Fleetwood
CORPORATION

Delivering the Promise

Interim Financial Report

Half Year Ended 31 December 2017

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CONTENTS

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Delivering the Promise

Fleetwood Corporation Limited

ABN 69 009 205 261

Appendix 4D
Half Year Ended 31 December 2017

Results for Announcement to the Market

		% Change		Amount $'000
Revenue from ordinary activities	up	**15%**	to	**163,836**
Profit from continuing operations after tax attributable to members	down	**100%**	to	**(6)**
Net profit attributable to members (including loss from discontinued operation)	down	**248%**	to	**(4,924)**

Dividends	**Amount per security**	**Franked % per security**
Interim dividend	1 ¢	100%
Previous period - Final Dividend	5 ¢	100%
Record date for determining entitlements to the interim dividend	6 March 2018	
Date the interim dividend is payable	30 March 2018	

On 29 September 2017 a final dividend of 5 cents per share (2016: nil) was paid relating to the year ended 30 June 2017. The total amount of this dividend payment was $2,481,859 (2016: nil).

On 23 February 2018 a fully franked interim dividend of 1 cent per share (2017:nil) was declared to the holders of fully paid ordinary shares. The dividend will be paid on 30 March 2018.

The interim report that accompanies this Appendix 4D has been reviewed by the Group's auditors.

CORPORATE DIRECTORY

DIRECTORS

Phillip Campbell
Brad Denison
Jeff Dowling
Adrienne Parker

COMPANY SECRETARY

Yanya O'Hara

AUDITOR

Grant Thornton

BANKER

Westpac Banking Corporation

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DELIVERING THE PROMISE

OUR OBJECTIVE

To outperform financially by providing genuine value

OUR BELIEFS

We:

want to do business

build strong relationships in which each party wins

expect all parties to make and honour their commitments

value the support of our shareholders, clients and suppliers

OUR COMMITMENT

We will:

act with honesty and integrity

provide a safe and healthy workplace

operate in an environmentally responsible manner

develop and reward our people for their creativity and dedication

deal with people in a concerned and professional way

find better ways to do things

always hold ourselves accountable for

'Delivering the Promise'

Directors Report

The Directors present their report together with consolidated financial statements for the half year ended 31 December 2017.

Directors and Executive Officers

Phillip Campbell	Board Chair, Non-executive Director
Brad Denison	Managing Director, CEO
Jeff Dowling	Non-executive Director, Chair of Audit Committee and Remuneration Committee
Adrienne Parker	Non-executive Director, Chair of Nominations and Diversity Committee
Andrew Wackett	Chief Financial Officer
Yanya O'Hara	Company Secretary

Half year results and initial results of the RV review

Earnings before interest and tax (EBIT) of $4.4m in H1 FY18 was $1.8m lower than H1 FY17 driven by a $2.6m increase in losses from the Recreational Vehicles (RV) division. Excluding the RV loss, EBIT grew from $9.2m in H1 FY17 to $10.0m.

The sale of Flexiglass Challenge was announced on 11 December 2017. While the sale resulted in a recovery of $7.2m against a book value of $10.9m, the business was loss making and the sale will result in an increase in annual underlying earnings. This business has been treated as a discontinued operation in the H1 FY17 and H1 FY18 Profit and Loss as required under accounting rules.

The fixed assets of Fleetwood RV have been written down by $2.8m to nil and a $1.0m provision for obsolescence of raw materials has been raised following the strategic review. These are shown as significant items in the table below.

Result summary

$ million	H1 2018	H1 2017	Change
Revenue	163.8	142.2	15%
Underlying EBITDA	**7.7**	**9.3**	**-18%**
Depreciation and Amortisation	3.3	3.1	6%
Underlying EBIT	**4.4**	**6.2**	**-29%**
Finance costs	0.6	0.3	64%
Pre-tax profit	3.8	5.9	-35%
Tax expense (benefit)	1.2	1.7	-33%
Underlying NPAT	**2.7**	**4.1**	**-35%**
Significant items pre-tax	(3.8)	0.0	n/a
Tax on significant items	1.1	0.0	n/a
Net significant Items	**(2.7)**	**0.0**	**n/a**
Continuing operations NPAT	**(0.0)**	**4.1**	**-100%**
Loss from discontinued operations	(4.9)	(0.8)	n/a
Statutory NPAT	**(4.9)**	**3.3**	**n/a**

The divisional breakdown shown below demonstrates that strong earnings in Village Operations and Parts and Accessories were offset by continued underperformance in Recreational Vehicle Manufacturing.

$ million	H1 2018	H12017	Change
Revenue			
Recreational Vehicles	21.3	21.1	1%
Parts and Accessories	33.4	33.9	-1%
Modular Accommodation	99.3	78.4	27%
Village Operations	13.3	12.2	9%
Corporate and other	0.0	0.0	n/a
Intersegment eliminations	(3.5)	(3.4)	n/a
Total revenue	**163.8**	**142.2**	**15%**
Underlying EBIT			
Recreational Vehicles	(5.6)	(3.0)	n/a
Parts and Accessories	1.6	1.3	24%
Modular Accommodation	5.9	5.9	0%
Village Operations	4.4	3.0	47%
Corporate costs	(2.1)	(1.1)	n/a
Total underlying EBIT	**4.4**	**6.2**	**-29%**

Note: 1. Excludes the discontinued resource sector rental and Flexiglass businesses.

Cashflow and debt

Net debt of $12.7m compares to FY17 net cash of $0.4m and H1 FY17 net debt of $9.6m. The movement in net debt is detailed below.

$ million	H1 2017	H2 2017	H1 2018
EBITDA	**9.3**	**12.6**	**7.7**
Interest paid (net)	(0.3)	(0.6)	(0.5)
Tax	(0.1)	0.0	(0.7)
Working capital (and other)	(15.9)	0.9	(9.2)
Operating cashflow	**(7.0)**	**12.9**	**(2.8)**
Net capex	(5.7)	(2.9)	(7.9)
Free cashflow	**(12.7)**	**10.0**	**(10.7)**
Financing cashflows	0.0	0.0	(2.4)
Opening net cash (debt)	3.1	(9.6)	0.4
Closing net cash (debt)	**(9.6)**	**0.4**	**(12.7)**

Cashflow from operations of $(2.8)m was ahead of H1 FY17 $(7.0)m and was impacted by the timing of classroom moves for the Victorian Education Department over Christmas and working capital build in the RV division ahead of new dealership openings and the show season.

Strong operating cash flows are expected in the second half as these largely seasonal impacts reverse.

Net capex of $7.9m relates to new educational hire classrooms and the ongoing upgrade of Fleetwood's ERP system. Capex is expected to remain similar to H1 levels in H2 FY18.

Modular Accommodation

Revenue improved by 27% in the Modular Accommodation segment compared to the previous corresponding period driven by scope expansions and new programs with existing customers. While education has been a strong contributor to this, supply agreements with key affordable housing clients have been an important part of the company's refocus towards affordable housing.

Encouragingly, we are now seeing clear signs of recovery in the resource sector in Western Australia. However, this was offset by a reduction in affordable housing given the weak Perth residential market. This swing was a driver of lower EBIT margins.

The outlook for education spending in core east coast education markets is strong as evidenced by recent state government budget spending plans.

A focus on sales and customer diversification has seen several new customers and programs of work added to the business which should aid medium term growth. These include:

- The Victorian Permanent Modular Schools program
- Crown Parks Holiday Trust
- Building Management Works (WA Education)
- Department of Education and Training (ACT), and
- Numerous resource sector customers

Margins were below last year due to the start-up of new facilities to cater for increased revenue, especially in the education sector and growth in resource sector work. We expect these factors to continue into H2 FY18.

Recreational Vehicles

Fleetwood presently operates a factory in Forrestfield, Western Australia which manufactures caravans under the brand names Coromal and Windsor.

Prior to this, the company manufactured only Coromal product at the Forrestfield site, and Windsor caravans were manufactured in Somerton, Victoria.

Amalgamation

In 2013, a decision was made to close the Somerton facility and amalgamate manufacturing to the Forrestfield site. It was expected that the amalgamation would deliver the following outcomes;

- Reduction in overhead costs
- Standardisation of manufacturing techniques
- Improvement in production efficiency
- Consolidation of the two independent dealer networks into a single network of dealerships with each selling both Coromal and Windsor products

Ultimately the consolidation delivered the expected overhead reduction and production techniques were standardised, however some dealers were reluctant to sell both brands on the basis that the product range was duplicated. This resulted in many of the company's dealers taking on other outside brands or leaving the network.

In addition to this, competitors in Victoria, were in a stronger position than Fleetwood due to better access to experienced people, lower labour rates and having direct access to the largest caravan market in Australia without the cost burden associated with transporting caravans across the country.

The combination of these factors led to Fleetwood's caravan manufacturing business generating substantial financial losses.

Turnaround Plan

In the 2015 financial year, a complete management change occurred at Fleetwood, including the roles of Managing Director, and Executive General Manager of RV Manufacturing.

As the situation was (and still remains) critical, a total revamp of the company's product range was initiated on the basis of the Windsor brand being developed for the family market and the Coromal brand for full size caravans and the retiree market.

The revamp was completed by the end of CY2017 and resulted in complete replacement of four of the company's five product groups and substantial augmentation of the remaining product group.

It is important to note that the normal product development lifecycle for caravans is similar to the automotive industry where new models are introduced over a three to four year period, whereas revamping the Coromal and Windsor ranges was completed within two years.

The revamp has come at a cost to the company in the order of $5m over two years. These costs have been expensed through the profit and loss account, which is a more conservative treatment than the usual practice of capitalising development costs and amortising them over the life of the product.

Along with the new range, the method of construction has also been changed. Coromal and Windsor were traditionally manufactured with aluminium wall frames and timber flooring, whereas 80% of models are now manufactured with laminated wall panels and composite flooring.

The improved range and new construction methods are generating significant consumer interest and along with this, there is renewed interest amongst caravan dealers.

This has been evidenced by both a significant growth in new dealers, and a marked shift to dealers becoming sole franchise, or in other words, only selling Coromal/Windsor product. Specifically, overall dealer numbers have grown by 45% in two years to 22 dealers across the country, and the proportion of sole franchise dealers has risen from 12% to 70% of the network.

Notwithstanding this, there are a number of key strategic areas where Fleetwood has an opportunity to further improve its presence and in this regard new dealerships are presently being negotiated in South East Queensland and New South Wales.

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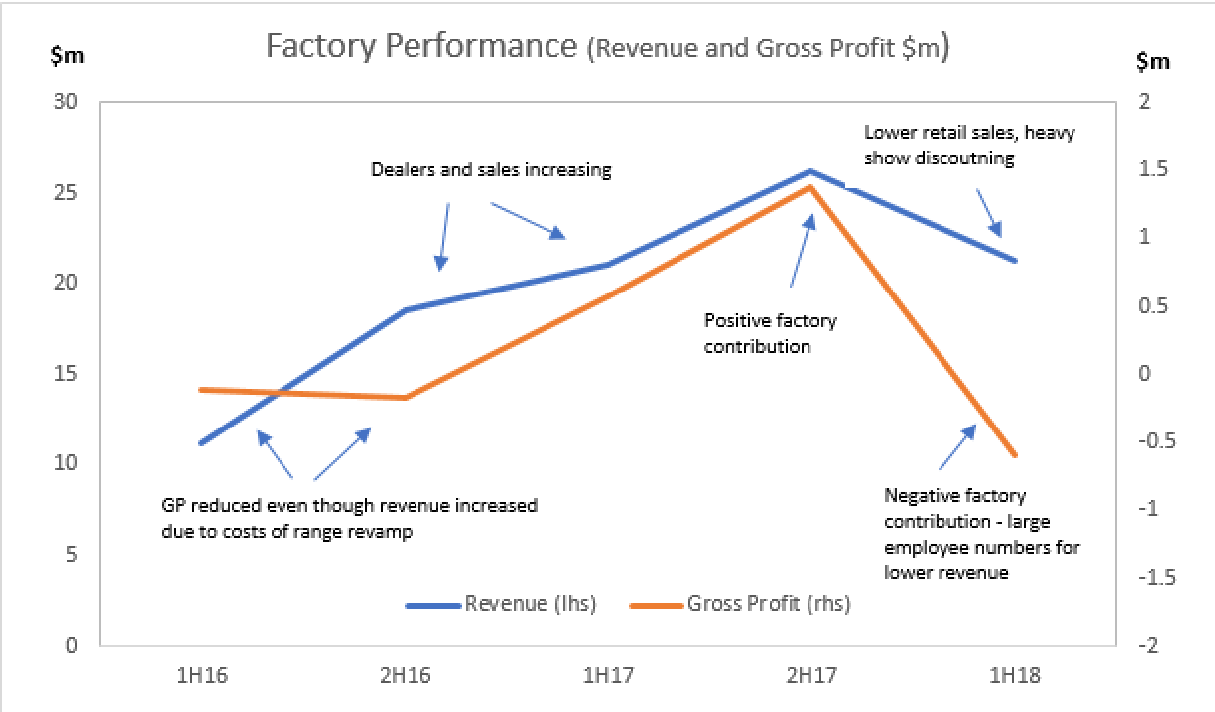
Fleetwood is fully committed to supporting its dealer network and the expectation is for an expanded marketing program and a focus on quality as we move into the busy capital city caravan show season over the next four months.

Financial Results

The result of the changes to the business discussed above was that the company's order book had grown and the business made a positive gross profit contribution which had grown to $1.4m in the six months to June 2017 (see below).



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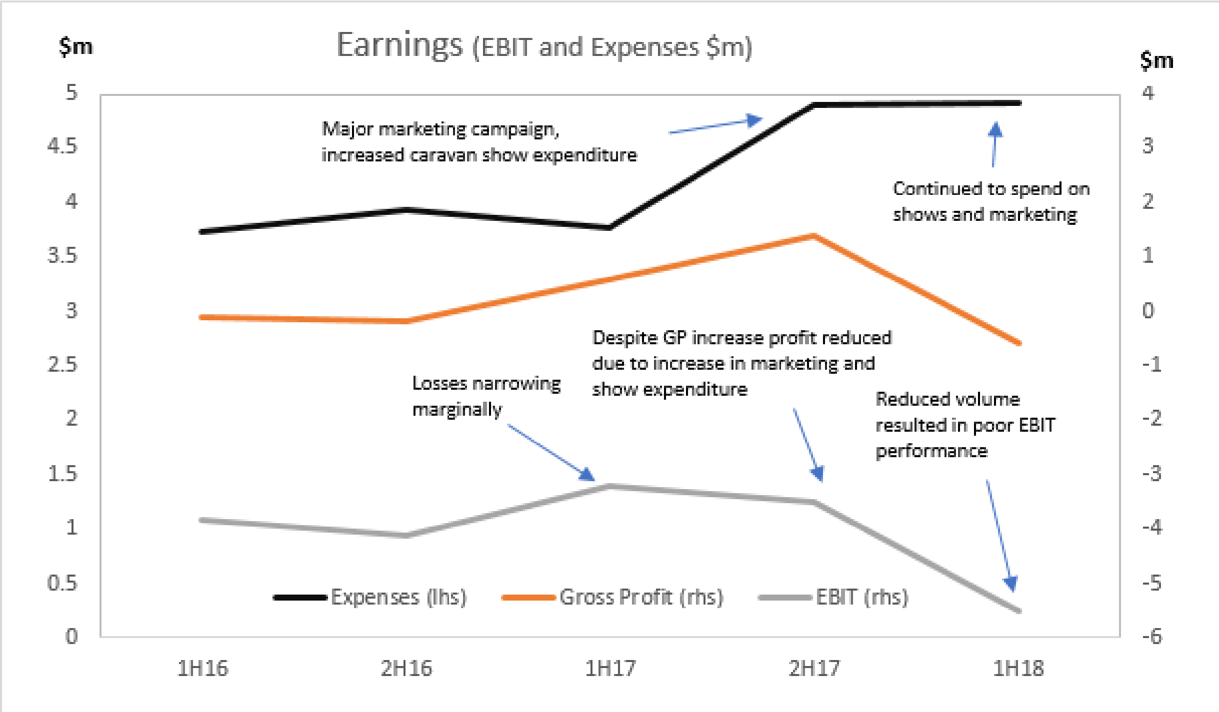
While sales and gross margin had been increasing in FY17, the effect of this was not evident in the company's EBIT result due to a major marketing campaign and significantly improved show presence increasing overhead expenses (see below).



First Half Results 2018

The first half of FY2018 saw reduced retail demand in the industry. This, combined with production numbers that were maintained at a high level by most major manufacturers led to excess dealer stock in the industry as a whole, and ultimately heavy discounting at caravan shows. Note, discounting by Fleetwood has been minimal during this period.

The result has been that despite progress that had been made up to and including FY 2017, during the first half of the 2018 financial year, production was reduced on lower demand. Additionally given that employee labour had been set at a level required to produce significantly higher output than what was delivered in 1H18, the business generated a gross loss for the first time since the second half of the 2016 financial year.

Strategic Review

Over the course of 2017, the Fleetwood board has been through a process of renewal. This has provided a fresh perspective on the issues surrounding RV manufacturing, and has culminated in the establishment of a full strategic review of the business by independent consultants Vantage Performance.

The review was completed between November 2017 and January 2018, and in addition to detailed consideration of strategy and financial performance, the review concentrated on customer, dealer and employee perception, brand ideology and the broader outlook for the industry. Consideration was also given to alternate manufacturing structures and locations.

The review found that the factory would break even at volume of 1,500 units per annum (32 units per week over 48 production weeks), assuming a gross profit of 20%. In order to achieve this, a significant improvement in labour and materials efficiency is required, along with reductions in re-work costs, and improved dealer and employee engagement.

Given the rate at which the turnaround has progressed to date, the original plan to deliver a break-even monthly result within three years, would need to be extended to July 2019.

Pursuant to the strategic review the company has written down the fixed assets by $2.8m and raised a $1.0m provision for obsolescence of raw materials.

Conclusion

On the basis of information contained in this report, and in acknowledgement that shareholders have already been patient with a turnaround plan which has not delivered satisfactory results to date, the board has decided to continue to support the turnaround in six month increments, based on the achievement of a series of specific metrics.

The metrics for delivery by August 2018 are as follows;

- 20% improvement in major capital city caravan show sales compared to June 2017 (all major shows are conducted in the first half of the calendar year).
- 15% improvement in labour efficiency compared to 1H18.
- 7.5% reduction in material cost per unit compared to 1H18.
- Significant improvement in employee and dealer net promoter scores through a strong focus on quality.

The board is also conscious that the Australian recreational vehicles industry is highly fragmented and that opportunities exist for rationalisation. Accordingly, and in parallel with continuing to support the turnaround plan (based on achieving the above metrics) a plan is being developed for a more efficient and cost competitive physical manufacturing structure for the business, and consideration is also being given to potential corporate transactions to fundamentally alter the contribution from this business.

Village Operations

Continued increases in occupancy driven predominantly by shutdown demand (spiking up to over 1,000 rooms for short periods of time) saw H1 FY18 revenue increase 9% in the Village Operations segment.

Together with being able to variablise some of the previously fixed costs at Searipple saw EBIT grow 47% to $4.4m.

Our February 2015 agreement with Rio Tinto to accommodate up to 804 workers at the Searipple Village in Karratha was extended for one year in December 2017.

In addition, we expect shutdown related activity to remain strong in H2 FY18.

Parts and Accessories

Following the sale of Flexiglass, Fleetwood's parts and accessories segment now represents Camec which is a major supplier of components to the RV manufacturing industry.

While the recreational vehicles industry has been growing in the last few years, during the period where exchange rates were above parity a number of overseas suppliers entered the market and started to compete with Camec who manufacture in Melbourne.

As we have seen exchange rates return closer to the long-term trend, Camec's competitiveness has increased and this, along with a major improvement in sales and marketing capability in the business has ultimately resulted in increased revenue and profitability.

However, as mentioned above, the RV industry has shown unstable volume in the first half of 2018, and while Camec has continued to increase its percentage share of the market, overall revenue has stabilised.

Operating costs and capital employed in this segment remain the subject of intense scrutiny. Improving market share through the development of innovative products is developing stronger customer relationships. This focus saw EBIT improve by 24% in H1 FY18 despite flat revenues.

During the half year the Flexiglass business, which supplies fibreglass canopies and aluminium trays for utility vehicles, was sold to Aeroklas for $7.2m. This business had been the subject of major restructuring however ultimately was unable to deliver satisfactory performance.

This sale settled on 1 February 2018. The operating results of this business have been treated as a discontinued business as required under the accounting rules.

Corporate costs

Corporate costs grew by $1.0m in H1 FY18 due to the payment of 2017 executive bonuses, fees associated with the RV review and increased staff numbers.

Dividends

Given Fleetwood's improved outlook the directors resumed the payment of modest dividends in H2 FY17. A modest interim dividend of 1 cent per share has been declared.

The company has a significant franking account balance to support this.

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Outlook

While Fleetwood generally has a second half skew in earnings, the expectation at this stage is for an increased skew this year given the timing of resource sector awards in Western Australia.

The overall outlook for FY18 is unchanged from the AGM update and is for an EBIT result marginally ahead of 2017.

We also expect strong cashflow generation in H2 FY17 as the traditional seasonal working capital build unwinds towards the end of the financial year.

Auditor Independence

A copy of the auditor's independence declaration is on page 20 and forms part of this report.

Rounding

The company is of a kind referred to in ASIC Corporations (Rounding in Financial /Directors' Reports) Instrument 2016/191 and accordingly amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

This report is made in accordance with a resolution of Directors.

On behalf of the Directors

Phillip Campbell
Board Chair
Perth, 23 February 2018

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Directors' Declaration

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the disclosing entity will be able to pay its debts as and when they become due and payable; and

(b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s. 303(5) of the Corporations Act 2001.

On behalf of the Directors

Phillip Campbell
Board Chair
Perth, 23 February 2018

Fleetwood Corporation Limited
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
Half Year Ended 31 December 2017

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	Note	Consolidated Half Year Ended 31 Dec 2017 $ '000	31 Dec 2016 $ '000
Revenue		**163,836**	142,206
Materials used		**(68,570)**	(61,815)
Sub-contract costs		**(46,676)**	(34,972)
Employee costs		**(28,521)**	(25,455)
Rent expense		**(3,984)**	(3,965)
Impairment of non-current assets and raw material obsolesence provision		**(3,805)**	-
Other expenses		**(8,419)**	(6,700)
Profit before interest, tax, depreciation and amortisation **(EBITDA)**		**3,861**	9,299
Depreciation and amortisation		**(3,298)**	(3,107)
Profit (Loss) before interest and tax **(EBIT)**		**563**	6,192
Finance costs		**(554)**	(338)
Profit (Loss) before income tax expense		**9**	5,854
Income tax (expense) benefit		**(15)**	(1,739)
Profit (loss) from continuing operations		**(6)**	4,115
Loss from discontinued operation	8	**(4,918)**	(785)
Profit (Loss) attributable to members of the parent entity		**(4,924)**	3,330
Other comprehensive income			
Items that may be reclassified to profit or loss			
Net exchange difference relating to foreign controlled entities		**252**	322
Total comprehensive income (loss) attributable to members of the parent entity (net of tax)		**(4,672)**	3,652
Earnings per share			
Basic earnings per share (cents)		**(7.0)**	5.5
Diluted earnings per share (cents)		**(7.0)**	5.5

To be read in conjunction with the accompanying notes.

Fleetwood Corporation Limited
Condensed Consolidated Statement of Financial Position
As at 31 December 2017

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	Note	Consolidated 31 Dec 2017 $ '000	30 Jun 2017 $ '000
Current assets			
Cash and cash equivalents		**9,327**	5,383
Trade and other receivables		**58,919**	64,953
Inventories	6	**67,699**	63,211
Assets held for sale		**21,348**	20,220
Other financial assets		**138**	-
Total current assets		**157,431**	153,767
Non-current assets			
Trade and other receivables		**2,712**	1,369
Property, plant and equipment		**47,380**	46,848
Intangible assets		**1,919**	91
Goodwill		**50,806**	55,230
Deferred tax assets		**11,021**	10,167
Total non-current assets		**113,838**	113,705
Total assets		**271,269**	267,472
Current liabilities			
Trade and other payables		**53,204**	58,831
Interest bearing liabilities	7	**-**	5,000
Provisions		**5,494**	5,812
Other financial liabilities		**-**	363
Total current liabilities		**58,698**	70,006
Non-current liabilities			
Interest bearing liabilities	7	**22,000**	-
Provisions		**1,520**	1,551
Total non-current liabilities		**23,520**	1,551
Total liabilities		**82,218**	71,557
Net assets		**189,051**	195,915
Equity			
Issued capital		**196,133**	195,371
Reserves		**309**	57
Retained earnings		**(7,391)**	487
Total equity		**189,051**	195,915

To be read in conjunction with the accompanying notes.

Fleetwood Corporation Limited
Condensed Consolidated Statement of Changes in Equity
Half Year Ended 31 December 2017

	Issued capital $ '000	Foreign currency translation reserve $ '000	Retained earnings $ '000	Total $ '000
Balance at 1 July 2016	195,079	(244)	(8,508)	186,327
Profit for the period	-	-	3,330	3,330
Exchange differences arising on translation of foreign operations	-	322	-	322
Total comprehensive loss for the period	-	322	3,330	3,652
Share-based payments	148	-	-	148
Balance at 31 December 2016	195,227	78	(5,178)	190,127
Balance at 1 July 2017	195,371	57	487	195,915
Loss for the period	-	-	(4,924)	(4,924)
Exchange differences arising on translation of foreign operations	-	252	-	252
Total comprehensive loss for the period	-	252	(4,924)	(4,672)
Shares issued as part of dividend reinvestment plan	570	-	-	570
Dividends paid to equity holders	-	-	(2,954)	(2,954)
Share-based payments	192	-	-	192
Balance at 31 December 2017	**196,133**	**309**	**(7,391)**	**189,051**

To be read in conjunction with the accompanying notes.

Fleetwood Corporation Limited
Condensed Consolidated Statement of Cash Flows
Half Year Ended 31 December 2017

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	Consolidated Half Year Ended 31 Dec 2017 $ '000	31 Dec 2016 $ '000
Cash flows from operating activities		
Receipts in the course of operations	**196,694**	165,849
Payments in the course of operations	**(198,240)**	(172,478)
Interest received	**37**	23
Income taxes paid	**(704)**	(72)
Finance costs	**(554)**	(338)
Net cash (used) provided by operating activities	**(2,767)**	(7,016)
Cash flows from investing activities		
Proceeds from sale of non-current assets	**250**	265
Acquisition of property, plant and equipment	**(7,405)**	(5,988)
Acquisition of intangible assets	**(746)**	-
Net cash used in investing activities	**(7,901)**	(5,723)
Cash flows from financing activities		
Proceeds from borrowings	**126,000**	53,000
Repayment of borrowings	**(109,000)**	(40,000)
Dividends paid	**(2,384)**	-
Net cash provided (used) by financing activities	**14,616**	13,000
Net increase in cash and cash equivalents	**3,948**	261
Cash and cash equivalents at the beginning of the financial period	**5,383**	6,116
Effects of exchange rate changes on the balance of cash held in foreign currencies	**3**	1
Effects of discontinuing operation	**(7)**	-
Cash and cash equivalents at the end of the period	**9,327**	6,378

To be read in conjunction with the accompanying notes.

1. Significant accounting policies

Statement of compliance

The half-year financial report is a general purpose financial report prepared in accordance with the Corporations Act 2001 and AASB 134 *Interim Financial Reporting*. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 Interim Financial Reporting. The half-year financial report does not include notes of the type normally included in an annual financial report and should be read in conjunction with the most recent annual financial report as at and for the year ended 30 June 2017.

The interim financial statements were authorised for issue by the Directors on 23 February 2018.

Basis of preparation

The condensed financial statements have been prepared on the basis of historical cost, except for the revaluation of certain non-current assets and financial instruments. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars.

Accounting policies adopted in the preparation of the half-year financial report are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2017. These accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

The Group has applied the relief available to it under ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191 and accordingly amounts in the Directors' report and the half-year financial report are rounded to the nearest thousand dollars, unless otherwise indicated.

2. Issues, repurchases and repayments of equity securities

Issued and paid-up capital
61,228,081 (2017: 61,039,412) ordinary shares, fully paid.

During the period 187,840 (2017: 208,480) rights to acquire shares were purchased on market for employees and 580,000 (2017: 418,000) share units were purchased on market for Executives. 188,669 new shares were issued under the dividend reinvestment plan.

3. Dividends	**31 Dec 2017**	30 Jun 2017
Final 2017 - 5 cents per share fully franked	**3,052**	-

Subsequent to 31 December 2017 the directors declared a fully franked interim dividend of 1 cent per share to the holders of fully paid ordinary shares. The dividend will be paid on 30 March 2018. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is 612,280.81

4. Net tangible assets per security

Net tangible assets per security	**$2.23**	$2.30

5. Segment information

Group revenue and results by reportable operating segment:

	Revenue		Depreciation / Impairment		Result (EBIT)	
	31 Dec 2017 $ '000	31 Dec 2016 $ '000	**31 Dec 2017 $ '000**	31 Dec 2016 $ '000	**31 Dec 2017 $ '000**	31 Dec 2016 $ '000
RV Manufacturing (Operational Activities)	**21,259**	21,100	**320**	290	**(5,555)**	(2,997)
RV Manufacturing (Impairment)	**-**	-	**3,805**	-	**(3,805)**	-
	21,259	21,100	**4,125**	290	**(9,360)**	(2,997)
Parts and Accessories	**33,414**	33,909	**508**	469	**1,642**	1,325
Modular Accommodation	**99,271**	78,381	**1,238**	1,131	**5,932**	5,941
Village Operations	**13,314**	12,224	**1,117**	1,117	**4,418**	3,015
Corporate	**33**	21	**115**	100	**(2,069)**	(1,092)
Intersegment eliminations	**(3,455)**	(3,429)	**-**	-	**-**	-
	163,836	142,206	**7,103**	3,107	**563**	6,192
Finance costs					**(554)**	(338)
Profit (Loss) before income tax expense					**9**	5,854
Income tax (expense) benefit					**(15)**	(1,739)
Profit (Loss) from continuing operations					**(6)**	4,115
Loss from discontinued operations					**(4,918)**	(785)
Net profit (loss) attributable to members of the parent entity					**(4,924)**	3,330

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

	Assets		Liabilities	
	31 Dec 2017 $ '000	30 Jun 2017 $ '000	**31 Dec 2017 $ '000**	30 Jun 2017 $ '000
RV Manufacturing	**32,027**	23,603	**7,843**	6,840
Parts and Accessories	**42,497**	56,367	**11,578**	13,413
Modular Accommodation	**127,512**	126,930	**36,098**	41,921
Village Operations	**22,843**	24,474	**2,337**	2,782
	224,879	231,374	**57,856**	64,956
Unallocated	**46,390**	36,098	**24,362**	6,601
Total	**271,269**	267,472	**82,218**	71,557

6. Inventories

Current		
Raw materials & stores	**13,625**	11,241
Work in progress	**34,490**	26,651
Finished goods	**19,584**	25,319
	67,699	63,211

7. Interest bearing liabilities

Current		
Bank loans - secured	**-**	5,000
Non Current		
Bank loans - secured	**22,000**	-

8. Discontinued Operations

8.1 On 1 March 2016 the company ceased resource sector rental operations due to the downturn in the mining industry and the resulting reduction in demand for construction workforce accommodation.

	31 Dec 2017 $ '000	31 Dec 2016 $ '000
Revenue	**4,369**	4,127
Expenses	**(4,583)**	(4,552)
Impairment Expense	**(947)**	-
Loss from discontinued operation before tax	**(1,161)**	(425)
Attributable income tax	**348**	127
Loss from discontinued operation after tax	**(813)**	(298)
Cash flows from discontinued operation		
Net cash inflows from operating activities	**4,776**	3,304
Net cash provided by discontinued operation	**4,776**	3,304

8.2 On 11 December 2017 the company announced the sale of Flexiglass Challenge Pty Ltd after undertaking a strategic review of this business. The sale was finalised on 31 January 2018.

Revenue	**10,594**	10,366
Expenses	**(11,038)**	(11,061)
Impairment Expense	**(3,798)**	-
Loss from discontinued operation before tax	**(4,242)**	(695)
Attributable income tax	**137**	208
Loss from discontinued operation after tax	**(4,105)**	(487)
Assets	**9,430**	14,716
Liabilities	**2,266**	2,472
Net Assets in discontinued operation	**7,164**	12,244
Cash flows from discontinued operation		
Net cash inflows from operating activities	**28**	50
Net cash outflows from investing activities	**(32)**	(50)
Net cash provided by discontinued operation	**(4)**	-

8.3 Profit (Loss) attributable to members of the consolidated entity

Revenue from Discontinued Operations	**14,963**	14,493
Expenses relating to discontinued operations	**(15,621)**	(15,613)
Impairment expense in discontinued operations	**(4,745)**	-
Loss from discontinued operations before tax	**(5,403)**	(1,120)
Attributable income tax	**485**	335
Loss from discontinued operations	**(4,918)**	(785)
Profit (Loss) from continuing operations	**(6)**	4,115
Profit (Loss) attributable to the members of the consolidated entity	**(4,924)**	3,330
Loss per share from discontinued operations		
Basic loss per share (cents)	**(8.0)**	(1.3)
Diluted loss per share (cents)	**(8.0)**	(1.3)

9. Events after the reporting period

Subsequent to 31 December 2017 the directors declared a fully franked interim dividend of 1 cent per share to the holders of fully paid ordinary shares. The dividend will be paid on 30 March 2018. This dividend has not been included as a liability in these financial statements. The total estimated dividend to be paid is $612,280.81

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Auditor's Independence Declaration to the Directors of Fleetwood Corporation Limited

In accordance with the requirements of section 307C of the *Corporations Act 2001*, as lead auditor for the review of Fleetwood Corporation Limited for the half-year ended 31 December 2017, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P. Warr.

P W Warr
Partner – Audit & Assurance

Perth, 23 February 2018

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Independent Auditor's Review Report to the Members of Fleetwood Corporation Limited

Report on the Half Year Financial Report

Conclusion

We have reviewed the accompanying half year financial report of Fleetwood Corporation Limited (the "Company"), and its subsidiaries (the "Group") which comprises the consolidated statement of financial position as at 31 December 2017, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half year ended on that date, a description of accounting policies, other selected explanatory notes, and the directors' declaration.

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the half year financial report of Fleetwood Corporation Limited does not give a true and fair view of the financial position of the Group as at 31 December 2017, and of its financial performance and its cash flows for the half year ended on that date, in accordance with the *Corporations Act 2001*, including complying with Accounting Standard AASB 134 *Interim Financial reporting*.

Directors' Responsibility for the Half Year Financial Report

The Directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2017 and its performance for the half year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Fleetwood Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001.*

GRANT THORNTON AUDIT PTY LTD

Chartered Accountants

P W Warr

Partner – Audit & Assurance

Perth, 23 February 2018