect of FY15 performance	Fair value $	Total fair value $
Mr. D Marino	82,194	0.198	16,274
Mr. P Odouard	107,677	0.198	21,320
Total	189,871		37,594

No equity settled short term incentives have accrued for the current year as KPI targets have not been achieved.

(b) Long term Incentive

Quickstep Employee Incentive Plan (EIP)

Mr. P Odouard was the only executive to be granted options pursuant to the EIP. On 30 June 2016 Mr. Odouard departed, as a result all options lapsed and the EIP ceased to operate. 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 2015	Exercised / vested during the year (b)	Lapsed during the year	Balance at 30 June 2016	Cumulative vesting level at end of year
Mr. P Odouard	3	30/03/10	$0.315	619,446	-	619,446	-	0%
Mr. P Odouard	4	30/03/10	$0.270	471,698	-	471,698	-	0%
Mr. P Odouard	FY11	26/11/10	$0.362	471,337	-	471,337	-	0%
Mr. P Odouard	FY12	23/11/11	$0.173	706,373	-	706,373	-	0%
Mr. P Odouard	FY13	22/11/12	$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.

Remuneration Report (continued)

3. Share Based Compensation (continued)

(a) Long term Incentive (continued)

Quickstep Incentive Rights Plan (IRP)

At 30 June 2016 executives accrued rights pursuant to the IRP. Movements in IRP rights during the year are set out below:

	Tranche refer Note 16(b)	Grant date	FV per right at grant date (a)	First testing date	Balance at 30 June 2015 Number	Granted during the year(b) Number	Lapsed/ vested during the year Number	Balance at 30 June 2016 Number	Fair Value at grant date $	Cum vesting level
Deferred Rights										
Mr. D Marino (c)	1	16/02/15	$0.200	31/08/15	207,641		(207,641)	-	-	100%
Mr. D Marino	2	16/02/15	$0.200	31/08/16	415,283		-	415,283	$83,056	0%
Performance Rights										
Mr. D Marino (c)	1	16/02/15	$0.100	31/08/15	207,641		(207,641)	-	-	100%
Mr. D Marino	2	16/02/15	$0.110	31/08/16	415,283		-	415,283	$45,681	0%
Mr. D Marino	3	16/02/15	$0.155	31/08/17	1,245,847		-	1,245,847	$193,106	0%
Mr. D Marino	FY16	01/06/16	$0.085	31/08/18		1,262,626	-	1,262,626	$107,323	0%
Mr. A Crane	FY16	01/06/16	$0.085	31/08/18		446,970	-	446,970	$37,992	0%
Mr. J Johnson	FY15	31/08/14	$0.145	31/08/17	265,000		-	265,000	$38,425	0%
Mr. J Johnson	FY16	01/06/16	$0.085	31/08/18		272,615	-	272,615	$23,172	0%
Ms J Courtney-Pitman	FY16	01/06/16	$0.085	31/08/18		123,737	-	123,737	$10,518	0%
Mr. K Boyle	FY16	01/06/16	$0.085	31/08/18		131,313	-	131,313	$11,162	0%
Mr. M Schramko	FY15	31/08/14	$0.145	31/08/17	244,660		-	244,660	$35,476	0%
Mr. M Schramko	FY16	01/06/16	$0.085	31/08/18		250,972	-	250,972	$21,332	0%
Mr. T Olding	FY15(a)	19/02/15	$0.155	31/08/17	304,540		-	304,540	$47,204	0%
Mr. T Olding	FY16	01/06/16	$0.085	31/08/18		277,778	-	277,778	$23,611	0%
Mr. M Hau	FY16	01/06/16	$0.085	31/08/18		117,044	-	117,044	$9,949	0%
Mr. P Odouard (d)	FY14	31/0813	$0.152	31/08/16	802,000		(802,000)	-	-	0%
Mr. P Odouard (d)	FY15	31/08/14	$0.145	31/08/17	1,107,420		(1,107,420)	-	-	0%
Ms T Swinley (d)	FY15	31/08/14	$0.145	31/08/17	233,999		(233,999)	-	-	0%
					5,449,314	2,883,055	(2,558,701)	5,773,668	$688,007	

(a) The fair value of rights granted was calculated using a Monte Carlo simulation analysis. Refer to note 16(b) on page 59, for the model's key assumptions.

(b) The fair value of rights granted in the year is $245,000 (2015 $743,000). The total value of the rights is allocated to remuneration over the vesting period.

(c) These rights vested during FY16 with vesting satisfied by the issue of $1,000 and 202,591 shares for each tranche.

(d) These rights lapsed during FY16 as these employees left the company.

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.

Remuneration Report (continued)

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 other key management personnel of the Group are detailed below:

	Included in remuneration $ (1)	% vested in year (2)	% lapsed in year (2)
Executive Directors			
Mr. D Marino	(13,933)	0%	100%
Mr. P Odouard	(22,680)	0%	100%
Other key management personnel			
Mr. J Johnson	(15,195)	0%	100%
Mr. M Schramko	(9,677)	0%	100%
Mr. T Olding	(6,701)	0%	100%
Ms T Swinley	(8,135)	0%	100%
Dr J Schlimbach	(16,245)	0%	100%

(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 an accrual adjustment in relation to FY15.

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

Contents

Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2016

	Notes	2016 $000	2015 $000 restated
Revenue	2	**50,128**	39,511
Cost of sales of goods		**(39,681)**	(32,556)
Gross profit		**10,447**	6,955
Other income	4(a)	**460**	1,817
Research and development expenses		**(3,487)**	(2,051)
Corporate and administrative expenses		**(7,567)**	(7,158)
Other expenses	4(b)	**(2,034)**	(286)
Loss from operating activities		**(2,181)**	(723)
Finance income	4(e)	**1,008**	1,024
Finance expenses	4(e)	**(4,612)**	(4,238)
Net finance costs		**(3,604)**	(3,214)
Loss before income tax		**(5,785)**	(3,937)
Income tax benefit	6	**-**	-
Loss for the period		**(5,785)**	(3,937)
Other comprehensive (loss)/ income net of income tax			
Item that may be reclassified to profit or loss			
Reclassification of foreign currency translation reserve on closure of US subsidiary		**301**	-
Exchange difference on translation of a foreign operation		**(55)**	(641)
Other comprehensive income/ (loss) for the period, net of tax		**246**	(641)
Total comprehensive (loss)/ income for the period		**(5,539)**	(4,578)
		Cents	**Cents**
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic loss per share	5	**(1.17)**	(0.99)
Diluted loss per share	5	**(1.17)**	(0.99)

Certain 2015 expenses have been reclassified to ensure consistency with 2016. There is no change in the total expenses reported. Refer to Note 19(a) for further details.

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

Consolidated balance sheet

As at 30 June 2016

	Notes	2016 $000	2015 $000
ASSETS			
Current assets			
Cash and cash equivalents	7(a)	**7,578**	1,170
Trade and other receivables	7(b)	**5,320**	5,134
Other financial assets	7(c)	**963**	709
Other current assets	7(d)	**398**	528
Inventories	8(a)	**11,906**	5,982
Total current assets		**26,165**	13,523
Non-current assets			
Property, plant and equipment	8(b)	**13,058**	12,025
Intangible assets	8(c)	**25**	20
Total non-current assets		**13,083**	12,045
Total assets		**39,248**	25,568
LIABILITIES			
Current liabilities			
Trade and other payables	7(e)	**7,196**	4,566
Deferred revenue	7(f)	**3,182**	3,204
Loans and borrowings	7(g)	**2,159**	5,244
Employee benefit obligations	8(d)	**950**	748
Total current liabilities		**13,487**	13,762
Non-current liabilities			
Deferred revenue	7(f)	**1,566**	2,426
Loans and borrowings	7(g)	**9,764**	10,500
Employee benefit obligations	8(d)	**199**	113
Total non-current liabilities		**11,529**	13,039
Total liabilities		**25,016**	26,801
Net assets/ (liabilities)		**14,232**	(1,233)
EQUITY			
Share capital	9(a)	**109,118**	88,228
Reserves	9(b)	**3,466**	3,106
Accumulated losses	9(c)	**(98,352)**	(92,567)
Total equity		**14,232**	(1,233)

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Consolidated statement of changes in equity

For the year ended 30 June 2016

	Notes	Share capital $000	Foreign currency translation reserve $000	Share based payments $000	Accumulated losses $000	Total Equity $000
Year ended 30 June 2015						
Balance at 1 July 2014		88,228	92	3,397	(88,630)	3,087
Loss for the period	9(c)	-	-	-	(3,937)	(3,937)
Other comprehensive (loss)						
Foreign currency translation difference for foreign operations	9(b)	-	(641)	-	-	(641)
Total comprehensive (loss) for the period		-	(641)	-	(3,937)	(4,578)
Transactions with owners in their capacity as owners:						
Share based payments transactions	9(b)	-	-	258	-	258
Balance at 30 June 2015		88,228	(549)	3,655	(92,567)	(1,233)
Year ended 30 June 2016						
Balance at 1 July 2015		**88,228**	**(549)**	**3,655**	**(92,567)**	**(1,233)**
Loss for the period	9(c)	**-**	**-**	**-**	**(5,785)**	**(5,785)**
Other comprehensive income/ (loss)						
Foreign currency translation difference for foreign operations	9(b)	**-**	**(55)**		**-**	**(55)**
Reclassification of foreign currency translation reserve on closure of US subsidiary	9(b)	**-**	**301**	**-**	**-**	**301**
Total comprehensive income/ (loss) for the period		**-**	**246**		**(5,785)**	**(5,539)**
Transactions with owners in their capacity as owners:						
Contributions of equity, net of transaction costs and tax	9(a)	**20,890**		**-**	**-**	**20,890**
Share based payments transactions	9(b)	**-**	**-**	**114**		**114**
Total transactions with owners		**20,890**	**-**	**114**	**-**	**21,004**
Balance at 30 June 2016		**109,118**	**(303)**	**3,769**	**(98,352)**	**14,232**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes

Consolidated statement of cash flows
For the year ended 30 June 2016

	Notes	2016 $000	2015 $000
Cash flows from operating activities			
Cash receipts in course of operations		**49,190**	27,967
Interest received		**83**	33
Interest paid		**(1,370)**	(492)
Research and development tax incentive and government grants		**460**	6,053
Cash payments in the course of operations		**(53,278)**	(39,941)
Net cash (used in) operating activities	10(a)	**(4,915)**	(6,380)
Cash flows from investing activities			
Acquisition costs of plant and equipment and intangible assets	8(b) & (c)	**(4,034)**	(952)
Proceeds from government grant for capital	8(b)	**622**	-
Proceeds from sale of plant and equipment		**-**	257
(Investment in) / receipts from restricted cash and term deposit		**(254)**	3,150
Net cash from (used in) investing activities		**(3,666)**	2,455
Cash flows from financing activities			
Net proceeds from issue of shares	9(a)	**20,890**	-
Proceeds from borrowings		**-**	5,500
Repayment of borrowings		**(5,500)**	(500)
Payment of borrowing costs		**(329)**	(404)
Finance lease payments		**(8)**	(43)
Net cash from financing activities		**15,053**	4,553
Net increase in cash and cash equivalents		**6,472**	628
Cash and cash equivalents at the beginning of the financial year		**1,170**	566
Effects of exchange rate changes on cash and cash equivalents		**(64)**	(24)
Cash and cash equivalents at end of period	7(a)	**7,578**	1,170

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes

1. Segment Information

(a) Description of segments and principal activities

The Group has two operating segments, Aerospace Manufacturing and New Technology.

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

Aerospace Manufacturing – manufacturing aerospace composite components, primarily using traditional manufacturing technologies such as autoclaves, and targeting additional manufacturing contracts.

New Technology – development and manufacturing of parts utilising the Company's Qure and RST processes and with capabilities in traditional and next generation technologies, licensing and providing Quickstep machines to Original Equipment Manufacturers (OEM's) and their suppliers and further product and technology development.

(b) Segment results

	2016 Aerospace Manufacturing $000	2015 Aerospace Manufacturing $000	**2016 New Technology $000**	2015 New Technology $000	**2016 Total $000**	2015 Total $000
External revenues	**49,212**	33,756	**916**	5,755	**50,128**	39,511
Other income	**326**	-	**134**	1,817	**460**	1,817
Total Revenue	**49,538**	33,756	**1,050**	7,572	**50,588**	41,328
EBIT	**4,225**	(375)	**(6,406)**	(348)	**(2,181)**	(723)
Depreciation, amortisation & impairment	**2,007**	2,332	**193**	119	**2,200**	2,452
Interest expense	**2,721**	3,214	**883**	-	**3,604**	3,214
Reportable segment profit/(loss) before income tax	**1,504**	(3,589)	**(7,289)**	(348)	**(5,785)**	(3,937)
Reportable segment assets	**35,802**	23,053	**3,446**	2,515	**39,248**	25,568
Reportable segment liabilities	**21,406**	25,182	**3,610**	1,619	**25,016**	26,801

(c) Major customers

Approximately 93.1% (2015 86.2%) of revenue for the Aerospace Manufacturing segment is attributable to the following customers

- Northrop Grumman ISS Int. Inc
- Lockheed Martin Aeronautics Co

In 2015 total sales for New Technology was to OISC ORPE Technologiya.

(d) Geographical information

The Aerospace Manufacturing and New Technology segments are managed at Quickstep's head office in Australia.

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

	2016 Revenue $000	**2016 Non-current assets $000**	2015 Revenue $000	2015 Non-current assets $000
Australia	**644**	**12,798**	4	11,703
Europe	**984**	**285**	6,269	342
United States of America	**48,500**	**-**	33,238	-
Total	**50,128**	**13,083**	39,511	12,045

2. Revenue

The Group derived the following types of revenue from continuing operations

	2016 $000	2015 $000
Sale of goods	**50,128**	39,511

3. Material profit or loss items, included in consolidated statement of profit and loss

The Group has identified a number of items which are material due to the significance of their nature and/or amount. These are listed separately here to provide better understanding of the financial performance of the Group.

		2016 $000
Vertical tails start-up and qualification costs	(a)	**(556)**
Termination and restructuring payments	(b)	**(490)**
Indirect taxes relating to German operations	(c)	**(1,633)**
Finance interest expense in relation to Newmarket loan and options arrangement	(d)	**(1,215)**
Reclassification of foreign currency translation reserve upon closure of US subsidiary	(e)	**(301)**
Total material items included in net loss		**(4,195)**

(a) Labour costs incurred and expenses for qualification of vertical tails prior to first sales revenue generation. These costs are included in cost of sales in the statement of profit and loss.

(b) Termination and management restructuring costs were made or provided for in this financial year. These costs are included in corporate administration expenses in the statement of profit and loss.

(c) Quickstep has recognised a provision for potential underpayment of indirect taxes (including but not limited to social security, VAT and employment taxes) applicable to the employment arrangements of former management of the German subsidiary. These irregularities were recently identified by the new Quickstep management, and the Company is still in the process of determining its overall exposure, including its ability to recover amounts from third parties. These costs are included in other expenses in the statement of profit and loss

(d) The net impact of the accounting treatment for the Newmarket loan using the effective interest rate method and the movement in the valuation of options associated with that loan. This will continue to be a material item until the Newmarket options expire or are exercised.

(e) During the year the Group finalised the closure of its previous US subsidiary. As a consequence, the accumulated foreign currency translation losses have been recycled through the statement of profit and loss.

4. Other income and expenses

This note provides a breakdown of the items included in 'other income', 'other expenses', 'finance income and costs' and an analysis of expenses by nature.

	Notes	2016 $000	2015 $000
(a) Other income			
Grants received as revenue		**460**	-
R & D tax incentive	6(f)	**-**	1,817
		460	1,817
(b) Other expenses			
Amortisation of intangibles	8(c)	**19**	31
Marketing expenses		**199**	182
Indirect taxes related to German operations		**1,633**	-
Loss on disposal of plant and equipment		**183**	70
Loss on disposal of assets held for sale		**-**	3
		2,034	286
(c) Breakdown of expense by nature			
Employee benefit expenses		**21,467**	16.114
Depreciation	8(b)	**2,500**	2,804
Operating lease expense		**2,331**	2,001
		26,298	20,919
(d) Employee benefits expenses			
Wages and salaries		**18,404**	13,114
Defined contribution plan expense		**1,355**	1,131
Other associated personnel expenses		**1,306**	1,283
Increase in leave liabilities		**288**	326
Share based payments expense	9(b)	**114**	257
		21,467	16,111

The business commenced the FY15 period with 120 full time equivalents (FTE) and has grown to 174 FTE as at the end of June 2016. Headcount has increased to support both the Aerospace manufacturing growth and additional R&D activities.

		2016 $000	2015 $000
(e) Finance income and expense			
Finance income			
Interest income		**83**	24
Change in fair value of share option liability		**925**	1,000
Finance income		**1,008**	1,024
Finance expenses			
Finance lease interest paid		**-**	(1)
Interest expense on liabilities measured at amortised cost		**(3,137)**	(1,844)
Foreign currency losses		**(1,391)**	(2,134)
Other expenses		**(84)**	(259)
Finance expense		**(4,612)**	(4,238)
Net finance costs		**(3,604)**	(3,214)

5. Loss per share

The calculation of basic loss per share at 30 June 2016 was based on the loss attributable to ordinary shareholders of $5,785,000 (2015 $3,937,000) and a weighted average number (W.A.N.) of ordinary shares outstanding during the financial year ended 30 June 2016 of 495,782,664 (2015 397,663,615) calculated as follows:

	Note	**2016** Actual No.	**2016** W.A.N.	2015 Actual No.	2015 W.A.N.
Issued ordinary shares 1 July		**397,873,501**	**397,873,501**	397,457,534	397,457,534
Share issue		**164,005,589**	**97,611,636**	-	-
Effect of shares issued on exercise of rights to Executives as remuneration		**595,053**	**297,527**	415,967	206,081
Issued ordinary shares at 30 June	9(a)	**562,474,143**	**495,782,664**	397,873,501	397,663,615

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

	2016	2015
Weighted average number of ordinary shares (basic and diluted)	**495,782,664**	397,663,615
Basic and diluted loss cents per share	**(1.17)**	(0.99)

6. Income tax expense

(a) Income tax expense

	2016 $000	2015 $000
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

	2016	2015
Loss from continuing operations before income tax expense	**(5,785)**	(3,937)
Tax at the Australian tax rate of 30.0% (2015 - 30.0%)	**(1,736)**	(1,181)
Expenditure not allowable for income tax purposes	**37**	759
Effect of different tax rate for overseas subsidiaries	**391**	(85)
Income not assessable	**(277)**	(995)
Deferred tax asset not brought to account	**1,298**	1,502
Prior year adjustment	**287**	-
Income tax expense	**-**	-

(b) Tax losses not bought to account

	2016	2015
The gross amount of unused tax losses for which no deferred tax asset has been recognised	**64,247**	59,894

6. Income tax expense (continued)

(d) Temporary differences not brought to account

Deferred tax assets/(liabilities):

	2016 $000	2015 $000
Other provisions	**630**	1,237
Borrowing costs	**14**	14
Deductible capital raising costs	**363**	169
Property, plant and equipment	**2,063**	1,654
Intangibles	**208**	207
Deferred tax assets relating to temporary differences not recognised	**(3,278)**	(3,281)
	-	-

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 the Group considers that it is not currently probable that the deferred tax asset will be recovered in the near future.

(f) Tax consolidation legislation

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

(g) R&D tax offset incentive

No R&D tax offset incentive has been recorded as receivable as at 30 June 2016 due to current year turnover exceeding the threshold for eligibility for any further cash entitlements.

7. Financial assets and financial liabilities

(a) Cash and cash equivalents

	2016 $000	2015 $000
Current assets		
Cash at bank and in hand	**7,578**	1,170

Cash and cash equivalents of $7,533,000 (2015 $734,000) have been pledged as collateral against a secured bank loan (refer to Note 7(g)).

(b) Trade and other receivables

	2016 $000	2015 $000
Current assets		
Trade receivables	**4,394**	4,456
Other receivables		
Government grant receivable	**77**	-
GST and VAT receivables	**276**	412
Payroll tax refund receivable	**292**	241
Other	**281**	25
	5,320	5,134

Trade and other receivables of $4,371,000 (2015 $4,494,000) have been pledged as collateral against a secured bank loan (refer Note 7(g)).

7. Financial assets and financial liabilities (continued)

(c) Other financial assets

	2016 $000	2015 $000
Current assets		
Held to maturity term deposits	**963**	709

(d) Other assets

	2016 $000	2015 $000
Current assets		
Prepayments	**365**	495
Other	**33**	33
	398	528

(e) Trade and other payables

	2016 $000	2015 $000
Current liabilities		
Trade payables	**4,728**	2,253
Sundry payables and accrued expenses	**2,468**	2,313
	7,196	4,566

(f) Deferred revenue

	2016 Current $000	**2016** Non-current $000	**2016** Total $000	2015 Current $000	2015 Non-current $000	2015 Total $000
Deferred revenue	**3,182**	**1,566**	**4,748**	3,204	2,426	5,630

The amounts reported as 2016 deferred revenue include:

1. Lockheed Martin Aeronautics Co - a 30% advance payment for long lead time materials for C-130J wing flaps, income will be recognised by August 2016.
2. Lockheed Martin Aeronautics Co - amount received in advance to support the robotic drill project, income will be recognised by September 2019.
3. Marand Precision Engineering Pty Ltd - amount received in advance for Vertical Tails to be on sold to BAE, income expected to be fully recognised by September 2017.
4. Korea Institute of Science and Technology – 70% deposit received on signing of contract for the supply and installation of a Quickstep Spraying and Curing Solution for composite materials for research and development purposes. Order received February 2016 due for delivery In December 2016, at which time this revenue will be recognised.

7. Financial assets and financial liabilities (continued)

(g) Loans and borrowings

	2016 Current $000	2016 Non-current $000	2016 Total $000	2015 Current $000	2015 Non-current $000	2015 Total $000
Secured bank loan (ii)	**1,250**	**8,250**	**9,500**	630	9,370	10,000
Capitalised interest facility (ii)	**208**	**1,674**	**1,882**	-	1,524	1,524
Prepaid borrowing cost (ii)	**-**	**(160)**	**(160)**	-	(394)	(394)
Secured bank loan carrying amount	**1,458**	**9,764**	**11,222**	630	10,500	11,130
Short term facility-Efic (iii)	**-**	**-**	**-**	2,000	-	2,000
Short term facility – Newmarket loan (iv)	**-**	**-**	**-**	3,000	-	3,000
Short term facility-Newmarket loan deferred costs (iv)	**-**	**-**	**-**	(2,019)	-	(2,019)
Newmarket loan carrying amount	**-**	**-**	**-**	981	-	981
Newmarket share options at fair value (iv)	**700**	**-**	**700**	1,625	-	1,625
Finance lease liability (v)	**1**	**-**	**1**	8	-	8
	2,159	**9,764**	**11,923**	5,244	10,500	15,744

(i) Term and debt repayment schedule

	Effective interest rate	Year of maturity	2016 Maximum facility value $000	2016 Carry amount $000	2015 Maximum facility value $000	2015 Carry amount $000
Secured bank loan	8.448	2021	**10,000**	**9,500**	10,000	10,000
Capitalised Interest	8.448	2021	**3,333**	**1,882**	3,333	1,524
Short term facility - Efic	n/a	2016	**-**	**-**	2,000	2,000
Short term facility - Newmarket	n/a	2016	**-**	**-**	3,000	3,000
Finance lease liabilities	8.397	2017	**n/a**	**1**	n/a	8

(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 $3,333,000.

Loan repayments commenced on 30 April 2016, with the final repayment due in 2021.

Interest is to be capitalised until the maximum facility value of $3,333,333 is reached. At 30 June 2016 the interest facility has been drawn to $1,882,000, after paying in this financial year an amount of $83,000 (2015 Nil).

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 $160,000 at 30 June 2016 (2015 $394,000).

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 2016 is $34,831,000 (2015 $23,173,000) which represents the cash and cash equivalents, plant and equipment, inventory and other assets owned by Quickstep Technologies Pty Ltd.

7. Financial assets and financial liabilities (continued)

(g) Loans and borrowings (continued)

(ii) Secured bank loan (continued)

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 2016 is $94,570,000 (2015 $88,017,000) and its carrying value net of impairment is $55,190,000 (2015 $35,979,000).

(iii) Short term facility – Efic

Quickstep Holdings Limited was party to a short term debt facility provided by the Export Finance and Insurance Corporation. Quickstep repaid this debt facility in full on 31 December 2015.

(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 provided 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 accelerated.

Quickstep repaid the debt facility in full on 30 October 2015. At the date of repayment the loan had a carrying value of $1,573,475. The $1,426,525 difference between the carrying amount and the $3,000,000 repaid has been recognised in the profit and loss as an interest expense.

The difference is a consequence of the initial fair value of the options noted below being deferred against the $3,000,000 face value of the loan on inception and then amortised through profit and loss using the effective interest rate method over the 18 month term of the loan. For the financial year $720,303 of interest expense has been recognised in profit and loss using the effective interest rate method. The total recognised interest expense on the Newmarket facility during the financial year is, therefore, $2,146,555. The actual interest paid during the financial year in respect of this facility was $121,069.

As partial consideration for providing the loan, Quickstep has issued 25 million options to Newmarket to acquire ordinary shares in Quickstep. These options expire on 31 December 2018. Following the capital raise completed by Quickstep during FY16 the exercise price of the options has been set at 16.25 cents per share.

The options were revalued to a fair value of 2.8 cents (2015 6.5 cents) per share or $700,000 at 30 June 2016 (2015 $1,625,000). The gain of $925,000 (2015 $1,000,000) has been recognised through the profit and loss as finance income (Note 4).

A Binomial Tree model was used to value these rights per dollar issued. The model's key assumptions were as follows:

Valuation date	30 June 2016
Award type	Options
Expiry date	31 December 2018
Share price at the valuation date	$0.1300
Exercise price	$0.1625
Contractual life	2.5 years
Risk free interest rate	1.55%
Volatility of QHL	45%
Dividend yield	0%

7. Financial assets and financial liabilities (continued)

(g) Loans and borrowings (continued)

(v) Finance lease liabilities

	2016 $000	2015 $000
Future minimum lease payments		
Less than one year	**1**	8
Between one and five years	**-**	1
	1	9
Interest		
Less than one year	**-**	1
Between one and five years	**-**	-
	-	1
Present value of minimum lease payments		
Less than one year	**1**	7
Between one and five years	**-**	1
	1	8

8. Non-financial assets and liabilities

(a) Inventories

	2016 $000	2015 $000
Current assets		
Raw materials and consumables	**6,154**	2,584
Work in progress	**4,448**	2,359
Finished goods	**1,304**	1,039
	11,906	5,982

Inventories of $10,758,000 (2015 $5,981,000) have been pledged as collateral against a secured bank loan (refer to Note 7(g)).

8. Non Financial assets and liabilities (continued)

(b) Property, plant and equipment

	Plant and equipment $000	Assets under construction $000	Office furniture & equipment $000	Total $000
At 1July 2014				
Cost	22,103	93	1,071	23,267
Accumulated depreciation	(9,186)	-	(627)	(9,813)
Net book amount	12,917	93	444	13,454
Year ended 30 June 2015				
Opening net book amount	12,917	93	444	13,454
Additions	907	30	-	937
Disposals	(77)	-	(14)	(91)
Transfers	93	(93)	-	-
Reclassify assets held for sale	149	-	-	149
Effect of movements in exchange rates	(2)	-	(2)	(4)
Amortisation of grant	384	-	-	384
Depreciation charge	(2,672)	-	(132)	(2,804)
Closing net book amount	11,699	30	296	12,025
At 30 June 2015				
Cost	25,582	30	942	26,554
Accumulated depreciation	(13,883)	-	(646)	(14,529)
Net book amount	11,699	30	296	12,025
Year ended 30 June 2016				
Opening net book amount	**11,699**	**30**	**296**	**12,025**
Additions	**863**	**3,114**	**33**	**4,010**
Government grant received	**(622)**	**-**	**-**	**(622)**
Disposals	**(183)**	**-**	**-**	**(183)**
Effect of movements in exchange rates	**6**	**-**	**3**	**9**
Amortisation of grant	**319**	**-**	**-**	**319**
Depreciation charge	**(2,412)**	**-**	**(88)**	**(2,500)**
Closing net book amount	**9,670**	**3,144**	**244**	**13,058**
At 30 June 2016				
Cost	**25,384**	**3,144**	**984**	**29,512**
Accumulated depreciation	**(15,714)**	**-**	**(740)**	**(16,454)**
Net book amount	**9,670**	**3,144**	**244**	**13,058**

Property, plant and equipment of $11,950,000 (2015 $11,696,000) have been pledged as collateral against a secured bank loan (refer to Note 7(g)).

8. Non Financial assets and liabilities (continued)

(c) Intangible assets

Computer software

	2016 $000	2015 $000
Cost	**730**	715
Accumulation amortisation and impairment	**(710)**	(679)
Net book amount at the beginning of the year	**20**	36
Opening net book amount	**20**	36
Additions	**24**	15
Amortisation for the year	**(19)**	(31)
Closing net book amount	**25**	20
Cost	**754**	730
Accumulation amortisation and impairment	**(729)**	(710)
Net book amount at close of financial year	**25**	20

(c) Employee benefit obligations

	2016			2015		
	Current $000	**Non-current $000**	**Total $000**	Current $000	Non-current $000	Total $000
Liability for annual leave	**950**	**-**	**950**	748	-	748
Liability for long service leave	**-**	**199**	**199**	-	113	113
Total	**950**	**199**	**1,149**	748	113	861

9. Equity

(a) Share capital

	2016 Shares	2015 Shares	**2016 $000**	2015 $000
Ordinary shares - fully paid	**562,474,143**	397,873,501	**109,118**	88,228

(i) Movements in ordinary shares

	2016 Shares	2015 Shares	**2016 $000**	2015 $000
Opening balance	**397,873,501**	397,457,534	**88,228**	88,228
Issue of ordinary shares, net of costs (a)	**164,005,589**	-	**20,890**	-
Shares issued under share based payments arrangements (b)	**595,053**	415,967	**-**	-
Closing balance	**562,474,143**	397,873,501	**109,118**	88,228

(a) On 27 October 2015 the Board of Directors approved the undertaking of a $22,000,000 capital raising comprising an institutional placement of $5,000,000 for 33,333,333 shares at an exercise price of $0.15 cents per share and an entitlement offer to existing shareholders at an exercise price of $0.13 cents per share for 130,672,256 shares. The placement was undertaken by the Board of Directors in accordance with ASX Listing Rule 7.1. The capital raising was undertaken across October and December 2015 and costs of $1,110,000 were incurred.

(b) During the year, the Company issued 595,053 (2015 415,967) 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.

(ii) Options

Unissued shares under option

Movements in unissued shares under option:

	2016 No of options	2015 No of options
Opening balance	**28,256,593**	3,256,593
Granted during the year	**-**	25,000,000
Options lapsed	**(3,256,593)**	-
Closing balance	**25,000,000**	28,256,593

These options do not entitle the holders to participate in any share issue of the Company or any other body corporate.
At 30 June 2016, details of unissued ordinary shares of the Company under option are:

Expiry date	**Exercise price**	**Number of options 2016**
31 December 2018	$0.1625	**25,000,000**

Further details regarding the 25,000,000 of options are set out in Note 7(g) (iv).

(iii) Rights

Movements in unissued shares under rights:

	2016 No of rights	2015 No of rights
Opening balance	**5,449,313**	802,000
Granted during the year	**2,883,055**	4,945,825
Rights vested	**(415,282)**	-
Rights lapsed	**(2,143,419)**	(298,512)
Closing balance	**5,773,667**	5,449,313

The rights are issued pursuant to:
- Executive services agreements, which rights vest at various times in the future according to years of service completed.
- Offers under the Incentive Rights Plan (IRP), which vests at various future dates upon satisfaction of performance conditions and service criteria.
- The exercise price of the rights is Nil and the rights are lapsed if employment is terminated prior to the vesting date (Refer to Note 16).

9. Equity (continued)

(b) Reserves

	Notes	Share-based payments $000	Foreign currency translation reserve $000	Total $000
Balance at 1 July 2014		3,397	92	3,489
Grant of rights to shares to key management personnel	16(d)	125	-	125
Grant of options to key management personnel	16(d)	53	-	53
Issue of shares to key management personnel	16(d)	80	-	80
Foreign currency on translation of a foreign operation		-	(641)	(641)
Balance at 30 June 2015		3,655	(549)	3,106
Balance at 1 July 2015		**3,655**	**(549)**	**3,106**
Grant of rights to shares to key management personnel	16(d)	**143**	**-**	**143**
Grant of options to key management personnel	16(d)	**8**	**-**	**8**
Issue of shares to key management personnel	16(d)	**(37)**	**-**	**(37)**
Foreign currency on translation of a foreign operation		**-**	**(55)**	**(55)**
Transfer to profit & loss on closure of US subsidiary in prior year		**-**	**301**	**301**
Balance at 30 June 2016		**3,769**	**(303)**	**3,466**

(c) (Accumulated losses)

	2016 $000	2015 $000
Balance at beginning of year	**(92,567)**	(88,630)
Net (loss) for the year	**(5,785)**	(3,937)
Balance at close of year	**(98,352)**	(92,567)

10. Cash flow information

Reconciliations of cash flows from operating activities to loss after income tax:

	2016 $000	2015 $000
Loss for the year	**(5,785)**	(3,937)
Amortisation of intangibles	**19**	31
Depreciation and grant amortisation	**2,181**	2,420
Interest income	**(83)**	(24)
Share based payment expense	**114**	258
Loss on disposal of assets	**183**	73
Non-cash finance costs	**2,676**	1,844
Net foreign currency losses/ (gains)	**332**	2,134
Change in fair value of share option liability	**(925)**	1,000
Change in operating assets and liabilities:		
Decrease/(increase) in trade and other receivables	**(186)**	1,046
(Decrease) in inventories	**(5,924)**	(2,278)
Decrease/(increase) in other current assets	**130**	(133)
Increase/ (decrease) in trade and other payables	**2,713**	(1,181)
Increase in employee benefits	**288**	326
(Decrease) in deferred revenue	**(882)**	(8,179)
Decrease in prepaid interest	**234**	220
Net cash used in operating activities	**(4,915)**	(6,380)

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.

(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, financial assets are neither past due or impaired.

(iii) Exposure to credit risks

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:

	2016	2015
	$000	$000
Cash and cash equivalents	**7,578**	1,170
Held-to-maturity financial assets	**963**	709
Trade and other receivables	**5,320**	5,134
	13,861	7,013

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

	2016	2015
	$000	$000
Australia	**1,408**	438
Europe	**347**	318
USA	**3,565**	4,378
	5,320	5,134

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

(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.

(i) Maturities of financial assets

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 $000	Contractual cash flows $000	Less than 6 months 000$	6 - 12 months $000	Between 1 and 2 years $000	Between 2 and 5 years $000	Over 5 years $000
At 30 June 2016							
Trade and other payables	**7,196**	**(7,196)**	**(7,196)**	**-**	**-**	**-**	**-**
Finance lease liabilities	**1**	**(1)**	**(1)**	**-**	**-**	**-**	**-**
Secured bank loan	**11,222**	**(14,163)**	**(761)**	**(1,053)**	**(2,397)**	**(8,066)**	**(1,886)**
Newmarket options	**700**	**-**	**-**	**-**	**-**	**-**	**-**
	19,119	**(21,360)**	**(7,958)**	**(1,053)**	**(2,397)**	**(8,066)**	**(1,886)**
At 30 June 2015							
Trade and other payables	4,566	(4,566)	(4,566)	-	-	-	-
Finance lease liabilities	8	(9)	(4)	(4)	(1)	-	-
Secured bank loan	11,130	(14,947)	(150)	(814)	(2,180)	(9,059)	(2,744)
Short term facility agreement - Efic	2,000	(2,040)	(2,040)	-	-	-	-
Newmarket options	1,625	-	-	-	-	-	-
Short term facility agreement - Newmarket	981	(3,360)	(180)	(3,180)	-	-	-
	20,310	(24,922)	(6,940)	(3,998)	(2,181)	(9,059)	(2,744)

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

(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 and interest will be accrued on deferred amount. Interest is re-set on a monthly basis in accordance with the 30 days bank bill rate. The facility includes an interest rate cap which limits the bank bill rate component of the variable rate to a maximum of 5.03%. This limit will ensure that the interest to be capitalised will not exceed the capitalisation limit.

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

	2016 $000	2015 $000
Fixed rate instruments		
Held-to-maturity term deposits (a)	**963**	709
Finance lease liabilities (b)	**(1)**	(8)
Short term facility agreement – Newmarket (c)	**-**	(3,000)
	962	(2,299)
Variable rate instruments		
Cash and cash equivalents (d)	**7,578**	1,170
Secured bank loan (e)	**(11,382)**	(11,524)
Short term facility agreement – Efic (f)	**-**	(2,000)
	(3,804)	(12,354)

As at the end of the reporting period, the Group had the following instruments outstanding:

(a) Held-to maturity term deposits include five security deposits as follows:

Amount	Interest rate	Maturity date
$274,000	2.69%	29 July 2016
$390,400	2.80%	8 August 2016
$45,000	2.47%	19 September 2016
$75,000	2.60%	3 October 2016
$179,105	2.75%	7 October 2016

(b) The average interest rate applicable to the Group's finance leases is 8.397% (2015 8.397%).

(c) The short term facility provided by Newmarket was subject to a 12% interest rate with interest payable monthly in arrears. This facility has been repaid during the financial year.

(d) Cash includes funds held in short term deposits during the year, which earned a weighted average interest rate of 2.20% (2015 2.39%).

(e) 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 8.448% at 30 June 2016.

(f) The short term facility provided by Efic in July 2014 incurred a variable rate of interest inclusive of a base rate representing Efic cost of funding plus a 2% margin. This facility has been repaid during this financial year.

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

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

(d) Market risk (continued)

(i) Interest rate risk (continued)

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 2015.

	2016	2015
	$000	$000
Variable rate instruments - increase by 100 basis points	**(40)**	(123)
Variable rate instruments - decrease by 100 basis points	**40**	123
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 dollar, was as follows:

	USD	**EUR**	USD	EUR
Receivables	**2,634**	**232**	3,640	223
Cash	**4,442**	**4**	334	292
Trade payables	**(1,167)**	**(78)**	(779)	(52)
	5,909	**158**	3,195	463

The following significant exchange rates applied have been applied:

	Average rate		**Year end spot rate**	
	2016	2015	**2016**	2015
AUD v USD	**0.7283**	0.8382	**0.7387**	0.7680
AUD v EUR	**0.6581**	0.6963	**0.6681**	0.6866

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

(d) Market risk (continued)

(ii) Currency risk (continued)

Sensitivity analysis

A 10 percent movement of the Australian dollar against the following currencies at 30 June would have affected the movement of financial instruments denominated in a foreign currency and effected profit and loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecast sales and purchases. The analysis is performed on the same basis for FY15.

	Profit or loss		Equity, net of tax	
	2016	2015	**2016**	2015
Index	**$000**	$000	**$000**	$000
US/AUD exchange rate - increase (10%)	**699**	378	**(699)**	(591)
US/AUD exchange rate - decrease 10%	**(854)**	(462)	**854**	723
EUR/AUD exchange rate - increase (10%)	**22**	61	**1,080**	(199)
EUR/AUD exchange rate - decrease 10%	**(26)**	(74)	**(1,320)**	243
	(159)	(97)	**(85)**	176

(e) Capital management

The Group's objectives are to safeguard the Group's ability to continue as a going concern and 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, aerospace growth 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

Name of entity	Country of incorporation	Ownership interest	
		2016	2015
		%	%
Parent entity			
Quickstep Holdings Limited	Australia		
Controlled entities			
Quickstep Technologies Pty Limited	Australia	**100.0**	100.0
Quickstep Systems Pty Limited	Australia	**100.0**	100.0
Quickstep GmbH	Germany	**100.0**	100.0
Quickstep Automotive Pty Limited	Australia	**100.0**	100.0
Quickstep Aerospace Pty Limited	Australia	**100.0**	100.0

13. Capital and other commitments

(a) Capital commitments

Significant capital expenditure contracted for at the end of the reporting period but not recognised as liabilities is as follows:

	2016 $000	2015 $000
Property, plant and equipment	**1,554**	-

(b) Non-cancellable operating leases

The Group leases various premises and IT equipment under non-cancellable operating leases expiring within two to eight years. The leases have varying terms, escalation and renewal rights. On renewal, the terms of the leases are negotiated.

	2016 $000	2015 $000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Less than one year	**2,275**	1,805
Between one and five years	**9,004**	6,412
More than five years	**1,358**	9,117
	12,637	17,334

14. Events occurring after the reporting period

There have been no significant events that have occurred since the end of the reporting period.

15. Related party transactions

(a) Key management personnel compensation

The key management personnel compensation included in “Personnel expenses” in note 4(d) is as follows:

	2016 $000	2015 $000
Short-term employee benefits	**3,063**	2,835
Post-employment benefits	**-**	150
Share-based payments	**95**	359
Termination benefits	**481**	154
	3,639	3,498

Individual Directors and 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.

On 19 December 2015 Mr. J Douglas became a non-executive director of the Group. Mr. Douglas is also a director of Newmarket. Therefore at 30 June 2016 the Newmarket Options (Note 7(g)) are considered to be held by a related party.

(a) Quickstep Employee Incentive Plan (EIP)

The Company previously established the Quickstep Employee Incentive Plan (EIP). Under the EIP, the Board could grant options to selected Quickstep employees on such terms as it determined appropriate. Participation in the EIP was open to all employees of the Group, with the Board determining those employees eligible to participate in each grant under the EIP. Each option was 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.

Mr. P Odouard was the only employee to be granted options pursuant to the EIP. On 30 June 2016 Mr. P Odouard departed, as a result all options lapsed and this Plan has now ceased to operate.

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

	2016		2015	
	No. of options	**WAEP**	No. of options	WAEP
As at 1 July	**3,256,593**	**$0.00**	3,256,593	$0.00
Options granted	**-**		-	
Options exercised	**-**		-	
Lapsed during the year	**(3,256,593)**	-	-	
As at at 30 June	**-**	**$0.00**	3,256,593	$0.00

During 2016, $8,000 (2015 $53,000) has been included as an expense in the financial statements as the portion attributable to the current financial year as required by accounting standards.

(b) Quickstep Incentive 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 2016 executives accrued rights pursuant to the IRP.

During 2016 an expense of $143,000 (2015 $125,000) 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 per dollar issued. The model's key assumptions were as follows:

In relation to Deferred Rights

Tranche	**1**	**2**
Grant date	16/02/15	16/02/15
First testing date	31/08/15	31/08/16
Share price at grant date	$0.20	$0.20
Exercise price	Nil	Nil
Expected life (years)	0.5	1.5
Risk free factor	2.00%	1.87%
Volatility of QHL	55%	55%
Dividend yield	0%	0%

16. Share based payments (continued)

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

In relation to Performance Rights

Tranche	1	2	3	FY14	FY15	FY15(a)	FY16
Grant date	16/02/15	16/02/15	16/02/15	31/08/13	31/08/14	19/02/15	01/06/16
First testing date	31/08/15	31/08/16	31/08/17	31/08/16	31/08/17	31/08/17	31/08/18
Expiry date	31/08/15	31/08/16	31/08/19	31/08/19	31/08/19	31/08/19	31/08/20
Share price at grant date	$0.20	$0.20	$0.20	$0.195	$0.185	$0.20	$0.14
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Expected life (years)	0.5	1.5	2.9	3.3	3.3	2.9	2.7
Risk free factor	2.00%	1.87%	1.86%	n/a	2.69%	1.83%	1.65%
Volatility of QHL	55%	55%	55%	55%	55%	55%	45%
Volatility of AOAI	12%	12%	12%	15%	12%	12%	15%
Dividend yield	0%	0%	0%	0%	0%	0%	0%

Movements in the IRP are as follows:

	2016 No of rights	2015 No of rights
Opening balance	**5,449,313**	802,000
Granted during the year	**2,883,055**	4,945,825
Rights vested	**(415,282)**	-
Rights lapsed	**(2,143,419)**	(298,512)
Closing balance	**5,773,667**	5,449,313

(c) Equity settled short term incentive

Certain executives are eligible to 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.

In FY16 179,771 shares (2015 415,967) were issued to employees. Due to a reversal of an over accrued STI in FY15 an expense of $(37,000) (2015 net increase of $80,000) was recognised.

(d) Employee expenses

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

	2016 $000	2015 $000
Equity settled short term incentive	**(37)**	80
IRP, performance rights	**143**	125
EIP options	**8**	53
	114	258

17. Remuneration of auditors - KPMG

	2016 $	2015 $
Amounts received or due and receivable by the auditor KPMG for:		
Audit services	**220,723**	284,700

18. Parent entity financial information

Summary financial information

As at, and throughout, the financial year ending 30 June 2016 the parent entity of the Group was Quickstep Holdings Limited.

	2016 $000	2015 $000
Results of the parent entity		
Loss for the year	**(21,599)**	(5,130)
Financial position of the parent entity at year end		
Current assets	**960**	1,020
Total assets	**960**	1,020
Current liabilities	**(1,818)**	(2,253)
Total liabilities	**(1,818)**	(2,253)
Net Assets	**(858)**	(1,233)
Total equity of the parent entity comprises		
Share capital	**109,118**	88,228
Reserves	**4,740**	3,656
Accumulated losses	**(114,716)**	(93,117)
Total Equity	**(858)**	(1,233)

19. 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.

Reporting entity

Quickstep Holdings Limited ("the Company") is a company domiciled in Australia. The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities"). The Group is a for-profit entity. The Group is at the forefront of advanced composites manufacturing and technology development and is the largest independent aerospace-grade advanced composite manufacturer in Australia, currently partnering with some of the world's largest aerospace/defence organisations and commencing penetration into the automotive sector.

Basis of preparation

Statement of compliance

These general purpose financial statements have been prepared in accordance with the Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board and the Corporations Act 2001. The consolidated financial statements of the Group also comply with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Board of Directors on 22 September 2016.

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.

Rounding of amounts

The company is of a kind referred to in Class Order 2016/191 issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial statements and directors' report. Amounts in the financial statements and directors' report have therefore been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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:

Going concern

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its commitments as and when they fall due.

The Group has incurred a loss after tax for the year ended 30 June 2016 of $5,785,000 (2015 loss after tax $3,937,000). Included in this loss are certain individually material items, refer Note 4, to the value of $4,195,000.

The Company is in a net asset position with an appropriate level of cash holdings. The Directors consider that there are reasonable grounds to expect the Group will be able to meet its commitments.

19. Significant accounting policies (continued)

(a) Reclassification of comparative information

Certain line items in the Statement of profit and loss and other comprehensive income has been reclassified to ensure consistency in the treatment of costs with 2016. During 2016 the Group has recognised operating expenses as either cost of sales, operational expenses, research and development expenses, corporate and administrative expenses and other expenses (2015 cost of sales, operational expenses, research and development expenses, marketing expenses, corporate and administrative expenses and other expenses). This change reflects the basis on which the expenses of the Group are now being recorded.

(b) 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 2016 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.

(c) Segment reporting

Determination and presentation of operating segments

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

Segment results that are reported to the CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

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

(d) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, (the functional currency). The consolidated financial statements are presented in Australian dollars, which is Quickstep Holdings Limited functional and presentation currency.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year and exchange rates are generally 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 currency translation

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 in equity. When a foreign operation is disposed of, in part or in full, the relevant amount in the foreign currency translation reserve 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 foreign currency translation reserve.

19. Significant accounting policies (continued)

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates.

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

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

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

Construction contracts

Construction contract revenue recognised results from the construction 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 collected and held in Inventory WIP when incurred they are recognised, when the contract revenue is released in the statement of profit or loss as cost of sales.

(f) Government grants

Grants from the government 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.

(g) 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.

19. Significant accounting policies (continued)

(h) Leases

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

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.

(i) Impairment of assets

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.

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.

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.

19. Significant accounting policies (continued)

(j) 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

(k) 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%

(l) 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

19. Significant accounting policies (continued)

(m) Employee benefits

Wages, salaries, annual leave and non-monetary benefits

Liabilities for wages and salaries, including non-monetary benefits and annual 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 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) Contributed equity

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.

(o) Earnings per share

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 of ordinary shares outstanding during the financial year adjusted for bonus elements in ordinary shares during the year and excluding treasury shares.

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 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. Currently there are no potential ordinary shares on issue that are considered to be dilutive.

19. Significant accounting policies (continued)

(p) 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.

(q) Financial instruments

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.

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.

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.

Derivative financial instruments

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

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

(r) 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.

19. Significant accounting policies (continued)

(s) Amortisation

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

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

(t) 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.

(u) 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.

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.

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.

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.

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 behavior), 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.

Loans and borrowings

The fair value of the Newmarket options (Note 7(g)) is measured using the Binomial tree methodology. 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 due to publicly available information), remaining term of the instruments to the date of expiry, expected dividends, and the risk-free interest rate (based on government bonds).

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.

Director's Declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages 36 to 70 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 consolidated entity's financial position as at 30 June 2016 and of its performance for the year ended on that date, and

(b) 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 confirms that the 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*.

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

Mr. D J Marino
Director

22 September 2016
Sydney, New South Wales

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 2016 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

22 September 2016

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 balance sheet as at 30 June 2016, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 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, 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

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

Independence

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

KPMG

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

Auditor's opinion

In our opinion:

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2016 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.

Report on the remuneration report

We have audited the Remuneration Report included in pages 24 to 34 of the directors' report for the year ended 30 June 2016. 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 2016, complies with Section 300A of the *Corporations Act 2001*.

KPMG

KPMG

Cameron Slapp

Partner

Sydney

22 September 2016

Shareholder Information

The shareholder information set out below was applicable as at 31 August 2016.

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 2016:

Ordinary fully paid shares

Range	Holders	Units	%
1 - 1,000	424	109,052	0.02
1,001 - 5,000	1,039	3,465,030	0.62
5,001 - 10,000	954	7,736,249	1.38
10,001 - 100,000	3,141	118,479,617	21.06
100,001 - Over	791	432,684,195	76.93
Total	6,349	562,474,143	

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**

D. Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being 4,545 shares at $0.11 per share):

Holders	Units
1,243	2,394,919

Shareholder Information

The 20 largest registered holders of each class of quoted security as at 31 August 2016 were:

Rank	Holder Name	Securities	%
1	Washington H Soul Pattinson And Company Limited	89,419,161	15.90
2	Deakin University	33,333,333	5.93
3	Farjoy PL	11,999,998	2.13
4	Romsup PL <Romadak S/F A/C>	8,812,430	1.57
5	State One Stockbroking Pty Ltd	8,545,693	1.52
6	HSBC Custody Nominees (Australia) Limited	7,472,230	1.33
7	Decta Holdings Pty Ltd	7,334,907	1.30
8	Code Nom PL	7,207,580	1.28
9	WSF Pty Ltd <Woodstock S/F A/C >	6,947,696	1.24
10	Aileendonan Investments PL	4,000,000	0.71
11	Yarraandoo Pty Ltd <Yarraandoo Super Fund A/C>	3,509,933	0.62
12	J P Morgan Nom Aust Ltd	3,249,389	0.58
13	Best Holding Pty Ltd	3,207,692	0.57
14	Petia Super Pty Ltd	3,021,183	0.54
15	Anacacia PL	3,012,430	0.54
16	Sols Super Pty Ltd	2,748,830	0.49
17	Hobson Cove PL	2,500,000	0.44
18	Zimmer Manfred	2,137,876	0.38
19	Peeters Richard Cornelis	2,120,000	0.38
20	Philippe Odouard	2,053,351	0.37
	Total	212,633,712	37.82

Corporate Directory

Directors
Mr. T H J Quick
Chairman

Mr. D J Marino
CEO and Managing Director

Mr. N I Ampherlaw
Non-Executive Director

Mr. P C Cook
Non-Executive Director

Mr. B A Griffiths
Non-Executive Director

Air Marshal E J McCormack (Ret'd)
Non-Executive Director

Mr. J C Douglas
Non-Executive Director

Secretary
Mr. J Pinto

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Registered Office

Level 2
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Auditor

KPMG
Chartered Accountants
Tower 3
300 Barangaroo Avenue
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 Australia Pty Limited
770 Canning Highway
Applecross Western Australia 6153

Stock Exchange

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

ASX Code **QHL**