Fleetwood CORPORATION

Delivering the Promise

Preliminary Final Report 2015

Fleetwood Corporation Limited
ABN 69 009 205 261

Preliminary Final Report
Year ended 30 June 2015

Results for Announcement to the Market

	Change			Amount $'000
Revenue from ordinary activities	Down	18%	to	301,935
Profit from continuing operations before impairment loss, after tax	Down	29%	to	3,939
Profit from continuing operations after tax attributable to members	Down	69%	to	176
Net profit attributable to members of Fleetwood Corporation Limited	Up	132%	to	176

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

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Delivering the Promise

Managing Director’s Review 2015

- Revenue down 18% to $301.9m
- EBIT down 12% to $9.3m, excluding impairment charge of $4.5m
- Debt free at completion of Osprey transaction

A positive outcome on negotiations with the Western Australian Department of Housing in respect of the Osprey key workers village (Osprey Village) and incremental volume from the east coast affordable housing market were offset by challenging conditions in caravan manufacturing and reduced demand in the Western Australian accommodation sector.

Impairment charges have been recognised in respect of intangible assets in caravan manufacturing and idle rental fleet stock in Western Australia.

Notwithstanding the above, Fleetwood continued to generate very strong operating cash flows with a 36% increase on 2014 to $42.2m

The company became debt free in July 2015 upon the sale of the Osprey Village to the Western Australian Department of Housing.

Dividends

Given the mixed trading conditions, the directors have deemed it prudent not to pay a final dividend for 2015.

Subject to future trading conditions and capital expenditure requirements the directors intend to return to paying dividends as soon as practicable.

Accommodation

$ million	2015	2014	% change
Revenue	189.6	229.7	-17.5%
Operating EBIT	18.5*	16.0	16.1%

*excludes impairment charge of $1.3m.

While education demand remained strong in Victoria, volume in Western Australia and Queensland reduced due to completion of programs to move year seven students into high school in 2014.

Construction of the Osprey Village was completed in 2014, and as such manufacturing volume in the West Australian accommodation business reduced in 2015. An interim license agreement as outlined below under Outlook will provide ongoing income.

Occupancy at Searipple Village in Karratha increased steadily during the year following execution of the three year preferred supplier agreement with Rio Tinto in February 2015. Average occupancy in the second half was 41%, and occupancy at the date of this report is currently 57%.

Fleetwood executed a two year exclusive manufactured homes supply agreement with Gateway Lifestyle in May 2015. Gateway presently has 36 parks located in Queensland and New South Wales, with 1,815 sites available for development. Fleetwood will manufacture the homes at it's existing facility in Brisbane, and a new facility in Newcastle, New South Wales which commenced operations in July 2015.

Recreational Vehicles

$ million	2015	2014	% change
Revenue	112.2	136.5	-17.8%
Operating EBIT	- 7.0*	- 2.1*	-229.7%

*excludes impairment charge of $3.2m in 2015 ($5.0m in 2014).

While a number of initiatives were implemented to address performance issues in caravan manufacturing during 2015, the benefits of which are yet to manifest in improved profitability.

Overseas supply increased at Camec during the year with a number of new product lines being introduced. Sales of the new lines have increased steadily, although competitive pressure has impacted volume for some existing products.

The acquisition of Bocar in August 2014 has increased Fleetwood market share in the aluminium tray market. In addition, completion of the transition to overseas manufacturing for Flexiglass has allowed the business to be simplified and has increased profitability.

A number of key senior management changes have recently been made in the recreational vehicles division. The changes are aimed at ensuring successful implementation of initiatives to address performance concerns.

Fleetwood CORPORATION

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Sustainability

Fleetwood's safety record has improved further in 2015.

Fleetwood continues to explore ways to reduce its environmental footprint. Refinements have recently been made to the company's waste water treatment plant at Searipple Village in Karratha with the plant now treating 65% of waste water from the Village for use in reticulating gardens which also saves approximately 18,250 kilolitres of water per annum from entering the municipal sewer.

People

2015 has been another challenging year for Fleetwood. Difficult trading conditions in some areas and taking advantage of new markets required our people to extend themselves. On behalf of the directors, I sincerely thank our people for rising to meet these challenges.

Outlook

Following the sale of the Osprey Village to the Western Australian Department of Housing in July 2015, Fleetwood will continue to manage the village and receive a guaranteed income stream for a period of fourteen years.

The three year preferred supplier agreement with Rio Tinto is expected to contribute to stable occupancy at Searipple Village in the 2016 financial year. Under the terms of the agreement, Rio Tinto has access to 804 rooms, which leaves 472 rooms available to market to other clients.

Education demand is expected to continue to be strong in Victoria supported by Fleetwood's recent reappointment in August 2015 to the panel of contractors providing services to the Victorian Department of Education and Training.

Trading conditions in the Western Australian accommodation sector remain challenging. Significant focus is being applied to developing income streams from new markets following the downturn in the mining sector.

Fleetwood will experience a full year of manufactured home production for Gateway Lifestyle in the 2016 financial year. The company is also exploring opportunities to expand further in this market segment, particularly in New South Wales and Western Australian.

Bocar imports a quality product with a compelling value proposition and further synergies are expected in 2016.

A fresh approach to product design is expected to increase consumer appeal for Fleetwood caravans, while allowing for manufacturing economies to be realised. Fleetwood has recently increased it's dealer presence in the Victorian market and is presently exploring opportunities in New South Wales.

Competition remains strong in the component parts market and initiatives to streamline Camec's distribution operations are being undertaken.

Fleetwood Corporation Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
Year ended 30 June 2015

Fleetwood CORPORATION
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	Note	2015 $ '000	2014 $ '000
Revenue	2	**301,935**	366,518
Materials used		**(101,525)**	(146,573)
Sub-contract costs		**(68,181)**	(90,935)
Employee benefits expense		**(58,366)**	(66,181)
Operating leases		**(10,712)**	(11,173)
Other expenses		**(24,708)**	(23,430)
Profit before interest, tax, depreciation, amortisation and impairment **(EBITDA before impairment)**		**38,443**	28,226
Depreciation and amortisation expense	3	**(29,113)**	(17,624)
Profit before interest, tax and Impairment **(EBIT before impairment)**		**9,330**	10,602
Impairment of non-current assets	9, 14	**(4,477)**	(5,000)
Profit before interest and tax **(EBIT)**		**4,853**	5,602
Finance costs	3	**(3,959)**	(2,227)
Profit before income tax expense		**894**	3,375
Income tax expense		**(718)**	(2,809)
Profit from continuing operations		**176**	566
Loss from discontinued operation	18	**-**	(490)
Profit attributable to members of the parent entity		**176**	76
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss			
Net exchange difference relating to foreign controlled entities		**(38)**	359
Total comprehensive income attributable to members of the parent entity (net of tax)		**138**	435
Earnings per share	12		
From continuing and discontinued operations			
Basic (cents per share)		**0.3**	0.1
Diluted (cents per share)		**0.3**	0.1
From continuing operations			
Basic (cents per share)		**0.3**	0.9
Diluted (cents per share)		**0.3**	0.9
From continuing operations before impairment			
Basic (cents per share)		**6.5**	9.2
Diluted (cents per share)		**6.5**	9.2

Fleetwood Corporation Limited
Consolidated Statement of Financial Position
As at 30 June 2015

Fleetwood CORPORATION
Delivering the Promise

	Note	2015 $ '000	2014 $ '000
Current assets			
Cash and cash equivalents		**6,634**	6,405
Trade and other receivables	7	**96,197**	46,654
Inventories	8	**45,246**	44,504
Other financial assets		**206**	-
Assets held for sale		**-**	51
Current tax assets		**-**	55
Total current assets		**148,283**	97,669
Non-current assets			
Property, plant and equipment		**107,676**	109,702
Intangible assets		**5,166**	4,844
Goodwill	9	**61,761**	59,431
Deferred tax assets		**4,822**	4,396
Inventories	8	**-**	45,745
Total non-current assets		**179,425**	224,118
Total assets		**327,708**	321,787
Current liabilities			
Trade and other payables		**43,672**	37,853
Interest bearing liabilities	10	**62,500**	62,411
Current tax liabilities		**959**	-
Provisions		**5,605**	5,837
Other financial liabilities		**-**	139
Total current liabilities		**112,736**	106,240
Non-current liabilities			
Provisions		**971**	1,138
Total non-current liabilities		**971**	1,138
Total liabilities		**113,707**	107,378
Net assets		**214,001**	214,409
Equity			
Issued capital		**194,762**	194,096
Reserves		**(257)**	(219)
Retained earnings	5	**19,496**	20,532
Total equity		**214,001**	214,409

Fleetwood Corporation Limited
Consolidated Statement of Changes in Equity
Year ended 30 June 2015

2014 Financial Year	**Issued capital $ '000**	**Foreign currency translation reserve $ '000**	**Retained earnings $ '000**	**Total $ '000**
Balance at 1 July 2013	193,001	(578)	21,668	214,091
Profit for the year	-	-	76	76
Exchange differences arising on translation of foreign operations	-	359	-	359
Total comprehensive income for the year	-	359	76	435
Dividends paid	150	-	(1,212)	(1,062)
Share-based payments	945	-	-	945
Balance at 30 June 2014	194,096	(219)	20,532	214,409
2015 Financial Year				
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**

Fleetwood Corporation Limited
Consolidated Statement of Cash Flows
Year ended 30 June 2015

Fleetwood CORPORATION
Delivering the Promise

	Note	2015 $ '000	2014 $ '000
Cash flows from operating activities			
Receipts in the course of operations		**327,500**	415,906
Payments in the course of operations		**(281,320)**	(378,631)
Interest received		**75**	120
Income taxes paid		**(129)**	(4,224)
Finance costs paid		**(3,959)**	(2,227)
Net cash provided by operating activities	6	**42,167**	30,944
Cash flows from investing activities			
Acquisition of property, plant and equipment		**(33,556)**	(21,289)
Proceeds from sale of non-current assets		**120**	844
Payment for acquisition of business		**(4,915)**	-
Payment for intangible assets		**(2,653)**	(2,813)
Payment for capital work in progress		**-**	(30,718)
Net cash used in investing activities		**(41,004)**	(53,976)
Cash flows from financing activities			
Proceeds from borrowings		**56,989**	47,390
Repayment of borrowings		**(56,900)**	(29,600)
Dividends paid		**(1,014)**	(1,062)
Net cash (used in) provided by financing activities		**(925)**	16,728
Net increase (decrease) in cash and cash equivalents held		**238**	(6,304)
Cash and cash equivalents at the beginning of the financial year		**6,405**	12,665
Effects of exchange rate changes on the balance of cash held in foreign currencies.		**(9)**	44
Cash and cash equivalents at the end of the financial year		**6,634**	6,405

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.

2. Revenue

	2015 $ '000	2014 $ '000
Sales revenue		
Goods	**169,963**	179,769
Construction	**72,620**	139,772
Rental	**59,417**	46,748
	302,000	366,289
Other income		
Interest	**75**	120
Gain / (loss) on sale of non-current assets	**(140)**	109
	(65)	229
	301,935	366,518

3. Profit from ordinary activities before income tax expense

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

	2015 $ '000	2014 $ '000
Cost of sales	**206,814**	280,295
Depreciation and amortisation of:		
buildings	**34**	34
leasehold improvements	**4,149**	5,307
plant and equipment	**23,680**	11,290
product development	**1,250**	993
	29,113	17,624
Finance costs:		
Bank loans and overdraft	**3,959**	2,198
Charges on hire purchases	**-**	29
	3,959	2,227
Net bad and doubtful debts	**65**	(58)
Research and development costs	**11**	23
Superannuation expense	**4,359**	5,003
Equity settled share-based payments	**468**	945

	2015	2014
4. Commentary on the results	**$ '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	**20,532**	21,668
Profit attributable to members of the parent entity	**176**	76
Dividends recognised	**(1,212)**	(1,212)
Retained earnings at the end of the year	**19,496**	20,532

6. Notes to the cash flow statement

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

Operating profit after income tax	**176**	76
Less items classified as investing activities:		
(Gain) loss on sale of non-current assets	**140**	(109)
Add non-cash items:		
Equity settled share-based payments	**468**	945
Depreciation and amortisation expense - continuing operations	**29,113**	17,624
Depreciation and amortisation expense - discontinued operations	**-**	79
Written down value of rental fleet sold	**6,313**	8,984
Impairment on plant and equipment	**1,300**	-
Impairment on intangible assets	**1,080**	-
Impairment on goodwill	**2,097**	5,000
Changes in assets and liabilities during the year:		
Decrease (Increase) in inventories	**45,003**	(3,736)
(Increase) Decrease in trade and other receivables	**(49,543)**	7,411
Decrease in other financial assets	**155**	4,069
Increase (Decrease) in trade and other payables	**5,819**	(7,314)
Decrease in provisions	**(403)**	(598)
Increase (Decrease) in income taxes payable	**1,014**	(1,202)
Increase in deferred taxes receivable	**(426)**	(424)
(Decrease) Increase in other financial liabilities	**(139)**	139
Net cash provided by operating activities	**42,167**	30,944

Non-cash financing and investing activities

During the year dividends of $197,584 (2014: $148,824) were reinvested as 98,201 (2014: 58,592) fully paid ordinary shares in the Company.

7. Trade and other receivables

Trade receivables	**32,381**	32,924
Other	**63,816**	13,730
	96,197	46,654

$56.3m of other receivables at 30 June 2015 relates to the Osprey Project and was settled on 20 July 2015. Refer note 19 for further information.

8. Inventories

Current

Raw materials & stores	**7,413**	8,477
Work in progress	**15,274**	14,200
Finished goods	**22,559**	21,827
	45,246	44,504

Non-current

Work in progress	**-**	45,745
	-	45,745

Work in progress relating to the Osprey Project has been reclassified as Other receivables at 30 June 2015 (refer note 7).

9. Goodwill

	2015 $ '000	2014 $ '000
Goodwill	**61,761**	59,431

Reconciliation of the carrying amount of Goodwill:

Carrying amount at beginning of year	**59,431**	64,435
Amounts recognised from business combination occurring during the year	**4,425**	-
Impairment loss on goodwill	**(2,097)**	(5,000)
Effect of foreign exchange differences	**2**	(4)
	61,761	59,431

10. Financing arrangements

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

Total facilities available:

Multi Option Facility	**75,000**	71,400

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	**62,500**	62,400
Bank guarantees	**2,201**	1,973
	64,701	64,373

Facilities not utilised

Bank loans	**7,500**	6,000
Bank guarantees	**2,799**	1,027
Facilities not utilised	**10,299**	7,027

Hire purchase liabilities - current	**-**	11
	-	11

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. This assignment enabled Fleetwood to be debt free as at the date of repayment.

For further information on this transaction please refer to note 19.

11. Dividends

	Date Paid	Cents Per Security		
Final 2014	30/09/2014	2	**1,212**	-
Interim 2014	30/03/2014	2	**-**	1,212
			1,212	1,212

12. Earnings per share

Earnings from continuing and discontinued operations	**176**	76
Adjustment to exclude loss from discontinued operations	**-**	490
Earnings from continuing operations	**176**	566

	Weighted average number of shares used	
Basic	**60,847,809**	60,537,267
Number of shares deemed to be issued for no consideration in respect of employee and executive options and rights	**72,600**	74,423
Diluted	**60,920,409**	60,611,690

13. Net tangible assets per security

	2015	2014
Net tangible assets per security	**$2.41**	$2.48

14. Segment information

Group revenue and results by reportable operating segment:

	Segment Revenue		Segment Depreciation and Amortisation		Asset Impairment		Segment Result (EBIT)	
	2015 $ '000	2014 $ '000	**2015 $ '000**	2014 $ '000	**2015 $ '000**	2014 $ '000	**2015 $ '000**	2014 $ '000
Recreational Vehicles	**112,221**	136,520	**2,998**	2,839	**3,177**	5,000	**(10,197)**	(7,129)
Accommodation	**189,645**	229,702	**25,904**	14,581	**1,300**	-	**17,247**	15,977
Corporate and other overheads	**69**	296	**211**	204	**-**	-	**(2,197)**	(3,246)
	301,935	366,518	**29,113**	17,624	**4,477**	**5,000**	**4,853**	5,602
Finance costs							**(3,959)**	(2,227)
Profit before income tax expense							**894**	3,375
Income tax expense							**(718)**	(2,809)
Profit from continuing operations							**176**	566
Profit from discontinued operations							**-**	(490)
Profit attributable to members of the parent entity							**176**	76

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 Recreational Vehicles operating segment is $2.1m of impaired goodwill as disclosed at note 9, and $1.1m of impaired other intangible assets. Included in asset impairment for the Accommodation operating segment is $1.3m of impaired property, plant and equipment.

Group assets and liabilities by reportable operating segment:

	Segment Assets		Acquisitions of Non-Current Assets		Segment Liabilities	
	2015 $ '000	2014 $ '000	**2015 $ '000**	2014 $ '000	**2015 $ '000**	2014 $ '000
Recreational Vehicles	**76,175**	81,018	**7,864**	3,432	**14,815**	18,236
Accommodation	**236,703**	222,103	**32,971**	57,176	**33,362**	25,322
Unallocated	**14,830**	18,666	**37**	91	**65,530**	63,820
	327,708	321,787	**40,872**	60,699	**113,707**	107,378

15. Information on audit

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

16. Comparatives

Comparative information shown is for the year ended 30 June 2014. Comparative figures, where required, have been adjusted to conform to changes in presentation for the current year.

17. Business Combination

Fleetwood Corporation Limited entered into an agreement to purchase the assets of Bocar Pty Ltd (Bocar) on 12 August 2014.

Bocar was established over 25 years ago and is today a leading New South Wales based aluminium tray and accessory distributer to the automotive sector. The acquisition provides Fleetwood subsidiary Flexiglass with increased scale in New South Wales.

The fair value of the identifiable assets of Bocar at the date of acquisition, the total cost and cash flows of the acquisition were as follows.

	Carrying Value $ '000	Fair value recognised $ '000
Property, plant and equipment	89	89
Inventory	251	251
Total Assets	**340**	**340**
Fair value of identifiable net assets acquired	**340**	**340**
Book value of net assets (including working capital and plant and equipment)		340
Goodwill		4,425
		4,765

There were no liabilities assumed as part of the transaction

Cost of the combination	
Cash paid	4,765
Direct costs relating to the acquisition (recorded in the income statement)	150
Net consolidated cash outflow	**4,915**

The cash flow on acquisition is as follows:	
Net cash acquired with the business	-
Direct costs relating to the acquisition	150
Cash paid	4,765
Net consolidated cash outflow	**4,915**

The consideration paid for the combination included amounts in relation to the benefit of expected synergies, future market growth, customer relationships and assembled workforce of Bocar. Fair values of identifiable intangibles have not been determined at the date of this report for the reasons outlined above.

The acquired business contributed revenues of $3,136,435 and net profit after tax of $704,479 (excluding incremental interest) to the Group for the period 12 August 2014 to 30 June 2015. Had Bocar been acquired at 1 July 2014, the revenue for the Group would have been $302,365,079, and the profit attributable to members of the parent entity would have been $276,306. The directors have determined these 'pro-forma' numbers to represent an approximate measure of the performance of the group on an annualised basis.

In determining the 'pro-forma' revenue and profit of the Group had Bocar been acquired at 1 July 2014, the directors have extrapolated the revenue and earnings for Bocar for the period from acquisition date to 30 June 2015 over a 12 month period, and added them to the revenues and profits of the remainder of the group for the year.

18. Discontinued Operation

On 2 November 2012 the Company closed its Victorian caravan manufacturing operations. There were no transactions for the discontinued operation in the current year.

	2015 **$ '000**	2014 $ '000
Revenue	**-**	1,288
Expenses	**-**	(1,988)
Loss from discontinued operation before tax	**-**	(700)
Attributable income tax	**-**	210
Loss from discontinued operation after tax	**-**	(490)
Profit attributable to members of the consolidated entity		
Profit from continuing operations	**176**	566
Loss from discontinued operations	**-**	(490)
	176	76
Cash flows from discontinued operation		
Net cash outflows from operating activities	**-**	(684)
Net cash inflows (outflows) from investing activities	**-**	-
Net cash consumed by discontinued operation	**-**	(684)

19. Events after the reporting date

On 20 July 2015, Fleetwood and the West Australian Department of Housing finalised negotiations relating to the Osprey Village (Village), and executed documents constituting the final commercial terms as further described in the ASX Announcement of 23 July 2015. Under the terms of the agreement, the West Australian Department of Housing purchased the Village from Fleetwood for $62.2m (including GST). Under the terms of the agreement, Fleetwood will receive an ongoing income stream and manage the Village for 14 years.

The receivable created by the sale transaction has a term of 14 years and was subsequently assigned to Westpac for an upfront payment of $62.2m.

On 3 August 2015 the Company paid an amount of $3.9m (including GST) to a subcontractor pursuant to a BCIPA adjudication in Queensland. The payment relates to a matter which at this stage is unresolved. The matter has been appropriately provided for at 30 June and Fleetwood intends to vigorously pursue recovery of the amount.

Except for those matters outlined above, there were no material events subsequent to the reporting period.