



Interim Financial Report
Half Year Ended 31 December 2018



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Fleetwood Corporation Limited

ABN 69 009 205 261

Appendix 4D Half Year Ended 31 December 2018

Reporting period

Half year ended 31 December 2018

Prior corresponding period

Half year ended 31 December 2017

Results for Announcement to the Market

	% Change		Amount \$'000
Revenue from ordinary activities	Increased	17%	to 167,469
Net profit from continuing operations after tax attributable to members	Increased	44%	to 9,478
Net profit attributable to members (including loss from discontinued operation)	Increased	163%	to 3,100

Dividend Information

No dividend has been declared or paid during or since the end of the reporting period ended 31 December 2018 and the Directors do not propose to declare any dividends in respect of the half year ended 31 December 2018.

Net tangible assets per security

	as at 31 Dec 2018	as at 30 Jun 2018
Net tangible assets per security (\$)	1.47	2.10

Details of subsidiaries and associates

On 1 July 2018, control was taken over Modular Building Systems Pty Ltd.

On 7 August 2018, the business and assets of Northern RV were acquired.

Refer to Note 9 of the Financial Report for the Half Year Ended 31 December 2018 for further details.

Other information

Additional Appendix 4D disclosure requirements and further information including commentary on significant features of the operating performance, results of segments and other factors affecting the results for the current period are contained in the Directors' Report, Financial Report for the Half Year Ended 31 December 2018, and Press Release lodged with the ASX.

The condensed consolidated financial statements contained within the Financial Report for the Half Year Ended 31 December 2018, of which this report is based upon have been reviewed by Fleetwood Corporation Limited's auditors, Grant Thornton Australia Limited.

CORPORATE DIRECTORY

DIRECTORS

Phillip Campbell
Brad Denison
Jeff Dowling
Adrienne Parker
Mark Southey

COMPANY SECRETARIES

Elizabeth Maynard
Andrew Wackett

AUDITOR

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Directors' Report

The Directors present their report together with consolidated financial statements for the half year ended 31 December 2018.

Directors

Phillip Campbell	Chairman, Non-Executive Director
Brad Denison	Managing Director, CEO
Jeff Dowling	Non-Executive Director, Chair of Audit Committee
Adrienne Parker	Non-Executive Director, Chair of Nominations and Diversity Committee
Mark Southey	Non-Executive Director, Chair of Remuneration Committee

Executive Officers

Andrew Wackett	Chief Financial Officer, Company Secretary
Elizabeth Maynard	General Counsel, Company Secretary
Andrew McCormack	General Manager, WHSE & HR
Jarrold Waring	Chief Executive Officer, Modular Accommodation
Manny Larre	Chief Executive Officer, Parts and Accessories
Dominic Letts	Executive General Manager, Village Operations

Trading results

Earnings before interest, tax and amortisation (EBITA) from continuing operations of \$15.6m in H1 FY19 was \$5.6m higher than H1 FY18.

The increase in EBITA in H1 FY19 was predominantly the result of an improvement in Village Operations, combined with the initial contributions of Modular Building Systems (MBS) and Northern RV (NRV) to their segments with both delivering results in line with their respective acquisition cases.

In the Modular Accommodation business, MBS generated a strong first half result as it delivered its prisons order book. This was partially offset by a lower contribution from the Victorian business which encountered project timing delays due to the State election. In addition, volumes remained low in the affordable housing sector following changes in ownership at two of the company's major clients.

Following the acquisition of MBS, an acquired contract intangible of \$14.7m has been recognised in the Balance Sheet. This will be amortised at the rate of \$3.1m in FY19 and \$1.5m has been amortised in H1 FY19.

Following the sale of loss-making businesses Flexiglass and Caravan Manufacturing, these businesses have been treated as discontinued operations in the statutory accounts.

Earnings per share increased 11% to 12.0cps on an NPATA basis.

Result summary

\$ million	H1 FY19	H1 FY18	Change
Revenue	167.5	142.6	17%
EBITDA	19.7	12.9	53%
Depreciation	4.2	3.0	41%
EBITA	15.6	9.9	57%
Amortisation of contract intangible	1.5	0.0	n/a
Finance costs	0.4	0.5	-18%
Pre-tax profit	13.6	9.4	45%
Tax expense (benefit)	4.2	2.8	47%
NPAT	9.5	6.6	44%
Loss from discontinued operations	(6.4)	(11.5)	n/a
Statutory NPAT	3.1	(4.9)	n/a

The divisional breakdown shown below demonstrates earnings growth across all segments with Parts and Accessories and Modular Accommodation boosted by contributions from NRV and MBS respectively.

Divisional EBITA result summary

\$ million	H1 FY19	H1 FY18	Change
Revenue			
Parts and Accessories	38.5	33.4	15%
Modular Accommodation	116.1	99.3	17%
Village Operations	19.2	13.3	44%
Unallocated	0.1	0.0	n/a
Intersegment eliminations	(6.4)	(3.5)	n/a
Total revenue	167.5	142.6	17%
EBITA			
Parts and Accessories	3.0	1.6	81%
Modular Accommodation	8.6	5.9	44%
Village Operations	6.7	4.4	51%
Unallocated	(2.7)	(2.1)	n/a
Total EBITA	15.6	9.9	57%

Note: The above table excludes the discontinued resource sector rental, Flexiglass and Caravan Manufacturing businesses.

Cashflow and debt

December 2018 net cash of \$16.3m compares to August 2018 pro-forma net cash (adjusted for the July 2018 capital raise and acquisitions) of \$13.4m.

The group currently has total debt and bonding facilities of \$65m compared to \$37m in June 2018.

The movement in net debt is detailed below.

\$ million	H1 FY19	H1 FY18
EBITDA	19.7	12.9
Cash outflows from discontinued businesses	(12.9)	(7.3)
Interest paid (net)	(0.4)	(0.5)
Tax	(1.0)	(0.7)
Working capital (and other)	2.4	(7.2)
Operating cashflow	7.8	(2.8)
Net capex	(3.9)	(7.9)
Free cashflow	3.8	(10.7)
Net acquisitions	(45.5)	0.0
Financing cashflows	57.3	(2.4)
Opening net cash (debt)	0.6	0.4
Closing net cash (debt)	16.3	(12.7)

Cashflow from operations of \$7.8m was ahead of H1 FY18's outflow of \$2.8m. This was driven by improved working capital management across the group. In addition, the mid-year working capital requirement for the Victorian Education sector was lower this December.

Net capex relates primarily to new education hire classrooms and the ongoing upgrade of Fleetwood's IT system. Capex in the second half of FY19 is expected to be moderately higher than in H1 FY19.

The acquisition and financing cashflows represent the MBS and NRV acquisitions and associated capital raising conducted during the half year.

Modular Accommodation

\$ million	H1 FY19	H1 FY18	Change
Revenue	116.1	99.3	17%
EBITA	8.6	5.9	44%

MBS results have been incorporated into Fleetwood's Modular Accommodation segment from 1 July 2018. This business made a strong contribution which was driven predominantly by the corrections sector. In addition to this work, MBS was successful in securing additional contractual volumes previously beyond its capacity through the utilisation of Fleetwood's existing facility in Newcastle. Capturing these additional opportunities and synergies is an important focus for MBS going forward.

The acquisition of MBS was an exciting development for the Modular Accommodation business and has given Fleetwood a strong foothold in the New South Wales market.

The underlying drivers of demand in that market remain firm with the New South Wales State government announcing \$6.8bn to build 170 new schools, and nearly \$4bn to upgrade prison capacity across the State.

The schools program in New South Wales is at an early stage, with tendering only recently commenced with two schools awarded so far. Fleetwood intends to participate in the ongoing flow of school tendering in NSW. The quality of the Modular Accommodation product and previous sales success gives Fleetwood confidence in capturing a share of this future spend.

The business has also been actively pursuing application of its proven modular build method to potential prison expansions in other geographic regions.

The MBS contribution was partially offset by lower education demand in Victoria ahead of the State election.

The image below shows Frankston Heights Primary School in Victoria, the first of the permanent modular schools to be built by Fleetwood Australia.



This is a new area of government funding that the business did not previously have access to. This new business area has been cultivated by Fleetwood's design and sales team based in Melbourne and demonstrates that traditional construction techniques are able to be competitively bid in a modular format.

The Victorian business saw a greater contribution from rental income in H1 FY19 following a shift in Q4 FY18 from straight sale to manufacture for rental ahead of the Victorian State government election.

The Modular Accommodation business was also impacted by continued low volume from the affordable housing sector. This has led to a decision to temporarily place the company's Newcastle production facility on care and maintenance.

The ability to temporarily close manufacturing facilities is a key strategic aspect of the Modular Accommodation business. This is facilitated by running a just in time procurement system and a variable labour force.

Project wins in the Western Australian resource sector saw this part of the business improve both its revenue and trading results.

Whilst remaining confident of increased future spending in key sectors, future profitability will remain subject to the timing of contract awards.

Village Operations

\$ million	H1 FY19	H1 FY18	Change
Revenue	19.2	13.3	44%
EBITA	6.7	4.4	51%

Fleetwood's Village Operations segment has continued to benefit from increased occupancy at Searipple Village in Karratha. Both operational and shutdown related accommodation demand increased during the half year. Overall division EBITA for H1 FY19 of \$6.7m was up 51% when compared to H1 FY18.

Solid year to date results and delays to new capacity coming on line provide increased certainty of near-term earnings, however there could be a lull in earnings in FY20 ahead of expected construction demand coming on line in the medium term.

Parts and Accessories

\$ million	H1 FY19	H1 FY18	Change
Revenue	38.5	33.4	15%
EBITA	3.0	1.6	81%

Declining retail sales rates in the recreational vehicles industry saw Camec's OEM revenue fall during H1 FY19. This was mostly recovered through increased aftermarket revenue from major retailers and trade repairers. Overall, Camec continued to grow its share of the market through a dedicated focus on customer service and innovative product design.

Fleetwood completed the NRV acquisition in August 2018. The five-month performance from this business was in line with the acquisition case.

The strategic intent behind this acquisition was to increase integration with our important OEM customers in Melbourne, with a focus on hedging the company against a greater mix of imported product now entering the market.

Corporate costs

Corporate costs grew by \$0.6m in H1 FY19 due to increased corporate activity.

Discontinued businesses

i) Caravan Manufacturing

The Caravan Manufacturing business generated operating losses of \$9.0m in H1 FY19 as the impending factory closure and termination of dealers impacted results.

First close on the sale to Apollo was achieved on 9 August 2018 with the payment for the Coromal and Windsor brands of \$1m. Fleetwood and Apollo are now in the second phase of the sale being a transition period following which Apollo will purchase agreed raw materials and finished goods stock from Fleetwood. The transition period is expected to conclude in the second half of FY19.

Fleetwood expects to incur further, albeit much reduced, operating losses in the second half of FY19. Ultimately, the full transition period will determine the final value the company receives from the transaction, but in cash terms the overall process is still expected to be positive due to the recovery of goodwill, raw materials and finished goods which would otherwise have to be disposed of rapidly.

It is important to note that a key advantage of the sale was not incurring the very significant costs that would have to be incurred if the operation was rapidly closed. These costs include potential liabilities to dealers and floor plan financiers and the balance sheet value of unfinished stock, which would have been highly challenging to monetise under a closure scenario.

ii) Resource sector rental operations

Operating losses of \$0.1m were incurred during H1 FY19 as residual assets continue to be sold. Assets held for sale fell from \$9.2m to \$9.1m over the half year.

Dividends

Given the recent capital raising combined with the significant opportunity pipeline in the Modular Accommodation business which may require working capital funding, no interim dividend has been declared.

A dividend policy will be confirmed once surplus capital and needs of the business are more certain. The company has a significant franking account balance to support any future dividend policy.

Outlook

Over the last three years, Fleetwood has been substantially restructured.

Good returns are being generated in the key Karratha accommodation market, and upcoming resource development in the region is expected to provide further medium to long term economic benefits to the company.

Our Parts and Accessories segment, through both corporate transactions and organic growth is now generating double digit return on capital. There are opportunities to further grow this segment of Fleetwood and plans for this have been resourced with arguably the best team in the industry.

Fleetwood is today the largest Modular Accommodation business in Australia. This has brought significant economies of scale and the ability to offer solutions to clients that our competitors are unable to offer.

The company's executive team has been tasked with leveraging these economies to grow further by diversifying into new geographic regions and new market segments that lend themselves to modular build technology.

The Australian modular building industry is still in its infancy in comparison to other countries, where a significant proportion of building activity is constructed in a modular format. Fleetwood intends to be at the forefront of this industry as it develops into the future.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 (Cth) is set out on page 26.

Rounding

The company is of a kind referred to in Corporations Instrument 2016/191, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the directors' report and financial report. Amounts in the directors' report and the financial report have been rounded off to the nearest thousand dollars, unless otherwise indicated.

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

A handwritten signature in blue ink, consisting of a stylized 'B' followed by a horizontal line.

Brad Denison
Managing Director
Fleetwood Corporation Limited

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


A handwritten signature in blue ink, reading "Phillip Campbell", is written over a horizontal blue line.

Phillip Campbell

Chairman

Perth, 22 February 2019

Fleetwood Corporation Limited
Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
Half Year Ended 31 December 2018

	Note	Consolidated Half Year Ended	
		31 Dec 2018	31 Dec 2017
		\$ '000	\$ '000
Sale of goods		144,218	126,842
Rentals		23,053	16,184
Interest		72	37
Profit on sale of non-current assets		126	(486)
Revenue		167,469	142,577
Materials used		(65,238)	(55,453)
Sub-contract costs		(42,812)	(46,425)
Employee costs		(27,285)	(20,167)
Rent expense		(4,027)	(3,415)
Other expenses		(8,360)	(4,216)
Profit before interest, tax, depreciation and amortisation (EBITDA)		19,747	12,901
Depreciation and amortisation		(4,192)	(2,978)
Profit before interest, tax and amortisation (EBITA)		15,555	9,923
Amortisation		(1,506)	-
Profit before interest and tax (EBIT)		14,049	9,923
Finance costs		(420)	(514)
Profit before income tax expense		13,629	9,409
Income tax expense		(4,151)	(2,822)
Profit from continuing operations	5	9,478	6,587
Loss from discontinued operation	8	(6,378)	(11,511)
Profit (Loss) attributable to members of the parent entity		3,100	(4,924)
Other comprehensive income			
<i>Items that may be reclassified to profit or loss</i>			
Net exchange difference relating to foreign controlled entities		(8)	252
Total comprehensive income (loss) attributable to members of the parent entity (net of tax)		3,092	(4,672)

Earnings per share

From continuing and discontinued operations

Basic earnings (loss) per share (cents)	3.5	(7.0)
Diluted earnings (loss) per share (cents)	3.5	(7.0)

To be read in conjunction with the accompanying notes.

Fleetwood Corporation Limited
Condensed Consolidated Statement of Financial Position
As at 31 December 2018

		Consolidated	
		31 Dec	30 Jun
		2018	2018
		\$ '000	\$ '000
	Note		
Current assets			
Cash and cash equivalents		16,426	6,572
Trade and other receivables		49,364	39,315
Inventories	6	68,665	60,025
Assets held for sale		9,071	9,211
Other financial assets		188	90
Total current assets		143,714	115,213
Non-current assets			
Trade and other receivables		2,836	2,836
Property, plant and equipment		58,259	57,514
Intangible assets		15,564	1,357
Goodwill	10	86,451	50,721
Deferred tax assets		8,006	12,429
Total non-current assets		171,116	124,857
Total assets		314,830	240,070
Current liabilities			
Trade and other payables		59,302	43,440
Interest bearing liabilities	7	135	1,957
Tax liabilities		-	111
Provisions		9,673	9,894
Earnout liabilities	9	773	-
Total current liabilities		69,883	55,402
Non-current liabilities			
Interest bearing liabilities	7	-	4,000
Provisions		653	649
Earnout liabilities	9	3,662	-
Total non-current liabilities		4,315	4,649
Total liabilities		74,198	60,051
Net assets		240,632	180,019
Equity			
Issued capital		253,949	196,428
Reserves		221	229
Retained earnings		(13,538)	(16,638)
Total equity		240,632	180,019

To be read in conjunction with the accompanying notes.

Fleetwood Corporation Limited
Condensed Consolidated Statement of Changes in Equity
Half Year Ended 31 December 2018

	Issued capital \$ '000	Foreign currency translation reserve \$ '000	Retained earnings \$ '000	Total \$ '000
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
Balance at 1 July 2018	196,428	229	(16,638)	180,019
Profit for the period	-	-	3,100	3,100
Exchange differences arising on translation of foreign operations	-	(8)	-	(8)
Total comprehensive loss for the period	-	(8)	3,100	3,092
Issue of share capital	57,325	-	-	57,325
Share-based payments	196	-	-	196
Balance at 31 December 2018	253,949	221	(13,538)	240,632

To be read in conjunction with the accompanying notes.

Fleetwood Corporation Limited
Condensed Consolidated Statement of Cash Flows
Half Year Ended 31 December 2018

	Consolidated	
	Half Year Ended	
	31 Dec	31 Dec
	2018	2017
	\$ '000	\$ '000
Cash flows from operating activities		
Receipts in the course of operations	203,206	196,694
Payments in the course of operations	(193,971)	(198,240)
Interest received	72	37
Income taxes paid	(1,000)	(704)
Finance costs	(518)	(554)
Net cash (used) provided by operating activities	7,789	(2,767)
Cash flows from investing activities		
Proceeds from sale of non-current assets	1,402	250
Acquisition of property, plant and equipment	(5,347)	(7,405)
Acquisition of intangible assets	-	(746)
Payment for business combinations	(45,362)	-
Net cash used in investing activities	(49,307)	(7,901)
Cash flows from financing activities		
Proceeds from issued capital	57,325	-
Proceeds from borrowings	26,000	126,000
Repayment of borrowings	(31,957)	(109,000)
Dividends paid	-	(2,384)
Net cash provided by financing activities	51,368	14,616
Net increase in cash and cash equivalents	9,850	3,948
Cash and cash equivalents at the beginning of the financial period	6,572	5,383
Effects of exchange rate changes on the balance of cash held in foreign currencies	4	3
Effects of discontinuing operation	-	(7)
Cash and cash equivalents at the end of the period	16,426	9,327

To be read in conjunction with the accompanying notes.

Fleetwood Corporation Limited
Notes to the Financial Statements
Half Year Ended 31 December 2018

1. Significant accounting policies

1.1 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 2018.

The interim financial statements were authorised for issue by the Directors on 22 February 2019.

At the effective date of authorisation of the financial statements, the following applicable standards were effective.

Standard	Effective date:
AASB 15 'Revenue from Contracts with Customers'	1 July 2018
AASB 9 'Financial Instruments'	1 July 2018

The Group has adopted AASB 15 'Revenue from Contracts with Customers' and AASB 9 'Financial Instruments' issued by the Australian Accounting Standards Board (the AASB) and are effective for the current reporting period.

The adoption of new standards and interpretations has not materially affected the amounts reported for the current or prior corresponding period. Further information relating to the new and revised standards and interpretations is included below.

AASB 15 Revenue from Contracts with Customers

AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2018 with no effect of initial application and thus no required adjustment to the opening balance of retained earnings at 1 July 2018. The adoption of AASB 15 has not affected any of the company's revenue recognition areas.

Contracts with multiple performance obligations

Many of the Group's contracts, specifically in its Modular Accommodation segment, comprise the construction of several accommodation units each representing performance obligations under the contract. Under AASB 15, the Group must evaluate the separability of each good or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

- the customer benefits from the item either on its own or together with other readily available resources; and
- it is 'separately identifiable' (i.e. the Group does not provide a significant service integrating, modifying or customising it).

While this represents significant new guidance, the implementation of this new guidance did not have a significant impact on the timing or amount of revenue recognised by the Group during the year.

AASB 9 'Financial Instruments'

AASB 9 Financial Instruments replaces AASB 139 Financial Instruments: Recognition and Measurement. It makes major changes to the previous guidance on the classification and measurement of financial assets and introduces an 'expected credit loss' model for impairment of financial assets.

The new standard has been applied as at 1 July 2018 with no effect on initial application. The adoption of AASB 9 has not affected any of the company's transactions and balances recognised in the financial statements for the period.

AASB 9 also contains new requirements on the application of hedge accounting. The new hedge accounting looks to align hedge accounting more closely with entities' risk management activities by increasing the eligibility of both hedged items and hedging instruments and introducing a more principles-based approach to assessing hedge effectiveness.

1.2 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 apart from those below are consistent with those adopted and disclosed in the Group's annual financial report for the financial year ended 30 June 2018. 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.

Fleetwood Corporation Limited
Notes to the Financial Statements
Half Year Ended 31 December 2018

1.3 Revenue recognition

Revenue primarily arises from the following streams:

For the Group's Recreational Vehicles segment, through the sale of recreational vehicles.

For the Group's Parts and Accessories segment, through the shipment of recreational vehicle parts and accessories, as well as installation of vehicle parts and accessories, and for repair and maintenance services of customers' vehicles.

For the Group's Village Operations, through the leasing of Group-owned accommodation units. This segment also derives revenue through managerial charges for a village that was built by the Group and previously sold to a customer.

For its Modular Accommodation segment, through contracts for the construction of modular accommodation units, where the Group builds units, transports and installs units where required.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

Recreational Vehicles and Parts and Accessories

Revenue from the sale of recreational vehicles and parts and accessories is for a fixed fee and recognised at a point in time. Recognition occurs when the Group transfers control of the asset to the customer.

For recreational vehicles, this is determined to be, in most cases, the date in which the customer collects the vehicle from the Group's premises. For sales of recreational vehicles where floor-plan financing is not adequately obtained by its customer (recreational vehicle dealers), control transfers only at the point in time the customer achieves space in the floor-plan.

For parts and accessories, transfer of control of the asset to the customer is the date of receipt of the customer for the good or where the Group is providing a service such as installation, repairs or maintenance, recognition is the date in which the customer drives away with the installed or repaired product.

The sale of recreational vehicles and parts and accessories are accompanied by standard manufacturer's warranty arrangements, which are not separately or incrementally paid for by the customer. Under these conditions, customers can return product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

Construction of modular accommodation units

The Group enters into contracts for the construction of modular accommodation units in exchange for a fixed fee and recognises the related revenue over time. In all cases, the transaction prices under the contract are allocated with as much disaggregation as possible amongst the various unit builds where there is stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

To depict the progress by which the Group transfers control of a build to the customer, and to establish when and to what extent revenue can be recognised, the Group measures its progress towards complete satisfaction of the performance obligation by comparing actual costs spent to date with the total estimated costs required to construct each unit. This cost-to-cost basis provides the most faithful depiction of the transfer of goods and services to each customer due to the Group's ability to make reliable estimates of the total costs required to perform, arising from its significant historical experience constructing similar units.

In addition to the fixed fee, some contracts include bonus payments which the Group can earn by completing a project in advance of a targeted delivery date. At inception of each contract, the Group begins by estimating the amount of the bonus to be received using the "most likely amount" approach. This amount is then included in the Group's estimate of the transaction price only if it is highly probable that a significant reversal of revenue will not occur once any uncertainty surrounding the bonus is resolved. In making this assessment, the Group considers its historical record of performance on similar contracts, whether the Group has access to the labour and materials resources needed to exceed the agreed-upon completion date, and the potential impact of other reasonably foreseen constraints.

Most such arrangements include detailed customer payment schedules. When payments received from customers exceed revenue recognised to date on a particular contract, any excess (a contract liability) is reported in the statement of financial position under other liabilities. Similarly, if the Group satisfies a performance obligation before it receives the consideration, the Group recognises a receivable in its statement of financial position.

Fleetwood Corporation Limited
Notes to the Financial Statements
Half Year Ended 31 December 2018

1.3 Revenue recognition (continued)

The construction of accommodation units typically takes between 6–12 months from commencement of design through to completion and delivery. As the period of time between customer payment and performance will always be one year or less, the Group applies the practical expedient in AASB 15.63 and does not adjust the promised amount of consideration for the effects of financing.

In obtaining these contracts, the Group incurs a number of incremental costs, such as commissions paid to sales staff. The Group recognises such incremental costs as a contract asset if it expects to recover those costs from the customer. The contract asset is then amortised on a systematic basis consistent with the transfer to the customer the good or service to which the contract asset relates. However, as noted above, the amortisation period of these costs, if capitalised, would be less than one year, and thus the Group makes use of the practical expedient in AASB 15.94 and expenses them as they incur.

Leasing of Village Units and Management of Village Operations

The Group leases its owned accommodation units to customers and recognises revenue at a point in time based on either fixed or variable daily rental rates depending on whether formal arrangements with customers exist. Revenue for these transactions is therefore recognised at the time in which the daily accommodation service has been provided.

For its village of which the Group does not own but rather manages on behalf of its customer, revenue is recognised at a point in time based on a fixed management fee. The point in time for recognition is monthly as the managerial services are considered to be rendered on a monthly basis.

Interest

Interest is recognised on an accrual basis, taking into account the effective yield on the financial asset.

Sale of non-current assets

Gains or losses on sale of non-current assets are included as income or expenses at the date the significant risks and rewards of the asset pass to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Dividends

Dividends and distributions from subsidiaries are recognised by the parent entity when they are declared by the subsidiaries. Dividends received out of pre-acquisition reserves are eliminated against the carrying amount of the investment and not recognised as revenue.

1.4 Receivables

The Group makes use of a simplified approach in accounting for trade and other receivables as well as contract assets and records the loss allowance at the amount equal to the expected lifetime credit losses. In using this practical expedient, the Group uses its historical experience, external indicators and forward-looking information to calculate the expected credit losses using a provision matrix.

The Group assess impairment of trade receivables individually as they possess unique credit risk characteristics based on the customer profile. Changes in the carrying amount of the allowance are recognised in the income statement.

1.5 Financial liabilities and equity instruments issued by the Group

As the accounting for financial liabilities remains largely unchanged from AASB 139, the Group's financial liabilities were not impacted by the adoption of AASB 9. However, for completeness, the accounting policy is disclosed below.

Debt and equity instrument are classified as either liabilities or as equity in accordance with the substance of the contractual arrangement. Equity instruments issued by the Group are recognised at the amount received, net of direct issue costs.

Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received regardless of whether they have been billed to the consolidated entity. They are initially valued at fair value, net of transaction costs.

Interest bearing liabilities

Bank loans are recognised initially at fair value net of transaction costs. Subsequent to initial recognition, bank loans are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in the income statement over the period of the borrowing using the effective interest rate. Interest expense is recognised on an accrual basis.

The Group derecognises liabilities when, the obligations are discharged, cancelled or expire. The difference between the carrying amount of the liability derecognised and the consideration paid and payable is recognised in the income statement.

Fleetwood Corporation Limited
Notes to the Financial Statements
Half Year Ended 31 December 2018

1.6 Derivative financial instruments

The group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate risk.

Hedge Accounting

All of the Group's forward exchange contracts had been designated as hedging instruments in cash flow hedges under AASB 139. All hedging relationships that were hedging relationships under AASB 139 at the 30 June 2018 reporting date, meet AASB 9's criteria for hedge accounting at 1 July 2018 and are therefore regarded as continuing hedging relationships.

Derivative financial instruments are accounted for at fair value through profit or loss except for derivatives designated as hedging instruments in cash flow hedge relationships, which requires a specific accounting treatment. To qualify for hedge accounting, the hedging relationship must meet all of the following requirements:

- there is an economic relationship between the hedged item and the hedging instrument
- the effect of credit risk does not dominate the value changes that result from that economic relationship
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Entity actually hedges and the quantity of the hedging instrument that the Entity actually uses to hedge that quantity of hedged item.

For the reporting periods under review, the Group has designated certain forward currency contracts as hedging instruments in cash flow hedge relationships. These arrangements have been entered into to mitigate currency exchange risk arising from certain legally binding sales and purchase orders denominated in foreign currency.

All derivative financial instruments used for hedge accounting are recognised initially at fair value and reported subsequently at fair value in the statement of financial position.

To the extent that the hedge is effective, changes in the fair value of derivatives designated as hedging instruments in cash flow hedges are recognised in other comprehensive income and included within the cash flow hedge reserve in equity. Any ineffectiveness in the hedge relationship is recognised immediately in profit or loss.

At the time the hedged item affects profit or loss, any gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and presented as a reclassification adjustment within other comprehensive income. However, if a non-financial asset or liability is recognised as a result of the hedged transaction, the gains and losses previously recognised in other comprehensive income are included in the initial measurement of the hedged item.

If a forecast transaction is no longer expected to occur, any related gain or loss recognised in other comprehensive income is transferred immediately to profit or loss. If the hedging relationship ceases to meet the effectiveness conditions, hedge accounting is discontinued and the related gain or loss is held in the equity reserve until the forecast transaction occurs.

2. Issues, repurchases and repayments of equity securities

Issued and paid-up capital

94,564,107 (2017: 61,228,081) ordinary shares, fully paid.

On 3 August 2018, 23,853,560 ordinary shares were issued at a price of \$1.80 per share through the Institutional Placement and Institutional Entitlement Offer.

On 20 August 2018, 9,482,466 ordinary shares were issued at a price of \$1.80 per share through the Retail Entitlement Offer.

3. Dividends

Final 2017 - paid 5 cents per share fully franked
Interim 2018 - paid 1 cent per share fully franked

	31 Dec 2018 \$ '000	30 Jun 2018 \$ '000
	-	3,052
	-	612
	-	3,664

No dividends have been declared in the period.

Fleetwood Corporation Limited
Notes to the Financial Statements
Half Year Ended 31 December 2018

4. Net tangible assets per security

Net tangible assets per security	\$1.47	\$2.10
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5. Segment information

AASB 8 requires operating segments to be identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to segments and to assess performance.

Group revenue and results by reportable operating segment:

	Revenue		Depreciation		Result (EBITA)	
	31 Dec 2018 \$ '000	31 Dec 2017 \$ '000	31 Dec 2018 \$ '000	31 Dec 2017 \$ '000	31 Dec 2018 \$ '000	31 Dec 2017 \$ '000
Parts and Accessories	38,483	33,414	493	508	2,970	1,642
Modular Accommodation	116,114	99,271	2,095	1,238	8,571	5,932
Village Operations	19,188	13,314	1,496	1,117	6,674	4,418
Corporate	63	33	108	115	(2,660)	(2,069)
Intersegment eliminations	(6,379)	(3,455)	-	-	-	-
	167,469	142,577	4,192	2,978	15,555	9,923
Amortisation of acquired contract intangible asset					(1,506)	-
Profit before interest and tax (EBIT)					14,049	9,923
Finance costs					(420)	(514)
Profit before income tax expense					13,629	9,409
Income tax expense					(4,151)	(2,822)
Profit from continuing operations					9,478	6,587
Loss from discontinued operations					(6,378)	(11,511)
Net profit (loss) attributable to members of the parent entity					3,100	(4,924)

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

	Assets		Liabilities	
	31 Dec 2018 \$ '000	30 Jun 2018 \$ '000	31 Dec 2018 \$ '000	30 Jun 2018 \$ '000
Parts and Accessories	61,122	42,097	17,026	11,030
Modular Accommodation	166,011	117,222	48,043	25,115
Village Operations	23,207	19,800	2,337	2,782
	250,340	179,119	67,406	38,927
Unallocated	64,490	60,951	6,792	21,124
Total	314,830	240,070	74,198	60,051

Fleetwood Corporation Limited
Notes to the Financial Statements
Half Year Ended 31 December 2018

31 Dec	30 Jun
2018	2018
\$ '000	\$ '000

6. Inventories

Current

Raw materials & stores	7,526	11,869
Work in progress	25,047	20,471
Finished goods	36,092	27,685
	68,665	60,025

7. Financing arrangements

Facilities available

Floor Plan Finance Facility	-	2,000
Bank Loans	40,000	27,500
Bank Guarantees	10,000	7,500
	50,000	37,000

Facilities utilised

Floor Plan Finance Facility	-	1,957
Bank Loans	-	4,000
Bank Guarantees	7,061	4,347
Hire purchase creditors	135	-
	7,196	10,304

Facilities not utilised

Floor Plan Finance Facility	-	43
Bank Loans	40,000	23,500
Bank Guarantees	2,939	3,153
	42,939	26,696

Floor Plan Finance Facility

The floor plan finance facility is securitised by caravan inventory held by the consolidated entity and bears interest at financiers floorplan reference rate.

Bank Loans

Bank loans are secured by a mortgage debenture over the assets of the consolidated entity and bear interest at a rate plus 1.20% (2018: 1.20%) plus a line fee of 1.15% (2018: 1.15%).

Bank Guarantees

Bank guarantees are utilised for construction contracts. No liability has been recognised in the statement of financial position in respect of bank guarantees.

Fleetwood Corporation Limited
Notes to the Financial Statements
Half Year Ended 31 December 2018

8. Discontinued Operations

Discontinued Operation

Background

Flexiglass Challenge Pty Ltd

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.

Resource Sector Rental Operations

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.

Caravan Manufacturing

On 21 June 2018, the company announced the sale of the Coromal and Windsor brands and associated raw materials and finished goods stock after undertaking a strategic review of the Caravan Manufacturing business.

	Flexiglass Challenge Pty Ltd		Resource Sector Rental Segment		Fleetwood RV Pty Ltd		Total Discontinued Operations	
	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017	31 Dec 2018	31 Dec 2017
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
8.1 Financial results:								
Revenue	-	10,594	811	4,369	14,238	21,259	15,049	36,222
Impairment and provisions	-	(3,798)	-	(947)	-	(3,805)	-	(8,550)
Loss on sale	-	-	-	-	-	-	-	-
Expenses	-	(11,038)	(940)	(4,583)	(23,217)	(26,854)	(24,156)	(42,475)
Loss from discontinued operation before income tax	-	(4,242)	(129)	(1,161)	(8,979)	(9,400)	(9,107)	(14,803)
Attributable income tax benefit	-	137	39	348	2,691	2,807	2,729	3,292
Loss from discontinued operation after income tax	-	(4,105)	(90)	(813)	(6,288)	(6,593)	(6,378)	(11,511)
8.2 Cashflow information:								
Net cash inflows (outflows) from operating activities	-	28	(129)	4,776	(12,432)	(11,412)	(12,561)	(6,608)
Net cash inflows (outflows) from investing activities	-	(32)	-	-	(315)	(611)	(315)	(643)
Net cash inflows (outflows) from discontinued operations	-	(4)	(129)	4,776	(12,747)	(12,023)	(12,876)	(7,251)
	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018	31 Dec 2018	30 Jun 2018
	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000	\$ '000
8.3 Financial Position:								
Assets	-	-	9,071	9,211	32,220	36,031	41,291	45,242
Liabilities	-	-	-	-	6,739	14,769	6,739	14,769
Net Assets in discontinued operation	-	-	9,071	9,211	25,481	21,262	34,552	30,473

Fleetwood Corporation Limited
Notes to the Financial Statements
Half Year Ended 31 December 2018

8. Discontinued Operations (continued)

	31 Dec 2018 \$ '000	31 Dec 2017 \$ '000
8.4 Loss per share from discontinued operation		
Basic loss per share (cents)	(7.3)	(18.9)
Diluted loss per share (cents)	(7.3)	(18.9)
Profit attributable to members of the consolidated entity relates to		
Profit from continuing operations	9,478	6,587
Loss from discontinued operation	(6,378)	(11,511)
	3,100	(4,924)

9. Business Combinations

9.1 Acquisition of Modular Building Systems Pty Ltd

The company completed the acquisition of 100% of the shares of Modular Building Systems Pty Ltd (MBS), for \$34.15 million plus a potential earn out effective 1 July 2018.

MBS is based in New South Wales and specialises in the manufacture and installation of prefabricated modular buildings and provides a strong entry point for Fleetwood into the New South Wales corrections, education and commercial sectors.

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

	Carrying value \$ '000	Fair value recognised \$ '000
Cash and cash equivalents	283	283
Trade and other receivables	7,937	7,937
Property, plant and equipment	2,211	2,211
Inventory	1,840	1,840
Total assets	12,271	12,271
Trade and other payables	7,951	7,951
Interest bearing liabilities	115	115
Provisions	6,237	6,237
Total liabilities	14,303	14,303
Fair value of identifiable net assets acquired	(2,032)	(2,032)
Fair value of net assets (including working capital and plant and equipment)		(2,032)
Goodwill		24,900
Contract intangible		14,675
		37,543

Fleetwood Corporation Limited
Notes to the Financial Statements
Half Year Ended 31 December 2018

9.1 Acquisition of Modular Building Systems Pty Ltd (continued)

	Fair value recognised \$ '000
Cost of the combination:	
Cash paid at acquisition	35,110
Potential earn out	2,433
Direct costs relating to the acquisition (expensed in the income statement)	215
Total cost of the acquisition	37,758
The cash flow on acquisition is as follows:	
Net cash acquired with the business (inflow)	(283)
Direct costs relating to the acquisition	215
Cash paid	35,110
Net consolidated cash outflow	35,042

The purchase agreement included an additional consideration payable only if the profits of MBS for 2019 and 2020 exceed a target level agreed by both parties. The \$2,433,000 fair value of the contingent earn out liability initially recognised represents the present value of the Group's probability weighted estimate of the cash outflow. It reflects management's estimate that the targets will be achieved and is discounted using a pre-tax corporate rate of 13.14%.

As at 31 December 2018 there have been no changes in the estimate of the probable cash outflow.

Goodwill of \$24,900,000 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of MBS' workforce and expected synergies. Goodwill has been allocated to cash-generating units at 31 December 2018. The goodwill that arose from the business combination is not expected to be deductible for tax purposes.

The effective date of the acquisition of MBS was 1 July 2018. The revenue and earnings of Modular Building Systems Pty Ltd have been included within the Modular accommodation segment results for the period.

Fleetwood Corporation Limited
Notes to the Financial Statements
Half Year Ended 31 December 2018

9.2 Acquisition of Northern RV

On 7 August 2018, the company announced that it had completed the acquisition of the business and assets of Northern RV (NRV), a Melbourne based caravan plumbing and electrical services and parts supplier for \$10 million plus a potential earn out. NRV gives Fleetwood the opportunity to further integrate with key OEM customers.

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

	Carrying value \$ '000	Fair value recognised \$ '000
Trade and other receivables	2,825	2,825
Inventory	540	540
Total assets	3,365	3,365
Trade and other payables	758	758
Provisions	902	902
Total liabilities	1,660	1,660
Fair value of identifiable net assets acquired	1,705	1,705
Fair value of net assets (including working capital and plant and equipment)		1,705
Goodwill		10,831
		12,536
Cost of the combination:		
Cash paid at acquisition		10,534
Potential earn out		2,002
Direct costs relating to the acquisition (expensed in the income statement)		76
Total cost of the acquisition		12,612
The cash flow on acquisition is as follows:		
Net cash acquired with the business (inflow)		-
Direct costs relating to the acquisition		76
Cash paid		10,534
Net consolidated cash outflow		10,610

The purchase agreement included an additional consideration payable only if the average profits of NRV for financial years 2019, 2020 and 2021 exceed a target level agreed by both parties. The \$2,002,000 fair value of the contingent earn out liability initially recognised represents the present value of the Group's probability weighted estimate of the cash outflow. It reflects management's estimate of a 85% chance that the targets will be achieved and is discounted using a pre-tax corporate rate of 13.14%.

As at 31 December 2018 there have been no changes in the estimate of the probable cash outflow.

Fleetwood Corporation Limited
Notes to the Financial Statements
Half Year Ended 31 December 2018

9.2 Acquisition of Northern RV (continued)

Goodwill of \$10,831,000 is primarily related to growth expectations, expected future profitability and integration opportunities of NRV. Goodwill has been allocated to cash-generating units at 31 December 2018. The goodwill that arose from the business combination is not expected to be deductible for tax purposes.

The acquired business contributed revenues of \$6,332,444 and net profit after tax of \$1,273,385 (excluding incremental interest) to the Group for the period 8 August 2018 to 31 December 2018. Had the assets of NRV been acquired at 1 July 2018, the revenue from continuing operations for the Group would have been \$168,783,536, and the net profit from continuing operations attributable to members of the parent entity would have been \$9,741,663.

In determining the 'pro-forma' revenue and profit of the Group the revenue and earnings of NRV have been extrapolated for the period from acquisition date to 31 December 2018.

	Note	31 Dec 2018 \$ '000	30 Jun 2018 \$ '000
10. Goodwill			
Goodwill		86,451	50,721
Reconciliation of the carrying amount of Goodwill:			
Gross carrying amount			
Opening Balance		68,856	68,856
Goodwill recognised on business combinations - MBS	9.1	24,900	-
Goodwill recognised on business combinations - NRV	9.2	10,831	-
		104,587	68,856
Accumulated impairment			
Opening Balance		(18,135)	(13,626)
Impairment loss in respect of canopies, trays and accessories CGU		-	(4,509)
		(18,135)	(18,135)
Individual cash-generating unit (CGU) allocations:			
Parts and accessories		23,231	12,401
Modular accommodation		63,220	38,320
		86,451	50,721

11. Events after the reporting period

Contract performance bond facility

On 9 January 2019, the company executed a Contract Performance Bond Facility with Assetinsure Pty Ltd and Swiss RE International SE. The facility limit is \$15 million.

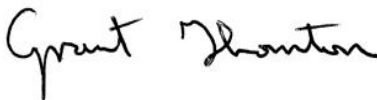
No other items to note subsequent to 31 December 2018.

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 year ended 31 December 2018, 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 AUDIT PTY LTD
Chartered Accountants



P W Warr
Partner – Audit & Assurance

Perth, 22 February 2019

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Independent Auditor's Review Report

To the Members of Fleetwood Corporation Limited

Report on the review of 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 condensed statement of financial position as at 31 December 2018, and the consolidated condensed statement of profit or loss and other comprehensive income, consolidated condensed statement of changes in equity and consolidated condensed 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 2018, 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 Company 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 2018 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, 22 February 2019