



# ORBITAL CORPORATION LIMITED

ABN 32 009 344 058

## Half Year Report

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### 1. Details of the reporting period and the previous corresponding period

Reporting period: Half year ended 31 December 2015  
Previous corresponding period: Half year ended 31 December 2014

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### 2. Results for announcement to the market

		<u>A\$'000</u>			<u>A\$'000</u>
2.1 Revenue from continuing ordinary activities	Up	3,253	84%	to	7,110
2.2 Net profit from continuing operations	Up	1,929	378%	to	1,419
2.3 Profit attributable to equity holders	Up	2,581	210%	to	1,351

2.4 There is no proposal to pay dividends for the six months ended 31 December 2015.

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### 3. Net tangible assets per share

	<b>31 December 2015</b>	<b>30 June 2015</b>
Net tangible assets per share (cents)	<b>40.31</b>	<b>33.51</b>

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**ORBITAL<sup>®</sup>**

**ORBITAL CORPORATION LIMITED**

**ABN 32 009 344 058**

**AND ITS CONTROLLED ENTITIES**

**31 DECEMBER 2015  
HALF-YEAR FINANCIAL REPORT**

## Directors' report

Your Directors submit their report for the half year ended 31 December 2015.

### DIRECTORS

The names of the company's directors in office during the half year and until the date of this report are set out below. Directors were in office for this entire period unless otherwise stated.

Name	Information on Directors
John P Welborn	Chairman (Non-executive).
Terry D Stinson	Managing Director and Chief Executive Officer (Executive).
John H Poynton	Director (Non-executive)

### REVIEW AND RESULTS OF OPERATIONS

#### Financial Review

The total statutory revenue and profit after tax from continuing operations for the half year period ended 31 December 2015 was \$7,110,000 and \$1,419,000 respectively (2014: total revenue \$3,857,000 and loss after tax from continuing operations of \$510,000). The increased revenue is principally attributable to the REMSAFE business acquired in February 2015.

#### Change in Operations

The Company has undergone a number of significant changes in its operations during the reporting period.

The REMSAFE business, acquired in February 2015, is shown in the half year accounts for the first time. The UAVE business is undergoing a transition as it moves from the development phase towards the production phase for its UAV propulsion systems. The Accelerator enterprise is in a formative stage as it transitions from being an engineering consulting business to focusing on the commercialisation of innovative industrial technologies. The Company's interest in Synerject was sold to our joint venture partner, Continental AG, in October 2015. The Company completed the divestment of its interests in LPG related businesses in November 2015.

#### Review of Operations

During the 2015 financial reporting period the Group changed the reportable segments to represent the internal reorganisation of the operating segments in line with Orbital's updated strategy. The acquisition of the REMSAFE business, expansion of the Unmanned Aerial Vehicle engines business and the divestment of the LPG businesses were the main drivers of the change in operating segments. Comparatives have been updated to be presented on a consistent basis.

### AEROSPACE

	Dec 2015	Dec 2014
	\$'000	\$'000
Revenue	2,001	2,125
Segment Result	166	398



Orbital's 35 year history of innovation in a wide range of engine technologies is now focused within ORBITAL UAVE. The vision for the new Orbital UAVE business is to design, develop, and manufacture the world's best engines and propulsion systems for Unmanned Aerial Vehicles ("UAV") and be the worldwide market share leader. Orbital's unique FlexDi™ technology is the world's best technology and solution for spark ignited heavy fuel engine applications and the reason Orbital is now supplying number one and two players in the small unmanned aircraft market worldwide.

Revenues for the half year were \$2,001,000 a 6% decrease on the corresponding period last year. The decrease in revenue is largely attributable to a redirection of resources into preparations for the commencement of deliveries of UAV propulsion systems in the second half of the current reporting period.

During the reporting period, the UAVE business progressed the development of the SUAS propulsion system for the Insitu Inc. Scan Eagle SUAS and also made preparations for the manufacture of UAV engines and propulsion systems under the initial production order from Insitu (\$12,000,000 order announced on 26 August 2015).

## Directors' report

### MINING & INDUSTRIAL



	Dec 2015 \$'000	Dec 2014 \$'000
Revenue	3,982	-
Segment Result	227	-

REMSAFE is a patented, automated remote isolation system that enables plant operators to safely and promptly isolate fixed equipment from its energy source. REMSAFE optimises production, increases safety and delivers immediate cost savings.

Today REMSAFE products provide for the highest level of safety for high and low voltage electrical isolations in the iron-ore industry. The old manual process of electrical isolation is avoided completely as the REMSAFE remote isolation technology allows the plant operator to isolate, on the spot, avoiding the requirement for a licensed electrician to enter switch rooms and substations and risk injury due to arc flash.

Revenues for the half year were \$3,982,000. This reporting period is the first half year reporting period for the REMSAFE business.

During the reporting period, the REMSAFE business secured two firsts in one sale; REMSAFE's first international order and also its first order for the installation of a Remote Isolation System at a coal mining operation.

The REMSAFE business progressed the installation of nine Remote Isolation Systems in mining and port operations in the Western Australian Pilbara region. These installations are expected to lead to repeat orders from each location as the customer's benefit from the significant production and safety benefits of the REMSAFE Remote Isolation System.

### ACCELERATOR



	Dec 2015 \$'000	Dec 2014 \$'000
Revenue	718	1,305
Segment Result	(203)	(240)

Orbital is establishing a Centre for Innovation and Commercialisation with a focus on industrial technologies, "The Orbital Accelerator", will leverage off the Company's engineering expertise, world class facilities, and proven track record in the commercialisation of innovative and patent protected technologies. Through the Accelerator, Orbital transforms the historical Consulting Services Division into a well-funded technology incubator targeted at attracting new investment opportunities. Accelerator is Orbital's vehicle to assess new ideas and if commercially attractive, develop them into high value business's that fit within Orbital's mandate for profitable growth.

Revenues for the half year were \$718,000, a decrease of \$587,000 (45%) compared to last year.

During the reporting period, the Accelerator business continued to deliver consulting engineering services to domestic and international customers; primarily in engine development, advanced electronics, and fuels testing.

### SYNERJECT

	Dec 2015 <sup>#</sup> US\$'000	Dec 2014 US\$'000
Synerject (100%)		
Revenue (100%)	47,655	75,638
Profit after tax	4,302	5,942
	A\$'000	A\$'000
Gain on Sale	3,861	-
Share of Profit	1,529	1,773

<sup>#</sup> Synerject results for the four month period ended 31 October 15, the date of sale of Orbital's investment in Synerject.

## Directors' report

Synerject, Orbital's 30:70% (2013: 30:70%) partnership with Continental AG, is a key supplier of engine management systems to the non-automotive market. Original Equipment products using Synerject's engine management systems range from high performance motorcycle/recreational vehicles to high volume scooter and small engine applications.

Synerject generated a four month profit after tax of US\$4,302,000. The Company's share of Synerject's Profit was A\$3,861,000.

The Company's 30% interest in Synerject was sold to our joint venture partner in October 2015 for US\$17,800,000. The Company recorded a gain of A\$3,861,000 on the sale.

### CONSUMER

	Dec 2015 \$'000	Dec 2014 \$'000
Revenue	369	375
Segment Result	161	181

Orbital earns royalties from products using its FlexDI™ systems and technology. The royalty bearing products today are in the marine, SUAS and the scooter/motorcycle markets.

FlexDI™ product volumes in the marine market decreased marginally compared to the same period last year due to a change in product mix by the manufacturer largely offset by favourable movement in the foreign exchange rate for the US dollar denominated royalties.

### Other Income

Other income increased during the reporting period primarily through the gain on sale of the interest in Synerject.

### Cash Flow <sup>(1)</sup>

	Dec 2015 \$'000	Dec 2014 \$'000
Operating cash flows	(2,199)	(152)
Synerject dividend	-	717
Proceeds from sale of investment in Synerject	24,185	-
	21,986	565
Share buy-back	-	(773)
Other capital expenditure and development costs	(14)	(32)
Repayment of borrowings	-	(20)
Movement in cash/term deposits	21,972	(260)

(1) The Cash Flow includes information which is non-IFRS information that has not been reviewed by the external auditors. This information is presented to assist in making appropriate comparisons with prior periods and to assess the operating performance of the business.

Net cash used in operating activities was \$2,199,000 (2014: \$152,000) reflecting an excess of operational expenditures of \$2,383,000 (2014: \$2,448,000) and an increase in working capital of \$184,000 (2014: increase of \$2,296,000).

## **Directors' report**

### **Outlook**

Revenues from UAVE propulsion system sales will commence in the second half of the current financial year as we transition from the UAV engine design, development and validation programme with Insitu into low volume engine production, whilst continuing sales of Engine Management System components to Textron. The Orbital UAVE team will concurrently develop new products for unmanned helicopters and larger unmanned aircraft applications to provide increased revenues from an expanding customer base.

The outlook for REMSAFE is for continued growth domestically and internationally. There are considerable growth opportunities from within the existing customer base as REMSAFE installations continue to provide productivity and safety improvements to their mine and port operations. REMSAFE has already started expansion into new geographic areas and this new business stream will be a significant game changer for Orbital. REMSAFE has the potential to far exceed any commercial endeavour Orbital has participated in to date, including Synerject. The current markets of Pilbara iron-ore and South African coal will be expanded into other minerals, commuter and freight rail, oil & gas and a wide range of other industries across the globe.

The OCS group has become the Orbital Accelerator to better leverage Orbital's technical and commercial skill base and to identify and cultivate new and innovative product opportunities. There is a significant level of innovation in Western Australia, and Australia wide. The goal is for individual inventors and small companies to use Orbital's Accelerator group to evolve from innovation to product, and from low volume speciality sales to high volume sales potentially on a worldwide scale. Accelerator will be used to identify the next Synerject, and the next REMSAFE and add these to the Orbital group portfolio to insure delivery on our aggressive strategy focused on growth and diversification. The Accelerator group will also continue to provide a base level of contract services from advanced engineering and testing to general engineering contract work and in parallel provide another avenue to identify new opportunities and covering the overhead of maintaining our world-class capabilities and facilities.

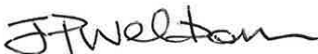
### **LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001**

The lead auditor's independence declaration is set out on page 5 and forms part of the Directors' Report for the half year ended 31 December 2015.

### **ROUNDING**

The amounts contained in this report and in the financial report have been rounded to the nearest \$1,000 (unless otherwise stated) under the option available to the Company under ASIC Class Order 98/0100. The Company is an entity to which the Class Order applies.

Signed in accordance with a resolution of the directors.



JP Welborn  
Chairman

Perth, 26 February 2016

## **Auditor's Independence Declaration to the Directors of Orbital Corporation Limited**

As lead auditor for the review of Orbital Corporation Limited for the half-year ended 31 December 2015, I declare to the best of my knowledge and belief, there have been:

- a. no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- b. no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Orbital Corporation Limited and the entities it controlled during the financial period.



Ernst & Young



T G Dachs  
Partner  
Perth  
26 February 2016

## Consolidated Statement of Profit or Loss

Consolidated

For the half year ended 31 December 2015

	Note	31 Dec 2015 \$'000	31 Dec 2014 \$'000
<b>Continuing operations</b>			
Sale of goods		2,001	2,125
Engineering services income		4,700	1,305
Royalty and licence income		369	375
Other revenue	4(a)	40	52
<b>Total Revenue</b>		<b>7,110</b>	<b>3,857</b>
Other income	4(b)	4,566	1,158
Inventory expense		(480)	(269)
Employee benefits expense	4(c)	(5,018)	(3,974)
Depreciation and amortisation		(277)	(249)
Engineering consumables and contractors		(3,053)	(565)
Occupancy expenses		(669)	(653)
Travel and accommodation		(80)	(136)
Communications and computing		(220)	(152)
Patent costs		(108)	(57)
Insurance costs		(275)	(220)
Audit, compliance and listing costs		(391)	(374)
Finance costs	5	(958)	(292)
Other expenses	4(d)	(143)	(310)
Share of profit from associate	7(a)	1,529	1,773
<b>Profit/(loss) before income tax from continuing operations</b>		<b>1,533</b>	<b>(463)</b>
Income tax expense	6	(114)	(47)
<b>Net profit/(loss) for the period from continuing operations</b>		<b>1,419</b>	<b>(510)</b>
<b>Discontinued operations</b>			
Loss after tax for the period from discontinued operations	12	(68)	(720)
<b>Profit/(loss) for the period</b>		<b>1,351</b>	<b>(1,230)</b>
Attributable to:			
Equity holders of the Parent		1,489	(1,230)
Non-controlling interests		(138)	-
		<b>1,351</b>	<b>(1,230)</b>
<b>Earnings per share</b>			
		<b>cents</b>	<b>cents</b>
Basic, profit for the period attributable to ordinary equity holders of the Parent		3.18	(2.59)
Diluted, profit for the period attributable to ordinary equity holders of the Parent		3.18	(2.59)
<b>Earnings per share from continuing operations</b>			
Basic, profit for the period attributable to ordinary equity holders of the Parent		3.32	(1.08)
Diluted, profit for the period attributable to ordinary equity holders of the Parent		3.32	(1.08)



**Consolidated Statement of Other Comprehensive Income**

Consolidated

**For the half year ended 31 December 2015**

**31 Dec 2015**

**31 Dec 2014**

**\$'000**

\$'000

**Net profit/(loss) for the period**

**1,351**

(1,230)

**Items that may be reclassified subsequently to profit or loss**

Share of foreign currency reserve of equity accounted investment

-

(236)

Foreign currency translation

**1,570**

3,016

Other comprehensive income for the period, net of tax

**1,570**

2,780

**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD**

**2,921**

1,550

Attributable to:

Equity holders of the Parent

**3,059**

1,550

Non-controlling interests

**(138)**

-

**TOTAL COMPREHENSIVE INCOME FOR THE PERIOD**

**2,921**

1,550

## Consolidated Statement of Changes in Equity

	Share Capital	Retained Profits/ (Accumulated Losses)	Employee Equity Benefits Reserve	Foreign Currency Translation Reserve	Consolidation Reserve	Convertible Note Reserve	Total	Non-controlling interests	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>At 1 July 2014</b>	19,590	2,042	1,705	(2,292)	-	-	21,045	-	21,045
Loss for period	-	(1,230)	-	-	-	-	(1,230)	-	(1,230)
Other comprehensive income	-	-	-	2,780	-	-	2,780	-	2,780
Total comprehensive income for the period	-	1,676	-	2,780	-	-	1,550	-	1,550
On market share buy-back	(773)	-	-	-	-	-	(773)	-	(773)
Share based payments	58	-	127	-	-	-	185	-	185
<b>Balance at 31 December 2014</b>	18,875	812	1,832	488	-	-	22,007	-	22,007
<b>At 1 July 2015</b>	20,021	(2,500)	1,807	1,900	(670)	248	20,806	1,136	21,942
Profit for period	-	1,489	-	-	-	-	1,489	(138)	1,351
Other comprehensive income	-	-	-	1,570	-	-	1,570	-	1,570
Total comprehensive (loss)/income for the period	-	1,489	-	1,570	-	-	3,059	(138)	2,921
Convertible Note conversions	515	-	-	-	-	-	515	-	515
Convertible Note interest paid in shares	369	-	-	-	-	-	369	-	369
Share based payments	57	-	78	-	-	-	135	-	135
<b>Balance at 31 December 2015</b>	20,962	(1,011)	1,885	3,470	(670)	248	24,884	998	25,882

## Consolidated Statements of Financial Position

As at 31 December 2015	Note	Consolidated	
		31 Dec 2015	30 Jun 2015
		\$'000	\$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	8	28,571	6,649
Other financial assets	9	1,421	1,369
Trade and other receivables		8,378	6,991
Inventories		1,614	390
		39,984	15,399
Disposal group held for sale	12	-	909
<b>Total current assets</b>		39,984	16,308
<b>Non-current assets</b>			
Investment in associate	7(b)	-	17,826
Deferred taxation asset		5,908	5,621
Plant and equipment		1,981	2,259
Intangibles and goodwill		5,250	5,530
Other receivables		130	-
<b>Total non-current assets</b>		13,269	31,236
<b>TOTAL ASSETS</b>		53,253	47,544
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade payables and other liabilities		7,111	4,510
Borrowings	9	597	597
Employee benefits		1,936	2,026
Government grants		225	225
Other provisions		57	241
		9,926	7,599
Liabilities associated with disposal group held for sale	12	-	382
<b>Total current liabilities</b>		9,926	7,981
<b>Non-current liabilities</b>			
Long term borrowings	9	16,564	16,604
Employee benefits		34	35
Government grants		637	749
Other provisions		210	233
<b>Total non-current liabilities</b>		17,445	17,621
<b>TOTAL LIABILITIES</b>		27,371	25,602
<b>NET ASSETS</b>		25,882	21,942
<b>EQUITY</b>			
Share capital	10	20,962	20,021
Reserves		4,933	3,285
(Accumulated Losses)/Retained profits		(1,011)	(2,500)
<b>EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT</b>		24,884	20,806
Non-controlling interests		998	1,136
<b>TOTAL EQUITY</b>		25,882	21,942

## Consolidated Statements of Cash Flows

	Consolidated	
For the half year ended 31 December 2015	31 Dec 2015	31 Dec 2014
	\$'000	\$'000
<b>Cash Flows from Operating Activities</b>		
Cash receipts from customers	12,640	11,946
Cash paid to suppliers and employees	(14,720)	(12,089)
Cash used by operations	(2,080)	(143)
Interest received	45	62
Interest paid	(115)	(24)
Income taxes paid	(49)	(47)
<b>Net cash used in operating activities</b>	<b>(2,199)</b>	<b>(152)</b>
<b>Cash Flows from Investing Activities</b>		
Proceeds from sale of investment in associate	24,185	-
Dividends received from associate	-	717
Proceeds from sale of plant and equipment	42	36
Acquisition of plant and equipment	(56)	(68)
Investment in short term deposit	(52)	-
Redemption of short term deposit	-	318
<b>Net cash from investing activities</b>	<b>24,119</b>	<b>1,003</b>
<b>Cash Flows from Financing Activities</b>		
Share buy-back	-	(773)
Repayment of borrowings	-	(20)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>(793)</b>
<b>Net increase in cash and cash equivalents</b>	<b>21,920</b>	<b>58</b>
Cash and cash equivalents at 1 July	6,649	5,416
Effects of exchange rate fluctuations on the balances of cash held in foreign currencies	2	-
<b>Cash and cash equivalents at 31 December</b>	<b>28,571</b>	<b>5,474</b>

## **Notes to the Financial Statements**

**For the half year ended 31 December 2015**

### **1. REPORTING ENTITY**

Orbital Corporation Limited (the "Company") is a company domiciled in Australia. The address of the Company's registered office is 4 Whipple Street, Balcatta, Western Australia. The consolidated financial report of the Company for the half year ended 31 December 2015 comprises the Company and its subsidiaries (together referred to as the "Group"). Orbital Corporation Limited is a for-profit entity and the Group operates in a number of industries (see the Directors' Report).

The consolidated financial report was authorised for issue by the directors on 26 February 2016.

### **2. BASIS OF PREPARATION AND ACCOUNTING POLICIES**

This general purpose condensed financial report for the half year ended 31 December 2015 has been prepared in accordance with AASB 134 Interim Financial Reporting and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the annual financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2015 and considered together with any public announcements made by Orbital Corporation Limited during the half year ended 31 December 2015 in accordance with the continuous disclosure obligations of the *ASX listing rules*.

Certain comparatives have been reclassified to conform with current year presentation.

The accounting policies and methods of computation are the same as those adopted in the most recent annual financial report.

The Group has adopted all new and amended standards and interpretations, mandatory for annual periods beginning 1 July 2015. Adoption of these standards and interpretations did not have any effect on the financial position or performance of the Group.

The Group has not elected to early adopt any new standards or amendments.

### **3. OPERATING SEGMENTS**

During the 2015 financial reporting period the Group changed the reportable segments to represent the internal reorganisation of the operating segments in line with Orbital's updated strategy. The acquisition of the REMSAFE business, expansion of the Unmanned Aerial Vehicle engines business and the divestment of the LPG businesses were the main drivers of the change in operating segments. Comparatives have been updated to be presented on a consistent basis.

## Notes to the Financial Statements

For the half year ended 31 December 2015

### 3. OPERATING SEGMENTS (continued)

The following table presents revenue and profit information for reportable segments for the half years ended 31 December 2015 and 31 December 2014.

	Aerospace		Mining & Industrial		Consumer		Accelerator		Consolidated	
	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014	31 Dec 2015	31 Dec 2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Segment revenue - external customers	2,001	2,125	3,982	-	369	375	718	1,305	7,070	3,805
Unallocated other revenue									40	52
<b>Total revenue</b>									<b>7,110</b>	<b>3,857</b>
<b>Segment result</b>	<b>166</b>	<b>398</b>	<b>227</b>	<b>-</b>	<b>161</b>	<b>181</b>	<b>(203)</b>	<b>(240)</b>	<b>351</b>	<b>339</b>
Research & development costs – (net) (i)									(1,187)	(1,083)
Unallocated expenses - (net) (ii)									(2,082)	(1,222)
Finance costs									(939)	(270)
Gain on sale of investment in associate									3,861	-
Share of profit from associate									1,529	1,773
<b>Net profit/(loss) before related income tax</b>									<b>1,533</b>	<b>(463)</b>
Income tax expense									(114)	(47)
Profit/(loss) after tax from continuing operations									<b>1,419</b>	<b>(510)</b>

\*Unallocated expenses (net) includes other income and corporate overheads which are not allocated to operating segments as they are considered to support the Group as a whole.

The following table presents assets and liabilities for reportable segments for the half year ended 31 December 2015 and for the full year ended 30 June 2015.

	Aerospace		Mining & Industrial		Consumer		Accelerator		Consolidated	
	31 Dec 2015	30 June 2015	31 Dec 2015	30 June 2015	31 Dec 2015	30 June 2015	31 Dec 2014	30 June 2015	31 Dec 2015	30 June 2015
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Segment assets</b>	<b>5,070</b>	<b>2,030</b>	<b>9,614</b>	<b>8,491</b>	<b>334</b>	<b>1,783</b>	<b>2,335</b>	<b>3,775</b>	<b>17,353</b>	<b>16,079</b>
Unallocated assets										
Cash									28,571	6,649
Other financial assets									1,421	1,369
Investment in associate									-	17,826
Deferred tax assets									5,908	5,621
<b>Consolidated Total Assets</b>									<b>53,253</b>	<b>47,554</b>
<b>Segment liabilities</b>	<b>5,554</b>	<b>2,433</b>	<b>2,301</b>	<b>2,824</b>	<b>76</b>	<b>1,286</b>	<b>2,279</b>	<b>1,858</b>	<b>10,210</b>	<b>8,401</b>
Unallocated liabilities										
Long term borrowings									17,161	17,201
<b>Consolidated Total Liabilities</b>									<b>27,371</b>	<b>25,602</b>
<b>Consolidated Net Assets</b>									<b>25,882</b>	<b>21,942</b>

## Notes to the Financial Statements

For the half year ended 31 December 2015

	CONSOLIDATED	
	31 Dec 2015 \$'000	31 Dec 2014 \$'000
<b>4. REVENUE, INCOME AND EXPENSES</b>		
<b>(a) Other revenue</b>		
Interest income	40	52
<b>(b) Other income</b>		
Automotive grant income	12	49
Government grant	225	759
Net foreign exchange gains	224	106
Rental income from sub-lease	244	236
Gain on sale of investment in associate	3,861	-
Other	-	8
	<u>4,566</u>	<u>1,158</u>
<b>(c) Employee benefits expense</b>		
Salaries and wages	4,094	3,242
Contributions to defined contributions superannuation funds	453	342
Share based payments	135	176
Decrease in liability for annual leave	(85)	(32)
Increase in liability for long service leave	96	41
Other associated personnel expenses	325	205
	<u>5,018</u>	<u>3,974</u>
<b>(d) Other expenses</b>		
Administration costs	65	63
Marketing costs	15	6
Investor relations	35	25
Freight & courier	10	4
Fair value movement in financial instruments	-	203
Allowance for slow moving inventory	13	-
Other	24	31
	<u>162</u>	<u>332</u>
<b>5. FINANCE COSTS</b>		
Non-cash interest expense WA Government Loan (a)	272	270
Convertible Note interest expense	667	-
	<u>939</u>	<u>270</u>

- (a) The non-interest bearing loan from the Government of Western Australia was recognised initially at fair value and subsequently stated at amortised cost with any difference between cost and repayment value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

## Notes to the Financial Statements

For the half year ended 31 December 2015

	CONSOLIDATED	
	31 Dec 2015 \$'000	31 Dec 2014 \$'000
<b>6. TAXATION</b>		
<b>Current income tax</b>		
Withholding tax	2	(7)
Australian tax	-	-
United States of America Federal and State taxes	(116)	(34)
	(114)	(41)
<b>Deferred tax</b>	-	(6)
<b>Total income tax expense in statement of profit or loss</b>	(114)	(47)

Certain State and Federal Income Taxes are payable on portions of the profits generated by Synerject LLC from its various operating locations in the United States of America ("USA"). Synerject LLC is a pass-through enterprise for taxation purposes and as such Orbital is assessed for various State income taxes and Federal income taxes (Alternative Minimum Tax). The amount of income tax paid in the USA is reduced through the utilisation of carried forward tax losses at both a State level, and at the Federal level. A deferred tax asset has been recognised for the probable future benefit arising from the utilisation of these carried forward tax losses.

## 7. INVESTMENT IN ASSOCIATE

The Group sold its 30% share in Synerject on 31 October 2015 for US\$17.8 million. At 30 June 2015, the consolidated entity held a 30% interest in Synerject LLC, a company incorporated in the United States (31 December 2014: 30%). The principal activities of Synerject LLC are the marketing, sale and manufacture, including research and development in the area of engine management of non-automotive systems and components and automotive components related to the Orbital combustion process.

### (a) Results of Synerject

Share of Synerject's net profit for the period # (1 July – 31 October 2015)	1,529 <sup>#</sup>	1,773
--	--------------------	-------

	CONSOLIDATED	
	31 Dec 2015 \$'000	30 June 2015 \$'000
<b>(b) Movements in the carrying amount of the Group's interest in Synerject</b>		
Balance at the beginning of reporting period	17,826	13,980
Share of profits after tax	1,529	2,860
Share of reserves	(119)	(421)
Dividends received	-	(2,060)
Unrealised foreign exchange movements	1,051	3,467
Sale of interest	(20,287)	-
Balance at the end of reporting period	-	17,826



## Notes to the Financial Statements

For the half year ended 31 December 2015

CONSOLIDATED  
**31 Dec**                      30 June  
**2015**                              2015  
**\$'000**                              \$'000

### 8. CASH AND CASH EQUIVALENTS

Cash at bank	3,571	1,851
Cash at bank - US dollars	22,970	37
Cash at bank - European currency units	7	2
At call deposits - financial institutions	2,023	4,759
	<b>28,571</b>	<b>6,649</b>

### 9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

#### (a) Other financial assets

##### Short term deposits

Short term deposits – financial institutions	1,421	1,369
<b>Total other financial assets</b>	<b>1,421</b>	<b>1,369</b>

##### Short term deposits – financial institutions

Short term deposits represents term deposits with financial institutions for periods greater than 90 days and less than 365 days earning interest at the respective term deposit rates at time of lodgement.

Due to the short term nature of the deposits carrying value approximates fair value. Short term deposits are only invested with a major financial institution to minimise the risk of default of counterparties.

Short term deposits are held as collateral for the financial arrangements provided by Westpac Banking Corporation.

The Group has pledged short term deposits of \$665,000 (30 June 2015: \$697,000) held as collateral for the financing facilities.

The bank guarantee has been provided for the benefit of the landlords of the Balcatta premises.

The Group has pledged short term deposits of \$756,000 (30 June 2015: \$672,000) held as collateral for performance guarantees under contractual arrangements related to customer agreements.

#### (b) Other financial liabilities

##### Financial liabilities and borrowings

##### Current

Current portion of loans and advances - secured	597	597
<b>Total current borrowings</b>	<b>597</b>	<b>597</b>

##### Non-current

Convertible note issuance	8,557	8,868
Loans and advances - secured	8,007	7,736
<b>Total non-current borrowings</b>	<b>16,564</b>	<b>16,604</b>

## Notes to the Financial Statements

For the half year ended 31 December 2015

### 9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

#### (b) Other financial liabilities (continued)

##### Convertible note issuance

During the 2015 financial year the Group issued 200 unlisted Convertible Notes with a face value of \$50,000 to raise \$10,000,000. The Convertible Note issue funded Orbital's acquisition of 50% of REMSAFE Pty Ltd ("REMSAFE") and the associated working capital requirements of integrating REMSAFE into Orbital, building the order book and expanding the business. Orbital shareholders approved the issue of the Notes at the Extraordinary General Meeting held on 21 January 2015.

The Convertible Notes mature two years from the first date of issue. The coupon interest rate is 10% per annum accruing daily and paid quarterly in arrears, payable in Orbital Shares or cash, at the election of the Note holder. The Convertible Notes are fully secured pursuant to a general security deed and ranks in priority to any existing security.

Each Convertible Note represents 125,000 ordinary shares at a conversion price of \$0.40 per share. Note holders may elect to convert the Notes into Orbital Shares at any time prior to the maturity date. The Notes will be redeemed at face value plus outstanding interest on the maturity date if not redeemed or converted beforehand. The Notes are redeemable after six months at the election of the Company by paying the face value, outstanding interest and an early redemption fee. Pursuant to the terms of the Notes the prevailing conversion price is subject to adjustment in the case of a bonus issue of shares, a capital reconstruction or a pro-rata share issue.

On issuance of the Convertible Notes the fair value of the liability component was determined using a market interest rate for an equivalent loan without conversion rights. This amount was classified as a financial liability and subsequently measured at amortised cost (net of transaction costs) until extinguished on conversion or redemption. The remainder of the proceeds was allocated to the conversion option that is recognised and included in equity. The portion of the transaction costs attributable to the conversion right were deducted from equity. Interest is recognised using the effective interest rate method over the terms of the notes. The effective interest rate is 13.72%.

The financial liability reclassified to issued capital on conversion for the period amounted to \$515,000 representing the conversion of eleven convertible notes during the reporting period. The face value of the notes outstanding at 31 December 2015 is \$9,050,000.

##### Loans and advances - secured

The Government of Western Australia had previously provided the company with a fully utilised loan facility of \$19,000,000 under the terms of a "Development Agreement". During the 2010 year Orbital reached agreement with the WA Government through the Department of Commerce for the restructure of the Non-Interest Bearing Loan.

Under the agreed restructure the original loan has been terminated and replaced by a new loan of \$14,346,000 with the following terms and conditions.

- Term – 2010 to 2025.
- Repayments - Commencing May 2010 at \$200,000 per annum.
- Repayments - Increasing annually to a maximum of \$2,100,000 per annum in 2023.
- Interest free.

The restructured loan's net fair value utilising a market interest rate of 6.52% was \$7,558,000 on initial recognition.

Subsequent to initial recognition the loan is carried at amortised cost. Amortisation for the period ended 31 December 2015 was \$272,000 (31 December 2014: \$270,000).

This loan facility is secured by way of a second ranking floating debenture over the whole of the assets and undertakings of the Company.

#### (c) Fair values

Comparison of fair values to carrying amounts by class of financial instrument, other than those where their carrying amounts approximate fair value:

	Carrying Amounts		Fair Value	
	31 Dec 2015 \$'000	30 Jun 2015 \$'000	31 Dec 2015 \$'000	30 Jun 2015 \$'000
<b>Financial Liabilities</b>				
Loans and advances - secured	<b>8,560</b>	8,333	<b>6,972</b>	6,355
Convertible Note issuance	<b>8,557</b>	8,868	<b>8,100</b>	9,032
Total	<b>17,117</b>	17,201	<b>15,072</b>	15,387

**Notes to the Financial Statements**
**For the half year ended 31 December 2015**
**9. FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)**
**(c) Fair values (continued)**

The Group assessed that cash and short-term deposits, trade receivables, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair values of financial instruments:

- The fair value of the Group's secured loan is calculated by discounting the expected future cash flows at the prevailing market interest rate at reporting date December 2015: 12% (June 2015: 12%).
- The fair value of the debt component of the convertible note issuance is calculated by discounting the expected future cash flows at the prevailing market interest rate at reporting date December 2015: 12% (June 2015: 12%).
- The fair value of the Disposal Group' assets at 30 June 2015 were classified as held for sale and measured at the lower of its carrying amount and fair value less costs to sell. The fair value was based on the terms of the sale agreement to be executed within 12 months from 30 June 2015.

**(d) Fair value measurement**

The following table provide the fair value measurement hierarchy of the Group's assets and liabilities:

**As at 31 December 2015:**

	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	\$'000	\$'000	\$'000	\$'000
<b>Financial liabilities for which fair values are disclosed:</b>				
Loans and advances - secured	6,972	-	6,972	-
Debt component of convertible notes	8,100	-	8,100	-
	<b>15,072</b>	-	<b>15,072</b>	-

**As at 30 June 2015:**

	Fair value measurement using			
	Total	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	\$'000	\$'000	\$'000	\$'000
<b>Financial liabilities for which fair values are disclosed:</b>				
Loans and advances - secured	6,355	-	6,355	-
Debt component of convertible notes	9,032	-	9,032	-
<b>Other assets – Disposal Group at fair value less costs to sell:</b>				
Assets held for sale	527	-	-	527
	<b>15,914</b>	-	<b>15,387</b>	<b>527</b>

**CONSOLIDATED**

<b>31 Dec</b>	<b>30 June</b>
<b>2015</b>	<b>2015</b>
<b>\$'000</b>	<b>\$'000</b>

The following table shows a reconciliation of the movement in the fair value of financial instruments categorised within Level 3 between the beginning and the end of the reporting period:

Beginning of reporting period	<b>527</b>	638
Released to the statement of profit or loss	-	(638)
Disposal group assets classified as held for sale	<b>(527)</b>	527
End of reporting period	-	527

## Notes to the Financial Statements

For the half year ended 31 December 2015

	CONSOLIDATED	
	31 Dec 2015 \$'000	30 June 2015 \$'000
<b>10. SHARE CAPITAL</b>		
Ordinary shares	<b>20,962</b>	20,021
Movement in ordinary shares on issue	<b>Number</b>	<b>\$'000</b>
At 1 July 2014	49,756,994	19,590
On market share buy-back	(4,975,699)	(773)
Shares issued pursuant to employee share plan	146,039	58
At 31 December 2014	<u>44,927,334</u>	<u>18,875</u>
At 1 July 2015	<b>48,979,099</b>	<b>20,021</b>
Convertible Note interest elected to be paid in shares	<b>729,928</b>	<b>369</b>
Convertible Notes converted during the period	<b>1,375,000</b>	<b>515</b>
Shares issued pursuant to employee share plan	<b>95,646</b>	<b>57</b>
At 31 December 2015	<u><b>51,179,673</b></u>	<u><b>20,962</b></u>

**11. BUSINESS COMBINATIONS****Information on prior year acquisition**

On 4 February 2015 Orbital acquired 50% of the voting shares of REMSAFE Pty Ltd ("REMSAFE") for \$5,000,000 cash payment. On 10 February 2015 Orbital provided REMSAFE with \$1,000,000 of working capital required to integrate REMSAFE into Orbital, build the order book and expand the business. As a result of the working capital investment Orbital's equity share in REMSAFE increased from 50% to a majority share of 54.5% with Mr Michael Lane, the founding inventor of REMSAFE, holding the minority 45% share. REMSAFE will be consolidated by the Group. After initially acquiring 54.5% of the business in February 2015, Orbital increased its interest in REMSAFE to 61.5%. Cash consideration of \$2,000,000 was paid for the additional shares issued by REMSAFE Pty Ltd.

REMSAFE has developed a valuable high voltage electrical isolation system which Orbital believes has the potential to grow into a significant global business. REMSAFE provides a safety solution which also delivers direct cost savings and increases productivity. REMSAFE's unique technology is protected by strong patents.

As at 31 December 2015 the fair values at acquisition were based on provisional assessments of the identifiable assets and liabilities. Management has finalised the fair values for the business combination with no further adjustments, subsequent to 31 December 2015.

**12. DISCONTINUED OPERATIONS**

On 30 June 2015, the Group publicly announced the decision of its Board of Directors to exit the LPG businesses due to the decline in the LPG market, the resulting lack of sustainable profitability and the recent changes in Orbital's business focus.

The Group completed the divestment of both the Sprint Gas Australia ("Sprint Gas") business and the Orbital Autogas Systems ("OAS") business by 30 November 2015. The sale of the net assets of Sprint Gas and the sale of the OAS inventory assets have been combined to form a single co-ordinated plan to exit the loss-making LPG businesses with minimal cost of closure to the Group. The Sprint Gas business exit was executed through the sale of the net assets of Sprint Gas to the non-controlling shareholder for no consideration. The OAS business exit was executed through the closure of the OAS operations and the transfer of the inventory of the OAS business to Sprint Gas at an agreed value of \$468,000. The net assets of Sprint Gas and the OAS inventory were classified as a disposal group held for sale as at 30 June 2015. The results of both the Sprint Gas business and the OAS business were reported as discontinued operations in the statement of profit or loss.

The net assets of Sprint Gas were measured at the lower of its carrying amount and fair value less costs to sell and as a result the net assets were impaired in full. The carrying value of the net assets impaired for the period was \$46,000. OAS plant and equipment write-down for the period was \$24,000. The total impairment charge of \$70,000 was recognised in the statement of profit or loss as part of the line item "Loss after tax for the year from discontinued operations". The LPG businesses were included in the Consumer operating segment until 30 June 2014.

## Notes to the Financial Statements

For the half year ended 31 December 2015

	CONSOLIDATED	
	31 Dec 2015 \$'000	31 Dec 2014 \$'000
<b>12. DISCONTINUED OPERATIONS (continued)</b>		
<b>(a) The results of the LPG business for the period presented below:</b>		
Revenue	2,538	4,156
Expenses	2,536	4,875
Operating income/(loss)	2	(719)
Finance costs	-	1
Impairment loss recognised on the remeasurement to fair value less cost to sell	(70)	-
Loss before tax from discontinued operations	(68)	(720)
Tax	-	-
<b>Loss for the period from discontinued operations</b>	<b>(68)</b>	<b>(720)</b>
<b>(b) The net cash flows incurred by the LPG business are as follows:</b>		
Operating	(120)	311
Investing	(35)	(6)
Financing	5	(10)
Net cash (outflow)/inflow	<b>(150)</b>	<b>295</b>
<b>(c) The major classes of assets and liabilities of the LPG businesses classified as held for sale and fully written down as at 30 June 2015 and disposed of on 30 November 2015 were as follows:</b>		
	CONSOLIDATED	
	31 Dec 2015 \$'000	30 June 2015 \$'000
<b>Assets</b>		
Plant and equipment	-	191
Inventories	-	1,896
Trade and other receivables	-	444
Cash and cash equivalents	-	850
	-	3,381
Impairment	-	(2,472)
	-	909
<b>Liabilities</b>		
Employee benefits	-	164
Borrowings	-	19
Trade and other creditors	-	199
	-	382
Fair value of disposal group	-	527
Earnings per share:		
Basic, loss for the period from discontinued operations (in cents)	(0.15)	(1.51)
Diluted, loss for the period from discontinued operations (in cents)	(0.15)	(1.51)

## Notes to the Financial Statements

For the half year ended 31 December 2015

### 13. SHARE BASED PAYMENTS

The Company has two employee share plans in which the key management personnel participate.

#### (a) Employee Share Plan No.1

Key management personnel (together with all other eligible employees) are each offered shares in the Company, at no cost to the employees, to the value of \$1,000 per annum under the terms of the Company's Employee Share Plan. Under the Employee Share Plan, offered shares are held in escrow for a period of 3 years or until the date the employee ceases employment with the Company.

Total expense recognised during the period is \$57,000.

There were 95,646 shares issued under the Employee Share Plan No.1 during the reporting period.

#### (b) Performance Rights Plan

The Company introduced a new Performance Rights Plan as part of its long-term incentive arrangements for senior executives, which was approved by shareholders on 21 October 2014.

Under the Performance Rights Plan, performance rights will only be issued if the terms and conditions detailed below are satisfied.

A performance right is a right to acquire one fully paid ordinary share in the Company. Until they are exercised, performance rights:

- (a) do not give the holder a legal or beneficial interest in shares of the Company; and
- (b) do not enable participating executives to receive dividends, rights on winding up, voting rights or other shareholder benefits.

Performance rights issued under the Performance Rights Plan will be exercisable if:

- (a) a performance hurdle is met over the periods specified by the Board; or
- (b) the Board allows early exercise on cessation of employment (see "Cessation of employment" below); or
- (c) it is determined by the Board in light of specific circumstances.

The terms and conditions of the offer of Performance Rights Plan approved are as follows:

Tranche	Performance Condition	Expiry Date	Allocation		
			Mr T D Stinson	Mr G P Cathcart	Mr IG Veitch
1	Milestone: the Company having a market capitalisation of greater than A\$20 million for a period of 30 consecutive calendar days.	18 months from the date of issue of the Performance Rights	500,000	200,000	200,000
2	Milestone: the Company having a market capitalisation of greater than A\$35 million for a period of 30 consecutive calendar days.	24 months from the date of issue of the Performance Rights	500,000	200,000	200,000
3	Milestone: the Company having a market capitalisation of greater than A\$60 million for a period of 30 consecutive calendar days.	36 months from the date of issue of the Performance Rights	500,000	200,000	200,000
<b>Total</b>			<b>1,500,00</b>	<b>600,000</b>	<b>600,000</b>

There have been no issues of performance rights under the Performance Rights Plan during the reporting period. On 10 April 2015 the Performance Condition for Tranche 1 of the Performance Rights Plan was met and 900,000 rights vested.

The Performance Rights Plan previously approved by shareholders in October 2009 under which 1,150,000 performance rights were awarded to Mr T D Stinson over seven tranches was cancelled with the introduction of the new Performance Rights Plan.

#### (c) Executive Long Term Share Plan ("ELTSP")

Executives were previously offered shares in the Company's Executive Long Term Share Plan under which offered shares could be granted subject to the satisfaction of performance conditions over a 3 year period or subject to Board discretion for other qualifying reasons.

The performance conditions for the plan as approved at the Company's Annual General Meeting in October 2013 were based 100% on earnings per share. This plan was cancelled with the introduction of the new Performance Rights Plan referred to in Note 13 (b) above.

## Notes to the Financial Statements

For the half year ended 31 December 2015

### 14. COMMITMENTS AND CONTINGENCIES

There have been no significant changes to the commitments and contingencies disclosed in the most recent annual financial report.

### 15. RELATED PARTY DISCLOSURES

#### (a) Identity of related parties

The Group has a relationship with its subsidiaries, with its investment accounted for using the equity method, and with its key management personnel.

#### (b) Controlled Entities

There have been no changes to interest in controlled entities disclosed in the most recent annual financial report.

#### (c) Other Related Parties

Details of dealings with other related parties, being joint venture entity Synerject LLC, are set out below:

##### (i) Receivables and Payables

The aggregate amounts receivable from/payable to Synerject LLC by the Group at balance date were \$nil (30 June 2015: \$nil)

##### (ii) Transactions

During the period the Group purchased goods and services to the value of \$nil (December 2014: \$nil) from Synerject LLC. All transactions are in the ordinary course of business and on normal commercial terms and conditions. The Group received dividends of \$nil (December 2014: \$717,000) from Synerject LLC.

#### (d) Key Management Personnel

##### Key management personnel participation in Convertible Note issuance

Some key management personnel participated in the Convertible Note issuance on the same terms as other Convertible Note holders. The Convertible Notes issued to key management personnel were not issued in their capacity as key management personnel. The terms and potential financial benefit of the Convertible Notes issued to the Directors have been determined on an arms-length basis.

The issue of Convertible Notes to Mr TD Stinson and Mr JP Welborn was approved by shareholders at the Extraordinary General Meeting on 21 January 2015. Mr JH Poynton joined the Group as a Director subsequent to the Convertible Notes issuance. Mr MC Lane joined the Group as a KMP subsequent to the Convertible Notes issuance.

	Number of Convertible Notes	Amounts owed to KMP		Interest Paid to KMP	
		Dec 2015	June 2015	Dec 2015	Dec 2014
<b>Executive Director</b>		\$	\$	\$	\$
Mr TD Stinson	1	51,250	51,250	2,500	-
<b>Non-Executive Directors</b>					
Mr JP Welborn	5	256,250	256,250	12,500	-
Mr JH Poynton	1	51,250	51,250	2,500	-
<b>Other KMP</b>					
Mr MC Lane (Managing Director of REMSAFE)	4	205,000	205,000	10,000	-
<b>Total</b>	11	563,750	563,750	27,500	-

## **Notes to the Financial Statements**

**For the half year ended 31 December 2015**

### **16. EVENTS SUBSEQUENT TO BALANCE SHEET DATE**

#### **Early redemption of Convertible Notes**

On 18 January 2016 Orbital announced the early redemption of all remaining outstanding Convertible Notes. The outstanding Convertible Notes have a face value of \$8,900,000 at the date of the announcement. The recent sale of Orbital's 30% interest in Synerject has allowed the Group to reassess the funding needs for existing and new business opportunities.

The timeline of the proposed early redemption allows Note holders the option of converting any outstanding Notes into Orbital Shares. The Board is confident in strong take up from Note holders for conversion to equity. As a result the early redemption is expected to result in an expansion of the Group's capital base while maintaining a strong cash balance.

The terms of the early redemption are as follows:

- Note holders have until 29 February, 2016 to elect to have their Convertible Note converted into Ordinary Shares,
- Note holders who do not convert their Convertible Notes to Ordinary Shares will receive the face value of the outstanding Convertible Note, accrued interest up to 29 February, 2016 and an Early Redemption Interest fee of \$3,000 per Convertible Note.



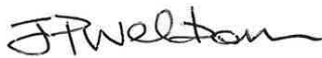
## **Director's Declaration**

In accordance with a resolution of the directors of Orbital Corporation Limited, I state that:

In the opinion of the directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001*, including: -
  - (i) Giving a true and fair view of the financial position as at 31 December 2015 and the performance for the half-year ended on that date of the consolidated entity; and
  - (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; 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.

On behalf of the Board,



JP Welborn  
Chairman

Dated: 26 February 2016  
Perth, Western Australia

## Report on the half-year financial report to the members of Orbital Corporation Limited

We have reviewed the accompanying half-year financial report of Orbital Corporation Limited, which comprises the statement of financial position as at 31 December 2015, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

### Directors' responsibility for the half-year 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 controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Orbital Corporation Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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.

### Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

## Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Orbital Corporation Limited is not in accordance with the *Corporations Act 2001*, including:

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2015 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



Ernst & Young



T G Dachs  
Partner  
Perth  
26 February 2016

## CORPORATE INFORMATION

ABN 32 009 344 058

### REGISTERED AND PRINCIPAL OFFICE

4 Whipple Street  
Balcatta, Western Australia 6021  
Australia

### CONTACT DETAILS

Australia: -  
Telephone: 61 (08) 9441 2311  
Facsimile: 61 (08) 9441 2111

### INTERNET ADDRESS

<http://www.orbitalcorp.com.au>

### DIRECTORS

John P Welborn, Chairman  
Terry D Stinson, Managing Director and Chief Executive Officer  
John H Poynton

### COMPANY SECRETARY

Ian G Veitch

### SHARE REGISTRY

Link Market Services Limited  
Level 4 Central Park  
152 St Georges Terrace  
Perth, Western Australia 6000  
Telephone: 61 (08) 9211 6670

### SHARE TRADING FACILITIES

Australian Stock Exchange Limited (Code "OEC")

### AUDITORS

Ernst & Young  
The Ernst & Young Building  
11 Mounts Bay Road  
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