

1 Introduction

The objective of this project is to analyse the performance of two listed Australia-based companies in the automotive parts manufacturing industry, namely Pacifica and Orbital, through various analysis techniques learnt in IND3315. Pacifica is the primary company we are looking into and Orbital Prediction on future performance of both companies will be made in this report based on thorough study of different aspects of them such as their history, financial statements in the past four years and other major operational and external changes. The four main areas that we are looking into are the liquidity, gearing, profitability and management performance of both companies. Comparison between both companies will also be conducted to disclose the prospect in the automotive part sector in Australia and around the globe. Some advice on how to improve the performance of the companies will be provided at the end of the report. This report is divided in two parts in which Ken is working on the Pacifica and Jay on the Orbital.



2-Part A-Pacifica Group Limited



2-1 Profile

Pacific Group Limited is engaged in the manufacture and supply of brake systems and technologies to automotive manufacturers in Australia, North America, Europe and Asia. Pacifica listed on the Australian Stock Exchange as Pacific BBA in 1989 as a manufacturer of brake and clutch systems and components, industrial plastics and textiles. In 2001, in order to concentrate on those areas in which the company had strategic and sustainable competitive advantage, Pacifica announced its intention to transform from a diversified industrial into an automotive technology company. As a result, almost all activities other than those based on superior automotive technology have now been divested. On May 1, 2006, Pacifica Group Limited sold its interests in Melwire Pty Ltd and Mounts Wire Industries Ltd, thereby completing the divestment of its Construction Products division. In late November 2006, a Germany Company, Robert Bosch, take over Pacifica. The Company also manufactures and sells friction materials for automotive applications. It operates in four geographical segments: Australia and New Zealand, United States of America and Asia.

2-2 Operation



Pacific's automotive subsidiary, PBR, is a leading supplier of brake systems and technologies to several of the world's automotive manufacturers and is best known for lightweight callipers, park brakes, drum brakes and disc rotors. It also supplies replacement product to some 45 countries and has developed performance brake upgrade products for the growing sports/performance market. Furthermore, PBR is acknowledged as a world-class designer and manufacturer of brake systems and products for world markets.

IN NORTH AMERICA

PBR is well established as a supplier to the North American automotive sector through its plants in Knoxville, Tennessee and Columbia, South Carolina. Knoxville is the lead plant for PBR's Global Manufacturing system, the introduction of which has enabled significant quality and productivity

IN AUSTRALIA

PBR supplies aluminium callipers, park brakes, disc rotors, knuckles and brake corner to all of the Australian vehicle manufacturers in 2003. It also exports brake systems to General Motors in North America, China and Korea. Recently, it introduced a new range of sports callipers aimed at the high-performance market and a web-based catalogue to support its trade customers. In addition, Pacifica is refocusing the Australian operations to concentrate on high value work that will largely service its Australian customer base. The business will continue to supply callipers to existing customers

IN ASIA

There are few plants located in China and Malaysia supplying callipers, park brakes, drum brake, calliper bodies and calliper brackets.



FMP is the friction materials business in Australia and Asia which Pacifica owns in a joint venture arrangement with Honeywell. It is a leading manufacturer of friction materials, disc brake pads, backing plates, clutch facings, truck blocks and drum brake linings which contribute 49% interest in FMP (Australia) and a 50% interest in FMP (Thailand) and FMP (Malaysia).

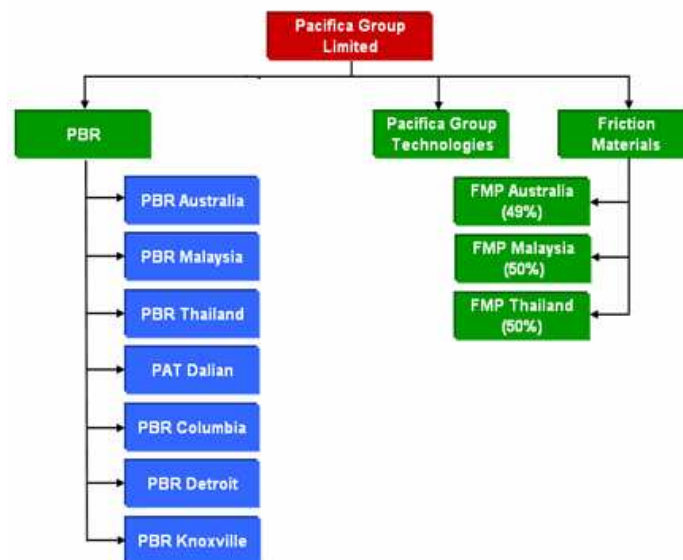


Fig.1-▲

2-3 Overview

Performance of Pacifica has been declining over the past four years due to some major operational and external changes. The profit margin has fell dramatically between 2003 to 2006 and a net loss of \$▲14.05 million (\$US11.96 million) for the first half of 2007 is reported, down from a net profit of \$▲15.07 million (\$US12.83 million) in the prior corresponding period. The outlook is gloomy as competition continues to grow, stronger Australian dollar growth, raw material price rising and other unfavourable external changes prevail, reflected by the announcement made by Pacifica that prediction on the fall on sales in the future. These external factors, beyond the control of Pacifica, limit the performance of Pacifica

Major External Changes

1. Pacifica has a large proportion of their operations in North America has suffered, and continue to suffer, the negative effects of the significant strengthening of Australian dollar and moving of US/Australian dollar exchange rate when the profit made in overseas markets translated back to Australia. Unfavourable exchange rates also exposed Pacifica to additional import competition in Australia and reduced export competitiveness
2. Demand of steel in the global market continues to soar, forcing Pacifica to face with sharply increased raw material costs, most notably reflected in the steel surcharge imposed upon Pacifica by its suppliers.
3. Pacifica struggled to compete against cheaper imports in Australia market accompanied with reduction in import tariffs
4. The global automotive industry is being transformed by geography and technology. Vehicle manufacturers are focusing on Asian centres for future growth. China in particular is becoming a key manufacturing centre for the industry. It currently manufactures four million vehicles per annum. By 2007, China should supplant Japan as the world's second largest manufacturer. Thailand has also become an important manufacturing hub in recent years and it too is growing. China has also emerged as the manufacturing cost benchmark for the industry.
5. Pacifica's key US customer and joint venture partner Delphi Corporation filed for bankruptcy in 2005 resulting in \$US11 million (\$14.5 million) debt unpaid by Delphi.
6. In 2007, Pacifica started legal action against US company Interment Corporation after Interment increased the price of iron castings by up to 85 per cent, threatens to reduce Pacifica's post-tax earnings by

about \$1.5 million per month. If Pacifica loses the case, it may be forced to pay the higher cost for the brake parts.

7. Demand for PBR products in both the North American and Australian markets drops when large passenger car and medium-sized light truck volumes have continued to fall. Profitability was impaired by a continued softening of local large passenger car volume.
8. The company has previously indicated that substantial one-off costs associated with the Bosch takeover will be accounted for as significant items in Pacifica's 2007 accounts. These costs will amount to about \$13 million after tax.

Major Operational Changes

External changes are uncontrollable, in order to remain competitive, Pacifica made every endeavour to make major operational changes which can improve its profit margin and sales

1. Pacifica has displayed ceaseless effort to continue to invest strongly in Research and Development. Its R&D activities are concentrated on new products and new processes. New product development has focused on By-Wire brake systems, an electronic actuation brake system. We continuously strive to improve these critical performance factors to satisfy its customers and end consumers. Work on improving process technologies was dedicated to improving productivity and quality, the two critical success factors in manufacturing.
2. To maintain its cost competitiveness and to participate in the local industry growth, Pacifica has committed to establishing a world-class manufacturing footprint in Asia with new operations in China and a doubling of its capacities in Thailand. In China, the machining, plating and sub-assembly operation is due to commence supply of park brake and calliper components in mid-2005. Construction of a cast iron foundry is due for completion in 2006. Additional expenses were incurred owing to the start-up costs associated with the significant new projects that Pacifica commenced in the region. Whilst resulting in short term expense to the Company, these changes are essential
3. In 2003, Pacifica bought AP Italia, a manufacturer of drum and park brakes for passenger and commercial vehicles, as a stepping stone to enter European market and diversify its geographic spread, product offering and customer base in order to reduce its dependency on the North American market. The decision had proven to be good as its strong growth fuelled Pacifica profit margin in the next three years. Eventually, Pacifica sold AP Italia to Continental AG, one of the world's largest automotive industry suppliers, and concentrate on the North

▲American and ▲Asia-Pacific markets. Pacifica made earnings of \$66 million after tax from the sale.

4. Robert Bosch GmbH, the world's leading maker of car parts took over Pacifica in March this year and said it intends to concentrate on the North ▲American and ▲Asia Pacific markets, minimising duplication of common activities undertaken by Bosch and Pacifica in North ▲America, ▲Australia and ▲Asia, and on implementation of common systems to improve capital management.

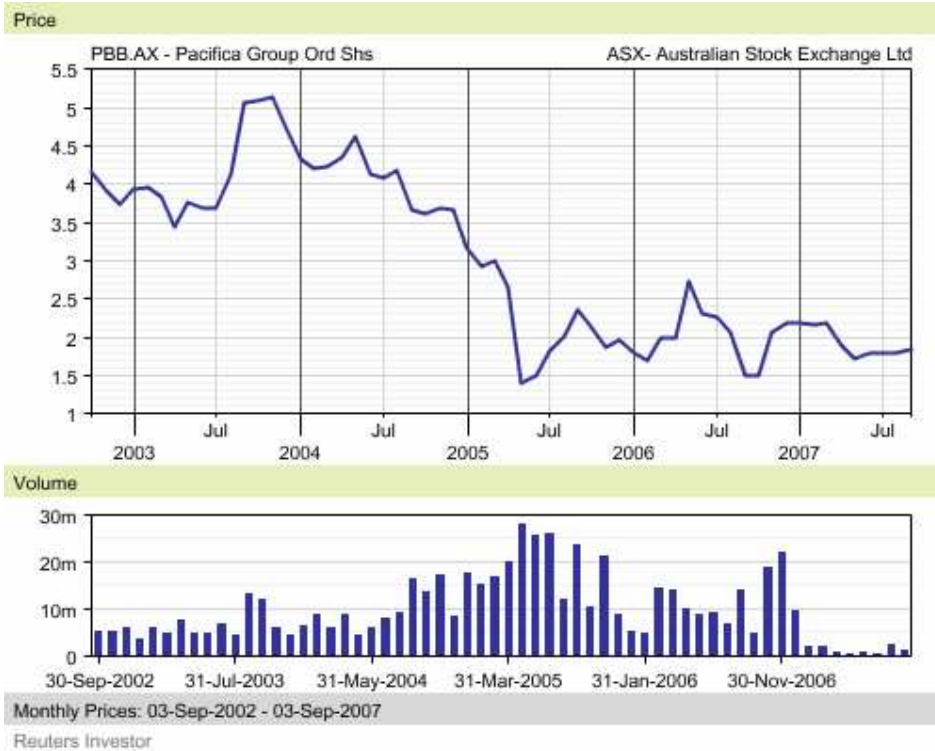


Fig.1-1 Share price of Pacifica from 2003 to 2007

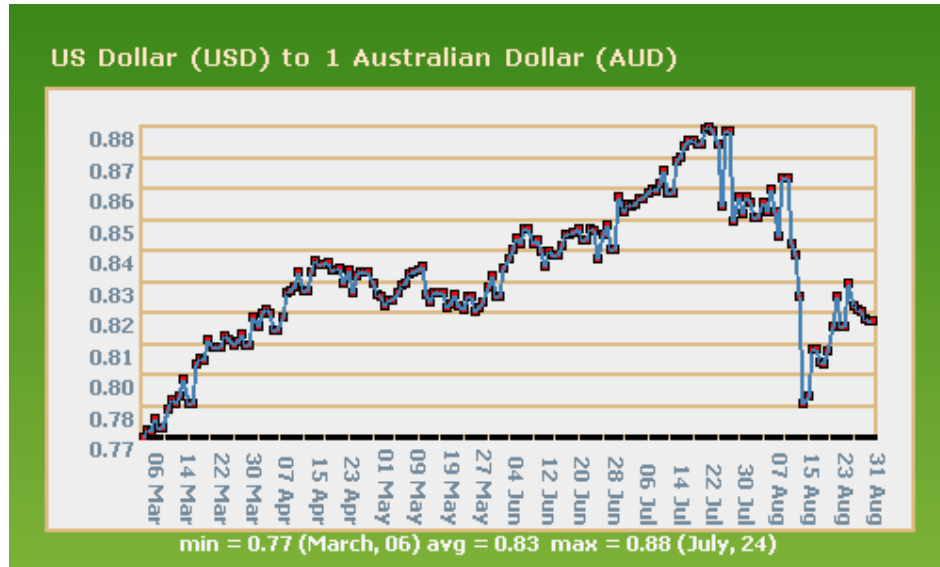


Fig.1-2 US to Australian Dollar Exchange Rate from March 2007 to July 2007

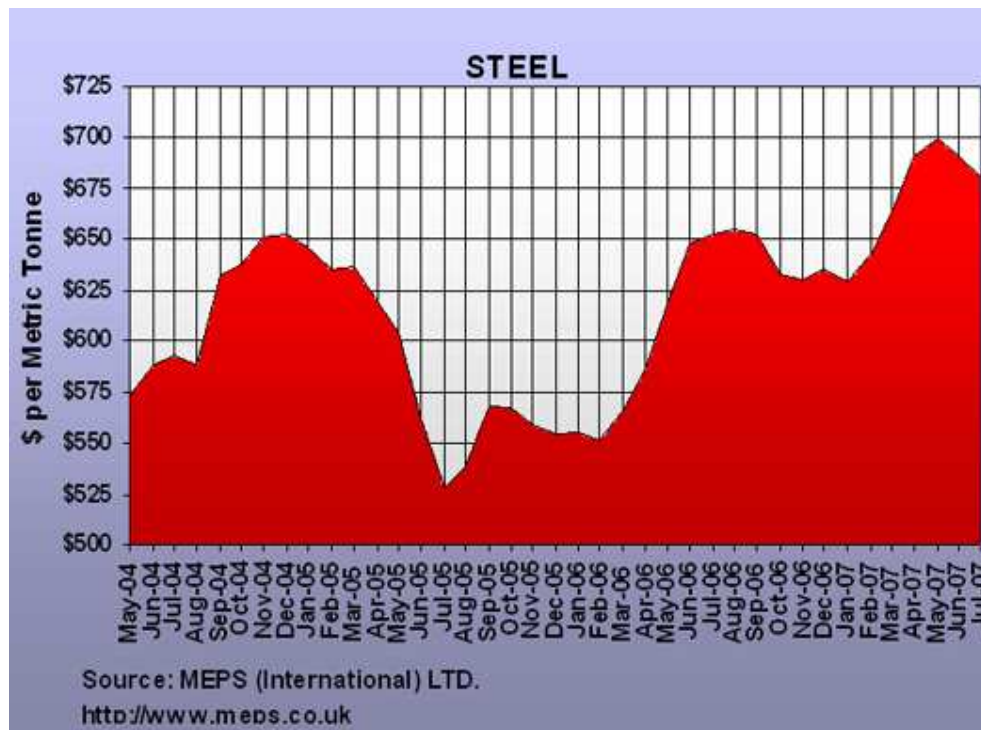


Fig.1-3 Steel price from May 04 to July 07

2-4 Financial Performance Analysis

Balance Sheet- See Appendix A-1

Income Statement- See Appendix B-1



	2006	2005	2004	2003
Total Revenue (millions)	841.24	805.48	873.11	987.94
Net income (millions)	15.22	11.70	32.95	48.24

	2006	2005	2004	2003
Total Revenue (millions)	85.15%	81.53%	88.38%	100.00%
Net income (millions)	31.55%	24.25%	68.30%	100.00%

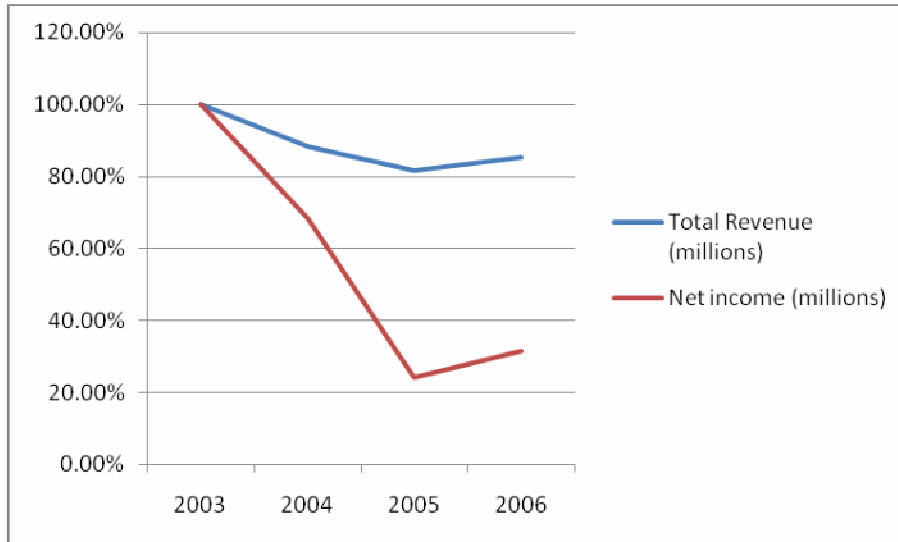


Fig.1-4 Trend Analysis of Revenue and Net Income of Pacifica

WHAT DOES IT TELL?

The horizontal analysis of the revenue and net income of Pacifica indicates that the trend is going down. In contrast will the revenue, the drop in the net income is more significant as the increases in raw material and other expenses may hold accountable. Further analysis below might give us some clues.



Fig.1-5 Common-Size Comparative Income Statement of Pacifica

Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
Common-Size Percentages				
Total Revenue	100.00%	100.00%	100.00%	100.00%
Cost of Revenue	87.24%	86.73%	84.60%	79.14%
Gross Profit	12.44%	13.06%	15.28%	14.37%
Selling, General and Administrative Expense	5.27%	5.95%	5.14%	4.89%

Research and Development	2.39%	2.09%	1.66%	1.31%
Interest Expense, Net Operating	1.82%	2.02%	1.65%	1.44%
Total Unusual Expense			0.83%	
Other Operating Expenses, Total	-0.40%	0.71%	-0.98%	4.96%
Total Operating Expense	96.31%	97.49%	92.90%	91.74%
Operating Income	3.69%	2.51%	7.10%	8.26%
Income Before Tax	3.69%	2.51%	7.10%	8.26%
Income After Tax	2.61%	1.77%	4.97%	6.34%
Net Income	1.81%	1.45%	3.77%	4.88%



Fig.1-6 Common-Size Comparative Balance Sheet of Pacifica

Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
Common-Size Percentages				
Cash and Equivalents	9.75%	10.03%	10.90%	4.99%
Trade Accounts Receivable, Gross	14.47%	15.89%	16.84%	16.02%
Provision for Doubtful Accounts	-0.22%	-1.04%	-0.45%	-0.17%
Trade Accounts Receivable, Net	14.30%	14.91%	16.39%	15.85%
Other Receivables	2.75%	1.69%	1.83%	1.64%
Total Receivables, Net	17.05%	16.60%	18.21%	17.48%
Inventories - Finished Goods	3.03%	2.76%	2.83%	4.14%
Inventories - Work in Progress	0.93%	0.90%	0.90%	1.12%
Inventories - Raw Materials	3.63%	3.95%	2.91%	2.17%
Inventories - Other	--	--	--	-0.65%
Total Inventory	7.59%	7.61%	6.64%	6.78%
Prepaid Expenses	0.51%	0.50%	0.45%	0.61%
Deferred Income Tax - Current Asset	0.76%	--	--	--
Other Current Assets, Total	0.76%	--	--	--
Total Current Assets	35.67%	34.75%	36.20%	29.86%
Buildings	95.65%	91.55%	87.64%	82.22%
Land/Improvements	--	--	--	2.57%
Construction in Progress	5.70%	8.39%	6.03%	10.86%
Leases	--	--	--	0.09%
Property/Plant/Equipment, Gross	101.35%	99.94%	93.67%	95.74%
Accumulated Depreciation	-45.64%	-43.74%	-39.31%	-38.70%
Property/Plant/Equipment, Net	55.71%	56.20%	54.36%	57.03%
Goodwill, Gross	2.60%	2.42%	2.70%	2.71%
Accumulated Goodwill Amortization	-0.06%	-0.06%	-0.07%	-0.07%
Goodwill, Net	2.54%	2.36%	2.63%	2.64%
Intangibles, Gross	3.55%	3.35%	2.93%	1.59%
Accumulated Intangible Amortization	-1.35%	-0.72%	-0.42%	-0.09%
Intangibles, Net	2.20%	2.63%	2.50%	1.50%
Other Long Term Investments	2.13%	2.70%	3.30%	3.78%
Total Long Term Investments	2.13%	2.70%	3.30%	3.78%
Deferred Income Tax - Long Term Asset	0.08%	0.05%	0.03%	2.83%
Other Long Term Assets	1.67%	1.32%	0.97%	2.35%
Other Long Term Assets, Total	1.75%	1.37%	1.00%	5.18%
Total Assets	100.00%	100.00%	100.00%	100.00%
Accounts Payable	12.85%	13.72%	14.28%	13.71%



Notes Payable/Short Term Debt	1.60%	5.55%	10.45%	0.37%
Income Taxes Payable	0.41%	0.61%	0.71%	0.64%
Other Payables	2.75%	1.91%	1.73%	2.89%
Other Current Liabilities	3.17%	3.54%	3.14%	2.52%
Other Current Liabilities, Total	6.33%	6.07%	5.58%	6.05%
Total Current Liabilities	20.78%	25.33%	30.30%	20.13%
Long-Term Debt	34.01%	31.75%	25.41%	29.18%
Deferred Income Tax - Long Term Liability	1.76%	1.71%	2.34%	5.88%
Total Deferred Income Tax	1.76%	1.71%	2.34%	5.88%
Minority Interest	7.77%	8.35%	7.96%	8.69%
Pension Benefits - Underfunded	--	--	--	0.70%
Other Long Term Liabilities	3.22%	2.73%	2.49%	--
Other Liabilities, Total	3.22%	2.73%	2.49%	0.70%
Total Liabilities	67.54%	69.87%	68.49%	64.59%
Common Stock	28.34%	27.06%	35.88%	39.44%
Total Common Stock	28.34%	27.06%	35.88%	39.44%
Retained Earnings	4.12%	3.07%	-4.37%	-0.18%
Translation Adjustment	--	--	--	-3.85%
Other Equity, Total	--	--	--	-3.85%
Total Stockholders' Equity	32.46%	30.13%	31.51%	35.41%
Total Liabilities and Shareholders' Equity	100.00%	100.00%	100.00%	100.00%

WHAT DOES IT TELL?

The vertical analysis gives a clear picture to the declined net income. The increase in cost of revenue from 79% to 87% has greatly impaired the profitability. Besides, the growing trend in the selling, general and administrative Expense from 4.89% to up to 6 % is also undesirable. More resources putting into R&D (from 1.31% to 2.89%) is a good indication that Pacifica is dedicated to improve its current products.

In the balance sheet, there is an abrupt increase in cash from 4.99% in 2003 to an average of 10% in 2004-2006. This may imply that Pacifica has the ability to utilize the cash into good investment and turn into cash flow in the future. Increase in inventory from 6.78% to 7.59% is not a good sign. Pacifica can adopt JIT inventory to reduce its inventory and thus reduce the cost in maintaining the warehouse.

Working Capital and Current Ratio

Total Current Assets (million)	277.72	282.85	289.09	221.17
Total Current Liabilities (million)	161.81	206.21	242.02	149.06
Working Capital (million)	115.91	76.64	47.07	72.11
Current Ratio	1.72	1.37	1.19	1.48

WHAT DOES IT TELL?

Working capital and current ratio provide some assurance to short-term creditors that they will be paid by the company but maintaining large amounts of working capital is not free. It must be financed with long-term debt and equity in which both of them are expensive. Therefore, the growing working capital balance from 72.11 to 115.91 million and current ratio from 1.48 to 1.72 is may not be a good sign. The subsequent acid-test ratio can provide a better understanding of the companies' composition of the assets.

Acid-Test Ratio

Total Receivables, Net (million)	132.77	135.12	145.45	129.47
Cash and Equivalents (million)	75.93	81.67	87.03	36.95
Total Quick Asset(a)	208.70	216.79	232.48	166.42
Total Current Liabilities (million) (b)	161.81	206.21	242.02	149.06
Acid-test ratio (a)/(b)	0.47	0.40	0.36	0.25

WHAT DOES IT TELL?

The acid-test ratio is a much more rigorous test of a company's ability to meet its short-term debts than the current ratio as inventories and prepaid expenses are excluded from total current asset. Notice in Fig. 1-6 that the cash and inventories are rising. Perhaps the improved cash position is a sign to think of how to put the cash into better use.

Accounts Receivable Turnover and Days Receivable

Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03	31-Dec-02
Total Revenue	841.24	805.48	873.11	987.94	980.89
Total Receivables	132.77	135.12	145.45	129.47	132.38
Account receivable turnover	6.280488	5.74174	6.351739	7.545847	
Days Receivable	58.1165	63.56958	57.46458	48.37098	

WHAT DOES IT TELL?

The steady increase in the days receivable from 48 days to 58 days shows that Pacifica have to face the problem of taking longer to collect a credit sales. A long collection period may result from too many old uncollectible accounts, failure to bill promptly or follow up on late accounts, lax credit checks, and so on. Pacifica should be stringent in collecting account receivables and choosing creditable customer carefully. Bankruptcy of one of its largest customer, Delphi Corporation, left with \$US11 million (\$14.5 million) debt owed by Delphi unpaid taught Pacifica a good lesson.

Inventory Turnover and Days Stock Held

Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03	31-Dec-02
Cost of Revenue	733.86	698.56	738.67	781.82	
Total Inventory	59.09	61.95	53.02	50.20	59.16
Inventory Turnover	12.12591	12.15204	14.31254	14.2981	
Days stock Held	30.10084	30.03611	25.50212	25.52787	

WHAT DOES IT TELL?

The decrease in the inventory turnover and increase in the days stock held implies that number of days being taken on average to sell the entire inventory is extended. Result in added costs of insurance, taxes, financing, and risks of obsolescence and deterioration that result from carrying added inventories. Pacifica may try adopting Just-In-Time (JIT) methods which can result in both a decrease in inventories and an increase in sales due to better customer service.

Creditors Turnover and Days Creditors

Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
Total Revenue	841.24	805.48	873.11	987.94
Accounts Payable	100.05	111.65	114.02	101.54
Creditors Turnover	7.95	7.14	8.10	9.24
Days Creditors	45.93	51.13	45.06	39.49

Cash Cycle



Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
Days Receivable	58.12	63.57	57.46	48.37
Days Stock Held	30.10	30.04	25.50	11.72
Days Creditors	45.93	51.13	45.06	39.49
Cash Cycle	76.03	81.17	70.56	51.21



▲ number of financial ratios are used to assess how well a company is doing from the standpoint of its stockholders. These ratios naturally focus on net income, dividends, and stockholders' equity.

Earnings per Share

Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
EPS	0.11	0.08	0.24	0.34

WHAT DOES IT TELL?

The EPS of Pacifica is decreasing due to reduced net income. There is a negative EPS in the first half of 2007 for Pacifica because of the net loss of \$▲14.05 million. This figure definitely discourages investors to buy Pacifica's stock.

Price-Earnings Ratio

Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
Market price per share	2.18	2.18	3.17	4.34
EPS	0.11	0.08	0.24	0.34
PE ratio	19.81818	27.25	13.20833	12.76471

WHAT DOES IT TELL?

The falling PE ratio implies that investors believe Pacifica's company's future earnings growth prospects are limited. They were right when Pacifica made a net loss of \$▲14.05 million in the first half of 2007. ▲ high price -earnings ratio means that investors are willing to pay a premium for the company's stock presumably because the company is expected to have higher than average future earnings growth. To retrieve investor's confidence, Pacifica has to find ways to increase its profit.



Dividend Payout and Yield Ratios

Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
Dividends per share	0.04	0.07	0.22	0.22
Earnings per share	0.11	0.08	0.24	0.34
Dividend payout ratio	36.36%	87.50%	91.67%	64.71%

Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
Dividends per share	0.04	0.07	0.22	0.22
Market price per share	2.18	2.18	3.17	4.34
Dividend yield ratio	1.83%	3.21%	6.94%	5.07%

WHAT DOES IT TELL?

In general, companies with excellent prospects of profitable growth often pay little or no dividend. Companies with little opportunity for profitable growth, but with steady, dependable earnings, tend to pay out a higher percentage of their earnings as dividends. Although Pacifica appears to pay a relatively high DPR, it may also mean the opportunities of reinvestment is rather limited.

Return on Assets

Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
Net Income	15.22	11.7	32.95	48.24
Total Assets	778.69	814.06	798.63	740.57
Return on Assets	1.95%	1.44%	4.13%	6.51%

Return on Equity

Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
Net Income	15.22	11.7	32.95	48.24
Total Stockholders' Equity	252.73	245.29	251.61	262.23
Return on Equity	6.02%	4.77%	13.10%	18.40%

Return on Sales

Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
Net Income	15.22	11.7	32.95	48.24
Cost of Revenue	733.86	698.56	738.67	781.82
Return on Equity	2.07%	1.67%	4.46%	6.17%



Gearing analysis study the company's ability to repay its loans over the long run which is concerned by long-term creditors like banks.

Debt to Equity Ratio

Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
Total Liabilities	525.96	568.78	547.02	478.34
Total Stockholders' Equity	252.73	245.29	251.61	262.23
Return on Equity	2.08	2.32	2.17	1.82

WHAT DOES IT TELL?

The increase in the Debt to Equity Ratio means that Pacifica tends to take advantage of positive financial leverage. On the other hand, the creditor may be unhappy to see the recent poor performance of Pacifica with increasing Debt to Equity Ratio because equity represents the excess of total assets over total liabilities and hence a buffer of protection for the creditors, creditors would like to see less debt and more equity.

Interest Coverage

Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
Income Before Tax	31.02	20.23	62.03	81.59
Interest Expense, Net Operating	15.29	16.26	14.37	14.27
Interest Coverage	2.03	1.24	4.32	5.72

WHAT DOES IT TELL?

As interest coverage is the most common measure of the ability of a company's operations to provide protection to long-term creditors. Decreasing interest coverage may warn existing long-term creditors about Pacifica's financial structure and ability to pay the debts in the long run.

2-5 Financial Performance Evaluation

Despite those unquestionable disadvantages due to external changes in the past four years, the impact on margins was cushioned by productivity gains and cost management initiatives making Pacifica still managed to deliver profits in line. This reflects the enormous effort made by the management in ensuring that its shareholders were not disappointed. The most significant changes made to the business related to the reconfiguration of its manufacturing base. This move is a pivotal element in ensuring that Pacifica retains its cost competitive status within the automotive industry, whilst providing the opportunity to tap into the expected growth of the Asian automotive markets.



At the same time, as the industry moves towards Pacifica is maintaining its commitment to Research and Development to ensure that it is at the forefront of the next generation of brake products

3-Part B-Orbital



3-1 Profile of Orbital

Orbital Engine Corporation is an international developer of engine and related technologies, providing research, design, development and testing services to the world's powertrain producers for application to motorcycles, marine and recreational vehicles and automobiles. Operations in Perth, Australia, provide customers with leading edge expertise and a world class facility unparalleled in the Asia Pacific region. Orbital's direct injection technology - designed to improve the emissions and fuel consumption of internal combustion engines - has been commercialised in the motorcycle, marine and recreational markets. The Orbital group earns income from multiple sources:

- ✧ Consulting and engineering services fees
- ✧ Licence fees and royalties paid by manufacturers
- ✧ who acquire rights to Orbital's intellectual property
- ✧ The sale of fuel systems and components through
- ✧ Synerject, a joint venture with Siemens VDO

3-2 Operation

1. Orbital Corporation offers the development and technology to various powertrain manufacturers for application to mostly motorcycles, marine power, recreational vehicles. The big two wheeler makers such as Aprilia, Peugeot, Piaggio (Vespa), 3 of 4 largest European scooter manufacturers have adopted the technology from Orbital Corporation. The license sold to all over the world (mainly to Europe and India).
2. Orbital offers the full range of engineering services from the provision of testing facilities through to complete turnkey solutions for the power train needs (gasoline, diesel, alternative fuel). Most of the engineering testing services operating in Perth, Australia.

3. Orbital has been involved in numerous OEM projects to develop or assist in the development of engine designs (application of fuel injection system, small engine 2, 4 stroke applications) through to multi-cylinder head and engine design for automotive applications.
4. The company provides the service which is developing solutions for engine control system (EMS). The group has a depth and breadth of experience derived from having delivered engineering programs on a diverse product range covering automotive, motorcycle, marine and recreational vehicles.
5. Synerject is Orbital's 50:50 US-based joint venture with Siemens-VDO Automotive Corporation. Synerject is a manufacturer of air assisted direct injectors, fuel rail assemblies and related component as well as a systems integrator and components supplier to the non -automotive market. Synerject also supplies prototype air assisted direct fuel injectors for automotive and other 4-stroke applications.

3-3 Overview

Due to substantial loss made by Orbital before 2003, the company has restructured in 2003 adopting various approach to turn the business profitable .

Major External Changes

1. High petrol price will crank up the Orbital's engineering services and license income. By stimulating the engine designers and manufacturers to purchase Orbital's fuel efficient and low emission technology. Everyone's interested in petrol price nowadays.
2. Government policy may affect the business. For example, 20% ethanol/petrol blending is announced by Australian government and it will impact on the Australian car fleet and emissions. Low emission, what Orbital's specialized.
3. The money Exchange rate affects the income directly but it is not controllable. US dollar currency is a good example. It will either increase or decrease all incomes from overseas.
4. In 2005, the performance was decreased due to the reduced revenue from the powertrain engineering services business. This downturn has resulted in major OEMs greatly reducing their demand for outsourced powertrain engineering services.



Major Operational Changes

1. Orbital turn a large under-utilized R&D powertrain facility into a viable engineering services business and achieved 14% increase in engineering revenue, this business offers a good short term scope to enhance the revenue and profit.
2. Orbital diversified its risk and opportunities through the development of the multiple revenue streams.
3. Orbital signed a Technical Co-operation Agreement with Indian-based UCAL Fuel Systems company for the adoption of Orbital technology by domestic Asian motorcycle manufacturers.
4. The Synerject was able to deliver large revenue when management made substantial progress in reducing their costs and improving their productivity.

- Synerject is planning to invest in new manufacturing facilities in China during 2007 to produce the recently developed electronic management modules with product launch scheduled for January 2007

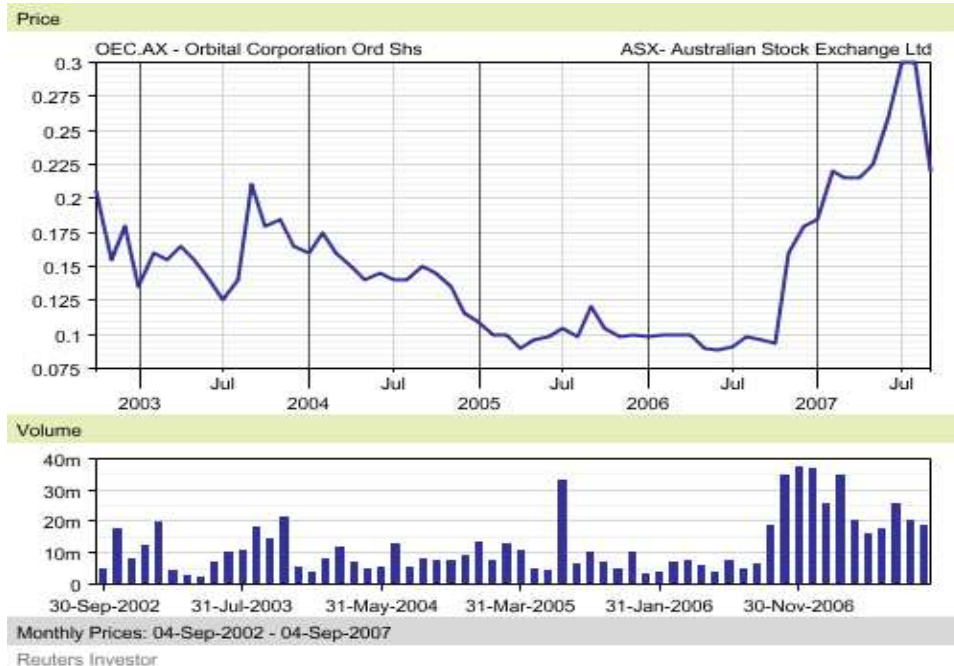


Fig. 3-1 Share price of Orbital from 2003 -2007

3-4 Financial Performance Analysis

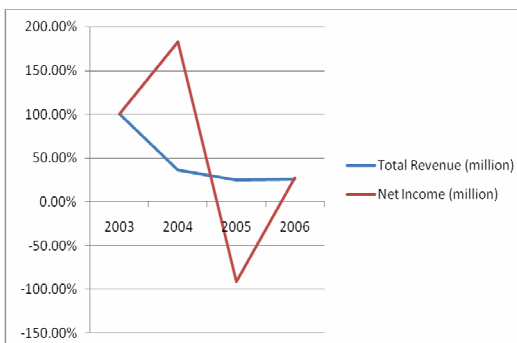
Balance Sheet- See Appendix A-2

Income Statement- See Appendix B-2



	2006	2005	2004	2003
Total Revenue (million)	11.86	11.48	16.76	46.47
Net Income (million)	0.52	-1.7	3.41	-1.87
Total Revenue (million)	25.52%	24.70%	36.07%	100.00%
Net Income (million)	27.81%	-90.91%	182.35%	100.00%

WHAT DOES IT TELL?



Although the revenue has fallen, the net income increases due to reduced expenses

Fig.3-2 Trend Analysis of Revenue and Net Income of Pacifica

Fig.3-3 Common-Size Comparative Income Statement of Orbital

Period End Date	30-JUN-06	30-JUN-05	30-JUN-04	30-JUN-03
Common-Size Percentages				
Total Revenue	100.00%	100.00%	100.00%	100.00%
Cost of Revenue	--	--	2.27%	60.53%
Gross Profit	93.09%	91.20%	85.74%	32.60%
Selling, General and Administrative Expense	37.44%	41.81%	30.19%	11.96%
Research and Development	0.00%	0.00%	0.00%	0.00%
Interest Expense, Net Operating	5.23%	0.00%	0.12%	0.06%
Total Unusual Expense	0.00%	0.00%	0.00%	0.00%
Other Operating Expenses, Total	6.66%	9.84%	3.76%	4.93%
Total Operating Expense	93.84%	115.68%	79.42%	103.74%
Operating Income	6.16%	-15.77%	20.64%	-3.74%
Income Before Tax	6.16%	-15.77%	20.64%	-3.74%
Income After Tax	4.38%	-14.81%	20.35%	-4.02%

Net Income	4.38%	-14.81%	20.35%	-4.02%
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Fig.3-4 Common-Size Comparative Balance Sheet of Orbital

Cash	12.72%	32.28%	50.06%	38.37%
Cash and Short Term Investments	12.72%	32.28%	50.06%	38.37%
Trade Accounts Receivable, Gross	11.69%	9.56%	11.07%	9.97%
Provision for Doubtful Accounts	-0.19%	-0.20%	-0.12%	-0.09%
Trade Accounts Receivable, Net	11.50%	9.36%	10.99%	9.88%
Other Receivables	2.37%	2.47%	2.76%	4.17%
Total Receivables, Net	13.87%	11.83%	13.74%	14.05%
Total Inventory	0.04%	0.04%	0.12%	0.38%
Prepaid Expenses	0.08%	0.28%	1.78%	0.00%
Other Current Assets	0.00%	0.00%	0.08%	2.98%
Other Current Assets, Total	0.00%	0.00%	0.08%	2.98%
Total Current Assets	26.63%	44.43%	65.75%	55.79%
Buildings	11.69%	12.39%	12.40%	13.03%
Land/Improvements	4.17%	4.41%	4.42%	4.64%
Machinery/Equipment	56.59%	59.46%	72.72%	92.29%
Construction in Progress	0.00%	0.00%	0.00%	0.00%
Leases	0.00%	0.00%	2.43%	2.85%
Other Property/Plant/Equipment	7.49%	7.94%	7.94%	0.00%
Property/Plant/Equipment, Gross	79.94%	84.20%	99.96%	112.82%
Accumulated Depreciation	-55.37%	-54.15%	-65.71%	-68.61%
Property/Plant/Equipment, Net	24.57%	30.05%	34.25%	44.21%
Intangibles, Net	0.00%	0.00%	0.00%	0.00%
Other Long Term Investments	24.15%	0.00%	0.00%	0.00%
Total Long Term Investments	24.15%	0.00%	0.00%	0.00%
Deferred Income Tax - Long Term Asset	24.65%	25.52%	0.00%	0.00%
Other Long Term Assets	0.00%	0.00%	0.00%	0.00%
Other Long Term Assets, Total	24.65%	25.52%	0.00%	0.00%

Total Assets	100.00%	100.00%	100.00%	100.00%
Accounts Payable	10.16%	8.14%	10.54%	13.76%
Notes Payable/Short Term Debt	0.00%	0.00%	0.69%	0.60%
Customer Advances	2.33%	1.54%	5.11%	3.15%
Income Taxes Payable	0.00%	0.00%	0.00%	0.00%
Other Current Liabilities	4.39%	6.24%	6.28%	10.78%
Other Current Liabilities, Total	6.73%	7.78%	11.35%	13.93%
Total Current Liabilities	16.89%	15.92%	22.58%	28.28%
Long-Term Debt	48.95%	76.95%	77.06%	81.77%
Total Long Term Debt	48.95%	76.95%	77.06%	81.77%
Total Debt	48.95%	76.95%	77.75%	82.37%
Deferred Income Tax - Long Term Liability	0.00%	0.00%	0.00%	0.00%
Total Deferred Income Tax	0.00%	0.00%	0.00%	0.00%
Other Long Term Liabilities	4.59%	7.65%	21.77%	41.01%
Other Liabilities, Total	4.59%	7.65%	21.77%	41.01%
Total Liabilities	70.42%	100.53%	121.40%	151.06%
Common Stock	828.31%	877.97%	878.68%	909.16%
Total Common Stock	828.31%	877.97%	878.68%	909.16%
Retained Earnings	-798.85%	-877.52%	-900.08%	#####
Translation Adjustment	0.15%	-0.97%	0.00%	0.00%
Other Equity, Total	0.15%	-0.97%	0.00%	0.00%
Total Stockholders' Equity	29.58%	-0.53%	-21.40%	-51.02%
Total Liabilities and Shareholders Equity	100.00%	100.00%	100.00%	100.00%

WHAT DOES IT TELL?

In the Income statement, we can see that Orbital is trying to reduce its total expenses in order to yield a greater profit. In the balance sheet, we can see that total current asset drop from 55.79% to 26.63% and the total long term investment increase from 0% to 24.15% which implies the company is converting current asset like cash to long term investment that can generate more income in the long run. ▲ decrease in total liabilities

and increase in total stockholders' equity is also a good sign because of a better financial structure.

Working Capital and Current Ratio

Working capital and current ratio				
	2006	2005	2004	2003
total current asset (million)	6.97	10.97	16.22	13.1
total current liabilities (million)	4.42	3.93	5.57	6.64
working capital (million)	2.55	7.04	10.65	6.46
current ratio	1.57	2.79	2.91	1.97

WHAT DOES IT TELL?

The working capital in Orbital decrease and current ratio may indicate the company is turning the asset into investment or pay debts

Acid-Test Ratio

Acid test ratio				
	2006	2005	2004	2003
Total Quick Asset (a)	6.97	10.97	16.22	13.1
Total Current Liabilities (million) (b)	18.43	24.82	29.95	35.47
Acid-test ratio (a)/(b)	0.37819	0.441982272	0.54157	0.36933

Accounts Receivable Turnover and Days Receivable

Account receivable turnover and Days receivable				
Period End Date	30-Jun-06	30-Jun-05	30-Jun-04	30-Jun-03
Total Revenue	11.86	11.48	16.76	46.47
Total Receivables	3.63	2.92	3.39	3.3
Account receivable turnover	4.15	4.17	5.86	-
Days Receivable	87.94	87.5	62.3	-

WHAT DOES IT TELL?

Orbital is taking longer to collect a credit sales which is not a healthy trend. It should try to look for customers who are not paying their debts on time.

Inventory Turnover and Days Stock Held

Inventory Turnover and Days Stock Held				
Period End Date	30-Jun-06	30-Jun-05	30-Jun-04	30-Jun-03
Cost of Revenue	--	--	0.38	28.13
Total Inventory	0.01	0.01	0.03	0.09
Inventory Turnover	-	-	12.666667	312.55556
Days stock Held			28.815789	1.1677924

WHAT DOES IT TELL?

The cost of revenue in 2005 to 2006 was negligible and was not recorded into the account. Making calculation of the Inventory turnover and days stock held impossible.



Earnings per Share

Period End Date	30-Jun-06	30-Jun-05	30-Jun-04	30-Jun-03
EPS	0	0	0.01	-0.01

WHAT DOES IT TELL?

THE EPS of Orbital is stagnant and a positive figure is expected after different cost-reduction measures are made.

Price-Earnings Ratio

Price-Earnings Ratio				
Period End Date	30-Jun-06	30-Jun-05	30-Jun-04	30-Jun-03
Market price per share	0.091	0.105	0.14	0.125
EPS	0	0	0.01	-0.01
PE ratio	--	--	14	-12.5

Dividend Payout and Yield Ratios

Dividend Payout and Yield Ratios				
Period End Date	30-Jun-06	30-Jun-05	30-Jun-04	30-Jun-03
Dividends per share	0	0	0	0
Earnings per share	0	0	0.01	-0.01
Dividend payout ratio	--	--	0.00%	0.00%

Return on Assets

return on Assets				
Period End Date	30-Jun-06	30-Jun-05	30-Jun-04	30-Jun-03
Net Income	0.52	-1.7	3.41	-1.87
Total Assets	26.17	24.69	24.67	23.48
Return on Assets	1.99%	-6.89%	13.82%	-7.96%

Return on Equity

Return on Equity				
Period End Date	30-Jun-06	30-Jun-05	30-Jun-04	30-Jun-03
Net Income	0.52	-1.7	3.41	-1.87
Total Stockholders' Equity	7.74	-0.13	-5.28	-11.98
Return on Equity	6.72%	1307.69%	-64.58%	15.61%

WHAT DOES IT TELL?

Earning of Orbital is still small to make the ratios look nice.

Debt to Equity Ratio

Debt to Equity Ratio				
Period End Date	30-Jun-06	30-Jun-05	30-Jun-04	30-Jun-03
Total Liabilities	18.43	24.82	29.95	35.47
Total Stockholders' Equity	7.74	-0.13	-5.28	-11.98
Return on Equity	2.38113695	-190.92308	-5.67234848	-2.960768

Interest Coverage

Period End Date	30-Jun-06	30-Jun-05	30-Jun-04	30-Jun-03
Income Before Tax	0.73	-1.81	3.46	-1.74
Interest Expense, Net Operating	3.51	2.93	2.68	-1.32
Interest Coverage	0.21	-0.62	1.29	1.32

WHAT DOES IT TELL?

Orbital has started to recover from its financial crisis owing to its implementation of its improvement programs

4 Comparison Between two companies

Pacifica and Orbital are listed Australia-based companies both involve in automotive parts development and manufacturing with different sizes. Pacifica is a larger size company which employs over 2000 people around the globe having a net sales of \$▲841 million in 2006 while Orbital is just a small developing company with only 94 employees working in it generating a small net sales of \$▲11 million in 2006. Regardless of their size, none of them exempt from experiencing the tough condition prevail in the automotive parts sector and radically seeking ways to remain competitive and profitable. Strengthening of Australian dollar has different impact on both companies when profits made oversea were translated back to Australia. Orbital turned profitable in 2004 and 2006 after restructuring in 2003 when some operating cost-reduction programs like retrenchment and program of diversifying its risk

and opportunities through the development of the multiple revenue streams were introduced. On the other hand, Pacifica's profit margin has fell dramatically between 2003 to 2006 and a net loss of \$A14.05 million (\$US11.96 million) for the first half of 2007 is reported, down from a net profit of \$A15.07 million (\$US12.83 million) in the prior corresponding period. Concurrently, both companies are trying to gain benefits from the emerging markets in developing countries like China and India. Pacifica has constructed new plants in China and expanded its existing plants in Thailand while Orbital signed a Technical Co-operation Agreement with Indian-based UCAL Fuel Systems Company. In addition, both of them own their forefront brake system technology and fuel injection system respectively and continue to focus on R&D. Pacifica certainly can learn from Orbital on its cost-reduction program to further reduce its operating cost in order to maintain its profit margin and Orbital learn Pacifica's production system as it plans to invest in new manufacturing facilities in China during 2007 to produce the recently developed electronic management modules.

5 Conclusion for Pacifica

In a very difficult automotive industry environment that beyond the control of Pacifica, instead of solely depending on reducing its cost base by relocating manufacturing base to developing countries to satisfy the demanding requirements for cost efficient braking solutions. Pacifica can adopt the approach of introducing total quality management to improve the efficiency, productivity and the quality of its products, resulting in great customer satisfaction, increased sales and maintaining its margins eventually. The very first step could be letting employees participate in Continuous Improvement Teams, which work on improvement projects to eliminate waste in various areas. Operators can be trained and certified on quality, ergonomic and production processes to help ensure that their customers are receiving the best product quality on the market. JIT inventory can be installed to further reduce waste. Furthermore, Pacifica can learn from Orbital in diversifying its risk and opportunities through the development of the multiple revenue streams.

In addition, continuous commitment to research and development is required to keep Pacifica ahead. The company can consider refocusing the Australian operations to concentrate on high value work or a R&D centre after shifting some of its manufacturing line from Australia to China and Thailand, transforming itself to be a truly international and cost-competitive supplier of innovative products and technology to the automotive industry.

6 Reference

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Lecture notes

IND 3315 Lecture notes Week1 -2

7 Appendix

Appendix A-1 Income statement of Pacifica from 2003 -2006

Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
Annual Income Statement: (AUD, In millions)				
Total Revenue	841.24	805.48	873.11	987.94
Cost of Revenue	733.86	698.56	738.67	781.82
Gross Profit	104.67	105.21	133.42	141.99
Selling, General and Administrative Expense	44.32	47.91	44.84	48.32
Research and Development	20.12	16.83	14.46	12.97
Interest Expense, Net Operating	15.29	16.26	14.37	14.27
Total Unusual Expense	--	--	7.29	--
Other Operating Expenses, Total	-3.37	5.7	-8.54	48.98
Total Operating Expense	810.22	785.26	811.08	906.34
Operating Income	31.02	20.23	62.03	81.59
Income Before Tax	31.02	20.23	62.03	81.59
Income After Tax	21.92	14.26	43.42	62.67
Total Extraordinary Items	--	--	--	--
Net Income	15.22	11.7	32.95	48.24

Appendix A-2 Income statement of Orbital from 2003 -2006

Period End Date	30-Jun-06	30-Jun-05	30-Jun-04	30-Jun-03
Annual Income Statement: (AUD, In millions)				
Net Sales	11.04	10.47	14.74	43.28
Other Revenue	0.82	1.01	2.02	3.19
Total Revenue	11.86	11.48	16.76	46.47
Cost of Revenue	--	--	0.38	28.13
Gross Profit	11.04	10.47	14.37	15.15
Selling, General and ▲Administrative Expense	4.44	4.8	5.06	5.56
Labor and Related Expense	8.3	8.85	8.6	10.97
▲Advertising Expense	--	--	--	0.48
Depreciation	1.12	1.44	1.77	2.29
Interest Expense, Operating	0.62	0	0.02	0.03
Operating Interest Expense, Net	0.62	0	0.02	0.03
Investment Income, Operating	4.14	2.94	2.7	1.35
Interest Investment Income, Operating	4.14	2.94	2.7	1.35
Interest Expense, Net Operating	3.51	2.93	2.68	-1.32
Impairment-▲Assets Held for Use	--	--	--	0
Impairment-▲Assets Held for Sale	--	--	--	--
Other Operating Expense	0.79	1.13	0.63	2.29
Other Operating Expense, Net	--	--	-0.44	-0.19
Total Operating Expense	11.13	13.28	13.31	48.21
Operating Income	0.73	-1.81	3.46	-1.74
Income Before Tax	0.73	-1.81	3.46	-1.74
Total Income Tax	0.22	-0.11	0.05	0.13
Income After Tax	0.52	-1.7	3.41	-1.87
Net Income Before Extraordinary Items	0.52	-1.7	3.41	-1.87
Net Income	0.52	-1.7	3.41	-1.87

Appendix B-1 Balance sheet of Pacifica from 2003 -2006

Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
Annual Balance Sheet: (AUD, In millions)				
Cash and Equivalents	75.93	81.67	87.03	36.95
Cash and Short Term Investments	75.93	81.67	87.03	36.95
Trade Accounts Receivable, Gross	112.64	129.32	134.46	118.63
Provision for Doubtful Accounts	-1.74	-8.47	-3.60	-1.28
Trade Accounts Receivable, Net	111.35	121.38	130.87	117.35
Other Receivables	21.42	13.75	14.58	12.12
Total Receivables, Net	132.77	135.12	145.45	129.47
Inventories - Finished Goods	23.60	22.50	22.61	30.66
Inventories - Work in Progress	7.23	7.29	7.20	8.29
Inventories - Raw Materials	28.26	32.16	23.22	16.05
Inventories - Other	--	--	--	-4.80
Total Inventory	59.09	61.95	53.02	50.20
Prepaid Expenses	4.00	4.10	3.59	4.55
Deferred Income Tax - Current Asset	5.94	--	--	--
Other Current Assets, Total	5.94	--	--	--
Total Current Assets	277.72	282.85	289.09	221.17
Buildings	744.84	745.27	699.91	608.87
Land/Improvements	--	--	--	19.05
Construction in Progress	44.36	68.28	48.14	80.40
Leases	--	--	--	0.69
Property/Plant/Equipment, Gross	789.20	813.56	748.05	709.01
Accumulated Depreciation	-355.40	-356.09	-313.91	-286.63
Property/Plant/Equipment, Net	433.80	457.47	434.14	422.38
Goodwill, Gross	20.25	19.68	21.54	20.04
Accumulated Goodwill Amortization	-0.50	-0.49	-0.53	-0.50
Goodwill, Net	19.75	19.20	21.01	19.54
Intangibles, Gross	27.65	27.26	23.38	11.75
Accumulated Intangible Amortization	-10.49	-5.84	-3.38	-0.64
Intangibles, Net	17.16	21.42	20.00	11.11
Other Long Term Investments	16.61	21.97	26.38	27.99
Total Long Term Investments	16.61	21.97	26.38	27.99
Deferred Income Tax - Long Term Asset	0.66	0.40	0.25	20.98
Other Long Term Assets	12.99	10.76	7.77	17.40
Other Long Term Assets, Total	13.65	11.16	8.02	38.38
Total Assets	778.69	814.06	798.63	740.57
Accounts Payable	100.05	111.65	114.02	101.54

Notes Payable/Short Term Debt	12.48	45.18	83.44	2.73
Income Taxes Payable	3.21	4.96	5.66	4.72
Other Payables	21.43	15.56	13.84	21.42
Other Current Liabilities	24.65	28.85	25.07	18.66
Other Current Liabilities, Total	49.28	49.38	44.56	44.80
Total Current Liabilities	161.81	206.21	242.02	149.06
Long-Term Debt	264.83	258.49	202.92	216.13
Total Long Term Debt	264.83	258.49	202.92	216.13
Total Debt	277.31	303.66	286.36	218.86
Deferred Income Tax - Long Term Liability	13.73	13.88	18.68	43.56
Total Deferred Income Tax	13.73	13.88	18.68	43.56
Minority Interest	60.54	67.99	63.54	64.37
Pension Benefits - Underfunded	--	--	--	5.22
Other Long Term Liabilities	25.05	22.22	19.87	--
Other Liabilities, Total	25.05	22.22	19.87	5.22
Total Liabilities	525.96	568.78	547.02	478.34
Common Stock	220.67	220.29	286.54	292.05
Total Common Stock	220.67	220.29	286.54	292.05
Retained Earnings	32.06	25.00	-34.93	-1.31
Translation Adjustment	--	--	--	-28.51
Other Equity, Total	--	--	--	-28.51
Total Stockholders' Equity	252.73	245.29	251.61	262.23
Total Liabilities and Shareholders Equity	778.69	814.06	798.63	740.57

Period End Date	31-Dec-06	31-Dec-05	31-Dec-04	31-Dec-03
Common-Size Percentages				
Cash and Equivalents	9.75%	10.03%	10.90%	4.99%
Trade Accounts Receivable, Gross	14.47%	15.89%	16.84%	16.02%
Provision for Doubtful Accounts	-0.22%	-1.04%	-0.45%	-0.17%
Trade Accounts Receivable, Net	14.30%	14.91%	16.39%	15.85%
Other Receivables	2.75%	1.69%	1.83%	1.64%
Total Receivables, Net	17.05%	16.60%	18.21%	17.48%
Inventories - Finished Goods	3.03%	2.76%	2.83%	4.14%
Inventories - Work in Progress	0.93%	0.90%	0.90%	1.12%
Inventories - Raw Materials	3.63%	3.95%	2.91%	2.17%
Inventories - Other	--	--	--	-0.65%
Total Inventory	7.59%	7.61%	6.64%	6.78%
Prepaid Expenses	0.51%	0.50%	0.45%	0.61%
Deferred Income Tax - Current Asset	0.76%	--	--	--
Other Current Assets, Total	0.76%	--	--	--
Total Current Assets	35.67%	34.75%	36.20%	29.86%

Buildings	95.65%	91.55%	87.64%	82.22%
Land/Improvements	--	--	--	2.57%
Construction in Progress	5.70%	8.39%	6.03%	10.86%
Leases	--	--	--	0.09%
Property/Plant/Equipment, Gross	101.35%	99.94%	93.67%	95.74%
▲ Accumulated Depreciation	-45.64%	-43.74%	-39.31%	-38.70%
Property/Plant/Equipment, Net	55.71%	56.20%	54.36%	57.03%
Goodwill, Gross	2.60%	2.42%	2.70%	2.71%
▲ Accumulated Goodwill ▲ Amortization	-0.06%	-0.06%	-0.07%	-0.07%
Goodwill, Net	2.54%	2.36%	2.63%	2.64%
Intangibles, Gross	3.55%	3.35%	2.93%	1.59%
▲ Accumulated Intangible ▲ Amortization	-1.35%	-0.72%	-0.42%	-0.09%
Intangibles, Net	2.20%	2.63%	2.50%	1.50%
Other Long Term Investments	2.13%	2.70%	3.30%	3.78%
Total Long Term Investments	2.13%	2.70%	3.30%	3.78%
Deferred Income Tax - Long Term ▲ Asset	0.08%	0.05%	0.03%	2.83%
Other Long Term ▲ Assets	1.67%	1.32%	0.97%	2.35%
Other Long Term Assets, Total	1.75%	1.37%	1.00%	5.18%
Total Assets	100.00%	100.00%	100.00%	100.00%
▲ Accounts Payable	12.85%	13.72%	14.28%	13.71%
Notes Payable/Short Term Debt	1.60%	5.55%	10.45%	0.37%
Income Taxes Payable	0.41%	0.61%	0.71%	0.64%
Other Payables	2.75%	1.91%	1.73%	2.89%
Other Current Liabilities	3.17%	3.54%	3.14%	2.52%
Other Current Liabilities, Total	6.33%	6.07%	5.58%	6.05%
Total Current Liabilities	20.78%	25.33%	30.30%	20.13%
Long-Term Debt	34.01%	31.75%	25.41%	29.18%
Deferred Income Tax - Long Term Liability	1.76%	1.71%	2.34%	5.88%
Total Deferred Income Tax	1.76%	1.71%	2.34%	5.88%
Minority Interest	7.77%	8.35%	7.96%	8.69%
Pension Benefits - Underfunded	--	--	--	0.70%
Other Long Term Liabilities	3.22%	2.73%	2.49%	--
Other Liabilities, Total	3.22%	2.73%	2.49%	0.70%
Total Liabilities	67.54%	69.87%	68.49%	64.59%
Common Stock	28.34%	27.06%	35.88%	39.44%
Total Common Stock	28.34%	27.06%	35.88%	39.44%
Retained Earnings	4.12%	3.07%	-4.37%	-0.18%
Translation ▲ Adjustment	--	--	--	-3.85%
Other Equity, Total	--	--	--	-3.85%
Total Stockholders' Equity	32.46%	30.13%	31.51%	35.41%

Total Liabilities and Shareholders Equity	100.00%	100.00%	100.00%	100.00%
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Appendix B-2 Balance sheet of Orbital from 2003 -2006

Period End Date	30-Jun-06	30-Jun-05	30-Jun-04	30-Jun-03
Annual Balance Sheet: (AUD, In millions)				
Cash	3.33	7.97	12.35	9.01
Cash and Short Term Investments	3.33	7.97	12.35	9.01
Trade Accounts Receivable, Gross	3.06	2.36	2.73	2.34
Provision for Doubtful Accounts	-0.05	-0.05	-0.03	-0.02
Trade Accounts Receivable, Net	3.01	2.31	2.71	2.32
Other Receivables	0.62	0.61	0.68	0.98
Total Receivables, Net	3.63	2.92	3.39	3.3
Total Inventory	0.01	0.01	0.03	0.09
Prepaid Expenses	0.02	0.07	0.44	0
Other Current Assets	--	--	0.02	0.7
Other Current Assets, Total	--	--	0.02	0.7
Total Current Assets	6.97	10.97	16.22	13.1
Buildings	3.06	3.06	3.06	3.06
Land/Improvements	1.09	1.09	1.09	1.09
Machinery/Equipment	14.81	14.68	17.94	21.67
Construction in Progress	--	--	--	0
Leases	--	--	0.6	0.67
Other Property/Plant/Equipment	1.96	1.96	1.96	--
Property/Plant/Equipment, Gross	20.92	20.79	24.66	26.49
Accumulated Depreciation	-14.49	-13.37	-16.21	-16.11
Property/Plant/Equipment, Net	6.43	7.42	8.45	10.38
Intangibles, Net	--	--	--	--
Other Long Term Investments	6.32	0	--	--
Total Long Term Investments	6.32	0	--	--
Deferred Income Tax - Long Term Asset	6.45	6.3	--	--
Other Long Term Assets	--	--	--	0

Other Long Term Assets, Total	6.45	6.3	--	0
Total Assets	26.17	24.69	24.67	23.48
Accounts Payable	2.66	2.01	2.6	3.23
Notes Payable/Short Term Debt	0	0	0.17	0.14
Customer Advances	0.61	0.38	1.26	0.74
Income Taxes Payable	--	--	--	0
Other Current Liabilities	1.15	1.54	1.55	2.53
Other Current Liabilities, Total	1.76	1.92	2.8	3.27
Total Current Liabilities	4.42	3.93	5.57	6.64
Long-Term Debt	12.81	19	19.01	19.2
Total Long Term Debt	12.81	19	19.01	19.2
Total Debt	12.81	19	19.18	19.34
Deferred Income Tax - Long Term Liability	--	--	--	--
Total Deferred Income Tax	--	--	--	--
Other Long Term Liabilities	1.2	1.89	5.37	9.63
Other Liabilities, Total	1.2	1.89	5.37	9.63
Total Liabilities	18.43	24.82	29.95	35.47
Common Stock	216.77	216.77	216.77	213.47
Total Common Stock	216.77	216.77	216.77	213.47
Retained Earnings	-209.06	-216.66	-222.05	-225.45
Translation Adjustment	0.04	-0.24	--	--
Other Equity, Total	0.04	-0.24	--	--
Total Stockholders' Equity	7.74	-0.13	-5.28	-11.98
Total Liabilities and Shareholders Equity	26.17	24.69	24.67	23.48
Shares Outstanding - Common Stock, Primary Issue	411,292,090	410,595,880	410,017,880	379,979,580
Total Common Shares Outstanding	411,292,090	410,595,880	410,017,880	379,979,580
Treasury Shares - Common Primary Issue	--	--	0	0

