30 October 2017

Company Announcements Office

ASX Limited

Exchange Centre

Level 4, 20 Bridge Street

SYDNEY NSW 2000

2017 Annual Report

Enclosed is a copy of the 2017 Annual Report for Quickstep Holdings Limited (ASX: QHL), which is being mailed to shareholders today. A copy of the 2017 Annual Report will also be placed on the Quickstep website at the following location:

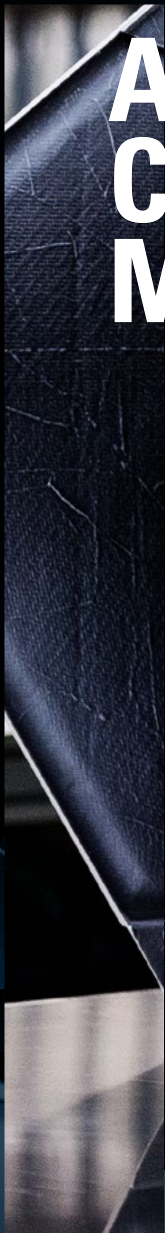
http://www.quickstep.com.au/Investors-Media/Financial-Reports

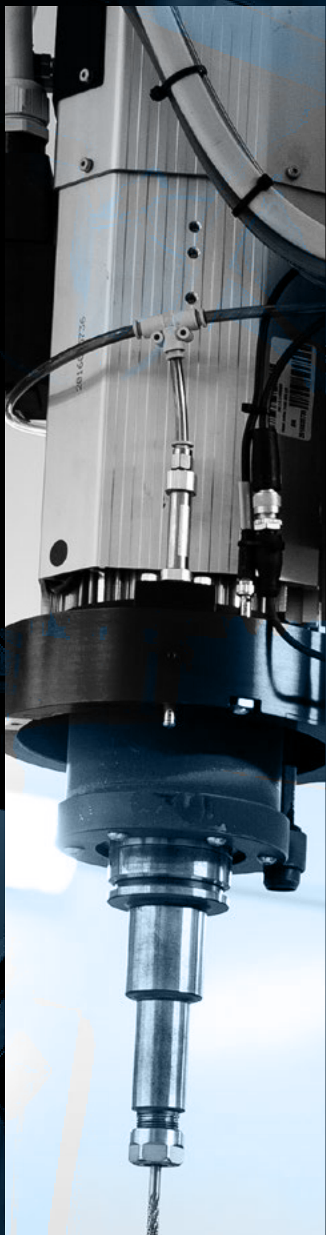
Signed for and on behalf of Quickstep Holdings Limited.

Jaime Pinto

Company Secretary

ADVANCED COMPOSITES MANUFACTURING





Annual Report 2017

Quickstep

Contents

Significant increase in JFS deliveries

1,230 PARTS

increase of 108% on 590 parts in FY16

716 PANELS, SKINS AND CLOSURES PARTS

versus 558 in FY16

514 VERTICAL TAIL PARTS IN FY17

versus 32 in FY16

Increased sales revenue

$51.9M IN FY17 UP 4%

from $50.1m in FY16

Highlights

NEW MD, MARK BURGESS
appointed/Revised leadership team implemented

DELIVERED 100TH SHIP-SET
of wing flaps to Lockheed Martin

Supply of
FIRST WING FLAP PARTS FOR LM-100J
commercial aircraft

Start of production of
MICRO-X CARBON FIBRE CHASSIS
at Geelong using the Qure process

Capex increased to
$4.0M IN FY17
completing projects for forecast volume increases

R&D SPEND OF $5.5M
including new technology & product development

FRONT FENDER
demonstration project progressed

COMPLETION KIST PROJECT
in South Korea

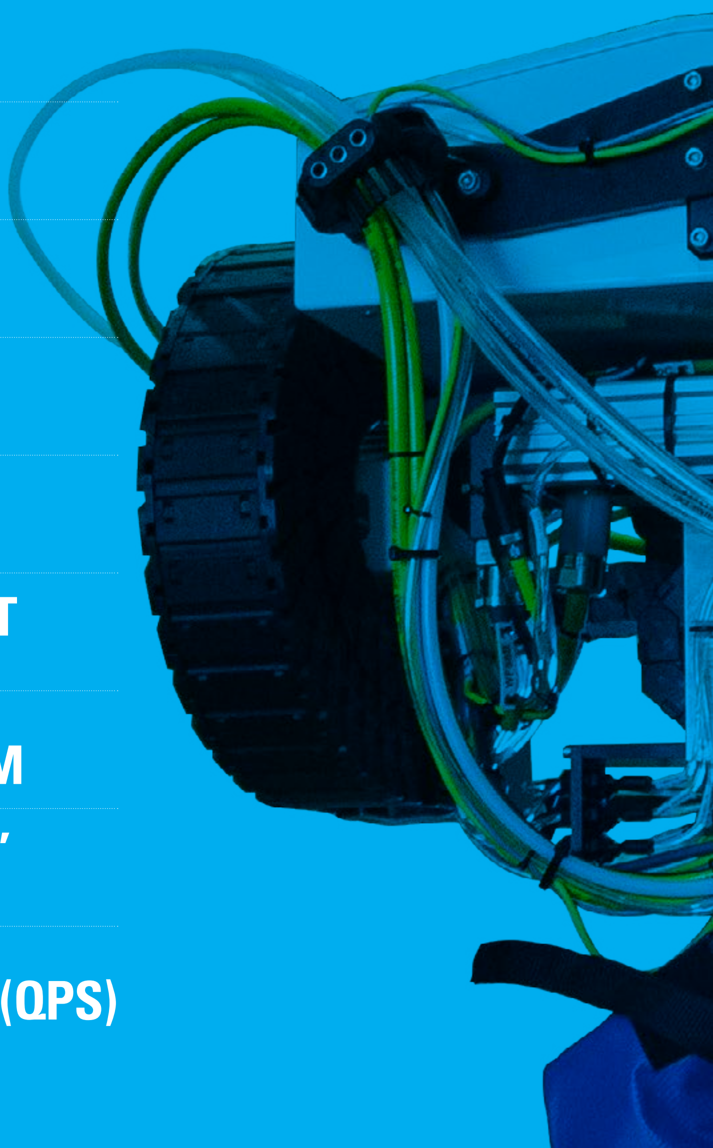
AMGC GRANT OF $250K
secured for automotive Fender demonstration project

AUTOMATED DRILLING EQUIPMENT
commissioned at Bankstown

Strategic review undertaken, leading to adoption of
ONEQUICKSTEP CHANGE PROGRAM

GENERAL ATOMICS 'TEAM REAPER'
participation by Quickstep

Commencement of the
QUICKSTEP PRODUCTION SYSTEM (QPS)



ONEQUICKSTEP

REALIGNMENT FOR GROWTH AND PROFITABILITY

At the beginning of FY18 Quickstep announced that it was realigning the business to drive profitability and growth under the **OneQuickstep** banner. The introduction of the **OneQuickstep** change program followed a comprehensive strategy and operational review by Mark Burgess, the new CEO/Managing Director, the executive management team and the Quickstep Board. The review identified a number of important changes that are being implemented in FY18, with the objective of accelerating profitability and growth over the short, medium and longer term.

OneQuickstep is a values system and cultural change program that provides Quickstep with a vision and corporate values that will drive the behaviours of all employees and deliver improved financial performance for the business. The program includes a revised organisational structure and leadership roles, productivity and efficiency improvements, refocused R&D investment and a focus on targeted business development and growth.

The key elements of **OneQuickstep** are:

A SINGULAR, SIMPLIFIED
corporate structure

REVISED & SIMPLIFIED
leadership team

Shared services through
A MATRIX ORGANISATION

Further developing our
HIGHLY SKILLED AND CAPABLE WORKFORCE

LEAN ENTERPRISE ETHOS
underpinning all functions and all levels

Productivity and
CONTINUOUS IMPROVEMENT

WORLD-CLASS
competitiveness and efficiency

FOCUSED R&D
and technology commercialisation

'ASSET RIGHT'
solutions for customers

GLOBAL
supply chain integration

CREATION OF SHAREHOLDER VALUE
as a central tenant to the entire business

WORLD-CLASS MARKETING,
communications and sales

The Aerospace and Defence sectors will take a much more prominent role in Quickstep's growth activities in the short to medium-term, based on the size of the existing market, the attractive compound annual growth rates in these segments, our current expertise and their margin opportunities.

This concentration on Aerospace and Defence does not preclude Quickstep from seeking growth opportunities in other market segments – such as Automotive, Transportation, Medical Devices, Wind/Energy and other Advanced Sectors – however, it will be the focus of Quickstep's main investment and growth initiatives in FY18.

The **OneQuickstep** program is expected to deliver significant benefits and improvements to the business in FY18 and beyond, and is the cornerstone of Quickstep's vision for the future, which is to become a leading global provider of advanced composite solutions.

ASSETS ON THE GROUND – BUILDING A FOUNDATION FOR THE FUTURE

CHAIR'S REPORT

We are Australia's leading independent carbon fibre composites manufacturer, with key contracts including work for the Joint Strike Fighter Program and Lockheed Martin's C-130J 'Super Hercules' aircraft. FY17 was a year of significant expansion and development for Quickstep, as we move to higher volume manufacturing of advanced carbon fibre components and assemblies in FY18. In FY17 we completed a $10 million capital expansion program and our Joint Strike Fighter (JSF) program production volumes rose significantly. We now have manufacturing capacity available to take on additional aerospace and defence programs at Bankstown.

We have also strengthened our proprietary process technologies and capabilities to support customers with our advanced composite manufacturing solutions.

Our business has benefited from completing JSF production at initial low volumes. Following this, with the benefit of learning curve experience, we are ready for higher volume production. We achieved strong quality and customer delivery performance throughout the year and new capital assets are in place to support future production growth. We have a new and focused management team, with the skills, capabilities, experience and drive to deliver future shareholder value, accelerated growth and profitability.

In addition to the capital expansion for the JSF program at Bankstown, our new investment included the commissioning of an automated robotic drilling cell for C-130J production. This takes the total investment at the Bankstown site to around $30 million and provides further production capacity to meet booked growth and take on additional manufacturing work.

At our Geelong facility, we invested further in research and development (R&D) and industrialisation of our process solutions and in additional advanced manufacturing equipment to support demonstration and production programs. The Geelong site features a fully operational and upgraded 'Qure' cell, along with other manufacturing equipment to produce advanced composite components and assemblies. We are now moving from R&D into commercialisation of the new technology and have secured the first production contract using Qure.

FY17 saw a significant change in our leadership team with the recruitment of Mark Burgess as CEO and Managing Director in May 2017, following the resignation of David Marino. A strategy and operational review undertaken by Mark and the Board, resulted in a simplification of the executive management team. We have a highly capable leadership team with extensive aerospace, defence and broader manufacturing and automotive expertise, with experience in running, improving and growing a globally focused advanced manufacturing business.

FY17 was a consolidation year as we prepared for growth in FY18 and invested in R&D to develop our capabilities, with sales revenue rising from $50.1 million in FY16 to A$51.9 million in FY17. EBIT was $(0.2) million before R&D costs in FY17, impacted by lower C-130J volumes against FY16 (a 22% reduction) and learning curve costs associated with new programs and the automated drilling project. We expect that higher volumes, cost initiatives and expense reductions will improve margins during FY18.

I would like to recognise the ongoing support of our shareholders, customers and suppliers and my fellow Board members. I would like to thank Mark Burgess, our recently appointed CEO and Managing Director, David Marino, our previous CEO, who left us in May 2017, the executive management team and all of the Quickstep staff for their hard work and dedication throughout FY17.

Your company set itself up in FY17 ready for a bright future in advanced composites manufacturing. FY18 will see a more targeted focus by the company on new Aerospace and Defence programs, focused R&D activities to accelerate growth, and the implementation of our **OneQuickstep** change program to further enhance our future order book and deliver profitability and long-term value for all our shareholders.

Tony Quick
Chair

CEO AND MANAGING DIRECTOR'S REVIEW

It is an honour to deliver this report to you as the CEO and Managing Director of Quickstep. Having taken up the role in early May 2017, I am immensely proud of what has been achieved and excited about the outlook for the business over the next five years. We have recently announced a number of important and far-reaching changes to the strategy and operations of Quickstep and these represent the start of a growth program that will accelerate the delivery of shareholder value.

ONEQUICKSTEP – REALIGNMENT FOR GROWTH AND PROFITABILITY

FY17 was a successful year for Quickstep from a project delivery perspective. During the year, we completed major capital expansion projects to support the C-130J transport aircraft and Joint Strike Fighter (JSF) programs at Bankstown; we delivered a record number of JSF parts; we produced and delivered our first LM-100J (commercial version of C-130J) freighter aircraft shipsets; we commenced series production of carbon fibre composite parts for Micro-X, using our proprietary out-of-autoclave process Qure; we produced, delivered and installed a Qure solution for KIST and we continued to progress several development programs including an important automotive front fender project.

In FY17, we increased the production rate of components for the Joint Strike Fighter (JSF) program dramatically. A total of 1,230 JSF parts were delivered in the year, up 108% from 590 parts in FY16. This included 716 JSF parts to Northrop Grumman and 514 vertical tail parts to BAE Systems and Marand for FY17, including fulfilment of an additional order for BAE Systems, compared to 32 vertical tail parts in FY16. Our JSF production program is expected to continue this strong growth trajectory, as manufacturing volumes are scheduled to nearly double over the next two years.

While we have achieved much from a project delivery perspective, we are not satisfied with a number of areas of our performance, including profitability, productivity and efficiency, new program growth and the delivery of shareholder value. To this end, we undertook a detailed review of the company's strategic direction and operational performance in the latter part of FY17 and recently introduced a comprehensive change program to realign the business for growth and profitability.

CEO AND MANAGING DIRECTOR'S REVIEW
(CONTINUED)

OneQuickstep Change Program

Our vision is to be a leading global provider of advanced composite solutions and we have set about achieving this through the adoption of the **OneQuickstep** change program. This is a comprehensive and all-encompassing program to realign the business and accelerate growth and profitability. **OneQuickstep** consists of a series of actions to drive cultural change, including:

- Implementation of a simplified management structure
- Adoption of a functional matrix organisation
- Removal of discrete business segments, reducing 'silo' activities
- Refocusing R&D investment, targeting aerospace and defence markets
- Increasing business development resources
- Leveraging our long-term booked business
- Ceasing non-core activities and programs
- Productivity improvements
- Commencement of cost reduction and efficiency programs
- Further development of the Qure process solution and Quickstep Production System (QPS) for growth
- Accelerated growth and expansion over time
- Exploring future Partnership opportunities

I am genuinely excited about the future prospects of the Quickstep Production System (QPS) which offers a complete material to finished part solution, focused on rate improvement, process efficiency, automation and one piece material flow. QPS can be adapted to multiple market and part applications, and we plan to implement QPS internally at each of our facilities and for new customer programs.

Outlook for FY18

FY18 will be an exciting year for Quickstep: a year of change, development and the acceleration of our growth plans. While we will be moderating our research and development (R&D) spend in FY18, we will continue our investment in product and process technology. We have capped investment at about $2.8 million, which is significant for a company of our size. Our future R&D investment will be more focused and follow a more aggressive commercialisation path. We will be dedicating more resources to the aerospace and defence sector, and the rapid exploitation of QPS.

In order to accelerate our growth, we need to become a 'world class' marketing, communications and sales organisation and we will strengthen these areas significantly in FY18. We will be much more diligent in focusing our resources on our target segments and key customer relationships. Aerospace & Defence is what we know best and what we do today; we have the capabilities and capacity to immediately deliver programs in these segments. This sector is growing strongly and offers significant market size and margin opportunities.

Our concentration on Aerospace and Defence does not preclude us from seeking growth opportunities in other market segments – Micro-X and the front fender projects attest to this - however, Aerospace and Defence will be the main focus for our investment and growth in FY18.

Productivity and continuous improvement will be a central factor of our business. Maximising our performance in all areas of the business and ensuring world-class competitiveness in all that we do is essential for Quickstep. This includes being globally competitive in all bid and proposal activities and improving the performance of existing customer programs.

I cannot overstate the significance of **OneQuickstep** as a values system and cultural change program within our company. A singular, simplified corporate structure, where shared services ensure consistency and quality and a lean ethos underpins the actions of our executive and wider leadership team. **OneQuickstep** provides the company with a vision and corporate values that will drive our behaviours and give prominence to the creation of shareholder value at all levels within the Quickstep business.

In FY18 we expect that **OneQuickstep** will deliver cost reductions with gross margin improvement coming from increased capacity utilisation and program maturity. Based on existing contract growth, we expect $90 million in annual sales by FY21 and we are targeting an additional $25 million per annum in new sales by the end of this period. Our aim is to achieve double digit % EBIT margin at full capacity. We will be increasing our sales and business development investment in FY18 to accelerate growth and will leverage QPS to deliver additional volumes and shareholder value.

In closing, I would like to sincerely thank all of our shareholders, customers and partners for their ongoing support and confidence in Quickstep and the future of this company. I would like to thank my predecessor, David Marino, for his valuable inputs and efforts in FY17, in preparing the Quickstep business for its next stage of development and growth. I would also like to acknowledge the hard work and dedication of our Board of Directors, our leadership team and all our dedicated employees – you are responsible for the success of this business.

Mark Burgess
CEO and Managing Director

OUR DIRECTORS

"Quickstep is a proven innovator in the carbon fibre industry and continues to show how Australia's manufacturing sector can advance,"

Dr Jens Goennemann
AMGC

"Quickstep's achievements in advanced manufacturing – creating new products, processes and technologies – are an inspiration not only to other businesses but also our future engineers and scientists."

Craig Laundy
Assistant Minister for Industry, Innovation and Science

OUR LEADERSHIP TEAM

The business has strong long term contracts, and has commenced the next stage to deliver profitability and accelerated growth. This will be delivered through a continuous improvement mindset and from leadership at all levels of the business. The focus over short term is to take actions that will deliver sustainable benefits to our business and to demonstrate and communicate this progress to shareholders and stakeholders. Embedding a successful lean manufacturing culture, a focus on excellence across the business and collaboration and teamwork will be critical. Success will be measured by delivering a profitable business that generates returns that benchmark to our peers and a platform for further growth through excellence in people, processes and systems.

Andrew Crane
Chief Financial Officer

"I have extensive experience in manufacturing organisations – both large and small, and I am looking forward to Quickstep making the transition from a company with growth ambitions and innovative technologies into a more focussed business that provides strong shareholder returns with sound financials.

Having delivered on the challenges of deploying capital equipment, the development of capabilities and the leadership of teams through the JSF program, we now enter a phase of intense focus on continuous improvement. Through the execution of a lean program across the entire business, we will create a continuous improvement culture, making us world class and truly globally competitive. Engaging all our employees at every level, we will apply the proven methodologies of lean manufacturing and continuous improvement to drive profitability and the rapid development of QPS and innovative manufacturing solutions.

Kevin Boyle
Chief Operating Officer

"As an experienced manufacturing professional across both Australian and Global manufacturing businesses and professional services I am committed to creating and driving a level of operational excellence required to succeed globally in advanced composites supply. I am extremely excited about the market potential for Quickstep and to have this opportunity to maximise our future results."

Quickstep has an executive leadership team with extensive experience and capabilities in the aerospace, defence, automotive and other manufacturing sectors. Under the **OneQuickstep** change program, the leadership team has been simplified and a cross functional matrix organisational structure has been implemented across the business.

The leadership team is focused on delivering efficiency, profitability, growth and shareholder value and ensuring Quickstep's vision of being a global advanced composites solutions provider.

ALIGNED & EXPERIENCED

Our challenge is to achieve a greater level of diversity to deliver improved results year on year. We will explore creative ways to build our talent pool and be an 'Employer of Choice'. We will continue to invest in the development of our staff to build technical and leadership capability, which is critical to our business. This will set us apart from our competitors and enable us to deliver engineered composite solutions to global customers.

Our corporate values will continue to build, reinforce and enhance our culture: one that drives profitability and growth to provide our employees with the prospect of Quickstep being their long term employer where they will receive encouragement, support and opportunities to develop rewarding careers.

Jacque Courtney-Pitman
Chief Human Resources Officer

"As an accomplished and MBA qualified HR business professional I have held senior leadership positions in global and publically listed companies for multiple industries. With my passion and energy for achieving business objectives, the focus for Quickstep is to drive our **OneQuickstep** culture, build capability and diversity to achieve exceptional results for our customers whilst creating a workplace that is engaging, challenging and supportive."

Building on the positive launch of the JSF program, Quickstep is well poised to expand its customer portfolio and grow our top line revenue. A targeted focus on business development, in conjunction with our compelling business offering through QPS, combined with both traditional and our Quickstep patented technologies provides a solid opportunity for growth. Our focus in the next twelve months is on expanding our business with new and existing customers that demonstrate our capability as an engineered systems solution provider and winning business with new customers enabling us to build our credibility as a lead into major contracts in the future. The Technology team is focused on delivering solutions to customer problems that will provide near term commercial returns to Quickstep while providing a point of competitive differentiation.

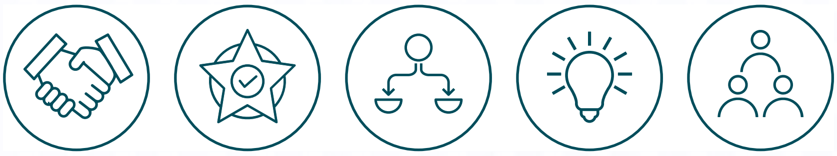
Ross Mahon
Chief Business Development and Technical Officer

"After a successful career in the global automotive industry where I have led efforts to combine new technology, engineering and a solution based approach to win major new contacts and deliver exponential growth, I am excited about the opportunity to work at Quickstep and bring these same skills to drive future growth and deliver strong returns to shareholders."

OUR PEOPLE

STRONG CULTURE

Underpinning **OneQuickstep** are people, our most important asset. We have a highly skilled and motivated team, capable of delivering our vision of being a 'leading global provider of advanced composite solutions'. Guiding our people are our core values:



Integrity

Excellence

Responsibility/ Agility

Innovation

Teamwork

OUR ONEQUICKSTEP CULTURE WILL ENABLE AND ENSURE THAT:

- Profitable growth is accelerated, driving sustainability and opportunity
- There are no barriers to success, only opportunities for our people
- There is a focus on the greater good, rather than individual or siloed successes
- Knowledge is shared to achieve best practice and continuous improvement
- Expertise is shared and our functional matrix structure supports the best outcomes

DIVERSITY AND INCLUSION

One of our key initiatives is to create a more diverse and inclusive workplace, through focusing on specific strategies to increase female representation; support employee transition to retirement and; renewing our workforce by strengthening ties with the local schools, vocational institutions and universities. We aim to leverage the maximum potential of our people, irrespective of individual differences, such as gender, ethnicity, age, physical abilities, sexual identify, family status, beliefs and perspectives.

HEALTH AND SAFETY

We are committed to delivering on our safety first culture by ensuring all employees are trained on our 'Safety Management System'. We are proactive in providing an environment where everyone has the responsibility to identify and address hazards. We have embedded a culture of learning and corrective actions are shared across the business to increase awareness and prevention.

DEVELOPING TALENT

Our employees are critical to our future success and are key contributors to delivering our customer programs. Attracting, developing and retaining talented and qualified staff is paramount to our success. We are developing a highly engaged workforce which is critical to delivering growth and profitability. We are focusing on lean practices that will further drive employee involvement and enablement.

OUR CUSTOMERS

WORLD-LEADING CUSTOMER BASE

Quickstep is at the forefront of advanced composites manufacturing and technology development and is the largest independent aerospace-grade advanced composite manufacturer in Australia, partnering with some of the world's largest Aerospace and Defence organisations including: Lockheed Martin (USA), Northrop Grumman (USA), BAE Systems (UK), as well as Victorian-based Marand Precision Engineering.

"Quickstep's advanced composites manufacturing capabilities provide us with a higher production rate than traditional autoclave solutions."

Peter Rowland
Managing Director of Micro-X

“This client [Quickstep] here is an example of the future of manufacturing in Australia”

Malcolm Turnbull
Prime Minister

“Quickstep is a key supplier to the JSF program and has made substantial investments in its Bankstown manufacturing facilities. I am pleased to see that Quickstep has made itself ready, in preparation for the JSF volume growth that is about to commence”

Jeff Babione
Lockheed Martin’s Executive Vice President and General Manager of the F-35 Program

Source: QHL press release

Quickstep has also provided advanced composite products and solutions to a range of other customers including: Ford Australia, Thales Australia, Micro-X, the Korean Institute of Science and Technology (South Korea) and a European luxury vehicle producer. Quickstep is currently negotiating with new and existing customers for additional growth opportunities.

Quickstep is also engaged in a number of development projects. These projects are co-funded by Quickstep and its collaboration partners, and are expected to lead to future production contracts.

Quickstep Holdings Limited
ACN 096 268 156

Annual Report
for the year ending 30 June 2017

Quickstep Holdings Limited
Directors' Report
30 June 2017

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 2017. 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. N I Ampherlaw
Mr. P C Cook
Mr. B A Griffiths
Air Marshal E J McCormack (Ret'd)
Mr. J C Douglas

Mr. M H Burgess was appointed as director on 18 May 2017 and continues in office at the date of this report.

Mr. D J Marino was a director from the beginning of the financial year until his resignation on 18 May 2017.

Principal activities

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

- production of parts for Northrop Grumman for the Joint Strike Fighter Project
- production of C-130J wing flaps for Lockheed Martin
- production of parts for Joint Strike Fighter vertical tails for BAE Systems and Marand Precision Engineering
- manufacturing and development of parts using Qure technology
- continued development of technologies for scaled volume production

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 (2016 $Nil).

Review of operations

Volumes begin to Ramp-up – Strong platform for Expansion

At Bankstown, production volumes for the JSF program ramped up significantly, and a total of 1,230 JSF parts were manufactured in FY17 including production of 514 vertical tail components for BAE Systems and Marand.

We delivered 27.25 ship-sets of wing flaps, comprising 26 ship-sets and 5 spares, to Lockheed Martin. This was for the C-130J transport aircraft and also included our first set of wing flaps for the new LM-100J commercial air freighter. While lower than the previous year, this was in line with long-term production expectations. The JSF and C-130J programs provide Quickstep with long-term revenue generation, global credibility and a strong platform for future growth and expansion.

Gross margin for FY17 was impacted by the change in business mix from the stable C-130J program to higher JSF revenues. Margin was impacted by the learning curve as the business ramped up vertical tails production (514 parts delivered in FY17 versus 32 in the prior year), commissioning of the automated drilling equipment for C-130J in February 2017 and the low capacity utilisation at Bankstown.

Quickstep Holdings Limited
Directors' Report
30 June 2017

Review of operations (continued)

Several advanced manufacturing projects were undertaken in FY17 at our Geelong facility, involving the application of our advanced composites solutions and the industrialisation of our patented 'Qure' process technology. These advanced manufacturing projects included:

- **Ford Australia**: Completion of a contract to manufacture 620 carbon fibre air intake ducts for Ford's XR6 Sprint performance car. This was the first carbon fibre air intake duct for any Ford vehicle globally.
- **KIST**: Manufacture, supply and installation of a complete 'Qure' composite manufacturing solution for the Korean Institute of Science and Technology (KIST) in South Korea.
- **Micro-X**: Production has commenced for a new contract, manufacturing a carbon fibre chassis for a portable x-ray device. This program uses the Qure process and the device is being sold in export markets.
- **Front Fender**: Development and demonstration of an advanced production solution, using Qure, for a complex engineered part for a European luxury vehicle manufacturer. This process will improve production rates and has multi-segment applicability.
- **QPS**: Development of the Quickstep Production System (QPS), a complete 'material-to-finished part' solution for the manufacturing of advanced composite parts.

We also completed a number of component parts for the Thales Hawkei project at Geelong during the year, but took the decision to cease this project after the completion of the final production order, projected to be mid FY18. The project does not fit Quickstep's future growth plans, as the parts are glass-fibre based and do not use our core technologies.

Significant changes in the state of affairs

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

Events since the end of the financial year

On 1 August, 2017 the Company announced a number of changes to drive profitability and growth, following a comprehensive strategy and operational review by the new CEO and Managing Director, the executive management team and the Board. The updated strategy, **OneQuickstep**, includes a revised organizational structure and leadership roles, productivity and efficiency improvements, refocused R&D investment and a focus on targeted business development and growth. There have been no other significant events that have occurred since the end of the reporting period.

Likely developments and expected results FY18

Strategic objective	Prospects	Risks
Implement the **OneQuickstep** change program and achieve planned productivity and efficiency improvements.	Internal and external feedback positive. Detailed plans in place and early results positive.	Meeting all cost reduction and productivity improvement plans in the required timeframes.
Deliver growth of current contracts.	Program forecast indicates a continued increase in JSF volumes for FY18 to FY20.	Overall program risk. Stronger AUD may impact export sales in USD and profitability.
Implement Quickstep Production System (QPS) at Bankstown and Geelong sites.	Commenced. Delivery of improved manufacturing efficiency and productivity underway at both locations.	Implementing QPS plans in the timeframe required.
New defence/aerospace contract(s) secured to optimise assets at Bankstown and improve overhead utilization.	Discussions are underway with existing and new customers. Recruiting significant additional business development resources in FY18.	Long timescales for new programs. Ensuring total offering delivers value against global competition.
Award of additional manufacturing contracts using Quickstep's proprietary technology and capabilities.	A number of opportunities currently under discussion or advanced demonstration with customers.	Adoption of alternative technologies for the same opportunities.
Technology development of Quickstep Production System (QPS) to take advantage of niche to medium volume manufacturing opportunities in the global market.	Capacity constraints for existing process technologies. Product development programs underway.	Required rate and quality not achieved using QPS.
Partnerships formally established in core target markets to accelerate technology deployment.	Engagement commenced.	Inability to establish 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 controlled entities.

No options were granted during the year, and no options granted in prior years were exercised during the year ending 30 June 2017. No other options have been granted since the end of the financial year.

Quickstep Holdings Limited
Directors' Report
30 June 2017

Information on Directors

The following information is current as at the date of this report

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. Mark H Burgess - CEO and Managing Director - appointed 18 May 2017		
Experience and expertise	Mr Burgess joined Quickstep in May 2017 bringing with him over 20 years' experience in the global aerospace and defence industry, where his successful delivery of profitable growth and complex projects in advanced technology businesses has led to significant employer, customer and industry recognition. Mr Burgess has held leadership roles of increasing responsibility across Europe, USA, the Middle East and Asia Pacific. After a long career with BAE Systems covering sales, contracts, project and general management he joined Honeywell in 2013 as Vice President Honeywell Aerospace, Asia Pacific. During his four years at Honeywell, he was responsible for driving sustained profitable growth across a defence, space and commercial helicopter portfolio. Mr Burgess has extensive experience of governance and stakeholder management, working with public, private and not-for-profit sectors. He has managed several successful post acquisition integration projects and has held numerous board positions on subsidiaries and international joint ventures. He holds a degree in Politics and Economics from the University of Hull and has completed several post graduate studies in business and operations management.	
Special responsibilities	Chief Executive Officer	
Interests in shares and options	Ordinary shares in Quickstep Holdings Limited	102,500

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 Director of Credit Union Australia where he is Chairman elect, and member of the Strategy 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

Information on Directors (continued)

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 Deputy Chairman of the Board of the Sir Richard Williams Foundation, an independent think-tank supporting development of Australian military aviation policy.	
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	590,319

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Information on Directors (continued)

Mr. James C Douglas, LLB, BSc – non-executive director - appointed 19 December 2016		
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. David J Marino, - CEO and Managing Director - appointed 16 February 2016 resigned 18 May 2017		
Experience and expertise	Mr. Marino resigned as director on 18 May 2017, and departed the Company on 31 May 2017.	
Interests in shares and options	Ordinary shares in Quickstep Holdings Limited	894,025
	Rights in shares in Quickstep Holdings Limited	4,667,069

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 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.

Board Structure & Director Independence (continued)

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 2017, 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	13	13	-	-	-	-
Mr. M H Burgess (appointed 18 May 2017)	2	2	-	-	-	-
Mr. N I Ampherlaw	13	13	4	4	-	-
Mr. P C Cook	13	13	-	-	7	7
Mr. B A Griffiths	13	13	-	-	7	6
Air Marshal E J McCormack (Ret'd)	13	13	4	4	7	7
Mr. J C Douglas	13	13	4	4	-	-
Mr. D J Marino (resigned 18 May 2017)	12	10	-	-	-	-

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 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.

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Non-audit services

During the financial year, KPMG, the Group's auditor, has performed certain other services in addition to the audit and review of the financial statements.

The board of directors has considered the position and, in accordance with advice received from the Audit Risk and Compliance Committee, are satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons- all non-audit services have been reviewed by the audit and risk committee to ensure they do not impact the impartiality and objectivity of the auditor, and none of the services undermine the general principles relating to auditor independence as set out in APES 110 Code of Ethics for Professional Accountants.

Details of the amounts paid to the auditor of the Group, KPMG, for non-audit services provided during the year are set out below:

	2017	2016
	$	$
Other services		
Grant assurance – NACC	**15,700**	-
Grant assurance – Invest Victoria	**7,500**	-
Total non-audit fee	**23,200**	-

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 70.

Rounding of amounts

The Company is a kind referred to in ASIC Legislative Instrument 2016/191, relating to the "rounding off" of amounts in the directors' report and financial statements. Amounts in the directors' report and financial statements have been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

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 28 September 2017.

M H Burgess
Director

28 September 2017
Sydney, New South Wales

Remuneration Report

The directors present the Quickstep Holdings Limited 2017 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 senior leadership team.

The report includes details relating to:

Executive Directors

Mr. M H Burgess	CEO and Managing Director (from 18 May 2017)
Mr. D J Marino	CEO and Managing Director (until 18 May 2017)

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	

Other Key Management Personnel

Mr. J Pinto	Company Secretary
Mr. A R Crane	Chief Financial Officer
Ms J E Courtney-Pitman	Chief Human Resources Officer
Mr. K J Boyle	Chief Operating Officer
Mr. R L Mahon	Chief Business Development and Technical Officer

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://www.quickstep.com.au/Investors-Media/Corporate-Governance.

Quickstep Holdings Limited
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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 FY17 nine Corporate KPIs were used, including three financial KPIs (weighting 35%), two KPIs relating to people and safety (weighting 15%), two growth and technology focused KPIs (weighting 20%) and two project and operational KPIs (weighting 30%). 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 FY17 there was one threshold metric.

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.

After determining the overall achievement of KPIs based on the above review process and hurdle, the RN&D Committee has recommended that a STI is payable in respect of FY17.

Remuneration Report (continued)

1. Principles of compensation (continued)

(b) Long term incentive

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 terms of the IRP were most recently approved by shareholders at the 2015 AGM.

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(capped at $1,000) 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 FY17 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 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, 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. 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.

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Remuneration Report (continued)

1. Principles of compensation (continued)

(b) Long term incentive (continued)

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.

(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. Director 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

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

(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.

	2017	2016	2015	2014	2013
Loss attributable to owners of the company ($000)	**$(6,662)**	$(5,785)	$(3,937)	$(11,181)	$(16,985)
Dividends paid	**$nil**	$nil	$nil	$nil	$nil
Operating income ($000)	**$51,915**	$50,128	$39,511	$12,001	$2,562
Change in share price	**(25.4%)**	(18.2%)	(12.4%)	35.7%	(17.6%)
Return on capital employed	**(33.3%)**	(8.6%)	(6.1%)	(66.4%)	(95.9%)

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.

Quickstep Holdings Limited
Directors' Report
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Remuneration Report (continued)

1. **Principles of compensation** (continued)

(e) Service agreements

Name	Initial agreement date	Duration	Notice period (3)	Termination benefits	STI cap as a % of TFR (1)	LTI cap as a % of TFR (2)
Mr. M H Burgess	8 May 17	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. D J Marino	16 Feb 15	31 May 17	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 R Crane	24 Sept 15	Open	NES	3 months of annual salary package; and pro-rated annual bonus (at Board's discretion)	30	30
Ms. J E 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 J Boyle	23 Mar 16	Open	NES	3 months of annual salary package; and pro-rated annual bonus (at Board's discretion)	20	20
Mr. R L Mahon	11 Jan 17	Open	NES	3 months of annual salary package; and pro-rated annual bonus (at Board's discretion)	20	20

(1) Short Term Incentive (STI) 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. Burgess and 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 sales, profit and cash flow, and other growth, operational and people objectives including new contracts, technology development, project delivery and functional outcomes aligned to the annual strategic plan.

(2) Long Term Incentive (LTI) 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 2017 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.

Quickstep Holdings Limited
Directors' Report
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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.

2017

Name	Salary / fees	STI (3)	Discretionary payment (4)	Super-annuation levy	Equity based short term incentive (1)	Rights (2)	Total
	$	$	$	$	$	$	$
Executive Directors							
Mr. M H Burgess (5)	73,289	-	-	4,904	-	-	78,193
Mr. D J Marino	488,426	99,171	125,000	19,616	-	335,110	1,067,323
Non-Executive Directors							
Mr. T H J Quick	126,000	-	-	-	-	-	126,000
Mr. N I Ampherlaw	69,463	-	-	537	-	-	70,000
Mr. P C Cook	63,825	-	-	6,175	-	-	70,000
Mr. B A Griffiths	61,500	-	-	-	-	-	61,500
Air Marshal E J McCormack (Ret'd)	78,870	-	-	7,630	-	-	86,500
Mr. J C Douglas	57,249	-	-	5,251	-	-	62,500
Other key management personnel							
Mr. J Pinto	60,000	-	-	-	-	-	60,000
Mr. A R Crane	335,045	41,652	75,000	19,616	-	16,960	488,273
Ms. J E Courtney-Pitman	238,136	26,198	20,000	16,933	-	8,494	309,761
Mr. K J Boyle	249,397	25,594	20,000	19,616	-	8,072	322,679
Mr. R L Mahon (5)	142,990	11,971	-	9,808	-	2,637	167,406

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

(2) Rights include the accounting expense attributable to the current year under the IRP.

(3) The Short Term Incentive (STI) is comprised of an accrued current year cash bonus.

(4) The RN&D Committee recommended and the Board approved a discretionary payment to select key management personnel in FY17. This reflected a level of activity beyond standard requirements to deliver key projects in line with or ahead of agreed timelines.

(5) For personnel that commenced employment during FY17, these figures represent the period from start date (refer Remuneration Report 1(e) Services Agreements) to 30 June 2017.

Quickstep Holdings Limited
Directors' Report
30 June 2017

Remuneration Report (continued)

2. Details of remuneration (continued)

2016

Name	Salary / fees	STI cash bonus (3)	Non-monetary benefits	Super-annuation levy	Termination benefits	Equity based short term incentive (1)	Rights (2)	Total
	$	$	$	$	$	$	$	$
Executive Directors								
Mr. D J Marino	458,538	(13,933)	21,771	19,750	-	(13,933)	187,682	659,875
Mr. P M Odouard (4)	352,256	(22,680)	29,969	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
Mr. N I Ampherlaw	63,927	-	-	6,073	-	-		70,000
Mr. P C Cook	63,927	-	-	6,073	-	-		70,000
Mr. B A Griffiths	61,500	-	-	-	-	-		61,500
Air Marshal E J McCormack (Ret'd)	78,995	-	-	7,505	-	-		86,500
Mr. J C Douglas	35,817	-	-	3,403	-	-		39,220
Mr. D P A Singleton	35,388	-	-	3,362	-	-		38,750
Other key management personnel								
Mr. J Pinto	60,000	-	-	-	-	-		60,000
Mr. A R Crane (6)	207,823	-	-	14,481	-	-	9,706	232,010
Ms. J E Courtney-Pitman (6)	54,144	-	7,249	4,827	-	-	1,066	67,286
Mr. K J Boyle (6)	62,950	-	6,152	4,827	-	-	1,197	75,126
Former other KMP's (7)	1,168,759	(55,953)	25,562	92,362	80,747	-	63,073	1,374,550

(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) 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.

(4) Includes full year figures for Mr. Odouard – covering both roles in FY16 – Executive Director from 1 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.

(6) For personnel that commenced employment during FY16, these figure represent the period from start date (refer Remuneration Report 1(e) Services Agreements) to 30 June 2016.

(7) Relates to FY16 KMPs who were no longer considered to be KMPs at the start of FY17.

Quickstep Holdings Limited
Directors' Report
30 June 2017

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 that have been settled through share based payments during the year, valued at the market value on the day of issue:

	No. of shares granted and vested during FY17 in respect of FY16 performance	Fair value $	Total fair value $
Mr. D Marino	Nil	Nil	Nil

Equity settled short term incentive accrued in the current year for FY17 performance are expected to be settled through share based payments during the next financial year, valued at the market value on the day of issue.

(b) Long term Incentive

Quickstep Incentive Rights Plan (IRP)

At 30 June 2017 executives have accrued rights pursuant to the IRP. Movements in IRP rights during the year are set out below:

	Tranche refer Note 15(b)	Grant date	FV per right at grant date (a)	First testing date	Balance at 30 June 2016 Number	Granted during the year (b) Number	Vested/ Lapsed during the year Number	Balance at 30 June 2017 Number	Fair Value at grant date $	Cum vesting level
Deferred Rights										
Mr. D J Marino (c)	2	16/02/15	$0.200	31/08/16	415,283	-	(415,283)	-	-	100%
Performance Rights										
Mr. D J Marino (d)	2	16/02/15	$0.110	31/08/16	415,283	-	(415,283)	-	-	0%
Mr. D J Marino	3	16/02/15	$0.155	31/08/17	1,245,847	-	-	1,245,847	$193,106	0%
Mr. D J Marino	FY16	01/06/16	$0.085	31/08/18	1,262,626	-	-	1,262,626	$107,323	0%
Mr. D J Marino	FY17	01/03/17	$0.072	31/08/19	-	2,158,596	-	2,158,596	$155,419	0%
Mr. A R Crane	FY16	01/06/16	$0.085	31/08/18	446,970	-	-	446,970	$37,992	0%
Mr. A R Crane	FY17	01/03/17	$0.072	31/08/19	-	906,610	-	906,610	$65,276	0%
Ms. J E Courtney-Pitman	FY16	01/06/16	$0.085	31/08/18	123,737	-	-	123,737	$10,518	0%
Ms. J E Courtney-Pitman	FY17	01/03/17	$0.072	31/08/19	-	431,719	-	431,719	$31,084	0%
Mr. K J Boyle	FY16	01/06/16	$0.085	31/08/18	131,313	-	-	131,313	$11,162	0%
Mr. K J Boyle	FY17	01/03/17	$0.072	31/08/19	-	457,622	-	457,622	$32,949	0%
Mr. R L Mahon	FY17	01/03/17	$0.072	31/08/19	-	276,300	-	276,300	$19,894	0%

(a) The fair value of rights granted was calculated using a Monte Carlo simulation analysis. Refer to Note 15(b), for the model's key assumptions.

(b) The fair value of rights granted in the year is $304,622 (2016 $245,059). The total value of the rights is allocated to remuneration over the vesting period.

(c) These rights vested during FY17 with vesting satisfied by the issue of $1,000 and 406,649 shares.

(d) These rights lapsed during FY17 due to the threshold metrics not being achieved.

Modification of terms of equity-settled share-based payment transactions
No terms of equity-settled share-based payment transactions (including 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 Director			
Mr. D Marino	99,171	36.3%	63.7%
Other key management personnel			
Mr. A R Crane	41,652	36.3%	63.7%
Ms. J E Courtney-Pitman	26,198	47.9%	52.1%
Mr. K J Boyle	25,594	44.1%	55.9%
Mr. R L Mahon	11,971	36.7%	63.3%

(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.

(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.

5. Key management personnel related transactions

On 19 December 2016 Mr. J Douglas became a non-executive director of the Group. Mr. Douglas is also a director of Newmarket. Therefore at 30 June 2017 the Newmarket Options (Note 6(g)) are considered to be held by a related party.

Contents

Quickstep Holdings Limited
Consolidated statement of profit or loss and other comprehensive income
For the year ended 30 June 2017

	Notes	2017 $000	2016 $000
Revenue	2	**51,915**	50,128
Cost of sales of goods		**(44,175)**	(39,700)
Gross profit		**7,740**	10,428
Other income	3(a)	**532**	460
Research and development expenses		**(5,492)**	(3,487)
Corporate and administrative expenses		**(7,919)**	(7,567)
Other expenses	3(b)	**(561)**	(2,015)
Loss from operating activities		**(5,700)**	(2,181)
Finance income	3(e)	**606**	1,008
Finance expenses	3(e)	**(1,568)**	(4,612)
Net finance costs		**(962)**	(3,604)
Loss before income tax		**(6,662)**	(5,785)
Income tax benefit	5	**-**	-
Loss for the period		**(6,662)**	(5,785)
Other comprehensive income/ (loss) 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		**68**	(55)
Other comprehensive income/ (loss) for the period, net of income tax		**68**	246
Total comprehensive (loss)/ income for the period		**(6,594)**	(5,539)
		Cents	**Cents**
Earnings per share for loss attributable to the ordinary equity holders of the company:			
Basic loss per share	4	**(1.18)**	(1.17)
Diluted loss per share	4	**(1.18)**	(1.17)

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

Quickstep Holdings Limited
Consolidated balance sheet
As at 30 June 2017

	Notes	2017 $000	2016 $000
ASSETS			
Current assets			
Cash and cash equivalents	6(a)	3,722	7,578
Trade and other receivables	6(b)	6,292	5,320
Other financial assets	6(c)	718	963
Other current assets	6(d)	635	398
Inventories	7(a)	10,599	11,906
Total current assets		21,966	26,165
Non-current assets			
Property, plant and equipment	7(b)	14,753	13,058
Intangibles		61	25
Total non-current assets		14,814	13,083
Total assets		36,780	39,248
LIABILITIES			
Current liabilities			
Trade and other payables	6(e)	10,346	7,196
Deferred revenue	6(f)	4,220	3,182
Loans and borrowings	6(g)	3,763	2,159
Employee benefit obligations	7(c)	1,138	950
Total current liabilities		19,467	13,487
Non-current liabilities			
Deferred revenue	6(f)	682	1,566
Loans and borrowings	6(g)	8,240	9,764
Employee benefit obligations	7(c)	210	199
Total non-current liabilities		9,132	11,529
Total liabilities		28,599	25,016
Net assets		8,181	14,232
EQUITY			
Share capital	8(a)	109,118	109,118
Reserves	8(b)	4,077	3,466
Accumulated losses	8(c)	(105,014)	(98,352)
Total equity		8,181	14,232

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

Quickstep Holdings Limited
Consolidated statement of changes in equity
for the year ended 30 June 2017

	Notes	Share capital $000	Foreign currency translation reserve $000	Share based payments $000	Accumulated losses $000	Total equity $000
Year ended 30 June 2016						
Balance at 1 July 2015		88,228	(549)	3,655	(92,567)	(1,233)
Loss for the period	**8(c)**	-	-	-	(5,785)	(5,785)
Other comprehensive (loss)/ income						
Foreign currency translation difference for foreign operations	**8(b)**	-	(55)		-	(55)
Reclassification of foreign currency translation reserve on closure of US subsidiary	**8(b)**	-	301	-	-	301
Total comprehensive (loss)/ income for the period		-	246		(5,785)	(5,539)
Transactions with owners of the company:						
Contributions of equity, net of transaction costs and tax	**8(a)**	20,890		-	-	20,890
Share based payments expenses	**8(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
Year ended 30 June 2017						
Balance at 1 July 2016		**109,118**	**(303)**	**3,769**	**(98,352)**	**14,232**
Loss for the period	**8(c)**	**-**	**-**	**-**	**(6,662)**	**(6,662)**
Other comprehensive (loss)/ income						
Foreign currency translation difference for foreign operations	**8(b)**	**-**	**68**	**-**	**-**	**68**
Total comprehensive (loss)/ income for the period		**-**	**68**	**-**	**(6,662)**	**(6,594)**
Transactions with owners of the company:						
Share based payments expenses	**8(b)**	**-**	**-**	**543**	**-**	**543**
Total transactions with owners		**-**	**-**	**543**	**-**	**543**
Balance at 30 June 2017		**109,118**	**(235)**	**4,312**	**(105,014)**	**8,181**

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

Quickstep Holdings Limited
Consolidated statement of cash flows
For the year ended 30 June 2017

	Notes	2017 $000	2016 $000
Cash flows from operating activities			
Cash receipts in course of operations		**50,515**	49,190
Interest received		**31**	83
Interest paid		**(74)**	(1,370)
Government and industry grants		**532**	460
Cash payments in the course of operations		**(50,910)**	(53,278)
Net cash from / (used in) operating activities	**9**	**94**	(4,915)
Cash flows from investing activities			
Acquisition costs of plant and equipment and intangible assets		**(4,437)**	(4,034)
Proceeds from government grant for capital	**7(b)**	**467**	622
Receipts from /(investment in) restricted cash and term deposit		**245**	(254)
Net cash (used in) investing activities		**(3,725)**	(3,666)
Cash flows from financing activities			
Net proceeds from issue of shares	**8(a)**	**-**	20,890
Proceeds from borrowings		**1,500**	-
Repayment of borrowings		**(1,250)**	(5,500)
Payment of borrowing costs		**(542)**	(329)
Finance lease payments		**(1)**	(8)
Net cash (used in) / from financing activities		**(293)**	15,053
Net (decrease) / increase in cash and cash equivalents		**(3,924)**	6,472
Cash and cash equivalents at the beginning of the financial year		**7,578**	1,170
Effects of exchange rate changes on cash and cash equivalents		**68**	(64)
Cash and cash equivalents at end of period	**6(a)**	**3,722**	7,578

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

1. Financial Reporting by Segments

The Group operates in the manufacturing of advanced carbon fibre composites.

The Company is managed as a whole and is considered to have a single operating segment. There is no further division of the Company or internal segment reporting used by the Directors, when making strategic decisions or resource allocation decisions.

Following a comprehensive strategy and operational review by the new CEO/Managing Director, the executive management team and the board, it was decided to realign the business to drive profitability and growth – under the '**OneQuickstep**' banner. The **OneQuickstep** program includes a revised organizational structure and leadership roles, productivity and efficiency improvements, refocused R&D investment and a focus on targeted business development and growth.

(a) Major customers

Approximately 94.9% (2016 93.1%) of revenue for the Group is attributable to the following customers

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

(b) Geographical information

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.

	2017 Revenue $000	**2017 Non-current assets $000**	2016 Revenue $000	2016 Non-current assets $000
Australia	**5,012**	**14,566**	644	12,798
Europe	**2,200**	**248**	984	285
Asia	**1,475**	**-**	-	-
United States of America	**43,228**	**-**	48,500	-
Total	**51,915**	**14,814**	50,128	13,083

2. Revenue

The Group derived the following type of revenue from continuing operations

	2017 $000	2016 $000
Sale of goods	**51,915**	50,128

Quickstep Holdings Limited
Notes to the consolidated financial statements
30 June 2017

3. Other income and expenses

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

	Notes	2017 $000	2016 $000
(a) Other income			
Grants received as revenue		**532**	460
(b) Other expenses			
Marketing expenses		**216**	199
Write off bad debt		**345**	-
Indirect taxes related to German operations		**-**	1,633
Loss on disposal of plant and equipment		**-**	183
		561	2,015
(c) Breakdown of expense by nature			
Employee benefit expenses	3(d)	**21,328**	21,467
Depreciation and amortisation		**2,239**	2,200
Operating lease expense		**2,527**	2,331
		26,094	25,998
(d) Employee benefits expenses			
Wages and salaries		**19,050**	19,710
Defined contribution plan expense		**1,536**	1,355
Increase in leave liabilities		**199**	288
Share based payments expense	8(b)	**543**	114
	3(c)	**21,328**	21,467
(e) Finance income and expense			
Finance income			
Interest income		**31**	83
Change in fair value of share option liability		**575**	925
Finance income	6(g)	**606**	1,008
Finance expenses			
Interest expense on liabilities measured at amortised cost		**(947)**	(3,137)
Foreign currency losses		**(546)**	(1,391)
Other expenses		**(75)**	(84)
Finance expense	6(g)	**(1,568)**	(4,612)
Net finance costs		**(962)**	(3,604)

4. Loss per share

The calculation of basic loss per share at 30 June 2017 was based on the loss attributable to ordinary shareholders of $6,662,000 (2016 $5,785,000) and a weighted average number (W.A.N.) of ordinary shares outstanding during the financial year ended 30 June 2017 of 562,538,761 (2016 495,782,664) calculated as follows:

	Note	**2017** Actual No.	**2017** W.A.N.	2016 Actual No.	2016 W.A.N.
Issued ordinary shares 1 July		**562,474,143**	**562,474,143**	397,873,501	397,873,501
Share issue		**-**	**-**	164,005,589	97,611,636
Shares issued under share based payments arrangements		**406,649**	**64,618**	595,053	297,527
Issued ordinary shares at 30 June	**8(a)**	**562,880,792**	**562,538,761**	562,474,143	495,782,664

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

	2017	2016
Weighted average number of ordinary shares (basic and diluted)	**562,538,761**	495,782,664
Basic and diluted loss cents per share	**(1.18)**	(1.17)

5. Income tax expense

(a) Income tax expense

	2017 $000	2016 $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

	2017	2016
Loss from continuing operations before income tax expense	**(6,662)**	(5,785)
Tax at the Australian tax rate of 30.0% (2016 - 30.0%)	**(1,999)**	(1,736)
Expenditure not allowable for income tax purposes	**100**	37
Effect of different tax rate for overseas subsidiaries	**213**	391
Income not assessable	**(173)**	(277)
Other	**21**	-
Deferred tax asset not brought to account	**1,258**	1,298
Prior year adjustment	**580**	287
Income tax expense	**-**	-

(c) Tax losses not bought to account

	2017	2016
The gross amount of unused tax losses for which no deferred tax asset has been recognised	**68,623**	64,247

Quickstep Holdings Limited
Notes to the consolidated financial statements
30 June 2017

5. Income tax expense (continued)

(d) Temporary differences not brought to account

	2017 $000	2016 $000
Deferred tax assets/(liabilities):		
Other provisions	**646**	630
Borrowing costs	**9**	14
Deductible capital raising costs	**251**	363
Property, plant and equipment	**1,804**	2,063
Intangibles	**208**	208
Deferred tax assets relating to temporary differences not recognised	**(2,918)**	(3,278)
	-	-

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.

(e) Tax consolidation legislation

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

6. Financial assets and financial liabilities

(a) Cash and cash equivalents

	2017 $000	2016 $000
Current assets		
Cash at bank and in hand	**3,722**	7,578

Cash and cash equivalents of $1,634,000 (2016 $7,533,000) have been pledged as collateral against a secured bank loan (refer Note 6(g)).

(b) Trade and other receivables

	2017 $000	2016 $000
Current assets		
Trade receivables	**4,756**	4,394
Other receivables		
Government grant receivable	**-**	77
GST and VAT receivables	**1,252**	276
Payroll tax refund receivable	**284**	292
Other	**-**	281
	6,292	5,320

Trade and other receivables of $5,914,000 (2016 $4,371,000) have been pledged as collateral against a secured bank loan (refer Note 6(g)).

6. Financial assets and financial liabilities (continued)

(c) Other financial assets

	2017 $000	2016 $000
Current assets		
Held to maturity term deposits	**718**	963

(d) Other assets

	2017 $000	2016 $000
Current assets		
Prepayments	**635**	365
Other	**-**	33
	635	398

(e) Trade and other payables

	2017 $000	2016 $000
Current liabilities		
Trade payables	**8,255**	4,728
Sundry payables and accrued expenses	**2,091**	2,468
	10,346	7,196

(f) Deferred revenue

	2017			2016		
	Current $000	**Non-current $000**	**Total $000**	Current $000	Non-current $000	Total $000
Deferred revenue	**4,220**	**682**	**4,902**	3,182	1,566	4,748

The amounts reported as 2017 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 September 2017.

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. Thales Australia Ltd - amount received in advance to support the setup costs including new tooling for a future sales order, income will be recognised by September 2017.

Quickstep Holdings Limited
Notes to the consolidated financial statements
30 June 2017

6. Financial assets and financial liabilities (continued)

(g) Loans and borrowings

	2017			2016		
	Current $000	Non-current $000	Total $000	Current $000	Non-current $000	Total $000
Secured bank loan (ii)	1,750	6,500	8,250	1,250	8,250	9,500
Capitalised interest facility (ii)	291	1,740	2,031	208	1,674	1,882
Accrued /(deferred) borrowing cost (ii)	97	-	97	-	(160)	(160)
Secured bank loan carrying amount	2,138	8,240	10,378	1,458	9,764	11,222
Short term facility-Efic (iii)	1,500	-	1,500	-	-	-
Newmarket share options at fair value (iv)	125	-	125	700	-	700
Finance lease liability	-	-	-	1	-	1
	3,763	8,240	12,003	2,159	9,764	11,923

(i) Term and debt repayment schedule

	Effective interest rate	Year of maturity	2017 Maximum facility value $000	2017 Carry amount $000	2016 Maximum facility value $000	2016 Carry amount $000
Secured bank loan	8.26	2021	10,000	8,250	10,000	9,500
Capitalised Interest	8.26	2021	3,333	2,031	3,333	1,882
Short term facility - Efic	7.85	2018	3,000	1,500	-	-
Finance lease liabilities	n/a	2017	-	-	n/a	1

(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 October 2021.

Interest will be capitalised until the maximum facility value of $3,333,000 is reached. At 30 June 2017 the interest facility has been drawn to $2,031,000 (2016 $1,882,000), The Company has paid in this financial year an amount of $208,000 (2016 $83,000).

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.

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 2017 is $31,208,000 (2016 $34,831,000) which represents the cash and cash equivalents, plant and equipment, inventory and other assets owned by Quickstep Technologies Pty Ltd.

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

- dispose of the Secured Property,
- lease or license the Secured Property or any interest in it, or deal with any existing lease or licence,
- part with possession of the Secured Property,
- waive any of the Chargor's rights or release any person from its obligations in connection with the Secured Property,
- 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 2017 is $83,271,000 (2016 $94,570,000) and its carrying value net of impairment is $43,892,000 (2016 $55,190,000).

6. Financial assets and financial liabilities (continued)

(g) Loans and borrowings (continued)

(iii) Short term facility – Efic

Quickstep Holdings Limited executed an Export Contract Loan (ECL) agreement with Efic on 28 June, 2017. This revolving loan facility is limited to $3,000,000 and each drawing under the facility will be due for repayment within 10 months of the drawdown date. The facility is in place to support additional working capital requirements related to growth of JSF deliveries.

The interest rate on the facility is a variable rate calculated as the sum of the Base Rate plus a margin of 4.85%, payable to Efic quarterly on funds drawn. Loan establishment fees of $31,500 were made during FY17 and have been recognised through the profit and loss as finance expense (Note 3). A commitment fee of 1.5%pa accrues from the date of the agreement and is payable to Efic quarterly.

(iv) Newmarket share options at fair value

Newmarket Financing Management Pty Ltd and Associates (Newmarket) holds 25,000,000 (2016 25,000,000) options to acquire ordinary shares in Quickstep. These options expire on 31 December 2018.

The options were revalued at 30 June 2017 to a fair value of 0.5 cents (2016 2.8 cents) per share or $125,000 (2016 $700,000). The gain of $575,000 (2016 $925,000) has been recognised through the profit and loss as finance income, refer Note 3.

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 2017
Award type	Options
Expiry date	31 December 2018
Share price at the valuation date	$0.0970
Exercise price	$0.1625
Contractual life	1.5 years
Risk free interest rate	1.70%
Volatility of QHL	40%
Dividend yield	0%

7. Non-financial assets and liabilities

(a) Inventories

	2017 $000	2016 $000
Current assets		
Raw materials and consumables	**6,136**	6,154
Work in progress	**3,920**	4,448
Finished goods	**543**	1,304
	10,599	11,906

Inventories of $9,791,000 (2016 $10,758,000) have been pledged as collateral against a secured bank loan (refer Note 6(g)).

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7. 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 1 July 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
Year ended 30 June 2017				
Opening net book amount	**9,670**	**3,144**	**244**	**13,058**
Additions	**174**	**4,198**	**1**	**4,373**
Government grant received	**(467)**	**-**	**-**	**(467)**
Transfers from assets under construction	**6,558**	**(6,560)**	**2**	**-**
Effect of movements in exchange rates	**(1)**	**-**	**-**	**(1)**
Amortisation of grant	**341**	**-**	**-**	**341**
Depreciation charge	**(2,428)**	**-**	**(123)**	**(2,551)**
Closing net book amount	**13,847**	**782**	**124**	**14,753**
At 30 June 2017				
Cost	**31,648**	**782**	**987**	**33,417**
Accumulated depreciation	**(17,801)**	**-**	**(863)**	**(18,664)**
Net book amount	**13,847**	**782**	**124**	**14,753**

Property, plant and equipment of $13,485,000 (2016 $11,950,000) have been pledged as collateral against a secured bank loan (refer to Note 6(g)).

(c) Employee benefit obligations

	2017 Current $000	Non-current $000	Total $000	2016 Current $000	Non-Current $000	Total $000
Liability for annual leave	**1,138**	**-**	**1,138**	950	-	950
Liability for long service leave	**-**	**210**	**210**	-	199	199
Total	**1,138**	**210**	**1,348**	950	199	1,149

8. Equity

(a) Share capital

	2017 Shares	2016 Shares	**2017 $000**	2016 $000
Ordinary shares - fully paid	**562,880,792**	562,474,143	**109,118**	109,1 18

(i) Movements in ordinary shares

	2017 Shares	2016 Shares	**2017 $000**	2016 $000
Opening balance	**562,474,143**	397,873,501	**109,118**	88,228
Issue of ordinary shares, net of costs	**-**	164,005,589	**-**	20,890
Shares issued under share based payments arrangements	**406,649**	595,053	**-**	-
Closing balance	**562,880,792**	562,474,143	**109,118**	109,118

During the year, the Company issued 406,649 (2016 595,053) 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:

	2017 No of options	2016 No of options
Opening balance	**25,000,000**	28,256,593
Options lapsed	**-**	(3,256,593)
Closing balance	**25,000,000**	25,000,000

These options do not entitle the holders to participate in any share issue of the Company or any other body corporate.
At 30 June 2017, details of unissued ordinary shares of the Company under option are:

Expiry date	**Exercise price**	**Number of options 2017**
31 December 2018	$0.1625	**25,000,000**

Further details regarding the 25,000,000 of options are set out in Note 6(g) (iv).

(iii) Rights

Movements in unissued shares under rights:

	2017 No of rights	2016 No of rights
Opening balance	**5,773,667**	5,449,313
Granted during the year	**6,116,592**	2,883,055
Rights vested	**(415,283)**	(415,282)
Rights forfeited/lapsed	**(415,283)**	(2,143,419)
Closing balance	**11,059,693**	5,773,667

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 Note 15.

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8. Equity (continued)

(b) Reserves

	Notes	Share- based payments $000	Foreign currency translation reserve $000	Total $000
Balance at 1 July 2015		3,655	(549)	3,106
Grant of rights to shares to key management personnel	15(d)	143	-	143
Grant of options to key management personnel	15(d)	8	-	8
Issue of shares to key management personnel	15(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
Balance at 1 July 2016		**3,769**	**(303)**	**3,466**
Grant of rights to shares to key management personnel	15(d)	**543**	**-**	**543**
Foreign currency on translation of a foreign operation		**-**	**68**	**68**
Balance at 30 June 2017		**4,312**	**(235)**	**4,077**

(c) Accumulated losses

	2017 $000	2016 $000
Balance at beginning of year	**(98,352)**	(92,567)
Net (loss) for the year	**(6,662)**	(5,785)
Balance at close of year	**(105,014)**	(98,352)

9. Cash flow information

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

	2017 $000	2016 $000
Loss for the year	**(6,662)**	(5,785)
Amortisation of intangibles	**29**	19
Depreciation and grant amortisation	**2,210**	2,181
Bad debt writeoff	**345**	-
Interest income	**-**	(83)
Share based payment expense	**543**	114
Loss on disposal of assets	**-**	183
Non-cash finance costs	**-**	2,676
Net foreign currency losses	**546**	332
Change in fair value of share option liability	**(575)**	(925)
Change in operating assets and liabilities:		
(Increase) in trade and other receivables	**(1,402)**	(186)
Decrease/(increase) in inventories	**1,307**	(5,924)
(Increase)/decrease in other current assets	**(152)**	130
Increase in trade and other payables	**2,604**	2,713
Increase in employee benefits	**199**	288
Increase/(decrease) in deferred revenue	**154**	(882)
Decrease in prepaid interest	**948**	234
Net cash from/(used in) operating activities	**94**	(4,915)

Quickstep Holdings Limited

10. 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:

	2017	2016
	$000	$000
Cash and cash equivalents	**3,722**	7,578
Held-to-maturity financial assets	**718**	963
Trade and other receivables	**6,292**	5,320
	10,732	13,861

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

	2017	2016
	$000	$000
Australia	**1,286**	1,408
Europe	**940**	347
USA	**4,066**	3,565
	6,292	5,320

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10. 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 18(c).

(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 2017							
Trade and other payables	**10,346**	**(10,346)**	**(10,346)**	**-**	**-**	**-**	**-**
Secured bank loan	**10,378**	**(12,226)**	**(1,039)**	**(1,331)**	**(2,953)**	**(6,903)**	**-**
Short term facility	**1,500**	**(1,618)**	**(59)**	**(1,559)**	**-**	**-**	**-**
Newmarket options	**125**	**-**	**-**	**-**	**-**	**-**	**-**
	22,349	**(24,190)**	**(11,444)**	**(2,890)**	**(2,953)**	**(6,903)**	**-**
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)

10. 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 $3,333,000 and interest will be accrued on the deferred amount. Interest is re-set on a monthly basis in accordance with the 30 days bank bill rate.

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

	2017	2016
	$000	$000
Fixed rate instruments		
Held-to-maturity term deposits (a)	**718**	963
Finance lease liabilities (b)	**-**	(1)
	718	962
Variable rate instruments		
Cash and cash equivalents (c)	**3,722**	7,578
Secured bank loan (d)	**(10,281)**	(11,382)
Short term facility agreement – Efic (e)	**(1,500)**	-
	(8,059)	(3,804)

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

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

Amount	**Interest rate**	**Maturity date**
$274,000	2.32%	28 August 2017
$324,000	2.21%	4 October 2017
$120,000	1.77%	4 September 2017

(b) The average interest rate applicable to the Group's finance leases is Nil (2016 8.397%).

(c) Cash includes funds held in short term deposits during the year, which earned a weighted average interest rate of 2.18% (2016 2.2%).

(d) The secured loan balance (inclusive of capitalised interest and excluding borrowing costs) incurs a variable rate of interest, inclusive of a base rate plus margin. The effective interest rate of this facility was 8.26% at 30 June 2017.

(e) The short term facility provided by Efic incurs a variable rate of interest inclusive of a base rate margin. The effective interest rate of this facility was 7.85% at 30 June 2017

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

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10. 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 as FY16.

	2017	2016
	$000	$000
Variable rate instruments - increase by 100 basis points	**(81)**	(40)
Variable rate instruments - decrease by 100 basis points	**81**	40
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 was as follows:

	2017	**2017**	2016	2016
	USD 000	**EUR 000**	USD 000	EUR 000
Receivables	**3,115**	**66**	2,634	232
Cash	**1,075**	**74**	4,442	4
Trade payables	**(3,321)**	**(59)**	(1,167)	(78)
	869	**81**	5,909	158

The following significant exchange rates applied have been applied:

	Average rate		**Year end spot rate**	
	2017	2016	**2017**	2016
AUD v USD	**0.7530**	0.7283	**0.7662**	0.7387
AUD v EUR	**0.6903**	0.6581	**0.6718**	0.6681

10. 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 as FY16.

	Profit or loss		**Equity, net of tax**	
	2017	2016	**2017**	2016
Index	**$000**	$000	**$000**	$000
US/AUD exchange rate - increase (10%)	**103**	699	**(103)**	(699)
US/AUD exchange rate - decrease 10%	**(126)**	(854)	**126**	854
EUR/AUD exchange rate - increase (10%)	**11**	22	**625**	1,080
EUR/AUD exchange rate - decrease 10%	**(13)**	(26)	**(768)**	(1,320)
	(25)	(159)	**(120)**	(85)

(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

All financial liabilities including Newmarket options are considered level 2 in the fair value hierarchy. The carrying value of liabilities considered level 2 approximates their fair value. During the year, there have been no transfers from levels in the fair value hierarchy.

11. Group entities

Name of entity	**Country of incorporation**	**Ownership interest**	
		2017	2016
		%	%
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

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12. 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:

	2017 $000	2016 $000
Property, plant and equipment	**784**	1,554

(b) Non-cancellable operating leases

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

	2017 $000	2016 $000
Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Less than one year	**2,253**	2,275
Between one and five years	**7,847**	9,004
More than five years	**-**	1,358
	10,100	12,637

13. Events occurring after the reporting period

On 1 August, 2017 the Company announced a number of changes to drive profitability and growth, following a comprehensive strategy and operational review by its new CEO and Managing Director, the executive management team and the Board. The updated strategy, **OneQuickstep**, includes a revised organizational structure and leadership roles, productivity and efficiency improvements, refocused R&D investment and a focus on targeted business development and growth. There have been no other significant events that have occurred since the end of the reporting period.

14. Related party transactions

(a) Key management personnel compensation

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

	2017 $000	2016 $000
Short-term employee benefits	**2,599**	3,063
Share-based payments	**371**	95
Termination benefits	**-**	481
	2,970	3,639

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.

The fair value of rights granted in the year is $304,622 (2016 $245,059). The total value of the rights is allocated to remuneration over the vesting period.

On 19 December 2016 Mr. J Douglas became a non-executive director of the Group. Mr. Douglas is also a director of Newmarket. Therefore at 30 June 2017 the Newmarket Options (Note 6(g)) are considered to be held by a related party.

15. Share based payments

(a) Quickstep Employee Incentive Plan (EIP) – plan ceased in FY16

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 ceased employment with Quickstep, as a result all options lapsed and this Plan has ceased to operate in FY16.

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

	2017		2016	
	No. of options	**WAEP**	No. of options	WAEP
As at 1 July	**-**	**$0.00**	3,256,593	$0.00
Lapsed during the year	**-**	-	(3,256,593)	
As at 30 June	**-**	**$0.00**	-	$0.00

During 2017 $Nil (2016 $8,000) 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 (capped at $1,000) 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 2017 executives had accrued rights pursuant to the IRP.

During 2017 an expense of $543,000 (2016 $143,000) 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. The model's key assumptions were as follows:

In relation to Deferred Rights

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

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15. Share based payments (continued)

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

In relation to Performance Rights

Tranche	2	3	FY15	FY15(a)	FY16	FY17
Grant date	16/02/15	16/02/15	31/08/14	19/02/15	01/06/16	01/03/17
First testing date	31/08/16	31/08/17	31/08/17	31/08/17	31/08/18	31/08/19
Expiry date	31/08/16	31/08/19	31/08/19	31/08/19	31/08/20	31/08/21
Share price at grant date	$0.20	$0.20	$0.185	$0.20	$0.14	$0.105
Exercise price	Nil	Nil	Nil	Nil	Nil	Nil
Expected life (years)	1.5	2.9	3.3	2.9	2.7	2.9
Risk free factor	1.87%	1.86%	2.69%	1.83%	1.65%	1.97%
Volatility of QHL	55%	55%	55%	55%	45%	40%
Volatility of AOAI	12%	12%	12%	12%	15%	13%
Dividend yield	0%	0%	0%	0%	0%	0%

(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 FY17 Nil (2016 179,771) shares were issued to employees.

(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:

	2017	2016
	$000	$000
Equity settled short term incentive	**-**	(37)
IRP, performance rights	**543**	143
EIP options	**-**	8
	543	114

16. Remuneration of auditors - KPMG

	2017 $	2016 $
Amounts received or due and receivable by the auditor KPMG for:		
Audit services	**205,000**	220,723
Other services		
Grant assurance		
NACC	**15,700**	-
Invest Victoria	**7,500**	-
Total non-audit fee	**23,200**	-
	228,200	220,723

17. Parent entity financial information

Summary financial information

As at, and throughout, the financial year ending 30 June 2017 the parent entity of the Group was Quickstep Holdings Limited.

	2017 $000	2016 $000
Results of the parent entity		
Profit /(loss) for the year	**1,073**	(21,599)
Total Comprehensive income	**1,100**	(21,599)
Financial position of the parent entity at year end		
Total assets	**2,854**	960
Total liabilities	**(2,612)**	(1,818)
Net assets / (liabilities)	**242**	(858)
Total equity of the parent entity comprises		
Share capital	**109,118**	109,118
Reserves	**4,767**	4,740
Accumulated losses	**(113,643)**	(114,716)
Total Equity	**242**	(858)

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18. 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.

(a) 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.

(b) 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 28 September 2017.

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 Note 18(c).

(c) Going concern

The Group has incurred a loss after tax for the year ended 30 June 2017 of $6,662,000 (2016 $5,785,000). The Group has net assets of $8,181,000 (2016 $14,232,000). Operating cashflow for the year was $94,000 after R&D investment of $5,492,000.

The loss reflects the ongoing investment by the business in R&D and lower margins from its operations due to the JSF program still being below 50% of future volumes, changed business mix, learning curve costs in the first year of vertical tails production and commissioning of the C-130J automated drilling equipment.

The existing cash position of the Group and the need to further support growth requirements, uncertainty associated with foreign exchange rate fluctuations on US$ denominated sales and commercialization of new technology has resulted in some risk as to the future cash flow of the Group being dependent on a combination of the following solutions:

- cost controls;
- delivering manufacturing efficiencies for existing programs;
- reduced R&D spend; and
- additional sources of debt funding.

18. Significant accounting policies (continued)

(c) Going concern (continued)

The going concern basis presumes that a combination of the above operational and funding solutions, as deemed appropriate by the Directors, will be achieved and that the realisation of assets and settlement of liabilities will occur in the normal course of business. Notwithstanding the confidence of the Directors, if the combined effect of the above solutions should not be wholly successful there is a material uncertainty as to whether the Group would continue as a going concern.

The Directors consider that there is a basis to expect the Group will be able to meet its commitments and accordingly, the financial report has been prepared on the basis of a going concern. The business announced a number of measures on 1 August 2017 under the **OneQuickstep** program which include a revised organizational structure and leadership roles, productivity and efficiency improvements, refocused R&D investment and a focus on targeted business development and growth

(d) 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, 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.

(e) Basis of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Quickstep Holdings Limited ("Company" or "parent entity") as at 30 June 2017 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.

(f) 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. The Company is managed as a whole and is considered to have a single operating segment. There is no further division of the Company or internal segment reporting used by management when making strategic or resource allocation decisions.

(g) 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.

Quickstep Holdings Limited
Notes to the consolidated financial statements
30 June 2017

18. Significant accounting policies (continued)

(g) Foreign currency translation (continued)

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.

(h) 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.

(i) 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.

18. Significant accounting policies (continued)

(j) 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.

(k) 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.

(l) 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.

Quickstep Holdings Limited
Notes to the consolidated financial statements
30 June 2017

18. Significant accounting policies (continued)

(l) Impairment of assets (continued)

Non-financial assets

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

Impairment losses are recognised in the statement of comprehensive income unless the asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation with any excess recognised through the statement of comprehensive income.

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

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

(m) 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

(n) 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%

18. Significant accounting policies (continued)

(o) 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

(p) 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 high quality corporate 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.

(q) 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.

(r) 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.

Quickstep Holdings Limited
Notes to the consolidated financial statements
30 June 2017

18. Significant accounting policies (continued)

(s) Goods and Services Tax (GST)

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

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

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

(t) 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.

(u) 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.

18. Significant accounting policies (continued)

(v) 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

(w) Impact of standards issued but not yet applied by the entity

AASB 9 Financial Instruments

AASB 9 Financial instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The standard is effective from 1 January 2018 but is available for early adoption. The Group has decided to adopt AASB 9 in FY19.

The Group does not expect the new guidelines to have a significant impact on the classification and measurement of its financial assets as debt instruments currently classified as held-to-maturity and measured at amortised cost, appear to meet the conditions for classification at amortised cost under AASB 9. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect financial liabilities that are designated at fair value through profit and loss and the Group does not have any such liabilities. The derecognition rules have been transferred from *AASB 139 Financial Instruments: Recognition and Measurement* and have not been changed.

The new hedge accounting rules do not apply as the Group currently do not have any hedged transactions.

The new impairment model requires the recognition of impaired provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under AASB 139. It applies to financial assets classified at amortised cost, contract assets under *AASB 15 Revenue from Contracts with Customers*, loan commitments and certain financial guarantee contracts. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosure about its financial instruments particularly in the year of the adoption of the new standard.

AASB 15 Revenue from contracts with customers

The AASB have issued a new accounting standard for the recognition of revenue. This will replace *AASB 118* which covers revenue arising from the sale of goods and the rendering of services and *AASB 111* which covers construction contracts.

The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer.

This standard permits either a full retrospective or a modified retrospective approach for the adoption. The standard is effective for the first interim period within annual reporting periods beginning after 1 January 2018. The Group has decided to adopt AASB 15 in FY19.

Management continue to determine the impact of the new standard.

Quickstep Holdings Limited
Notes to the consolidated financial statements
30 June 2017

18. Significant accounting policies (continued)

(w) Impact of standards issued but not yet applied by the entity (continued)

AASB 16 Leases

AASB 16 was issued in February 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and financial leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases.

The accounting for lessors will not significantly change.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable lease commitments of $10,100,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's loss and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under AASB 16.

This standard permits either a full retrospective or a modified retrospective approach for the adoption. The standard is effective for the first interim period within annual reporting periods beginning after 1 January 2019. The Group has decided to adopt AASB 16 in FY20.

19. 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.

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 Incentive Rights Plan (IRP) is measured using Monte Carlo Simulation. 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 IRP, market performance conditions attaching to the grant are taken into account in the Monte Carlo Simulation in determining fair value.

Loans and borrowings

The fair value of the Newmarket options (Note 6(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.

Directors' declaration

In the Directors' opinion:

(a) the financial statements and notes set out on pages xx to xx are in accordance with the *Corporations Act 2001*, including:

(i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professiona reporting requirements, and

(ii) giving a true and fair view of the consolidated entity's financial position as at 30 June 2017 and of its performance for the year ended on that date, and

(b) subject to the matters outlined in Note 18(c) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and

(c) the directors have been given the declarations required by section 295A of the *Corporations Act 2001* from the chief executive officer and chief financial officer for the financial year ended 30 June 2017.

(d) the directors confirm that the financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

Mr. M Burgess
Director

28 September 2017
Sydney, New South Wales

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 2017 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, 28 September 2017

Independent Auditor's Report

To the shareholders of Quickstep Holdings Limited

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Quickstep Holdings Limited (the Company).

In our opinion, the accompanying Financial Report of the Company is in accordance with the *Corporations Act 2001*, including:

- giving a true and fair view of the ***Group's*** financial position as at 30 June 2017 and of its financial performance for the year ended on that date; and
- complying with *Australian Accounting Standards* and the *Corporations Regulations 2001*.

The ***Financial Report*** comprises:

- Consolidated balance sheet as at 30 June 2017
- 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 then ended
- Notes including a summary of significant accounting policies
- Directors' Declaration.

The ***Group*** consists of the Company and the entities it controlled at the year-end or from time to time during the financial year.

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

KPMG

Material uncertainty related to going concern

We draw attention to Note 18(c) "Going Concern" in the financial report. The conditions disclosed in Note 18(c), indicate a material uncertainty exists that may cast doubt on the Group's ability to continue as a going concern and, therefore, whether it will realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in respect of this matter.

In concluding there is a material uncertainty related to going concern we evaluated the extent of uncertainty regarding events or conditions casting significant doubt in the Group's assessment of going concern. This included:

- Evaluating the underlying data used by management to derive forecast cash flows. We specifically considered the consistency of the underlying data with budgets and forecasts approved by the Directors and tested by us. We also considered the consistency of the underlying data with our understanding of the Group's intentions, as outlined in Directors minutes and strategy documents.
- Analysing the potential impact of reasonably possible changes in projected cash flows and their timing, to the projected periodic cash positions. Assessing the resultant impact on the ability of the Group to pay debts as and when they fall due and continue as a going concern. The specific areas we focused on were informed by the outcomes of testing the accuracy of previous Group cash flow projections and sensitivity analysis on key cash flow projection assumptions;
- Assessing the planned levels of operating and capital expenditures for consistency of relationships and trends to the Group's historical results, results since year end, and our understanding of the business, industry and economic conditions of the Group. We have also considered the ability of the Group to defer or cancel forecast uncommitted capital and research and development expenditure;
- Assessing significant non-routine forecast cash outflows by inspecting associated third party correspondence to consider the impact of possible changes on the quantum and timing of amounts to be paid on the cashflow projections;
- Assessing the Group's forecast of advance payments from customers. We checked assumptions of quantum and timing to customer correspondence and signed customer contracts, to assess their accuracy to the cashflow projections;
- Reading correspondence with existing financiers to understand and assess the options available to the Group including renegotiation of existing debt facilities and negotiation of additional or revised funding arrangements; and
- We evaluated the Group's going concern disclosures in the financial report by comparing them to our understanding of the matter, the events or conditions incorporated into the cash flow projection assessment, the Group's plans to address those events or conditions, and accounting standard requirements.

Key Audit Matters

Key Audit Matters are those matters that, in our professional judgment, were of most significance in our audit of the Financial Report of the current period.

These matters were addressed in the context of our audit of the Financial Report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In addition to the matter described in the *Material uncertainty related to going concern* section, we have determined the matter described below to be the Key Audit Matter.

Revenue recognition ($51.9m)	
Refer to Note 3 to the Financial Report	
The key audit matter	**How the matter was addressed in our audit**
The Group generates revenue through sale of goods. The Group also receives payments in advance of sale which result in deferred revenue being recognised. We focused on this as a key audit matter due to the significance of the quantum of revenue recognised combined with the large volume of transactions. This necessitated additional audit effort across the transactions	Our procedures included: • We evaluated the Group's process for revenue recognition and deferral of advanced payments in accordance with the accounting standards; • We tested a statistical sample of revenue transactions and checked recognition against underlying invoices to customers, customer signed dispatch dockets and the Group's revenue recognition policy; • We selected a sample of pre and post year end revenue transactions and checked the timing of revenue recognition against underlying invoices to customers, customer signed dispatch dockets and the Group's revenue recognition policy; • We selected a sample of post year end credit notes to assess the recognition of revenue in the appropriate period; • We selected a sample of advanced payment receipts from customers to check the deferral of revenue in accordance with the Group's revenue recognition policy.

Other Information

Other Information is financial and non-financial information in Quickstep Holdings Limited's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon, with the exception of the

Remuneration Report and our related assurance opinions.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- preparing the Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

A further description of our responsibilities for the audit of the Financial Report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_files/ar2.pdf. This description forms part of our Auditor's Report.

KPMG

Report on the Remuneration Report

Opinion

In our opinion, the Remuneration Report of Quickstep Holdings Limited for the year ended 30 June 2017, complies with *Section 300A* of the *Corporations Act 2001*.

Directors' responsibilities

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 responsibilities

We have audited the Remuneration Report included in pages 27 to 35 of the Directors' report for the year ended 30 June 2017.

Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with *Australian Auditing Standards*.

KPMG

KPMG

Cameron Slapp
Partner

Sydney, 28 September 2017

Quickstep Holdings Limited
Shareholder information
30 June 2017

The shareholder information set out below was applicable as at 31 August 2017.

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 2017:

Ordinary fully paid shares

Range	Holders	Units	%
1 - 1,000	439	104,222	0.02
1,001 - 5,000	944	3,157,497	0.56
5,001 - 10,000	894	7,305,321	1.30
10,001 - 100,000	2,949	114,120,257	20.27
100,001 - Over	774	438,193,495	77.85
Total	6,000	562,880,792	

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 $0.105 per share):

Holders	Units
1,199	2,235,122

E. Top holders

The 20 largest registered holders of each class of quoted security as at 31 August 2017 were:

Rank	**Holder Name**	**Securities**	**%**
1	Washington H Soul Pattinson And Company Limited	89,419,161	15.89
2	Deakin University	33,333,333	5.92
3	Farjoy PL	13,680,981	2.43
4	State One Stockbroking Pty Ltd	11,904,134	2.11
5	Romsup PL <Romadak S/F A/C>	8,812,430	1.57
6	HSBC Custody Nominees (Australia) Limited	7,797,256	1.39
7	Code Nom PL	7,207,580	1.28
8	Decta Holdings Pty Ltd <ND Graham Fam No 2>	6,788,904	1.21
9	WSF Pty Ltd <Woodstock S/F A/C >	6,305,793	1.12
10	Yarraandoo Pty Ltd <Yarraandoo S/F A/C>	3,509,933	0.62
11	Best Holding Pty Ltd	3,300,000	0.59
12	J P Morgan Nom Aust Ltd	3,217,389	0.57
13	Petia Super Pty Ltd <Full Circle S/F A/C>	3,021,183	0.54
14	Anacacia PL	3,012,430	0.54
15	Sols Super Pty Ltd	2,748,830	0.49
16	Hobson Cove PL	2,500,000	0.44
17	State One Holdings Pty Ltd	2,216,000	0.39
18	Zimmer Manfred	2,137,876	0.38
19	Peeters Richard Cornelis	2,120,000	0.38
20	Exwere Investments Pty Ltd	2,000,000	0.36
	Total	215,033,213	38.20

CORPORATE DIRECTORY

Directors

Mr. T H J Quick
Chair

Mr. M H Burgess
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

Principal Office

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Registered Office

Level 2,
160 Pitt Street
Sydney New South Wales 2000

Auditor

KPMG
Chartered Accountants
Tower3,
300 Barangaroo Avenue
Sydney Australia 2000

Share registry

Computershare Investor Services Pty Ltd
452 Johnston Street
Abbotsford Victoria 3067

Stock Exchange

Australian Securities Exchange Limited

Exchange Centre
20 Bridge Street
Sydney New South Wales 2000

ASX Code QHL

Quickstep Holdings Limited

ACN 096 268 156


VAC LINE
K-SEAL


Quickstep