ORBITAL CORPORATION LIMITED

APPENDIX 4E

Preliminary Final Report

Company Details

Name of Entity:	Orbital Corporation Limited
ABN:	32 009 344 058
Year Ended (Current Year):	30 June 2015
Year Ended (Prior Year):	30 June 2014

Results for announcement to the market

		A$'000			A$'000
Total revenue from continuing operations	**UP**	**2,731**	**39%**	**to**	**9,660**
Statutory net loss from ordinary activities after tax attributable to members	**DOWN**	**1,762**	**146%**	**to**	**(558)**
Statutory net loss attributable to members	**DOWN**	**6,302**	**376%**	**to**	**(4,626)**

	2015	2014
Net tangible assets per share (cents)	**33.34**	**42.29**

Dividends

There is no proposal to pay dividends for the year ended 30 June 2015

Commentary on results for the period

The Commentary on the results for the period is contained in the press release dated 28 August 2015 accompanying this statement.

STATEMENT OF PROFIT OR LOSS FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated 2015 $'000	Consolidated 2014 $'000
Continuing operations			
Sale of goods		**3,560**	2,750
Engineering services income		**5,217**	2,898
Royalty and licence income		**777**	1,124
Other revenue	2	**106**	157
Total Revenue		**9,660**	6,929
Other income	3	**5,291**	4,221
Materials and consumables expenses	4(d)	**(518)**	(875)
Employee benefits expenses	4(a)	**(8,925)**	(7,020)
Depreciation and amortisation expenses		**(504)**	(530)
Engineering consumables and contractors expenses		**(3,413)**	(883)
Occupancy expenses		**(1,296)**	(1,316)
Travel and accommodation expenses		**(333)**	(250)
Communications and computing expenses		**(371)**	(281)
Patent expenses		**(212)**	(260)
Insurance expenses		**(401)**	(501)
Audit, compliance and listing expenses		**(621)**	(928)
Finance costs	4(b)	**(964)**	(533)
Other expenses	4(c)	**(466)**	(304)
Share of profit from associate	6	**2,776**	3,256
(Loss)/profit before income tax from continuing operations		**(297)**	725
Income tax (expense)/benefit	5(a)	**(448)**	479
(Loss)/profit for the year from continuing operations		**(745)**	1,204
Discontinued operations			
(Loss)/profit after tax for the year from discontinued operations	12	**(4,068)**	472
(Loss)/profit for the year		**(4,813)**	1,676
Attributable to:			
Equity holders of the Parent		**(4,626)**	1,676
Non-controlling interests		**(187)**	-
		(4,813)	1,676
Earnings per share	14	cents	cents
Basic, profit for the year attributable to ordinary equity holders of the Parent		**(10.01)**	3.39
Diluted, profit for the year attributable to ordinary equity holders of the Parent		**(10.01)**	3.39
Earnings per share from continuing operations			
Basic, profit for the year attributable to ordinary equity holders of the Parent		**(1.21)**	2.43
Diluted, profit for the year attributable to ordinary equity holders of the Parent		**(1.21)**	2.43

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated	
	2015	2014
	$'000	$'000
Net (loss)/profit for the year	**(4,813)**	1,676
Other Comprehensive income		
Items that may be reclassified subsequently to profit or loss		
Share of foreign currency reserve of equity accounted investment	**(421)**	80
Foreign currency translation	**4,613**	(340)
Other comprehensive income/(loss) for the period, net of tax	**4,192**	(260)
Total comprehensive (loss)/income for the year	**(621)**	1,416
Attributable to:		
Equity holders of the Parent	**(434)**	1,416
Non-controlling interests	**(187)**	-
Total comprehensive (loss)/income for the year	**(621)**	1,416

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2015

	Share Capital $'000	Retained Profits/ (Accumulated Losses) $'000	Employee Equity Benefits Reserve $'000	Foreign Currency Translation Reserve $'000	Consolidation Reserve $'000	Convertible Note Reserve $'000	Total $'000	Non-controlling interests $'000	Total Equity $'000
At 1 July 2013	19,518	366	1,645	(2,032)	-	-	19,497	-	19,497
Profit for period	-	1,676	-	-	-	-	1,676	-	1,676
Other comprehensive income	-	-	-	(260)	-	-	(260)	-	(260)
Total comprehensive income/(loss) for the period	-	1,676	-	(260)	-	-	1,416	-	1,416
Share based payments	72	-	60	-	-	-	132	-	132
Balance at 30 June 2014	19,590	2,042	1,705	(2,292)	-	-	21,045	-	21,045
At 1 July 2014	**19,590**	**2,042**	**1,705**	**(2,292)**	**-**	**-**	**21,045**	**-**	**21,045**
(Loss)/profit for period	**-**	**(4,626)**	**-**	**-**	**-**	**-**	**(4,626)**	**(187)**	**(4,813)**
Other comprehensive income	**-**	**-**	**-**	**4,192**	**-**	**-**	**4,192**	**-**	**4,192**
Total comprehensive (loss)/income for the period	**-**	**(4,626)**	**-**	**4,192**	**-**	**-**	**(434)**	**(187)**	**(621)**
On market share buy-back	**(773)**	**-**	**-**	**-**	**-**	**-**	**(773)**	**-**	**(773)**
Convertible Note reserve	**-**	**-**	**-**	**-**	**-**	**248**	**248**	**-**	**248**
Convertible Note conversions	**366**	**-**	**-**	**-**	**-**	**-**	**366**	**-**	**366**
Convertible Note interest paid in shares	**73**	**-**	**-**	**-**	**-**	**-**	**73**	**-**	**73**
Acquisition of subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**653**	**653**
Increase in subsidiary equity	**-**	**-**	**-**	**-**	**(670)**	**-**	**(670)**	**670**	**-**
Share based payments	**765**	**-**	**102**	**-**	**-**	**-**	**867**	**-**	**867**
Balance at 30 June 2015	**20,021**	**(2,584)**	**1,807**	**1,900**	**(670)**	**248**	**20,722**	**1,136**	**21,858**

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	Consolidated 2015 $'000	2014 $'000
ASSETS			
Current assets			
Cash and cash equivalents		**6,649**	5,416
Other financial assets		**1,369**	1,341
Trade and other receivables		**6,991**	5,755
Inventories		**390**	3,328
		15,399	15,840
Assets associated with disposal group held for sale	12	**909**	-
Total current assets		**16,308**	15,840
Non-current assets			
Investment in associate	6	**17,742**	13,980
Deferred taxation asset	7	**5,621**	5,001
Plant and equipment		**2,259**	2,845
Intangibles and goodwill	8	**5,530**	-
Total non-current assets		**31,152**	21,826
TOTAL ASSETS		**47,460**	37,666
LIABILITIES			
Current liabilities			
Trade payables and other liabilities		**4,510**	3,696
Borrowings		**597**	521
Contingent consideration		**-**	638
Employee benefits		**2,026**	1,938
Deferred revenue		**-**	316
Government grants		**225**	225
Other provisions		**241**	192
		7,599	7,526
Liabilities associated with disposal group held for sale	12	**382**	-
Total current liabilities		**7,981**	7,526
Non-current liabilities			
Long term borrowings		**16,604**	7,811
Employee benefits		**35**	32
Government grants		**749**	974
Other provisions		**233**	278
Total non-current liabilities		**17,621**	9,095
TOTAL LIABILITIES		**25,602**	16,621
NET ASSETS		**21,858**	21,045
EQUITY			
Share capital	9	**20,021**	19,590
Reserves	10	**3,285**	(587)
(Accumulated Losses)/Retained profits	10	**(2,584)**	2,042
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT		**20,722**	21,045
Non-controlling interests		**1,136**	-
TOTAL EQUITY		**21,858**	21,045

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated 2015 $'000	2014 $'000
Cash Flows from Operating Activities			
Cash receipts from customers		**19,042**	20,825
Cash paid to suppliers and employees		**(22,417)**	(22,826)
Cash used by operations		**(3,375)**	(2,001)
Interest received		**132**	179
Interest paid		**(80)**	(51)
Income taxes paid		**(59)**	(42)
Net cash used in operating activities	13	**(3,382)**	(1,915)
Cash Flows from Investing Activities			
Dividends received from associate		**2,060**	1,634
Acquisition of subsidiary, net of cash acquired	11	**(4,741)**	-
Net Proceeds from sale of plant and equipment		**36**	64
Acquisition of plant and equipment		**(249)**	(377)
Investment in short term deposit		**(260)**	(460)
Net cash (used in)/from investing activities		**(3,154)**	861
Cash Flows from Financing Activities			
Proceeds from borrowings		**9,890**	-
Repayment of borrowings		**(498)**	(433)
On market share buy-back		**(773)**	-
Net cash from/(used in) financing activities		**8,619**	(433)
Net increase /(decrease) in cash and cash equivalents		**2,083**	(1,487)
Cash and cash equivalents at 1 July		**5,416**	6,903
Cash and cash equivalents at 30 June	13	**7,499**	5,416

Non-Cash Investing and Financing Activities

There were no non-cash investing or financing activities for the years ended 30 June 2014 and 2015.

Refer to note 15 for details of non-cash operating items.

1. ACCOUNTING POLICIES

Basis of Preparation

This preliminary final report has been prepared in accordance with ASX Listing Rule 4.3A and the disclosure requirements of ASX Appendix 4E.

This report is based on accounts which are in the process of being audited.

The accounting policies applied are consistent with those applied in the 2014 annual financial statements with the exception of the following:

(i) Reclassification of comparative information
Classifications of certain items in the prior year have changed to conform with current year presentation.

	CONSOLIDATED 2015 $'000	CONSOLIDATED 2014 $'000
2. OTHER REVENUE		
Interest revenue	**106**	157

3. OTHER INCOME

	2015 $'000	2014 $'000
Automotive grant income (a)	**90**	171
Net foreign exchange gains	**196**	281
Grant income	**1,623**	891
Fair value movement in contingent consideration	**638**	248
Fair value movement in financial instruments	**-**	136
Movement in provision for constructive obligations	**-**	148
Rental income from sub-lease	**449**	108
Research and development grant (b)	**2,265**	2,224
Other	**30**	14
	5,291	4,221

(a) The Group received Automotive Transformation Scheme (ATS) credits from the Federal Government for qualifying research and development activities and accounts for these as government grants.

(b) In accordance with research and development tax legislation the Group is entitled to a refundable research and development tax offset accounted for as a government grant.

4. EXPENSES

(a) Employee benefits expenses

	2015 $'000	2014 $'000
Salaries and wages	**7,194**	5,760
Contributions to defined contributions superannuation funds	**690**	613
Share based payments	**358**	107
Increase/(Decrease) in liability for annual leave	**61**	(21)
Increase in liability for long service leave	**121**	88
Other associated personnel expenses	**501**	473
	8,925	7,020

(b) Finance costs

	2015 $'000	2014 $'000
Non-cash interest expense WA Government Loan	**541**	533
Convertible Note interest expense	**423**	-
	964	533

	CONSOLIDATED 2015 $'000	2014 $'000

4. EXPENSES (CONTINUED)

(c) Other expenses

	2015 $'000	2014 $'000
Administration	**127**	113
Marketing	**17**	20
Investor Relations	**4**	21
Freight & courier	**8**	13
Fair value movement in financial instruments	**233**	-
Loss on disposal of plant and equipment	**-**	90
Other	**77**	47
	466	304

(d) Materials and consumables expenses

	2015 $'000	2014 $'000
Raw materials and consumables purchased	**223**	709
Write back inventory impairment	**(14)**	(4)
Change in inventories	**309**	170
	518	875

(e) Lease payments included in statement of profit or loss

	2015 $'000	2014 $'000
Minimum lease payments – operating lease	**1,150**	1,109

(f) Research and development costs

	2015 $'000	2014 $'000
Research and development costs charged directly to the statement of profit or loss	**3,646**	1,910

5. INCOME TAX

(a) Recognised in the statement of profit or loss

	2015 $'000	2014 $'000
Current income tax		
Current year expense	**(1,010)**	(2,048)
Benefits arising from previously unrecognised tax losses	**1,070**	2,098
Relating to originating and reversing temporary differences	**(508)**	429
Total income tax benefit/(expense) in statement of profit or loss	**(448)**	479

(b) Numerical reconciliation between tax benefit and pre-tax net profit/(loss)

	2015 $'000	2014 $'000
(Loss)/profit before tax from continuing operations	**(297)**	725
(Loss)/profit before tax from discontinued operations	**(4,068)**	472
(Loss)/profit before income tax	**(4,365)**	1,197
Income tax using the statutory tax rates	**1,310**	(359)
- Effect of higher tax rates in the United States of America	**(111)**	(130)
- Non-deductible expenditure	**(2,187)**	(1,816)
- Non assessable income	**721**	667
- Deferred tax asset not recognised	**(588)**	-
- Current year deferred tax assets not recognised	**(62)**	(31)
- Previous year deferred tax assets derecognised	**(598)**	-
- Benefits arising from previously unrecognised tax losses	**1,070**	2,098
- Net withholding tax (paid)/recouped	**(5)**	12
- Other	**102**	-
- United States of America Federal and State taxes	**(100)**	38
Income tax (expense)/benefit on pre-tax net profit	**(448)**	479

5. INCOME TAX (continued)

(c) Tax consolidation

Members of the tax consolidated group and the tax sharing arrangement:

Orbital Corporation Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2002. Orbital Corporation Limited is the head entity of the tax consolidated group. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax consolidated group are recognised by the Company as head entity of the tax-consolidated group. Members of the group have entered into a tax sharing agreement that provides for the allocation of income tax liabilities between the entities should the head entity default on its tax payment obligations. No amounts have been recognised in the financial statements in respect of this agreement on the basis that the possibility of default is remote.

6. INVESTMENT IN ASSOCIATE

(a) Interest in Synerject LLC

The Group holds a 30% (2014: 30%) share of Synerject LLC. The investment is recognised and disclosed as an investment in an associate.

The principal activities of Synerject LLC are the marketing, sale and manufacture, including research and development in the area of engine management systems and components in the marine, recreational, motorcycle and utility markets. Synerject is a key supplier of engine management systems to the non-automotive market. Original equipment products using Synerject's engine management systems range from the high performance motorcycle/recreational vehicles to the high volume scooter and small engine applications. Application centres in Europe, China, Taiwan and the United States provide on-site support of customer development and production programs.

The Group accounts for the investment in Synerject using the equity method.

Other information for Synerject is as follows:

Country of incorporation:	USA
Financial Year end:	31 December
30 June Ownership:	2015: 30%; 2014: 30%.

The following is summarised financial information for Synerject at 30 June 2015 based on its consolidated financial statements modified for fair value adjustments on acquisition and differences in the Group's accounting policies:

	2015 US$'000	2014 US$'000
Revenue (100%)	**141,054**	141,746
Profit (100%)	**8,083**	9,970
Other comprehensive income	**(1,153)**	253
Total comprehensive income	**6,930**	10,223
Current assets	**58,960**	56,597
Non-current assets	**9,521**	9,605
Current liabilities	**30,464**	29,709
Net assets	**38,017**	36,493

	2015 A$'000	2014 A$'000
Revenue (100%)	**168,543**	154,323
Profit (100%)	**9,254**	10,855
Other comprehensive income	**(1,378)**	275
Total comprehensive income	**7,876**	11,130

6. INVESTMENT IN ASSOCIATE (continued)

(a) Interest in Synerject LLC (continued)

	2015 A$'000	2014 A$'000
Current assets	**76,771**	60,082
Non-current assets	**12,397**	10,196
Current liabilities	**39,667**	31,538
Net assets	**49,501**	38,740
Orbital's interest in the net assets of Synerject	**14,850**	11,622
Share of goodwill	**2,892**	2,358
Share of Synerject's net assets equity accounted	**17,742**	13,980

	CONSOLIDATED 2015 $'000	 2014 $'000
(b) Movement in the carrying amount of the Group's interest in Synerject		
Beginning of year	**13,980**	12,468
Share of profits after tax	**2,776**	3,256
Share of reserves	**(421)**	80
Dividends received	**(2,060)**	(1,634)
Unrealised foreign exchange movements	**3,467**	(190)
End of year	**17,742**	13,980
(c) Results of Synerject		
Share of Synerject's net profit	**2,776**	3,256
(d) Commitments		
Share of Synerject's capital commitments contracted but not provided for or payable:		
Within one year	**366**	283
One year or later and no later than five years	**711**	667
	1,077	950

7. DEFERRED TAX ASSETS AND LIABILITIES

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	Deferred Tax Assets		Deferred Tax Liabilities		Net	
	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000
Tax value of loss carry-forwards recognised	**5,621**	5,001	**-**	-	**5,621**	5,001
Other net temporary differences (a)	**807**	1,014	**(807)**	(1,014)	**-**	-
Net deferred tax assets	**6,428**	6,015	**(807)**	(1,014)	**5,621**	5,001

Under the tax laws of the United States, tax losses that cannot be fully utilised for tax purposes during the current year may be carried forward, subject to some statutory limitations, to reduce taxable income in future years. At 30 June 2015, the available tax carry forward losses of US$16,714,637 (2014: US$18,835,062) expire between the years 2016 and 2024.

Movement in temporary differences during the comparative year

	Consolidated				
	Balance 1 Jul 13	Acquired during the year	Recognised in income	Recognised in equity (b)	Balance 30 June 14
	$'000	$'000	$'000	$'000	$'000
Tax value of loss carry-forwards recognised	4,656	-	429	(84)	5,001
Other net temporary differences	-	-	-	-	-
Net tax assets	4,656	-	429	(84)	5,001

Movement in temporary differences during the current year

	Consolidated				
	Balance 1 Jul 14	Acquired during the year	Recognised in income	Recognised in equity (b)	Balance 30 June 15
	$'000	$'000	$'000	$'000	$'000
Tax value of loss carry-forwards recognised	**5,001**	**(116)**	**(392)**	**1,128**	**5,621**
Other net temporary differences	**-**	**-**	**-**	**-**	**-**
Net tax assets	**5,001**	**(116)**	**(392)**	**1,128**	**5,621**

	CONSOLIDATED 2015 $'000	CONSOLIDATED 2014 $'000

7. DEFERRED TAX ASSETS AND LIABILITIES (CONTINUED)

(a) Other net temporary differences

	2015 $'000	2014 $'000
Deferred tax assets		
Annual leave	**196**	197
Long service leave	**342**	338
Staff bonus	**4**	22
Revenue in advance	**171**	393
Other	**95**	64
	807	1,014
Deferred tax liabilities		
Unrealised foreign exchange gain on inter-company loan	**(727)**	(1,003)
Other	**(80)**	(11)
	(807)	(1,014)
Net temporary differences	**-**	-

(b) The amounts recognised through equity represent the foreign exchange differences arising on the translation of the foreign subsidiary.

(c) Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2015 $'000	2014 $'000
Australia (net at 30%)		
Tax losses	**20,658**	20,027
Capital loss on investment	**1,934**	1,934
Other net temporary differences	**346**	317
	22,938	22,278
United States of America (net 34%)		
Tax losses	**1,789**	1,796
Other net temporary differences	**132**	132
	1,921	1,928

8. INTANGIBLES AND GOODWILL

	2015 $'000	2014 $'000
Goodwill acquired in business combinations	**5,218**	-
Customer contracts acquired in business combinations	**312**	-
Total intangibles and goodwill – net book value	**5,530**	-
Net carrying value		
Goodwill acquired in business combinations		
At cost	**5,218**	-
Less: allowance for impairment	**-**	-
Carrying amount at end of year	**5,218**	-
Customer contracts acquired in business combinations		
At cost	**597**	-
Less: accumulated amortisation	**(285)**	-
Carrying amount at end of year	**312**	-

	CONSOLIDATED 2015 $'000	CONSOLIDATED 2014 $'000

8. INTANGIBLES AND GOODWILL (CONTINUED)

	2015 $'000	2014 $'000
Capitalised development expenditure		
At cost	**826**	826
Less: accumulated amortisation and impairment	**(826)**	(826)
	-	-

(a) Reconciliation of carrying amounts at the beginning and end of the period

	2015 $'000	2014 $'000
Reconciliations of the carrying amounts for goodwill:		
Carrying amount at beginning of year	**-**	-
Acquired in business combinations	**5,218**	-
Impairment charge	**-**	-
Carrying amount at end of year	**5,218**	-
Reconciliations of the carrying amounts for customer contracts:		
Carrying amount at beginning of year	**-**	-
Acquired in business combinations	**597**	-
Amortisation	**(285)**	-
Carrying amount at end of year	**312**	-
Reconciliations of the carrying amounts for capitalised development expenditure:		
Carrying amount at beginning of year	**-**	146
Amortisation	**-**	(146)
Carrying amount at end of year	**-**	-

(b) Description of the Group's intangible assets and goodwill

Goodwill
The goodwill arose on the acquisition of REMSAFE Pty Ltd on 4 February 2015 ($5,218,000). As at 30 June 2015 the value of goodwill recognised is based on a provisional assessment of the fair value of identifiable assets and liabilities acquired. Due to the time period between the acquisition and the end of the reporting period the fair values were not yet finalised as at 30 June 2015. The Group has left the acquisition accounting open pending further adjustment to the fair values of net assets acquired. The initial accounting for the business combination will be finalised within the next financial year.

As the acquisition accounting is not finalised, the provisional goodwill recognised has not been tested for impairment as no indicators of impairment exist.

Customer contracts
Customer contracts were acquired as part of the REMSAFE acquisition and recognised separately from goodwill. The customer contracts are carried at fair value at the date of acquisition less accumulated amortisation and impairment losses. Following initial recognition, customer contracts are amortised based on the estimated timing of when the benefits are expected to be received from such contracts.

Capitalised development expenditure
Expenditure on development activities relating to next generation LPG fuel systems for the Ford EcoLPI Falcon were capitalised. The EcoLPI range of Falcon vehicles were launched by Ford Australia in July 2011.

	CONSOLIDATED 2015 $'000	2014 $'000

9. SHARE CAPITAL

	2015 $'000	2014 $'000
Ordinary shares	**19,973**	19,590

Movement in ordinary shares on issue	**Number**	**$'000**
At 1 July 2013	49,334,591	19,518
Shares issued pursuant to employee share plan	422,403	72
At 30 June 2014	49,756,994	19,590
At 1 July 2014	**49,756,994**	**19,590**
Shares issued pursuant to employee share plan	**146,039**	**57**
Shares issued under performance rights plan	**900,000**	**208**
Convertible Note offer fee paid in shares	**2,000,000**	**500**
Convertible Note interest elected to be paid in shares	**151,765**	**73**
Convertible Notes converted during the period	**1,000,000**	**366**
On market share buy-back	**(4,975,699)**	**(773)**
At 30 June 2015	**48,979,099**	**20,021**

Holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at shareholders' meetings.

In the event of winding up of the Company, ordinary shareholders rank after creditors and are fully entitled to any proceeds of liquidation.

The Company undertook an on market share buy-back of 10% of its issued capital reflecting the Board's goal of returning value to shareholders. The buy-back commenced 15 July 2014 and was completed on 20 July 2014. During this period the Company bought back 4,975,699 shares for a total consideration of $773,000. On 24 July 2014 the 4,975,699 shares were cancelled.

Capital management

When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management also aims to maintain a capital structure that ensures the lowest cost of capital, provides a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

Management defines capital as contributed shareholder equity.

	CONSOLIDATED 2015 $'000	2014 $'000

10. (ACCUMULATED LOSSES)/RETAINED PROFITS AND RESERVES

(a) Movements in retained earnings were as follows:

	2015 $'000	2014 $'000
Balance 1 July	**2,042**	366
Net (loss)/profit attributable to Equity holders of the Parent	**(4,626)**	1,676
Balance 30 June	**(2,584)**	2,042

(b) Other reserves

Consolidated	**Employee Equity Benefits Reserve $'000**	**Foreign Currency Translation Reserve $'000**	**Consolida-tion Reserve $'000**	**Conver-tible Note Reserve $'000**	**Total $'000**
Balance 1 July 2013	1,645	(2,032)	-	-	(387)
Equity-settled transaction-employee shares	60	-	-	-	60
Other comprehensive income	-	(260)	-	-	(260)
Balance at 30 June 2014	1,705	(2,292)	-	-	(587)
Balance 1 July 2014	1,705	(2,292)	-	-	(587)
Equity-settled transaction-employee shares	102	-	-	-	102
Other comprehensive income		4,192	-	-	4,192
Convertible Note issuance			-	248	248
Increase in subsidiary equity			(670)	-	(670)
Balance at 30 June 2015	1,807	1,900	(670)	248	3,285

(c) Nature and purpose of reserves

Employee equity benefits reserve
The employee equity benefits reserve is used to record the value of share based payments provided to employees, including KMP's, as part of their remuneration.

Foreign currency translation reserve
The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries.

Consolidation reserve
On 17 June 2015 the Group acquired an additional 7% interest in the voting shares of REMSAFE Pty Ltd increasing its ownership to 61.5%. Cash consideration of $2,000,000 was paid for the additional shares issued by REMSAFE. The adjustment to the non-controlling interest is treated as an equity transaction.

Convertible Note reserve
Convertible Note reserve represents the equity component of the $10,000,000 convertible notes issued in the current year net of transaction costs.

11. BUSINESS COMBINATIONS

Acquisitions in 2015

Acquisition of REMSAFE Pty Ltd

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 45.5% share.

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.

The REMSAFE acquisition is a key component of the Group's growth strategy which is focused on identifying and delivering unique innovative business opportunities to generate outstanding returns to shareholders. Orbital's engineering and commercial strength, and international market presence provides a springboard for REMSAFE to grow in the Australian and International markets.

The acquisition has been accounted for using the acquisition method. The Group elected to measure the non-controlling interest in REMSAFE at the proportionate share of its interest in REMSAFE's identifiable net assets.

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.

As at 30 June 2015 the fair values at acquisition were based on provisional assessments of the identifiable assets and liabilities. Due to the time period between acquisition and the end of the reporting period the fair values of customer contracts and patents were not yet finalised as at 30 June 2015. The Group has left the acquisition accounting open pending further adjustment to the fair values of net assets acquired. The initial accounting for the business combination will be finalised within the next financial year.

The provisional fair value of the identifiable assets and liabilities of REMSAFE as at the date of acquisition were:

	Provisional fair values recognised on acquisition $'000
Assets	
Cash	1,259
Trade and other receivables	446
Inventories	36
Plant and equipment	36
Intangible assets - customer contracts	597
	2,374
Liabilities	
Trade payables and other liabilities	611
Employee benefits	211
Deferred tax liability	116
	938
Total identifiable net assets at provisional fair value	**1,436**
Non-controlling interest (44.5% of net assets)	(654)
Provisional goodwill arising on acquisition	5,218
Purchase consideration transferred	**6,000**

	Cash flow on acquisition $'000
Net cash acquired with the subsidiary	1,259
Cash paid	(6,000)
Net cash flow on acquisition	(4,741)

11. BUSINESS COMBINATIONS (CONTINUED)

Acquisitions in 2015 (Continued)

Acquisition of REMSAFE Pty Ltd (Continued)

The fair value of the trade receivables amounts to $446,000. None of the trade receivables have been impaired and it is expected that the full contractual amounts can be collected.

From the date of acquisition REMSAFE has contributed $2,281,000 of revenue and a loss of $485,000 to the net profit from continuing operations of the Group. If the acquisition had taken place at the beginning of the year, revenue from continuing operations would have been $12,101,000 and the loss from continuing operations for the period would have been $576,000.

Customer contracts in progress at the acquisition have been recognised as identifiable assets.

Provisional goodwill of $5,218,000 recorded in connection with the acquisition is primarily attributable to unrecognised intangibles relating to the REMSAFE product, combined with the pipeline of customer orders. The Group has left the acquisition accounting open pending further adjustment to the fair values of net assets acquired. The initial accounting for the business combination will be finalised within the next financial year.

Transaction costs of $188,000 have been expensed and are included in administrative expenses in the statement of profit or loss and are part of operating cash flows in the statement of cash flows (2014:$47,000).

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 will exit both the Sprint Gas Australia ("Sprint Gas") business and the Orbital Autogas Systems ("OAS") business. 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 will be through the sale of the net assets of Sprint Gas to the non-controlling shareholder for no consideration. The OAS business exit will be 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 $527,000. The net assets of Sprint Gas and the OAS inventory have been 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 was $1,854,000. The OAS inventory write-down to fair value less costs to sell was $618,000. The fair value was based on the terms of the sale agreement to be executed within the next 12 months. The total impairment charge of $2,472,000 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.

(a) The results of the LPG businesses for the year are presented below:

	CONSOLIDATED 2015 $'000	2014 $'000
Revenue	**6,801**	11,591
Expenses	**8,396**	11,116
Operating (loss)/income	**(1,595)**	475
Finance costs	**(1)**	(3)
Impairment loss recognised on the remeasurement to fair value less cost to sell	**(2,472)**	-
(Loss)/profit before tax from discontinued operations	**(4,068)**	472
Tax	**-**	-
(Loss)/profit for the year from discontinued operations	**(4,068)**	472

12. DISCONTINUED OPERATIONS (CONTINUED)

(b) The major classes of assets and liabilities of the LPG businesses classified as held for sale and fully written down as at 30 June are as follows:

	CONSOLIDATED 2015 $'000	2014 $'000
Assets		
Plant and equipment	**191**	-
Inventories	**1,896**	-
Trade and other receivables	**444**	-
Cash and cash equivalents	**850**	-
	3,381	-
Impairment	**(2,472)**	-
	909	-
Liabilities		
Employee benefits	**164**	-
Borrowings	**19**	-
Trade and other creditors	**199**	-
	382	-
Fair value of disposal group	**527**	-

The net cash flows incurred by the LPG businesses are as follows:

	2015 $'000	2014 $'000
Operating	**920**	477
Investing	**(10)**	(78)
Financing	**6**	1
Net cash (outflow)/inflow	**916**	400

	2015	2014
Earnings per share:		
Basic, loss for the year from discontinued operations (in cents)	**(8.80)**	0.95
Diluted, loss for the year from discontinued operations (in cents)	**(8.80)**	0.95

Write-down of OAS inventory

With the inclusion of OAS inventory in the disposal group held for sale a write-down of $618,000 was recognised at 30 June 2015 to reduce the carrying amount of the inventory to its fair value less costs to distribute. The fair value was based on the terms of the sale agreement to be executed within the next 12 months.

Write-down of Sprint Gas net assets

The Group will exit the Sprint Gas subsidiary through a sale to the non-controlling shareholder of Sprint Gas. The net assets of Sprint Gas were impaired in full based on the fair value of the net assets in terms of the sale agreement to be executed within the next 12 months.

13. NOTES TO THE STATEMENT OF CASH FLOWS

	NOTE	CONSOLIDATED 2015 $'000	2014 $'000
Reconciliation of cash and cash equivalents			
Cash and cash equivalents per statement of cash flows		**7,499**	5,416
Cash associated with disposal group – refer note 31		**(850)**	-
Cash and cash equivalents per statement of financial position		**6,649**	5,416
Reconciliation of cash flows from operating activities			
(Loss)/profit after income tax from continuing operations		**(745)**	956
(Loss)/profit after income tax from discontinued operations		**(4,068)**	720
(Loss)/profit after income tax		**(4,813)**	1,676
Adjustments for:			
(Profit)/loss on sale of plant and equipment		**(36)**	90
Depreciation		**680**	762
Amortisation		**285**	146
Amortisation of deferred revenue and government grants		**(541)**	(225)
Impairment, write-off of trade receivables		**(20)**	(160)
Movement in fair value of financial assets		**233**	(136)
Movement in fair value of financial liabilities		**(638)**	(248)
Impairment of disposal group	12	**2,472**	-
Amortisation of non-interest bearing loans		**541**	533
Amounts set aside to warranty and other provisions		**4**	(615)
Share of net profit of equity accounted investment	6	**(2,776)**	(3,256)
Convertible note finance costs		**165**	-
Employee compensation expense		**366**	132
Net foreign exchange gains		**(124)**	(72)
Net cash used in operating activities before changes in assets and liabilities		**(4,202)**	(1,373)
Changes in assets and liabilities during the year:			
(Increase) in receivables		**(1,193)**	(842)
Decrease/(Increase) in inventories		**1,065**	(170)
(Increase)/decrease in deferred tax assets		**398**	(417)
Increase in payables		**507**	808
(Decrease)/increase in employee provisions		**43**	79
		820	(542)
Net cash used in operating activities		**(3,382)**	(1,915)

14. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 30 June 2015 was based on loss attributable to ordinary shareholders of $4,626,000 (2014: profit $1,676,000) and a weighted average number of ordinary shares outstanding during the financial year ended 30 June 2015 of 46,212,805 shares (2014: 49,502,395 shares), calculated as follows:

	CONSOLIDATED	
	2015	2014
	$	$
Profit attributable to ordinary equity holders of the Parent:		
Continuing operations	**(558,000)**	1,204,000
Discontinued operations	**(4,068,000)**	472,000
Profit attributable to ordinary equity holders of the Parent for basic earnings	**(4,626,000)**	1,676,000
Weighted average number of ordinary shares	Number	Number
Weighted average number of ordinary shares at 30 June	**46,212,805**	49,502,395
Effect of potential dilutive ordinary shares	**-**	-
Weighted average number of potential dilutive ordinary shares at 30 June	**46,212,805**	49,502,395
Earnings per share	Cents	Cents
Basic earnings per share	**(10.01)**	3.39
Diluted earnings per share	**(10.01)**	3.39

Rights granted to employees (including Key Management Personnel) as described in note 35 are considered to be contingently issuable potential ordinary shares. These potential ordinary shares have not been included in the determination of basic earnings per share. The 1,800,000 performance rights (2014: 5,220,500 rights granted under the ELTSP and the 1,150,000 performance rights) have not been included in the diluted earnings per share calculation as they were contingent on future events.

In order for the convertible notes to be considered dilutive they are required to be dilutive to the continuing operations of the Group. There are 24,000,000 anti-dilutive potential shares outstanding at 30 June 2015. The convertible notes are considered anti-dilutive in the current period as the interest per ordinary share obtainable on conversion exceeds basic earnings per share.

15. OPERATING SEGMENTS

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the executive management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on the manner in which the product is sold, whether retail or wholesale, and the nature of the services provided, the identity of service line manager and country of origin. Discrete financial information about each of these operating businesses is reported to the executive management team on at least a monthly basis

The reportable segments are based on the similarity of the products produced and sold and/or the services provided, as these are the sources of the Group's major risks and have the most effect on the rates of return.

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.

Types of products and services as reported in 2015

Aerospace
The Aerospace segment is focused on the design, development and construction of engines and propulsion systems for Unmanned Aerial Vehicles (UAV) based on Orbital's unique FlexDI™ technology for spark ignited heavy fuel engine applications. The Small Unmanned Aerial System engines business was previously reported as part of the System Sales segment. Due to the expansion of the business to include the broader Unmanned Aerial Vehicle engines business, the business is now reported a stand-alone operating segment.

Mining & Industrial
REMSAFE has developed an electrical isolation system that provides a safety solution which delivers cost savings and increases productivity. The Group acquired the REMSAFE business during the current reporting period. This is a new operating segment for the Group.

Accelerator
The Accelerator segment contains Orbital's centre for innovation, leveraging off the engineering expertise, facilities and experience to commercialise innovative and patent protected technologies. Through the Accelerator Orbital transforms the historical Consulting Services segment into a technology incubator targeted at attracting new investment opportunities.

Consumer
The Consumer segment includes royalties and licences from licensees of Orbital technologies. Applications utilising Orbital technologies include outboard engines, auto rickshaws and scooters, representing consumer products. The royalties and licence business was previously reported as a stand-alone operating segment. The Consumer segment also includes the LPG businesses of Orbital Autogas Systems (OAS) and Sprint Gas Australia (Sprint Gas). The LPG businesses have been accounted for as Discontinued Operations and were previously reported in the system sales segment.

Types of products and services as reported in prior reporting periods

System Sales (sale of goods)
The system sales businesses provided LPG fuel systems to an Australian automobile manufacturer, LPG retrofit installers and also operated spare parts businesses for LPG fuel systems. The segment also included the supply of Small Unmanned Aerial System (SUAS) engines, component parts and engine management systems.

Consulting services (consultancy)
The consulting services business provided consultancy services to original equipment manufacturers, engine manufacturers and government departments. The engineering services provided include research, design, development, calibration, improvement, production support, performance testing, emissions testing and certification.

Royalties and licences (intellectual property rights)
The royalties and licences business received revenue from licensees of Orbital technologies. Applications utilising Orbital technologies include outboard engines, auto rickshaws and scooters.

15. OPERATING SEGMENTS (CONTINUED)

Accounting policies

The following items and associated assets and liabilities are not allocated to operating segments as they are not considered part of the core operations of any segment:
- Corporate management and finance and administration overhead expenses.
- Share of profit from equity accounted investment.
- Finance costs - including adjustments on provisions due to discounting.
- Cash and cash equivalents.
- Borrowings.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Inter-segment pricing is determined on an arm's length basis.

Geographical information

The Aerospace segment is managed on an American basis. The Mining & Industrial and Accelerator segments are managed on a worldwide basis. Royalties and licences within the Consumer segment is managed on a worldwide basis and the LPG businesses on an Australian basis. In presenting geographical information revenue is based on the geographical location of customers and non-current assets are based on the geographical location of the assets.

Revenue is derived predominantly from the sale of UAV engines and propulsion systems, the design, development and installation of REMSAFE systems, the sale of intellectual property rights to Orbital's OCP technology, and innovation and commercialisation consulting fees. The consolidated entity operates predominantly in the aviation, mining, automotive, marine, and motorcycle markets.

Major customers

The Group has a number of customers to which it provides both products and services. The Aerospace supply is to one major customer that accounted for 35% (2014: one customer 10%) of external revenue. The Mining and Industrial segment supplies to Australian mining companies of which one customer accounted for 19% of external revenue (2014: nil%). No other customer accounts for more than 10% of revenue.

(a) Operating Segments

	Aerospace		Mining & Industrial		Consumer		Accelerator		Consolidated	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000
Segment revenue - external customers	**3,560**	2,750	**2,281**	-	**777**	1,124	**2,936**	2,898	**9,554**	6,772
Unallocated other revenue									**106**	157
Total revenue									**9,660**	6,929
Segment result	**492**	193	**257**	-	**904**	884	**(375)**	(842)	**1,278**	235
Research & development costs – (net) (i)									**(2,564)**	(1,244)
Unallocated expenses - (net) (ii)									**(823)**	(989)
Finance costs									**(964)**	(533)
Share of profit from associate									**2,776**	3,256
Net (loss)/profit before related income tax									**(297)**	725
Income tax (expense)/benefit									**(448)**	479
(Loss)/profit after tax from continuing operations									**(745)**	1,204

15. OPERATING SEGMENTS (CONTINUED)

(a) Operating Segments (continued)

	Aerospace		Mining & Industrial		Consumer		Accelerator		Consolidated	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000
Non-cash (revenue) and expenses										
Depreciation and amortisation	**119**	96	**290**	-	**152**	378	**404**	434	**965**	908
Equity settled employee compensation	**87**	43	**-**	-	**9**	25	**15**	8	**111**	76
Other non-cash (income)/expenses	**-**	(502)	**-**	-	**1,780**	(386)	**(541)**	(225)	**1,239**	(1,113)
Segment non-cash expenses	**206**	(363)	**290**	-	**1,941**	17	**(122)**	217	**2,315**	(129)
Equity settled employee compensation									**255**	57
Amortisation of non-interest bearing loans									**541**	533
Finance costs									**165**	-
Share of profit from associate									**(2,776)**	(3,256)
Movement in provision for surplus lease space									**38**	(135)
Foreign exchange translation gain									**(124)**	(72)
Movement in fair value of financial instruments									**233**	(136)
Total non-cash expenses and (revenue)									**647**	(3,138)

(i) Research & development costs are net of research and development grants recorded as other income.
(ii) Unallocated expenses (net) include corporate management, finance and administration overhead expenses net of unallocated other income.

	Aerospace		Mining & Industrial		Consumer		Accelerator		Consolidated	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**
Segment assets	**2,030**	1,459	**8,491**	-	**1,783**	6,952	**3,775**	3,517	**16,079**	11,928
Unallocated assets										
Cash									**6,649**	5,416
Other financial assets									**1,369**	1,341
Investment in associate									**17,742**	13,980
Deferred tax assets									**5,621**	5,001
Consolidated Total Assets									**47,460**	37,666
Segment liabilities	**2,433**	3,618	**2,824**	-	**1,286**	2,423	**1,858**	2,290	**8,401**	8,331
Unallocated liabilities										
Long term borrowings									**17,201**	8,290
Consolidated Total Liabilities									**25,602**	16,621
Consolidated Net Assets									**21,858**	21,045
Segment acquisitions of non-current assets	**70**	164	**67**	-	**56**	99	**56**	114	**249**	377

15. OPERATING SEGMENTS (CONTINUED)

(b) Geographic information

	Americas		Europe		Asia		Australia		Consolidated	
	2015 $'000	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000	**2015 $'000**	2014 $'000
Revenue – external customers	**4,535**	3,935	**103**	170	**1,638**	1,159	**3,278**	1,508	**9,554**	6,772
Non-current assets	**23,363**	18,981	-	-	-	-	**7,789**	2,845	**31,152**	21,826

Annual Meeting

The annual meeting will be held as follows:

Place: Conference Room
BGC Centre
28 The Esplanade
Perth, Western Australia

Date: Wednesday 21 October 2015

Time: 10.00am

Approximate date the annual report will be available: 17 September 2015

Audit

This report is based on accounts which are in the process of being audited.

Signed

Terry Stinson
Managing Director

Perth
28 August 2015