



ABN 69 009 205 261

ANNUAL REPORT 2006



Our Purpose

“To provide an optimal return to our shareholders
by satisfying the needs of our clients”

Our Philosophy

We shall at all times:

Hold ourselves committed and accountable for “Delivering the Promise”.

Have as our driving force the achievement of client satisfaction.

Offer and provide genuine value for money.

Acknowledge the loyalty of our clients, shareowners, and suppliers.

Recognize and reward the creativity and dedication of our people.

Provide a safe and fulfilling work environment.

Clients' Rights

All Fleetwood clients have the right to:

Feel privileged by the respect extended to them by Fleetwood people.

Be dealt with in an honest, concerned and professional manner.

Have all agreements fulfilled and honoured.

Receive immediate action from Fleetwood people.

Our Beliefs

We live by the beliefs that we:

Want to do business.

Will be honest, truthful and concerned.

Must seek out and conclude agreements in which each party “wins”.

Expect all parties to adhere to the terms of our agreements.

Can be proud of our Company and our achievements.

Service Standards

Our service ideals require Fleetwood people to:

Extend and stretch themselves in servicing clients.

Acknowledge a person upon arrival at Fleetwood.

Accompany and introduce clients seeking a specific Fleetwood person.

Answer the phone with their name and division before four rings.

Respond within 24 hours to all messages.

Ask questions and seek creative solutions.

Avoid saying “No I’m sorry we can’t help you”.

Delivering the Promise

Corporate Directory

Directors

Stephen Gill
Peter Gunzburg
Michael Hardy
Robert McKinnon
Greg Tate

Company Secretary

Bradley Denison

Auditor

Deloitte Touche Tohmatsu

Banker

Westpac Banking Corporation

Registered Office

21 Regal Place
East Perth WA 6004
Tel: (08) 9323 3300
Fax: (08) 9202 1106
info@fleetwood.com.au

Share Registrar

Computershare Investor
Services Pty Ltd
Level 2, Reserve Bank Building
45 St Georges Terrace
Perth WA 6000
Tel: (08) 9323 2000
Fax: (08) 9323 2033
info@computershare.com.au

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Recreational Vehicles



Manufacturer and retailer of componentry and accessories to the caravan industry in Australasia. Headquartered in Melbourne with operations in Sydney, Brisbane, Perth and Auckland.



Largest caravan manufacturer in Western Australia. Distributing caravans, campers and pop-tops through a national dealer network.



Caravan manufacturer headquartered in Melbourne. Distributing caravans, campers and pop-tops through a national dealer network.



Largest fibreglass canopy manufacturer and retailer in Australasia. Headquartered in Perth with branches, dealers and agents in every state of Australia and New Zealand.

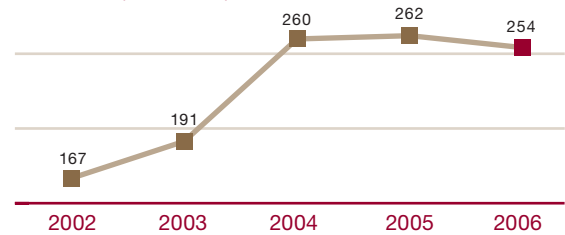
Manufactured Accommodation



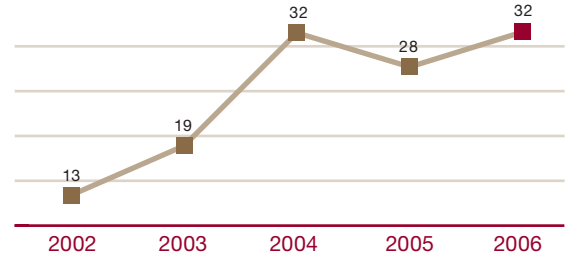
Portable accommodation providers to the construction and resource industries in Australia. Headquartered in Perth with operations in Adelaide, Darwin and Alice Springs.

Park home and transportable home manufacturer in Western Australia and Victoria. Providing homes for retirement, recreation and resource development.

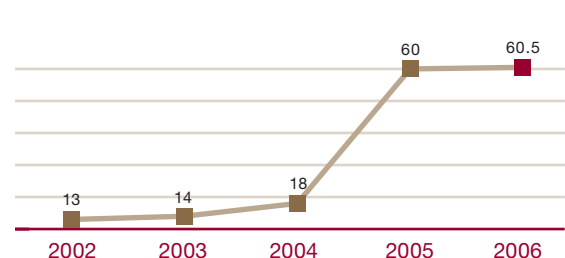
Revenue (\$ million)



EBIT (\$ million)

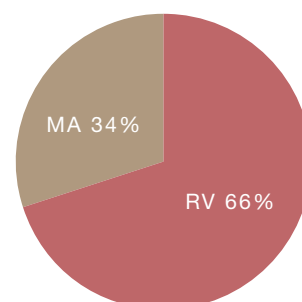


Dividends per share (cents)



EBIT Analysis

- Recreational Vehicles
- Manufactured Accommodation



Five year summary

Five year summary

(excludes discontinued operations)

\$ Million (unless stated)

	2006	2005	2004	2003	2002
Revenue	254.1	262.1	259.9	191.4	166.7
Earnings before interest, tax, depreciation and amortisation (EBITDA)	39.2	33.6	39.1	25.0	19.5
Depreciation and amortisation	7.6	5.9	5.8	4.7	4.7
Earnings before interest, tax and goodwill amortisation (EBITA)	31.6	27.7	33.3	20.3	14.8
Goodwill amortisation	-	-	1.8	1.4	1.4
Earnings before interest and tax (EBIT)	31.6	27.7	31.5	18.9	13.4
Finance costs	2.2	1.3	2.1	2.3	2.2
Income tax expense	8.7	7.8	9.1	5.4	3.6
Operating profit after tax	20.7	18.7	20.2	11.2	7.6
Interest cover (times)	14.4	21.9	15.9	8.7	6.6
Earnings per share (cents)	43.9	40.5	44.8	29.1	20.9
Dividends per share (cents)	60.5	60.0	18.0	14.0	13.0
Assets	184.7	169.7	164.9	148.1	112.4
Debt	33.0	22.0	27.5	29.2	33.3
Shareholders funds	110.7	106.2	96.0	80.3	48.4
Debt / Shareholders funds %	30%	21%	29%	36%	69%
Cash flows from operations	18.8	20.0	18.9	17.6	24.2
Number of shares on issue (million)	48.3	46.3	45.5	44.5	36.8
Market capitalisation	318.9	287.3	348.2	181.7	93.8
Employees (number)	939	984	1,004	769	648

Board of Directors



Peter Gunzburg
Non - Executive Chairman

Bachelor of Commerce
Age 54, Lives in Perth
Appointed to the board in 2002, Peter has over 20 years experience as a stockbroker. Peter was previously a director of Resolute Ltd, the Australian Stock Exchange Ltd, Eyres Reed Ltd and CIBC World Markets Australia Ltd. He is also the Chairman of public companies Eurogold Limited (appointed 2001) PieNetworks Limited (appointed 2002) and Matra Petroleum PLC (appointed 2006)



Greg Tate
Managing Director,
Executive Director

Bachelor of Commerce
Associate of the Institute of Chartered Accountants
Age 54, lives in Perth
Joined the board as a founding director in 1987 and was appointed Managing Director in 1990. Greg was a founding partner of a Chartered Accountancy firm in Western Australia prior to commencing with Fleetwood and prior to commencing practice was employed in Australia and the USA by an international accountancy firm.



Stephen Gill
Marketing Director,
Executive Director

Age 54, lives in Perth
Steve was appointed as director in 1990 and has been employed by Fleetwood in senior sales and management roles since 1975.



Robert McKinnon
Non - Executive Director

Age 56, lives in Perth
Fellow Certified Practising Accountant
Fellow of the Australian Institute of Company Secretaries
Before joining the board in July 2005 Robert was employed by Austal Limited as General Manager and Executive Director (1999 to 2000) and then Managing Director (2000 to 2005). Prior to joining Austal he had a long career with Capral Aluminium during which he held senior positions in finance, distribution and manufacturing operations.



Michael Hardy
Non - Executive Director

B Juris LLB BA
Age 53, lives in Perth
Appointed to the board in 2005, Michael was a partner of Clayton Utz (formerly Robinson Cox), lawyers, from 1983 to 2002 before commencing the firm of Hardy Bowen in July 2002.



Bradley Denison
Company Secretary

Bachelor of Commerce
Certified Practising Accountant
Age 34, lives in Perth
Bradley was appointed Secretary in 2004 and has been employed by the company in senior finance roles since 1997. Prior to joining Fleetwood Bradley was employed by Cockburn Corporation Ltd as Group Accountant.

Focus on strategic rationalisation to facilitate future growth impacted current year performance however Fleetwood still generated a record result from continuing operations with an 11% increase in operating profit to \$20.7 million.

Performance

Continuing Operations

Revenue down 3% to \$254m
EBITDA up 17% to \$39.2m
EBIT up 14% to \$31.6m
Operating profit after tax up 11% to \$20.7m

Discontinued Operations

The results for the 2005 financial year included an after tax profit from the sale of the parks division of \$7.5 million.

Overview

Consolidation and reorganisation of the group's operations, which commenced in the previous financial year was substantially completed by the end of the financial year. The rationalisation undertaken included:

- Expanding the Coromal and Windsor caravan production facilities.
- Developing new production facilities in Western Australia and Victoria for manufactured accommodation.
- Relocating Camec in New South Wales and Auckland in New Zealand to new warehouse style premises.

The results for the year have been negatively impacted by the disruption and distraction caused by the rationalisation however it was necessary that these activities be carried out to ensure the group can take advantage of future growth opportunities.

Dividends

Final Dividend

A fully franked final dividend of 12.5 cents per share, representing a 4% increase on last year will be paid on 31 October 2006.

Special Dividend

In conjunction with the final dividend a fully franked special dividend of 20 cents per share will be paid on 31 October 2006.

In accordance with previously advised dividend policy and subject to ongoing profitability, acquisition opportunities and market conditions, it is the directors' intention to pay a special dividend of 20 cents per share with each interim and final dividend payment made during the next 2 years; i.e. further special dividends of 80 cents per share.

Dividend Reinvestment Plan

In accordance with the company's capital management strategy the dividend reinvestment plan will be available for the purposes of the final and special dividend offering a reinvestment discount of 2.5%.

Our People

This year has been particularly challenging for our people. They made an enormous contribution to ensuring the rationalisation in all areas of the group's operations was successful.

I sincerely thank them for being part of the Fleetwood team and for the professional way they conduct themselves to ensure we continue to 'Deliver the Promise'.

Outlook

The strategic rationalisation of the group has now been completed and all operations are now focused on their core business activities without the disruption experienced during the 2006 financial year.

Labour availability, particularly in Western Australia, still remains an issue however there are signs that conditions are improving.

Demand for all products and services of the group remains strong. With economic activity in Western Australia now expected to remain buoyant for an extended period the prospects for Fleetwood are considered to be very positive.

Recreational Vehicles



Performance

Revenue increased 1% to \$169m
 EBITDA increased 5% to \$24.7m
 EBIT increased 2% to \$22.2m

Overview

Coromal and Windsor completed the expansion of their manufacturing facilities during the year ensuring increased production capacity is available to meet future demand.

Labour availability and higher staff turnover resulting from tight labour market conditions impacted both Coromal & Windsor during the year.

Camec completed the relocation of its New South Wales and New Zealand operations to new premises which offer retail and wholesale operations in a warehouse style facility similar to Camec in Queensland.

Camec generated a record result for the year despite the disruption caused by moving premises and production difficulties experienced by some manufacturers.

Flexiglass Challenge also generated a record result for the year, aided by strong commercial vehicle sales.

Developments

Product development remains a major focus for the RV division.

Two CNC machines are now in operation at Coromal and it is anticipated that over the next 2 years CNC produced furniture will be progressively rolled out over the complete Coromal and Windsor product range.

Research and development is also being undertaken on sandwich panel construction for caravans.

New product ranges are being developed or imported by Camec and Flexiglass with particular emphasis on products available from China.

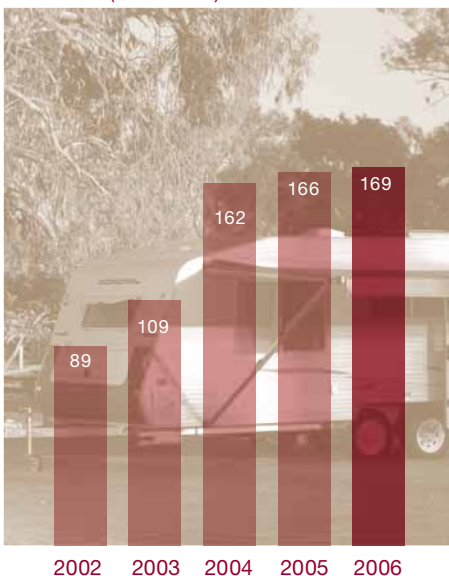
Outlook

Demand by retirees for caravans still remains strong with no noticeable impact on sales from increasing fuel prices.

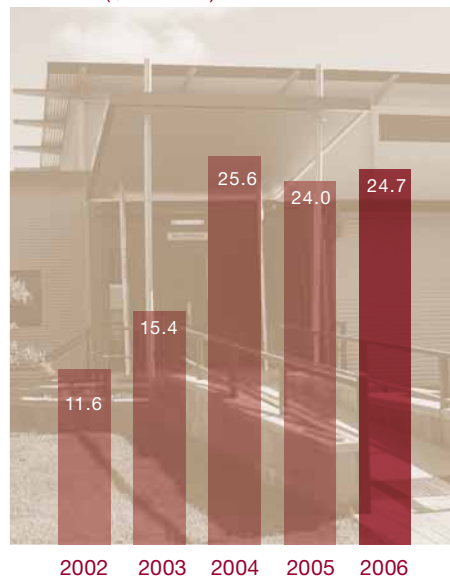
Orders for Coromal and Windsor caravans remain at record levels and strong demand from the recreational vehicle industry for parts and accessories is positively impacting Camec.

With labour market conditions improving and without the disruption associated with last years rationalisation an improved result for the division is expected this year.

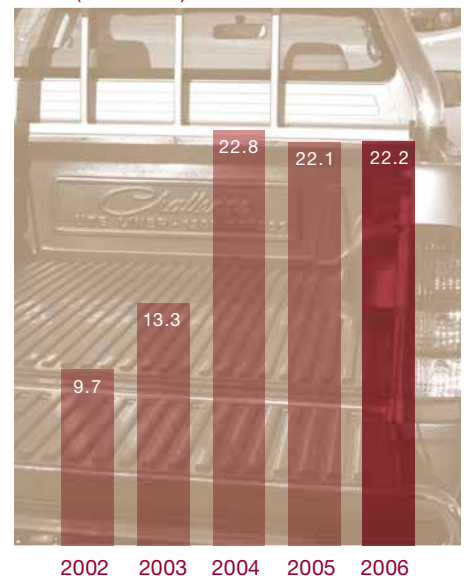
Revenue (\$ million)



EBITDA (\$ million)



EBIT (\$ million)





Performance

Revenue decreased 11% to \$84m
 EBITDA increased 25% to \$16.1m
 EBIT increased 24% to \$11.2m

Overview

During the year manufactured accommodation operations in Perth and Melbourne were relocated to larger premises which will allow increased production capacity.

Despite the negative impacts associated with the relocation EBIT for the division increased 24% with EBIT margins increasing from 9.5% to 13.3%.

Demand for buildings by both the resource and retirement sectors was strong during the year and remains robust.

Increased activity in Karratha associated with the Burrup Fertilisers and Woodside LNG 5 projects resulted in a significant increase in occupancy at the Searipple Village accommodation facility.

Portable accommodation and park home production are currently running at record levels.

Developments

With the move to purpose built premises, production processes have been modified resulting in shorter

build times and as a consequence increased production throughput.

Demand for construction workforce accommodation remains strong from numerous resource related projects throughout Western Australia in particular but also in South Australia and the Northern Territory.

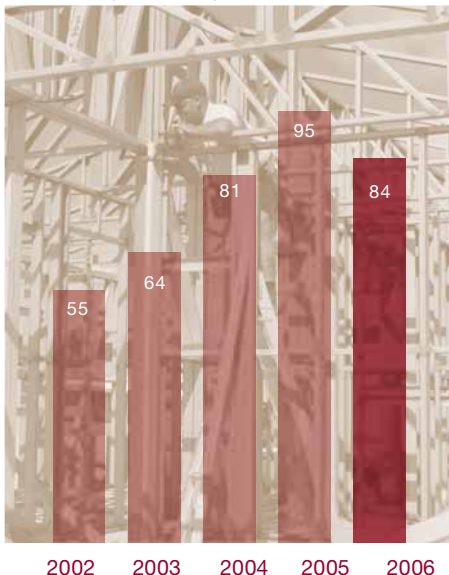
Occupancy rates continue to rise in the Karratha region with severe pressure now being placed on the limited accommodation facilities available in the area. If demand for accommodation continues to rise in Karratha, Fleetwood, subject to obtaining the necessary approvals, has the ability to increase the accommodation capacity of Searipple Village.

Outlook

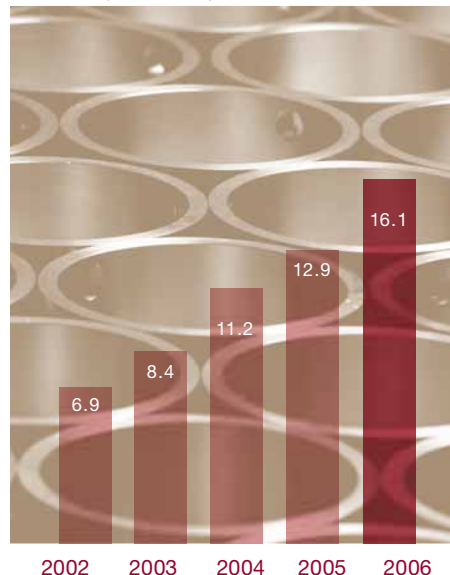
The rental contract for accommodation buildings for the BHP RNO Nickel project in Ravensthorpe has been extended by approximately six months and this together with increased occupancy at Searipple Village will positively impact rental revenues this financial year.

The continued development of a number of resource projects, the possibility of new projects being undertaken and the establishment and expansion of park home estates in Western Australia and Victoria will ensure strong demand for accommodation buildings this coming year.

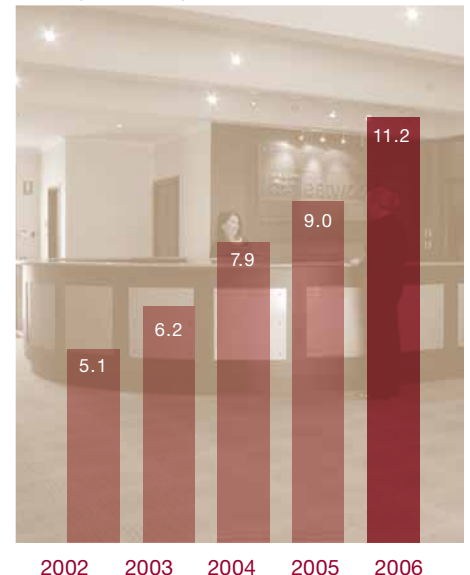
Revenue (\$ million)



EBITDA (\$ million)



EBIT (\$ million)





Fleetwood Financial Report 2006



Income statement

Fleetwood Corporation Limited

Year ended 30 June 2006

	Note	Consolidated		Company	
		2006 \$ '000	2005 \$ '000	2006 \$ '000	2005 \$ '000
Revenue	2	254,064	262,072	26,464	29,526
Materials used		(116,567)	(117,354)	-	-
Sub-contract costs		(23,266)	(37,730)	-	-
Employee benefits expense		(49,945)	(46,435)	(2,379)	(2,542)
Operating leases		(4,836)	(4,694)	(118)	(207)
Audit fees		(118)	(100)	(118)	(100)
Directors fees		(131)	(107)	(131)	(107)
Other expenses		(20,003)	(22,013)	(737)	(2,702)
Profit before interest, tax, depreciation and amortisation (EBITDA)		39,198	33,639	22,981	23,868
Depreciation and amortisation expense	3	(7,618)	(5,938)	(241)	(169)
Profit before interest and tax (EBIT)		31,580	27,701	22,740	23,699
Finance costs	3	(2,192)	(1,263)	(1,756)	(904)
Profit before income tax expense		29,388	26,438	20,984	22,795
Income tax (expense) benefit	4	(8,674)	(7,770)	1,033	225
Profit from continuing operations		20,714	18,668	22,017	23,020
Profit from discontinued operations		-	7,544	-	-
Profit attributable to members of the parent entity	23	20,714	26,212	22,017	23,020
Earnings per share from continuing operations:					
Basic earnings per share (cents)	7	43.9	40.5		
Diluted earnings per share (cents)	7	43.7	40.3		

To be read in conjunction with the accompanying notes.

Balance sheet

Fleetwood Corporation Limited
As at 30 June 2006

	Note	Consolidated		Company	
		2006 \$ '000	2005 \$ '000	2006 \$ '000	2005 \$ '000
Current assets					
Cash and cash equivalents	8	10,490	3,506	9,675	2,595
Trade and other receivables	9	40,954	35,138	3,136	277
Inventories	10	33,857	32,851	-	-
Other financial assets	11	35	-	-	-
Total current assets		85,336	71,495	12,811	2,872
Non-current assets					
Trade and other receivables	9	96	120	-	-
Property, plant and equipment	12	67,063	69,319	11,612	8,283
Intangible assets	13	32,237	28,772	233	233
Deferred tax assets		-	-	236	-
Other financial assets	11	-	-	97,805	100,425
Total non-current assets		99,396	98,211	109,886	108,941
Total assets		184,732	169,706	122,697	111,813
Current liabilities					
Trade and other payables	14	34,018	29,533	1,094	677
Interest bearing liabilities	15	33,000	22,000	33,000	22,000
Current tax liabilities		889	7,260	988	7,329
Provisions	18	2,536	2,818	475	453
Other financial liabilities	19	-	41	-	-
Total current liabilities		70,443	61,652	35,557	30,459
Non-current liabilities					
Deferred tax liabilities		1,675	446	-	683
Provisions	18	1,895	1,388	416	337
Total non-current liabilities		3,570	1,834	416	1,020
Total liabilities		74,013	63,486	35,973	31,479
Net assets		110,719	106,220	86,724	80,334
Equity					
Issued capital	21	83,735	71,227	83,735	71,227
Reserves	22	(451)	137	-	-
Retained earnings	23	27,435	34,856	2,989	9,107
Total equity		110,719	106,220	86,724	80,334

To be read in conjunction with the accompanying notes.

Recognised income and expense statement

Fleetwood Corporation Limited
Year ended 30 June 2006

	Note	Consolidated		Company	
		2006 \$ '000	2005 \$ '000	2006 \$ '000	2005 \$ '000
Exchange differences taken to equity on translation of foreign operations		(588)	(81)	-	-
Net loss recognised directly in equity		(588)	(81)	-	-
Profit for the period		20,714	26,212	22,017	23,020
Total recognised income and expense for the period		20,126	26,131	22,017	23,020

Cash flow statement

Fleetwood Corporation Limited
Year ended 30 June 2006

Cash flows from operating activities

Receipts in the course of operations		271,609	289,010	752	843
Payments in the course of operations		(237,431)	(259,893)	(4,835)	(4,001)
Interest received		599	365	570	313
Income taxes paid		(13,816)	(8,234)	(3,396)	(560)
Finance costs paid		(2,192)	(1,263)	(1,756)	(904)
Net cash and cash equivalents provided by (used in) operating activities	27.1	18,769	19,985	(8,665)	(4,309)

Cash flows from investing activities

Proceeds from sale of non-current assets		9,220	8,304	2,396	172
Acquisition of property, plant and equipment		(13,412)	(32,149)	(5,694)	(4,043)
Payment for intangible assets		(2,187)	(1,128)	-	-
Proceeds on sale of subsidiary company	27.3	-	28,111	-	28,111
Net cash and cash equivalents provided by (used in) investing activities		(6,379)	3,138	(3,298)	24,240

Cash flows from financing activities

Proceeds from issue of shares		1,115	1,715	1,115	1,715
Proceeds from borrowings		11,000	-	11,000	-
Repayment of borrowings		-	(5,544)	-	(4,750)
Dividends paid		(17,432)	(17,993)	(17,432)	(17,993)
Loan repayments to controlled entities		-	-	24,360	2,437
Net cash and cash equivalents provided by (used in) financing activities		(5,317)	(21,822)	19,043	(18,591)
Net increase in cash and cash equivalents held		7,073	1,301	7,080	1,340
Cash and cash equivalents at the beginning of the financial year		3,506	2,197	2,595	1,255
Effect of exchange rate changes on the balance of cash held in foreign currencies		(89)	8	-	-
Cash and cash equivalents at the end of the financial year		10,490	3,506	9,675	2,595

To be read in conjunction with the accompanying notes.

Notes to the financial statements

Fleetwood Corporation Limited
Year ended 30 June 2006

1 Statement of significant accounting policies

The significant policies which have been adopted in the preparation of this financial report are as follows:

1.1 Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporation Act 2001, Accounting Standards and Urgent Issues Group Interpretations, and complies with other requirements of the law. Accounting Standards, include Australian equivalents to International Financial Reporting Standards "A-IFRS". Compliance with A-IFRS ensures that the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards "IFRS".

The financial statements were authorised for issue by the directors on 27 September 2006.

1.2 Basis of preparation

The financial report has been prepared on the basis of historical costs and does not take into account changing money values or current valuations of non-current assets. Accounting policies have been consistently applied and except where there are changes in accounting policy, are consistent with those of the previous year.

The consolidated entity changed its accounting policies on 1 July 2005 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected the consolidated entity's accounting policies, financial position, financial performance and cash flows is discussed in Note 31.

1.3 Principles of consolidation

The financial statements of subsidiaries are included from the date control commences until the date control ceases. Unrealised gains and losses, inter-entity balances and transactions between subsidiaries are eliminated in full on consolidation.

1.4 Revenue recognition

Revenue is recognised at the fair value of consideration received net of goods and services tax (GST).

Construction contracts

When the stage of contract completion can be reliably measured, revenue is recognised in proportion to the stage of completion of the contract. The stage of completion is assessed by reference to surveys of work performed. Where the outcome of a contract cannot be reliably estimated, contract costs are immediately recognised as an expense. Where it is probable costs will not be recovered, revenue is only recognised to the extent costs are recoverable. An expected loss is recognised immediately as an expense.

Rental

Rental income is recognised on an accrual basis.

Interest

Interest revenue 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 non-current asset sales 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.

1.5 Foreign currency

Transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are translated at the rate of exchange ruling on that date. Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the income statement in the financial year in which the exchange rates change.

Translation of controlled foreign operations

The assets and liabilities of foreign operations, including subsidiaries are translated at the rates of exchange ruling at balance date. Equity items are translated at historical rates. Exchange differences arising from translation are taken directly to the foreign currency reserve until disposal or partial disposal of the operations.

1.6 Derivative financial instruments

The consolidated entity enters into forward exchange contracts to manage its exposure to foreign exchange rate risk. Contracts are measured at fair value on the date the contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement. Comparative information on these instruments has been restated in accordance with this policy.

1.7 Goods and services tax

Revenues, expenses and assets are recognised net of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense.

Receivables and payables are stated with the amount of GST included. The net GST recoverable from, or payable to, the taxation authority is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST component of cash flows arising from investing and financing activities, which are recoverable from, or payable to, the taxation authority are classified as operating cash flows.

1.8 Taxation

Current tax

Current tax is calculated by reference to the amount of income taxes payable or recoverable in respect of the taxable profit or tax loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by reporting date. Current tax for current and prior periods is recognised as a liability or asset to the extent that it is unpaid or refundable.

Deferred tax

Deferred tax is accounted for using the comprehensive balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of asset and liabilities in the financial statements and the corresponding tax base of those items.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amount will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. However, deferred tax asset and liabilities are not recognised if the temporary differences giving rise to them arise from the initial recognition of assets and liabilities (other than as a result of a business combination) which affects neither taxable income nor accounting profit. Furthermore, a deferred tax liability is not recognised in relation to taxable differences arising from goodwill.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets and liabilities giving rise to them are realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted by reporting date. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the consolidated entity expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the company/consolidated entity intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the period

Current and deferred tax is recognised as an expense or income in the income statement, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity, or where it arises from the initial accounting for a business combination, in which case it is taken into account in the determination of goodwill.

Tax consolidation

The company and its wholly-owned Australian resident entities have elected to be taxed as a single entity from 1 July 2003. The head entity within the tax-consolidated group for the purposes of the tax consolidation system is Fleetwood Corporation Limited.

Entities within the tax-consolidated group have entered into a tax funding agreement with the head entity, Fleetwood Corporation Limited and each of the entities in the tax-consolidated group have agreed to fund their proportion of the group's tax liability.

1.9 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and investments in money market instruments with original maturity under 3 months, net of outstanding bank overdrafts.

1.10 Acquisition of assets

All assets acquired including property, plant and equipment and intangibles are initially recorded at their cost at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition. The costs of assets constructed or internally generated by the consolidated entity, other than goodwill, include the cost of materials and direct labour. Directly attributable overheads and other incidental costs are also capitalised in the cost of the asset.

Expenditure, including that on internally generated assets other than development costs, is only recognised as an asset when it is probable that future economic benefits will eventuate and the costs can be measured reliably. Costs attributable to feasibility and alternative approach assessments are expensed as incurred.

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable future economic benefits will flow to the consolidated entity. Costs that do not meet the criteria for capitalisation are expensed as incurred.

1.11 Non-current assets held for resale

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of carrying amount and fair value less costs to sell. Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is only met when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition and the sale is expected to be completed within one year from the date of classification.

1.12 Receivables

Trade debtors are recorded at amortised cost. The collectability of debts is assessed at year-end and a specific provision is made for any doubtful debts.

1.13 Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined on a first in first out basis and for work in progress includes an appropriate share of both variable and fixed costs. Net realisable value is determined on the basis of each entity's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

1.14 Impairment of assets

At each reporting date, the consolidated entity reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the consolidated entity estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Goodwill, intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually and whenever there is an indication that the asset may be impaired. An impairment of goodwill is not subsequently reversed.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

1.15 Investments

Investments in controlled entities are carried in the Company's financial statements at the lower of cost and recoverable amount.

1.16 Leases

Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

1.17 Goodwill

Goodwill, representing the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets and contingent liabilities acquired is reviewed for impairment annually and whenever there is an indication that goodwill may be impaired. Where the carrying value exceeds the value of expected future benefits, the difference is charged to the income statement. The useful life of goodwill is indefinite.

1.18 Product development costs

An intangible asset arising from product development (or from the development phase of an internal project) is recognised if the following are demonstrated:

- The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- The intention to complete the intangible asset and use or sell it;
- The ability to use or sell the intangible asset; and
- How the intangible asset will generate probable future economic benefits.

Internally generated intangible assets are stated at cost less accumulated amortisation and impairment, and are amortised on a straight-line basis over the useful lives as follows:

	2006	2005
Capitalised development costs	2 – 5 years	2 – 5 years

1.19 Depreciation and amortisation

All assets of the entity (except land) have limited useful lives and are depreciated/amortised using the straight-line method over their estimated useful lives to their estimated residual values. Assets are depreciated or amortised from the time an asset is ready for use.

Depreciation and amortisation rates and methods and residual values are reviewed annually for appropriateness. When changes are made, adjustments are reflected in current and future periods only. Depreciation and amortisation are expensed, except to the extent that they are included in the carrying amount of another asset as an allocation of production overheads.

The depreciation / amortisation rates used for each class of asset are as follows:

	2006	2005
Buildings	2.5%	2.5%
Leasehold improvements	2% - 25%	2% - 25%
Plant and equipment	2.5% - 50%	2.5% - 50%

1.20 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 Company or consolidated entity. Trade accounts payable are normally settled within 60 days.

1.21 Interest bearing liabilities

Bank loans are recognised initially at fair value net of transactions 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 profit or loss over the period of the borrowing using the effective interest rate. Interest expense is recognised on an accrual basis.

1.22 Employee benefits

Wages, salaries, annual and long service leave

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave, long service leave and sick leave when it is probable that settlement will be required and they are capable of being measured reliably. Provisions made in respect of wages and salaries, annual leave, sick leave and other employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement. Provisions made in respect of other employee benefits which are not expected to be settled within 12 months are measured as the present value of the estimated future cash flows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Share option plans

The Company has granted options to employees under share option plans. The value of benefits provided to employees under the plans are measured at grant date and expensed over the vesting periods.

Superannuation plan

The Company and other subsidiaries contribute to employee superannuation funds. Contributions are charged against income as they are made.

Consolidated		Company	
2006	2005	2006	2005
\$ '000	\$ '000	\$ '000	\$ '000

2 Revenue

Sales revenue

Sale of goods	232,569	244,840	164	143
Rentals	19,846	16,959	905	570
	252,415	261,799	1,069	713

Other income

Dividends from related parties	-	-	24,571	28,479
Interest	599	366	570	313
Profit (loss) on sale of non-current assets	1,050	(93)	254	21
	1,649	273	25,395	28,813
	254,064	262,072	26,464	29,526
Gain on sale of discontinued operations	-	10,078	-	-
	254,064	272,150	26,464	29,526

3 Profit from ordinary activities before income tax expense

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

Cost of sales	174,760	193,624	-	-
Depreciation and amortisation of:				
buildings	61	55	61	55
leased plant & equipment	-	8	-	-
leasehold improvements	54	9	31	-
plant and equipment	6,854	5,565	149	114
product development	649	301	-	-
Total depreciation and amortisation	7,618	5,938	241	169
Finance costs:				
bank loans and overdraft	2,192	1,247	1,756	904
finance charges on finance leases	-	16	-	-
	2,192	1,263	1,756	904
Net bad and doubtful debts	101	444	-	-
Research and development costs	53	44	-	-
Superannuation expense	3,157	3,390	276	282
Equity settled share-based payments	690	426	690	426

Consolidated		Company	
2006	2005	2006	2005
\$ '000	\$ '000	\$ '000	\$ '000

4 Taxation

Income tax recognised in profit or loss

Tax expense (income) comprises:

Current tax expense (income)	7,444	12,719	(1,037)	(178)
Deferred tax expense (income) relating to the origination and reversal of temporary differences	1,230	(1,716)	4	(47)
Total tax expense (income)	8,674	11,003	(1,033)	(225)

Attributable to:

Continuing operations	8,674	7,770	(1,033)	(225)
Discontinued operations	-	3,233	-	-
Total	8,674	11,003	(1,033)	(225)

Reconciliation of prima facie tax expense on accounting profit to income tax expense

Prima facie income tax expense calculated at 30% (2005: 30%) on the profit from ordinary activities

Prima facie income tax expense calculated at 30% (2005: 30%) on the profit from ordinary activities	8,816	7,931	6,295	6,839
Depreciation of buildings	-	6	-	6
Amortisation of leasehold improvements	8	-	8	-
Effect of higher tax rates on overseas income	46	56	-	-
Non-deductible expenses	207	170	207	1
Research & development allowance	(158)	(82)	-	-
Non-assessable profit on disposal of property, plant and equipment	(92)	(229)	(86)	-
Sundry items	(49)	18	8	1
Non-assessable amounts related to transactions within the tax consolidated group	-	-	(7,371)	(7,072)
	8,778	7,870	(939)	(225)
Over provision of income tax in prior year	(104)	(100)	(94)	-
Total	8,674	7,770	(1,033)	(225)

Taxable and deductible temporary differences arise from the following:

	Balance at 2004 \$ '000	Charged to income \$ '000	Balance at 2005 \$ '000	Charged to income \$ '000	Balance at 2006 \$ '000
Consolidated					
Gross deferred tax liabilities:					
Property, plant and equipment	(3,417)	1,566	(1,851)	(1,282)	(3,133)
Gross deferred tax assets:					
Provisions	1,255	150	1,405	52	1,458
	(2,162)	1,716	(446)	(1,230)	(1,675)
Company					
Gross deferred tax liabilities:					
Property, plant and equipment	(3,414)	1,578	(1,836)	1,777	(59)
Gross deferred tax assets:					
Provisions	1,041	112	1,153	(858)	295
	(2,373)	1,690	(683)	919	236
Adjustments relating to tax consolidation		(1,737)		(915)	
		(47)		4	

5 Segment information

Business segments

The consolidated entity comprises the following business segments, based on the consolidated entity's management reporting system.

Divisions

Recreational Vehicles
Manufactured Accommodation

Products / Services

Manufacture of caravans and vehicle parts and accessories
Design, manufacture, sale and rental of manufactured accommodation

	Segment revenue		Depreciation & amortisation		Earnings before interest & tax (EBIT)	
	2006 \$ '000	2005 \$ '000	2006 \$ '000	2005 \$ '000	2006 \$ '000	2005 \$ '000
Continuing operations						
Recreational Vehicles	168,761	167,017	2,521	1,860	22,215	21,748
Manufactured Accommodation	84,315	94,576	4,856	3,908	11,196	8,980
Unallocated	988	479	241	170	(1,831)	(3,027)
	254,064	262,072	7,618	5,938	31,580	27,701
Interest expense					(2,192)	(1,263)
Profit before income tax expense					29,388	26,438
Income tax expense					(8,674)	(7,770)
Profit from continuing operations					20,714	18,668
Profit from discontinued operations					-	7,544
Profit attributable to members of the parent entity					20,714	26,212

	Segment Assets		Acquisitions of non-current assets		Segment Liabilities	
Recreational Vehicles	80,963	79,849	2,114	3,240	20,592	20,824
Manufactured Accommodation	78,934	77,408	5,605	25,053	17,389	10,120
Unallocated	24,835	12,449	5,693	3,856	36,032	32,542
	184,732	169,706	13,412	32,149	74,013	63,486

Geographical segments

	Segment Assets		Acquisitions of non-current assets		Segment revenue	
Australia	180,078	163,034	13,366	31,690	242,850	249,497
New Zealand	4,654	6,672	46	459	11,214	12,575
	184,732	169,706	13,412	32,149	254,064	262,072

Consolidated		Company	
2006	2005	2006	2005
\$ '000	\$ '000	\$ '000	\$ '000

6 Dividends

Recognised

Interim 2006 - paid 8 cents per share fully franked	3,789	-	3,789	-
Special interim 2006 - paid 20 cents per share fully franked	9,466	-	9,466	-
Final 2005 - paid 12 cents per share fully franked	5,580	-	5,580	-
Special final 2005 - paid 20 cents per share fully franked	9,300	-	9,300	-
Interim 2005 - paid 8 cents per share fully franked	-	3,701	-	3,701
Special interim 2005 - paid 20 cents per share fully franked	-	9,251	-	9,251
Final 2004 - paid 11 cents per share fully franked	-	5,041	-	5,041
	28,135	17,993	28,135	17,993

Unrecognised

Final 2006 - 12.5 cents per share fully franked
Special Final 2006 - 20.0 cents per share fully franked

Dividend franking account

30% franking credits available to shareholders of Fleetwood Corporation Limited for subsequent years

	13,807	18,612	13,807	18,612
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7 Earnings per share

Earnings used in the calculation of basic and diluted earnings per share are as follows:

Earnings	20,714	26,212
Adjustment to exclude profit from discontinued operations	-	(7,544)
Earnings from continuing operations	20,714	18,668

The weighted average number of ordinary shares for the purpose of diluted earnings per share reconciles to the weighted average number of ordinary shares used in the calculation of basic earnings per share as follows:

	Weighted average number of shares used	
Basic earnings per share	47,175,231	46,045,434
Number of shares deemed to be issued for no consideration in respect of employee and executive options	198,468	326,151
Diluted earnings per share	47,373,699	46,371,585

Earnings per share from discontinued operations

Basic earnings per share (cents)	0.0	16.4
Diluted earnings per share (cents)	0.0	16.3

Note	Consolidated		Company	
	2006	2005	2006	2005
	\$ '000	\$ '000	\$ '000	\$ '000

8 Cash and cash equivalents

Cash and cash equivalents	10,490	3,506	9,675	2,595
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Cash at bank is at call and receives interest at a weighted average rate of 4.13% (2005: 4.15%)

9 Trade and other receivables

Current

Trade debtors	36,703	29,637	2,783	60
Less: allowance for doubtful debts	-	(201)	-	-
Term loans - secured	21	26	-	-
Other debtors	4,230	5,676	353	217
	40,954	35,138	3,136	277

Non-current

Term loans - secured	96	120	-	-
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The weighted average interest rate on term loans which have varying maturity dates is 12.5% (2005: 12.5%)

10 Inventories

Raw materials & stores	6,015	6,228	-	-
Work in progress	6,828	8,977	-	-
Finished goods	21,014	17,646	-	-
	33,857	32,851	-	-

11 Other financial assets

Current

Foreign currency forward contracts	35	-	-	-
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Non-current

Investment in controlled entities - at cost	-	-	10,220	10,220
Loans and advances - controlled entities	-	-	87,585	90,205
	-	-	97,805	100,425

30

12 Property, plant and equipment

	Consolidated		Company	
	2006 \$ '000	2005 \$ '000	2006 \$ '000	2005 \$ '000
Freehold land				
Cost	2,116	3,271	2,116	3,271
Buildings				
Cost	2,704	2,292	2,704	2,292
Accumulated depreciation	(53)	(315)	(53)	(315)
	2,651	1,977	2,651	1,977
Leasehold property and improvements				
Cost	6,602	2,553	6,382	2,434
Accumulated amortisation	(105)	(56)	(30)	-
	6,497	2,497	6,352	2,434
Plant and equipment				
Cost	74,130	74,849	722	882
Accumulated depreciation	(18,331)	(13,768)	(229)	(281)
	55,799	61,081	493	601
Assets under construction				
Cost	-	493	-	-
	67,063	69,319	11,612	8,283
Reconciliation of the carrying amounts for each class of property, plant and equipment is set out below:				
Freehold land				
Carrying amount at beginning of year	3,271	4,516	3,271	1,461
Additions	112	1,810	112	1,810
Disposals	(1,267)	(3,055)	(1,267)	-
Carrying amount at end of year	2,116	3,271	2,116	3,271
Buildings				
Carrying amount at beginning of year	1,977	1,476	1,977	540
Additions	1,465	1,492	1,465	1,492
Disposals	(730)	(936)	(730)	-
Depreciation	(61)	(55)	(61)	(55)
Carrying amount at end of year	2,651	1,977	2,651	1,977
Leasehold property and improvements				
Carrying amount at beginning of year	2,497	5,568	2,434	2,000
Additions	4,058	506	3,948	434
Disposals	(4)	(3,568)	-	-
Amortisation	(54)	(9)	(30)	-
Carrying amount at end of year	6,497	2,497	6,352	2,434

Consolidated		Company	
2006	2005	2006	2005
\$ '000	\$ '000	\$ '000	\$ '000

12 Property, plant and equipment (continued)

Reconciliations (continued)

Plant and equipment

Carrying amount at beginning of year	61,081	55,177	601	559
Additions	7,777	27,848	169	308
Disposals	(6,698)	(16,567)	(128)	(151)
Transferred from assets under construction	493	187	-	-
Depreciation	(6,854)	(5,564)	(149)	(115)
Carrying amount at end of year	55,799	61,081	493	601

Assets under construction

Carrying amount at beginning of year	493	187	-	-
Additions	-	493	-	-
Transferred to plant and equipment	(493)	(187)	-	-
Carrying amount at end of year	-	493	-	-

13 Intangible assets

Goodwill	28,024	27,945	233	233
Product development	5,163	1,128	-	-
Accumulated amortisation	(950)	(301)	-	-
	4,213	827	-	-
	32,237	28,772	233	233

Goodwill has been allocated for impairment testing purposes to individual cash-generating units as follows:

Caravan manufacturing	7,096	7,096
Parts and accessories	12,182	12,182
Fibreglass	6,617	6,617
Manufactured accommodation	2,129	2,050
	28,024	27,945

The recoverable amount of cash-generating units is determined based on a value in use calculation which uses cash flow projections based on financial budgets approved by management covering a five-year period, and a discount rate of 5.75% pa (2005: 6.09%)

14 Trade and other payables

Trade creditors	20,963	18,980	309	197
Other creditors and accruals	13,055	10,553	785	480
	34,018	29,533	1,094	677

Payables include amounts for goods received not invoiced.

Note	Consolidated		Company	
	2006 \$ '000	2005 \$ '000	2006 \$ '000	2005 \$ '000

15 Interest bearing liabilities

Current

Bank loans - secured	16	33,000	22,000	33,000	22,000
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For reasons of flexibility and pricing commercial bills are used for debt financing. The bills are able to be rolled at each due date and as such constitute long term funding. A-IFRS standards require that the commercial bills be classified as a current liability whereas under the AGAAP standards they were able to be more appropriately classified as a non current liability.

It is the intention of the directors for these facilities to be renegotiated on a long term basis.

16 Financing arrangements

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

Facilities available:

Bank overdraft		6,906	8,544	6,906	8,544
Bank loans		33,000	22,000	33,000	22,000
Bank guarantees		94	2,456	94	2,456
		40,000	33,000	40,000	33,000

Facilities utilised:

Bank loans	15	33,000	22,000	33,000	22,000
Bank guarantees		94	2,456	94	2,456
		33,094	24,456	33,094	24,456

Facilities not utilised:

Bank overdraft		6,906	8,544	6,906	8,544
		6,906	8,544	6,906	8,544

Bank overdrafts

Bank overdrafts are secured by a mortgage debenture over the assets of the consolidated entity. They are payable on demand and are subject to annual review. Interest on bank overdrafts is charged at prevailing market rates. The effective interest rate at 30 June 2006 was 9.00% (2005: 8.75%).

Bank Loans

Bank loans are secured by a mortgage debenture over the assets of the consolidated entity, bear interest at the banks prime rate plus 0.4% (2005: 0.4%) plus a line fee of 0.2% (2005: 0.2%). The effective annual interest rate at 30 June 2006 was 6.30% (2005: 6.28%).

Bank guarantees

Bank guarantees are utilised for construction contracts.

17 Commitments

Operating lease commitments

Within one year		3,477	4,266	132	127
One year or later and no later than five years		5,529	7,474	307	295
Later than five years		334	1,292	-	-
		9,340	13,032	439	422

Consolidated		Company	
2006	2005	2006	2005
\$ '000	\$ '000	\$ '000	\$ '000

18 Provisions

Current

Employee benefits	2,536	2,818	475	453
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Non-current

Employee benefits	1,895	1,388	416	337
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Aggregate employee benefits	4,431	4,206	891	790
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Number of employees at end of financial year	939	984	12	12
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19 Other financial liabilities

Current

Foreign currency forward contracts	-	41	-	-
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20 Employee and Executive Share Option Plan

Employee share option plan

In accordance with the provisions of the employee share option plan, employees with more than 2 years service with the consolidated entity are granted options to purchase ordinary shares in Fleetwood Corporation Limited. No amounts are payable for the options. 50% of the options are able to be exercised 1 year from the date of issue and a further 25% are able to be exercised in each of the next 2 years. The options expire 5 years from the date of issue. There are no voting or dividend rights attaching to the options.

The following is a summary of movements under the plan:

Issue date	Exercise price \$	Options at beginning of year	Options granted	Options expired / forfeited	Options exercised (shares issued)	Options at end of year	Vested at end of year	Proceeds (market value) of received on exercise \$	Fair value of shares at date of issue \$
31/10/00	1.12	21,750	-	(1,500)	(20,250)	-	-	22,680	136,005
31/10/01	1.12	53,715	-	(3,000)	(31,000)	19,715	19,715	34,720	211,330
31/10/02	2.54	87,191	-	(7,563)	(13,813)	65,815	65,815	35,085	93,345
31/10/03	4.44	187,671	-	(18,152)	(6,858)	162,661	115,499	30,450	46,718
31/10/04	7.85	344,100	2,100	(38,700)	-	307,500	153,150	-	-
31/10/05	6.40	-	506,350	(1,625)	-	504,725	-	-	-
		694,427	508,450	(70,540)	(71,921)	1,060,416	354,179	122,935	487,398
Weighted average exercise price (\$)		5.53	6.41	5.94	1.71	6.18	5.38		
Weighted average share price at date of exercise (\$)					6.78				

20 Employee and Executive Share Option Plan (continued)

Executive share option plan

In accordance with the provisions of the executive share option plan, executives are granted options to purchase ordinary shares in Fleetwood Corporation Limited. No amounts are payable for the options. One third of the options are able to be exercised after the 30 June subsequent to the date of issue, a further one third of the options are able to be exercised in each of the next 2 years. The options are only exercisable if the company's total shareholder return equals or exceeds 15% pa compounded from the inception of the plan (1999) and the company's total shareholder return is equal to or greater than the ASX300 All Industrial Accumulation Index. The options expire 5 years from the date of issue. There are no voting or dividend rights attaching to the options.

The following is a summary of movements under the plan:

Issue date	Exercise price \$	Options at beginning of year	Options granted	Options expired / forfeited	Options exercised (shares issued)	Options at end of year	Vested at end of year	Proceeds (market value) of received on exercise \$	Fair value of shares at date of issue \$
31/10/02	2.54	120,002	-	-	(116,667)	3,335	3,335	296,334	781,902
31/10/03	4.44	310,002	-	(6,666)	(156,666)	146,670	146,670	695,597	1,049,095
31/10/04	7.85	92,000	-	-	-	92,000	30,667	-	-
31/10/05	6.40	-	760,000	-	-	760,000	-	-	-
		522,004	760,000	(6,666)	(273,333)	1,002,005	180,672	991,931	1,830,997
Weighted average exercise price (\$)		4.60	6.40	4.44	3.63	6.23	4.98		
Weighted average share price at date of exercise (\$)					6.70				

The share options outstanding at the end of the financial year had exercise prices between \$1.12 and \$7.85 and a weighted average remaining contractual life of 1352 days. The weighted average fair value of options granted during the year was \$0.88.

Consolidated		Company	
2006	2005	2006	2005
\$ '000	\$ '000	\$ '000	\$ '000

21 Issued capital

Issued and paid-up capital

48,312,429 (2005: 46,268,184) ordinary shares, fully paid

83,735 71,227 **83,735** 71,227

Holders of ordinary shares are entitled to receive dividends as declared and to one vote per share held.

2006		2005	
# Shares	\$ '000	# Shares	\$ '000

Movements in ordinary share capital

Balance at the beginning of year	46,268,184	71,227	45,515,276	68,791
Option expense	-	690	-	721
Shares issued pursuant to Dividend Reinvestment Plan	1,698,991	10,703	-	-
Shares issued pursuant to Employee and Executive share option plans	345,254	1,115	752,908	1,715
Balance at the end of year	48,312,429	83,735	46,268,184	71,227

Since the end of the financial year 147,767 shares have been issued pursuant to the exercise of employee and executive options.

Consolidated		Company	
2006	2005	2006	2005
\$ '000	\$ '000	\$ '000	\$ '000

22 Reserves

Foreign currency translation reserve	(451)	137	-	-
Balance at beginning of year	137	218	-	-
Translation of foreign operations	(588)	(81)	-	-
Balance at end of year	(451)	137	-	-

Reserves relate to exchange differences on the translation of self-sustaining foreign operations.

23 Retained earnings

Balance at the beginning of year	34,856	26,637	9,107	4,080
Profit attributable to members of the parent entity	20,714	26,212	22,017	23,020
Dividends paid	(28,135)	(17,993)	(28,135)	(17,993)
Balance at the end of year	27,435	34,856	2,989	9,107

24 Auditors' remuneration

Auditor of the parent entity	\$	\$	\$	\$
Audit services	118,000	100,000	118,000	100,000
Other services	18,840	20,750	18,840	20,750
	136,840	120,750	136,840	120,750

25 Deed of cross guarantee

Pursuant to an ASIC Class Order 98/1418 dated 13 August 1998, relief was granted to the wholly owned subsidiaries listed below from the requirement to prepare, have audited and lodge financial reports.

It is a condition of the Class Order that the Company and each of the subsidiaries listed below enter into a Deed of Cross Guarantee. The effect of the Deed is that the Company guarantees to each creditor payment in full of any debt in the event of winding up of any subsidiaries under certain provisions of the Corporations Act 2001. If a winding up occurs under other provisions of the Law, the Company will only be liable in the event that after six months any creditor has not been paid in full. The subsidiaries have also given similar guarantees in the event that the Company is wound up.

Subsidiaries subject to the deed are:

Camec Pty Ltd
 Coromal Caravans Pty Ltd
 Fleetwood Pty Ltd
 Fleetwood Durabuilt Pty Ltd
 Fleetwood Finance (WA) Pty Ltd
 Flexiglass Challenge Pty Ltd
 Windsor Caravans Pty Ltd

A consolidated statement of financial performance and financial position comprising the Company and its subsidiaries, which are party to the deed, after eliminating all transactions between parties to the Deed of Cross Guarantee is set out on the following page:

	Consolidated	
	2006	2005
	\$ '000	\$ '000
25 Deed of cross guarantee (continued)		
Income statement		
Revenue	242,683	223,492
Finance costs	(2,189)	(1,257)
Profit before income tax expense	27,865	34,908
Income tax expense	(8,171)	(10,348)
Profit attributable to members of the parent entity	19,694	24,560
Balance sheet		
Cash and cash equivalents	9,692	2,611
Trade and other receivables	39,862	33,726
Inventories	30,285	29,497
Total current assets	79,839	65,834
Trade and other receivables	96	120
Investments	175	175
Property, plant and equipment	66,541	68,672
Intangibles	32,148	28,693
Deferred tax assets	1,454	1,400
Total non-current assets	100,414	99,060
Total assets	180,253	164,894
Trade and other payables	33,429	29,201
Interest bearing liabilities	31,856	19,646
Tax liabilities	988	7,329
Provisions	2,523	2,480
Total current liabilities	68,796	58,656
Deferred tax liabilities	3,111	1,836
Provisions	1,895	1,389
Total non-current liabilities	5,006	3,225
Total liabilities	73,802	61,881
Net assets	106,451	103,013
Issued capital	83,735	71,222
Reserves	(523)	111
Retained earnings	23,239	31,680
Total equity	106,451	103,013

26 Financial instruments

Interest rate risk

Exposure to interest rate risk on financial assets and liabilities, both recognised and unrecognised, has been disclosed in Notes 8, 9 and 16.

Credit risk exposures

Credit risk represents the loss that would be recognised if counter parties failed to perform as contracted. The credit risk on financial assets of the consolidated entity, which have been recognised in the statement of financial position is the carrying amount, net of any allowance for doubtful debts. Credit risk is minimised by transacting with a large number of customers.

Net fair value of financial assets and liabilities

The net fair value of financial assets and liabilities, which have been recognised in the balance sheet, is the relevant contractual cash flows due from customers or suppliers. The relevant contractual cash flows have not been discounted to their present value. The carrying values approximate net fair value.

Consolidated		Company	
2006	2005	2006	2005
\$ '000	\$ '000	\$ '000	\$ '000

27 Notes to the statement of cash flows

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

Operating profit after income tax	20,714	26,212	22,017	23,020
Less items classified as investing / financing activities:				
Profit on sale of non-current assets	(1,050)	(9,985)	(254)	(21)
Add non-cash items:				
Dividends	-	-	(24,571)	(28,479)
Write-off of intercompany loan	-	-	-	909
Option expense	690	426	690	426
Depreciation and amortisation expense	7,618	5,938	241	169
Net cash provided by (used in) operating activities before change in assets and liabilities	27,972	22,591	(1,877)	(3,976)
Changes in assets and liabilities adjusted for effects of purchase and disposal of controlled entities during the financial year:				
Increase in inventories	(1,005)	(4,462)	-	-
(Increase) decrease in trade and other receivables	(5,792)	1,575	(2,859)	225
Increase (decrease) in trade and other payables	2,512	(3,331)	417	(218)
Increase in provisions	224	1,140	84	118
Increase (decrease) in income taxes payable	(6,371)	4,495	(4,434)	(438)
Increase (decrease) in deferred taxes payable	1,229	(2,023)	4	(20)
Net cash provided by (used in) operating activities	18,769	19,985	(8,665)	(4,309)

27.2 Non-cash financing and investing activities

During the year, dividends of \$10,703,204 (2005: Nil) were reinvested in the Company as 1,698,991 (2005: Nil) fully paid ordinary shares pursuant to the Dividend Reinvestment Plan.

The Company received dividends of \$24,570,919 (2005: \$28,478,978) from controlled entities by way of an increase in controlled entities loan accounts.

Consolidated		Company	
2006	2005	2006	2005
\$ '000	\$ '000	\$ '000	\$ '000

27 Notes to the statement of cash flows (continued)

27.3 Disposal of entity

2005: Fleetwood Parks Pty Ltd.

Consideration	-	28,525	-	28,525
<i>Inflow of cash</i>	-	28,525	-	28,525
Book value of net assets sold:				
<i>Cash</i>	-	414	-	414
<i>Receivables</i>	-	360	-	360
<i>Property, plant & equipment</i>	-	17,010	-	17,010
<i>Goodwill</i>	-	698	-	698
<i>Payables</i>	-	(505)	-	(505)
<i>Provisions</i>	-	(228)	-	(228)
Net assets disposed	-	17,749	-	17,749
Gain on disposal	-	10,776	-	10,776
	-	28,525	-	28,525
Net cash inflow from disposal				
Cash consideration	-	28,525	-	28,525
Less cash balance disposed	-	(414)	-	(414)
	-	28,111	-	28,111

28 Contingent liabilities

Under the terms of the Deed of Cross Guarantee described in Note 25, the Company has guaranteed the repayment of all current and future creditors totalling \$33,428,671 (2005: \$28,124,141) in the event any of the entities which are party to the Deed are wound up. No deficiency in net assets exists in these companies.

The directors are not aware of any circumstances or information that would lead them to believe that these liabilities will crystallise and consequently no provisions are included in the financial statements in respect of these matters.

29 Particulars relating to controlled entities

Fleetwood Corporation Limited (Ultimate parent entity)

	Interest held	
	2006	2005
<i>Controlled entities</i>	%	%
Fleetwood Durabuilt Pty Ltd	100	100
Flexiglass Challenge Pty Ltd	100	100
Coromal Caravans Pty Ltd	100	100
A.C.N. 008 275 250 Pty Ltd	100	100
Fleetwood Pty Ltd	100	100
Fleetwood Finance (WA) Pty Ltd	100	100
Camec Pty Ltd	100	100
Camec (Qld) Pty Ltd	100	100
Windsor Caravans Pty Ltd	100	100
Flexiglass Challenge Industries (NZ) Limited (incorporated in New Zealand)	100	100
Serada Limited (incorporated in New Zealand)	100	100

30 Related parties

Directors

The names of each person holding the position of director of Fleetwood Corporation Limited during the financial year are S Gill, P Gunzburg, M Hardy, R McKinnon, and G Tate. Details of directors' remuneration are set out in the Remuneration Report which is contained in the Directors' Report.

No director has entered into a material contract with the Company or the consolidated entity since the end of the previous financial year and there were no material contracts involving directors' interests existing at year-end.

From time to time, directors of the Company or its controlled entities may purchase goods from the consolidated entity. These purchases are on the same terms and conditions as those entered into by other consolidated entity employees.

Directors' and executives' share and option holdings

The interest of directors and executives of the consolidated entity and its related entities, in shares and options of Fleetwood Corporation Limited are set out below.

	Shares at beginning of year	Options exercised	Net other change	Shares at end of year
Directors				
Stephen Gill				
2006	2,368,575	80,000	(126,598)	2,321,977
2005	2,379,825	82,250	(93,500)	2,368,575
Greg Tate				
2006	4,902,676	80,500	412,035	5,395,211
2005	4,635,816	237,750	29,110	4,902,676
Executives				
Rodney Bini				
2005	27,622	-	(7,622)	20,000
Bradley Denison				
2006	15,624	6,666	(22,290)	-
2005	7,958	7,666	-	15,624
Bradley Van Hemert				
2006	189,441	21,666	840	211,947
2005	77,775	121,666	(10,000)	189,441
Alan MacKenzie				
2005	-	9,120	(9,120)	-
James O'Brien				
2006	302,000	28,333	-	330,333
2005	302,000	-	-	302,000
Steve Thomas				
2006	5,200	-	506	5,706
2005	4,600	-	600	5,200
2006	7,783,516	217,165	264,493	8,265,174
2005	7,435,596	458,452	(90,532)	7,803,516

There are no shares held nominally.

30 Related parties (continued)

	Options at beginning of year	Granted (forfeited)	Exercised	Options at end of year	Vested during the year	Vested at end of year	Proceeds received on exercise \$
Directors							
Stephen Gill							
2006	130,500	300,000	(80,000)	350,500	80,500	500	298,200
2005	212,750	-	(82,250)	130,500	82,250	-	301,430
Greg Tate							
2006	130,500	300,000	(80,500)	350,000	80,500	-	299,470
2005	368,250	-	(237,750)	130,500	82,250	-	553,330
Executives							
Rodney Bini							
2005	35,000	-	-	35,000	11,666	16,666	-
Bradley Denison							
2006	25,001	30,000	(6,666)	48,335	11,667	5,001	23,264
2005	17,667	15,000	(7,666)	25,001	6,666	-	24,384
Bradley Van Hemert							
2006	73,334	50,000	(21,666)	101,668	35,000	13,334	77,197
2005	155,000	40,000	(121,666)	73,334	21,666	-	211,197
Alan MacKenzie							
2005	25,000	(15,880)	(9,120)	-	8,870	-	39,780
James O'Brien							
2006	60,000	30,000	(28,333)	61,667	20,000	8,333	97,299
2005	35,000	25,000	-	60,000	11,666	16,666	-
Steve Thomas							
2006	-	30,000	-	30,000	-	-	-
2005	-	-	-	-	-	-	-
2006	419,335	740,000	(217,165)	942,170	227,667	27,168	795,430
2005	848,667	64,120	(458,452)	454,335	225,034	33,332	1,130,121

All vested options are exercisable.

The aggregate compensation of the key management personnel of the consolidated entity and the company is set-out below:

	Consolidated		Company	
	2006	2005	2006	2005
	\$ '000	\$ '000	\$ '000	\$ '000
Short-term employee benefits	2,149,943	2,079,848	2,149,943	2,079,848
Post-employment benefits	268,826	256,365	268,826	256,365
Share-based payment	410,148	171,292	410,148	171,292
	2,828,917	2,507,505	2,828,917	2,507,505

Controlled entities

Details of interests in controlled entities are set out in Note 29. Details of dealings with controlled entities are set out below.

Inter-company loans are non-current facilities. No interest was charged by the Company in relation to these loans during the year.

The aggregate amounts receivable from wholly owned controlled entities by the Company are as follows:

Non-current assets (Note 11)	87,585	90,205
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Dividends received or due and receivable by the Company from wholly-owned controlled entities:

Recorded as revenue (Note 2)	24,571	28,479
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31 Impacts of the adoption of Australian equivalents to International Financial Reporting Standards

The consolidated entity changed its accounting policies on 1 July 2005 to comply with Australian equivalents to International Financial Reporting Standards "A-IFRS". The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 - First time adoption of Australian Equivalents to International Financial Accounting Standard, with 1 July 2004 as the date of transition.

An explanation of how the transition from superseded policies to A-IFRS has affected the company and consolidated entity's balance sheet, income statement and cash flows is set out in the following tables and the notes that accompany the tables.

Effects of A-IFRS on the balance sheet as at 1 July 2004

	Superseded policies \$ '000	Consolidated Effect of transition to A-IFRS \$ '000	A-IFRS \$ '000	Superseded policies \$ '000	Company Effect of transition to A-IFRS \$ '000	A-IFRS \$ '000
Current assets						
Cash and cash equivalents	2,197	-	2,197	1,255	-	1,255
Trade and other receivables	36,666	-	36,666	502	-	502
Inventories	28,389	-	28,389	-	-	-
Total current assets	67,252	-	67,252	1,757	-	1,757
Non-current assets						
Trade and other receivables	168	-	168	-	-	-
Property, plant and equipment	67,788	-	67,788	4,560	-	4,560
Intangible assets	29,656	-	29,656	1,081	-	1,081
Other financial assets	-	-	-	98,610	-	98,610
Total non-current assets	97,612	-	97,612	104,251	-	104,251
Total assets	164,864	-	164,864	106,008	-	106,008
Current liabilities						
Trade and other payables	32,438	-	32,438	469	-	469
Interest bearing liabilities	197	26,750	26,947	-	26,750	26,750
Current tax liabilities	2,766	-	2,766	2,434	-	2,434
Provisions	2,453	431	2,884	405	103	508
Other financial liabilities	-	2	2	-	-	-
Total current liabilities	37,854	27,183	65,037	3,308	26,853	30,161
Non-current liabilities						
Interest bearing liabilities	27,347	(26,750)	597	26,750	(26,750)	-
Deferred tax liabilities	2,445	(283)	2,162	2,445	(72)	2,373
Provisions	786	271	1,057	267	-	267
Total non-current liabilities	30,578	(26,762)	3,816	29,462	(26,822)	2,640
Total liabilities	68,432	421	68,853	32,770	31	32,801
Net assets	96,432	(421)	96,011	73,238	(31)	73,207
Equity						
Issued capital	68,791	241	69,032	68,791	241	69,032
Reserves	218	-	218	-	-	-
Retained earnings	27,423	(662)	26,761	4,447	(272)	4,175
Total equity	96,432	(421)	96,011	73,238	(31)	73,207

31 Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (continued)

Effects of A-IFRS on the balance sheet as at 30 June 2005

	Superseded policies \$ '000	Consolidated Effect of transition to A-IFRS \$ '000	A-IFRS \$ '000	Superseded policies \$ '000	Company Effect of transition to A-IFRS \$ '000	A-IFRS \$ '000
Current assets						
Cash and cash equivalents	3,506	-	3,506	2,595	-	2,595
Trade and other receivables	35,138	-	35,138	277	-	277
Inventories	32,851	-	32,851	-	-	-
Total current assets	71,495	-	71,495	2,872	-	2,872
Non-current assets						
Trade and other receivables	120	-	120	-	-	-
Property, plant and equipment	69,319	-	69,319	8,283	-	8,283
Intangible assets	27,075	1,697	28,772	210	23	233
Other financial assets	-	-	-	100,425	-	100,425
Total non-current assets	96,514	1,697	98,211	108,918	23	108,941
Total assets	168,009	1,697	169,706	111,790	23	111,813
Current liabilities						
Trade and other payables	29,533	-	29,533	677	-	677
Interest bearing liabilities	-	22,000	22,000	-	22,000	22,000
Current tax liabilities	7,260	-	7,260	7,329	-	7,329
Provisions	2,421	397	2,818	381	72	453
Other financial liabilities	-	41	41	-	-	-
Total current liabilities	39,214	22,438	61,652	8,387	22,072	30,459
Non-current liabilities						
Interest bearing liabilities	22,000	(22,000)	-	22,000	(22,000)	-
Deferred tax liabilities	720	(274)	446	710	(27)	683
Provisions	873	515	1,388	319	18	337
Total non-current liabilities	23,593	(21,759)	1,834	23,029	(22,009)	1,020
Total liabilities	62,807	679	63,486	31,416	63	31,479
Net assets	105,202	1,018	106,220	80,374	(40)	80,334
Equity						
Issued capital	70,506	721	71,227	70,506	721	71,227
Reserves	137	-	137	-	-	-
Retained earnings	34,559	297	34,856	9,868	(761)	9,107
Total equity	105,202	1,018	106,220	80,374	(40)	80,334

31 Impacts of the adoption of Australian equivalents to International Financial Reporting Standards (continued)

Effect of A-IFRS on the income statement for the financial year ended 30 June 2005

	Superseded policies \$ '000	Consolidated Effect of transition to A-IFRS \$ '000	A-IFRS \$ '000	Superseded policies \$ '000	Company Effect of transition to A-IFRS \$ '000	A-IFRS \$ '000
Sales revenue	261,799	-	261,799	713	-	713
Other income	36,780	(36,507)	273	28,965	(152)	28,813
Materials used	(117,354)	-	(117,354)	-	-	-
Sub-contract costs	(37,730)	-	(37,730)	-	-	-
Employee benefits expense	(45,862)	(573)	(46,435)	(2,125)	(417)	(2,542)
Operating leases	(4,694)	-	(4,694)	(207)	-	(207)
Written down value of assets disposed	(26,430)	26,430	-	(151)	151	-
Audit fees	(100)	-	(100)	(100)	-	(100)
Directors fees	(107)	-	(107)	(107)	-	(107)
Other expenses from ordinary activities	(21,272)	(741)	(22,013)	(2,703)	1	(2,702)
Profit before interest, tax, depreciation and amortisation	45,030	(11,391)	33,639	24,285	(417)	23,868
Depreciation and amortisation expense	(5,938)	-	(5,938)	(169)	-	(169)
Profit before interest, tax and goodwill amortisation	39,092	(11,391)	27,701	24,116	(417)	23,699
Goodwill amortisation	(1,697)	1,697	-	(23)	23	-
Profit before interest and tax	37,395	(9,694)	27,701	24,093	(394)	23,699
Finance costs	(1,263)	-	(1,263)	(904)	-	(904)
Profit before income tax expense	36,132	(9,694)	26,438	23,189	(394)	22,795
Income tax (expense) benefit	(11,003)	3,233	(7,770)	225	-	225
Profit from continuing operations	25,129	(6,461)	18,668	23,414	(394)	23,020
Profit from discontinued operations	-	7,544	7,544	-	-	-
Profit attributable to members of the parent entity	25,129	1,083	26,212	23,414	(394)	23,020

Effect of A-IFRS on the cash flow statement for the financial year ended 30 June 2005

There are no material differences between the cash flow statement presented under A-IFRS and the cash flow statement presented under the superseded policies.

Effect of the adoption of A-IFRS

(i) Share based payments

Equity-settled share based payments in respect of equity instruments issued after 7 November 2002 that were unvested as at 1 January 2005 are measured at fair value at grant date. The fair value determined at grant date of equity-settled share based payments is expensed on a straight-line basis over the vesting period, based on the estimated number of equity instruments that will vest.

(ii) Goodwill

Under A-IFRS, goodwill is not subject to amortisation, but must be tested for impairment annually and whenever there is an indication that goodwill may be impaired.

(iii) Provisions

Provisions for employee benefits that were not recognised under AGAAP will be recognised under A-IFRS.

(iv) Retained earnings

Adjustments required on first-time adoption of A-IFRS have been recognised directly in retained profits (or if appropriate another category of equity) at the date of transition to A-IFRS.

(v) Financial instruments

The consolidated entity enters into forward exchange contracts to manage its exposure to foreign currency risk. Under A-IFRS, all derivative financial instruments have been recognised at fair value.

Corporate Governance Statement

Compliance with ASX Best Practice Recommendations

Fleetwood has a strong governance culture based on the ASX Corporate Governance Council's Principles of Good Corporate Governance and Best Practice Recommendations (ASX Principles).

This statement outlines the main corporate governance practices of the company, which were in place throughout the year and at the date of this report. In accordance with the ASX Principles, the company has posted copies of its corporate governance practices on its website www.fleetwood.com.au

Areas of non-compliance and the reasons for non-compliance are noted in this statement.

Role of the Board

The Board operates in accordance with the general principles set out in its Charter, which is available from the corporate governance section of the Company's website. The major roles of the Board are to:

- Set the strategic direction of the Group with Management and monitor implementation of the strategy;
- Select and appoint the Chief Executive, determine conditions of service and monitor performance;
- Ratify appointment of the Chief Financial Officer and Company Secretary;
- Approve conditions of service and performance monitoring of senior executives;
- Monitor financial outcomes and the integrity of reporting and in particular approve annual budgets;
- Set limits of authority for committing to expenditure, entering contracts or acquiring businesses;
- Ensure effective audit, risk management and compliance systems are in place;
- Monitor compliance with regulatory requirements and ethical standards;
- Review executive succession planning and development on a regular basis;
- Ensure effective and timely reporting to Shareholders.

Audit Committee

The Audit Committee provides advice and assistance to the Board in fulfilling its responsibilities relating to the company's financial statements, financial reporting processes, internal audit, external audit and such other matters as the Board may request from time to time.

The Audit Committee is comprised of three non-executive directors that are independent of the company and management and who have appropriate business and financial expertise. The Chairman is nominated by the Board and may not also be the chairman of the Board.

The Audit Committee oversees the adequacy of the company's accounting and financial policies and controls including discussions with management and external auditors and seeks assurance on compliance with relevant regulatory and statutory requirements.

In exercising its oversight role, the Audit Committee may investigate any matter relevant to its charter. The Audit Committee reviews and reassesses its charter at least annually, and recommends any changes it considers necessary to the Board.

The Board delegates responsibility for implementing the strategic direction and for managing the day-to-day operations of the group to the Chief Executive. There are clear lines of communication established between the Chairman and Chief Executive.

The Executive Directors have service contracts setting out their conditions of service and termination entitlements.

Board Structure

The Board determines Board size and composition, subject to limits imposed by the company's Constitution.

The Board has determined that there shall be five Directors, three of whom, including the Chairman, are to be non-executive.

At the date of this report the Board comprised two non-executive directors, both of whom are independent, and three executive directors.

The company recognises the importance of having a board comprised of directors with an appropriate range of backgrounds, skills and experience. In considering candidates for appointment to the board, the company considers the following factors.

- Qualifications, expertise and experience of the person;
- Professional and personal reputation of the person.

The Board considers that the establishment of a nominations committee is unnecessary as the board is not of a size sufficient to justify the formation of a board sub-committee for this task and in this regard the responsible entity does not comply with Recommendation 2.3 of the ASX Principles.

Ethics and Conduct

The Company has policies on share trading by Directors and senior managers and on conflicts of interest. It has a Code of Conduct, which applies to Directors as well as employees. These are available on the company's website.

Equally important is the encouragement of ethical conduct not just by edict but by example from all involved in the Company. It is the Board's objective that all dealings with staff, customers, regulatory authorities and the community should be conducted honestly, fairly, diligently and in accordance with all applicable laws.

Financial Reporting

The Managing Director and the Chief Financial Officer provide undertakings to the Board that the Group's financial reports present a true and fair view and are in accordance with relevant accounting standards.

Financial Reporting (continued)

The Chief Executive, Chief Financial Officer and the external auditor attend Audit Committee meetings at the discretion of the Committee.

The minutes of each Audit Committee meeting are reviewed at the subsequent meeting of the Board.

The role and responsibilities of the Audit Committee include reviewing:

- The annual audit plan with the external auditor;
- The Group's accounting and financial reporting practices, including the effect of changes in accounting standards and practices, ASX listing requirements and corporate legislation;
- Significant transactions which are not a normal part of the Group's business;
- Half-year and full-year accounts;
- Group audit reports;
- Performance of the external auditor and proposing changes where considered necessary;
- Approving Management's use of auditors to provide consulting and other services;
- Reports on the Group's risk management activities; and
- Considering other financial matters of the group which the Audit Committee or the Board determines desirable.

Continuous Disclosure

A continuous disclosure regime operates throughout the Group. Policies and procedures are in place to ensure matters that a person could reasonably expect to have a material effect on the share price are announced to the ASX in a timely manner.

In the event a decision is made not to notify the ASX of a particular event or development, the reasons for non-notification are advised to the Board. Directors receive copies of all announcements immediately after notification to the ASX.

All announcements are posted on the company's website www.fleetwood.com.au

Shareholders Rights

The Company endeavors to keep its Shareholders fully informed of matters likely to be of interest to them through:

- Reports to the ASX;
- Half-yearly profit announcements;
- Annual Reports;
- Information provided to analysts.

which are notified on the company's website www.fleetwood.com.au

At the Annual General Meeting, questions and comments from Shareholders are encouraged. In the interests of clarity, questions on operational matters may be answered by the Chief Executive or another appropriate member of management.

The external auditor attends the Company's Annual General Meeting and is available to respond to questions about the conduct of the audit and the preparation and content of the Independent Audit Report.

Risk Management

The Audit Committee oversees the continuous improvement of risk identification, assessment, treatment and reporting.

The external auditor also reports findings on relevant risk issues to the Audit Committee and to the Board on a half-yearly basis.

The Managing Director and Group Financial Controller sign a statement that the risk management and internal compliance and control system is operating effectively and efficiently in all material respects.

Review of Board Performance

Fleetwood has processes in place to review the performance of senior management and Board members.

The assessment and monitoring of the Chief Executive is undertaken by the Chairman and discussed with Board members. Assessment and monitoring of senior managers is undertaken by the Executive Directors who report to the Board.

Each year the Board devotes time to consideration of broad corporate governance matters. The Chairman is responsible, in the first instance, for monitoring the contribution of individual Directors and counselling them on any areas for improvement. The Board plays a similar role in respect of the Chairman's performance.

Subject to normal privacy requirements directors have unfettered access to Company records and information, to the Company Secretary and to other senior officers. They receive regular detailed reports on financial and operational aspects of the Company's business and may request elaboration or explanation of those reports at any time. Each director has the right to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required which may not be unreasonably withheld.

Directors and senior management are encouraged to broaden their knowledge of the Company's business and developments in business generally by attendance at relevant courses, seminars, conferences etc. both in Australia and overseas. The Company meets expenses involved in such activities.

Remuneration

Details of remuneration policies are set out in Directors' Report under the heading "Remuneration Report".

Interests of Stakeholders

The Fleetwood Group has a code of conduct "Delivering The Promise" which sets out the behavior required of Fleetwood. There is also an Employee Code of Conduct. The Codes are published on the company's website.

Directors' Report

Fleetwood Corporation Limited

The directors of Fleetwood Corporation Limited present their report for the year ended 30 June 2006.

Directors

The names, qualifications, experience, special responsibilities and previous directorships for the last 3 years of the directors who are in office at the date of the report are disclosed in the Managing Director's Review.

Principal Activities

The principal activities of the entities in the Fleetwood group during the financial year were:

- Manufacture and sale of caravans, parts and accessories.
- Design, manufacture, sale and rental of manufactured accommodation.

Review of Operations

A review of operations for the year is contained in the Managing Director's Review.

State of Affairs

During the financial year there was no significant change in the state of affairs of the consolidated entity other than as referred to in the financial statements or notes thereto.

Future Developments

The consolidated entity will continue to pursue its policy of increasing profitability and market share in its major business sectors.

Further information as to likely developments and expected future results are disclosed in the Managing Director's Review.

Dividends

A final dividend for the year to 30 June 2006 of 12.5 cents per ordinary share plus a special dividend of 20 cents per ordinary share will be paid on 31 October 2006. Dividends paid and declared during the year are disclosed in Note 6 to the financial statements.

All dividends paid or declared by the Company since the end of the previous financial year are 100% franked at the corporate income tax rate of 30%.

Share Options

Unissued shares subject to options at the date of this report and shares issued pursuant to the exercise of options during or since the end of the year are disclosed in Note 20 to the financial statements.

Indemnification of Directors and Officers

The Company has indemnified current and former directors of the Company against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors of the Company, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

Insurance premiums in this regard relate to costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome and other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium.

Directors' and Audit Committee Meetings

Number of Board and Audit Committee meetings held and attended by each director of the Company during the financial year:

	Board		Audit Committee	
	Held	Attended	Held	Attended
Stephen Gill	7	7		
Peter Gunzburg	7	6	2	2
Michael Hardy	7	7	2	2
Robert McKinnon	7	7	2	2
Greg Tate	7	7		

Directors' Shareholdings

The relevant interest of each director in the shares of the Company at the date of this report, as notified by the directors to the Australian Stock Exchange in accordance with s205G(1) of the Corporations Act 2001 are as follows:

	Number of shares	Number of options
Stephen Gill	2,321,977	350,500
Greg Tate	5,395,211	350,000

Remuneration Report

The Board is responsible for remuneration policies and packages applicable to Board members and senior executives of the Group.

The Board reviews:

- Conditions of service and remuneration of the Chief Executive;
- Performance of the Chief Executive and senior executives;
- Remuneration policies of the Group;
- Proposals for new issues under, or changes to, the company's option plans;
- Succession plans for senior management; and
- Other related matters.

Non-executive directors receive fees determined by the Board, but within the aggregate limit approved by shareholders.

Senior executives of the Group receive a balance of fixed and variable ('at risk') remuneration. The proportions vary reflecting the capacity of executives to influence the overall outcome of the Company's operations and returns to shareholders. The variable component including cash bonuses is based on the profit earned by the Company and a series key personal performance indicators. Part of the remuneration is in the form of a short-term incentive, payable in cash and part is in the form of a long-term incentive, payable in options subject to vesting provisions and performance hurdles.

Remuneration packages contain the following key elements:

- Short-term – salary & fees, bonus and non-monetary;
- Post Employment – superannuation;
- Share-based payment – options subject to performance hurdles.

Key management personnel	Salary & fees \$	Short-term		Post Employment Superannuation \$	Share Based Payment Options \$	Total \$	Percentage of performance related remuneration %
		Bonus \$	Non-monetary \$				
Directors							
Peter Gunzburg							
2006	50,000	-	-	-	-	50,000	-
2005	50,000	-	-	-	-	50,000	-
Michael Hardy							
2006	40,000	-	-	-	-	40,000	-
2005	20,000	-	-	-	-	20,000	-
Robert Prowse							
2005	36,667	-	-	-	-	36,667	-
Stephen Gill							
2006	310,000	175,000	40,971	100,587	153,055	779,613	42.08
2005	285,000	150,000	36,730	87,000	45,153	603,883	32.32
Robert McKinnon							
2006	207,670	-	-	-	-	207,670	-
Greg Tate							
2006	400,000	175,000	35,823	100,587	153,055	864,465	37.95
2005	385,000	150,000	55,579	87,000	45,153	722,732	27.00
Total 2006	1,007,670	350,000	76,794	201,174	306,110	1,941,748	33.79
Total 2005	776,667	300,000	92,309	174,000	90,306	1,433,282	27.23

Key management personnel	Short-term		Post	Share	Total	Percentage of performance related remuneration %
	Salary	Non-monetary	Employment Superannuation	Based Payment Options		
	\$	\$	\$	\$	\$	%
Executives						
Rodney Bini CEO, Windsor Caravans Resigned 2005	151,376	15,000	13,624	6,175	186,175	3.32
Bradley Denison Chief Financial Officer 2006	115,890	15,193	10,430	20,998	162,511	12.92
2005	105,963	14,810	9,537	12,641	142,951	8.84
Bradley Van Hemert CEO, RV Manufacturing 2006	188,073	-	16,927	43,114	248,114	17.38
2005	171,683	-	15,452	36,132	223,267	16.18
Alan MacKenzie CEO, Fleetwood Resigned 2005	153,405	-	13,101	4,155	170,661	2.43
James O'Brien CEO, Camec 2006	163,552	2,522	20,170	26,179	212,423	12.32
2005	135,517	15,000	17,592	21,883	189,992	11.52
Warren Swift GM, Fleetwood Rainbow Commenced 10/01/2006 2006	60,314	6,632	5,428	-	72,374	-
Steve Thomas CEO, Flexiglass Challenge 2006	163,303	-	14,697	13,747	191,747	7.17
2005	148,118	-	13,059	-	161,177	-
Total 2006	691,132	24,347	67,652	104,038	887,169	11.73
Total 2005	866,062	44,810	82,365	80,986	1,074,223	7.54

The amount included in remuneration as share-based payment is not related to or indicative of the benefits (if any) that individual executives may ultimately realise should the equity instruments vest.

Bonuses granted during the year were paid in the subsequent year. No options issued during the year vested during the year. No bonuses or options were forfeited during the year because the person did not meet service or performance criteria.

The options are only exercisable if the company's total shareholder return equals or exceeds 15% pa compounded from the inception of the plan (1999) and the company's total shareholder return is equal to or greater than the ASX300 All Industrial Accumulation Index.

In the past five years the cumulative total shareholder returns were:

2006	32%
2005	34%
2004	46%
2003	36%
2002	28%

The performance hurdle chosen links executive remuneration with shareholder wealth generation.

Value of options issued to directors and executives:

Key management personnel	Options granted		Value of grants in subsequent year	Options exercised	Options lapsed	Value of options granted, exercised & lapsed	Value of options included in remuneration for the year	Percentage of total remuneration
	No. at grant date	Value at grant date		(Shares issued) Value at exercise date	Value at time of lapse			
		\$	\$	\$	\$	\$	\$	%
Stephen Gill	300,000	259,380	259,380	225,000	-	484,380	153,055	19.63
Greg Tate	300,000	259,380	259,380	267,290	-	526,670	153,055	17.71
Bradley Denison	30,000	25,938	25,938	20,331	-	46,269	20,998	12.92
Bradley Van Hemert	50,000	43,230	43,230	73,598	-	116,828	43,114	17.38
James O'Brien	30,000	25,938	25,938	99,899	-	125,837	26,179	12.32
Warren Swift	-	-	-	-	-	-	-	-
Steve Thomas	30,000	25,938	25,938	-	-	25,938	13,747	7.17

Non-audit Services


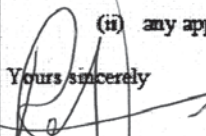
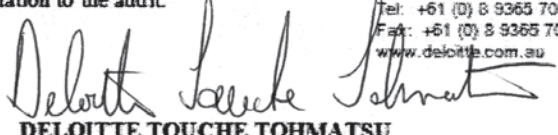
The directors are satisfied that the provision of non-audit services during the year by the auditor is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditors did not compromise the auditor independence requirement of the Corporations Act 2001 for the following reasons:

- All non-audit services have been reviewed by the audit committee to ensure they do not impact impartiality and objectivity of the auditor;
- None of the services undermine the general principles relating to auditor independence as set out in Professional Statement F1, including reviewing or auditing the auditors own work acting in a management or a decision making capacity for the company, acting as advocate for the company or jointly sharing economic risks and rewards.

Details of the amounts paid or payable to the auditor for non-audit services provided during the year by the auditor are outlined in Note 24 to the financial statements.

Auditor's Independence Declaration

The directors received the following declaration from the external auditor:

 <p>As lead audit partner for the audit of the financial statements of Fleetwood Corporation Limited for the financial year ended 30 June 2006, I declare that to the best of my knowledge and belief, there have been no contraventions of:</p> <p>(i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and</p> <p>(ii) any applicable code of professional conduct in relation to the audit.</p> <p>Yours sincerely</p>  <p>Keith Jones Partner, Perth, 27 September 2006</p>	<p>Deloitte Touche Tohmatsu ABN 74 490 121 060</p> <p>Woodside Plaza Level 14 240 St Georges Terrace Perth WA 6000 GPO Box A46... Perth WA 6837 Australia</p> <p>DX 206 Tel: +61 (0) 8 9365 7000 Fax: +61 (0) 8 9365 7001 www.deloitte.com.au</p>  <p>DELOITTE TOUCHE TOHMATSU</p>
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Company Secretary

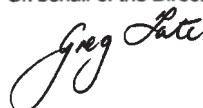
Bradley Denison, a Certified Practising Accountant with 14 years experience in senior financial roles.

Rounding

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and accordingly amounts in the financial report and directors' report have been rounded to the nearest one thousand dollars, unless otherwise indicated.

Signed in accordance with a resolution of the directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



G TATE
Director

27 September 2006

Directors' Declaration

The directors of Fleetwood Corporation Limited declare that:

- (a) the attached financial statements and notes thereto comply with Accounting Standards;
- (b) the attached financial statements and notes thereto give a true and fair view of the financial position and performance of the Company and the consolidated entity;
- (c) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001;
- (d) in the directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- (e) the directors have been given the declarations required by s. 295A of the Corporations Act 2001.

At the date of this declaration, the company is within the class of companies affected by ASIC Class Order 98/1418. The nature of the deed of cross guarantee is such that each company which is party to the deed guarantees to each creditor payment in full of any debt in accordance with the deed of cross guarantee.

In the directors opinion, there are reasonable grounds to believe that the company and the companies to which the ASIC Class Order applies, as detailed in Note 25 to the financial statements will, as a group, be able to meet any obligations or liabilities to which they are, or may become, subject by virtue of the deed of cross guarantee.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors



G TATE
Director

27 September 2006



Deloitte Touche Tohmatsu
ABN 74 490 121 060

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Independent audit report to the members of Fleetwood Corporation Limited

Scope

The financial report, compensation disclosures and directors' responsibility

The financial report comprises the balance sheet, income statement, cash flow statement, statement of recognised income and expense, a summary of significant accounting policies and other explanatory notes and the directors' declaration for both Fleetwood Corporation Limited (the company) and the consolidated entity, for the financial year ended 30 June 2006 as set out on pages 1 to 26. The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the compensation of key management personnel ("compensation disclosures") as required by paragraphs Aus 25.4 to Aus 25.6 of Accounting Standard AASB 124 *Related Party Disclosures* ("AASB 124"), under the heading "remuneration report" in the directors' report as set out on pages 30 to 32, and not in the financial report.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with Accounting Standards in Australia and the *Corporations Act 2001*. This includes responsibility for the maintenance of adequate financial records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report. The directors are also responsible for the preparation and presentation of the compensation disclosures contained in the directors' report in accordance with the *Corporations Regulations 2001*.

Audit approach

We have conducted an independent audit of the financial report and compensation disclosures in order to express an opinion on them to the members of the company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement and the compensation disclosures comply with AASB 124. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards in Australia and the *Corporations Act 2001* so as to present a view which is consistent with our understanding of the company's and the consolidated entity's financial position, and performance as represented by the results of their

Member of
Deloitte Touche Tohmatsu

operations, their changes in equity and their cash flows and whether the compensation disclosures comply with AASB 124.

Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report and the compensation disclosures in the directors' report, and the evaluation of accounting policies and significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In our opinion:

- (1) the financial report of Fleetwood Corporation Limited is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2006 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the *Corporations Regulations 2001*; and
- (2) the compensation disclosures that are contained on pages 30 to 32 under the heading "remuneration report" of the directors' report comply with paragraphs Aus 25.4 to Aus 25.6 of Accounting Standard AASB 124 *Related Party Disclosures*.



DELOITTE TOUCHE TOHMATSU



Keith Jones
Partner
Chartered Accountants
Perth, WA 27 September 2006

ASX Additional Information as at 26 September 2006

Additional information required by the Australian Stock Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

Twenty largest shareholders

Name	Number of ordinary shares held	%
Karrad Pty Ltd	4,672,094	9.64%
Citicorp Nominees Pty Limited (CFS Future Leaders Fund A/C)	3,468,590	7.16%
Adventure Holdings Pty Ltd	1,918,028	3.96%
Argo Investments Limited	1,439,497	2.97%
Citicorp Nominees Pty Limited (CFS Developing Companies A/C)	1,077,203	2.22%
J P Morgan Nominees Australia Limited	890,273	1.84%
Citicorp Nominees Pty Limited (CFSIL CFS WS Small Comp A/C)	801,401	1.65%
National Nominees Limited	766,971	1.58%
UCA Growth Fund Limited	750,000	1.55%
The Australian National University	658,361	1.36%
RBC Dexia Investor Services Australia Nominees Pty Limited (PIIC A/C)	637,042	1.31%
Queensland Investment Corporation	622,758	1.29%
Kevin Edward O'Brien	576,500	1.19%
Thomas Joseph Falvey	534,706	1.10%
RBC Dexia Investor Services Australia Nominees Pty Limited (PIPOOLED A/C)	519,113	1.07%
Westpac Custodian Nominees Limited	432,410	0.89%
Greg Tate	389,966	0.80%
Citicorp Nominees Pty Limited	374,004	0.77%
Mirrabooka Investments Limited	350,000	0.72%
Macajaba Investments Pty Ltd (O'Brien Family A/C)	330,333	0.68%
	21,209,250	43.77%

Substantial shareholders

The number of shares held by substantial shareholders are set out below:

Name		
Citicorp Nominees Pty Limited	5,737,579	11.84%
Greg Tate	5,395,211	11.13%

Distribution of equity security holders

Category	Number of shareholders
1 -1,000	3,129
1,001 - 5,000	4,910
5,001 - 10,000	615
10,001 - 100,000	318
100,001 and over	32
	9,004
Shareholders holding less than a marketable parcel	154

Voting rights of shareholders

On a show of hands, every member in person or by proxy shall have one vote. Upon a poll, voting rights of such members shall be one vote for each share held.

On market buy-back

There is no current on market buy-back.

Other information

Fleetwood Corporation Limited, incorporated and domiciled in Australia, is a publicly listed company limited by shares.



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