

Delivering the Promise





Delivering the Promise

Fleetwood Corporation Limited
ABN 69 009 205 261

Preliminary Final Report
Year ended 30 June 2016

Results for Announcement to the Market

	Change		Amount
			\$'000
Revenue from ordinary activities	Up	5%	to 287,257
Loss from continuing operations after tax attributable to members	Up	589%	to - 11,019
Net loss attributable to members of Fleetwood Corporation Limited	Down	16011%	to - 28,004

Dividends	Amount per security	Franked %
Final dividend	Nil ¢	N/A
Interim dividend	Nil ¢	N/A
Total dividend for period	Nil ¢	

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Review of Operations

The following tables demonstrate how statutory revenue and EBIT reconcile to underlying trading results.

Revenue

\$ million	2016	2015	Change
Statutory revenue	287.3	272.8	
One off adjustment related to capital value of Osprey village	-	(9.4)	
Underlying revenue	287.3	263.4	9%

Earnings

\$ million	2016	2015	Change
Statutory EBIT	(9.6)	2.3	
One off adjustment related to capital value of Osprey village	-	(9.4)	
Asset impairment	10.3	3.2	
Underlying EBIT	0.7	(3.9)	115%

A Company in Transition

Excluding asset impairment, results from discontinued operations and one off adjustments related to the capital value of Osprey village, revenue increased by 9% to \$287.3m and EBIT improved by 115% to \$0.7m.

The company generated very strong operating cash flows during the year and reported a net cash position of \$3m at 30 June.

Significant changes have been made to the board, senior management team and business operations in the last two years. The operational changes have seen the company become debt free, focus on growth markets and significantly reduce operating costs.

RV Manufacturing

\$ million	2016	2015	% change
Revenue	29.6	34.0	-13.0%
Operating EBIT	- 8.1	- 7.6*	-6.5%

*excludes impairment charge of \$3.2m in 2015.

Since the global financial crisis heavily impacted the recreational vehicles industry in 2009, Fleetwood RV has been significantly restructured.

This included consolidating manufacturing into a single facility, updating the company's product range and expanding the dealer network.

The new product range was demonstrated to consumers at major capital city caravan and camping shows between February and June 2016. The effect has been a substantial increase in the order book and production run rates are now being increased to meet the demand.

The dealer network is also being expanded. Two new dealers have been appointed in New South Wales and an additional dealer has been appointed in Victoria.

While this is very encouraging it is not expected that the business will return to profitability during the first half of the 2017 financial year. However given how orders are trending, the board has confidence in the direction the business is taking.

Parts and Accessories

\$ million	2016	2015	% change
Revenue	82.1	78.2	5.0%
Operating EBIT	0.9*	0.6	46.7%

*excludes impairment charge of \$10.3m in 2016.

Fleetwood's parts and accessories segment is comprised of Camec which is a major supplier of components to the RV manufacturing industry and Flexiglass which supplies fibreglass canopies and aluminium trays for utility vehicles.

In the last three years, Flexiglass' operations have been restructured, resulting in the cessation of manufacturing in Australia and the importation of product from Thailand, where nine of the eleven global top selling utility vehicles are manufactured.

The directors have taken the conservative approach of recognising an impairment charge against the goodwill in Flexiglass, however notwithstanding this revenue and earnings growth is expected to gradually improve.

Camec experienced significant pressure from overseas competitors throughout the recent period where AUD/US exchange rates were above parity, however the effect of this is now abating and Camec is expected to see an improved trading result in 2017.

Manufactured Accommodation

\$ million	2016	2015	% change
Revenue	142.5	116.4	22.4%
Operating EBIT	3.6	-3.6	198.3%

Following the downturn in the mining industry, Fleetwood's key strategy in the manufactured accommodation segment has been to increase the company's involvement in the affordable housing and education sectors.

Fleetwood has signed exclusive supply agreements with the two largest operators in the Australian manufactured affordable housing industry, being Gateway Lifestyle, who are developing 50 estates throughout Queensland and New South Wales and National Lifestyle Villages who operate nine manufactured housing estates in Western Australia.

Homes demand from Gateway Lifestyle has met the company's expectations in 2016 and is expected to increase in 2017.

The agreement with National Lifestyle Villages, which was executed in June 2016 will contribute volume to Fleetwood's Western Australian manufactured accommodation business over its initial five year term. The agreement is an important milestone for the WA business which has been significantly restructured since the downturn in the mining industry.

Fleetwood's agreement with the Victorian Education Department to build new classrooms and relocate existing classrooms provides a significant income stream for the group. Strong demand was also seen in the other states during 2016. Demand is expected to moderate in 2017, however it will continue to be a strong contributor to Fleetwood's overall earnings.

Village Operations

\$ million	2016	2015	% change
Revenue	33.0	34.7*	-4.9%
Operating EBIT	7.9	8.9*	-11.2%

*Excludes one-off adjustment related to Osprey of \$9.4m.

In February 2015 Fleetwood entered into an agreement with Rio Tinto to accommodate up to 804 workers at Searipple Village in Karratha. This agreement saw the village return to profitability in 2015 and 2016 and Searipple will continue to contribute future earnings.

In July 2015 Fleetwood reached agreement with the West Australian Government in respect of the sale of Osprey Village in Port Hedland. The sale agreement provides Fleetwood with the right to continue to manage the village for a term of fourteen years. Sale proceeds from the transaction of \$62.4m were used to eliminate debt.

While the downturn in the mining sector has generally seen demand for worker accommodation reduce, the income streams from Searipple and Osprey are underpinned by blue chip customers and provide strong cash flows for the company.

Discontinued Operation

\$ million	2016	2015	% change
Revenue	12.5	29.2	-57.1%
Operating EBIT	- 4.4*	3.8*	-214.6%

*excludes impairment charge of \$19.7m in 2016 (\$1.3m in 2015).

As a result of the downturn in the mining industry and the resulting reduction in demand for construction workforce accommodation, the directors have resolved to discontinue mining rental operations.

During the year a significant number of buildings from the rental fleet have been sold and the remaining fleet has been reclassified as a current asset held for sale.

Dividends

A final dividend has not been declared, however the outlook is improving and the directors intend to resume the payment of dividends as soon as practicable. The company has a significant franking account balance to support this.

Board Changes

As announced on 12 August, following an extensive independent search process Phillip Campbell has been appointed as Chairman of Fleetwood.

After three years with Fleetwood, John Bond resigned as a non-executive director on 24 August 2016.

Any further changes the board considers necessary will be the subject of independent external advice.

Fleetwood Corporation Limited
Consolidated Statement of Profit or Loss
and Other Comprehensive Income
Year ended 30 June 2016



	Note	2016 \$ '000	2015 \$ '000
Revenue	2	287,257	272,756
Materials used		(110,382)	(95,915)
Sub-contract costs		(75,311)	(68,181)
Employee benefits expense		(56,092)	(58,212)
Operating leases		(10,059)	(10,542)
Other expenses		(25,444)	(22,096)
Profit before interest, tax, depreciation, amortisation and impairment (EBITDA before impairment)		9,969	17,810
Depreciation and amortisation expense	3	(9,305)	(12,318)
Profit before interest, tax and Impairment (EBIT before impairment)		664	5,492
Impairment of non-current assets	13	(10,312)	(3,177)
(Loss) Profit before interest and tax (EBIT)		(9,648)	2,315
Finance costs	3	(3,733)	(3,959)
(Loss) before income tax expense		(13,381)	(1,644)
Income tax benefit (expense)		2,362	44
Loss from continuing operations		(11,019)	(1,600)
(Loss) Profit from discontinued operation	16	(16,985)	1,776
(Loss) Profit attributable to members of the parent entity		(28,004)	176
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Net exchange difference relating to foreign controlled entities		13	(38)
Total comprehensive (loss) income attributable to members of the parent entity (net of tax)		(27,991)	138
(Loss) Earnings per share			
From continuing and discontinued operations			
Basic (cents per share)		-45.8	0.3
Diluted (cents per share)		-45.9	0.3
From continuing operations			
Basic (cents per share)		-18.0	-2.6
Diluted (cents per share)		-18.1	-2.6
From continuing operations before impairment			
Basic (cents per share)		-3.0	6.5
Diluted (cents per share)		-3.0	6.5

Fleetwood Corporation Limited
Consolidated Statement of Financial Position
As at 30 June 2016



	Note	2016 \$ '000	2015 \$ '000
Current assets			
Cash and cash equivalents		6,116	6,634
Trade and other receivables	7	40,628	96,197
Inventories		49,291	45,246
Other financial assets		-	206
Assets held for sale		25,839	-
Current tax assets		3,635	-
Total current assets		125,509	148,283
Non-current assets			
Trade and other receivables	7	427	-
Property, plant and equipment		45,836	107,676
Intangible assets		1,120	5,166
Goodwill	8	55,230	61,761
Deferred tax assets		10,486	4,822
Total non-current assets		113,099	179,425
Total assets		238,608	327,708
Current liabilities			
Trade and other payables		42,247	43,672
Interest bearing liabilities	9	3,000	62,500
Current tax liabilities		-	959
Provisions		5,556	5,605
Other financial liabilities		301	-
Total current liabilities		51,104	112,736
Non-current liabilities			
Provisions		1,177	971
Total non-current liabilities		1,177	971
Total liabilities		52,281	113,707
Net assets		186,327	214,001
Equity			
Issued capital		195,079	194,762
Reserves		(244)	(257)
Retained (losses) earnings	5	(8,508)	19,496
Total equity		186,327	214,001

Fleetwood Corporation Limited
Consolidated Statement of Changes in Equity
Year ended 30 June 2016



	Issued capital \$ '000	Foreign currency translation reserve \$ '000	Retained earnings \$ '000	Total \$ '000
2015 Financial Year				
Balance at 1 July 2014	194,096	(219)	20,532	214,409
Profit for the year	-	-	176	176
Exchange differences arising on translation of foreign operations	-	(38)	-	(38)
Total comprehensive income for the year	-	(38)	176	138
Dividends paid	198	-	(1,212)	(1,014)
Share-based payments	468	-	-	468
Balance at 30 June 2015	194,762	(257)	19,496	214,001
2016 Financial Year				
Loss for the year	-	-	(28,004)	(28,004)
Exchange differences arising on translation of foreign operations	-	13	-	13
Total comprehensive income for the year	-	13	(28,004)	(27,991)
Share-based payments	317	-	-	317
Balance at 30 June 2016	195,079	(244)	(8,508)	186,327

Fleetwood Corporation Limited
Consolidated Statement of Cash Flows
Year ended 30 June 2016



	Note	2016 \$ '000	2015 \$ '000
Cash flows from operating activities			
Receipts in the course of operations		384,750	327,500
Payments in the course of operations		(313,528)	(281,320)
Interest received		290	75
Income taxes paid		(617)	(129)
Finance costs paid		(3,918)	(3,959)
Net cash provided by operating activities	6	66,977	42,167
Cash flows from investing activities			
Acquisition of property, plant and equipment		(7,972)	(33,556)
Proceeds from sale of non-current assets		436	120
Payment for acquisition of business		-	(4,915)
Payment for intangible assets		(484)	(2,653)
Net cash used in investing activities		(8,020)	(41,004)
Cash flows from financing activities			
Proceeds from borrowings		85,000	56,989
Repayment of borrowings		(144,500)	(56,900)
Dividends paid		-	(1,014)
Net cash used in financing activities		(59,500)	(925)
Net (decrease) increase in cash and cash equivalents held		(543)	238
Cash and cash equivalents at the beginning of the financial year		6,634	6,405
Effects of exchange rate changes on the balance of cash held in foreign currencies.		25	(9)
Cash and cash equivalents at the end of the financial year		6,116	6,634

Fleetwood Corporation Limited
Notes to the Financial Statements
Year ended 30 June 2016



1. Significant 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.

	2016	2015
	\$ '000	\$ '000
2. Revenue		
Sales revenue		
Goods	141,493	161,174
Construction	109,300	72,620
Rental	36,269	39,027
	287,062	272,821
Other income		
Interest	290	75
Loss on sale of non-current assets	(95)	(140)
	195	(65)
	287,257	272,756

3. Profit from ordinary activities before income tax expense

Profit from ordinary activities before income tax expense has been arrived at after charging the following items:

Cost of sales	226,240	202,248
Depreciation and amortisation of:		
buildings	34	34
leasehold improvements	1,921	4,149
plant and equipment	6,602	6,885
product development	748	1,250
	9,305	12,318
Finance costs:		
Bank loans and overdraft	3,733	3,959
Net bad and doubtful debts	1,192	65
Research and development costs	310	11
Superannuation expense	4,174	4,347
Equity settled share-based payments	317	468

Fleetwood Corporation Limited
Notes to the Financial Statements
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4. Commentary on the results	2016	2015
	\$ '000	\$ '000

The commentary on the results for the year is contained in the review accompanying this statement.

5. Retained earnings

Retained earnings at the beginning of the year	19,496	20,532
(Loss) Profit attributable to members of the parent entity	(28,004)	176
Dividends recognised	-	(1,212)
Retained (losses) earnings at the end of the year	(8,508)	19,496

6. Notes to the cash flow statement

Reconciliation of (loss) profit from ordinary activities after income tax to net cash provided by operating activities

Operating (loss) profit after income tax	(28,004)	176
Less items classified as investing activities:		
Loss on sale of non-current assets	95	140
Add non-cash items:		
Equity settled share-based payments	317	468
Depreciation and amortisation - continuing operations	9,305	12,318
Depreciation and amortisation - discontinued operations	9,795	16,795
Written down value of rental fleet sold	5,813	6,313
Impairment of non-current assets	29,991	4,477
Changes in assets and liabilities during the year:		
(Increase) Decrease in inventories	(4,046)	45,003
Decrease (Increase) in trade and other receivables	55,142	(49,543)
(Decrease) Increase in other financial assets	(206)	155
(Decrease) Increase in trade and other payables	(1,425)	5,819
Increase (Decrease) in provisions	157	(403)
(Decrease) Increase in income taxes payable	(4,594)	1,014
Increase in deferred taxes receivable	(5,664)	(426)
(Decrease) Increase in other financial liabilities	301	(139)
Net cash provided by operating activities	66,977	42,167

Non-cash financing and investing activities

There were no dividends paid during the year. In the prior period dividends of \$197,584 pertaining to the 2014 financial year were reinvested as 98,201 fully paid ordinary shares in the Company.

7. Trade and other receivables

Current

Trade receivables	29,205	32,381
Other	11,423	63,816
	40,628	96,197

Non-current

Other	427	-
	427	-

\$56.3m of other receivables at 30 June 2015 related to the Osprey Project which was settled on 20 July 2015.

Fleetwood Corporation Limited
Notes to the Financial Statements
Year ended 30 June 2016



8. Goodwill	2016	2015
	\$ '000	\$ '000
Goodwill	55,230	61,761

Reconciliation of the carrying amount of Goodwill:

Carrying amount at beginning of year	61,761	59,431
Amounts recognised from business combination occurring during the year	-	4,425
Impairment loss on goodwill	(6,529)	(2,097)
Effect of foreign exchange differences	(2)	2
	55,230	61,761

9. Financing arrangements

The economic entity has access to the following lines of credit:

Total facilities available:

Multi Option Facility	25,000	75,000
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Under the terms of Multi Option Facility, the economic entity is entitled to draw on any mix of commercial bill, bank guarantee, standby letter of credit or overdraft facilities.

Facilities utilised:

Bank loans	3,000	62,500
Bank guarantees	1,438	2,201
	4,438	64,701

Facilities not utilised

Bank loans	17,000	7,500
Bank overdraft	1,500	-
Bank guarantees	2,062	2,799
Facilities not utilised	20,562	10,299

On 20 July 2015, Fleetwood sold the Osprey Village to the Housing Authority for \$62.2m. The receivable created by the transaction has a term of 14 years and was subsequently assigned to its financier, Westpac for an upfront payment of \$62.2m.

10. Dividends

	Date Paid	Cents Per Security		
Final 2014	30/09/2014	2	-	1,212
			-	1,212

11. Earnings per share

(Loss) Profit from continuing and discontinued operations	(28,004)	176
Adjustment to exclude loss (profit) from discontinued operations	16,985	(1,776)
Loss from continuing operations	(11,019)	(1,600)

**Weighted average
number of shares used**

Basic	61,039,412	60,847,809
Number of shares deemed to be issued for no consideration in respect of employee options and rights	131,220	72,600
Diluted	61,170,632	60,920,409

Fleetwood Corporation Limited
Notes to the Financial Statements
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12. Net tangible assets per security

	2016	2015
Net tangible assets per security	<u>\$2.13</u>	<u>\$2.41</u>

13. Segment information

Group operating segments are based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Business segments

RV	Manufacture of caravans
Parts and Accessories	Manufacture and distribution of RV and commercial vehicle parts and accessories
Manufactured Accommodation	Design, manufacture and sale of accommodation
Village Operations	Operation of accommodation villages
Unallocated	Group corporate function

Group revenue and results by reportable operating segment:

	Revenue		Depreciation and Amortisation		Result (EBIT)	
	2016 \$ '000	2015 \$ '000	2016 \$ '000	2015 \$ '000	2016 \$ '000	2015 \$ '000
RV	29,572	34,007	627	917	(8,096)	(7,605)
Parts and Accessories	82,061	78,215	1,876	2,081	858	585
Manufactured Accommodation	142,533	116,404	2,298	2,603	3,583	(3,644)
Village Operations	33,011	44,061	4,282	6,506	7,948	18,353
Unallocated	80	69	222	211	(3,629)	(2,197)
	<u>287,257</u>	<u>272,756</u>	<u>9,305</u>	<u>12,318</u>	<u>664</u>	<u>5,492</u>
Finance costs					(3,733)	(3,959)
Asset Impairment					(10,312)	(3,177)
Loss before income tax expense					<u>(13,381)</u>	<u>(1,644)</u>
Income tax benefit (expense)					2,362	44
Loss from continuing operations					<u>(11,019)</u>	<u>(1,600)</u>
(Loss) Profit from discontinued operations					(16,985)	1,776
(Loss) Profit attributable to members of the parent entity					<u>(28,004)</u>	<u>176</u>

Segment result represents the earnings before interest and tax of each segment without the allocation of corporate and other overheads. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Included in asset impairment for the Parts and Accessories operating segment is \$6.5m of impaired goodwill as disclosed at note 8, and \$3.8m of impaired other intangible assets.

Group assets and liabilities by reportable operating segment:

	Assets		Acquisitions of Non-Current Assets		Liabilities	
	2016 \$ '000	2015 \$ '000	2016 \$ '000	2015 \$ '000	2016 \$ '000	2015 \$ '000
RV	15,959	11,785	847	474	6,280	3,459
Parts and Accessories	54,838	64,390	1,114	7,390	13,343	11,355
Manufactured Accommodation	97,148	90,369	3,789	2,557	25,428	20,767
Village Operations	27,786	88,956	172	1,510	2,442	3,232
Unallocated	17,038	13,423	63	37	4,788	65,531
	<u>212,769</u>	<u>268,923</u>	<u>5,985</u>	<u>11,968</u>	<u>52,281</u>	<u>104,344</u>

14. Information on audit

This preliminary final report is based on accounts that are in the process of being audited.

15. Comparatives

Comparative information shown is for the year ended 30 June 2015. Comparative figures, where required, have been adjusted to conform to changes in presentation for the current year.

Fleetwood Corporation Limited
Notes to the Financial Statements
Year ended 30 June 2016



16. Discontinued Operation

On 1 March 2016 the company ceased resource sector rental operations.

	2016	2015
	\$ '000	\$ '000
Revenue	12,524	29,179
Expenses	(36,788)	(26,641)
(Loss) Profit from discontinued operation before tax	(24,264)	2,538
Attributable income tax	7,279	(761)
(Loss) Profit from discontinued operation after tax	(16,985)	1,777
(Loss) Profit attributable to members of the consolidated entity		
Loss from continuing operations	(11,019)	(1,600)
(Loss) Profit from discontinued operations	(16,985)	1,777
	(28,004)	177
Cash flows from discontinued operation		
Net cash inflows from operating activities	9,729	29,267
Net cash outflows from investing activities	(2,596)	(28,903)
Net cash provided by discontinued operation	7,133	364

17. Events after the reporting date

There were no material events subsequent to the reporting period.