2019

FINANCIAL REPORT

FLEETWOOD™
AUSTRALIA

CONTENTS

DIRECTORS' REPORT

The Directors of Fleetwood Corporation Limited present their Report for the year ended 30 June 2019.

DIRECTORS AND OFFICERS

The Board is currently comprised of four non-executive Directors and the Managing Director. The Directors who are in office at the date of this Report are:

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

PRINCIPAL ACTIVITIES

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

- design, manufacture, and sale of manufactured accommodation;
- operation of accommodation villages; and
- manufacture and distribution of vehicle parts and accessories and associated services.

OPERATIONS

A review of operations for the year is contained in the Operations Review. Results of operations for the year are contained in the Financial Report.

FINANCIAL POSITION

A summary of the financial position of the Group is disclosed on pages 5 and 6 of this Financial Report.

SIGNIFICANT EVENTS DURING THE REPORTING PERIOD

Resignation and Appointment of Company Secretary

On 5 July 2018, Yanya O'Hara resigned as Company Secretary. Andrew Wackett (Chief Financial Officer) and Elizabeth Maynard (General Counsel - Appointed 03/09/2019) were appointed as joint Company Secretaries.

Successful Completion of Capital Raising

On 27 July 2018, the Company announced the completion of the institutional component of its equity raising. On 17 August 2018, the Company announced the completion of the retail component of its equity raising. The institutional placement and the 1 for 2.9 pro-rata accelerated non-renounceable entitlement offer, raised approximately $57 million net of costs.

Acquisition of Modular Building Systems

On 8 August 2018, the Company announced that it had completed the acquisition of 100% of the shares of Modular Building Systems Pty Ltd ACN 127 380 330 (MBS), for $34.15 million plus a potential earnout. MBS is based in New South Wales and specialises in the manufacture and installation of prefabricated modular buildings.

Acquisition of Northern RV

On 7 August 2018, the Company announced that it had completed the acquisition of the business and assets of Northern RV (NRV), a Melbourne based caravan plumbing and electrical services and parts supplier, for $10 million plus a potential earnout. Founded in 2006, NRV is an established supplier of products and services to the Melbourne RV manufacturing sector.

First and Second Completion of Caravan Manufacturing Sale

On 10 August 2018, the Company announced the completion of the sale of the Coromal and Windsor Caravan brands to Apollo Tourism & Leisure Limited for $1 million. The second phase of the sale which saw Apollo purchase agreed raw materials and finished goods stock from Fleetwood completed in the second half of FY19.

FUTURE DEVELOPMENTS

The Company will continue to pursue increasing both profitability and market share in its major business sectors. Further information as to likely developments and expected future results are disclosed in the Review of Operations.

DIVIDENDS

No final dividend was declared or paid with respect to the year ended 30 June 2019.

SHARE OPTIONS AND UNITS

An Executive Long Term Incentive Plan was approved by Shareholders at the 2018 Annual General Meeting. This plan replaced the Executive Share Unit and Executive Option Plans. No share units or options were issued or granted during the 2019 fiscal year or subsequent to year end.

Details of share rights granted to Key Management Personnel following the 2018 Annual General Meeting are set out in the Remuneration Report.

INDEMNIFICATION OF DIRECTORS, OFFICERS AND AUDITORS

The Company has executed agreements with current and former Directors and officers in respect of indemnity, access to documents and insurance.

Subject to the Corporations Act 2001 (Cth) and Fleetwood's Constitution, Directors and officers are indemnified against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as Director or officer of the Company, except where the liability arises out of conduct involving a lack of good faith.

The Company provides D&O insurance cover to current and former directors and officers. The contract of insurance prohibits disclosure of the nature of the cover, however insurance premiums paid during the financial year were $234,313 (2018: $120,500).

The access deed provides, among other things, current and former directors and officers with access to certain Company information, during their tenure and for a period of seven years after they cease to be an officer or director.

The Company has not otherwise, during or since the end of the financial year, except to the extent permitted by law, indemnified or agreed to indemnify an auditor of the Company or any related body corporate against liability incurred as an auditor.

DIRECTOR, AUDIT AND RISK COMMITTEE, REMUNERATION AND NOMINATION AND DIVERSITY COMMITTEE MEETINGS

During the financial year, ten Board meetings, three Audit Committee meetings, one Remuneration Committee meeting and one Nomination and Diversity Committee meeting were held. The number of Board, Audit Committee and Remuneration Committee meetings attended by each current and former Director of the Company during the financial year are as follows:

	Board		**Audit Committee**		**Remuneration Committee**		**Nominations and Diversity Committee**	
	Eligible to attend	**Attended**	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**	**Eligible to attend**	**Attended**
Phillip Campbell	10	10	3	3	1	1	2	2
Brad Denison [1]	10	10	-	-	-	-	2	2
Jeff Dowling	10	10	3	3	1	1	2	2
Adrienne Parker	10	10	3	3	1	1	2	2
Mark Southey [2]	6	6	2	2	-	-	1	1

[1] Notwithstanding he is not a member, Brad Denison attended relevant sections of the meetings as directed by the Chair of the Audit and Risk Committee and the Chair of the Remuneration Committee, respectively.
[2] Appointed to the Board on 10/10/2018.

DIRECTORS' SHAREHOLDINGS

The relevant interest of each Director in Company shares and options at the date of this Report, as notified by the Directors to the ASX in accordance with s205G(1) of the Corporations Act (Cth) 2001 are as follows:

	No. of shares	No. of share units	No. of options	No. of share rights
Phillip Campbell [1]	26,000	-	-	-
Brad Denison [1]	189,418	770,000	-	146,028
Jeff Dowling [1]	50,000	-	-	-
Adrienne Parker	-	-	-	-
Mark Southey (Appointed 10/10/2018)	-	-	-	-

[1] Phillip Campbell, Brad Denison and Jeff Dowling participated in the retail entitlement offer which was announced on 27 July 2018.

DIRECTORS' REPORT

REVIEW OF OPERATIONS

Fleetwood Australia has undergone significant transformation in the 2019 financial year.

The transformation included selling the company's only remaining loss-making business, being Caravan Manufacturing, and making two new acquisitions, being Modular Building Systems (MBS) in New South Wales and Northern RV (NRV) in Melbourne.

The two acquisitions were funded by a $60m capital raise in August 2018.

Fleetwood is now in a very strong position, both from an organisation structure and balance sheet point of view, to capitalise on significant opportunities that exist in key growth markets.

The company is now the largest modular construction business in Australia, with operations in four key States. Long term relationships with government clients provide an ideal basis for exposure to announced major spend in education, corrections and affordable housing.

Fleetwood has a key presence in the outdoor leisure segment through its recreational vehicle parts and services segment, where there are opportunities to grow the services and aftermarket channels.

The company also has exposure to the Karratha / Dampier accommodation market, where it is expected new resources projects will bring large numbers of construction workers over the next three to five years.

Supporting future growth is a strong executive management team and a board of directors which has been refreshed over the last three years.

TRADING RESULTS

Earnings before interest, tax and amortisation (EBITA) from continuing operations of $25.3m in FY19 was $6.5m higher than FY18.

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

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

As part of the acquisition of MBS, an acquired contract intangible of $14.9m has been recognised in the Statement of Financial Position. This was amortised at the rate of $3.1m in FY19. In FY20 the amortisation charge is expected to be approximately $4.2m.

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

Earnings per share decreased 11% to 17.7cps on an NPATA basis.

RESULT SUMMARY

$ million	FY19	FY18	Change
Revenue	**315.3**	**267.0**	**18%**
EBITDA	**34.4**	**25.2**	**37%**
Depreciation	9.1	6.3	43%
EBITA	**25.3**	**18.8**	**34%**
Amortisation of contract intangible	3.1	0.0	n/a
Finance costs	0.9	1.2	-31%
Pre-tax profit	21.4	17.6	22%
Tax expense (benefit)	7.4	5.4	37%
NPAT	**14.0**	**12.2**	**15%**
Loss from discontinued operations	(20.3)	(25.7)	n/a
Statutory NPAT	**(6.2)**	**(13.5)**	**n/a**

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

DIVISIONAL EBITA RESULT SUMMARY

$ million	FY19	FY18	Change
Revenue			
Parts and Services	72.8	66.6	9%
Modular Accommodation	209.4	179.3	17%
Village Operations	37.0	27.9	32%
Unallocated	0.4	0.2	n/a
Intersegment eliminations	(4.2)	(7.0)	n/a
Total revenue	**315.3**	**267.0**	**18%**
EBITA			
Parts and Services	5.7	3.6	59%
Modular Accommodation	12.6	10.1	25%
Village Operations	11.5	9.1	26%
Unallocated	(4.5)	(4.0)	n/a
Total EBITA	**25.3**	**18.8**	**34%**

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

CASHFLOW AND DEBT

June 2019 net cash of $33.6m compares to December 2018 net cash of $16.3m. The Group currently has total debt and bonding facilities of $65m compared to $37m in June 2018.

The movement in net debt is detailed below.

$ million	FY19	FY18
EBITDA	34.4	25.2
Cash outflows from discontinued businesses	(5.2)	(16.2)
Interest paid (net)	(0.7)	(1.1)
Tax	(2.5)	1.0
Working capital (and other)	6.0	9.0
Operating cashflow	31.9	17.9
Net capex	(11.8)	(21.7)
Free cashflow	20.1	(3.8)
Net acquisitions	(44.4)	7.2
Financing cashflows	57.2	(3.1)
Opening net cash (debt)	0.6	0.4
Closing net cash (debt)	33.6	0.6

Cashflow from operations of $31.9m was ahead of FY18 cashflow of $17.9m. This was driven by reduced cash outflows from discontinued businesses and improved working capital management.

The cash inflow from the second completion of the Caravan Manufacturing business sale (announced to the ASX 4 March 2019) is included in the cash outflows from discontinued businesses.

Net capex relates primarily to new education hire classrooms and the ongoing upgrade of Fleetwood's IT system. Capex in FY20 is expected to be moderately higher than in FY19.

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

MODULAR ACCOMMODATION

$ million	FY19	FY18	Change
Revenue	209.4	179.3	17%
EBITA	12.6	10.1	25%

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

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

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

The MBS contribution was partially offset by lower education demand in Victoria ahead of the State election. Volumes in Victoria recovered strongly after the election and has entered FY20 with solid operational momentum.

The Victorian business began delivering permanent modular schools during FY19. This is a new area of government funding that the business did not previously have access to. This new business area has been cultivated by Fleetwood's design and sales team based in Melbourne and demonstrates that traditional construction techniques are able to be competitively bid in a modular format.

One of these projects, the Yallourn North Primary School, won the award for "the best permanent education structure under 10,000 square feet" at the Modular Building Institute's annual trade show in Las Vegas.

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

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

Project wins in the Western Australian resource sector saw this part of the business improve its revenue but trading results remained patchy due to a market overhang of second hand buildings.

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

VILLAGE OPERATIONS

$ million	FY19	FY18	Change
Revenue	37.0	27.9	32%
EBITA	11.5	9.1	26%

Fleetwood's Village Operations segment has continued to benefit from increased occupancy at Searipple Village in Karratha. Both operational and shutdown related accommodation demand was at higher than expected levels during the year. Overall division EBITA for FY19 of $11.5m was up 26% when compared to FY18.

A lull in earnings in FY20 is forecast ahead of expected construction demand coming online in the medium term.

PARTS AND SERVICES

$ million	FY19	FY18	Change
Revenue	72.8	66.6	9%
EBITA	5.7	3.6	59%

Declining retail sales rates of locally manufactured product in the recreational vehicles industry saw Camec's OEM revenue fall during FY19. This was partially recovered through aftermarket revenue from major retailers and trade repairers.

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

The strategic intent behind this acquisition was to increase integration with our key OEM customers in Melbourne, with a focus on hedging the company against a greater mix of imported product now entering the market requiring Australian licenced gas and plumbing fitout.

CORPORATE COSTS
Costs grew by $0.5m in FY19 largely due to negotiation and execution of corporate transactions. These costs are expected to grow again in FY20 to meet support requirements of a larger business.

DIVIDENDS

The company is presently tendering on a number of projects, which, if successful would require a commitment of working capital. Given this, no final dividend has been declared for FY19.

Notwithstanding this, the company expects to implement a dividend payout ratio of approximately 30% of free cash flow.

To support this, the company has $25.1m in franking credits available.

FORWARD STRATEGY AND NEAR TERM OUTLOOK

Modular Accommodation

Fleetwood has successfully commenced adapting traditional areas of the construction industry towards modular construction. Based on overseas experience there are significant further opportunities, as well as traditional modular markets Fleetwood does not presently have exposure to.

Tendering activity in the Modular Accommodation segment is presently at the highest level it has been for a number of years.

This activity is concentrated to a degree in the education sector, however the corrections, social housing and commercial sectors are also showing stronger signs of forward demand than at any time in recent history.

The New South Wales government has announced $6.7b to build 190 new schools. This program is in the early stages and Fleetwood is participating in tendering for these projects.

The Victorian government has announced a capital works program to build 45 new schools in the current electoral term. Fleetwood has already delivered multiple projects under this program in the last twelve months and continues to bid for future projects.

The New South Wales government has also announced $3.8b to upgrade correctional capacity across its network. Fleetwood is a member of the approved panel which is delivering into this program. Approximately half of this volume has been procured with half remaining.

There are also a number of resource sector projects which are either in the feasibility or active tendering stage. Fleetwood has the strongest capability in the industry to bid on these projects and this also remains a core focus.

Parts and Services

Diversifying sources of revenue in the Parts and Services business will make this segment more resilient to fluctuations in industry demand.

The recreational vehicle manufacturing industry is presently demonstrating mixed demand indicators. Local caravan manufacturers have reduced volume in the last six months, however importers of caravans have maintained volume, particularly in low cost models.

Fleetwood's Parts and Services business has an exposure to the locally built market through its parts business Camec, and to both locally built and overseas imports through its services business, NRV.

Expansion of the earnings base in this segment will be driven by a focus on services, with the key channel to market being the aftermarket segment, which includes on-line and instore retail, trade repairs and post-delivery services.

Village Operations

Developing a larger underlying base from Village Operations will improve Fleetwood's overall quality of earnings in the medium term.

A number of planned resource sector projects have the potential to impact Fleetwood's earnings in the Karratha market.

Despite additional capacity likely to come on line in the near term, the potential demand profile indicated by resource companies has increased further in the last three months.

Fleetwood is also pursuing a strategy of increasing its portfolio of villages and has a number of opportunities under consideration.

DISCONTINUED BUSINESSES

1. Caravan Manufacturing

The Caravan Manufacturing business generated operating losses of $13.2m in FY19 ($9.0m in H1 FY19) as the impending factory closure impacted results.

First close on the sale to Apollo was achieved on 9 August 2018 with the payment for the Coromal and Windsor brands of $1m. The second phase of the sale which saw Apollo purchase agreed raw materials and finished goods stock from Fleetwood completed in the second half of FY19.

The wind down of the Caravan Manufacturing business has progressed substantially with the factory now closed and the transition of the brands complete. Fleetwood has some residual vans and raw materials which are expected to be disposed of during FY20.

The value of residual debtors, raw materials, vans and fixed assets were written down by $8m to reflect expected proceeds. In addition, a $4m provision for future warranty costs was taken to cover expected future claims.

Fleetwood expects to incur further, albeit much reduced, operating losses in FY20. The full transition period for the Caravan Manufacturing business will determine the final value the company receives from the exit, but in cash terms, the overall process is still expected to be positive due to the recovery of goodwill, raw materials, finished goods and the future utilisation of tax losses.

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

2. Resource sector rental operations

Operating losses of $0.3m were incurred during FY19 as residual assets continue to be sold. Following a review of current market values these assets were written down by $3.5m. The remaining assets of $5.4m are expected to be largely realised during FY20.

DIRECTORS' REPORT
CHAIRMAN'S LETTER REGARDING THE REMUNERATION REPORT

Dear Shareholders and readers of this report,

We are pleased to present Fleetwood's Remuneration report for the year ended 30 June 2019. Fleetwood's remuneration framework is designed to align management remuneration with shareholder returns, the principles of which are outlined in the remuneration principles section of this report.

I am pleased to be able to report that considerable progress has been made on the restructuring and future positioning of your company. This transformation of the company has been the result of significant commitment and hard work by Fleetwood employees across the business and in particular, the leadership of Brad Denison, our CEO and his executive team.

Details of the remuneration framework applying to the leadership team are transparently and comprehensively disclosed in this report.

Our objective is to implement remuneration policies that reward value creation and deliver sustainable value for Fleetwood shareholders. We strongly believe that if investors and their advisers carefully review our accomplishments and forward plans they will endorse the effectiveness of the plans implemented thus far and those which we are proposing as set out below.

With respect to the key remuneration issues and outcomes in the 2019 financial year:

- We have not made any underlying changes to the fixed remuneration of the CEO.
- The STI structure was changed to ensure it relates to the current financial year, not the previous financial year.
- The financial component of the STI was not met in FY18 or FY19, however several components of the non-financial component were met. These related mainly to changes in the structure of the group.
- There have been no changes to the annual incentive policy other than to develop challenging and focused objectives for the management team to deliver through the past 12 months (FY19).
- LTI Share Right awards were made to key management personnel as approved by shareholders at the 2018 AGM.
- No Share Rights have vested given they vest over three years.

With respect to our thinking going forward:

- Limited remuneration increases would appear to be appropriate given the state of the economy and wage growth generally. Any changes to the remuneration of the CEO will of course be disclosed if and when made.
- New equity awards are being considered on the same terms as approved by shareholders at the 2018 AGM:
    - Awards with performance periods of three years;
    - 50% weighted to total shareholder return; and
    - The balance equally weighted to earnings per share growth and return on equity subject to a maximum Debt to Equity ratio.

The mandate of the Remuneration Committee remains unchanged. We urge shareholders to support us as we continue to develop and implement schemes which we consider to be in their best interest whilst recognising the particular challenges of the markets in which we work and the core objectives which have been set for those people appointed to manage our businesses.

P Campbell
Non-Executive Chairman

REMUNERATION REPORT (AUDITED)

The Directors of Fleetwood Corporation Ltd (Fleetwood) present the Remuneration Report for Non-Executive Directors, Executive Directors and other Key Management Personnel (KMP), prepared in accordance with the *Corporations Act 2001 (Cth)* and the *Corporations Regulations 2001 (Cth)*.

The Remuneration Report is set out under the following main headings:
1. Principles used to determine the nature and amount of remuneration
2. Details of remuneration
3. Service agreements
4. Short term incentive included in remuneration
5. Share-based remuneration
6. Other information

1. PRINCIPLES USED TO DETERMINE THE NATURE AND AMOUNT OF REMUNERATION

The principles of the Group's executive strategy and supporting incentive programs and frameworks are:
- to align rewards to business outcomes that deliver value to shareholders;
- to drive a high performance culture by setting challenging objectives and rewarding high performing individuals; and
- to ensure remuneration is competitive in the relevant employment market place to support the attraction, motivation and retention of executive talent.

Fleetwood has structured a remuneration framework that is market competitive and complementary to the reward strategy of the Group.

The Board has established a Remuneration Committee, chaired by Independent Non-Executive Director Mark Southey, which operates in accordance with its charter as approved by the Board. The Committee is responsible for recommending and reviewing compensation arrangements for the Directors and the Executive Team.

The Committee has engaged independent remuneration consultants to provide necessary information to assist in the discharge of its responsibilities (refer to the disclosures below in section 1.4).

The remuneration structure adopted by the Group consists of the following components:
- fixed remuneration, being annual salary;
- short term incentives, being cash bonuses; and
- long term incentives, being share schemes.

The Remuneration Committee assess the appropriateness of the nature and amount of remuneration on a periodic basis by reference to recent employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality Board and Executive Team.

The payment of bonuses, share rights and other incentives are reviewed by the Remuneration Committee annually as part of the review of executive remuneration and a recommendation is put to the Board for approval. All bonuses, shares and incentives must be linked to pre-determined performance criteria and hurdles.

During the financial year the Remuneration Committee reviewed:
- conditions of service and remuneration of the Directors and Executives;
- remuneration policies of the Group;
- proposals for new issues under, or changes to, the Company's long and short term incentive plans;
- succession plans for senior management; and
- other related matters.

The remuneration components for each Executive are detailed below.

1.1 Total Fixed Remuneration (TFR)

TFR comprises salary and superannuation capped at the concessional contribution limit. Fixed remuneration is set with reference to role, market and relevant experience and is reviewed annually or on promotion.

1.2 Short Term Incentive (STI)

Fleetwood's performance measures include the use of annual performance objectives, metrics and continuing emphasis on Company values.

The performance measures are set annually after consultation with the Directors and Executives and are specifically tailored to the areas where each Executive has a level of control. The measures target areas the Board believes hold the greatest potential for expansion and profit and cover financial and non-financial measures.

The performance measures for the STI comprise a combination of individual and company specific performance targets. The weighting is 50% non-financial and 50% financial. In setting the performance measures for the STI, the Remuneration Committee is conscious to ensure that all targets are measurable and provide a challenging but meaningful incentive to participants.

Non-financial metrics are based on performance against specific individual key performance targets. Individual performance targets are derived from position descriptions, key responsibilities, key competencies and period specific objectives which are in turn aligned with key business strategies identified annually during the business planning process following the Board's sign off of budgets.

Financial performance targets are derived from budgeted or forecast EBITA above a relevant qualifying gate which is considered an appropriate measure of the Company's profitability.

The maximum amount of these awards is based on a percentage of the Executive's TFR (which is set out in table 4). The actual STI outcomes for the year are detailed in tables 3 and 5 below.

1.3 Long Term Incentive (LTI)

Long-term incentives in the form of share rights received by Executives are determined in accordance with the provisions of the Executive Long Term Incentive Plan (LTI Plan), which was approved by shareholders at the 2018 Annual General Meeting (AGM). The objective of this plan is to retain and reward executives and to align their long term interests with those of shareholders.

50% of share rights are performance tested against total shareholder return (TSR) performance, 25% are tested against earnings per share (EPS) performance and the remaining 25% are tested against return on equity (ROE) performance over a 3 year period from a start date of 1 July 2018 (Start Date) to a test date of 30 June 2021 (End Date).

The TSR performance condition will be met if the Company's TSR performance is at or above 15% compound annual growth rate (CAGR) (over the period from the Start Date to the End Date).

The EPS performance condition will be met if the Company's EPS performance is at or above 15% compound annual growth rate in the 2021 financial year and the ROE performance condition will be met if the Company's ROE is at or above 12% in the 2021 financial year (subject to a maximum debt to equity ratio of 30%).

The maximum amount of LTI awards is based on a percentage of the Executive's TFR (which is set out in table 4).

Up until the implementation of the LTI Plan at the 2018 AGM, Executives participated in the Executive Share Unit and Executive Option Plans. The share units and options granted pursuant to those plans are noted and discussed in the 2018 Remuneration Report. Those plans will remain in effect until all granted units and options have been exercised, fortified or expired. No share units or options have been granted or issued since the introduction of the LTI Plan in 2018. Further details on these plans are contained in section 5.

1.4 Use of remuneration consultants

Fleetwood's Remuneration Committee took advice from external consultants regarding appropriate benchmarks for Executive TFR. The Committee also took advice from external consultants on the design and structure of the new LTI Plan.

Under the terms of the engagement, EY provided remuneration recommendations as defined in section 9B of the *Corporations Act 2001* and was paid $16,000 (excluding GST) for these services. EY has confirmed that the above recommendations have been made free from undue influence by members of the Group's KMP.

EY was engaged by, and reported directly to, the previous Chair of the Remuneration Committee, Jeff Dowling. The agreement was executed by the Chair of the Remuneration Committee under delegated authority on behalf of the Board.

The services were provided by EY directly to the Chair of the Remuneration Committee.

1.5 Voting and comments made at the Company's last Annual General Meeting

Fleetwood received 55.7% of 'yes' votes on its Remuneration Report for the financial year ending 30 June 2018. The Company received no specific feedback on its Remuneration Report at the 2018 AGM.

1.6 Consequences of performance on shareholder wealth

In considering the Group's performance and benefits for shareholder wealth, the Board have regard to the following indices in respect of the current financial year and the previous four financial years:

Table 1: Five year Snapshot of Continuing Operations

	2015	**2016**	**2017**	**2018**	**2019**
Share price at start of year ($)	2.33	1.37	1.91	2.36	2.27
Share price at end of year ($)	1.37	1.91	2.36	2.27	1.70
Dividend per share (cents)	-	-	5.0	1.0	-
Earnings per share (cents)	13.2	4.2	24.8	20.0	15.4
Diluted earnings per share (cents)	13.2	4.2	24.8	19.9	15.4
$ Million					
Revenue	245.9	233.0	262.4	267.0	315.3
Profit before interest, tax and amortisation (EBITA)	15.3	5.3	22.7	18.8	25.3
Net profit after tax (NPAT)	8.1	2.6	15.2	12.2	14.0

2. DETAILS OF REMUNERATION

Details of the nature and amount of each element of the remuneration of each Director and Executive of Fleetwood are shown in the table below:

Table 2: Non-Executive Directors Remuneration Summary

NON-EXECUTIVE DIRECTORS	Short-term employee benefits			Post employment		Share based payments			
	Salary & fees	Bonus	Non-monetary	Super-annuation	**Other long term benefits**	Options	Share units	Share rights	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Phillip Campbell									
Chairman, Non-Executive Director									
2019	**140,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**140,000**
2018	137,500	-	-	-	-	-	-	-	137,500
Jeff Dowling									
Non-Executive Director									
2019	**82,192**	**-**	**-**	**7,808**	**-**	**-**	**-**	**-**	**90,000**
2018	77,626	-	-	7,374	-	-	-	-	85,000
Adrienne Parker									
Non-Executive Director									
2019	**82,192**	**-**	**-**	**7,808**	**-**	**-**	**-**	**-**	**90,000**
2018	63,178	-	-	5,856	-	-	-	-	69,034
Stephen Boyle									
Non-Executive Director									
(Resigned 31/08/17)									
2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2018	11,667	-	-	-	-	-	-	-	11,667
Mark Southey									
Non-Executive Director									
(Appointed 10/10/18)									
2019	**54,794**	**-**	**-**	**5,205**	**-**	**-**	**-**	**-**	**60,000**
2018	-	-	-	-	-	-	-	-	-
2019	**359,178**	**-**	**-**	**20,822**	**-**	**-**	**-**	**-**	**380,000**
2018	289,970	-	-	13,231	-	-	-	-	303,201

Table 3: Executive Director and Executives Remuneration Summary

EXECUTIVE DIRECTOR AND OFFICERS	Short-term employee benefits			Post employm		Share based payments			
	Salary & fees	Bonus	Non-monetary	Super-annuation	**Other long term benefits**	Options	Share units	Share rights	**Total**
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Brad Denison									
Chief Executive Officer, Managing Director									
2019	**548,384**	**100,000**	**23,410**	**25,000**	**4,835**	**-**	**112,524**	**6,732**	**820,885**
2018	585,327	219,143	28,243	25,000	34,766	-	136,579	-	1,029,058
Andrew Wackett									
Chief Financial Officer, Company Secretary									
2019	**334,097**	**60,000**	**-**	**20,531**	**789**	**-**	**26,706**	**3,059**	**445,183**
2018	270,649	-	-	20,042	789	-	54,861	-	346,341
Elizabeth Maynard									
General Counsel, Company Secretary (Appointed 03/09/18)									
2019	**187,922**	**-**	**-**	**17,110**	**-**	**-**	**-**	**2,154**	**207,186**
2018	-	-	-	-	-	-	-	-	-
Yanya O'Hara									
Company Secretary (Resigned 05/07/18)									
2019	**14,707**	**-**	**-**	**1,397**	**-**	**-**	**2,416**	**-**	**18,520**
2018	193,293	29,608	-	19,681	11,957	-	16,693	-	271,233
Jarrod Waring									
Chief Executive Officer - Modular Accommodation									
2019	**354,043**	**60,000**	**-**	**20,531**	**3,906**	**-**	**25,669**	**3,171**	**467,321**
2018	338,813	58,200	-	19,615	16,038	-	21,212	-	453,878
Manuel Larre									
Chief Executive Officer - Parts and Services									
2019	**282,198**	**61,019**	**-**	**25,000**	**3,738**	**-**	**30,485**	**2,740**	**405,180**
2018	285,594	60,000	-	23,772	11,390	-	23,770	-	404,526
Peter Naylor									
Executive General Manager - Fleetwood RV Pty Ltd (Ceased being a KMP 20/06/18)									
2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2018	308,564	25,000	-	25,000	3,616	-	21,696	-	383,875
Dominic Letts									
Executive General Manager - Village Operations (Appointed 01/01/18)									
2019	**286,597**	**60,000**	**-**	**25,000**	**3,172**	**-**	**11,252**	**2,637**	**388,658**
2018	138,834	-	-	10,545	7,377	-	6,649	-	163,405
Giles Everest									
Executive General Manager - Fleetwood Pty Ltd (Resigned 20/10/17)									
2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2018	117,575	105,000	-	8,300	-	-	8,077	-	238,952
2019	**2,007,948**	**341,019**	**23,410**	**134,569**	**16,441**	**-**	**209,052**	**20,494**	**2,752,933**
2018	2,238,649	496,951	28,243	151,956	85,933	-	289,536	-	3,291,269

Table Notes:
The Remuneration Committee changed the STI structure to ensure it relates to the current financial year not the previous financial year. As such, the 2019 STI in the above table relates to both FY18 and FY19.

Whilst the financial component of the STI was not met in either year, several elements of the non-financial component were met. This included the sale of the Caravan Manufacturing and Flexiglass businesses and the successful acquisitions of MBS and NRV, together with the associated capital raising.

Brad Denison's salary and wages has been reduced by the amount of annual leave taken in the period previously recognised as salaries and wages in the Remuneration Report.

Included in salary and fees are amounts of annual leave accrued during the reporting period. There are no post-employment benefits other than superannuation. Executive contracts do not provide for any termination payments, other than the payment of accrued leave entitlements. Other long term benefits comprise long service leave entitlements accrued to the Executive during the reporting period.

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

3. SERVICE AGREEMENTS

Remuneration and other terms of employment for all Executives are formalised in a Service Agreement. The major provisions of the agreements relating to remuneration are set out below:

Table 4: Executive Service Agreements

Key Management Personnel	TFR	STIP %	LTIP %	Notice Period
Brad Denison	625,000	50%	50%	3 months
Andrew Wackett	355,000	40%	40%	3 months
Elizabeth Maynard (Appointed 03/09/18)	250,000	40%	40%	3 months
Yanya O'Hara (Resigned 05/07/18)	210,000	25%	25%	3 months
Jarrod Waring	368,000	40%	40%	3 months
Manuel Larre	318,000	40%	40%	3 months
Dominic Letts	306,000	40%	40%	3 months

The Remuneration Committee determines remuneration for all KMP listed under the guidelines contained in this Remuneration Report.

4. STI INCLUDED IN REMUNERATION

Details of the STI cash bonuses awarded as remuneration to each KMP, the percentage of the available bonus that was paid in the financial year, and the percentage that was forfeited because the person did not meet the service and performance criteria is set out below. No part of the bonus is payable in future years.

Table 5: STI summary

Key Management Personnel	Included in Remuneration	Earned %	Forefeited %	Total available STI %
Brad Denison	100,000	17%	33%	50%
Andrew Wackett	60,000	17%	23%	40%
Elizabeth Maynard (Appointed 03/09/18)	-	0%	0%	0%
Yanya O'Hara (Resigned 05/07/18)	-	0%	25%	25%
Jarrod Waring	60,000	16%	24%	40%
Manuel Larre	61,019	20%	20%	40%
Dominic Letts	60,000	19%	21%	40%

A description of the STI is detailed in section 1.2 of this report and further details on the above outcomes are disclosed below table 3.

5. SHARE-BASED REMUNERATION

Fleetwood currently has three share based long term incentive plans, two of which are no longer in use. These are summarised below:

- FY19: LTI Share Rights Plan. Key terms discussed in section 1.3 of this report. An expense of $34,174 was recorded in the FY19 accounts for this plan. KMP holdings of share rights under this plan are detailed in table 9.
- FY15-FY18: Share Units Plan. No longer in use. The final grant date in relation to this plan was made on 20 December 2017 with a 3 year vesting period. An accounting expense of $306,002 was recorded in the FY19 accounts for this plan. KMP holdings of share units under this plan are detailed in table 10.
- FY12-FY14: Share Options Plan. No longer in use. No expense for this plan was recorded in the FY19 accounts. KMP holdings of options under this plan are detailed in table 11.

Details of share rights over ordinary shares in the Company that were granted as remuneration to each KMP are set out in the table below. Non-Executive Directors are not entitled to participate in the LTI Share Rights Plan.

Table 6: FY2019 LTI summary

Key Management Personnel	Grant date	No. at grant date	Value at grant date	No. units vested during the year	Vesting date	Value of Share Rights included in remuneration
Brad Denison	01/07/18	146,028	287,675	-	30/06/21	6,732
Andrew Wackett	01/07/18	66,355	130,720	-	30/06/21	3,059
Elizabeth Maynard (Appointed 03/09/18)	01/07/18	46,729	92,056	-	30/06/21	2,154
Yanya O'Hara (Resigned 05/07/18)	01/07/18	-	-	-	30/06/21	-
Jarrod Waring	01/07/18	68,785	135,507	-	30/06/21	3,171
Manuel Larre	01/07/18	59,439	117,095	-	30/06/21	2,740
Dominic Letts	01/07/18	57,196	112,677	-	30/06/21	2,637
	N/A	444,533	875,729	-	N/A	20,494

5.1 Valuation assumptions for the FY19 LTI (Share Rights Plan)

The estimation of the fair value of share-based payment awards requires judgement concerning the appropriate valuation methodology. The choice of valuation methodology is determined by the structure of the awards, particularly the vesting conditions.

A Monte-Carlo simulation valuation methodology was used to determine the value relative to TSR growth. The valuation methodology used was chosen from those available to incorporate an appropriate amount of flexibility with respect to the particular performance and vesting conditions of the award.

The value recognised in the period for each KMP has been recognised straight-line over the vesting term as in line with accounting standards. For those portions of the granted rights with non-market vesting conditions, values have been estimated based on management's judgments as to the number of units expected to vest.

Key inputs to the model are detailed on the next page.

Table 7: Key inputs to FY2019 LTI Valuation

Grant Date	Expiry Date	Vesting Tranche	Volatility %	Dividend yield %	Risk free interest rate %	Share price at grant date $	Fair value at grant date $
01/07/18	30/06/21	1	53.66	2.50	2.24	1.97	0.72

5.1 Valuation assumptions for the FY15-FY18 LTI (Share Units Plan)

The fair value at grant date for KMP share units, is determined under option pricing methodology using a Monte-Carlo simulation model. The expected volatility is based on historical share price volatility over the past five years, and the risk-free interest rate and dividend yield have been assessed based on prevailing market conditions.

Key inputs to the model are as follows:

Table 8: Key inputs to FY2015-2018 LTI Valuation

Grant Date	Expiry Date	Vesting Tranche	Volatility %	Dividend yield %	Risk free interest rate %	Fair value at grant date $	Exercise price $	Weighted average share price at grant date $
18/12/14	18/12/19	1	47.57	3.20	2.40	0.43	1.35	1.35
		2	47.57	3.20	2.40	0.42	1.35	1.35
		3	47.57	3.20	2.40	0.39	1.35	1.35
18/12/15	18/12/20	1	50.21	3.20	1.73	0.46	1.22	1.22
		2	50.21	3.20	1.73	0.42	1.22	1.22
		3	50.21	3.20	1.73	0.37	1.22	1.22
20/12/16	18/12/21	1	49.48	3.20	2.33	0.82	1.94	1.94
		2	49.48	3.20	2.33	0.74	1.94	1.94
		3	49.48	3.20	2.33	0.68	1.94	1.94
12/06/17	12/06/22	1	49.48	1.90	2.53	0.91	2.19	2.19
		2	49.48	1.90	2.53	0.83	2.19	2.19
		3	49.48	1.90	2.53	0.72	2.19	2.19
20/12/17	20/12/22	1	51.84	1.80	2.43	1.21	2.84	2.84
		2	51.84	1.80	2.43	1.12	2.84	2.84
		3	51.84	1.80	2.43	1.01	2.84	2.84

6. OTHER INFORMATION

6.1 Share rights held by KMP (FY19 LTI)

The number of share rights to acquire shares in the Company held during the 2019 reporting period by each of the KMP of the Group; including their related parties are set out below. No share rights are held by the Directors, except for the Managing Director, Brad Denison.

Table 9: Details of share right holdings of KMP

SHARE RIGHTS	**Units at beginning of year**	**Granted as remuneration**	**Forfeited**	**Exercised**	**Units at end of year**	**Vested during the year**	**Vested at end of year**	**Proceeds received on exercise**
DIRECTORS	**No.**	**No.**	**No.**	**No.**	**No.**	**No.**	**No.**	**$**
Brad Denison								
2019	**-**	**146,028**	**-**	**-**	**146,028**	**-**	**-**	**-**
2018	-	-	-	-	-	-	-	-
EXECUTIVES								
Andrew Wackett								
2019	**-**	**66,355**	**-**	**-**	**66,355**	**-**	**-**	**-**
2018	-	-	-	-	-	-	-	-
Elizabeth Maynard (Appointed 03/09/18)								
2019	**-**	**46,729**	**-**	**-**	**46,729**	**-**	**-**	**-**
2018	-	-	-	-	-	-	-	-
Jarrod Waring								
2019	**-**	**68,785**	**-**	**-**	**68,785**	**-**		**-**
2018	-	-	-	-	-	-	-	-
Manuel Larre								
2019	**-**	**59,439**			**59,439**	**-**	**-**	**-**
2018	-	-	-	-	-	-	-	-
Dominic Letts								
2019	**-**	**57,196**	**-**	**-**	**57,196**	**-**	**-**	**-**
2018	-	-	-	-	-	-	-	-
2019	**-**	**444,533**	**-**	**-**	**444,533**	**-**	**-**	**-**
2018	-	-	-	-	-	-	-	-

6.2 Share units held by KMP (FY15-FY18 LTI)

The number of share units to acquire shares in the Company held during the 2019 reporting period by each of the KMP of the Group; including their related parties are set out below. No share units are held by the Directors, except for Managing Director, Brad Denison.

Table 10: Details of share unit holdings of KMP

SHARE UNITS	**Units at beginning of year**	**Granted as rem.**	**Forfeited**	**Exercised**	**Units at end of year**	**Vested during the year**	**Vested at end of year**	**Proceeds received on exercise**
DIRECTORS	**No.**	**No.**	**No.**	**No.**	**No.**	**No.**	**No.**	**$**
Brad Denison								
2019	**770,000**	**-**	**-**	**-**	**770,000**	**66,000**	**438,000**	**-**
2018	570,000	200,000	-	-	770,000	190,100	372,000	-
EXECUTIVES								
Andrew Wackett								
2019	**110,000**	**-**	**-**	**-**	**110,000**	**-**	**-**	**-**
2018	60,000	50,000	-	-	110,000	-	-	-
Yanya O'Hara (Resigned 05/07/18)								
2019	**53,760**	**-**	**-**	**-**	**53,760**	**-**	**53,760**	**-**
2018	63,000	40,000	(49,240)	-	53,760	36,910	53,760	-
Jarrod Waring								
2019	**145,000**		**-**	**-**	**145,000**	**9,900**	**71,900**	**-**
2018	95,000	50,000	-	-	145,000	31,700	62,000	-
Manuel Larre								
2019	**155,000**	**-**	**-**	**-**	**155,000**	**9,900**	**71,900**	**-**
2018	95,000	60,000	-	-	155,000	31,700	62,000	-
Peter Naylor (Ceased being a KMP 20/06/18)								
2019	**115,000**	**-**	**-**	**-**	**115,000**	**6,600**	**31,900**	**-**
2018	55,000	60,000	-	-	115,000	18,500	25,300	-
Dominic Letts								
2019	**73,200**	**-**	**-**	**-**	**73,200**	**6,600**	**46,800**	**-**
2018	53,200	20,000	-	-	73,200	20,000	40,200	-
Giles Everest (Resigned 20/10/17)								
2019	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
2018	80,000	-	(58,100)	(21,900)	-	-	-	62,853
2019	**1,421,960**	**-**	**-**	**-**	**1,421,960**	**99,000**	**714,260**	**-**
2018	1,071,200	480,000	(107,340)	(21,900)	1,421,960	328,910	615,260	62,853

6.3 Share options held by KMP (FY12-FY14 LTI)

The number of share options to acquire shares in the Company held during the 2019 reporting period by each of the KMP of the Group; including their related parties are set out below. No share options are held by the Directors, except for Managing Director, Brad Denison.

Table 11: Details of share option holdings of KMP

OPTIONS DIRECTORS	Options at beginning of year No.	Granted No.	Lapsed No.	Exercised No.	Options at end of year No.	Vested during the year No.	Vested and exer-cisable at end of year No.	Vested and unexer-cisable at end of year No.
Brad Denison								
2019	**100,000**	**-**	**(100,000)**	**-**	**-**	**-**	**-**	**-**
2018	150,000	-	(50,000)	-	100,000	-	-	100,000
EXECUTIVES								
Yanya O'Hara (Resigned 05/07/18)								
2019	**500**	**-**	**(500)**	**-**	**-**	**-**	**-**	**-**
2018	720	-	(220)	-	500	-	500	-
Jarrod Waring								
2019	**250**	**-**	**(250)**	**-**	**-**	**-**	**-**	**-**
2018	250	-	-	-	250	-	250	-
Manuel Larre								
2019	**40,000**	**-**	**(40,000)**	**-**	**-**	**-**	**-**	**-**
2018	55,000	-	(15,000)	-	40,000	-	-	40,000
Dominic Letts (Appointed 01/01/18)								
2019	**1,000**	**-**	**(1,000)**	**-**	**-**	**-**	**-**	**-**
2018	1,660	-	(660)	-	1,000	-	1,000	-
2019	**141,750**	**-**	**(141,750)**	**-**	**-**	**-**	**-**	**-**
2018	207,630	-	(65,880)	-	141,750	-	1,750	140,000

6.4 Loans to KMP (FY15-FY18 LTI)

Loans to KMP in connection with the FY15-FY18 LTI totalling $3,157,955 (2018: $3,157,955) were outstanding at the end of the reporting period. The value of shares in the Company held by the Share Trust exceeded the balance of loans outstanding at the end of the reporting period. The loans are non-recourse, there is no fixed term, and no allowance for doubtful debts or impairment loss has been recognised against them. The number of KMP included in the aggregate of loans is six.
Brad Denison had loans totalling $1,426,910 (2018: $1,426,910) made to him at the end of the reporting period, with the total loan remaining outstanding at the end of the reporting period in connection with the LTIP. The loan is non-recourse, there is no fixed term, and no allowance for doubtful debts or impairment loss has been recognised against it.

6.5 Other transactions with KMP

There were no other transactions with KMP during the period.

END OF AUDITED REMUNERATION REPORT.

DIRECTORS' DECLARATION

In the opinion of the directors of Fleetwood Corporation Limited:

a) The financial statements and notes set out on pages 25 to 85, are in accordance with the *Corporations Act (Cth) 2001*, including:

i. Complying with Australian Accounting Standards and the *Corporations Regulations 2001 (Cth)*; and

ii. Giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the financial year ended on that date; and

b) 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

c) There are reasonable grounds to believe that the Company and the companies to which the ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 applies, as detailed in note 22 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.

The Directors' draw attention to note 1 to the financial statements, which includes a statement of compliance with International Financial Reporting Standards.

The directors have been given the declarations required by s.295A of the *Corporations Act (Cth) 2001* from the Managing Director.

Signed in accordance with a resolution of the directors.

On behalf of the Directors

P Campbell
Non-Executive Chairman

24 September 2019

Perth

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Auditor's Independence Declaration

To the Directors of Fleetwood Corporation Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the audit of Fleetwood Corporation Limited for the year ended 30 June 2019, I declare that, to the best of my knowledge and belief, there have been:

a no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and

b no contraventions of any applicable code of professional conduct in relation to the audit.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M D Dewhurst
Partner – Audit & Assurance

Perth, 24 September 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019 $ '000	2018 $ '000
Continuing operations			
Sales revenue	2	315,088	266,816
Other income		225	233
Materials used		(110,190)	(100,738)
Sub-contract costs		(87,159)	(82,238)
Employee benefits	3	(53,868)	(39,115)
Operating leases		(7,227)	(6,934)
Other expenses		(22,497)	(12,872)
Profit before interest, tax, depreciation and amortisation (EBITDA)		**34,372**	**25,152**
Depreciation and amortisation	3	(9,077)	(6,336)
Profit before interest, tax and amortisation (EBITA)		**25,295**	**18,816**
Amortisation of contract intangibles		(3,067)	-
Profit before interest and tax (EBIT)		**22,228**	**18,816**
Finance costs	3	(854)	(1,245)
Profit before income tax expense		**21,374**	**17,571**
Income tax expense	4	(7,360)	(5,367)
Profit from continuing operations		**14,014**	**12,204**
Loss from discontinued operation	28	(20,258)	(25,665)
Profit (Loss) for the year	7, 20	**(6,244)**	**(13,461)**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Net exchange difference - foreign controlled entities (net of tax)	20	211	172
Total comprehensive income (loss) for the year		**(6,033)**	**(13,289)**
Earnings (loss) per share from continuing and discontinued operations			
Basic earnings (loss) per share (cents)	7	(6.9)	(22.0)
Diluted earnings (loss) per share (cents)	7	(6.9)	(22.0)
Earnings (loss) per share from continuing operations			
Basic earnings (loss) per share (cents)	7	15.4	20.0
Diluted earnings (loss) per share (cents)	7	15.4	19.9

To be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated	
	Note	2019 $ '000	2018 $ '000
Current assets			
Cash and cash equivalents	8	33,635	6,572
Trade and other receivables	9	59,880	39,315
Contract assets	9	20,035	20,471
Inventories	10	24,488	39,554
Other financial assets	23	67	90
Tax assets		1,803	-
Non-current assets held for sale	11	5,371	9,211
Total current assets		**145,279**	**115,213**
Non-current assets			
Trade and other receivables	9	5,053	2,836
Contract assets	9	2,004	-
Property, plant and equipment	12	48,437	57,514
Goodwill	13	85,911	50,721
Intangible assets	14	15,200	1,357
Deferred tax assets	4	10,674	12,429
Total non-current assets		**167,279**	**124,857**
Total assets		**312,558**	**240,070**
Current liabilities			
Trade and other payables	15	56,691	40,588
Contract liabilities	15	7,653	2,852
Interest bearing liabilities	17	18	1,957
Tax liabilities		93	111
Provisions	16	9,022	9,894
Earn out liability	29	345	-
Total current liabilities		**73,822**	**55,402**
Non-current liabilities			
Interest bearing liabilities	17	-	4,000
Provisions	16	2,895	649
Earn out liability	29	3,755	-
Total non-current liabilities		**6,650**	**4,649**
Total liabilities		**80,472**	**60,051**
Net assets		**232,086**	**180,019**
Equity			
Issued capital	20	254,528	196,428
Reserves	20	440	229
Retained earnings	20	(22,882)	(16,638)
Total equity		**232,086**	**180,019**

To be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2019

Consolidated	Issued capital $ '000	Foreign currency translation reserve $ '000	Retained earnings $ '000	Total $ '000
Balance 1 July 2017	195,371	57	487	195,915
Loss for the year	-	-	(13,461)	(13,461)
Exchange differences arising on translation of foreign operations	-	172	-	172
Total comprehensive income for the year	-	172	(13,461)	(13,289)
Dividends	570	-	(3,664)	(3,094)
Share-based payments	487	-	-	487
Balance at 30 June 2018	**196,428**	**229**	**(16,638)**	**180,019**
Loss for the year	-	-	(6,244)	(6,244)
Exchange differences arising on translation of foreign operations	-	211	-	211
Total comprehensive income for the year	-	211	(6,244)	(6,033)
Issue of Share Capital	57,325	-	-	57,325
Share-based payments	423	-	-	423
Prior period adjustment	352	-	-	352
Balance at 30 June 2019	**254,528**	**440**	**(22,882)**	**232,086**

To be read in conjunction with the accompanying notes

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2019

	Note	Consolidated 2019 $ '000	2018 $ '000
Cash flows from operating activities			
Receipts in the course of operations		383,008	370,095
Payments in the course of operations		(347,883)	(352,130)
Interest received		228	226
Income taxes (paid) / refunds received		(2,480)	1,037
Finance costs paid		(943)	(1,339)
Dividends received		-	-
Net cash provided by operating activities	8	**31,930**	**17,889**
Cash flows from investing activities			
Acquisition of property, plant and equipment		(10,119)	(19,188)
Proceeds from sale of non-current assets		323	(17)
Payment for intangible assets		(1,991)	(2,524)
Payment for acquisition of subsidiary	29	(45,645)	-
Proceeds on sale of investment		-	7,164
Proceeds on sale of Coromal and Windsor brands		1,000	-
Acquired through business combination	29	283	-
Net cash used in investing activities		**(56,149)**	**(14,565)**
Cash flows from financing activities			
Proceeds from borrowings		26,000	158,457
Repayment of borrowings		(32,054)	(157,500)
Dividends paid		-	(3,094)
Proceeds from issue of shares	20	57,325	-
Loan repayments from controlled entities		-	-
Net cash used in financing activities		**51,271**	**(2,137)**
Net increase / (decrease) in cash and cash equivalents		27,052	1,187
Cash and cash equivalents at the beginning of the financial year		6,572	5,383
Effect of exchange rate changes on cash held in foreign currencies		11	2
Cash and cash equivalents at the end of the financial year	8	**33,635**	**6,572**

To be read in conjunction with the accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

SUMMARY OF NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

BUSINESS PERFOMANCE	BALANCE SHEET	FINANCING	CAPITAL	GROUP STRUCTURE	OTHER
2. SALES REVENUE	8. CASH AND CASH EQUIVALENTS	17. INTEREST BEARING LOANS AND BORROWINGS	20. EQUITY AND RESERVES	22. DEED OF CROSS GUARANTEE	19. COMMITMENTS
3. EXPENSES	9. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS	18. FINANCING ARRANGEMENTS		25. CONTROLLED ENTITIES	21. AUDITORS REMUNERATION
4. TAX EXPENSE	10. INVENTORIES			27. PARENT ENTITY DISCLOSURES	23. FINANCIAL RISK MANAGEMENT
5. SEGMENT INFORMATION	11. NON- CURRENT ASSETS HELD FOR SALE			28. DISCONTINUED OPERATIONS	24. CONTINGENT LIABILITIES
6. DIVIDEND INFORMATION	12. PROPERTY, PLANT AND EQUIPMENT			29. BUSINESS COMBINATIONS	26. RELATED PARTIES
7. EARNINGS PER SHARE	13. GOODWILL				30. SUBSEQUENT EVENTS
	14. INTANGIBLE ASSETS				
	15. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES				
	16. PROVISIONS				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2019

1. ABOUT THIS REPORT

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

1.1 STATEMENT OF COMPLIANCE

The financial report is a general purpose financial report which has been prepared in accordance with the *Corporations Act 2001 (Cth)*, Accounting Standards and Interpretations, and complies with other requirements of the law. Compliance with Australian Accounting Standards ensures the consolidated financial statements and notes of the consolidated entity comply with International Financial Reporting Standards. The Company is a for profit entity and the financial statements comprise the consolidated financial statements of the Group.

The financial statements were authorised for issue by the directors on 28 August 2019.

New and revised Standards and Interpretations adopted during the reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for the current annual reporting period. Adoption of the following standards has had no effect on the amounts reported for the current or prior period.

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

Further information relating to the new and revised standards and interpretations is included below.

AASB 15 'Revenue from Contracts with Customers'

AASB 15 replaces AASB 118 'Revenue', AASB 111 'Construction Contracts' and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2017 with no effect of initial application and thus no required adjustment to the opening balance of retained earnings at 1 July 2017. Details of revenue recognition policies under AASB 15 are included in Note 2.

AASB 9 'Financial Instruments'

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

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

Applicable standards and interpretations not yet effective

At the date of authorisation of the financial statements, the following applicable standards and interpretations have been issued but are not yet effective:

Standard	Effective for reporting periods beginning on or after:	Expected to be applied in the year ending:
AASB 16 'Leases'	1 January 2019	30 June 2020

The Group has undertaken a detailed assessment of the impact of AASB 16. The assessment of the impact of AASB 16 has indicated a material inclusion of a right of use asset and lease liability in the consolidated statement of financial position and an immaterial impact in the consolidated statement of profit or loss and other comprehensive income when it is first adopted in 30 June 2020. Refer to Note 19.

1. ABOUT THIS REPORT (continued)

1.2 BASIS OF PREPARATION

The financial report has been prepared on the basis of historical costs, except for certain non-current assets and financial instruments that are measured at revalued amounts or fair values, as explained in the accounting policies below. Cost is generally based on the fair values of the consideration given in exchange for assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group considers the characteristics of the asset or liability market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 102 or value in use in AASB 136. Accounting policies have been consistently applied and except where there are changes in accounting policy, are consistent with those of the previous year. All amounts are presented in Australian Dollars unless otherwise noted.

The Company has applied the relief available to it under ASIC Corporations (Rounding in Financial / Directors' Reports) Instrument 2016 / 191 and accordingly, amounts in the financial statements and directors' report have been rounded to the nearest $1,000, or in certain cases, the nearest dollar.

1.3 BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved when the Company has power over the investee, is exposed, or has rights, to variable returns from its involvement with the investee, and has the ability to use its power to affect its returns. The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. All subsidiaries have a reporting date of 30 June.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders, potential voting rights held by the Company, other vote holders or other parties, rights arising from other contractual arrangements, and any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings. Income and expense of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate. Total comprehensive income of subsidiaries is attributed to the owners of the Company even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

When the Group loses control of a subsidiary, a gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. When assets of the subsidiary are carried at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Group had directly disposed of the relevant assets (i.e. reclassified to profit or loss or transferred directly to retained earnings as specified by applicable Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 'Financial Instruments: Recognition and Measurement' or, when applicable, the cost on initial recognition of an investment in an associate.

1. ABOUT THIS REPORT (continued)

1.4 COMPARATIVE INFORMATION

Comparative information has been restated in the Statement of Financial Position to account for disclosure requirements under AASB 15 'Revenue from Contracts with Customers'.

1.5 FOREIGN CURRENCY

Functional currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). The results and financial position of each group entity are expressed in Australian Dollars ('$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

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 statement of profit or loss in the financial year in which they arise.

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. Income and expense items are translated at the average exchange rates for the period. Exchange differences are recognised in other comprehensive income and accumulated in equity.

1.6 CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of accounting policies, management is required to make judgments, estimates and assumptions. The estimates and associated assumptions are based on experience and other factors that are considered relevant. Actual results may differ from these estimates.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

- Accounting for construction contracts involves the continuous use of assessed estimates based on assumptions consistent with project scope and schedule, contract and risk management processes. Contracts may span over more than one accounting period. Estimates of forecast costs are regularly updated in accordance with the agreed work scope and schedule under the contract. Forecasts are based on the cost expected to apply when the related activity is undertaken. Contingencies are included in order to cover the risks in those forecasts. Forecasted costs are used to determine revenue recognition over time as described in Note 2. Revenues reflect the price agreed in the contract and variations where they have been approved or if it is probable they will be approved. Claims are included in contract revenue only where negotiations have reached an advanced stage such that it is probable that the client will accept the claim and recovery of the amount involved is probable.
- Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill has been allocated except for where fair value less cost to sell has been applied. The value in use calculation requires the directors to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate the present value. Details of goodwill and the subsequent testing for impairment are set out in Note 13. Where the actual future cash flows are less than expected, a material impairment loss may arise.
- The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of share rights and share units issued during the year. Refer to Note 3.

1. ABOUT THIS REPORT (continued)

- The Group uses historical and observable market information to measure the value of assets classified as held for sale leading to an additional $3.5 million written down in the period in respect of the discontinued resource sector rental operations (Note 28).
- In respect of the discontinued caravan manufacturing operation, the Group has recorded a provision for expected credit losses of $0.6 million, provision for warranty costs of $4.1 million, has written down inventories by $6.1 million and has impaired property, plant and equipment by $1.0 million. These charges resulted in a total expense recorded of $11.9 million as part of discontinued operations (Note 28). These estimates have been derived from the known obligations of the company and management estimates based on previous experience in closures of this nature.
- The Group completed two business combinations during the period. As part of the purchase price allocation process, the Group makes judgments and estimates around the fair value of the assets and liabilities acquired, including that of identifiable intangible assets. Further, the Group makes fair value judgments around the determination of contingent consideration. Inputs and the underlying assumptions used to determine the fair value of identifiable intangible assets and contingent consideration amounts are disclosed in Note 29.
- Management estimates the net realisable values of inventories, taking into account the most reliable evidence available at each reporting date. The future realisation of these inventories may be affected by future technology or other market-driven changes that may reduce future selling price. The Group is generally pro-active in identifying and stopping orders on slow moving or discontinued items such that these items are not carried at material amounts.

1.7 TAX CONSOLIDATION

The Company and its wholly-owned Australian resident entities elected from 1 July 2003 to be taxed as a single entity.

Fleetwood Corporation Limited, as the head entity, and the subsidiaries in the tax consolidated group continue to account for their own current and deferred tax amounts. The amounts are measured as if each entity continues to be a stand-alone taxpayer in its own right. The current tax balances are then transferred to the head entity via intercompany balances. The entities within the Group have entered a tax funding arrangement whereby each subsidiary will compensate the head entity for the amount of tax payable that would be calculated as if the subsidiary was a tax paying entity.

The method used to calculate current and deferred tax amounts is summarised in Note 4.

1.8 GENERAL INFORMATION

Fleetwood Corporation Limited is a public company listed on the Australian Securities Exchange (trading under the symbol 'FWD'), incorporated in Australia and operating in Australia and New Zealand.

The registered and business address of the Company is 21 Regal Place, East Perth, Western Australia. The telephone number of the company is (08) 9323 3300.

2. SALES REVENUE

	Consolidated	
	2019	**2018**
Continuing operations	**$ '000**	**$ '000**
Sales revenue		
Recognised at a point in time:		
Parts and Services	68,770	59,604
Total revenue recognised at a point in time	68,770	59,604
Recognised over time:		
Modular Accommodation	209,365	179,280
Village Operations	36,953	27,932
Total revenue recognised over time	246,318	207,212
Total Sales Revenue	**315,088**	**266,816**

RECOGNITION AND MEASUREMENT

SALES REVENUE

During the period, the Group adopted 'AASB 15 – Revenues from contracts with customer'. AASB 15 replaces AASB 118 Revenue, AASB 111 Construction Contracts and several revenue-related Interpretations. The new Standard has been applied as at 1 July 2017 with no effect of initial application and thus no required adjustment to the opening balance of retained earnings at 1 July 2017. The adoption of AASB 15 has impacted the wording and terminology used to describe the company's revenue recognition policies and balances and transactions presented, which are detailed below.

Revenue from contracts with customers primarily arises from the following streams:

Parts and Services segment:

- The shipment of recreational vehicle parts and accessories;
- the installation of vehicle parts and accessories; and
- repairs and maintenance services of customers' vehicles.

Village Operations segment:

- Hiring of Group-owned accommodation units; and
- management fees for a village that was built by the Group and previously sold to a customer.

Modular Accommodation segment:

- The construction of modular accommodation units sold to customers; and
- the hiring of modular accommodation units on short-term contracts.

To determine whether to recognise revenue, the Group follows a 5-step process:
1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

The transaction price is the fair value of consideration received or receivable net of goods and services tax (GST).

2. SALES REVENUE (continued)

Parts and Services

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

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

The sale of parts and services are accompanied by standard manufacturer's warranty arrangements, of which are not separately or incrementally paid for by the customer. Under these conditions, customers can return product for repair or replacement if it fails to perform in accordance with published specifications. These warranties are accounted for under AASB 137 Provisions, Contingent Liabilities and Contingent Assets. Refer to Note 16.

Modular Accommodation Revenue

The Group enters into contracts for the construction of modular accommodation units in exchange for a fixed fee and recognises the related revenue over time. Many of the Group's contracts comprise the construction of several accommodation units each representing performance obligations under the contract. The Group evaluates the separability of each good or services based on whether they are 'distinct'. A promised good or service is 'distinct' if both:

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

The transaction price for a contract excludes any amounts collected on behalf of third parties.

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

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

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

The construction of accommodation units typically takes between 6–12 months from commencement of design through to completion and delivery. In some situations, customer payments will be received over a period of one year or more. In these circumstances, the Group adjusts the transaction price used in determining revenue recognition by the effects of financing.

In obtaining these contracts, the Group incurs a number of incremental costs, such as commissions paid to sales staff. The Group recognises such incremental costs as a contract asset if it expects to recover those costs from the customer. The contract asset is then amortised on a systematic basis consistent with the transfer to the customer the good or service to which the contract asset relates.

2. SALES REVENUE (continued)

However, as noted above, the amortisation period of these costs, if capitalised, would be less than one year, and thus the Group makes use of the practical expedient in AASB 15.94 and expenses them as they incur.

Village Units and Management of Village Operation Services

The Group rents its owned accommodation units to customers and recognises revenue over time based on either fixed or variable daily rental rates depending on whether formal arrangements with customers exist. Revenue for these transactions is therefore recognised over time based on monthly billing in arrears for daily accommodation services provided. In this respect, the Group has a right to the consideration and the amount billed corresponds directly with the value to the customer for the Group's performance completed to date.

For Osprey which the Group manages on behalf of its customer, revenue is recognised over time based on a fixed management fee billed to the customer as per the management contract. Revenue is therefore recognised upon billing as that timing corresponds directly with the value to the customer for the Group's performance completed to date.

Discontinued Operations

The following revenue recognition policies pertain to segments that are now part of discontinued operations. Refer to Note 28.

Caravan manufacturing operations:

- Revenue from the sale of caravans is for a fixed fee and recognised at a point in time;
- Recognition occurs when the Group transfers control of the asset to the end customer;
- Control is considered transferred on the date of receipt of the van by the end customer.

Flexiglass Challenge Pty Ltd:

- Flexiglass Challenge was part of the Parts and Services segment and therefore the revenue recognition policies for that discontinued operations are the same as noted under Parts and Services. Flexiglass Challenge Pty Ltd was disposed by from the Group in 2018.

Resource Sector Rental operations:

- This discontinued segment recognises revenue at a point in time when the rental units are sold and the assets are received by the customer.
- The sale proceeds are included in Revenues and the written down value of the asset on the date of disposal is charged to expense.

3. EXPENSES

Expenses from continuing operations contain the following:

		Consolidated	
		2019	2018
Continuing operations	Note	**$ '000**	**$ '000**
Cost of sales		**267,511**	**198,292**
Employee benefits			
Salaries and wages		49,447	34,912
Equity settled share-based payments		423	487
Defined contribution superannuation		3,998	3,716
		53,868	**39,115**
Depreciation and amortisation of:			
Buildings	12	34	34
Leasehold improvements	12	744	747
Plant and equipment	12	8,159	5,504
Product development	14	27	51
Enterprise resource planning	14	113	-
		9,077	**6,336**
Finance costs:			
Bank loans and overdraft		854	1,245
Charges on hire purchases		-	-
		854	**1,245**
Net bad and doubtful debts		**92**	**254**
Research and development costs		**393**	**31**

RECOGNITION AND MEASUREMENT

OCCUPANCY-RELATED EXPENSES

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.

EMPLOYEE BENEFITS

Share based payments

Equity-settled share-based payments to employees and others providing similar services are measured indirectly by reference to the fair value of the equity instruments at the grant date.

The fair value of each equity instrument determined at grant date is multiplied by the number of instruments issued and the amount is expensed on a straight-line basis over the vesting period. Where non-market vesting conditions exist, management estimates the number of equity instruments that will eventually vest and multiplies that number by the fair value of each instrument. At the end of each reporting period, the estimate of the number of equity instruments expected to vest is reviewed. The impact of the revision is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity.

Market vesting conditions exist in the Group's share-based payment programs. Thus, the fair value of the instruments granted has been determined using the Monte-Carlo simulation pricing model that takes into account factors specific to the share incentive plans. The performance condition related to the Executive Long-Term Incentive Plan (2019), being a market condition, has been incorporated into the measurement by means of estimation.

3. EXPENSES (continued)

The following principal assumptions were used in the valuation:

Grant date: 01/07/2018

Vesting period ends: 30/06/2021

Share price at grant date: $1.97

Volatility: 53.66%

Dividend yield: 2.50%

Risk free rate: 2.24%

Fair value at grant date: $0.72

Defined contribution superannuation

Contributions to employee superannuation funds are expensed when the employees have rendered service entitling them to the contributions.

4. TAX EXPENSE

CURRENT TAX EXPENSE

	Note	2019 $ '000	2018 $ '000
Current tax expense (benefit) from continuing and discontinued operations		(1,689)	719
Deferred tax expense (benefit) relating to origination and reversal of temporary differences		(487)	(4,582)
Under provision of income tax in prior year		857	-
Continuing and discontinued operations		**(1,319)**	**(3,863)**
Reconciliation of income tax expense to the accounting profit:			
Profit (loss) before tax from continuing and discontinued operations		(7,563)	(17,324)

The tax rate used for 2019 and 2018 is the corporate tax rate of 30% payable by Australian corporate entities on taxable profits under Australian tax law.

	2019 $ '000	2018 $ '000
Income tax expense (benefit) calculated at 30% (2018: 30%)	(2,269)	(5,197)
Amortisation of leasehold improvements	8	8
Effect of lower tax rates on overseas income	(7)	(25)
Non-deductible expenses	127	1,345
Research & development allowance	(53)	-
Non-assessable amounts	-	(27)
Sundry items	18	33
Adjustments relating to income tax in prior year	857	-
Continuing and discontinued operations	**(1,319)**	**(3,863)**
Income tax expense (benefit) from:		
Continuing operations	7,360	5,367
Discontinued operations	(8,679)	(9,230)
Continuing and discontinued operations	**(1,319)**	**(3,863)**

DEFERRED TAX ASSETS

	Balance 2017 $ '000	Charged to income $ '000	Balance 2018 $ '000	Acquired 2019 $'000	Charged to income $ '000	Balance 2019 $ '000
Deferred tax relating to:						
Property, plant and equipment	6,097	(723)	5,374	-	485	5,859
Contract intangible	-	-	-	(4,477)	920	(3,557)
Employee provisions	2,208	954	3,162	203	(1,500)	1,865
Impairment of RV Manufacturing raw materials	-	2,175	2,175	-	(336)	1,839
Provision for expected RV warranty costs	-	-	-	-	1,241	1,241
Other provisions	18	6	24	853	(117)	760
Accruals	324	15	339	-	(339)	-
Unused tax losses	1,520	(165)	1,355	-	1,313	2,668
	10,167	**2,262**	**12,429**	**(3,421)**	**1,667**	**10,674**

The company anticipates future profits will be earned to utilise deferred tax assets.

4. TAX EXPENSE (continued)

RECOGNITION AND MEASUREMENT

CURRENT TAX

Current tax is calculated by reference to the amount of income tax payable or recoverable in respect of the taxable profit or loss for the period. It is calculated using tax rates and tax laws that have been enacted or substantively enacted by the 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.

Taxable profit differs from profit before tax as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

DEFERRED TAX

Deferred tax is accounted for using the comprehensive statement of financial position liability method in respect of temporary differences between the carrying amount of assets 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 a sufficient taxable amount will be available against which deductible temporary differences or unused tax losses and tax offsets can be utilised. Deferred tax assets and liabilities are not recognised if the temporary differences 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 liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the assets and the liabilities giving rise to them are realised or settled, based on tax rates and tax laws that have been enacted or substantively enacted by the 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.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. 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 statement of profit or loss, 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.

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 statement of financial position.

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.

5. SEGMENT INFORMATION

Group operating segments are based on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

Business segments	Products / Services
Parts and Services	Manufacture, installation and distribution of recreational vehicle parts and accessories
Modular Accommodation	Design, manufacture and sale of accommodation
Village Operations	Operation of accommodation villages

Group revenue and results by reportable operating segment:

	Segment Revenue		Depreciation and amortisation		Segment Result (EBITA)	
	2019 $ '000	2018 $ '000	2019 $ '000	2018 $ '000	2019 $ '000	2018 $ '000
Parts and Services	72,785	66,609	1,078	1,030	5,707	3,592
Modular Accommodation	209,364	179,280	4,785	2,755	12,636	10,102
Village Operations	36,953	27,932	3,008	2,321	11,475	9,136
Intersegment eliminations	(4,163)	(6,996)	-	-	-	-
Operating segment total	**314,939**	**266,825**	**8,871**	**6,106**	**29,818**	**22,830**
Unallocated	374	224	206	230	(4,523)	(4,014)
Total	**315,313**	**267,049**	**9,077**	**6,336**	**25,295**	**18,816**
Amortisation of contract intangible (Modular Accommodation)					(3,067)	-
Profit before interest and tax (EBIT)					**22,228**	**18,816**
Finance costs					(854)	(1,245)
Profit before income tax benefit					**21,374**	**17,571**
Income tax (expense) benefit					(7,360)	(5,367)
Profit from continuing operations					**14,014**	**12,204**
Loss from discontinued operations					(20,258)	(25,665)
Loss attributable to members of the parent entity					**(6,244)**	**(13,461)**

The unallocated line represents the results of the corporate function of the Group.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in the Notes to the Financial Statements. Segment results represents earnings before interest and tax and amortisation without the allocation of corporate overheads.

Group revenue and results by reportable operating segment:

	Segment assets		Additions to non-current assets		Segment liabilities	
	2019 $ '000	2018 $ '000	2019 $ '000	2018 $ '000	2019 $ '000	2018 $ '000
Parts and Services	58,701	42,097	2,644	1,287	13,128	11,030
Modular Accommodation	179,816	117,222	7,779	17,218	51,240	25,115
Village Operations	24,826	19,800	-	-	8,605	2,782
Operating segment total	**263,343**	**179,119**	**10,423**	**18,505**	**72,973**	**38,927**
Unallocated	49,215	60,951	1,716	3,020	7,499	21,124
Total	**312,558**	**240,070**	**12,139**	**21,525**	**80,472**	**60,051**

Unallocated segment assets include idle mining rental assets of $5.4 million (2018: $9.2 million) and caravan manufacturing assets of $9.0 million (2018: $36.0 million).

5. SEGMENT INFORMATION (continued)

For the purposes of monitoring segment performance and allocating resources all assets and liabilities are allocated to the reportable segments other than current and deferred tax amounts and assets and liabilities directly utilised by the Corporate entity.

The Group operates in two principal geographical areas - Australia (country of domicile) and New Zealand. Group non-current assets and revenues by geographical segment:

	Segment non-current assets		Revenue and other income	
	2019	**2018**	**2019**	**2018**
Geographical area	**$ '000**	**$ '000**	**$ '000**	**$ '000**
Australia	166,981	124,558	307,948	260,360
New Zealand	298	299	7,365	6,689
	167,279	**124,857**	**315,313**	**267,049**

6. DIVIDEND INFORMATION

	2019 $ '000	2018 $ '000
Recognised amounts		
Final 2017 - paid 5 cents per share fully franked	-	3,052
Interim 2018 - paid 1 cent per share fully franked	-	612
	-	**3,664**

No final dividend has been declared for 2019.

	2019 $ '000	2018 $ '000
Dividend franking account		
30% franking credits available to shareholders of Fleetwood Corporation Limited for subsequent years	**25,091**	23,288

7. EARNINGS PER SHARE

	2019 $ '000	2018 $ '000
Earnings used in the calculation of basic and diluted earnings per share from continuing and discontinued operations	(6,244)	(13,461)
Adjustment to exclude loss from discontinued operation	20,258	25,665
Earnings used in the calculation of basic and diluted earnings per share from continuing operations	**14,014**	**12,204**

The weighted average number of ordinary shares used in the calculation 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	
	2019	**2018**
Weighted average number of ordinary shares used in the calculation of basic EPS	91,024,924	61,181,432
Number of shares deemed to be issued for no consideration in respect of options	-	219,350
Weighted average number of ordinary shares used in the calculation of diluted EPS	**91,024,924**	**61,400,782**
From continuing and discontinued operations		
Basic earnings (loss) per share (cents)	(6.9)	(22.0)
Diluted earnings (loss) per share (cents)	(6.9)	(22.0)
From continuing operations		
Basic earnings (loss) per share (cents)	15.4	20.0
Diluted earnings (loss) per share (cents)	15.4	19.9

8. CASH AND CASH EQUIVALENTS

	2019 $ '000	2018 $ '000
Cash and cash equivalents	**33,635**	**6,572**

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

	2019	2018
Operating profit (loss) after income tax	(6,244)	(13,461)
Items classified as investing activities:		
Loss on sale of non-current assets	2,136	1,182
Loss on sale of investment	-	187
Non-cash items:		
Equity settled share-based payments	423	487
Depreciation and amortisation expense - continuing operations	9,077	6,336
Depreciation and amortisation expense - discontinued operations	463	1,060
Amortisation of contract intangible	3,067	-
Provision for warranty	4,137	-
Written down value of rental fleet sold	-	6,579
Impairment of plant and equipment	1,027	2,805
Impairment of intangible assets	-	1,177
Impairment of raw materials	6,131	7,250
Provision for restructuring	-	4,000
Impairment of goodwill	-	4,510
Impairment of non current assets held for sale	3,520	947
Exchange differences arising on translation of foreign operations	(211)	(172)
Changes in assets and liabilities during the year:		
Increase in inventories	6,628	(11,286)
(Increase) decrease in trade and other receivables	(4,859)	21,390
(Increase) in other financial assets	23	(90)
Increase (decrease) in trade and other payables	6,419	(11,894)
Increase in provisions	2,189	(147)
(Decrease) increase in income taxes payable	(18)	111
(Decrease) in deferred taxes receivable	(1,978)	(2,719)
(Decrease) in other financial liabilities	-	(363)
Net cash provided by operating activities	**31,930**	**17,889**

RECOGNITION AND MEASUREMENT

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, which are subject to an insignificant risk of changes in fair value and have a maturity of three months or less at the date of acquisition.

9. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	2019 $ '000	2018 $ '000
Trade and other receivables		
Current		
Trade receivables	49,014	30,760
Less: allowance for doubtful debts	(1,765)	(667)
Finance lease receivable	1,254	-
Other debtors	11,377	9,222
Total	**59,880**	**39,315**
Non-Current		
Finance lease receivable	1,865	-
Other debtors	3,188	2,836
Total	**5,053**	**2,836**
Contract assets		
Current	**20,035**	**20,471**
Non-Current	**2,004**	**-**

Trade and other debtors are non-interest bearing and are generally on terms ranging between 7 and 60 days. The average credit period on sales of goods is 30 to 60 days. All trade and other debtors are expected to be settled within 60 days of year end.

Retentions on construction contracts included within other debtors amount to $0.7 million (2018: $0.1 million), to be received from the customer on acceptance of the works performed and other contractual milestones.

Other non-current debtors represent funds advanced to the Group's Executive Share Trust in respect of grants the directors have elected to satisfy by advancing money to the trust to purchase shares on market for the employee and executive long-term incentive plans.

The Group records finance lease receivables at the net present value of lease payments over the lease period as shown below.

	Lease payments $'000s	Finance charges $'000s	Net present value $'000s
Finance Lease Receivable			
Current	1,367	(113)	1,254
Non-current	1,927	(62)	1,865
Total	**3,294**	**(175)**	**3,119**

RECOGNITION AND MEASUREMENT

Contract Assets

In adoption of AASB 15 – Revenues from contracts with customers, the company re-classified $20.5 million of contract assets, the accounting policies of which are defined in Note 2, from Trade and other Receivables for 30 June 2018.

The opening balance recognised at 30 June 2018 was utilised within the reporting period.

9. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS (continued)

Allowance for expected credit losses

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

Finance Leases

The Group applies judgment in considering the substance of a lease agreement and whether it transfers substantially all the risks and rewards incidental to ownership of the leased asset. Key factors considered include the length of the lease term in relation to the economic life of the asset, the present value of the minimum lease payments in relation to the asset's fair value, and whether the Group obtains ownership of the asset at the end of the lease term. The rate applied in discounting lease payments is equivalent to the Group's borrowing rate.

10. INVENTORIES

	2019 $ '000	2018 $ '000
Current		
Raw materials & stores	9,142	11,869
Finished goods	15,346	27,685
	24,488	**39,554**

The cost of inventories recognised as an expense during the year in respect of continuing operations was $105.6 million (2018: $100.7 million).

The Group has also included $6.1 million of expense (2018: $7.3 million) resulting from the write down of inventories in its Caravan Manufacturing discontinued operation. This is included as part of the Impairment and Provisions expense reported in Note 28.

RECOGNITION AND MEASUREMENT

Inventories are carried at the lower of cost and net realisable value. Cost includes all expenses directly attributable to the manufacturing process as well as suitable portions of related production overheads, based on normal capacity. Costs of ordinarily interchangeable items are assigned using standard cost. Net realisable value represents the estimated selling prices for the inventories less all estimated costs of completion and costs necessary to make the sale.

11. NON-CURRENT ASSETS HELD FOR SALE

	2019 $ '000	2018 $ '000
Plant & equipment - idle mining rental assets	**5,371**	**9,211**

RECOGNITION AND MEASUREMENT

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets 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 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.

All balances on-hand as at 30 June 2019 are being carried at their fair value less cost to sell since this falls below the assets' carrying values. The fair value less cost to sell has been determined with reference to letters of intent from third-party buyers that are valid up to the date of signing of these financial statements.

12. PROPERTY, PLANT AND EQUIPMENT

	2019 $ '000	2018 $ '000
Freehold land		
Cost	2,703	2,964
Buildings		
Cost	1,343	1,342
Accumulated depreciation	(443)	(408)
	900	934
Leasehold property and improvements		
Cost	50,428	50,391
Accumulated amortisation	(41,376)	(40,623)
	9,052	9,768
Plant and equipment		
Cost	95,213	85,451
Accumulated depreciation	(60,118)	(46,522)
	35,095	38,929
Assets under construction		
Cost	687	4,919
	48,437	**57,514**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

	Freehold land	Buildings	Leasehold Property	Plant and equipment	Assets under construction	Total
2019 Financial Year						
Balance at 1 July 2018	2,964	934	9,768	38,929	4,919	57,514
Additions	-	-	28	4,092	3,785	7,905
Transferred from non current assets held for sale	-	-	-	278	-	278
Acquisition through business acquired	-	-	-	2,405	-	2,405
Transferred from assets under construction	-	-	-	8,017	-	8,017
Transferred to plant and equipment	-	-	-	-	(8,017)	(8,017)
Disposals	(261)	-	-	(9,275)	-	(9,536)
Depreciation and amortisation	-	(34)	(744)	(8,328)	-	(9,106)
Impairment	-	-	-	(1,027)	-	(1,027)
Effect of foreign exchange differences	-	-	-	4	-	4
Balance at 30 June 2019	**2,703**	**900**	**9,052**	**35,095**	**687**	**48,437**
2018 Financial Year						
Balance at 1 July 2017	2,964	968	10,514	31,113	1,289	46,848
Additions	-	-	-	4,378	15,819	20,197
Transferred from non current assets held for sale	-	-	-	2,730	-	2,730
Transferred from assets under construction	-	-	-	10,521	-	10,521
Transferred to plant and equipment	-	-	-	-	(10,521)	(10,521)
Transferred to other debtors	-	-	-	-	(1,009)	(1,009)
Disposals	-	-	-	(1,155)	(659)	(1,814)
Depreciation and amortisation	-	(34)	(746)	(5,848)	-	(6,628)
Impairment	-	-	-	(2,805)	-	(2,805)
Effect of foreign exchange differences	-	-	-	(5)	-	(5)
Balance at 30 June 2018	**2,964**	**934**	**9,768**	**38,929**	**4,919**	**57,514**

12. PROPERTY, PLANT AND EQUIPMENT (continued)

RECOGNITION AND MEASUREMENT

PROPERTY, PLANT AND EQUIPMENT

Each class of property, plant and equipment is stated at historical cost less, where applicable, any accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Property in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold land and properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis. Freehold land is not depreciated.

The cost of self-constructed assets includes the cost of materials and direct labour and any other costs attributable to bringing an asset to a working condition ready for its intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

ACQUISITION OF ASSETS

All assets 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, direct labour, directly attributable overheads and other incidental costs.

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.

DEPRECIATION AND AMORTISATION

All non-financial 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 recognized on 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 recognized on are expensed, except to the extent they are included in the carrying amount of another asset as an allocation of production overheads.

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

	2019	2018
Buildings	**2.5%**	2.5%
Leasehold property and improvements	**2% - 25%**	2% - 25%
Plant and equipment	**2.5% - 50%**	2.5% - 50%

12. PROPERTY, PLANT AND EQUIPMENT (continued)

IMPAIRMENT OF ASSETS OTHER THAN GOODWILL

At each reporting date, the carrying amounts of tangible and intangible assets are reviewed to determine whether there is any indication 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 any impairment loss. 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. 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.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, 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 recognized in profit or loss immediately, unless the relevant asset is carried at fair value through equity, 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 the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognized in profit or loss immediately, unless the relevant asset is carried at fair value through equity, in which case the reversal of the impairment loss is treated as a revaluation increase.

13. GOODWILL

	Note	2019 $ '000	2018 $ '000
Goodwill		**85,911**	**50,721**
Reconciliation of the carrying amount of Goodwill:			
Gross carrying amount			
Opening balance		68,856	68,856
Goodwill recognised on business combination - MBS	29	24,637	-
Goodwill recognised on business combination - NRV	29	10,554	-
		104,047	68,856
Accumulated impairment			
Opening balance		(18,135)	(13,626)
Impairment loss in respect of canopies, trays and accessories CGU		-	(4,509)
		(18,135)	(18,135)
Parts and Services		22,955	12,401
Village Operations		2,196	2,196
Modular accommodation		60,760	36,124
		85,911	**50,721**

The recoverable amount of the cash generating units has been determined based on value in use. The value in use has been calculated using cashflow projections based on financial budgets approved by the board with key assumptions based on past experience and where applicable external sources of information. Projections are extrapolated for a 5 year period using an estimated growth rate. 3.0% (2018: 3.0%) for Parts and Services CGU, 3.0% (2018: 3.0%) for Village Operations CGU and 3.0% (2018: 3.0%) for Modular Accommodation CGU. The terminal growth rate used for all CGUs is 3.0% (2018: 3.0%).

Pre-tax discount rate assumptions utilised in the value-in-use calculations are: 12.04% (2018: 13.1%) for Parts and Services CGU, 12.04% (2018: 13.1%) for Village Operations CGU and 12.04% (2018: 13.1%) for Modular Accommodation CGU. The discount rate recognises the risk factor applicable to the industry in which each CGU operates.

In respect of the Village Operations and Modular Accommodation CGUs, there are no reasonably possible changes in the key assumptions which would result in the carrying amounts exceeding the recoverable amounts. The assumptions used in the Parts and Accessories CGU are explained further below.

In respect of the Parts and Services CGU, the discount rate, foreign exchange rates and EBIT are considered to be key assumptions used in the value-in-use calculations. The cash flow projection for 2020 assumes an increase in annual EBITA from the CGU's actual 2019 by 3.0%. This is based on anticipated sales of new products and the effects of cost reduction initiatives on operating expenditures enacted in fiscal 2019. Otherwise, the projection for 2020 reflects stable profit margins achieved immediately before the budget period.

Management has used the forecasts of industry specialists to determine the anticipated foreign exchange rates applied to overseas purchases in the forecasted periods. With all other inputs held constant, if the AUD were to weaken by approximately 10.2% to the USD when compared to the industry specialists' predictions, the CGU's recoverable amount would be equivalent to its carrying amount.

With all other inputs held constant, if the earnings growth rate were to reduce by 1.6% the carrying amount would be equivalent to the recoverable value.

13. GOODWILL (continued)

RECOGNITION AND MEASUREMENT

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

14. INTANGIBLE ASSETS

	Note	2019 $ '000	2018 $ '000
Product development			
At cost		970	262
Accumulated amortisation		(259)	(232)
		711	30
Contract intangible			
Acquired		14,924	-
Accumulated amortisation		(3,067)	-
		11,857	-
Enterprise Resource Planning			
At cost		2,242	-
Accumulated amortisation		(113)	-
		2,129	-
Enterprise Resource Planning Software WIP			
At cost		503	1,327
		15,200	**1,357**
Reconciliation of the carrying amounts:			
Product development			
Cost			
Opening balance		262	274
Additions		708	3
Disposals		-	(15)
		970	262
Accumulated amortisation			
Opening balance		232	183
Amortisation charged for the year		27	52
Eliminated on disposal		-	(3)
		259	232
Contract intangible			
Cost			
Acquired through business combination	29	14,924	-
Amortisation			
Opening balance		-	-
Amortisation charged for the year		3,067	-
		3,067	-
Enterprise Resource Planning			
Cost			
Transferred from Enterprise Resource Planning Software WIP		2,108	-
Additions		134	
		2,242	-
Amortisation			
Opening balance		-	-
Amortisation charged for the year		113	-
		113	-

14. INTANGIBLE ASSETS (continued)

	2019 $ '000	2018 $ '000
Enterprise Resource Planning Software WIP		
Carrying amount at beginning of year	1,327	-
Additions	1,284	2,505
Impairment	-	(1,178)
Transferred to Enterprise Resource Planning	(2,108)	-
	503	1,327
	15,200	**1,357**

Intangible assets have a useful life of 2 to 5 years.

$1.2 million of impairment was recorded against the Enterprise Resource Planning Software WIP in relation to the discontinued Recreational Vehicles Manufacturing business in 2018.

RECOGNITION AND MEASUREMENT

PRODUCT DEVELOPMENT

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

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;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development can be measured reliably.

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the asset first meets the recognition criteria. Where no internally-generated asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses and are amortised on a straight-line basis over their useful lives of 2 to 5 years.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

CONTRACT INTANGIBLE

Contract intangible assets are initially recognized at fair value and amortised over the useful life of the asset.

14. INTANGIBLE ASSETS (continued)

DEPRECIATION AND AMORTISATION

All non-financial intangible assets of the entity have limited useful lives and are amortised using the straight-line method over their estimated useful lives to their estimated residual values. Assets are amortised from the time an asset is ready for use.

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. Amortisation is expensed, except to the extent it is included in the carrying amount of another asset as an allocation of production overheads.

Amortisation rates used for each class of asset are as follows:

	2019	2018
Software	**20% - 50%**	20% - 50%
Product development	**20% - 50%**	20% - 50%
Contract intangible assets	**20% - 50%**	20% - 50%

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15. TRADE AND OTHER PAYABLES AND CONTRACT LIABILITIES

	2019 $ '000	2018 $ '000
Current		
Trade creditors	33,278	31,862
Payments in advance	114	48
Other creditors and accruals	23,299	8,678
	56,691	**40,588**
Contract liabilities	**7,653**	**2,852**

Trade and other payables are non-interest bearing. The average credit period on purchases is 45 days.

RECOGNITION AND MEASUREMENT

TRADE CREDITORS, OTHER CREDITORS AND ACCRUALS

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 Group. They are carried at amortised cost.

CONTRACT LIABILITIES

In adoption of AASB 15 – Revenues from contracts with customers, the company re-classified $2.9 million of contract liabilities, the accounting policies of which are defined in Note 2, from Other creditors and accruals for 30 June 2018.

The opening balance recognised at 30 June 2018 was utilised within the reporting period.

16. PROVISIONS

	Note	2019 $ '000	2018 $ '000
Current			
Employee benefits		5,443	5,894
Provision for restructuring discontinued operation	28	458	4,000
Provision for warranty		2,562	-
Other provisions		559	-
Total		**9,022**	**9,894**
Non-current			
Employee benefits		760	649
Provision for warranty		2,135	-
Total		**2,895**	**649**
Aggregate employee benefits		**6,203**	**6,543**

Accruals for employee benefits represent accrued annual leave and long service leave entitlements. Based on past experience, the consolidated entity does not expect the full amount of annual leave and long service leave balances classified as current liabilities to be settled within the next 12 months.

Provisions for warranty represent $4.1 million in relation to the discontinued Recreational Vehicles Manufacturing business and $0.6 million in relation to the businesses acquired during the period.

RECOGNITION AND MEASUREMENT

PROVISIONS

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

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 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 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 in respect of services provided by employees up to the reporting date. The expected future payments incorporate anticipated future wage and salary levels, experience of employee departures and periods of service, and are discounted at rates determined by reference to market yields at the end of the reporting period on high quality corporate bonds that have maturity dates that approximate the timing of the estimated future cash flows. Any re-measurements arising from experience adjustments and changes in assumptions are recognised in profit or loss in the periods in which the changes occur.

17. INTEREST BEARING LOANS AND BORROWINGS

	Note	2019 $ '000	2018 $ '000
Current - at amortised cost			
Floor Plan Finance	18	-	1,957
Bank loans - secured	18	-	-
Hire purchase creditors		18	-
		18	**1,957**
Non-current - at amortised cost			
Bank loans - secured	18	-	4,000
		-	**4,000**

RECOGNITION AND MEASUREMENT

FINANCIAL LIABILITIES AND EQUITY INSTRUMENTS ISSUED BY THE GROUP

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

INTEREST BEARING LIABILITIES

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

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

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18. FINANCING ARRANGEMENTS

	Note	2019 $ '000	2018 $ '000
Facilities available			
Floor Plan Finance Facility		-	2,000
Bank Loans		40,000	27,500
Bank Guarantees		10,000	7,500
Surety Bonds		15,000	-
Total Facilities available		**65,000**	**37,000**
Facilities utilised			
Floor Plan Finance Facility	17	-	1,957
Bank Loans	17	-	4,000
Bank Guarantees		5,870	4,347
Surety Bonds		1,541	-
Total Facilities utilised		**7,411**	**10,304**
Facilities not utilised			
Floor Plan Finance Facility		-	43
Bank Loans		40,000	23,500
Bank Guarantees		4,130	3,153
Surety Bonds		13,459	-
Total Facilities not utilised		**57,589**	**26,696**

Floor Plan Finance Facility
The floor plan finance facility is securitised by caravan inventory held by the consolidated entity and bears interest at financier's floorplan reference rate.

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

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

Surety Bonds
Surety bonds are utilised for construction contracts. No liability has been recognised in the statement of financial position in respect of surety bonds.

19. COMMITMENTS

REAL ESTATE LEASES

	2019 $ '000	2018 $ '000
Maturity analysis - contractual undiscounted cash flows		
Less than one year	5,203	7,857
One to five years	5,687	8,016
More than five years	-	-
	10,890	**15,873**

The Group has a number of non-cancellable operating lease arrangements for land and buildings with lease terms of between 1 to 5 years. The leases have varying terms and renewal rights. The majority of these lease contracts contain market review clauses in the event that the lessee exercises its options to renew. The lessee does not have the option to purchase the property at the expiry of the lease period.

The Group is planning to adopt 'AASB 16 – Leases' on 1 July 2019 using the modified retrospective approach. Using this approach, the cumulative effect of initially applying AASB 16 is recognised as an adjustment to equity at the date of initial application. Comparative information will not be re-stated. The Group has assessed the initial impact of AASB 16 on future financial periods indicating a material inclusion of a right-of-use asset and lease liability in the consolidated statement of financial position and an immaterial impact in the consolidated statement of profit or loss and other comprehensive income.

	1 Jul 2019 $'000
Amounts initially recognised in the statement of financial position	
Right-of-use asset	9,236
Lease liabilities recognised (discounted)	9,236
	-

20. EQUITY AND RESERVES

ISSUED CAPITAL

	2019 $ '000	2018 $ '000
Issued and paid-up capital		
94,611,055 (2018: 61,228,081) ordinary shares, fully paid	**254,528**	**196,428**

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

	2019		2018	
	# Shares	$ '000	# Shares	$ '000
Movements in ordinary share capital				
Balance at beginning of year	61,228,081	196,428	61,039,412	195,371
Equity settled share-based payments	46,948	423	-	487
Shares issued pursuant to Dividend Reinvestment Plan	-	-	188,669	570
Issue of Share Capital	33,336,026	57,325	-	-
Prior period correction	-	352	-	-
Balance at the end of year	**94,611,055**	**254,528**	**61,228,081**	**196,428**

Ordinary shares are allotted under the dividend reinvestment plan at a discount to the weighted average price of ordinary shares sold on the ASX over the period 5 business days up to and including the record date.

RESERVES

	2019 $ '000	2018 $ '000
Foreign currency translation reserve		
Balance at beginning of year	229	57
Translation of foreign operations	211	172
	440	**229**

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

RETAINED EARNINGS

	2019 $ '000	2018 $ '000
Balance at beginning of year	(16,638)	487
Profit (loss) attributable to members of the parent entity	(6,244)	(13,461)
Dividends recognised	-	(3,664)
	(22,882)	**(16,638)**

21. AUDITORS REMUNERATION

	2019 $	2018 $
Audit services	165,000	155,000
Other services - taxation and accounting assistance	-	5,000
	165,000	**160,000**

Fleetwood Corporation Limited's auditor is Grant Thornton Audit Pty Ltd.

22. DEED OF CROSS GUARANTEE

Fleetwood Corporation Limited and certain wholly-owned subsidiaries are parties to a Deed of Cross Guarantee under which each company guarantees the debts of the other. By entering into the Deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and directors' report under ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 issued by the Australian Securities and Investments Commission.

The companies below represent a 'closed group' for the purposes of the class order:

Fleetwood Corporation Limited
Northern RV Pty Ltd (formerly ACN 008 763 193 Pty Ltd)
Recreational Vehicle Concepts Pty Ltd (formerly Fleetwood Recreational Vehicles Pty Ltd)
Fleetwood Pty Ltd
Camec Pty Ltd
ACN 050 031 993 Pty Ltd (formerly Coromal Windsor Melbourne Pty Ltd)
BRB Modular Pty Ltd
Modular Building Systems Pty Ltd
Fleetwood Finance (WA) Pty Ltd

Set out below is a consolidated statement of comprehensive income and statement of financial position of the 'closed group'.

22. DEED OF CROSS GUARANTEE (continued)

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Consolidated	
	2019	2018
Deed of cross guarantee	**$'000**	**$'000**
Sales revenue	307,612	261,239
Other income	224	636
Materials used	(104,731)	(96,040)
Sub-contract costs	(87,159)	(82,238)
Employee benefits expense	(52,872)	(38,517)
Operating leases	(6,883)	(6,620)
Other expenses	(22,477)	(14,171)
Profit before interest, tax, depreciation and amortisation and impairment	**33,714**	**24,289**
Depreciation and amortisation expense	(9,037)	(6,274)
Profit (loss) before amortisation, interest and tax	**24,677**	**18,015**
Amortisation	(3,067)	-
Profit (loss) before interest and tax	**21,610**	**18,015**
Finance costs	(840)	(1,245)
Profit (loss) before income tax expense for the year	**20,770**	**16,770**
Income tax (expense) benefit	(6,845)	(5,149)
Profit (loss) from continuing operations for the year	**13,925**	**11,621**
Loss from discontinued operation	(20,258)	(25,665)
Total profit (loss) and other comprehensive income for the year	**(6,333)**	**(14,044)**

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22. DEED OF CROSS GUARANTEE (continued)

STATEMENT OF FINANCIAL POSITION

	Consolidated	
	2019	2018
Deed of cross guarantee	**$'000**	**$'000**
Current assets		
Cash and cash equivalents	32,643	6,320
Trade and other receivables	58,859	38,299
Contract assets	20,035	20,471
Inventories	22,545	37,327
Other financial assets	67	90
Tax assets	1,803	-
Non-current assets held for sale	5,371	9,211
Total current assets	**141,323**	**111,718**
Non-current assets		
Trade and other receivables	5,053	2,836
Contract assets	2,004	-
Investments	65	78
Property, plant and equipment	48,354	57,413
Goodwill	85,911	5,742
Intangible assets	15,198	46,443
Deferred tax assets	10,857	12,536
Total non-current assets	**167,442**	**125,048**
Total assets	**308,765**	**236,766**
Current liabilities		
Trade and other payables	63,796	42,391
Interest bearing liabilities	18	1,957
Tax liabilities	-	-
Provisions	8,961	9,847
Earn out liability	345	-
Total current liabilities	**73,120**	**54,195**
Non-current liabilities		
Interest bearing liabilities	122	4,670
Provisions	2,895	649
Earn out liability	3,755	-
Total non-current liabilities	**6,772**	**5,319**
Total liabilities	**79,892**	**59,514**
Net assets	**228,873**	**177,252**
Equity		
Issued capital	254,524	196,422
Reserves	460	327
Retained earnings	(26,111)	(19,497)
Total equity	**228,873**	**177,252**

23. FINANCIAL RISK MANAGEMENT

CAPITAL MANAGEMENT

The Group manages capital to ensure it will be able to continue as a going concern, while maximising returns to shareholders through optimisation of debt and equity balances. The categories of financial instruments of the entity are apparent from the statement of financial position.

The capital structure of the Group includes borrowings and related repayment terms (as detailed in Note 17), cash and cash equivalents (as detailed in Note 8) and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings (as detailed in Note 20).

Operating cash flows are used to maintain and expand the Group's operating assets, make payments of tax and dividends and to repay debt. Group policy is to borrow centrally to meet funding requirements. The Group does not have a target gearing ratio.

The Group has covenants imposed under its facility agreement with its financier.

FINANCIAL RISK MANAGEMENT OBJECTIVES

Financial instruments comprise cash, receivables, payables, hire purchase creditors, and bank loans. All financial instruments except forward foreign exchange contracts are carried at amortised cost. The Group manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Group financial risk management framework. The objective of the framework is to support delivery of financial targets whilst providing financial security.

The main financial instrument risks are interest rate, foreign currency, credit and liquidity risk. Different methods are used to measure and manage risks including monitoring exposure to interest and foreign exchange rates and assessments of market forecasts for interest and foreign exchange rates. Ageing analysis and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of rolling cash flow forecasts.

FOREIGN CURRENCY RISK MANAGEMENT

The Group undertakes transactions denominated in foreign currencies. Consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward exchange contracts. The Group is mainly exposed to United States Dollars and the Euro.

		- 10%			**+ 10%**	
	USD $ '000	**Euro $ '000**	**Total $ '000**	**USD $ '000**	**Euro $ '000**	**Total $ '000**
2019 Profit	(708)	(573)	**(1,281)**	708	573	**1,281**
2018 Profit	(981)	(786)	**(1,767)**	981	786	**1,767**
2019 Equity	(708)	(573)	**(1,281)**	708	573	**1,281**
2018 Equity	(981)	(786)	**(1,767)**	981	786	**1,767**

FORWARD FOREIGN EXCHANGE CONTRACTS

Group policy is to enter into forward foreign exchange contracts to manage the risk associated with anticipated purchases denominated in foreign currency. Anticipated purchases are assessed out to twelve months from the date the contract is entered into, with 0-100% of the anticipated exposure covered. Basis adjustments are made to the carrying amounts of non-financial items when the anticipated purchase transaction takes place.

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23. FINANCIAL RISK MANAGEMENT (continued)

Outstanding contracts	Average exchange rate		Foreign Currency		Notional Value		Fair Value	
	2019	2018	2019	2018	2019	2018	2019	2018
	$	$	FC'000	FC'000	$ '000	$ '000	$ '000	$ '000
Buy USD								
Less than 3 months	0.72	0.75	1,086	1,348	1,517	1,801	29	23
3 to 6 months	0.71	0.76	500	1,076	700	1,416	11	39
6 to 12 months	0.72	0.80	1,000	190	1,397	237	21	19
Buy Euro								
Less than 3 months	0.62	0.64	171	250	277	387	1	6
3 to 6 months	0.62	0.63	150	39	242	62	3	1
6 to 12 months	0.61	0.63	75	60	121	95	2	1
							67	**90**

During 2019 a profit of $66,603 was recognised in profit and loss pertaining to forward exchange contracts (2018: $89,504 profit).

INTEREST RATE RISK MANAGEMENT

Interest rate risk arises from borrowings. Group policy is to manage finance costs by using a mix of fixed and variable rate debt after considering market forecasts.

		- 75 bps		+ 75 bps	
	Carrying amount	Profit	Equity	Profit	Equity
	$ '000	$ '000	$ '000	$ '000	$ '000
Financial assets					
2019 - Cash and cash equivalents	33,635	(252)	(252)	252	252
2018 - Cash and cash equivalents	6,572	(49)	(49)	49	49
Financial liabilities					
2019 - Borrowings	18	-	-	-	-
2018 - Borrowings	5,957	45	45	(45)	(45)
2019		**(252)**	**(252)**	**252**	**252**
2018		**(5)**	**(5)**	**5**	**5**

CREDIT RISK MANAGEMENT

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. Group policy is to deal with creditworthy counterparties and obtain sufficient collateral where appropriate as a means of mitigating the risk of financial loss from default. Reviews of customer creditworthiness are undertaken before payment and delivery terms are offered. The review assesses credit quality of the customer, taking into account its financial position, past experience, industry reputation and other factors. Purchase limits are established for each customer, and compliance with credit limits is regularly monitored. Customers that fail to meet benchmark creditworthiness may transact with the Group only on a prepayment basis. Sales to retail customers are required to be settled in cash or by using major credit cards, mitigating credit risk.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying amount of these instruments.

23. FINANCIAL RISK MANAGEMENT (continued)

The Group's maximum exposure to credit risk at the report date was:

	Note	2019 $ '000	2018 $ '000
Cash and cash equivalents	8	33,635	6,572
Trade receivables	9	49,014	30,760
		82,649	**37,332**

The aging of the Group's non-impaired trade receivables past due at reporting date was:

	Current	Greater than 30 days	Greater than 60 days	Total
30 June 2019				
Gross carrying amount ($'000s)	39,715	5,565	3,735	49,015
Expected credit loss rate ($'000s)	-	-	1,765	1,765
Lifetime expected credit loss	0%	0%	47%	4%
30 June 2018				
Gross carrying amount ($'000s)	27,353	1,275	2,132	30,760
Expected credit loss rate ($'000s)	-	-	667	667
Lifetime expected credit loss	0%	0%	31%	2%

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

LIQUIDITY RISK MANAGEMENT

Ultimate responsibility for liquidity risk management rests with the Board of Directors, who have built an appropriate liquidity risk framework for the management of short, medium and long-term funding. Liquidity risk is managed by maintaining adequate reserves and banking facilities, by monitoring forecast and actual cash flows and by matching the maturity profiles of financial assets and liabilities. Note 18 lists unused facilities that the Group has at its disposal to reduce liquidity risk. The remaining contractual maturities of the Group are:

- 3 months or less: Trade and other payables as disclosed at Note 15. Trade and other payables do not attract an interest charge and are expected to be settled within 60 days of year end.
- 3 months or less: Bank Loans as disclosed at Note 18.

FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

The fair value of financial assets and liabilities recognised in the statement of financial position is based on cash flows due from customers or payable to suppliers. The cash flows have not been discounted to their present value, except as disclosed in the table below. The carrying values approximate fair value. The fair values of financial instruments are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. There are clearly observable quoted prices for all financial instruments held by the Group. Some of the Group's financial assets and liabilities are measured at fair value and the end of each reporting period. Information about how the fair values of these financial liabilities are determined (in particular, the valuation techniques and inputs used).

23. FINANCIAL RISK MANAGEMENT (continued)

	Fair value as at		Fair value Hierarchy	Valuation technique and key inputs
	2019 $'000	2018 $'000		
Financial assets Foreign currency forward contracts	67	90	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates and contract forward rates, discounted to their present value.
Non-financial assets Contract intangible	11,857	Nil	Level 3	Discounted cash flow. Future cash flows are estimated based on customer contracts and synergies with existing businesses.
Financial liabilities Foreign currency forward contracts	Nil	Nil	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates and contract forward rates, discounted to their present value.
Non-financial liabilities Contingent consideration	4,100	Nil	Level 3	Discounted cash flow. Future cash flows are probability-weighted based on management expectation of target levels being reached.

FAIR VALUE OF NON-FINANCIAL ASSETS

The fair value of non-financial assets recognised in the statement of financial position is based on cash flows due from customers or payable to suppliers. The cash flows have been discounted to their present value. The carrying values approximate fair value.

RECOGNITION AND MEASUREMENT

FOREIGN CURRENCY FORWARD CONTRACTS

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

The Group's foreign currency forward contracts are initially recognised at fair value at the date the contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. These contracts are fair valued using observable forward exchange rates and interest rates corresponding to the maturity of the contract. The resulting gain or loss is recognised in Statement of Profit or Loss and Other Comprehensive Income immediately.

CONTINGENT CONSIDERATION

The fair value of contingent consideration related to the acquisitions of Modular Building Systems Pty Ltd and Northern RV (See note 29) is estimated using a present value technique. The $2,037,778 and $2,061,795 fair value for MBS and NRV respectively is estimated by probability-weighting the estimated future cash flows and discounting by the Group's discount rate. The probability-weighted cash outflows of $2,511,589 and $2,900,000 for MBS and NRV respectively reflect management's estimate of a 100% and 85% probability that the contract's target levels will be achieved. The discount rate used is the Corporate weighted average cost of capital.

CONTRACT INTANGIBLE ASSET

The fair value of the contract intangible asset that has arisen from the acquisition of Modular Building Systems Pty Ltd has been initially estimated using a present value technique. The $14,923,628 fair value for the contract intangible asset is estimated by using the estimated future cash flows and discounting by the Group's discount rate. The estimated future cash flows are based on contracts at acquisition, supply contracts and synergies with the Groups existing businesses. The estimated future cash flows of $18,055,070 reflect management's estimate of the benefits flowing from MBS' client relationships. The discount rate used is the Corporate weighted average cost of capital. The asset is subsequently recognised at amortised cost.

24. CONTINGENT LIABILITIES

Under the terms of the Deed of Cross Guarantee, the Company has guaranteed the repayment of all current and non-current liabilities totalling $79,892,277 (2018: $59,514,044) in the event any of the entities which are party to the Deed are wound up.

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

Certain claims arising out of construction and insurance contracts have been made by or against controlled entities in the ordinary course of business, some of which involved litigation or adjudication. The Directors do not consider the outcome of any of these claims will have a material adverse impact on the financial position of the consolidated entity.

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25. CONTROLLED ENTITIES

Fleetwood Corporation Limited (Ultimate parent entity)
Continuing Operations

Controlled entities	Place of incorporation	Principal Activities	Interest held (%)	
			2019	2018
Northern RV Pty Ltd (formerly ACN 008 763 193 Pty Ltd)	Australia	Caravan plumbing and electrical services and parts supplier.	100	100
BRB Modular Pty Ltd	Australia	Accommodation solutions provider to the resources, education and affordable housing sectors.	100	100
Camec Pty Ltd	Australia	Manufacturer and distributor of parts and accessories to the recreational vehicles industry.	100	100
Fleetwood Pty Ltd	Australia	Accommodation solutions provider to the resources, education and affordable housing sectors.	100	100
Modular Building Systems Pty Ltd	Australia	Accommodation solutions provider to the resources, education, affordable housing and corrections sectors.	100	0
Camec (NZ) Limited	New Zealand	Manufacturer and distributor of parts and accessories to the recreational vehicles industry.	100	100
Fleetwood Share Plans Pty Ltd	Australia	Administration of Employee Long Term Incentive Plan	100	100

25. CONTROLLED ENTITIES (continued)

Discontinued and Dormant operations

Controlled entities	Place of incorporation	Principal Activities	Interest held (%)	
			2019	2018
ACN 050 031 993 Pty Ltd (formerly Coromal Windsor Melbourne Pty Ltd)	Australia	Discontinued retail of caravans, parts and accessories operation	100	100
Fleetwood Finance (WA) Pty Ltd	Australia	Dormant	100	100
ACN 624 111 328 Pty Ltd (formerly Coromal Windsor Brisbane Pty Ltd)	Australia	Discontinued retail of caravans, parts and accessories operation	100	100
Recreational Vehicle Concepts Pty Ltd (formerly Fleetwood Recreational Vehicles Pty Ltd)	Australia	Discontinued caravan manufacturing operation	100	100
ACN 625 109 702 Pty Ltd (formerly Coromal Windsor Sydney Pty Ltd)	Australia	Dormant	100	100
ACN 625 109 793 Pty Ltd (formerly Coromal Windsor Central Pty Ltd)	Australia	Dormant	100	100
Fleetwood Limited (formerly Flexiglass Challenge Industries (NZ) Limited)	New Zealand	Dormant	100	100

Fleetwood Corporation Limited is the head entity within the tax consolidated group. All companies incorporated in Australia are members of the tax consolidated group.

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26. RELATED PARTIES

DIRECTORS

The names of each person holding the position of Director of Fleetwood Corporation Limited during the financial year were P Campbell, B Denison, A Parker, J Dowling and M Southey.

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

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.

Further information on remuneration of directors and key management personnel can be found in the Remuneration Report.

KEY MANAGEMENT PERSONNEL

Aggregate compensation of the key management personnel of the consolidated entity and the Company for the year:

	Consolidated	
	2019	**2018**
	$	**$**
Short-term employee benefits	2,731,555	3,053,813
Post-employment benefits	155,391	165,186
Other long term benefits	16,441	85,933
Share-based payments	229,546	289,536
	3,132,933	**3,594,468**

Transactions between Fleetwood Corporation and its related parties

During the financial year subsidiaries of the parent company made no dividends (2018: $5,000,000) to the parent entity. Non-current loans totaling $142,875,034 (2018: $150,907,061) repayable to the parent are outstanding at reporting date.

Transactions and balances between the company and its subsidiaries were eliminated in the preparation of the consolidated financial statements of the Group.

FOR THE YEAR ENDED 30 JUNE 2019

27. PARENT ENTITY DISCLOSURES

		Parent	
		2019	2018
	Note	$'000	$'000
27.1 Financial position			
Assets			
Current assets		30,790	11,801
Non-current assets		189,628	153,676
Total assets		**220,418**	**165,477**
Liabilities			
Current liabilities		2,104	1,894
Non-current liabilities		693	6,161
Total liabilities		**2,797**	**8,055**
Equity			
Issued capital		254,529	196,428
Retained earnings		(36,908)	(39,006)
Total equity		**217,621**	**157,422**
27.2 Financial performance			
(Loss) profit for the year		(4,403)	(25,090)
Other comprehensive income		-	-
Total comprehensive (loss) income		**(4,403)**	**(25,090)**
27.3 Guarantees entered into by the parent entity			
Guarantee provided under the deed of cross guarantee	**24**	**79,892**	**59,514**
27.4 Commitments			
Operating lease commitments			
Within one year		420	208
One year or later and no later than five years		343	122
Later than five years		-	-
		763	**330**

The accounting policies of the parent entity, which have been applied in determining the financial information above are the same as those applied in the consolidated financial statements.

Under the terms of the Deed of Cross Guarantee, the Company has guaranteed the repayment of all current and non-current liabilities totaling $79,892,277 (2018: 59,514,044) in the event any of the entities which are party to the Deed are wound up.

The parent entity had no other contingent liabilities as at 30 June 2019 (2018: nil).

28. DISCONTINUED OPERATIONS

Discontinued Operation	Background
Flexiglass Challenge Pty Ltd	On 11 December 2017 the company announced the sale of Flexiglass Challenge Pty Ltd after undertaking a strategic review of this business. The sale was finalised on 31 January 2018.
Resource Sector Rental Operations	On 1 March 2016 the company ceased resource sector rental operations due to the downturn in the mining industry and the resulting reduction in demand for construction workforce accommodation.
Caravan Manufacturing Operations	On 21 June 2018 the company announced the sale of the Coromal and Windsor brands and associated raw materials and finished goods stock after undertaking a strategic review.

28. DISCONTINUED OPERATIONS (continued)

	Flexiglass Challenge Pty Ltd		Resource Sector Rental Segment		Caravan Manufacturing		Total Discontinued Operations	
	2019 $ '000	2018 $ '000	2019 $ '000	2018 $ '000	2019 $ '000	2018 $ '000	2019 $ '000	2018 $ '000
28.1 Financial results								
Revenue	-	12,014	1,746	7,319	30,962	34,097	32,708	53,430
Impairment and provisions	-	(4,509)	(3,520)	(947)	(11,925)	(15,232)	(15,445)	(20,688)
Loss on sale	-	(187)	-	-	-	-	-	(187)
Expenses	-	(13,388)	(2,033)	(7,838)	(44,167)	(46,224)	(46,200)	(67,450)
Loss from discontinued operation before income	**-**	**(6,070)**	**(3,807)**	**(1,466)**	**(25,130)**	**(27,359)**	**(28,937)**	**(34,895)**
Attributable income tax benefit	-	494	1,142	440	7,537	8,296	8,679	9,230
Loss from discontinued operation after income	**-**	**(5,576)**	**(2,665)**	**(1,026)**	**(17,593)**	**(19,063)**	**(20,258)**	**(25,665)**
28.2 Cashflow information								
Net cash inflows from operating activities	-	(26)	(287)	7,686	(4,945)	(21,914)	(5,232)	(14,254)
Net cash inflows (outflows) from investing	-	32	(26)	(366)	26	(1,648)	-	(1,982)
Net cash inflow from discontinued operations	**-**	**6**	**(313)**	**7,320**	**(4,919)**	**(23,562)**	**(5,232)**	**(16,236)**
28.3 Financial Position								
Assets			5,371	9,211	8,999	36,031	14,370	45,242
Liabilities			-	-	4,967	14,769	4,967	14,769
Net Assets in discontinued operation			**5,371**	**9,211**	**4,032**	**21,262**	**9,403**	**30,473**
28.4 Loss per share from discontinued operation								
Basic loss per share (cents)							(22.3)	(40.7)
Diluted loss per share (cents)							(22.2)	(40.5)
Proft attributable to members of the consolidated entity relates to:								
Profit from continuing operations							14,014	12,204
Loss from discontinued operation							(20,258)	(25,665)
Profit (loss) for the year							**(6,244)**	**(13,461)**

28. DISCONTINUED OPERATIONS (continued)

RECOGNITION AND MEASUREMENT

A discontinued operation is a component of the Group that has either been disposed of, or is held for sale, and;

- represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

Profit or loss from discontinued operations, including prior year components of profit or loss, are presented in a single amount in the statement of profit or loss and other comprehensive income. This amount, which comprises the post-tax profit or loss of discontinued operations, is analyzed above.

29. BUSINESS COMBINATIONS

29.1 Acquisition of Modular Building Systems Pty Ltd

The company completed the acquisition of 100% of the shares of Modular Building Systems Pty Ltd (MBS), for $34.2 million, a working capital adjustment plus a potential earn out effective 1 July 2018.

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

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

	Carrying Value $'000	Fair value recognised $'000
Fair value of identifiable net assets acquired:		
Cash and cash equivalents	283	283
Trade and other receivables	7,937	7,937
Property, plant and equipment	2,211	2,211
Contract assets	1,352	1,352
Contract intangible	14,924	14,924
Deferred tax assets	785	785
Inventory	488	488
Total assets	**27,980**	**27,980**
Trade and other payables	8,261	8,261
Interest bearing liabilities	115	115
Deferred tax liabilities	4,477	4,477
Provisions	2,616	2,616
Total liabilities	**15,469**	**15,469**
Fair value of identifiable net assets acquired	12,511	12,511
Fair value of identifiable net assets acquired		12,511
Goodwill		24,637
		37,148
Cost of the combination:		
Cash paid at acquisition		35,110
Potential earn out		2,038
Direct costs relating to the acquisition (expensed in the income statement)		215
Total cost of the acquisition		**37,363**
The cash flow on acquisition is as follows:		
Net cash acquired with the business (inflow)		(283)
Direct costs relating to the acquisition		215
Cash paid		35,110
Net consolidated cash outflow		**35,042**

The purchase agreement included an additional consideration payable only if the profits of MBS for 2019 and 2020 exceed a target level agreed by both parties. The $2,037,778 fair value of the contingent earn out liability initially recognised represents the present value of the Group's probability weighted estimate of the cash outflow. It reflects management's estimate that the targets will be achieved and is discounted using a pre-tax corporate rate.

As at 30 June 2019 there have been no changes in the estimate of the probable cash outflow.

29. BUSINESS COMBINATIONS (continued)

Goodwill of $24,636,738 is primarily related to growth expectations, expected future profitability, the substantial skill and expertise of MBS' workforce and expected synergies. Goodwill has been allocated to the Modular Accommodation cash-generating unit at 30 June 2019. The goodwill that arose from the business combination is not expected to be deductible for tax purposes.

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

29. BUSINESS COMBINATIONS (continued)

29.2 Acquisition of Northern RV

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

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

	Carrying Value $'000	Fair value recognised $'000
Fair value of identifiable net assets acquired:		
Trade and other receivables	2,825	2,825
Property, plant and equipment	61	61
Deferred tax assets	270	270
Inventory	540	540
Total assets	**3,696**	**3,696**
Trade and other payables	754	754
Provisions	900	900
Total liabilities	**1,654**	**1,654**
Fair value of identifiable net assets acquired	**2,042**	**2,042**
Fair value of identifiable net assets acquired		2,042
Goodwill		10,554
		12,596
Cost of the combination:		
Cash paid at acquisition		10,534
Potential earn out		2,062
Direct costs relating to the acquisition (expensed in the income statement)		76
Total cost of the acquisition		**12,672**
The cash flow on acquisition is as follows:		
Net cash acquired with the business (inflow)		-
Direct costs relating to the acquisition		76
Cash paid		10,534
Net consolidated cash outflow		**10,610**

The purchase agreement included an additional consideration payable only if the average profits of NRV for financial years 2019, 2020 and 2021 exceed a target level agreed by both parties. The $2,061,795 fair value of the contingent earn out liability initially recognised represents the present value of the Group's probability weighted estimate of the cash outflow. It reflects management's estimate of a 85% chance that the targets will be achieved and is discounted using a pre-tax corporate rate.

As at 30 June 2019 there have been no changes in the estimate of the probable cash outflow.

29. BUSINESS COMBINATIONS (continued)

Goodwill of $10,553,955 is primarily related to growth expectations, expected future profitability and integration opportunities of NRV. Goodwill has been allocated to cash-generating units at 30 June 2019. The goodwill that arose from the business combination is not expected to be deductible for tax purposes.

The acquired business contributed revenues of $13,742,366 and net profit after tax of $2,410,197 (excluding incremental interest) to the Group for the period 8 August 2018 to 30 June 2019. Had the assets of NRV been acquired at 1 July 2018, the revenue from continuing operations for the Group would have been $316,910,405, and the net profit from continuing operations attributable to members of the parent entity would have been $14,294,539.

In determining the 'pro-forma' revenue and profit of the Group the revenue and earnings of NRV have been extrapolated for the period from acquisition date to 30 June 2019.

RECOGNITION AND MEASUREMENT

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value which is calculated as the sum at the acquisition-date of the fair values of assets transferred by the Company, liabilities incurred by the Company to the former owners of the acquiree and the equity instruments issued by the Company in exchange for control of the acquiree. Acquisition related costs are recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities or assets related to employment benefit arrangements are recognised and measured in accordance with AASB 112 ‘Income Taxes’ and AASB 119 ‘Employee Benefits’ respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non- controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

30. SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

No significant items have occurred subsequent to 30 June 2019 and before this report was issued.

Grant Thornton

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Independent Auditor's Report

To the Members of Fleetwood Corporation Limited

Report on the audit of the financial report

Opinion

We have audited the financial report of Fleetwood Corporation Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the period then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies, and the Directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the Group's financial position as at 30 June 2019 and of its performance for the year ended on that date; and

b complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Grant Thornton

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined the matters described below to be the key audit matters to be communicated in our report.

Key audit matter	How our audit addressed the key audit matter
Revenue recognition for construction contracts **Note 2**	

For the year ended 30 June 2019, the Group recognised $209.364 million in revenues from its construction contracts within its Modular Accommodation operating segment.
 	
The Group recognises revenues from construction contracts with reference to *AASB 15 Revenues from Contracts with Customers*. AASB 15 was adopted during the period and replaced *AASB 111 Construction Contracts* and several revenue-related Interpretations.
 	
The first-time adoption of a new standard introduces the risk that revenue recognition policies being applied are not in-line with the standard.
 	
Further, this area is a key audit matter due to the degree of management estimation and judgement required with regard to applying judgments and estimates in determining revenue recorded over the time of its contracts. In the case of the Group's revenue recognition policies, this is performed with reference to costs incurred relative to the total expected costs on each contract.
	Our procedures included, amongst others:
	
	• obtaining management's impact assessment of *AASB 15 – Revenues from Contracts with Customers* and tested for compliance with the requirements of the standard, including checking application to a number of underlying agreements;
	• testing a sample of costs incurred in the year through to supporting documentation such as invoices or approved timesheets and their allocation to projects;
	• selecting a sample of contracts and agreeing contract prices and contract costs to supporting documentation;
	• recalculating revenue, including contract assets and contract liabilities, on a sample of open contracts at year end and comparing to management's estimates;
	• analysing management's ability to forecast by:
	  – comparing margins on open contracts at 30 June 2018 to actual margins once contracts were completed during the 2019 financial year;
	  – comparing margins on open contracts at 30 June 2019 to margins reported by management in the months subsequent to year end; and
	• assessing the appropriateness of financial statement disclosures.

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Key audit matter	How our audit addressed the key audit matter
Business combinations **Note 29**	

During the period, the Group acquired all the shares of Modular Building Systems Pty Ltd ("MBS") and all assets and liabilities of Northern RV ("NRV"). Both acquisitions were treated as *Business Combinations* as defined by AASB 3.
 	
In performing the purchase price allocations for the acquisitions, the Group identified and estimated the fair value of all assets acquired and liabilities assumed. In the case of the MBS acquisition, this included contract intangible assets totalling $14.924 million.
 	
The purchase price allocation has resulted in Goodwill of $24.637 million and $10.554 million being recognised in relation to the MBS and NRV acquisitions respectively.
 	
This area is a key audit matter due to the management estimates and judgments applied in identifying separately identifiable intangible assets and in determining the fair value of any separately identifiable intangible assets and earn out liabilities.
	Our procedures included, amongst others, performing the following:
	
	• obtaining the acquisition trial balance and performing opening balance audit procedures to evaluate the completeness and accuracy of assets acquired and liabilities assumed;
	• ensuring the total cost of the combinations included all elements of consideration paid and payable with reference to signed purchase agreements;
	• tracing cash consideration paid to bank statements;
	• evaluating management's purchase price allocation documentation and challenging their assessment of separately identifiable intangible assets;
	• assessing management's judgments and estimates in determining and applying the inputs to its fair value calculation of earn out obligations;
	• testing management's judgments and estimates in determining the fair value of its contract intangible assets, including:
	  – involving our internal corporate finance experts to assess valuation techniques and inputs used in the discounted cash flows;
	  – checking forecasted cash flows to supporting evidence as well as analysing estimates for reasonableness;
	  – corroborating against industry data and forecasts; and
	  – re-calculating Goodwill balances reported by deducting the fair value of identifiable net assets acquired by the total costs of the combinations; and
	• ensuring the appropriateness of related financial statement disclosures.

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Key audit matter	How our audit addressed the key audit matter
Goodwill valuation **Note 13**	
As at 30 June 2019, the Group reports $85.911 million in Goodwill across various cash-generating units ("CGU"). Goodwill is required to be assessed for impairment annually as prescribed in *AASB 136 – Impairment of Assets*. The Group estimates the fair value of its cash-generating units by employing a discounted cash flow model and, in doing so, determining the following: • forecasted cash flows from operations • working capital adjustments • capital expenditure estimates • discount and growth rates • a terminal value This area is a key audit matter due to the significant level of management estimates and judgements applied in supporting these carrying values.	Our procedures included, amongst others, obtaining management's discounted cash flow model and performing the following audit procedures: • understanding and documenting management's identification of CGUs and assessing the appropriateness of the inclusion of cash flows from companies determined to be within each CGU; • identifying the key assumptions and adjustments in the model; • testing the mathematical accuracy of the model ensuring compliance with *AASB 136*; • analysing the reasonableness of the cash flow forecasts used in the model by: – comparing to historical performance, including management's ability to forecast; – agreeing to Board approved corporate business plans and supporting information; – performing sensitivity analysis on the key assumptions; and – corroborating against industry forecasts. • involving our internal corporate finance experts to assess the reasonableness of discount rates, working capital and capital expenditure adjustments, and foreign exchange forecasts; and • ensuring the appropriateness of related financial statement disclosures.

Information other than the financial report and auditor's report thereon

The Directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the financial report

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

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website at: http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf. This description forms part of our auditor's report.

Report on the remuneration report

Opinion on the remuneration report

We have audited the Remuneration Report included in pages 12 to 22 of the Directors' report for the year ended 30 June 2019.

In our opinion, the Remuneration Report of Fleetwood Corporation Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

M D Dewhurst
Partner – Audit & Assurance

Perth, 24 September 2019