

# Appendix 4E

## Preliminary Final Report to the Australian Securities Exchange

### Part 1

<b>Name of Entity</b>	<b>Quickstep Holdings Limited</b>
<b>ABN</b>	<b>55 096 268 156</b>
<b>Financial Period</b>	<b>Year ended 30 June 2020</b>
<b>Previous Corresponding Reporting Period</b>	<b>Year ended 30 June 2019</b>

### Part 2 – Results for Announcement to the Market

	<b>2020</b>	<b>2019</b>	<b>Percentage increase /(decrease) over previous corresponding period</b>
	<b>\$'000</b>	<b>\$'000</b>	
<b>Revenue from continuing operations</b>	<b>82,252</b>	<b>73,275</b>	12.3
<b>EBIT</b>	<b>4,576</b>	<b>3,863</b>	18.5
<b>Net Finance Costs</b>	<b>2,897</b>	<b>2,159</b>	34.2
<b>Profit / (loss) before income tax</b>	<b>1,679</b>	<b>1,704</b>	(1.5)
<b>Profit / (loss) after related income tax benefit</b>	<b>3,891</b>	<b>2,693</b>	44.5
<b>Profit / (loss) attributable to members of the parent entity</b>	<b>3,891</b>	<b>2,693</b>	44.5

<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>
<b>Final Dividend</b>	Nil	Nil
<b>Interim Dividend</b>	Nil	Nil
<b>Record date for determining entitlements to the dividends (if any)</b>	Not Applicable	

**Brief explanation of any of the figures reported above necessary to enable the figures to be understood:**

Please refer to the commentary included in the Annual Report attached.

### **Part 3 – Contents of ASX Appendix 4E**

<b>Section</b>	<b>Contents</b>
Part 1	Details of entity, reporting period
Part 2	Results for announcement to the market
Part 3	Contents of ASX Appendix 4E
Part 4	Details relating to dividends
Part 5	Net tangible assets per security
Part 6	Details of entities over which control has been gained or lost
Part 7	Financial position
Part 8	Subsequent events
Part 9	Audit status

#### Part 4 – Details Relating to Dividends

Date the dividend is payable	N/A
Record date to determine entitlement to the dividend	N/A
Amount per security	N/A
Total dividend	N/A
Amount per security of foreign sourced dividend or distribution	N/A
Details of any dividend reinvestment plans in operation	N/A
The last date for receipt of an election notice for participation in any dividend reinvestment plans	N/A

#### Part 5 – Net Tangible Assets per Security

	2020	2019
Net tangible asset backing per ordinary security	3.04 cents	3.10 cents

#### Part 6 – Details of Entities over Which Control has been Gained or Lost

N/A

#### Part 7– Financial Position

As at 30 June 2020 the Group had cash and deposits of \$ 2,408,000 of which \$718,000 was held in restricted term deposits, included in the financial statements as Term Deposits.

#### Part 8– Subsequent Events

There have been no events subsequent to balance date which would have a material effect on the Group's financial statements as at 30 June 2020.

#### Part 9 – Audit Status

This report is based on accounts to which one of the following applies: (Tick one)			
The accounts have been audited	<input checked="" type="checkbox"/>	The accounts have been subject to review	<input type="checkbox"/>
The accounts are in the process of being audited or subject to review	<input type="checkbox"/>	The accounts have not yet been audited or reviewed	<input type="checkbox"/>

**If the accounts have not yet been audited and are likely to contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.**

N/A

**If the accounts have been audited and contain an independent audit report that is subject to a modified opinion, emphasis of matter or other matter paragraph, a description of the modified opinion, emphasis of matter or other matter paragraph.**

N/A

28 August 2020 – Authorised by the Board

# **Quickstep Holdings Limited**

**Annual Report**

**for the year ending 30 June 2020**

# Directors' Report

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 2020. Throughout the report, the consolidated entity is referred to as the "Group" or "Quickstep".

## Directors

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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. M H Burgess  
Mrs. L Heywood

The following persons were appointed Directors of Quickstep Holdings Limited during the financial year and continue up to the date of this report:

Mrs. E Mannes was appointed a Director on 22 August 2019; Mr. P Largier was appointed a Director on 19 December 2019 and Air Vice Marshal K Osley (Ret'd) was appointed a Director on 11 June 2020.

Mr. B A Griffiths was a Director from the beginning of the financial year until his resignation on 30 August 2019.

Mr. J C Douglas was a Director from the beginning of the financial year until his resignation on 21 November 2019.

## Principal Activities

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During the year the continuing principal 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 the 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

## Review of Operations

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Total sales for the year ended 30 June 2020 were \$82.3 million (FY19 \$73.3 million) representing a 12% increase on the prior year. The increase is attributable to ongoing growth in Joint Strike Fighter (JSF) program volumes to full rate production and growing market share on the vertical tails contract. Total revenue from JSF was \$61.3 million (FY19 \$53.0 million) representing a 16% increase.

The \$4.6 million operating profit for FY20 is an improvement of \$0.7 million or 18% on the prior year including an improvement in gross profit of \$0.9 million partially offset by a modest increase in spend on Research and Development activities. The FY20 operating profit includes a \$0.5 million non-recurring restructure charge and \$0.6 million benefit from first time application of AASB 16 (lease accounting).

The FY20 net profit of \$3.9 million represents an improvement of \$1.2 million on FY19 comprising the \$0.7 million increase in operating profit, an increase in net financing costs of \$0.7 million (including \$1.3 million interest expense on lease liabilities recognised for the first time under AASB 16) and a \$2.2 million tax benefit.

# Directors' Report

## Review of Operations

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Net \$0.2 million cash from operating activities for FY20 was \$0.2 million unfavourable to that reported for FY19 noting a \$3.2 million reversal of deferred income on the C-130J contract during FY20 compared to a \$0.8 million increase in deferred income in FY19 – a turnaround of \$4.0 million. The deferred income reversal is now complete following transition to a new 5 year C-130J contract with cash receipts now closely aligned to deliveries. Capital expenditure of \$6.0 million (net of grants \$5.6 million) has been invested to provide new capability, particularly the flare housing manufacturing facility, increased capacity and improved operational efficiency.

Excluding the impact of lease liabilities coming on to the balance sheet with the implementation of AASB 16, net debt has increased by \$6.1 million to \$6.4 million since 30 June 2019 to fund the net \$5.6 million capital investment noted above and working capital needs associated with the reversal of deferred income on the C-130J contract. Total bank debt outstanding as at 30 June 2020 is \$8.8 million. Total debt also includes lease liabilities of \$18.0 million recognised for the first time under AASB 16.

## Dividends

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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 (2019 \$Nil).

## Significant Changes in the State of Affairs

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

## Events Since the end of the Financial Year

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No matter or circumstance has arisen since 30 June 2020 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

## Shares under Options

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There are Nil (2019 Nil) unissued ordinary shares of Quickstep Holdings Limited under option at the date of this report. No options were granted during the year and since the end of the financial year.

# Directors' Report

## Information on Directors

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

Mr. Tony H J Quick Independent Non-Executive Director - appointed 14 February 2013		
<b>Experience and expertise</b>	<p>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.</p> <p>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.</p> <p>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. 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.</p> <p>Mr. Quick was the Director of the Defence Industry Innovation Centre, Enterprise Connect from 2009 to 2011.</p>	
<b>Qualifications</b>	MA (Cantab)	
<b>Special responsibilities</b>	Chair of the board and Chair of the Remuneration, Nomination and Diversity Committee	
<b>Other current Directorships</b>	Chair of DMTC Ltd.	
<b>Interests in shares and options</b>	Ordinary shares in Quickstep Holdings Limited	922,533

Mr. Mark H Burgess CEO and Managing Director - appointed 18 May 2017		
<b>Experience and expertise</b>	<p>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.</p> <p>Mr Burgess has held leadership roles of increasing responsibility across Europe, USA, the Middle East and Asia Pacific.</p> <p>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.</p> <p>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.</p>	
<b>Qualifications</b>	Mark holds a degree in Politics and Economics from the University of Hull and has completed several post graduate studies in business and operations management.	
<b>Special responsibilities</b>	Chief Executive Officer	
<b>Interests in shares and options</b>	Ordinary shares in Quickstep Holdings Limited	3,595,837



# Directors' Report

## Information on Directors

Mrs. Leanne Heywood Independent Non-Executive Director - appointed 21 February 2019		
<b>Experience and expertise</b>	<p>Mrs Heywood joined the Quickstep board in February 2019 and brings experience as an ASX listed non-executive director, Audit and Risk committee and Nominations and Remuneration committee chair plus broad general management experience gained through an international career in the sales and distribution, mining, rural, government and not-for-profit sectors.</p> <p>Leanne has extensive international and domestic marketing experience and brings international customer relationship management, stakeholder management (including governments and investment partners) and team leadership experience in China, Japan, Mongolia, Singapore, South America, Europe and India.</p> <p>Leanne is an experienced leader of transformational change having lead organisational restructuring, disposals and acquisitions, including integration. She has strong skills across Marketing, Business Analysis, Contracts, Procurement, Logistics, Accounting and Business Improvement along with an advanced ability to facilitate complex negotiations.</p>	
<b>Qualifications</b>	Leanne holds an executive MBA from Melbourne Business School and a Bachelor of Business (majoring in Accounting) from Charles Sturt University. She is a graduate of the AICD International Company Directors Course and a member of CPA Australia.	
<b>Special responsibilities</b>	Chair of the Audit, Risk and Compliance Committee and member of the Remuneration, Nomination and Diversity Committee.	
<b>Other current Directorships</b>	<p>Leanne is a Non-Executive Director, Chair of the Audit Committee and member of the Nominations and Remuneration and Related Party committees for Orocobre, an ASX200 lithium Miner with operations in Argentina and a director of Midway Limited, an ASX woodfibre processor and exporter with operations in Australia, New Zealand and Asia.</p> <p>She is also a Director and Chair of the Nominations and Remuneration Committee for the Australian Meat Processor Corporation (AMPC).</p>	
<b>Interests in shares and options</b>	Ordinary shares in Quickstep Holdings Limited	83,478

Mrs. Elisabeth Mannes Independent Non-Executive Director - appointed 22 August 2019		
<b>Experience and expertise</b>	<p>Mrs Mannes joined the Quickstep board in July 2019, she is a highly experienced C-Suite executive with a career that has spanned both the fast-moving consumer and industrial goods industries.</p> <p>She has international and domestic general and operations management experience and is currently the Executive General Manager of CHEP Australia Limited - a wholly owned subsidiary of Brambles Limited (ASX:BXB).</p> <p>Lis brings global leadership skills and has a depth and breadth of experience in operational excellence and business transformations, including managing for growth. Prior to joining CHEP she was Executive General Manager of the Consumer and Industrial division of Pact Group Holdings (ASX:PGH), and previous to this she was Operations and Business Development Director of Tip Top, a division of George Weston Foods (GWF) - a wholly owned subsidiary of Associated British Foods (ABF.L). Her skill set includes Business Strategy, P&amp;L Management, Human Resources, Procurement and Operational Excellence. She also has a strong compliance focus with deep knowledge of the practice of Quality Assurance and Health &amp; Safety management.</p> <p>She was a founder board member of the National Association of Women in Operations (NAWO).</p>	
<b>Qualifications</b>	Lis is a Chartered Engineer (CEng) and a Fellow of the UK Institution of Mechanical Engineers (FIMechE). She holds an MBA, completed the AMP at INSEAD and is a Graduate of the AICD.	
<b>Special responsibilities</b>	Member of both the Remuneration, Nomination and Diversity Committee and the Audit, Risk and Compliance Committee.	
<b>Other current Directorships</b>	Lis is a director of AG Hicks Limited, a family business in the UK	
<b>Interests in shares and options</b>	Ordinary shares in Quickstep Holdings Limited – (held in spouse's name)	80,000

# Directors' Report

## Information on Directors

Mr. Patrick Largier Independent Non-Executive Director - appointed 19 December 2019		
<b>Experience and expertise</b>	<p>Mr Largier is an experienced non-executive director and has over 30 years' executive experience in the oil, chemicals and industrial sectors in Australia, the UK and South Africa.</p> <p>Prior to taking up non-executive director roles, he was Managing Director of Ludowici, an ASX-listed global specialist mining services company with operations across five continents. Over five years he led the company through a turnaround, followed by rapid international growth and the ultimate sale of the company to the Danish group FLSmidth in 2012. He then became Managing Director of FLSmidth Pty Limited for two years. Before this, Patrick spent 15 years in numerous business general manager roles at ICI and Orica's Plastics and Chemicals Groups. His final role in the company was on Orica's Group Executive team as General Manager - Strategy &amp; Acquisitions. Before emigrating to Australia in 1992, Patrick spent ten years with Shell in Cape Town and Shell International in London.</p> <p>Since 2014 he has focussed his energies on non-executive director roles. He is currently a non-executive director and chairman of several private, private equity and public unlisted companies.</p>	
<b>Qualifications</b>	Patrick has a Chemical Engineering degree (with honours) from the University of Cape Town and completed the Advanced Management Program (AMP) at Harvard in 2004. He is also a Graduate of the AICD.	
<b>Special responsibilities</b>	Nil	
<b>Other current Directorships</b>	Director of Murray Irrigation Ltd	
<b>Interests in shares and options</b>	Ordinary shares in Quickstep Holdings Limited	300,000

Air Vice Marshal Kym Osley(Ret'd) Independent Non-Executive Director - appointed 11 June 2020		
<b>Experience and expertise</b>	<p>Air Vice-Marshal Osley joined the Quickstep board in June 2020 and has over 43 years of Defence and aerospace experience including prior experience as the Program Manager of the Australian F-35 Joint Strike Fighter Program. Kym is currently a Managing Director in the international consulting firm of PricewaterhouseCoopers, working with Government and Defence clients.</p> <p>Kym has extensive international experience with Defence and aerospace industry gained through various Defence-related appointments in the UK and the US, and through his ongoing work as a Reservist officer promoting exports as a military specialist and leader in Team Defence Australia. He was awarded a Defence Industry Service Commendation by the Minister for Defence in 2019 for leading PwC teams that have been supporting future Defence capability planning since 2016.</p> <p>Earlier in his military career, Kym was an aviator who flew in F-111, Phantom and F-18 aircraft with the RAAF and USAF. He was awarded a Conspicuous Service Cross in 1997 and made a Member of the Order of Australia in 2008 for services to Defence.</p> <p>Kym is currently the Chair of the Australian Air Force Cadet Foundation and a Board Member of the PwC Global Government Defence Network that coordinates activities across more than 50 countries.</p>	
<b>Qualifications</b>	Kym is a graduate of the Harvard Business School (Advanced Management Program) and is a Fellow of the Centre for Defence and Strategic Studies. He has a Master of Arts (International Relations), Master of Defence Studies, a BSc (Physics) and a Graduate Diploma of Management Studies and is a Graduate of the AICD.	
<b>Special responsibilities</b>	Member of the Audit, Risk and Compliance Committee from 11 June 2020	
<b>Other current Directorships</b>	Nil	
<b>Interests in shares and options</b>	Ordinary shares in Quickstep Holdings Limited	Nil

# Directors' Report

## Information on Directors

Ms. Jillian McGregor Company Secretary - appointed 31 July 2020		
<b>Experience and expertise</b>	Ms. McGregor has approximately 20 years' experience as a corporate lawyer and 6 years' experience as a company secretary of ASX listed companies. She has regularly advised companies and directors on compliance with the Corporations Act 2001 (Ctb), ASX listing rules and other corporate legal matters.	
<b>Qualifications</b>	Ms. McGregor holds a Bachelor of Laws and Bachelor of Commerce (Merit) from the University of NSW and holds a Graduate Diploma of Applied Corporate Governance from the Governance Institute of Australia	
<b>Other current roles</b>	She is currently the Company Secretary of a number of ASX listed and unlisted companies in the financial services and information technology industries.	
<b>Interests in shares and options</b>	Ordinary shares in Quickstep Holdings Limited	Nil

## 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 Chair 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/wp-content/uploads/2019/06/359\\_QHL\\_RND\\_Committee\\_Charter\\_-\\_September\\_2014.pdf](http://www.quickstep.com.au/wp-content/uploads/2019/06/359_QHL_RND_Committee_Charter_-_September_2014.pdf)

<http://www.quickstep.com.au/wp-content/uploads/2019/11/Selection-and-Appointment-of-Directors-Policy-September-2019.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.

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 interests 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').

# Directors' Report

## Directors' Meetings

The numbers of meetings of the Company's board of Directors and of each board committee held during the financial year ended 30 June 2020, and the numbers of meetings attended by each Director were:

	Board Meetings		Audit, Risk and Compliance Committee Meetings		Remuneration, Nomination and Diversity Committee Meetings	
	Held	Attended	Held	Attended	Held	Attended
Mr. T H J Quick	18	18	-	-	4	4
Mr. M H Burgess	18	18	-	-	-	-
Mrs. L Heywood	18	18	4	4	4	3
Mrs. E Mannes	15	15	3	3	4	4
Mr. P Largier	10	10	-	-	-	-
AVM K Osley (Ret'd)	1	1	1	1	-	-
Mr. J C Douglas	8	8	2	2	-	-
Mr. B A Griffiths	4	4	1	1	-	-

## 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.

# Directors' Report

## Auditor's Independence Declaration

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

## Rounding of Amounts

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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

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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 August 2020.



**M H Burgess**  
Director  
Sydney, New South Wales

# Remuneration Report – Audited

The Directors present the Quickstep Holdings Limited 2020 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 (KMP) comprise the Directors of the company and the senior leadership team. KMP have authority and responsibility for planning, directing and controlling the activities of the Group.

The report includes details relating to:

### Executive Director

Mr. M H Burgess Chief Executive Officer and Managing Director

### Non-Executive Directors

Mr. T H J Quick Chair of Board and Chair of Remuneration, Nomination and Diversity Committee from 31 August 2019

Mrs. L Heywood Chair of Audit, Risk and Compliance Committee

Mrs. E Mannes

Mr. P Largier

AVM K Osley (Ret'd)

Mr. J C Douglas Retired 21 November 2019

Mr. B A Griffiths Chair of Remuneration, Nomination and Diversity Committee retired 30 August 2019

### Other Key Management Personnel

Mr. J Pinto Company Secretary to 31 July 2020

Ms. J McGregor Company Secretary from 31 July 2020

Ms. J E Courtney-Pitman Executive General Manager Human Resources

Mr. A J Tilley Chief Financial Officer

Mr. G Robinson Executive General Manager Operations

Mr. David Doral de la Pena Executive General Manager Engineering and Technology

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. Further information on the role of the committee is contained in the charter available at <http://www.quickstep.com.au/Investors-Media/Corporate-Governance>.

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

Compensation levels for KMP 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 value creation 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.

# 1. Principles of Compensation

The Group does not have any scheme relating to retirement benefits for its KMP other than superannuation 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.

## Short Term Incentive - Cash and equity settled short term incentive

KMP receive short-term incentives (STI) in cash and 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 performance. These targets include measures related to the annual performance of the Group and specific measures related to the activities of individual KMPs.

In FY20, a suite of Corporate KPIs were used, including three financial KPIs (weighting 40%), several KPIs relating to people and safety (weighting 20%), two growth and technology focused KPIs (weighting 20%) and a range of operational KPIs (weighting 20%). The weighting of corporate KPIs used in the determination of an executive's STI is 70% for KMP excluding the Chief Executive Officer and 100% for the Chief Executive Officer.

The RN&D Committee is responsible for assessing whether the Corporate 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 FY20 there was one financial and one safety threshold metric.

Actual performance is then assessed against both a target outcome and a stretch outcome. Where performance falls below the target outcome no payment is generally made against that KPI and where performance exceeds the stretch outcome the maximum stretch is payable. 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 are 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 FY20.

## Remuneration Report – Audited

# 1. Principles of Compensation

### 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 2019 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 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 FY20 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 AOA 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 AOA. If the AOA 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 AOA is also positive, then the following vesting scales will apply to all tranches:

Performance Level	Company's TSR Relative to AOA Movement of the Performance Period	Vesting %
Below Threshold	< Increase in the AOA	0%
Threshold	= Increase in the AOA	25% Pro-rata
	> 100% of AOA increase & < 110% of AOA increase	
Target	110% of AOA increase	50% Pro-rata
	> 110% of AOA increase & < 120% of AOA increase	
Stretch and Above	120% of AOA 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 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.



## Remuneration Report – Audited

# 1. Principles of Compensation

### Long Term Incentive - Quickstep Incentive Rights Plan (IRP)

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.

### Non-Executive Directors' Fees

Remuneration for all non-executive directors was approved at a board meeting on 19 October 2017. 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
Mrs. L Heywood	\$60,000	\$12,500
Mrs. E Mannes	\$60,000	\$5,000
Mr. P Largier	\$60,000	n/a
AVM K Osley(Ret'd)	\$60,000	\$2,500

### 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.

	2020	2019	2018	2017	2016
Profit / (loss) attributable to owners of the company (\$'000)	3,891	2,693	(2,891)	(6,662)	(5,785)
Dividends paid	\$nil	\$nil	\$nil	\$nil	\$nil
Operating income (\$'000)	82,252	73,275	59,036	51,915	50,128
Change in share price	(3.4)%	13%	(22.7%)	(25.4%)	(18.2%)
Return on capital employed	24.7%	18.4%	(22.8%)	(69.8%)	(15.3%)

Return on capital employed is calculated as profit/ (loss) before interest and tax (EBIT) divided by total assets, excluding deferred tax asset, less liabilities.

## Remuneration Report – Audited

# 1. Principles of Compensation

### 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 2017	Open	NES	12 months annual 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
Ms. J E Courtney-Pitman	30 March 2016	Open	NES	3 months of TFR and pro-rated annual bonus (at Board's discretion)	40	40
Mr. A J Tilley	25 June 2018	Open	NES	3 months of TFR and pro-rated annual bonus (at Board's discretion)	40	40
Mr. G Robinson	3 September 2018	Open	NES	3 months of TFR and pro-rated annual bonus (at Board's discretion)	40	40
Mr. D Doral de la Pena	20 May 2019	Open	NES	3 months of TFR and pro-rated annual bonus (at Board's discretion)	40	40

- (1) Short Term Incentive (STI) is determined on performance against 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 and shares, as a percentage of Total Fixed Remuneration (TFR). The KPIs include company financial objectives and growth, operational and people objectives including new contracts, technology development, project delivery and functional outcomes aligned to the annual business 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 TFR. This is the measure currently used in the IRP applicable to FY20.
- (3) NES refers to the National Employment Standard in the Fair Work Act (2009). Under section (3) (ss117-118) an employee is entitled to a minimum notice period depending on length of service and age.

## Remuneration Report – Audited

### 2. Details of Remuneration

The following tables detail the remuneration received by KMP of the Group for the current and previous financial year.

	Salary / Fees \$	STI (2) \$	SGC \$	Termination \$	LTI Rights (1) \$	Total \$
<b>Executive Directors</b>						
Mr. M H Burgess	478,997	85,000	21,003	-	186,180	771,180
<b>Non-Executive Directors</b>						
Mr. T H J Quick	126,000	-	-	-	-	126,000
Mrs. L Heywood	71,875	-	-	-	-	71,875
Mrs. E Mannes	54,395	-	5,167	-	-	59,562
Mr. P Largier	35,000	-	-	-	-	35,000
AVM K Osley(Ret'd)	2,950	-	280	-	-	3,231
Mr. J C Douglas	25,259	-	2,400	-	-	27,658
Mr. B A Griffiths	11,667	-	-	-	-	11,667
<b>Other KMPs</b>						
Mr. J Pinto	60,000	-	-	-	-	60,000
Ms. J McGregor (3)	-	-	-	-	-	-
Ms. J E Courtney-Pitman	253,997	52,283	21,003	-	60,751	388,034
Mr. A J Tilley	298,997	50,854	21,003	-	53,746	424,600
Mr. G Robinson	298,997	49,664	21,003	-	43,808	413,472
Mr. D Doral de la Pena	286,997	37,330	21,003	-	39,750	385,080

2019						
<b>Executive Directors</b>						
Mr. M H Burgess	479,469	176,900	20,531	-	212,256	889,156
<b>Non-Executive Directors</b>						
Mr. T H J Quick	126,000	-	-	-	-	126,000
Mr. J C Douglas	63,927	-	6,073	-	-	70,000
Mr. B A Griffiths	70,000	-	-	-	-	70,000
Mrs. L Heywood	22,573	-	2,144	-	-	24,717
<b>Other KMPs</b>						
Mr. J Pinto	60,000	-	-	-	-	60,000
Ms. J E Courtney-Pitman	254,469	76,496	20,531	-	49,128	400,624
Mr. A J Tilley	299,469	85,804	20,531	-	27,333	438,905
Mr. G Robinson (4)	208,182	57,482	10,265	-	19,133	295,062
Mr. D Doral de la Pena (4)	31,602	-	2,501	-	-	34,103
Mr. R L Mahon (5)	265,657	77,728	22,916	82,500	144,924	593,725

- (1) LTI rights include the accounting expense attributable to the current year under the IRP.
- (2) STI is comprised of an accrued current year bonus.
- (3) Ms J McGregor commenced employment on 31 July 2020 and received no remuneration in FY20.
- (4) Mr. G Robinson commenced employment on 3 September 2018 and Mr. D Doral de la Pena commenced employment on 20 May 2019.
- (5) Mr. R J Mahon ceased as a KMP on 19 May 2019 and left the company on 30 June 2019.

## Remuneration Report – Audited

### 3. Share Based Compensation

#### Long term Incentive - Quickstep Incentive Rights Plan (IRP)

At 30 June 2020 executives have accrued performance rights pursuant to the IRP. Movements in IRP rights during the year are set out below:

	Tranche refer Note	Grant date	FV per right at grant date (a)	First testing date	Balance at 30 June 2019 Number	Granted during the year (b) Number	Issued during the year Number	Balance at 30 June 2020 Number	Fair Value at grant date \$	Cum vesting level
Mr. M H Burgess	CEO 1	01/12/17	\$0.089	31/08/18	412,376	-	-	412,376	\$36,701	0%
Mr. M H Burgess	CEO 2	01/12/17	\$0.051	31/08/19	825,248	-	(825,248)	-	-	100%
Mr. M H Burgess	CEO 2	01/12/17	\$0.089	31/08/19	825,248	-	-	825,248	\$73,447	0%
Mr. M H Burgess	FY18	01/12/17	\$0.069	31/08/20	2,475,247	-	-	2,475,247	\$170,792	0%
Mr. M H Burgess	FY19	01/09/18	\$0.068	31/08/21	2,846,505	-	-	2,846,505	\$193,562	0%
Mr. M H Burgess	FY20	01/09/19	\$0.068	31/08/22	-	2,140,411	-	2,140,411	\$145,547	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%
Ms. J E Courtney-Pitman	FY18	01/12/17	\$0.069	31/08/20	495,050	-	-	495,050	\$34,158	0%
Ms. J E Courtney-Pitman	FY19	01/09/18	\$0.068	31/08/21	1,252,462	-	-	1,252,462	\$85,167	0%
Ms. J E Courtney-Pitman	FY20	01/09/19	\$0.068	31/08/22	-	941,781	-	941,781	\$64,041	0%
Mr A J Tilley	FY19	01/09/18	\$0.068	31/08/21	1,457,411	-	-	1,457,411	\$99,104	0%
Mr A J Tilley	FY20	01/09/19	\$0.068	31/08/22	-	1,095,890	-	1,095,890	\$74,520	0%
Mr. G Robinson	FY19	01/09/18	\$0.068	31/08/21	1,020,187	-	-	1,020,187	\$69,373	0%
Mr. G Robinson	FY20	01/09/19	\$0.068	31/08/22	-	1,095,890	-	1,095,890	\$74,520	0%
Mr. D Doral de la Pena	FY20	01/09/19	\$0.068	31/08/22	-	958,904	-	958,904	\$65,205	0%

(a) The fair value of rights granted was calculated using a Monte Carlo simulation analysis. Refer to Note E.4, for the model's key assumptions.

(b) The fair value of rights granted in the year is \$423,833 (2019 \$548,292). The total value of the rights is allocated to remuneration over the vesting period.

#### *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.

### 4. Analysis of Bonuses included in Remuneration

Details of the vesting profile of the short-term incentives 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)
<b>Executive Director</b>			
Mr. M H Burgess	<b>85,000</b>	<b>34</b>	<b>66</b>
<b>Other KMP</b>			
Ms. J E Courtney-Pitman	<b>52,283</b>	<b>48</b>	<b>52</b>
Mr. A J Tilley	<b>50,854</b>	<b>40</b>	<b>60</b>
Mr. G Robinson	<b>49,664</b>	<b>39</b>	<b>61</b>
Mr. D Doral de la Pena	<b>37,330</b>	<b>44</b>	<b>56</b>

- (1) STI is comprised of an accrued current year bonus.
- (2) The amounts lapsed are due to the Group performance, personal performance or service criteria being met in relation to the current financial year. not

# Financial Statements

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# Consolidated Statement of Profit or Loss and other Comprehensive Income

for the year ended 30 June 2020

	Notes	2020 \$000	2019 \$000
Revenue	B. 2	82,252	73,275
Cost of sales of goods		(64,961)	(56,907)
Gross profit		17,291	16,368
Other income		95	127
Research and development expenses		(2,303)	(2,158)
Business development expenses		(1,608)	(1,876)
Corporate and administrative expenses		(8,899)	(8,598)
<b>Profit from operating activities</b>		<b>4,576</b>	<b>3,863</b>
Finance income		18	24
Finance expenses		(2,915)	(2,183)
<b>Net finance costs</b>	C. 2	<b>(2,897)</b>	<b>(2,159)</b>
Profit before income tax		1,679	1,704
Income tax benefit	B. 5	2,212	989
<b>Profit for the year</b>		<b>3,891</b>	<b>2,693</b>
<b>Other comprehensive (loss) net of income tax</b>			
Item that may be reclassified to profit or loss			
Cash flow hedges		(184)	(96)
Exchange difference on translation of a foreign operation		(43)	(2)
Other comprehensive (loss) for the period, net of income tax		(227)	(98)
<b>Total comprehensive income for the year</b>		<b>3,664</b>	<b>2,595</b>
<b>Profit per share:</b>		<b>Cents</b>	<b>Cents</b>
Basic profit per share	B. 3	0.55	0.44
Diluted profit per share	B. 3	0.54	0.44

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

# Consolidated Balance Sheet

as at 30 June 2020

	Notes	2020 \$'000	2019 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	B. 4	1,690	7,333
Financial instruments	C. 3	-	143
Term deposits	C. 4	718	810
Trade and other receivables	D. 1	7,716	6,853
Prepayments and other assets		787	554
Inventories	D. 2	10,136	8,461
Contract assets	D. 4	9,556	9,832
<b>Total current assets</b>		<b>30,603</b>	<b>33,986</b>
<b>Non-current assets</b>			
Property, plant and equipment and intangibles	D. 5	32,996	14,848
Deferred tax asset	B. 5	3,201	989
<b>Total non-current assets</b>		<b>36,197</b>	<b>15,837</b>
<b>Total assets</b>		<b>66,800</b>	<b>49,823</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables		12,176	14,349
Provisions	C. 7	421	-
Financial instruments	C. 3	41	-
Loans and borrowings	C. 1	8,375	3,668
Contract liability	D. 3	-	3,160
Employee benefit obligations	E. 1	1,683	1,360
<b>Total current liabilities</b>		<b>22,696</b>	<b>22,537</b>
<b>Non-current liabilities</b>			
Loans and borrowings	C. 1	18,478	4,787
Provisions	C. 7	3,156	-
Employee benefit obligations	E. 1	734	461
<b>Total non-current liabilities</b>		<b>22,368</b>	<b>5,248</b>
<b>Total liabilities</b>		<b>45,064</b>	<b>27,785</b>
<b>Net assets</b>		<b>21,736</b>	<b>22,038</b>
<b>EQUITY</b>			
Share capital	C. 5	120,785	120,785
Reserves		6,007	5,318
Accumulated losses		(105,056)	(104,065)
<b>Total equity</b>		<b>21,736</b>	<b>22,038</b>

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



# Consolidated Statement of Changes in Equity

for the year ended 30 June 2020

	Share capital \$000	Foreign currency translation reserve \$000	Cash flow hedges reserve \$000	Share based payments \$000	Accumulated losses \$000	Total equity \$000
<b>2020</b>						
<b>Balance at 1 July 2019</b>	<b>120,785</b>	<b>(273)</b>	<b>143</b>	<b>5,448</b>	<b>(104,065)</b>	<b>22,038</b>
Adjustment on initial application of AASB 16 Refer Note F.6	-	-	-	-	(4,882)	(4,882)
<b>Adjusted balance at 1 July 2019</b>	<b>120,785</b>	<b>(273)</b>	<b>143</b>	<b>5,448</b>	<b>(108,947)</b>	<b>17,156</b>
Profit for the year	-	-	-	-	3,891	3,891
<b>Other comprehensive (loss)</b>						
Foreign currency translation difference for foreign operations	-	(43)	-	-	-	(43)
Effective portion of changes in fair value of cash flow hedges	-	-	(184)	-	-	(184)
<b>Total comprehensive income/ (loss) for the year</b>	<b>-</b>	<b>(43)</b>	<b>(184)</b>	<b>-</b>	<b>3,891</b>	<b>3,664</b>
Transactions with owners of the company:						
Share based payments expenses	-	-	-	916	-	916
<b>Balance at 30 June 2020</b>	<b>120,785</b>	<b>(316)</b>	<b>(41)</b>	<b>6,364</b>	<b>(105,056)</b>	<b>21,736</b>
<b>2019</b>						
<b>Balance at 1 July 2018</b>	<b>109,118</b>	<b>(271)</b>	<b>239</b>	<b>4,605</b>	<b>(107,905)</b>	<b>5,786</b>
Adjustment on initial application of AASB 15	-	-	-	-	1,147	1,147
<b>Adjusted balance at 1 July 2018</b>	<b>109,118</b>	<b>(271)</b>	<b>239</b>	<b>4,605</b>	<b>(106,758)</b>	<b>6,933</b>
Profit for the year	-	-	-	-	2,693	2,693
<b>Other comprehensive (loss)</b>						
Foreign currency translation difference for foreign operations	-	(2)	-	-	-	(2)
Effective portion of changes in fair value of cash flow hedges	-	-	(96)	-	-	(96)
<b>Total comprehensive income/ (loss) for the year</b>	<b>-</b>	<b>(2)</b>	<b>(96)</b>	<b>-</b>	<b>2,693</b>	<b>2,595</b>
Transactions with owners of the company:						
Share based payments expenses	-	-	-	843	-	843
Contributions of equity net of transaction costs	11,667	-	-	-	-	11,667
<b>Balance at 30 June 2019</b>	<b>120,785</b>	<b>(273)</b>	<b>143</b>	<b>5,448</b>	<b>(104,065)</b>	<b>22,038</b>

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

# Consolidated Statement of Cash Flows

for the year ended 30 June 2020

	Notes	2020 \$000	2019 \$000
<b>Cash flows from operating activities</b>			
Cash receipts in course of operations		79,259	68,098
Interest received		18	24
Interest paid		(2,011)	(759)
Other income		95	127
Cash payments in the course of operations		(77,184)	(67,127)
<b>Net cash from operating activities</b>	<b>B. 4</b>	<b>177</b>	<b>363</b>
<b>Cash flows from investing activities</b>			
Acquisition costs of plant and equipment and intangible assets		(6,002)	(5,101)
Proceeds from customer funding and government grants for capital works		397	2,895
Receipts from restricted cash and term deposit		91	-
<b>Net cash (used in) investing activities</b>		<b>(5,514)</b>	<b>(2,206)</b>
<b>Cash flows from financing activities</b>			
Proceeds from borrowings		9,400	5,250
Repayment of borrowings		(8,657)	(10,372)
Payment of lease liabilities		(934)	-
Payment of borrowing costs		(220)	(301)
Proceeds from issues of shares net of costs		-	11,667
<b>Net cash (used in) / from financing activities</b>		<b>(411)</b>	<b>6,244</b>
<b>Net (decrease) /increase in cash and cash equivalents</b>		<b>(5,748)</b>	<b>4,401</b>
Cash and cash equivalents at the beginning of the financial year		7,333	2,862
Effects of exchange rate changes on cash and cash equivalents		105	70
<b>Cash and cash equivalents at end of period</b>		<b>1,690</b>	<b>7,333</b>

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

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## A. About this Report

### Introduction

This is the financial report of Quickstep Holdings Limited (the “Company”) and its controlled entities (the “Group”).

The Company is domiciled in Australia and 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.

This is the first set of the Group’s Financial Statements in which *AASB 16 Leases* have been applied. Changes to significant accounting policies are described in Note F. 6.

### Materiality

Information is only included in the financial report to the extent that it has been considered material and relevant to the understanding of the financial statements. Factors that influence if a disclosure is material and relevant, include whether:

- the dollar amount is significant in size (quantitative factor)
- the dollar amount is significant by nature (qualitative factor)
- the Group’s results cannot be understood without the specific disclosure (qualitative factor)
- it is critical to allow a user to understand the impact of significant changes in the Group’s business during the period; and
- it relates to an aspect of the Group’s operations that is important to its future performance.

### 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 August 2020.

### Basis of Preparation

The financial statements have been prepared on the historical cost basis. These consolidated financial statements are presented in Australian dollars, which is the Group’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.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## A. About this Report

### Accounting Estimates and Judgements

The preparation of financial statements in conformity with AASBs requires management to make judgements, estimates and assumptions about future events.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies are described below:

### *Going concern*

The financial statements have been prepared on the going concern basis which contemplates the continuity of normal business activities and the realisation of assets and discharge of liabilities in the normal course of business.

The Group has generated a profit after tax for the year ended 30 June 2020 of \$3,891,000 (30 June 2019 \$2,693,000). The Group has net assets of \$21,736,000 (1 July 2019 \$17,156,000 after adopting AASB 16) and net current assets of \$7,907,000 (30 June 2019 \$11,449,000). Current loans and borrowings are \$8,375,000 (including lease liabilities of \$1,059,000) compared to 30 June 2019 \$3,668,000. Operating cash inflow for the year was \$177,000 (30 June 2019 \$363,000) including \$3,160,000 of deferred income reversal on the C-130J contract which is now complete. Customer receipts on the C-130J contract are now closely aligned to deliveries which improved cash flow in the second half of FY20.

Profitability and operating cash flow are both expected to improve over FY21 benefiting from an increase in profits on the back of contracted revenue growth, an ongoing focus on cost control and improved cash flow from the C 130J contract. During the year ended 30 June 2020 and until the date of this report the Group has not experienced any significant impacts due to the onset of the COVID-19 pandemic and has continued to operate without the need to curtail or lockdown operations. The forecast for FY21 does not include any expected changes in revenues, sales volumes or supply costs as a consequence of the pandemic as there is no indication that there will be a significant impact on the Group's continuing activities or operations at this time.

A \$6,000,000 short term working capital facility is in place with Export Finance Australia. The facility is available to draw upon until 26 May 2021 and is drawn to \$3,700,000 as at 28 August 2020.

The directors of Quickstep consider it appropriate that the Group will continue to fulfil all obligations as and when they fall due for the foreseeable future and accordingly consider that the Group's financial statements should be prepared on a going concern basis. Accordingly, no adjustments have been made to the financial report relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the Group not continue as a going concern.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## A. About this Report

### Significant Accounting Policies

The accounting policies have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by all entities in the Group. Other significant accounting policies are contained in the notes to the consolidated financial statements to which they relate.

#### *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 2020 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 parent entity. 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.

#### *Foreign currency translation*

Transactions, assets and liabilities denominated in foreign currencies are translated into Australian dollars at reporting date using the following exchange rates:

Foreign currency amount	Applicable exchange rate
Transactions	Date of transaction
Monetary assets and liabilities	Reporting date

Foreign exchange gains and losses resulting from translation are recognised in the Income Statement, except for qualifying cash flow hedges which are deferred to equity.

On consolidation, the assets, liabilities, income and expenses of foreign operations are translated into Australian dollars using the following applicable exchange rates:

Foreign currency amount	Applicable exchange rate
Income and expenses	Average monthly rate
Assets and liabilities	Reporting date
Equity and reserves	Historical date

Foreign currency differences resulting from translation 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.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## B. Business Performance

This section provides the information that is most relevant to understanding the financial performance of the Group during the financial year and, where relevant, the accounting policies applied, and the critical judgements and estimates made.

- B.1 Key Performance Measures**
- B.2 Segment Reporting**
- B.3 Profit per Share**
- B.4 Notes to Statement of Cash Flows**
- B.5 Income Tax Benefit**

### B.1 Key Performance Measures

The key performance measures for the year were:

	2020 \$000	2019 \$000
Revenue	82,252	73,275
EBITDA	8,250	5,815
EBIT before research and business development expenses	8,487	7,897
EBIT	4,576	3,863
Net profit	3,891	2,693

### Recognition and Measurement

#### Revenue

Under AASB 15 the Group has determined that for made-to-order parts, the customer controls all the work in progress as the products are being manufactured. This is because under those contracts, parts are made to a customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin. Therefore, revenue from these contracts and the associated costs are recognised over time – i.e. before the goods are delivered to the customers' premises. Invoices are issued according to contractual terms. Uninvoiced amounts are presented as contract assets.

To the extent to which amounts are received in advance of the provision of the related services, the amounts are recorded as contract liability and credited to the statement of comprehensive income as goods delivered.

#### Research and development expenses

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.

#### Government grants

Grants from the government that compensate the Group for expenses incurred are recognised in the profit and loss when funds are received, and the Group has complied with all grant conditions.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## B. Business Performance

### B.2 Segment Reporting

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.

#### 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.

	2020 \$000	2019 \$000
<b>Revenue:</b>		
United States of America	65,960	57,422
Australia	16,292	15,853
<b>Total</b>	<b>82,252</b>	<b>73,275</b>
<b>Non-current assets:</b>		
United States of America	-	-
Australia	36,197	15,837
<b>Total</b>	<b>36,197</b>	<b>15,837</b>

#### Program Information

	2020 \$000	2019 \$000
<b>Revenue:</b>		
Joint Strike Fighter	61,345	52,989
Other	20,907	20,286
<b>Total</b>	<b>82,252</b>	<b>73,275</b>

#### Major Customers

80.0% (2019 78.4%) of revenue for the Group is attributable to the following customers

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

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## B. Business Performance

### B.3 Profit per Share

The calculation of basic profit per share is based on the profit attributable to ordinary shareholders and a weighted-average number (WAN) of ordinary shares outstanding.

	2020 \$	2019 \$
Profit attributable to ordinary shareholders	<b>3,891,000</b>	2,693,000

  

	2020 Number	2019 Number
<b>Weighted average number of ordinary shares:</b>		
Shares at beginning of period	<b>710,307,982</b>	562,880,792
Shares issued during the year	<b>1,846,042</b>	42,825,750
<b>Weighted average number of shares used as the denominator in calculating basic earnings per share</b>	<b>712,154,024</b>	605,706,542
<b>Adjustment for calculation of diluted earnings per share</b>		
Under share based payment arrangements	<b>7,602,768</b>	4,306,407
<b>Weighted average number of shares used as the denominator in calculating diluted earnings per share</b>	<b>719,756,792</b>	610,012,949
<b>Basic profit cents per share</b>	<b>0.55</b>	0.44
<b>Diluted profit cents per share</b>	<b>0.54</b>	0.44

Rights granted under IRP which have passed their first testing date and 50% of FY20 STI are considered to be potential ordinary shares. They have been included in the determination of diluted earnings per share.



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## B. Business Performance

### B.4 Notes to Statement of Cash Flows

#### Cash and Cash Equivalents

	2020 \$000	2019 \$000
Cash at bank and in hand	1,690	7,333

#### Reconciliation of Net Profit to Net Cash Provided by Operating Activities

	2020 \$000	2019 \$000
Profit for the period	3,891	2,693
<b>Adjustments for:</b>		
ROU asset amortisation	1,579	-
Depreciation and amortisation	2,047	1,952
Share based payment expense	916	843
Net foreign currency losses	993	1,104
<b>Change in operating assets and liabilities:</b>		
(Increase) in trade and other receivables	(863)	(2,402)
(Increase)/decrease in prepayments and other assets	(233)	2
(Increase)/decrease in inventories	(1,675)	1,554
Decrease/(increase) in contract assets	276	(8,685)
(Increase) in deferred tax asset	(2,212)	(989)
(Decrease)/increase in trade and other payables	(1,821)	2,873
(Decrease)/increase in contract liability	(3,160)	766
(Increase) /decrease in prepaid interest	(157)	320
Increase in employee benefit obligations	596	332
<b>Net cash from operating activities</b>	<b>177</b>	<b>363</b>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## B. Business Performance

### B.5 Income Tax Benefit

#### Reconciliation of Income Tax Benefit

Numerical reconciliation of income tax benefit to prima facie tax payable is as follows:

	2020 \$000	2019 \$000
Profit from continuing operations	1,679	1,704
Tax expense at the Australian tax rate of 30% (2019 - 30.0%)	504	511
Expenditure not allowable for income tax purposes	324	157
Effect of different tax rate for overseas subsidiaries	4	10
Other	-	23
Deferred tax asset not brought to account	(4)	(10)
Temporary difference not previously recognised	150	1,157
Tax losses recognised	(3,190)	(2,837)
<b>Income tax benefit</b>	<b>(2,212)</b>	<b>(989)</b>
Current tax	-	-
Deferred tax	(2,212)	(989)

#### Tax Losses not brought to Account

	2020 \$000	2019 \$000
The gross amount of unused tax losses for which no deferred tax asset has been recognised	56,726	64,100

#### Temporary Differences not brought to Account

	2020 \$000	2019 \$000
<b>Deferred tax assets/(liabilities):</b>		
Other provisions	1,487	1,135
Borrowing costs	2	4
Deductible capital raising costs	886	964
Property, plant and equipment and intangibles	2,713	2,648
<b>Deferred tax assets relating to temporary differences not recognised</b>	<b>5,088</b>	<b>4,751</b>

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 it prudent to defer recognition until the Group generates consistently taxable income.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## B. Business Performance

### B.5 Income Tax benefit

#### Tax Consolidation Legislation

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

#### Recognition and Measurement

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##### *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 for the year, using tax rates enacted or substantially enacted at reporting date, and any adjustment to tax payable in respect of previous years.

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 nor 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.

The Group has recognised a deferred tax asset relating to previously unrecognised tax losses to the extent there are sufficient taxable temporary differences against which the unused tax losses can be utilised. Utilisation of tax losses also depends on the ability of the entity to satisfy certain tests at the time the losses are recouped. The recognised tax losses are subject to the shareholder continuity test.

As a result of improved profitability, the Group has reviewed previously unrecognised tax losses and determined that it was now probable that future taxable profits will be available against which the tax losses can be utilised. As a consequence, a deferred tax asset of \$3,190,000 was recognised for the year, of which \$978,000 has been offset against current year estimate of tax payable.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## C. Capital and Financial Risk Management

This section provides information relating to the Group's capital structure and its exposure to financial risks, how they affect the Group's financial position and performance and how the risks are managed.

- C.1 Loans and Borrowings**
- C.2 Finance Income and Finance Expenses**
- C.3 Financial Instruments**
- C.4 Financial Risk Management**
- C.5 Share Capital**
- C.6 Capital and other Commitments**
- C.7 Provisions**

### C.1 Loans and Borrowings

	2020			2019		
	Current \$000	Non- current \$000	Total \$000	Current \$000	Non- current \$000	Total \$000
Secured bank loan	2,957	-	2,957	2,957	2,957	5,914
Capitalised interest facility	492	1,505	1,997	492	1,830	2,322
Accrued borrowing cost	167	-	167	219	-	219
Secured bank loan carrying amount	3,616	1,505	5,121	3,668	4,787	8,455
Short term facility-EFA	3,700	-	3,700	-	-	-
Lease liabilities	1,059	16,973	18,032	-	-	-
	8,375	18,478	26,853	3,668	4,787	8,455

### Term and Debt Repayment Schedule

	Effective interest rate	Year of maturity	2020	2019
			Maximum facility value \$000	Maximum facility value \$000
Secured bank loan	4.69%	2021	10,000	10,000
Capitalised Interest	4.69%	2021	3,333	3,333
Short term facility	6.17%	2021	6,000	4,000

### 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 Australia (EFA) (formerly Export Finance and Insurance Corporation) (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. No further draw down of this facility can be made as the availability period has passed.

Interest will be capitalised until the maximum facility value of \$3,333,000 is reached. At 30 June 2020 the interest facility has been drawn to \$1,997,000 (2019 \$2,322,000). The Company has paid interest in this financial year an amount of \$492,000 (2019 \$353,000).

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 principal balance.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## C. Capital and Financial Risk Management

### C.1 Loans and Borrowings

#### Short term facility

Quickstep Holdings Limited executed an Export Contract Loan (ECL) agreement with EFA on 28 June, 2017 a variation deed dated 28 June 2019 and a further variation deed dated 25 February 2020. This revolving loan facility is limited to \$6,000,000 (2019 \$4,000,000) 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 and is available to be drawn up to 31 May 2021 with final repayment no later than 25 March 2022.

The interest rate on the facility is a variable rate calculated as the sum of the base rate plus a margin of 5.5%, payable to EFA quarterly on funds drawn. A commitment fee of 1.5%pa accrues from the date of the agreement and is payable to EFA quarterly.

#### Lease liabilities

The Group has initially applied AASB 16 at 1 July 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying AASB 16 is recognised in accumulated losses at the date of this initial application. See Note F.6. Following the adoption of AASB 16, the Group has presented lease liabilities within Loans and Borrowings.

#### Recognition and Measurement

##### *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.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## C. Capital and Financial Risk Management

### C.2 Finance Income and Finance Expenses

	2020 \$000	2019 \$000
<b>Finance income</b>		
Interest income	18	24
<b>Finance expenses</b>		
Interest expense on liabilities measured at amortised cost	(560)	(1,034)
Interest expenses leased liabilities	(1,294)	-
Foreign currency losses	(993)	(1,104)
Other expenses	(68)	(45)
<b>Finance expenses</b>	<b>(2,915)</b>	<b>(2,183)</b>
<b>Net finance costs</b>	<b>(2,897)</b>	<b>(2,159)</b>

#### Recognition and Measurement

##### *Finance income and finance expenses*

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

Finance expenses 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.

### C.3 Financial Instruments

	2020 \$000	2019 \$000
<b>Current (liability) / asset</b>		
Forward foreign exchange contracts – cash flow hedges	(41)	143

#### Recognition and Measurement

##### *Fair Value Measurement*

When a derivative is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative is recognised in Other Comprehensive Income and accumulated in the cash flow hedge reserve. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit and loss. The Group uses forward foreign exchange contracts to hedge its currency exposure risk in relation to sales in US dollars – all hedges have a maturity date less than 1 year from reporting date.

##### *Valuation of Financial Measurement – cash flow hedges*

Foreign currency forward contracts are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## C. Capital and Financial Risk Management

### C.4 Financial Risk Management

#### Overview

The Group has exposure to the following risks from its 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, its objectives, policies and processes for measuring and managing risk, and the management of capital. Further quantitative disclosures are included throughout these financial statements.

The Company's 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.

#### 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. The carrying amount of the Group's financial assets represents the maximum credit exposure.

#### *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 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.

#### *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.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## C. Capital and Financial Risk Management

### C.4 Financial Risk Management

#### *Exposure to credit risk*

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

	2020 \$000	2019 \$000
Australia	2,300	2,238
United States of America	5,416	4,615
	<b>7,716</b>	<b>6,853</b>

#### **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.

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

	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	Greater than 5 years \$000
<b>At 30 June 2020</b>							
Trade and other payables	12,597	(12,597)	(12,597)	-	-	-	-
Secured bank loan	5,121	(5,121)	(1,725)	(1,725)	(1,671)	-	-
Short term facility – EFA	3,700	(3,700)	(3,700)	-	-	-	-
Lease liabilities	18,032	(26,032)	(1,110)	(1,118)	(2,152)	(6,654)	(14,998)
	<b>39,450</b>	<b>(47,450)</b>	<b>(19,132)</b>	<b>(2,843)</b>	<b>(3,823)</b>	<b>(6,654)</b>	<b>(14,998)</b>
<b>At 30 June 2019</b>							
Trade and other payables	14,349	(14,349)	(14,349)	-	-	-	-
Secured bank loan	8,455	(8,608)	(1,725)	(1,725)	(3,450)	(1,708)	-
	<b>22,804</b>	<b>(22,957)</b>	<b>(16,074)</b>	<b>(1,725)</b>	<b>(3,450)</b>	<b>(1,708)</b>	<b>-</b>



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## C. Capital and Financial Risk Management

### C.4 Financial Risk Management

#### Market Risk

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

#### Interest rate risk

The Group 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 with interest to be accrued on any deferred amount. The applicable interest rate is re-set on a monthly basis in accordance with the 30 days bank bill rate.

The Group is exposed to interest rate risk pre-dominantly on cash balances and deposits and loans and borrowings. 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.

#### Profile

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

	2020 \$000	2019 \$000
<b>Fixed rate instruments</b>		
Held-to-maturity term deposits	718	810
<b>Variable rate instruments</b>		
Cash and cash equivalents	1,690	7,333
Secured bank loan	(5,121)	(8,455)
Short term facility agreement – EFA	(3,700)	-
	<b>(7,131)</b>	<b>(1,122)</b>

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

#### Held-to maturity term deposits

Amount	Interest rate	Maturity date
\$598,000	1.35%	4 October 2020
\$120,000	1.35%	4 October 2020

#### 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 FY19.

	2020 \$000	2019 \$000
Variable rate instruments - increase by 100 basis points	(70)	(9)
Variable rate instruments - decrease by 100 basis points	70	9

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## C. Capital and Financial Risk Management

### C.4 Financial Risk Management

#### 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), Great Britain Pounds (GBP) 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.

The Group's exposure to foreign currency risk at the end of the reporting period was as follows:

	2020 USD 000	2020 EUR 000	2020 GBP000	2019 USD 000	2019 EUR 000	2019 GBP000
Receivables	3,726	-	-	3,226	-	-
Cash	58	-	-	1,455	1	-
Trade payables	(2,921)	(48)	(182)	(3,361)	-	(154)
	863	(48)	(182)	1,320	1	(154)

The following significant exchange rates applied have been applied:

	Average rate		Year-end spot rate	
	2020	2019	2020	2019
AUD v USD	0.6936	0.7291	0.6879	0.6992
AUD v EUR	0.6204	0.6251	0.6114	0.6157
AUD v GBP	0.5537	0.5575	0.5559	0.5515

#### 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 FY19.

Index	Profit or loss		Equity, net of tax	
	2020 \$000	2019 \$000	2020 \$000	2019 \$000
US/AUD exchange rate - increase (10%)	(114)	(172)	(118)	(159)
US/AUD exchange rate - decrease 10%	139	210	144	194
GBP/AUD exchange rate - increase (10%)	30	25	-	-
GBP/AUD exchange rate - decrease 10%	(36)	(31)	-	-
EUR/AUD exchange rate - increase (10%)	-	-	897	879
EUR/AUD exchange rate - decrease 10%	-	-	(1,096)	(1,074)
	19	32	(173)	(160)

#### Fair Value Hierarchy

Financial assets and liabilities, including foreign currency hedges are considered level 2 in the fair value hierarchy. The carrying value of financial assets and liabilities carried at amortised costs, approximate their fair value. During the year, there have been no transfers between levels in the fair value hierarchy.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## C. Capital and Financial Risk Management

### C.5 Share Capital

#### 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.

#### Movements in Share Capital

	2020 Shares	2019 Shares	2020 \$000	2019 \$000
Opening balance	710,307,982	562,880,792	120,785	109,118
Shares issued under share based payments arrangements	3,127,321	1,147,525	-	-
Shares issued under a Share Placement and Share Purchase Plan	-	144,470,745	-	11,667
Shares issued to Quickstep Employee Exempt Share Plan	-	1,808,920	-	-
Closing balance	713,435,303	710,307,982	120,785	120,785

During the year, the Company issued 3,127,321 (2019 1,147,525) shares pursuant to share-based payment arrangements with certain key management personnel.

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.

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

There are Nil (2019 Nil) unissued ordinary shares of Quickstep Holdings Limited under option at the date of this report. No options were granted during the year and since the end of the financial year.

### C.6 Capital and other commitments

#### Capital Commitments

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

	2020 \$000	2019 \$000
Property, plant and equipment	574	2,355

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## C. Capital and Financial Risk Management

### C.6 Capital and other commitments

#### Other Commitments – Pledged as Collateral against 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 Australia (EFA) (formerly Export Finance and Insurance Corporation)(Guarantor) to fund certain capital expenditure. The subsidiary has provided EFA with a fixed and floating charge over the following:

	2020 \$000	2019 \$000
Cash and cash equivalents	1,683	6,500
Trade and other receivables	7,489	16,793
Inventories	9,870	8,359
Property, plant and equipment	13,639	13,216

Under this agreement, Quickstep Technologies Pty Ltd (Chargor) has agreed to the following restrictions on title on any of the assets over which EFA (Chargee) has a fixed charge. 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, or
- deal in any other way with the Secured Property or any interest in it, or allow any interest in it to arise or be varied.

Quickstep Holdings Limited has entered into a subordination agreement which subordinates certain intercompany debts due to it from Quickstep Technologies Pty Ltd to the amounts due under the Export Finance Facility.

### C.7 Provisions

	2020 \$000	2019 \$000
Restructuring costs - current	421	-
Make good provision – non-current	3,156	-
	3,577	-

Restructuring costs of \$421,000 were provided during the year to cover costs associated with a reduction in headcount. No provision in regards to restructuring costs was made in the prior year. Estimated restructuring costs represent expected employee termination payments and are based on a detailed plan agreed between management and employees. The restructuring plan is expected to be completed by 30 September 2020.

A make good provision has been recorded for the first time in the FY20 accounts in line with the introduction of AASB 16. Quickstep is required to restore all leased premises to their original condition at the end of the respective lease terms. A provision has been recognised for the present value of the estimated expenditure required to remove any leasehold improvements. These costs have been capitalised as part of the cost of leasehold improvements and are amortised over the term of the lease.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## D. Operating Assets and Liabilities

This section provides information relating to the operating assets and liabilities of the Group. Quickstep has a strong focus on maintaining a strong balance sheet through continued focus on cash conversion. The Group's strategy also considers expenditure, growth and acquisition requirements.

- D.1 Trade and Other Receivables**
- D.2 Inventories**
- D.3 Contract Liabilities**
- D.4 Contract Assets**
- D.5 Property, Plant and Equipment and Intangibles**

### D.1 Trade and Other Receivables

	2020 \$000	2019 \$000
<b>Current assets</b>		
Trade receivables	7,622	6,305
Other receivables	94	548
	<b>7,716</b>	<b>6,853</b>

All trade receivables are current.

### Recognition and Measurement

#### *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.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## D. Operating Assets and Liabilities

### D.2 Inventories

	2020 \$000	2019 \$000
<b>Current assets</b>		
Raw materials and consumables	9,868	8,445
Work in progress	268	3
Finished goods	-	13
	<b>10,136</b>	<b>8,461</b>

#### Recognition and Measurement

##### *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.

### D.3 Contract Liability

	2020 \$000	2019 \$000
<b>Current</b>	-	3,160

The amount reported as 2019 contract liability represents a 50% advance payment from Lockheed Martin Aeronautics Co for long lead time materials for C-130J wing flaps, which was recognised as income in FY20. No further advance payments have been received.

### D.4 Contract Assets

	2020 \$000	2019 \$000
<b>Current</b>	9,556	9,832

Under AASB 15 the Group has determined that for made-to-order parts, the customer controls all the work in progress as the products are being manufactured. This is because under those contracts, parts, are made to a customer's specification and if a contract is terminated by the customer, then the Group is entitled to reimbursement of the costs incurred to date, including a reasonable margin. Therefore, revenue from these contracts and the associated costs are recognised over time – i.e. before the goods are delivered to the customers' premises. Invoices are issued according to contractual terms. Uninvoiced amounts are presented as contract assets.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## D. Operating Assets and Liabilities

### D.5 Property, Plant and Equipment and Intangibles

	Plant and equipment \$000	Assets under construction \$000	Office furniture & equipment \$000	Intangibles and Software \$000	Right of Use Asset (ROU) and Make Good \$000	Total \$000
<b>June 2020</b>						
Opening net book amount	12,273	2,238	297	40	-	14,848
Initial adoption of AASB 16	-	-	-	-	17,129	17,129
Additions	25	4,906	-	-	-	4,931
Additions of new leases	-	-	-	-	108	108
Customer and government funding received	-	(397)	-	-	-	(397)
Transfers from assets under construction	2,136	(2,442)	3	303	-	-
Amortisation leases and make good	-	-	-	-	(1,576)	(1,576)
Amortisation of grant	406	-	-	-	-	406
Depreciation charge	(2,351)	-	(87)	(15)	-	(2,453)
<b>Closing net book amount</b>	<b>12,489</b>	<b>4,305</b>	<b>213</b>	<b>328</b>	<b>15,661</b>	<b>32,996</b>
<i>Cost</i>	<i>35,935</i>	<i>4,305</i>	<i>952</i>	<i>1,093</i>	<i>24,920</i>	<i>67,205</i>
<i>Accumulated depreciation</i>	<i>(23,446)</i>	<i>-</i>	<i>(739)</i>	<i>(765)</i>	<i>(9,259)</i>	<i>(34,209)</i>
<b>June 2019</b>						
Opening net book amount	12,520	574	143	20	-	13,257
Additions	-	6,401	-	35	-	6,436
Customer and government funding received	-	(2,895)	-	-	-	(2,895)
Transfers from assets under construction	1,618	(1,842)	224	-	-	-
Amortisation of grant	406	-	-	-	-	406
Depreciation charge	(2,271)	-	(70)	(15)	-	(2,356)
<b>Closing net book amount</b>	<b>12,273</b>	<b>2,238</b>	<b>297</b>	<b>40</b>	<b>-</b>	<b>14,848</b>
<i>Cost</i>	<i>33,774</i>	<i>2,238</i>	<i>949</i>	<i>790</i>	<i>-</i>	<i>37,751</i>
<i>Accumulated depreciation</i>	<i>(21,501)</i>	<i>-</i>	<i>(652)</i>	<i>(750)</i>	<i>-</i>	<i>(22,903)</i>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## D. Operating Assets and Liabilities

### D.5 Property, Plant and Equipment and Intangibles

#### Recognition and Measurement

##### *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 Asset	Depreciation Rates
Plant and factory equipment	4% to 51%
Office equipment	3% to 52%

##### *Impairment*

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. 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.



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## E. Employee Benefits

This section provides a breakdown of the various programs Quickstep uses to reward and recognise employees and Key Management Personnel (KMP). Quickstep believes that these programs reinforce the value of ownership and incentives and drive performance both individually and collectively to deliver better returns to shareholders.

- E.1 Employee Benefit Obligations**
- E.2 Employee Benefit Expense**
- E.3 Related Party Transactions**
- E.4 Quickstep Incentive Rights Plan (IRP)**
- E.5 Equity Settled Short Term Incentive**

### E.1 Employee Benefit Obligations

	2020 \$000	2019 \$000
Employee benefit obligation		
- Annual leave (current)	1,683	1,360
- Long service leave (non-current)	734	461
	<b>2,417</b>	<b>1,821</b>

#### Recognition and Measurement

##### *Long service leave*

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.

### E.2 Employee Benefit Expense

	2020 \$000	2019 \$000
Wages and salaries	24,675	21,263
Defined superannuation contribution expense	2,041	1,963
Increase in leave liabilities	596	332
Share based payments expense	916	843
	<b>28,228</b>	<b>24,401</b>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## E. Employee Benefits

### E.2 Employee Benefit Expense

#### Recognition and Measurement

##### *Wages and salaries*

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 employees' 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 is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

##### *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.

### E.3 Related Party Transactions

#### Key Management Personnel Compensation

The key management personnel compensation included in "Employee benefit expense" in Note E.2 is as follows:

	2020 \$000	2019 \$000
Short-term employee benefits	2,393	2,549
Share-based payments	384	453
Termination benefits	-	83
	<b>2,777</b>	<b>3,085</b>

The total value of the rights is allocated to remuneration over the vesting period.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## E. Employee Benefits

### E.4 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. In 2015 the Board adopted Revised Rules for the IRP to ensure the IRP continued to reflect market practice and remained appropriate for the Company. These Revised Rules were approved by shareholders at the Company's 2015 Annual General Meeting.

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

During 2020 an expense of \$916,000 (2019 \$843,000), refer Note B.4 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 CEO Performance Rights

Tranche	CEO Transition 1
Grant date	01/12/17
First testing date	31/08/18
Expiry date	31/08/20
Share price at grant date	\$0.089
Expected life (years)	0.7
Risk free factor	1.66%
Volatility of QHL	40%
Volatility of AOAI	12%
Dividend yield	0%

#### In Relation to Performance Rights

Tranche	FY16	FY17	FY18	FY19	FY20
Grant date	01/06/16	01/03/17	01/12/17	01/09/18	01/09/19
First testing date	31/08/18	31/08/19	31/08/20	31/08/21	31/08/22
Expiry date	31/08/20	31/08/21	31/08/22	31/8/23	31/08/24
Share price at grant date	\$0.14	\$0.105	\$0.089	\$0.091	\$0.11685
Expected life (years)	2.7	2.9	3.1	3.3	3.3
Risk free factor	1.65%	1.97%	1.93%	2.03%	1.04%
Volatility of QHL	45%	40%	40%	40%	50%
Volatility of AOAI	15%	13%	12%	12%	12%
Dividend yield	0%	0%	0%	0%	0%

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## E. Employee Benefits

### E.4 Quickstep Incentive Rights Plan (IRP)

#### Rights

Movements in unissued shares under rights:

	2020 No of rights	2019 No of rights
Opening balance	24,491,718	16,786,876
Granted during the year	7,452,427	10,890,691
Rights vested	(825,248)	(412,376)
Rights forfeited/lapsed	-	(2,773,473)
Closing balance	31,118,897	24,491,718

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.

### E.5 Equity Settled Short Term Incentive

Certain executives are eligible to receive short term incentives (STI) in cash and 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 FY20 2,302,073 (2019 735,149) shares were issued to employees.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## F. Other Disclosures

This section provides details on other required disclosures relating to the Group to comply with the accounting standards and other pronouncements.

- F.1 Group Entities**
- F.2 Parent Entity Financial Information**
- F.3 Deed of Cross Guarantee**
- F.4 Auditors' Remuneration**
- F.5 Subsequent Events**
- F.6 Changes to Significant Accounting Policies**
- F.7 New Accounting Standards not yet adopted**

### F.1 Group Entities

Name of entity	Country of Incorporation	Ownership Interest	
		2020 %	2019 %
<b>Parent entity</b>			
Quickstep Holdings Limited	Australia		
<b>Controlled entities</b>			
Quickstep Technologies Pty Limited *	Australia	100	100
Quickstep Systems Pty Limited *	Australia	100	100
Quickstep GmbH	Germany	100	100
Quickstep Automotive Pty Limited *	Australia	100	100
Quickstep Aerospace Pty Limited *	Australia	100	100
Quickstep USA Inc.	USA	100	100

\* Companies entered into deed of cross guarantee with Quickstep Holdings Limited.

### F.2 Parent Entity Financial Information

As at, and throughout, the financial year ending 30 June 2020 the parent entity of the Group was Quickstep Holdings Limited.

	2020 \$000	2019 \$000
<b>Results of the parent entity</b>		
(Loss) for the year	(2,608)	(5,032)
Total Comprehensive (loss)	(2,608)	(5,032)
<b>Financial position of the parent entity at year end</b>		
Total assets	7,585	2,977
Total liabilities	(4,975)	(2,843)
Net assets	2,610	134
<b>Total equity of the parent entity comprises</b>		
Share capital	120,785	120,785
Reserves	6,942	6,119
Accumulated losses	(125,117)	(126,770)
Total equity	2,610	134

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## F. Other Disclosures

### F.3 Deed of Cross Guarantee

Under the terms of ASIC Corporations (Wholly owned Companies) Instrument 2016/785, certain wholly owned controlled entities have been granted relief from the requirement to prepare audited financial reports. Quickstep Holdings Limited has entered into an approved deed of indemnity for the cross-guarantee of liabilities with those controlled entities in Note F.1.

The following consolidated Statement of Comprehensive Income and Balance Sheet comprise Quickstep Holdings Limited and its controlled entities which are party to the Deed of Cross Guarantee (refer Note F.1), after eliminating all transactions between parties to the Deed.

	2020 \$000	2019 \$000
<b>Statement of Profit and other Comprehensive Income</b>		
<b>Revenue</b>	<b>82,252</b>	73,275
<b>Profit before income tax</b>	<b>1,710</b>	1,778
Income tax benefit	2,212	989
<b>Profit for the year</b>	<b>3,922</b>	2,767
Other comprehensive (loss)		
Items that might be reclassified to profit or loss		
Cash flow hedges	(184)	(96)
<b>Total comprehensive income for the year</b>	<b>3,738</b>	2,671
<b>Balance Sheet</b>		
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	1,690	7,276
Financial instruments	-	143
Term deposits	718	810
Trade and other receivables	7,716	6,851
Contract asset	9,556	9,832
Prepayments and other assets	732	518
Inventories	10,136	8,461
<b>Total current assets</b>	<b>30,548</b>	33,891
<b>Non-current assets</b>		
Property, plant and equipment and intangibles	32,996	14,848
Deferred tax asset	3,201	989
<b>Total non-current assets</b>	<b>36,197</b>	15,837
<b>Total assets</b>	<b>66,745</b>	49,728
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Trade and other payables	10,771	12,998
Provisions	421	-
Loans and borrowings	8,375	3,668
Financial instruments	41	-
Contract liability	-	3,160
Employee benefit obligations	1,683	1,360
<b>Total current liabilities</b>	<b>21,291</b>	21,186
<b>Non-current liabilities</b>		
Loans and borrowings	18,478	4,787
Provisions	3,156	-
Employee benefit obligations	734	461
<b>Total non-current liabilities</b>	<b>22,368</b>	5,248
<b>Total liabilities</b>	<b>43,659</b>	26,434
<b>Net assets</b>	<b>23,086</b>	23,294
<b>EQUITY</b>		
Share capital	120,785	120,785
Reserves	6,994	6,260
Accumulated losses	(104,693)	(103,751)
<b>Total equity</b>	<b>23,086</b>	23,294

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## F. Other Disclosures

### F.4 Auditor's Remuneration

Amounts received or due and receivable by the auditor KPMG for:

	2020 \$	2019 \$
<b>Audit services</b>	<b>221,400</b>	216,000
<b>Other services</b>		
Grant assurance	-	9,000
Accounting and tax services	-	11,745
<b>Total non-audit fee</b>	<b>-</b>	<b>20,745</b>
	<b>221,400</b>	<b>236,745</b>

### F.5 Subsequent Events

There have been no matters or circumstances that have arisen since 30 June 2020 up to the date of this report that would significantly affect:

- the operations of the Consolidated Entity;
- the results of those operations; and
- the state of affairs of the Consolidated Entity.

### F.6 Changes to Significant Accounting Policies

Except as described below, the accounting policies applied in these consolidated financial statements are the same as those applied in the Group's consolidated financial statements as for the year ended 30 June 2019.

The Group has initially adopted AASB 16 Leases effective from 1 July 2019. A number of other new standards are effective from 1 July 2019, but they do not have a material effect on the Group's financial statements.

#### AASB 16 Leases

AASB 16 introduced a single, on-balance sheet accounting model for leases, as a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in accumulated losses at 1 July 2019. Accordingly, the comparative information presented for FY19 has not been restated – i.e. it is presented, as previously reported, under AASB 117 and related interpretations. There are recognition exemptions for short-term leases and leases of low-value items.

The adjustment for AASB 16 has a positive impact on EBITDA as the costs of operating leases (previously recognised as part of EBIT expensed over the term of the lease) will now be excluded from EBITDA as lease costs will be recognised separately in depreciation (for the right of use assets) while interest on lease liabilities will be disclosed as part of financing costs.

On adoption of AASB 16, the Group recognised lease liabilities in relation to leases which had been previously classified as 'Operating Leases' under the principles of AASB 117 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as at 1 July 2019. The weighted average incremental borrowing rate applied to the lease liability on 1 July 2019 was 6.88%.

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## F. Other Disclosures

### F.6 Changes to Significant Accounting Policies

#### AASB 16 Leases

In applying AASB 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- applying a single discount rate to a portfolio of leases that have reasonably similar characteristics
- relying on previous assessments on whether leases are onerous as an alternative to performing an impairment review – there were no onerous contracts as at 1 July 2019
- accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases
- excluding initial direct costs for the measurement of the right-of-use asset at the date of initial application
- using hindsight in determining the lease term where the contract contains options to extend or terminate the lease

The Group has also elected not to reassess whether a contract is, or contains a lease at the date of initial application. Instead, for contracts entered into before the transition date the Group relied on its assessment made by applying AASB 117 and Interpretation 4 Determining whether an Arrangement contains a Lease.

The Group leases assets including properties, production equipment and IT equipment.

As a lessee, the Group previously classified leases as operating leases or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, the Group recognises right-of-use assets and lease liabilities for most leases – i.e. these leases are on-balance sheet.

However, the Group has elected not to recognise right-of-use assets and lease liabilities of low value assets. The Group recognises the lease payments associated with these leases as an agreed expense on a straight line basis over the term of the lease.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average applied is 6.88%.

	1 July 2019 \$000
Operating lease commitments at 30 June 2019 as disclosed under AASB 117 in the Group's consolidated financial statements	7,901
Discounted using the incremental borrowing rate	6,877
Recognition exemption for leases with less than 12 months of lease terms at transition	(38)
Extension options reasonably certain to be exercised	12,048
Lease liabilities recognised at 1 July 2019	18,887



# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## F. Other Disclosures

### F.6 Changes to Significant Accounting Policies

#### AASB 16 Leases

The following table summarises the impact, net of tax, of transition to AASB 16 on the consolidated balance sheet as at 1 July 2019.

#### Impact on Opening Consolidated Balance Sheet at 1 July 2019

	June 2019 As reported \$000	Impact of adopting AASB 16 \$000	1 July 2019 opening \$000
<b>ASSETS</b>			
<b>Total current assets</b>	<b>33,986</b>	-	33,986
<b>Non-current assets</b>			
Property, plant and equipment	14,808	17,129	31,937
Intangibles	40	-	40
Deferred tax asset	989	-	989
<b>Total non-current assets</b>	<b>15,837</b>	17,129	32,966
<b>Total assets</b>	<b>49,823</b>	17,129	66,952
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14,349	-	14,349
Loans and borrowings	3,668	934	4,602
Contract liability	3,160	-	3,160
Employee benefit obligations	1,360	-	1,360
<b>Total current liabilities</b>	<b>22,537</b>	934	23,471
<b>Non-current liabilities</b>			
Loans and borrowings	4,787	17,953	22,740
Provisions	-	3,124	3,124
Employee benefit obligations	461	-	461
<b>Total non-current liabilities</b>	<b>5,248</b>	21,077	26,325
<b>Total liabilities</b>	<b>27,785</b>	22,011	49,796
<b>Net assets</b>	<b>22,038</b>	(4,882)	17,156
<b>EQUITY</b>			
Share capital	120,785	-	120,785
Reserves	5,318	-	5,318
Accumulated losses	(104,065)	(4,882)	(108,947)
<b>Total equity</b>	<b>22,038</b>	(4,882)	17,156

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## F. Other Disclosures

### F.6 Changes to Significant Accounting Policies

#### AASB 16 Leases

The following tables summarises the impact of adopting AASB 16 on the Group's consolidated balance sheet as at 30 June 2020 and its consolidated statement of profit or loss and other comprehensive income and its consolidated cash flows for the year then ended.

#### Impact on Consolidated Balance Sheet as at 30 June 2020

	June 2020 As reported \$000	Impact of adopting AASB 16 \$000	June 2020 without adoption of AASB 16 \$000
<b>ASSETS</b>			
<b>Total current assets</b>	<b>30,603</b>	-	30,603
<b>Non-current assets</b>			
Property, plant and equipment	32,996	15,661	17,335
Deferred tax asset	3,201	-	3,201
<b>Total non-current assets</b>	<b>36,197</b>	15,661	20,536
<b>Total assets</b>	<b>66,800</b>	15,661	51,139
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12,176	14	12,162
Provisions	421	-	421
Financial instruments	41	-	41
Loans and borrowings	8,375	1,059	7,316
Employee benefit obligations	1,683	-	1,683
<b>Total current liabilities</b>	<b>22,696</b>	1,073	21,623
<b>Non-current liabilities</b>			
Loans and borrowings	18,478	16,973	1,505
Provisions	3,156	3,156	-
Employee benefit obligations	734	-	734
<b>Total non-current liabilities</b>	<b>22,368</b>	20,129	2,239
<b>Total liabilities</b>	<b>45,064</b>	21,202	23,862
<b>Net assets</b>	<b>21,736</b>	(5,541)	27,277
<b>EQUITY</b>			
Share capital	120,785	-	120,785
Reserves	6,007	-	6,007
Accumulated losses	(105,056)	(5,541)	(99,515)
<b>Total equity</b>	<b>21,736</b>	(5,541)	27,277

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## F. Other Disclosures

### F.6 Changes to Significant Accounting Policies

#### AASB 16 Leases

Impact on Consolidated Statement of Profit and Loss and other Comprehensive Income for the year ended 30 June 2020

	June 2020 reported \$000	Impact of adopting AASB 16 \$000	June 2020 without adoption of AASB 16 \$000
Revenue	82,252	-	82,252
Cost of sales of goods	(64,961)	325	(65,286)
Gross profit	17,291	325	16,966
Other income	95	-	95
Research and development expenses	(2,303)	-	(2,303)
Business development expenses	(1,608)	-	(1,608)
Corporate and administrative expenses	(8,899)	310	(9,209)
<b>Profit from operating activities</b>	<b>4,576</b>	<b>635</b>	<b>3,941</b>
Finance income	18	-	18
Finance expenses	(2,915)	(1,294)	(1,621)
<b>Net finance costs</b>	<b>(2,897)</b>	<b>(1,294)</b>	<b>(1,603)</b>
Profit before income tax	1,679	(659)	2,338
Income tax benefit	2,212	-	2,212
<b>Profit for the year</b>	<b>3,891</b>	<b>(659)</b>	<b>4,550</b>
<b>Other comprehensive (loss) net of income tax</b>			
Item that may be reclassified to profit or loss			
Cash flow hedges	(184)	-	(184)
Exchange difference on translation of a foreign operation	(43)	-	(43)
Other comprehensive income for the period, net of income tax	(227)	-	(227)
<b>Total comprehensive income for the year</b>	<b>3,664</b>	<b>(659)</b>	<b>4,323</b>

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## F. Other Disclosures

### F.6 Changes to Significant Accounting Policies

#### AASB 16 Leases

#### Impact on Consolidated Statement of Cash Flows for the year ended 30 June 2020

	June 2020 reported \$000	Impact of adopting AASB 16 \$000	June 2020 without adoption of AASB 16 \$000
<b>Cash flows from operating activities</b>			
Cash receipts in course of operations	79,259	-	79,259
Interest received	18	-	18
Interest paid	(2,011)	1,294	(717)
Other income	95	-	95
Cash payments in the course of operations	(77,184)	(2,228)	(79,412)
<b>Net cash from / (used in) operating activities</b>	177	(934)	(757)
<b>Net cash (used in) investing activities</b>	(5,514)	-	(5,514)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings	9,400	-	9,400
Repayment of borrowings	(8,657)	-	(8,657)
Payment of lease liabilities	(934)	934	-
Payment of borrowing costs	(220)	-	(220)
<b>Net cash (used in) / from financing activities</b>	(411)	934	523
<b>Net (decrease) in cash and cash equivalents</b>	(5,748)	-	(5,748)
Cash and cash equivalents at the beginning of the financial year	7,333	-	7,333
Effects of exchange rate changes on cash and cash equivalents	105	-	105
<b>Cash and cash equivalents at end of period</b>	1,690	-	1,690

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## F. Other Disclosures

### F.6 Changes to Significant Accounting Policies

#### AASB 16 Leases

#### Impact on Deed of Cross Guarantee for the year ended 30 June 2020

	June 2020 reported \$000	Impact of adopting AASB 16 \$000	June 2020 without adoption of AASB 16 \$000
<b>Statement of Profit and other Comprehensive Income</b>			
<b>Revenue</b>	82,252	-	82,252
<b>Profit before income tax</b>	1,710	(659)	2,369
Income tax benefit	2,212	-	2,212
<b>Profit for the year</b>	3,922	(659)	4,581
Other comprehensive (loss)			
Items that might be reclassified to profit or loss			
Cash flow hedges	(184)	-	(184)
<b>Total comprehensive income for the year</b>	3,738	(659)	4,397
<b>Balance Sheet</b>			
<b>ASSETS</b>			
<b>Current assets</b>			
<b>Total current assets</b>	30,548	-	30,548
<b>Non-current assets</b>			
Property, plant and equipment and intangibles	32,996	15,661	17,335
Deferred tax asset	3,201	-	3,201
<b>Total non-current assets</b>	36,197	15,661	20,536
<b>Total assets</b>	66,745	15,661	51,084
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11,192	14	11,178
Financial instruments	41	-	41
Loans and borrowings	8,375	1,059	7,316
Employee benefit obligations	1,683	-	1,683
<b>Total current liabilities</b>	21,291	1,073	20,218
<b>Non-current liabilities</b>			
Loans and borrowings	18,478	16,973	1,505
Provisions	3,156	3,156	-
Employee benefit obligations	734	-	734
<b>Total non-current liabilities</b>	22,368	20,129	2,239
<b>Total liabilities</b>	43,659	21,202	22,457
<b>Net assets</b>	23,086	(5,541)	28,827
<b>EQUITY</b>			
Share capital	120,785	-	120,785
Reserves	6,994	-	6,994
Accumulated losses	(104,693)	(5,541)	(99,152)
<b>Total equity</b>	23,086	(5,541)	28,827

# Notes to the Consolidated Financial Statements

for the year ended 30 June 2020

## **F. Other Disclosures**

### **F.7 New Accounting Standards not yet adopted**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2020 reporting periods and have not been early adopted by the Group. These standards are not expected to have a material impact on the entity in the current or future reporting periods.

## Directors' Declaration

for the year ended 30 June 2020

In the Directors' opinion:

- (a) the consolidated financial statements and notes set out on pages 19 to 58 and the Remuneration report on pages 10 to 17 in the Directors' report, are in accordance with the *Corporations Act 2001*, including:
  - i. complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
  - ii. giving a true and fair view of the Group's financial position as at 30 June 2020 and of its performance for the year ended on that date; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

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 2020.

The directors confirm that the financial statements comply with International Financial Reporting Standards as issued by the International Accounting Standards Board.

There are reasonable grounds to believe that the Company and the Group entities identified in Note F.1 will be able to meet any obligations or liabilities to which they are, or may become, subject to by virtue of the Deed of Cross Guarantee between the Company and those Group entities pursuant to ASIC Corporations (Wholly owned Companies) Instrument 2016/785.

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



Mr. M H Burgess  
Director

28 August 2020  
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 of Quickstep Holdings Limited for the financial year ended 30 June 2020 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

Tracey Driver

*Partner*

Sydney

28 August 2020





# 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 2020 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 statement of financial position as at 30 June 2020;
- 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; and
- Directors' Declaration.

The **Group** consists of Quickstep Holdings Limited (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 (including Independence Standards) (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.

## Key Audit Matters

The **Key Audit Matters** we identified are:

- Revenue recognition;
- Going concern basis of accounting; and
- Recognition of deferred tax assets relating to tax losses.

**Key Audit Matters** are those matters that, in our professional judgement, 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.

### Revenue recognition (\$82,252,000)

Refer to Note B.1 (Key Performance Measures) to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The Group generates revenue through sale of goods to customers under long term contract arrangements and revenue is recognised over time based on performance completed to date of individual purchase orders.</p> <p>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.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>• obtaining an understanding of the Group's process for revenue recognition and deferral of advanced payments and assessed the Group's revenue recognition policy in accordance with the accounting standards;</li> <li>• testing a statistical sample of revenue transactions recognised during the year and checked the recognition of revenue against underlying invoices to customers, customer signed dispatch dockets or evidence of delivery;</li> <li>• selecting a sample of pre and post year end revenue transactions and checked the recognition of revenue in the correct period against underlying invoices to customers, customer signed dispatch dockets or evidence of delivery; and</li> <li>• selecting a sample of transactions forming part of purchase orders in progress, checked to actual labour and materials performance completed to date and assessed that contract revenue asset has been appropriately recognised.</li> </ul>

Going concern basis of accounting	
Refer to Note A (About this Report) to the Financial Report	
The key audit matter	How the matter was addressed in our audit
<p>The Group's use of the going concern basis of accounting and the associated extent of uncertainty is a key audit matter due to the high level of judgement required by us in evaluating the Group's assessment of going concern and the events or conditions which may cast significant doubt on their ability to continue as a going concern. These are outlined in Note A.</p> <p>The Directors have determined it appropriate to prepare the financial report on a going concern basis of accounting. Their assessment of going concern was based on cash flow projections. The preparation of these projections incorporated a number of assumptions and significant judgements. The range of possible outcomes considered in arriving at this judgement has been concluded by the Directors to not give rise to material uncertainty casting significant doubt on the Group's ability to continue as a going concern.</p> <p>We critically assessed the levels of uncertainty, as it is related to the Group's ability to continue as a going concern, within these assumptions and judgements, focusing on the following:</p> <ul style="list-style-type: none"> <li>the Group's planned levels of operational expenditure including efficiencies and, improvement in working capital. This included the feasibility, projected timing, and quantum of potential improvement in working capital and efficiencies and progress of these plans;</li> <li>the Group's ability to raise additional funds from shareholders or other parties; and</li> <li>the Group's planned levels of capital expenditure and research and development spending, and the ability of the Group to achieve cash outflows within available funding.</li> </ul> <p>In assessing this key audit matter, we involved senior audit team members who understand the Group's business, industry and the economic environment it operates in.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>analysing the cash flow projections by: <ul style="list-style-type: none"> <li>evaluating the underlying data used to generate the projections. We specifically looked for their consistency with those used by the Directors, and tested by us, their consistency with the Group's intentions, and their comparability to past practices;</li> <li>analysing the impact of possible changes in projected cash flows and their timing, to the projected periodic cash positions. Assessing the resultant impact to 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 from our test results of the accuracy of previous Group cash flow projections and sensitivity analysis on key cash flow projection assumptions;</li> <li>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; and</li> <li>assessing significant non-routine forecast cash inflows and outflows including the impact of working capital improvements and efficiencies in operating costs for feasibility, quantum and timing, and their impact to going concern. We used our knowledge of the client, its industry and status to assess the level of associated uncertainty.</li> </ul> </li> <li>evaluating 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.</li> </ul>

## Recognition of deferred tax assets relating to tax losses (\$3,201,000)

Refer to Note B.5 (Income Tax Benefit) to the Financial Report

The key audit matter	How the matter was addressed in our audit
<p>The recoverability of deferred tax assets (DTA) relating to tax losses is dependent on the ability of the Group to generate sufficient taxable income in the future to which the historical tax losses can be applied.</p> <p>This is a key audit matter due to:</p> <ul style="list-style-type: none"> <li>the high level of judgement required by us in evaluating the Group's assessment on the probability that sufficient taxable income will be generated in the future, given the Group's history of tax losses prior to 2019; and</li> <li>the judgement required by us in evaluating the Group's interpretation of tax legislation requirements particularly on the treatment of grant income amounts received during the year.</li> </ul> <p>These factors increase the risk associated with accurately forecasting future taxable income and create complexity in our work on the recoverability of the DTA.</p> <p>We involved our tax specialists and senior audit team members in assessing this key audit matter.</p>	<p>Our procedures included:</p> <ul style="list-style-type: none"> <li>involving our tax specialists in assessing the Group's continuity of ownership assessment and the tax loss availability for consistency with regulatory parameters and legislation;</li> <li>involving our tax specialists in assessing the Group's tax treatment of grant income amounts received in accordance with the relevant tax legislation;</li> <li>comparing the forecasts included in the Group's estimate of future taxable income used in the DTA recoverability assessment to those used in the Group's assessment of the going concern assumption for consistency. Our approach in testing these forecasts was consistent with the approach detailed above in addressing the key audit matter relating to the going concern basis of accounting; and</li> <li>understanding the timing of future taxable income and considering the consistency of the timeframes of expected recovery to our knowledge of the business and its plans.</li> </ul>

## 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 opinion.

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; and
- assessing the Group and Company's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. 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 and Company 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 the 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:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf). This description forms part of our Auditor's Report.



## Report on the Remuneration Report

### Opinion

In our opinion, the Remuneration Report of Quickstep Holdings Limited for the year ended 30 June 2020, 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 10 to 17 of the Directors' report for the year ended 30 June 2020.

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

KPMG

Tracey Driver

*Partner*

Sydney

28 August 2020

## Shareholder Information

for the year ended 30 June 2020

The shareholder information set out below was applicable as at 31 July 2020.

### 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

The sole substantial shareholder in the Company is Australian Super with 71,610,681 shares.

### 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 July 2020:

#### *Ordinary fully paid shares*

Range	Holders	Units	%
1 - 1,000	246	12,581	0.00%
1,001 - 5,000	213	794,209	0.11%
5,001 - 10,000	764	6,545,678	0.92%
10,001 - 100,000	2,661	104,067,256	14.59%
100,001 - Over	807	602,015,579	84.38%
Total	4,691	713,435,303	100.00%

### E. Unmarketable parcels

Holdings less than a marketable parcel of ordinary shares (being \$500 parcel at \$0.0890 per share):

Holders	Units
496	1,003,691

## Shareholder Information

for the year ended 30 June 2020

### D. Top holders

The 20 largest registered holders of each class of quoted security as at 31 July 2020 were:

Rank	Holder Name	Securities	%
1	JPMorgan Nominees Australia PL	68,348,685	9.58
2	HSBC Custody Nominees (Australia) Limited	68,309,709	9.57
3	Deakin University	33,333,333	4.67
4	PNP Paribas Nominees P/L	24,185,712	3.39
5	Merrill Lynch(Australia) Nominees PL	19,980,127	2.80
6	CS Third Nominees P/L<HSBC Cust Nom Au Ltd 13 A/c>	18,140,396	2.54
7	Sandhurst Trustees Ltd (Cyan C3G Fund A/c)	17,985,432	2.52
8	National Nominees limited	17,798,438	2.49
9	Farjoy PL	13,680,981	1.92
10	State One Stockbroking Pty Ltd	10,046,288	1.41
11	Romsup PL <Romadak S/F A/C>	8,812,430	1.24
12	Code Nominees PL	7,207,580	1.01
13	WSF Pty Ltd <Woodstock S/F A/C >	6,415,325	0.90
14	Hobson Cove PL (Elder Heights Eighth A/c)	5,000,000	0.70
15	Citicorp Nominees P/L	4,201,419	0.59
16	Yarraandoo P/L<Yarraandoo Super Fund A/c>	3,509,933	0.49
17	Neweconomy Com Au Nominees P/L<900 A/c>	3,382,844	0.47
18	Sols Superannuation P/L<The Sols Super Fund A/c>	2,748,830	0.39
19	Morgan Stanley Australia Securities(Nominee) P/L<No1 A/c>	2,705,128	0.38
20	Exwere Investments PL (Exwere Super Fund A/c)	2,700,000	0.38
20	Mr David Creighton Gellatly	2,700,000	0.38
<b>Total</b>		<b>341,192,590</b>	<b>47.82</b>



# Corporate Directory

for the year ended 30 June 2020

## Directors

### Mr. T H J Quick

Chair

### Mr. M H Burgess

CEO and Managing Director

### Mrs. L Heywood

Non-Executive Director

### Mrs. E Mannes

Non-Executive Director

### Mr. P Largier

Non-Executive Director

### AVM K Osley(Ret'd)

Non-Executive Director

## Secretary

Ms. J McGregor

## Principal Office

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## Registered Office

361 Milperra Road  
Bankstown Airport  
New South Wales 2200  
Australia

## Auditor

KPMG  
Chartered Accountants  
Tower3,  
300 Barangaroo Avenue  
Sydney New South Wales 2000  
Australia

## 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**