Fleetwood CORPORATION

Delivering the Promise

Preliminary Final Report 2013

Fleetwood Corporation

Delivering the Promise

Fleetwood Corporation Limited

ABN 69 009 205 261

Preliminary Final Report

Year ended 30 June 2013

Results for Announcement to the Market

	Change		Amount $'000
Revenue from ordinary activities	Down 13%	to	333,872
Profit from continuing operations after tax attributable to members	Down 70%	to	16,648
Net profit attributable to members of Fleetwood Corporation Limited	Down 77%	to	12,455

Dividends	**Amount per security**	**Franked %**
Final dividend	Nil ¢	N/A
Interim dividend	30 ¢	100%
Total dividend for period	30 ¢	

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Fleetwood CORPORATION

Delivering the Promise

CEO Review 2013

Review of Operations

- Revenue down 13% to $333.9m
- EBIT down 69% to $24.5m (excludes $6.0m loss from a discontinued operation)
- Net debt of $32m at 30 June 2013

Trading conditions in the group's key markets were weak in 2013.

Demand for manufactured accommodation from the resources sector and workforce accommodation demand in Karratha fell significantly.

Demand for classroom builds and recreational vehicles was down.

A number of actions were taken to reduce costs and support revenues. These included closing operations, restructuring businesses, securing agreements and upgrading facilities.

Dividends

An interim dividend of 30 cents per share was paid in March 2013. In view of the earnings performance in the second half and the capital expenditure requirements of the Osprey project, the directors believe it prudent not to pay a final dividend in respect of the 2013 year.

Fleetwood has a long history of paying fully franked dividends and has a large franking account available. It is the directors' intention to reinstate dividend payments as soon as trading conditions allow.

Manufactured Accommodation

$ million	2013	2012
Revenue	220.7	249.4
EBIT	31.6	76.2

Strategy:
To develop a national accommodation solutions capability for the resources, education and affordable housing sectors.

Markets

The significant drop in commodity prices during the year caused delays and cancellations to resources projects that flowed through to demand for manufactured accommodation.

The completion of major projects by Rio Tinto and Woodside reduced demand for workers in the Karratha region causing accommodation providers to experience high vacancy rates.

Education sector demand has been low since the end of the Government Building the Education Revolution program in July 2011. In NSW and Victoria this has been made worse by lower public sector expenditure following the change of governments in those States. Queensland and WA have fared better driven by initiatives such as the programs to move year seven students to high schools.

The transportable and park home markets showed some improvement with government support for initiatives that promote growth in affordable housing.

Performance

In October 2012 Fleetwood and the WA Department of Housing agreed an early start to build the Osprey village in South Hedland. The village comprises approximately 300 transportable homes to accommodate key workers in the region in accordance with the WA State Government Affordable Housing Strategy. Fleetwood will operate the village for 15 years and will receive a guaranteed minimum income stream on its investment. The project is on budget and on schedule to be completed in the second quarter of the 2014 financial year.

Occupancy at Searipple village averaged around 40% of village capacity during the first half. In December Fleetwood entered into an agreement with Rio Tinto to accommodate more of its workforce at Searipple. The agreement has a term of one year with four options of six months each, and room rates that reflect changed market conditions. It also included an upgrade to the village, which was completed over the third quarter. Occupancy at Searipple averaged around 50% during the third quarter and around 70% during the fourth.

Demand expectations for Gladstone village declined over the year as existing resources projects in the region employed more people from the local workforce than was expected and some new projects became less likely. This led to the commencement of a review of the village specification and costs.

Low levels of manufacturing activity were experienced in WA prior to commencement of the Osprey and Searipple upgrade projects. During the year the number of rental units on hire reduced as contracts expired and some were not renewed.

A number of resource related projects were won in Queensland for which approximately 1,000 rooms have been built, 152 of which are for a two year build, own, operate agreement with Aurizon that commenced in August 2013. These projects complemented a moderate volume of new builds for the Queensland education sector.

In January the Victorian Department of Education extended the term of the Transfer Program agreement to July 2015. The program involves the transfer, storage, refurbishment and commissioning by Fleetwood of the department's existing relocatable buildings. However, lower volumes of classroom builds were experienced for Victoria in 2013.

In June Fleetwood secured its first education contract in WA, which involves building and supplying 43 classrooms valued at approximately $7m.

Recreational Vehicles

$ million	2013	2012
Revenue	111.4	132.9
EBIT	- 4.7*	6.9

Strategy:
Market leadership through product innovation, Asian sourcing and streamlined operations.

*excludes $6.0m loss from a discontinued operation

Markets

Demand for recreational vehicles has been soft since the start of the 2012 financial year reflecting a gradual decline in consumer sentiment. Caravan builds have declined and there has been a shift in buyer preference towards lower specification budget vehicles, which has affected industry revenue and margins. The trend is also relevant to Camec, which is the largest supplier of parts and accessories to the industry.

Demand for canopies and trays for commercial vehicles improved after the natural disasters in Asia that affected the previous year, but remained subdued reflecting business sentiment in Australia.

Performance

During the first half Fleetwood combined the Windsor caravan manufacturing activity with that of Coromal at the group's main facility in WA. Prior to the restructure both companies had excess production capacity, employed a full overhead structure, and there were limited synergies between them.

The restructure was completed in December, the cost of which combined with operating losses in the first half, resulted in an EBIT loss from this discontinued operation of $6.0m.

Fleetwood RV (the combined Coromal and Windsor) repositioned Coromal as a quality/volume brand and Windsor as a premium brand. Designs, product range and dealer networks were rationalised. An Asian sourced camper and a range of lower specification budget caravans were developed and released, which has strengthened the order book and increased production.

During the second half Flexiglass centralised its head office and warehousing in Victoria, closed its fibreglass manufacturing operation in WA, and completed the process of sourcing all its primary products from Asia.

Camec contained costs in the difficult trading environment while developing and sourcing a new range of products from Asia.

The EBIT loss for the division in the second half resulted from:

- Fleetwood RV production being below break-even levels;
- costs associated with restructuring Flexiglass; and
- a lower contribution from Camec as the market weakened further.

The results for the recreational vehicles division in 2013 are very disappointing. They reflect a year in which non performing operations were closed and investment was made in new business structures.

Debt

Long term Government guaranteed revenue from the Osprey project will result in the debt profile of Fleetwood changing. The company deferred renewing its funding arrangements while agreements relating to Osprey were finalised which resulted in debt at the 30 June being classified as a current liability.

Subject to any other new investments, group debt/equity at the completion of the Osprey project will be less than 30%.

People

2013 was a challenging year for Fleetwood. It required its people to make the most of the difficult trading conditions whilst simultaneously implementing or experiencing major changes to their businesses. On behalf of the directors, I sincerely thank the people that worked hard through the year to keep Fleetwood strong.

Outlook

Trading conditions in the group’s key markets continue to be weak.

Demand from the resources sector remains low. The opportunities that currently exist mostly relate to oil and gas, and iron ore projects that were underway or advanced at the time commodity prices fell.

Activity in the education sector is affected by government programs and expenditure. Recent contract awards and allocations of funding are expected to provide some recovery of activity levels in Victoria. Demand in Queensland and WA remains moderate.

In addition to resources and education, Fleetwood continues to target affordable housing opportunities. The sector is large and diverse with some opportunities being driven by government initiatives.

Occupancy at Searipple is currently around 65% of village capacity. Rio Tinto's accommodation requirements can vary. Other demand exists and is being pursued.

Homes in the new Osprey village become available for rent early in the second quarter. Occupancy is expected to ramp up ahead of the commencement on 1 March 2014 of the 15 year operating agreement at which point the guaranteed minimum income stream becomes effective.

Construction of Gladstone Village remains subject to further consideration of market conditions, village specification and costs.

Expectations for the recreational and commercial vehicle markets remain subdued, however, the major restructures implemented in FY2013 are expected to produce positive results. Fleetwood RV has a strong order book for caravans and Asian sourced campers.

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Fleetwood Corporation Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year ended 30 June 2013

Fleetwood CORPORATION
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	Note	2013 $ '000	2012 $ '000
Revenue	2	**333,872**	382,633
Materials used		**(107,418)**	(112,598)
Sub-contract costs		**(86,972)**	(73,939)
Employee benefits expense		**(67,516)**	(71,193)
Operating leases		**(10,963)**	(10,530)
Other expenses		**(20,458)**	(20,169)
Profit before interest, tax, depreciation and amortisation **(EBITDA)**		**40,545**	94,204
Depreciation and amortisation expense	3	**(16,074)**	(14,898)
Profit before interest and tax **(EBIT)**		**24,471**	79,306
Finance costs	3	**(1,267)**	(764)
Profit before income tax expense		**23,204**	78,542
Income tax expense		**(6,556)**	(23,316)
Profit from continuing operations		**16,648**	55,226
Loss from discontinued operation	14	**(4,193)**	(2,017)
Profit attributable to members of the parent entity		**12,455**	53,209
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Net exchange difference relating to foreign controlled entities		**319**	104
Total comprehensive income attributable to members of the parent entity (net of tax)		**12,774**	53,313
Earnings per share	9		
From continuing and discontinued operations			
Basic (cents per share)		**20.8**	90.4
Diluted (cents per share)		**20.7**	89.2
From continuing operations			
Basic (cents per share)		**27.8**	93.8
Diluted (cents per share)		**27.6**	92.6

Fleetwood Corporation Limited
Consolidated Statement of Financial Position
As at 30 June 2013

Fleetwood CORPORATION
Delivering the Promise

	Note	2013 $ '000	2012 $ '000
Current assets			
Cash and cash equivalents		**12,665**	17,380
Trade and other receivables		**54,054**	53,538
Inventories		**41,707**	46,416
Assets held for sale		**4,168**	-
Total current assets		**112,594**	117,334
Non-current assets			
Trade and other receivables		**11**	18
Property, plant and equipment		**114,471**	101,545
Intangible assets		**3,028**	2,521
Goodwill		**64,435**	64,435
Deferred tax assets		**3,973**	3,955
Inventories		**14,088**	-
Total non-current assets		**200,006**	172,474
Total assets		**312,600**	289,808
Current liabilities			
Trade and other payables		**45,167**	44,263
Interest bearing liabilities	7	**44,610**	272
Current tax liabilities		**1,147**	5,976
Provisions		**4,416**	4,150
Total current liabilities		**95,340**	54,661
Non-current liabilities			
Interest bearing liabilities		**11**	622
Provisions		**3,158**	3,280
Total non-current liabilities		**3,169**	3,902
Total liabilities		**98,509**	58,563
Net assets		**214,091**	231,245
Equity			
Issued capital		**193,001**	179,425
Reserves		**(578)**	(897)
Retained earnings	5	**21,668**	52,717
Total equity		**214,091**	231,245

Fleetwood Corporation Limited
Consolidated Statement of Changes in Equity
Year ended 30 June 2013

2012 Financial Year	Issued capital $ '000	Foreign currency translation reserve $ '000	Retained earnings $ '000	Total $ '000
Balance at 1 July 2011	164,448	(1,001)	42,782	206,229
Profit for the year	-	-	53,209	53,209
Exchange differences arising on translation of foreign operations	-	104	-	104
Total comprehensive income for the year	-	104	53,209	53,313
Dividends paid to equity holders	9,157	-	(43,274)	(34,117)
Share-based payments	2,180	-	-	2,180
Shares issued pursuant to employee and executive option plans	3,640	-	-	3,640
Balance at 30 June 2012	179,425	(897)	52,717	231,245
2013 Financial Year				
Profit for the year	-	-	12,455	12,455
Exchange differences arising on translation of foreign operations	-	319	-	319
Total comprehensive income for the year	-	319	12,455	12,774
Dividends paid to equity holders	9,187	-	(43,504)	(34,317)
Share-based payments	1,469	-	-	1,469
Shares issued pursuant to employee and executive option plans	2,919	-	-	2,919
Balance at 30 June 2013	**193,001**	**(578)**	**21,668**	**214,091**

Fleetwood Corporation Limited
Consolidated Statement of Cash Flows
Year ended 30 June 2013

	Note	2013 $ '000	2012 $ '000
Cash flows from operating activities			
Receipts in the course of operations		**370,494**	473,666
Payments in the course of operations		**(334,339)**	(373,011)
Interest received		**206**	491
Income taxes paid		**(9,602)**	(23,073)
Finance costs paid		**(1,310)**	(816)
Net cash provided by operating activities	6	**25,449**	77,257
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(37,976)**	(26,500)
Proceeds from sale of non-current assets		**941**	237
Payment for intangible assets		**(1,638)**	(788)
Payment for capital work in progress		**(3,856)**	-
Net cash used in investing activities		**(42,529)**	(27,051)
Cash flows from financing activities			
Proceeds from issue of shares		**2,919**	3,640
Proceeds from borrowings		**47,728**	21,105
Repayment of borrowings		**(4,000)**	(41,500)
Dividends paid		**(34,318)**	(34,117)
Net cash provided by (used in) financing activities		**12,329**	(50,872)
Net decrease in cash and cash equivalents held		**(4,751)**	(666)
Cash and cash equivalents at the beginning of the financial year		**17,380**	17,985
Effects of exchange rate changes on the balance of cash held in foreign currencies.		**36**	61
Cash and cash equivalents at the end of the financial year		**12,665**	17,380

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.

	2013 $ '000	2012 $ '000
2. Revenue		
Sales revenue		
Goods	**140,489**	161,067
Construction	**131,835**	113,682
Rental	**60,623**	107,261
	332,947	382,010
Other income		
Interest	**206**	491
Gain on revaluation of investment property	**1,151**	-
(Loss) / gain on sale of non-current assets	**(432)**	132
	925	623
	333,872	382,633

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:

	2013 $ '000	2012 $ '000
Cost of sales	**235,118**	230,930
Depreciation and amortisation of:		
buildings	**69**	69
leasehold improvements	**4,854**	4,686
plant and equipment	**10,583**	9,583
product development	**568**	560
	16,074	14,898
Finance costs:		
Bank loans and overdraft	**1,218**	691
Charges on hire purchases	**49**	73
	1,267	764
Net bad and doubtful debts	**(29)**	299
Research and development costs	**245**	97
Superannuation expense	**4,854**	5,254
Equity settled share-based payments	**1,469**	2,180

4. Commentary on the results

	2013 $ '000	2012 $ '000

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

5. Retained earnings

	2013 $ '000	2012 $ '000
Retained earnings at the beginning of the year	**52,717**	42,782
Profit attributable to members of the parent entity	**12,455**	53,209
Dividends recognised	**(43,504)**	(43,274)
Retained earnings at the end of the year	**21,668**	52,717

6. Notes to the cash flow statement

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

	2013 $ '000	2012 $ '000
Operating profit after income tax	**12,455**	53,209
Less items classified as investing activities:		
(Gain) loss on sale of non-current assets	**983**	(132)
Add non-cash items:		
Equity settled share-based payments	**1,469**	2,180
Depreciation and amortisation expense	**16,209**	15,250
Written down value of rental fleet sold	**5,277**	4,259
Asset revaluation - investment property	**(1,151)**	-
Changes in assets and liabilities during the year:		
Increase in inventories	**(5,524)**	(857)
(Increase) decrease in trade and other receivables	**(509)**	21,199
Decrease in other financial assets	**41**	5,302
Increase (decrease) in trade and other payables	**904**	(22,378)
Increase (decrease) in provisions	**142**	(123)
Increase (decrease) in income taxes payable	**(4,829)**	210
Increase in deferred taxes payable	**(18)**	(862)
Net cash provided by operating activities	**25,449**	77,257

Non-cash financing and investing activities

During the year dividends of $9,187,172 (2012: $9,156,603) were reinvested as 891,120 (2012: 826,573) fully paid ordinary shares in the Company.

7. Financing arrangements

	2013 $ '000	2012 $ '000
The economic entity has access to the following lines of credit:		
Multi Option Facility	**55,000**	40,000

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

	2013 $ '000	2012 $ '000
Facilities utilised:		
Bank loans	**44,000**	-
Bank guarantees	**3,189**	6,793
	47,189	6,793
Facilities not utilised	**7,811**	33,207
Hire purchase liabilities - current	**610**	272
Hire purchase liabilities - non-current	**11**	622
	621	894

The company deferred renewing its funding arrangements while agreements relating to the Osprey project were finalised which resulted in debt at the 30 June being classified as a current liability.

8. Dividends

	Date Paid	Cents Per Security	2013 $ '000	2012 $ '000
Interim 2013	30/03/2013	30	**18,031**	-
Final 2012	30/09/2012	43	**25,473**	-
Interim 2012	30/03/2012	33	**-**	19,444
Final 2011	30/09/2011	41	**-**	23,830
			43,504	43,274

No final dividend has been declared in respect of the 2013 financial year.

9. Earnings per share

	2013	2012
Earnings from continuing and discontinued operations	**12,455**	53,209
Adjustment to exclude loss from discontinued operations	**4,193**	2,017
Earnings from continuing operations	**16,648**	55,226

	Weighted average number of shares used	
Basic	**59,944,825**	58,857,824
Number of shares deemed to be issued for no consideration in respect of employee and executive options	**302,073**	779,781
Diluted	**60,246,898**	59,637,605

10. Net tangible assets per security

	2013	2012
Net tangible assets per security	**$2.42**	$2.77

11. Segment information

The following is an analysis of the Group's revenue and results by reportable operating segment:

	Segment Revenue		**Segment Depreciation and Amortisation**		**Segment Result (EBIT)**	
	2013 $ '000	2012 $ '000	**2013 $ '000**	2012 $ '000	**2013 $ '000**	2012 $ '000
Recreational Vehicles	**111,408**	132,867	**2,454**	2,413	**(4,714)**	6,913
Manufactured Accommodation	**220,662**	249,371	**13,383**	12,270	**31,637**	76,241
Corporate and other overheads	**1,802**	395	**237**	215	**(2,452)**	(3,848)
	333,872	382,633	**16,074**	14,898	**24,471**	79,306
Finance costs					**(1,267)**	(764)
Profit before income tax expense					**23,204**	78,542
Income tax expense					**(6,556)**	(23,316)
Profit from continuing operations					**16,648**	55,226
Profit from discontinued operations					**(4,193)**	(2,017)
Profit attributable to members of the parent entity					**12,455**	53,209

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.

The following is an analysis of the Group's assets and liabilities by reportable operating segment:

	Segment Assets		**Acquisitions of Non-Current Assets**		**Segment Liabilities**	
	2013 $ '000	2012 $ '000	**2013 $ '000**	2012 $ '000	**2013 $ '000**	2012 $ '000
Recreational Vehicles	**88,198**	98,762	**4,064**	3,413	**18,169**	22,378
Manufactured Accommodation	**195,489**	167,161	**35,660**	17,956	**33,747**	28,826
Unallocated	**28,913**	23,885	**46**	111	**46,593**	7,359
	312,600	289,808	**39,770**	21,480	**98,509**	58,563

12. Information on audit

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

13. Comparatives

Comparative information shown is for the year ended 30 June 2012.

14. Discontinued Operation

On 6 September 2012 the Company announced the closure of its Victorian caravan manufacturing operations. Financial information relating to the discountinued operation for the period is set out below.

	2013	2012
Revenue	**4,326**	24,810
Expenses	**(10,320)**	(27,720)
Loss from discontinued operation before tax	**(5,994)**	(2,910)
Attributable income tax	**1,801**	893
Loss from discontinued operation after tax	**(4,193)**	(2,017)
Profit attributable to members of the consolidated entity relates to		
Profit from continuing operations	**16,648**	55,226
Loss from discontinued operations	**(4,193)**	(2,017)
	12,455	53,209
Cash flows from discontinued operation		
Net cash outflows from operating activities	**(5,608)**	(4,455)
Net cash inflows (outflows) from investing activities	**334**	(483)
Net cash consumed by discontinued operation	**(5,274)**	(4,938)

15. Events after the reporting date

There were no material events after the end of the reporting date.