

Quickstep Holdings Limited

ABN: 55 096 268 156

Interim Financial Report for the half year ended 31 December 2024

Interim Financial Report

For the half-year ended 31 December 2024

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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 half year ended 31 December 2024. Throughout the report, the consolidated entity is referred to as the "Group" or "Quickstep".

Directors

The following persons were Directors of Quickstep Holdings Limited during the half year:

Mr. P Largier (Chairman)
Mr. M H Burgess
Mrs. L Heywood
Mrs. E Mannes
Air Vice Marshal K Osley (Ret'd)

Mr. P Largier was appointed Chairman on 31 August 2020 and continues in this role at the date of this report. Ms. L Heywood Non-executive Director resigned from the Quickstep Board on 1 July 2024 and Mr. M H Burgess Executive Director resigned from the Quickstep Board on 3 October 2024.

Review of Operations

The pragmatic sharpening of the company's strategy and the closure of loss-making operations has delivered a significantly improved 'continuing operations' performance. Notable in these results are the productivity improvements in the Structures business which has supported the overall delivery of a 7.5 percentage point lift in gross profit margin on the same period last year (21.7% vs 14.2%).

Total Revenue from continuing operations of \$38 million (H1 FY24 \$45.9 million) represents a 17.2% decrease on the comparative period last year. This revenue decrease is primarily attributable to reductions in customer demand for F35 components through FY25/FY26, as announced on the ASX on 26 June 2024.

A H1 FY25 \$8.2 million Gross Profit was delivered from continuing operations (H1 FY24 \$6.5 million) representing a \$1.7 million or 26.2% improvement. Consistent production volumes throughout H1 FY25 in the Structures business along with direct productivity improvements and a refocus of the business on those few business development opportunities that further build on the profitability of the core business, are starting to deliver improved results.

A H1 FY25 EBIT from continuing operations of \$0.9 million was also delivered and is a significant improvement on the H1 FY24 result of \$0.4 million. Similarly, the loss after Interest and Tax of \$0.4 million from continued operations was an improvement from a \$0.8 million loss in the same period last year.

Group Net Debt as at 31 December 2024 was \$2.8 million (down from \$6.2 million at 30 June 2024). This balance is made up of cash held \$8.9 million (up from \$5.9 million at 30 June 2024) and debt of 11.8 million (down from \$12.1 million at 30 June 2024).

H1 FY25 Cash from operating activities of \$4.9 million reflects the improved operating performance of the business with strong customer receipts and ongoing cost and cashflow initiatives. This was an improvement of \$3.1 million on H1 FY24. The company ended the half year with a cash balance of \$8.9M (a 61% increase on pcp).

\$6.789 million of the reported statutory loss of \$7.001 million relates to non-cash items, including asset and inventory impairments, depreciation, and provisions, \$6.451 million is associated with Discontinued Operations.

There were a number of measures that Quickstep took during the first half of FY25, that have delivered the significantly improved underlying performance noted above. These included:

- a restructure of the Structures business unit during late June and early July 2024;
- the successful negotiation of our commercial arrangements with major customers;
- the closure of the loss-making Quickstep Aerospace Services business on 31 October 2024;

Directors' Report

- A refocus of the business on those business development opportunities that further build on the profitability of the core business.

Q2 FY25 was, as previously communicated, weaker than the first quarter due to a slow scheduled delivery month in November and the seasonal Christmas effect in December however it is expected that profitability will accelerate appreciably in the second half of the year as new operating systems settle down and the price increases take effect. The strong performance in Structures demonstrates not only the underlying quality of our long-term customer contracts and the success of the measures taken, but also creates additional capacity for new programs.

On the 23 October 2024, we announced the closure of our loss-making Services Business, based at our facility in Tullamarine, Melbourne. This business closed on 31 October 2024 and all associated assets have been written off to their recoverable values in this reporting cycle. This is shown in discontinued operations.

At our Engineering Development facility in Geelong, production volumes of components for uninhabited air vehicles (UAV's) reduced as production ceased for one major customer. Due to market dynamics, other customer commitments on forward UAV volumes also slowed. Given this, Quickstep has completed a detailed revaluation of its equity holdings for this sector and taken a prudent position in writing down values held on the balance sheet. The impact of this is shown in other comprehensive income.

Quickstep continues to remain interested in developing manufacturing capabilities in the USA given that this is the dominant market for our products. The development of potential USA capability must however carefully balance opportunity with the investment required. During this recent period of intense change and focus on the core business, exploratory work has been paused. As and when the USA strategy develops and evolves, we will further update shareholders.

Quickstep continues to engage with its major customers and is well positioned to secure new business opportunities supported by its strong market reputation. This includes the development of a strong leading position in the manufacture of composite products and engineering solutions for the rapidly growing Guided Weapons and Explosive Ordnance (GWEO) sector. To this end, on the 9 December 2024, Quickstep signed a Deed with Defence, marking a key milestone expected to lead to future contracts.

The significantly improved financial outcomes from the recent strategic change process have created a stronger ongoing financial position from which to execute future growth opportunities.

Subsequent events

In February 2025, Quickstep signed a lease termination deed for the exit of discontinued operations site at Tullamarine, Melbourne and is planned to vacate the site on the 28th February 2025. Quickstep will relinquish all lease liabilities relating to the site upon vacating at which point the lease liability of \$1.4m and right of use asset of \$1.1m will be de-recognised.

Directors' Report

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 6.

Rounding of Amounts

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

This report is made in accordance with a resolution of Directors on 24 February 2025.



Mr. P Largier

Board Chair and Non Executive Director
Sydney, New South Wales

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DECLARATION OF INDEPENDENCE BY RYAN POLLETT TO THE DIRECTORS OF QUICKSTEP HOLDINGS LIMITED

As lead auditor for the review of Quickstep Holdings Limited for the half-year ended 31 December 2024, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Quickstep Holdings Limited and the entities it controlled during the period.



Ryan Pollett
Director

BDO Audit Pty Ltd

Sydney, 24 February 2025

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Quickstep Holdings Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of Quickstep Holdings Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2024, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2024 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Material uncertainty relating to going concern

We draw attention to Note A.2 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2024 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit Pty Ltd

BDO
A handwritten signature in black ink, appearing to read 'Ryan Pollett', is written over the printed name.

Ryan Pollett
Director

Sydney, 24 February 2025

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

for the half-year ended 31 December 2024

	Notes	31 Dec 2024 \$000	31 Dec 2023 \$000
Revenue	B.1	37,982	45,892
Cost of sales of goods		(29,734)	(39,370)
Gross profit		8,248	6,522
Other income		-	13
Research and development expenses		(1,096)	(747)
Business development expenses		(192)	(567)
Corporate and administrative expenses		(5,189)	(4,600)
Impairment expense	D.6	(437)	-
Profit from operating activities		1,334	621
Finance income	C.4	14	26
Finance expenses	C.4	(1,440)	(1,278)
Net finance costs		(1,426)	(1,252)
Loss before income tax		(92)	(631)
Income tax expense	B.2	(458)	(165)
Loss after income tax expense from continuing operations		(550)	(796)
Loss after income tax expense from discontinued operations	B.3	(6,451)	(1,502)
Loss for the half year		(7,001)	(2,298)
Other comprehensive income/(loss) net of income tax			
Item that may be reclassified to profit or loss			
Cash flow hedges		(294)	320
Change in fair value of equity investments at FVOCI		(3,044)	-
Exchange difference on translation of a foreign operation		(58)	28
Other comprehensive income/(loss) for the half-year, net of income tax		(3,396)	348
Total comprehensive (loss) for the half year		(10,397)	(1,950)
Profit per share:		Cents	Cents
Basic loss per share		(9.76)	(3.20)
Diluted loss per share		(9.76)	(3.20)

Prior year comparatives have been re-presented due to discontinued operations as per Note B.3

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

Condensed Consolidated Balance Sheet

as at 31 December 2024

	Notes	31 Dec 2024 \$'000	30 Jun 2024 \$'000
ASSETS			
Current assets			
Cash and cash equivalents		8,850	5,263
Trade and other receivables	D.1	3,043	10,661
Prepayment and other assets		834	1,308
Financial instruments	C.2	-	66
Inventories	D.2	9,096	8,729
Contract assets	D.3	12,818	11,508
Assets of disposal groups classified as held for sale	B.3	3,397	8,303
Total current assets		38,038	45,838
Non-current assets			
Property, plant and equipment and intangibles	D.4	8,738	9,131
Right-of-use asset		10,245	10,194
Investments	D.5	541	3,584
Deferred tax asset	B.2	4,817	5,149
Total non-current assets		24,341	28,058
Total assets		62,379	73,896
LIABILITIES			
Current liabilities			
Trade and other payables		7,542	8,953
Provisions		700	1,608
Financial instruments	C.2	353	-
Loans and borrowings	C.1	11,800	12,100
Contract liabilities	D.3	15,867	13,340
Lease liabilities		1,649	1,421
Employee benefit obligations		2,383	2,828
Liabilities directly associated with assets classified as held for sale	B.3	3,598	4,020
Total current liabilities		43,892	44,270
Non-current liabilities			
Lease liabilities		12,517	12,632
Provisions		3,189	3,189
Employee benefit obligations		562	960
Total non-current liabilities		16,268	16,781
Total liabilities		60,160	61,051
Net assets		2,219	12,845
EQUITY			
Share capital	C.5	120,785	120,785
Reserves		3,456	7,081
Accumulated losses		(122,022)	(115,021)
Total equity		2,219	12,845

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

Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2024

	Share capital \$000	Foreign currency translation reserve \$000	Cash flow hedges reserve \$000	Revaluation Reserve \$000	Share based payments \$000	Accumulated losses \$000	Total equity \$000
Dec 2024							
Balance at 1 July 2024	120,785	(375)	46	-	7,410	(115,021)	12,845
(Loss) for the half year	-	-	-	-	-	(7,001)	(7,001)
Other comprehensive income/(loss)							
Foreign currency translation difference for foreign operations	-	(58)	-	-	-	-	(58)
Change in fair value of equity investments	-	-	-	(3,044)	-	-	(3,044)
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	(294)	-	-	-	(294)
Total comprehensive income for the half year	-	(58)	(294)	(3,044)	-	(7,001)	(10,397)
Transactions with owners of the company:							
Share based payments expenses	-	-	-	-	130	-	130
Forfeited share based payments	-	-	-	-	(359)	-	(359)
Balance at 31 December 2024	120,785	(433)	(248)	(3,044)	7,181	(122,022)	2,219
Dec 2023							
Balance at 1 July 2023	120,785	(367)	(102)	-	7,152	(110,250)	17,218
Loss for the half year	-	-	-	-	-	(2,298)	(2,298)
Other comprehensive income / (loss)							
Foreign currency translation difference for foreign operations	-	28	-	-	-	-	28
Effective portion of changes in fair value of cash flow hedges, net of tax	-	-	320	-	-	-	320
Total comprehensive income / (loss) for the half year	-	28	320	-	-	(2,298)	(1,950)
Transactions with owners of the company:							
Share based payments expenses	-	-	-	-	142	-	142
Balance at 31 December 2023	120,785	(339)	218	-	7,294	(112,548)	15,410

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

Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2024

	31 Dec 2024 \$000	31 Dec 2023 \$000
Cash flows from operating activities		
Cash receipts in course of operations	50,861	55,790
Interest received	17	33
Interest paid	(562)	(490)
Cash payments in the course of operations	(45,441)	(53,552)
Net cash from operating activities	4,875	1,781
Cash flows from/ (used in) investing activities		
Acquisition costs of plant and equipment and intangible assets	(328)	(206)
Disposal of plant and equipment and intangible assets	20	13
Proceeds from customer and government funding of capital works	-	440
Net cash from/ (used in) investing activities	(308)	247
Cash flows from/ (used in) financing activities		
Repayment of borrowings	(300)	(600)
Repayment of lease liabilities	(1,586)	(1,420)
Net cash (used in) / from financing activities	(1,886)	(2,020)
Net increase in cash and cash equivalents	2,681	8
Cash and cash equivalents at the beginning of the half year	5,853	5,611
Cash and cash equivalents at the end of the half year - Assets of disposal groups classified as held for sale	(133)	-
Effects of exchange rate changes on cash and cash equivalents	449	(136)
Cash and cash equivalents at end of half year	8,850	5,483

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

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2024

A. About this Report

This section provides information relating to the Group's accounting policies.

A.1 General Accounting Principles

A.2 Accounting Estimates and Judgements

A.1 General Accounting Principles

This interim half-year financial report (Financial Report) represents the consolidated results of Quickstep Holdings Limited (the "Company") and its controlled entities (the "Group"). The Financial Report comprises general purpose financial statements which have been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001, and with IAS 34 *Interim Financial Reporting*.

The Financial Report does not include all the information required for a complete set of annual financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual consolidated financial statements as at and for the year ended 30 June 2024.

These interim financial statements were authorised for issue by the Board of Directors on 24 February 2025.

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.

The interim financial statements are presented in Australian dollars.

Rounding of Amounts

The Company is of a kind referred to in ASIC Corporations (*Rounding in Financial/Directors' Reports*) Instrument 2016/191 and in accordance with the legislative instrument, amounts in the consolidated interim financial statements have therefore been rounded off to the nearest thousand dollars, or in certain cases, to the nearest dollar.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2024

A. About this Report

A.2 Accounting Estimates and Judgements

The preparation of these interim consolidated financial statements is in conformity with AASBs which requires management to make judgements, estimates and assumptions about future events. Actual results may differ from these estimates.

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 loss after tax for the period ended 31 December 2024 of (\$7.0 million) (half-year to 31 December 2023 loss of (\$2.3 million)). The Group has net assets of \$2.2 million (30 June 2024 \$12.8 million) and net current asset deficiencies of (\$5.9 million) (30 June 2024 \$1.6 million). Current loans and borrowings are \$13.9 million (including lease liabilities of \$2.1m) compared to 30 June 2024 \$13.5 million. Operating cash inflow for the period was \$4.9 million (half year to 31 December 2023 inflow of \$1.8 million). These conditions present a material uncertainty which may cast significant doubt in regard to the Group's ability to continue as a going concern and therefore it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The classification of debt as a current liability (as per the terms of the banking loan agreement noted under note C.1), is a leading contributor to the material uncertainty statement noted above. Notwithstanding this, Quickstep has made significant progress in returning the company to profitability and a more stable financial position.

Profitability and operating cash flow are both expected to improve over H2 FY25 and FY26 benefiting from an increase in pricing on contracted revenue, the realised benefits of the restructuring of the Structures business, the closure of the loss-making business, and an ongoing focus on cost control.

Management have prepared 18-month cashflow forecasts underpinning the basis of preparation as a going concern. Management prepared cashflow forecasts for the Group are dependent on a combination of the following assumptions:

- Continued receipts of customer performance-based payments on new purchase orders.
- executing on plans to return to a lower level of working capital inventory through a combination of reduced purchasing and level loaded production.
- that whilst the secured loan and working capital facility remain fully drawn, an overdraft facility of \$2.3m is undrawn and available for use.

The going concern basis presumes that a combination of the above funding and operational solutions, as deemed appropriate by the Directors, will be achieved and that the realisation of assets and settlement of liabilities will occur in the normal course of business.

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 Condensed Consolidated Financial Statements

for the half-year ended 31 December 2024

B. Business Performance

This section provides information relating to the Group's accounting policies.

B.1 Segment Reporting

B.2 Income Tax Losses not brought to Account and Deferred Tax Assets

B.3 Discontinued operations

B.1 Segment Reporting

The Group has identified its operating segments based on the internal reports reviewed by the CEO who is the Chief Operating Decision Maker responsible for decision making in respect of allocation of resources. The reportable segments of the group during FY25 were Structures, which is the manufacturing of aerospace composites products, USA operational revenue, and Quickstep Services which is shown as discontinued. FY24 results have been shown on a comparable basis.

Dec 2024	Structures	USA	Corporate	Combined QHL Group	Quickstep Services (discontinued operation)
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	37,832	150	-	37,982	1,881
Gross Profit	8,098	150	-	8,248	(3,234)
Other Expenses	-	-	(8,340)	(8,340)	(3,217)
Profit before income tax	-	-	-	(92)	(6,451)
Total Assets	53,710	198	5,074	58,982	3,397
Total Liabilities	43,539	0	13,023	56,562	3,598

Dec 2023	Structures	USA	Corporate	Combined QHL Group	Quickstep Services (discontinued operation)
	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue	45,892	-	-	45,892	6,230
Gross Profit	6,522	-	-	6,522	951
Other Expenses	-	-	(7,149)	(7,149)	(551)
Profit before income tax	-	-	-	(627)	1,502
Total Assets	61,507	107	8,281	69,895	9,527
Total Liabilities	44,534	-	14,121	58,655	5,145

B.2 Income Tax Losses not brought to Account and Deferred Tax Assets

Tax Losses not brought to account

The gross amount of unused tax losses for which no deferred tax asset has been recognised

31 Dec 2024 \$000	30 Jun 2024 \$000
70,834	62,904

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2024

B. Business Performance

B.2 Income Tax Losses not brought to Account and Deferred Tax Assets

Deferred tax assets/(liabilities)

Particulars	Balance as on 1 July 2024 \$'000	Unrecognised tax losses \$'000	Tax losses utilised \$'000	Recognised in the P&L \$'000	Recognised in the OCI \$'000	Net Balance as on 31 Dec 2024 \$'000
Provision for Annual Leave	585	-	-	(128)	-	457
Other provisions	637	-	-	(386)	-	251
Super	76	-	-	(21)	-	55
Provision for LSL	552	-	-	(126)	-	426
Work in progress – deductible	674	-	-	186	-	860
Lease liabilities	4,720	-	-	(35)	-	4,685
Other expenditure	0	-	-	-	-	-
PPE & Intangibles and ROU	(3,489)	-	-	52	-	(3,437)
Derivative Financial Asset	(20)	-	-	-	126	106
Tax losses carried forward	1,414	-	-	-	-	1,414
Total deferred tax balances	5,149	-	-	(458)	126	4,817

Income tax (expense)/benefit comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it is related to a business combination, or items recognised directly in equity or in other comprehensive income.

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 or taxable income in the current period. 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.

The Group continues to review previously unrecognised tax losses. Additional losses recognised at 31 December 2024 was \$nil (compared to \$nil for the year end 30 June 2024).

Effective Income Tax Rate

The effective income tax rate for the half year ended 31 December 2024 was (7.00%). The tax rate resulted from net loss before tax, tax differential relating to foreign tax jurisdictions and deferred tax assets and liabilities movements.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2024

B. Business Performance

B.3 Discontinued Operations

In FY24, the After Market business, Quickstep Aerospace Services Pty Ltd (the Services business unit) did not meet the expectations of the directors. A decision was therefore taken to try and sell the business unit. Following a period of engagement and due diligence and despite interest from several parties in a sale process, no offers were received for the business. The business was therefore closed on the 31 October 2024.

The financial performance of the Services business is outlined as follows and in Note B.1 Segment Reporting:

Financial performance information

	31 Dec 2024 \$000	31 Dec 2023 \$000
Revenue from discontinued operations	1,881	6,230
Cost of sales of goods	(5,115)	(7,181)
Gross profit	(3,234)	(951)
Corporate and administrative expenses	(614)	(467)
Impairment expense	(2,606)	-
Loss from operating activities	(6,454)	(1,418)
Finance income	3	7
Finance expenses	-	(91)
Net finance costs	3	(84)
Loss before income tax	(6,451)	(1,502)
Income tax benefit / (loss)	-	-
Loss after income tax expense from discontinued operations	(6,451)	(1,502)
Loss for the year	(6,451)	(1,502)
Basic loss cents per share from discontinued operations	(8.99)	(4.20)
Diluted Basic loss cents per share from discontinued operations	(8.99)	(4.20)
Cash flow information		
Net cash from operating activities	(476)	1,794
Net cash from investing activities	107	(692)
Net cash from financing activities	-	-
Net increase in cash and cash equivalents from discontinued operations	(369)	1,102

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2024

B. Business Performance

B.3 Discontinued Operations

Current Assets and Liabilities - of disposal group classified as held for sale

	31 Dec 2024 \$000	30 Jun 2024 \$000
ASSETS		
Current assets		
Cash and cash equivalents	133	590
Trade and other receivables	1,515	1,763
Prepayments and other assets	163	683
Inventories	374	2,230
Contract assets	-	483
Property, plant and equipment and software	-	1,117
Right-of-use asset	1,212	1,437
Total current assets	3,397	8,303
LIABILITIES		
Current liabilities		
Trade and other payables	1,033	1,298
Contract Liabilities	855	782
Lease liabilities	1,451	1,681
Provisions	259	259
Total current liabilities	3,598	4,020
Net assets	(201)	4,283

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Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2024

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 Financial Instruments**
- C.3 Financial Risk Management**
- C.4 Finance Income and Finance Costs**
- C.5 Share Capital**
- C.6 Capital and other Commitments**

C.1 Loans and Borrowings

	31 Dec 2024			30 June 2024		
	Current \$000	Non-current \$000	Total \$000	Current \$000	Non-current \$000	Total \$000
Secured bank loan	1,800	-	1,800	2,100	-	2,100
Working Capital Facility	10,000	-	10,000	10,000	-	10,000
	11,800	-	11,800	12,100	-	12,100

Term and Debt Repayment Schedule

			31 Dec 2024	30 June 2024
	Effective interest rate	Year of maturity	Maximum facility value \$000	Maximum facility value \$000
Secured loan	7.48%	2026	1,800	2,100
Working capital facility	7.48%	2026	10,000	10,000
Overdraft Facility	11.93	2025	2,300	0

Secured Loan and Working capital facility

On 6 March 2023 Quickstep Holdings Limited refinanced with Commonwealth Bank of Australia (CBA). The arrangement includes a working capital facility of \$10 million and a term loan of \$3.6 million. The working capital facility requires repayment in 3 years. The term loan is reduced by quarterly repayments of \$300,000. As part of the restructure support from CBA, it was agreed to pause quarterly repayments until September 2025. The interest rate on the facility comprises a variable base rate and fixed margin with quarterly repayments to be completed by June 2026. The facility is secured against the working capital of the group.

An overdraft facility capped at \$2.3 million was made available in July 2024 by CBA to fund employee termination payments including entitlements. The facility has a term of 13 months and is repayable by July 2025.

Loan covenant

Despite the group meeting its EBITDA and Debt Service Cover covenant threshold as at 31 December 2024 a covenant waiver was granted by CBA.

Loan classification

During the half year period to 31 December 2024 the covenant measurement for the September quarter was removed by CBA whilst the business was restructuring during this period. A waiver for the December quarter end measurement was also granted by CBA during the restructure period. The debt owed to CBA continues to be classified as a current liability based on the terms of the loan agreements and past covenant breaches as noted in the 30 June 2024 financial statements.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2024

C. Capital and Financial Risk Management

C.2 Financial Instruments

	31 Dec 2024	30 June 2024
	\$000	\$000
(Current liability)		
Forward foreign exchange contracts – cash flow hedges	(353)	66

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.

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 half year, there have been no transfers between levels in the fair value hierarchy.

C.3 Financial Risk Management

The Group's financial risk management objectives and policies are consistent with those disclosed in the consolidated financial statements as at and for the year ended 30 June 2024.

C.4 Finance Income and Finance Costs

	31 Dec 2024	31 Dec 2023
	\$000	\$000
Finance income		
Interest income	14	33
Finance income	14	33
Finance costs		
Interest expense on liabilities measured at amortised cost	(534)	(507)
Interest expense on lease liabilities and make good provision	(481)	(538)
Foreign currency gains/(losses)	(275)	(276)
Other expenses	(150)	(49)
Finance costs	(1,440)	(1,370)
Net finance costs	(1,426)	(1,337)

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2024

C. Capital and Financial Risk Management

C.5 Share Capital

Movements in Share Capital

	31 Dec 2024 Shares	30 June 2024 Shares	31 Dec 2024 \$000	30 June 2024 \$000
Opening balance	71,726,214	71,726,214	120,785	120,785
Consolidation of Issued Shares	-	-	-	-
Shares issued under share-based payments arrangements	-	-	-	-
Shares issued to Quickstep Employee Exempt Share Plan	-	-	-	-
Closing balance	71,726,214	71,726,214	120,785	120,785

During the half year ended 31 December 2024, the Company issued NIL (2023: NIL) shares pursuant to share-based payment arrangements with certain key management personnel and issued NIL (2023: NIL) shares to its employees under Exempt Share Plan.

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 (2023: NIL) unissued ordinary shares of Quickstep Holdings Limited under option at the date of this report. No options were granted during the half year ended 31 December 2024.

During the half year, the Company did not issue any shares (2023: NIL).

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.

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:

	31 Dec 2024 \$000	30 June 2024 \$000
Property, plant and equipment	415	363
Total Commitments	415	363

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2024

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 Asset**
- D.4 Property, Plant and Equipment**
- D.5 Investments**
- D.6 Impairment of Assets**

D.1 Trade and Other Receivables

	31 Dec 2024 \$000	30 June 2024 \$000
Current assets		
Trade receivables	3,043	10,661
Other receivables	-	-
	3,043	10,661

All trade receivables are current.

D.2 Inventories

	31 Dec 2024 \$000	30 June 2024 \$000
Current assets		
Raw materials and consumables	9,096	8,729
	9,096	8,729

D.3 Contract Assets/Liabilities

	31 Dec 2024 \$000	30 June 2024 \$000
Current Contract Assets	12,818	11,508

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.

	31 Dec 2024 \$000	30 June 2024 \$000
Current Contract Liabilities	15,867	13,340

Contract liabilities primarily relate to advance consideration received from customers for revenue which is recognised over time. The performance obligations in respect of these amounts are expected to be completed in the 2025 financial year. The amount of \$15,867,000 at 31 December 2024 will be recognised as revenue in 2025.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2024

D. Operating Assets and Liabilities

D.4 Property, Plant and Equipment

	Plant and equipment \$000	Assets under construction \$000	Office furniture & equipment \$000	Intangibles and software \$000	Total \$000
Dec 2024					
Opening net book amount	7,913	354	798	66	9,131
Additions	-	415	-	-	415
Customer and government funding received	190	-	-	-	190
Transfers from assets under construction	541	(592)	51	-	-
Disposals	-	(127)	-	-	(127)
Amortisation of grant	125	-	-	-	125
Depreciation charge	(843)	-	(116)	(37)	(996)
Closing net book amount	7,926	50	733	29	8,738
Cost	43,649	50	2,389	2,028	48,116
Accumulated depreciation	(35,723)	-	(1,656)	(1,999)	(39,378)
June 2024					
Opening net book amount	10,556	128	971	164	11,819
Additions	947	678	-	-	1,625
Customer and government funding received	(1,237)	-	-	-	(1,237)
Assets of disposal groups classified as held for sale	(1,117)	-	-	-	(1,117)
Transfers from assets under construction	388	(452)	67	-	3
Disposals	-	-	-	-	-
Amortisation of grant	409	-	-	-	409
Depreciation charge	(2,033)	-	(240)	(98)	(2,371)
Impairment charge	-	-	-	-	-
Closing net book amount	7,913	354	798	66	9,131
Cost	42,793	354	2,338	2,028	47,513
Accumulated depreciation	(34,880)	-	(1,540)	(1,962)	(38,382)

D.5 Investments

Non-current Investments

31 Dec 2024 \$000	30 June 2024 \$000
541	3,584

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2024

D. Operating Assets and Liabilities

D.5 Investments

In August 2023 Quickstep made a \$0.5m investment in a minority equity stake in TB2 Aerospace LLC (TB2), a Colorado, USA private company with a patented TB2 Pod interface system. The patented system provides an autonomous means of connecting a range of podded solutions to drones and is designed to work on any UAS capable of accepting the TB2 system. The system will allow operators to deliver rapid-change, multi-mission capabilities with reduced human intervention. Under the terms of the agreement, Quickstep is providing an initial \$0.5m of engineering and structural integration services for the incorporation of the TB2 interface to customer aircraft, and is assisting TB2 with the design, integration, supplier management and servicing of podded solutions.

Quickstep previously made a \$1.0m investment in a minority equity stake in Carbonicboats Pty Ltd (Carbonix), an Australian private company with strong capability in the design, development, manufacture and operation of next generation unmanned solutions for commercial and military applications, under Quickstep Technologies Pty Ltd (a wholly owned subsidiary of Quickstep).

Quickstep has made inquiries with regards to information received from Carbonix related to future forecasts, customer contracts and potential associated revenue grants. Considering these inquiries, current market dynamics and a degree of uncertainty over future customer forecasts, Quickstep has taken the prudent view that it will impair the investment at the Balance Date of 31 December 2024. This has resulted in a change of fair value of \$1.0m being recorded against Other Comprehensive Income.

Quickstep continues to work with Carbonix and should circumstances change in the future related to forecasts, customer contracts, grants and market dynamics, Quickstep will review its impairment, which may be reversed at a future date.

Quickstep previously made a \$2.0m minority equity stake investment in Swoop Aero Pty Ltd (Swoop). Quickstep has paid \$0.5m in cash in respect of this investment in Swoop and the remaining \$1.5m obligation was covered under a Strategic Supply Agreement (SSA), which required Quickstep to supply engineering, manufacturing services, tooling and an initial production run of aircraft for Swoop's recently launched KITE™ unmanned cargo aircraft.

In November 2024, Swoop was placed into voluntary administration and shortly after moved to full liquidation of the entity. The liquidators have been seeking a buyer for the assets of the Swoop entities, however a buyer has not been secured as at 21 February 2025. As a result, Quickstep has fully impaired the investment in Swoop, as there is understood to be little chance of recovery for distribution to shareholders. This has resulted in a change of fair value of \$2.044m being recorded against Other Comprehensive Income.

Notes to the Condensed Consolidated Financial Statements

for the half-year ended 31 December 2024

D. Operating Assets and Liabilities

D.6 Impairment of Assets

An impairment of \$437k has been taken in relation to Swoop specific tooling. If a buyer is found for the Swoop assets, Quickstep will have opportunity to sell the Swoop specific tooling to buyers of the Swoop assets or to recommence manufacturing for the new entity under a new contractual arrangement

E. Other Disclosures

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

E.1 Subsequent Events

E.2 Changes in Significant Accounting Policies

E.3 Standards issued but not yet effective

E.1 Subsequent Events

In February 2025, Quickstep signed a lease termination deed for the exit of discontinued operations site at Tullamarine, Melbourne and plans to vacate the site on the 28th February 2025. Quickstep will relinquish all lease liabilities relating the site upon vacating at which point the lease liability of \$1.4m and right of use asset of \$1.1m will be de-recognised.

Other than the matters disclosed above, no matter or circumstance has arisen since 31 December 2024 that has significantly affected the Group's operations, results or state of affairs, or may do so in future years.

E.2 Significant Accounting Policies

The accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as and for the year ended 30 June 2024. A number of new standards are effective from 1 July 2024 but they do not have a material effect on the Group's financial statements.

E.3 Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2024 and earlier application is permitted, however the Group has not early adopted any of the forthcoming new or amended standards in preparing these condensed consolidated interim financial statements.

Directors' Declaration

for the half-year ended 31 December 2024

In the Directors' opinion:

- (a) the condensed consolidated half-year financial statements and notes set out on pages 8 to 25 are in accordance with the *Corporations Act 2001*, including:
 - i. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
 - ii. giving a true and fair view of the Group's financial position as at 31 December 2024 and of its performance for the half-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.

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



Mr. P Largier

Board Chair and Non Executive Director

24 February 2025

Sydney, New South Wales