HALF YEAR REPORT 23

FLEETWOOD LIMITED
APPENDIX 4D &
HALF YEAR REPORT
DECEMBER 2022
ABN 69 009 205 261

FLEETWOOD LIMITED
APPENDIX 4D
HALF YEAR ENDED 31 DECEMBER 2022
(ABN 69 009 205 261)

Reporting period Half year ended 31 December 2022

Previous corresponding period Half year ended 31 December 2021

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	% change up / (down)	31 Dec 2022 $'000	31 Dec 2021 $'000
Revenue from ordinary activities	6%	222,453	209,157
Profit before interest, tax, depreciation and amortisation (EBITDA)[1]	29%	8,741	6,757
Profit (loss) before interest, tax and amortisation (EBITA)[1]	N/A	246	(1,549)
Significant items[2]	N/A	-	(39,816)
Net profit (loss) from continuing operations after tax attributable to members	N/A	(814)	(38,645)
Net profit (loss) attributable to members (including loss from discontinued operations)	N/A	(814)	(39,102)

DIVIDEND INFORMATION

	31 Dec 2022	31 Dec 2021
Interim Dividend		
Date dividend is payable	-	1 Apr 2022
Record date	-	4 Mar 2022
Interim dividend payable per security (cents)	-	2.00
Franked amount of dividend per security (cents)	-	2.00
Total dividend payable for the period per security (cents)	-	2.00
		30 Jun 2022
Previous Dividends		
Final Dividend 2022 (cents)		-
Interim Dividend 2022 (cents) - paid 1 April 2022		2.00
Total dividend paid during the period per security (cents)		2.00

NET TANGIBLE ASSET BACKING

	as at 31 Dec 2022	as at 30 Jun 2022
Net tangible assets per security ($) - Post application of AASB 16[3]	0.95	0.96

DETAILS OF SUBSIDIARIES AND ASSOCIATES

No items to report.

COMMENTARY ON RESULTS IN THE PERIOD

Additional Appendix 4D disclosure requirements and further information including commentary on significant features of the operating performance, results of segments and other factors affecting the results for the current period are contained in the Directors' Report, Half Year Financial Report for the period ended 31 December 2022, and Press Release lodged with the ASX.

The condensed consolidated financial statements contained within the Half year Financial Report for the period ended 31 December 2022, of which this report is based upon have been reviewed by Fleetwood Limited's auditors, Ernst and Young (EY).

1 31 Dec 2021 Excludes significant items (impairment of assets, goodwill and warranty and buy-back expenses)

2 31 Dec 2021 Includes goodwill impairment of $28.5m, intangible asset impairment of $4.7m, inventory impairment of $2.7m and provisions for warranties and buy-backs of $3.9m. There are no significant items in the period ending 31 Dec 2022.

3 Calculated as net assets less goodwill, intangibles and right-of-use assets

FLEETWOOD LIMITED
CONTENTS
HALF YEAR ENDED 31 DECEMBER 2022

GENERAL INFORMATION

Fleetwood 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 Level 2, 464 Hay Street, Subiaco, Western Australia. The telephone number of the company is (08) 9323 3300.

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Ernst and Young

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FLEETWOOD LIMITED
DIRECTORS' REPORT
HALF YEAR ENDED 31 DECEMBER 2022

The Directors present their report on Fleetwood Limited (the Company) and the entities it controlled (collectively, the Group) at the end of, or during the half year ended 31 December 2022 together with consolidated financial statements.

Directors
The Board is currently comprised of five Non-Executive Directors and one Executive Director. The Directors who are in office at the date of this report are:

John Klepec	Chair, Non-Executive Director
Bruce Nicholson	Managing Director, Chief Executive Officer
Jeff Dowling	Non-Executive Director, Chair of Audit Committee
Adrienne Parker	Non-Executive Director, Chair of Nominations and Diversity Committee
Mark Southey	Non-Executive Director, Chair of Remuneration Committee
Martin Monro	Non-Executive Director, Chair of Risk Committee

Executive Officers

Andrew Wackett	Chief Financial Officer, Company Secretary
Elizabeth Maynard	General Counsel, Company Secretary
Andrew McCormack	General Manager, WHSE & HR
Tara Goldsworthy	Executive General Manager, Manufacturing
Tom Gleeson	Executive General Manager, Sales
Giles Everest	Executive General Manager, WA (Appointed 1/8/2022)
David Bolton	Executive General Manager, Building Solutions (Appointed 1/9/2022)

REVIEW OF OPERATIONS

- **EBITA of $0.2m compared to an underlying EBITA loss of $1.5m in H1 FY22.**
- **Net cash of $39.9m stable after allowing for substantial payment of FY22 onerous contract provision of $14.1m**
- **Statutory NPAT loss of $0.8m (H1 FY22 $39.1m loss)**
- **No interim dividend declared**

Business performance for the half year was mixed with a reduction in losses in Building Solutions offset by lower earnings from the remaining businesses. RV Solutions revenue remained strong with the ongoing popularity in domestic tourism while Community Solutions was below H1 FY22 due to the timing of major client shutdowns this year. Community Solutions earnings remain as expected with ongoing low demand ahead of planned major projects.

The Company has maintained a stable net cash position of $39.9m during 1H FY23 after allowing for substantial payment of the $14.1m onerous provision taken late in FY22.

Work on all major projects in Building Solutions has now been completed and efforts are focussed on commercial negotiations and final close outs. Going forward, the business has continued to target projects aligned with its current capability.

The Company recorded earnings before interest, tax, and amortisation (EBITA) of $0.2m (31 December 2021: $1.5m loss) and statutory net profit after tax (NPAT) loss of $0.8m (31 December 2021: $39.1m loss) for 1H FY23. Revenue for the period improved 7% to $223.1m (31 December 2021: $209.2m).

Given the results for the half year and the continuing challenges in the construction industry, including supply chain uncertainty and labour shortages, the Board considers it prudent for Fleetwood not to declare an interim dividend for H1 FY23. Our future dividend policy remains to pay out 100% of NPAT.

We have embedded the Build, Transform & Grow strategy in the business with the aim to focus on quality of revenue through diversification, generating sustainable margins, increasing utilisation, and reducing overheads to improve earnings. This is underpinned by building leadership capability across the business to successfully execute our strategy.

Based on the order book and outlook across the operating businesses, Fleetwood anticipates a return to profitability in H2 FY23.

RESULT SUMMARY

$ million	**H1 FY23**	**H1 FY22**
Revenue	223.1	209.2
EBITDA	8.7	6.8
Depreciation	(8.5)	(8.3)
EBITA	0.2	(1.5)
Amortisation of contract intangible	-	(1.1)
Finance costs	(0.7)	(0.7)
Pre-tax profit (loss)	(0.5)	(3.4)
Tax (expense) benefit	(0.3)	1.2
Underlying NPAT	(0.8)	(2.2)
Significant items	-	(39.8)
Tax (expense) benefit	-	3.4
Significant items after tax	-	(36.5)
Continuing operations NPAT (Loss)	(0.8)	(38.6)
Loss from discontinued operations	-	(0.5)
Statutory NPAT (Loss)	(0.8)	(39.1)
NPATA[1] (Loss)	(0.8)	(1.4)

[1] NPATA = Underlying NPAT plus after-tax amortisation of contract intangible.

DIVISIONAL EBITA RESULT SUMMARY

$ million	H1 FY23	H1 FY22
Revenue		
RV Solutions	41.6	41.4
Building Solutions	168.2	151.4
Community Solutions	13.1	16.4
Unallocated	0.2	-
Total revenue	223.1	209.2

EBITA		
RV Solutions	3.9	5.1
Building Solutions[1]	(2.3)	(8.5)
Community Solutions	2.6	4.7
Unallocated	(3.9)	(2.9)
Total EBITA	0.2	(1.5)

[1] H1 EBITA adjusted for significant items of $39.8m.

CASHFLOW AND DEBT

The Company maintained a stable net cash position after allowing for payment of the $14.1m onerous contract provision taken late in FY22. This is despite the challenges presented by cost increases, operational issues and major project closeouts.

Project bonding outstanding fell from $27.0m in June 2022 to $22.5m in December 2022 reflecting reduced exposure to major projects.

The group retains total debt and bonding facilities of $81m (H1 FY22 $85m). During the half the Company's banking facility was extended for a further two years.

The movement in net cash is detailed below.

$ million	H1 FY23	H1 FY22
EBITDA	8.7	6.8
Cash outflows from discontinued businesses	-	(0.5)
Interest paid (net)	(0.8)	(0.7)
Tax	(1.1)	(3.9)
Working capital (and other)	(15.3)	7.3
Operating cashflow	(8.5)	9.0
Net capex	(3.7)	(5.5)
Free cashflow	(12.2)	3.5
Net acquisitions	-	-
Project finance (advance) repayment	-	8.7
Lease repayments and other	(3.2)	(3.7)
Dividends paid	-	(9.9)
Financing cashflows	(3.2)	(4.9)
Opening net cash (debt)	55.3	57.6
Closing net cash (debt)	39.9	56.2

BUILDING SOLUTIONS

	H1 FY23	H1 FY22
Revenue	168.2	151.4
EBITA[1]	(2.3)	(8.5)

[1] EBITA adjusted for significant items of $39.8m.

Revenue growth was driven by the Queensland business where population growth is creating education sector demand. Completion of the FY22 major projects also boosted revenue compared to H1 FY22. Revenue declined as expected from historically high H2 FY22 of $181.7m in line with activity levels on major projects.

Earnings during the half were impacted by the runoff of FY22 major projects at very low margins and the underperformance of a project in NSW we have flagged previously. Pleasingly, the H1 performance of the Rio Tinto Ti Tree Rail Camp Upgrade mining project in Western Australia was within FY22 estimates. We continued to pursue a number of material claims which remain the subject of ongoing commercial negotiations. These claims have not been accounted for in the result.

Labour and materials shortages continued into the first half with competition for key staff in the broader construction industry and this was reflected in wage pressure which saw overheads rise despite lower staff numbers.

Since our last announcement we have appointed David Bolton as the new head of the Building Solutions business. In building on the key leadership appointments last year, we now have a strong team in place to deliver our Build, Transform & Grow strategy.

OUTLOOK AND FORWARD STRATEGY

Building Solutions anticipates a continued improvement in earnings in FY23. This is expected to come from a combination of a solid order book, a reduced impact from major project cost overruns and careful overhead management.

Overhead staff numbers are down 5% since June as activity on major projects reduces and over 30% improvement in TRIFR (Safety) in H1 FY23.

Unlike previous periods the current forward order book does not have any material new major one-off projects of high complexity in an environment of limited skilled labour that are highly bespoke. During FY22 these included the Ti Tree Project as well as the Centres of National Resilience and several other bespoke projects.

As we have moved towards repeatable modular works, we have seen our order book revert to more normalised levels and it remains solid at $87m compared to $130m in June 2022.

We have also implemented the lessons learned from our projects and have a far more robust project review process in place in the business which has already seen us walk away from several projects in recent months. While this will reduce total revenue in FY23, business profitability should improve.

While Building Solutions continued to experience the ongoing effects of labour shortages and high raw material costs in the first half, we have seen early signs of volatility starting to ease moving into H2.

Opportunities with government including housing, education, and defence are expected to increase as adoption of modular building gathers momentum. The WA Department of Housing is now using modular solutions after engagement with Fleetwood and proprietary housing designs are ready to be launched to the broader market in H2 FY23. The Defence strategy has been defined and is underway.

Our Build, Transform & Grow strategy provides the roadmap for the medium to long- term improvement in the quality and consistency of earnings.

The build phase involves improving capability, systems and processes and brand awareness to underpin long term, sustainable growth.

The business is consolidating its national functional leadership model to improve co-ordination and effectiveness of important functions such as sales, estimating, design, procurement, manufacturing, HSEQ and finance. During the half year centralisation of the design and estimating function was completed.

The senior management teams in several States have been substantially replaced reflecting the underlying issues that impacted the FY22 financial results.

The transform component of our strategy includes revenue diversification and moving from being a bespoke builder to repeatable builder. This involves qualifying work coming into our pipeline against key measures including buildability for modular, the right margin, a deeper understanding of risks and opportunities, and the right customer to partner with.

Major workstreams include:

- Aligning national workflows and developing common processes and procedures to deliver consistency
- Introducing Sales & Operation Planning (S&OP) to improve the capability to push and pull orders to optimise our factories. Factory capacity and utilisation is now being monitored and is driving sales and operational planning
- Balancing build complexity with standardisation of modular components to open pathways to automation
- Focusing on national procurement to reduce costs by consolidating purchasing and leveraging the purchasing power of the national business. Procurement savings have been identified and captured in major spend categories with the benefits to begin to flow from H2 FY23

Over the medium term this is expected to see a stable and growing business able to effectively leverage the advantages of modular building including:

- Reduced building time or speed
- Lower cost, especially when design variations are considered
- Improved quality when compared to in situ builds
- Better ESG credentials, especially around waste, sustainability, and the ability to recycle, repurpose and reuse buildings

COMMUNITY SOLUTIONS

	H1 FY23	H1 FY22
Revenue	13.1	16.4
EBITA	2.6	4.7

Community Solutions was below H1 FY22 due to the timing of major client shutdowns this year. The half also saw the ongoing impact of low demand in the Karratha market ahead of planned major projects.

The five-year agreement with Rio Tinto, executed early in H1, underpins base utilisation and profitability moving forward and creates a strong negotiating position for ongoing discussions with additional clients to support planned shutdowns and major projects over coming periods.

Also, during H1 FY23, contracts were secured with Woodside and Yara Fertilisers further underpinning future demand.

Negotiations remain ongoing with existing and potential customers around future room requirements for FY24 and beyond. Several opportunities remain for securing long-term community demand at Searipple to support future earnings.

Osprey Village remains fully occupied, and a waiting list of potential tenants reflects the strength of the Port Hedland market.

OUTLOOK AND FORWARD STRATEGY

The outlook for Community Solutions is buoyant with the strong prospect that WA's Northwest will see significant future development of new projects in the oil and gas, fertiliser, and green energy sectors. Securing of existing demand from current customers places Fleetwood in a strong position for the medium term.

Commercialisation of a keyless lock and energy management system, using the Fleetwood developed Glyde technology is underway. Fleetwood's development of the technology and its availability to deliver through our Building solutions business positions the company as a digital market leader.

A growing number of low-carbon economy projects are currently under consideration in the North-West of Western Australia. The requirement for communities to house and facilitate these projects is a significant medium term opportunity for Community Solutions.

In addition, Community Solutions is well placed to pursue Build Own Operate/Transfer (BOOT) or Build to Rent (BTR) opportunities in residential and aged care, leveraging the ability to source new villages at a competitive cost supported by the Building Solutions business and Fleetwood's balance sheet.

RV SOLUTIONS

	H1 FY23	H1 FY22
Revenue	41.6	41.4
EBITA	3.9	5.1

The RV Solutions business continued its positive revenue performance driven by the ongoing strength in domestic tourism, albeit with ongoing global supply challenges. Despite easing restrictions on international travel, the attraction of domestic travel remains high.

While both the OEM and aftermarket segments experienced solid trading conditions, some softening of aftermarket demand occurred during the second quarter. OEM production remained strong.

Strong management of increased raw material costs allowed gross margins to be largely maintained. We were also able to pass through price increases to key customers during the period.

Wage inflation and significant increases in property costs saw operating costs increase relative to H1 FY22 which translated to lower EBITA margins.

Price increases have been implemented to recover margins in H2.

OUTLOOK AND FORWARD STRATEGY

The medium term outlook for RV Solutions remains positive. While international travel has resumed, the forward order book for manufacturers remains at solid levels.

The business will likely remain in a strong position through exposure to the locally built RV market via the parts business Camec, and to overseas imports through the services business Northern RV. The recent boom in caravan sales during the past two years will likely continue to deliver demand for our aftermarket service and renovation offering.

Continued strong management of price and input costs is expected to support margins.

New products such as sandwich panel walls and aluminium wall frames are currently under trial with a number of key customers. The increase in second-hand van sales provides opportunities for our products and the promotion of renovations through our service offering.

Challenges remain, primarily around raw material supply and price, freight costs and access to and the price of skilled labour. The potential impact of recent interest rate rises, fuel increases and the impact on discretionary spending is being closely monitored.

DIVIDENDS

Given the results for the half year and the continuing challenges in the construction industry, including supply chain disruption and labour shortages, the Board considered it prudent for Fleetwood not to declare an interim dividend for H1 FY23. Our dividend policy remains to pay out 100% of NPAT.

The Company presently has 21 cents per share in franking credits available to support up to 48 cents per share in fully franked dividends.

FLEETWOOD LIMITED
DIRECTORS' DECLARATION
HALF YEAR ENDED 31 DECEMBER 2022

In accordance with a resolution of the directors of Fleetwood Limited, I state that in the opinion of the directors:

(a) the half year financial report and notes of the Company and its subsidiaries (collectively the Group) are in accordance with the *Corporations Act 2001*, including:
  (i) giving a true and fair view of the Group's financial position as at 31 December 2022 and of its performance for the half-year ended on that date; and
  (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; 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.

On behalf of the Board

John Klepec
Chairman

Perth, 22 February 2023

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Auditor's independence declaration to the directors of Fleetwood Limited

As lead auditor for the review of the half-year financial report of Fleetwood Limited for the half-year ended 31 December 2022, I declare to the best of my knowledge and belief, there have been:

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

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

c. No non-audit services provided that contravene any applicable code of professional conduct in relation to the review.

This declaration is in respect of Fleetwood Limited and the entities it controlled during the financial period.

Ernst & Young

Russell Curtin
Partner
22 February 2023

FLEETWOOD LIMITED
CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
HALF YEAR ENDED 31 DECEMBER 2022

	Note	Consolidated 31 Dec 2022 $ '000	 31 Dec 2021 $ '000
Continuing operations			
Sales revenue	5	222,453	209,157
Other income		652	219
Materials used		(81,972)	(94,420)
Sub-contract costs		(83,118)	(56,996)
Employee benefits		(37,671)	(31,795)
Rent expense	10	(548)	(229)
Impairment of assets	7,9,11	-	(35,943)
Warranty and defects expense	13	3,896	(3,896)
Other expenses		(14,951)	(19,179)
Profit (loss) before interest, tax, depreciation and amortisation (EBITDA)		**8,741**	**(33,082)**
Depreciation	8,9,10	(8,495)	(8,306)
Profit (loss) before interest, tax and amortisation (EBITA)		**246**	**(41,388)**
Amortisation of contract intangible	9	-	(1,137)
Profit (loss) before interest and tax (EBIT)		**246**	**(42,525)**
Finance costs		(769)	(743)
Profit (loss) before income tax expense		**(523)**	**(43,268)**
Income tax (expense) benefit		(291)	4,623
Profit (loss) from continuing operations	4	**(814)**	**(38,645)**
Loss from discontinued operations		-	(457)
Profit (loss) attributable to members of the parent entity		**(814)**	**(39,102)**
Other comprehensive income			
Items that may subsequently be reclassified to profit or loss:			
Net exchange difference - foreign controlled entities (net of tax)		471	153
Total comprehensive profit (loss) for the year		**(343)**	**(38,949)**
Earnings (loss) per share		**cents**	**cents**
Basic earnings (loss) per share			
Continuing operations		(0.9)	(41.0)
Discontinued operations		-	(0.5)
Total		**(0.9)**	**(41.5)**
Diluted earnings (loss) per share			
Continuing operations		(0.9)	(41.0)
Discontinued operations		-	(0.5)
Total		**(0.9)**	**(41.5)**

To be read in conjunction with the accompanying notes.

FLEETWOOD LIMITED
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

		Consolidated	
	Note	**31 Dec 2022 $ '000**	**30 Jun 2022 $ '000**
Current assets			
Cash and cash equivalents		39,853	55,266
Trade and other receivables	6	59,281	54,698
Contract assets	6	44,576	43,939
Inventories	7	31,980	27,858
Tax assets		6,834	577
Total current assets		**182,524**	**182,338**
Non-current assets			
Trade and other receivables	6	1,449	1,697
Property, plant and equipment	8	35,690	36,921
Intangible assets	9	3,446	3,323
Right-of-use assets	10	26,783	26,329
Goodwill	11	43,522	43,522
Deferred tax assets		11,203	16,065
Total non-current assets		**122,093**	**127,857**
Total assets		**304,617**	**310,195**
Current liabilities			
Trade and other payables		72,939	62,224
Contract liabilities		29,193	30,794
Lease liabilities	10	6,583	5,027
Tax liabilities		318	199
Provisions	13	10,868	25,892
Other financial liabilities		53	19
Total current liabilities		**119,954**	**124,155**
Non-current liabilities			
Lease liabilities	10	21,187	22,154
Provisions	13	305	366
Total non-current liabilities		**21,492**	**22,520**
Total liabilities		**141,446**	**146,675**
Net assets		**163,171**	**163,520**
Equity			
Issued capital		253,361	253,170
Reserves		(912)	(1,192)
Retained earnings		(89,278)	(88,458)
Total equity		**163,171**	**163,520**

To be read in conjunction with the accompanying notes.

FLEETWOOD LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
HALF YEAR ENDED 31 DECEMBER 2022

Consolidated	Issued capital $ '000	Share based payment reserve $ '000	Share plan reserve $ '000	Foreign currency translation reserve $ '000	Retained earnings $ '000	Total $ '000
Balance at 1 July 2021	253,726		(2,126)	260	(29,395)	222,465
Loss for the period	-		-	-	(39,102)	(39,102)
Exchange differences arising on translation of foreign operations	-		-	153	-	153
Total comprehensive profit (loss) for the period	-		-	153	(39,102)	(38,949)
Dividends paid to shareholders	-		-	-	(9,891)	(9,891)
Share-based payments	385		-	-	-	385
Balance at 31 December 2021	**254,111**		**(2,126)**	**413**	**(78,388)**	**174,010**
Balance at 1 July 2022	253,170	837	(2,126)	97	(88,458)	163,520
Loss for the period	-		-	-	(814)	(814)
Exchange differences arising on translation of foreign operations	-		-	471	-	471
Total comprehensive profit (loss) for the period	-		-	471	(814)	(343)
Dividends paid to shareholders	-		-	-	-	-
Share-based payments	191	(191)	-	-	-	-
Other					(6)	(6)
Balance at 31 December 2022	**253,361**	**646**	**(2,126)**	**568**	**(89,278)**	**163,171**

To be read in conjunction with the accompanying notes.

FLEETWOOD LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
HALF YEAR ENDED 31 DECEMBER 2022

		Consolidated	
	Note	**31 Dec 2022 $ '000**	**31 Dec 2021 $ '000**
Cash flows from operating activities			
Receipts from customers		240,897	234,135
Payments to suppliers		(247,707)	(220,575)
Interest received		213	44
Income taxes refunded (paid)		(1,100)	(3,859)
Finance costs paid		(769)	(743)
Net cash provided by operating activities		**(8,466)**	**9,002**
Cash flows from investing activities			
Proceeds from sale of non-current assets		554	705
Acquisition of property, plant and equipment		(3,571)	(5,684)
Acquisition of intangible assets		(713)	(474)
Net cash used in investing activities		**(3,730)**	**(5,453)**
Cash flows from financing activities			
Project finance advance		-	8,698
Repayment of principle of lease liabilities		(3,505)	(3,689)
Dividends paid to shareholders	3	-	(9,891)
Net cash used in financing activities		**(3,505)**	**(4,882)**
Net decrease in cash and cash equivalents		(15,701)	(1,333)
Cash and cash equivalents at the beginning of the financial year		55,266	57,567
Effect of exchange rate changes on cash held in foreign currencies		288	2
Cash and cash equivalents at the end of the period		**39,853**	**56,236**

To be read in conjunction with the accompanying notes.

1. ABOUT THIS REPORT

1.1 Statement of compliance

The half year consolidated financial report of Fleetwood Limited and its subsidiaries (collectively, the Group) for the six months ended 31 December 2022 were authorised for issue by the Directors on 22 February 2023.

The half year consolidated financial report is a general purpose financial report prepared in accordance with the *Corporations Act 2001* and AASB 134 *Interim Financial Reporting*. The half year financial report does not include all the information and disclosures required in the annual consolidated financial report, and should be read in conjunction with the most recent annual consolidated financial report as at 30 June 2022.

1.2 New and revised standards and Interpretations adopted during the reporting period

The accounting policies adopted in the preparation of the half year financial report are consistent with those followed in the preparation of the Group's annual consolidated financial report for the year ended 30 June 2022. The Group has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

1.3 Significant accounting policies

The financial statements have been prepared in accordance with the accounting policies adopted in the Company's most recent annual financial statements for the year ended 30 June 2022.

1.4 Comparative information

The half year consolidated financial report provide comparative information in respect of the previous period, which is reclassified where necessary in order to provide consistency with the current financial period.

2. ISSUES, REPURCHASES AND REPAYMENTS OF EQUITY SECURITIES

Issued and paid-up capital

94,284,579 (30 June 2022: 94,198,742) ordinary shares, fully paid.

3. DIVIDENDS

During the period no dividends were declared by the Directors and paid to shareholders of the Company.

	31 Dec 2022 $ '000	31 Dec 2021 $ '000
Recognised amounts		
Final 2021 – paid 10.5 cents per share fully franked	-	9,891
	-	**9,891**

4. SEGMENT INFORMATION

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.

Operating segments	Products / Services
RV Solutions	Manufacture, installation and distribution of recreational vehicle parts and accessories.
Building Solutions	Design, manufacture and sale of accommodation.
Community Solutions	Operation of communities (Formerly Accommodation Solutions).

Revenue and results by reportable operating segment:

	Revenue		Depreciation		Segment Result (EBITA) [1]	
	31 Dec 2022 $ '000	31 Dec 2021 $ '000	31 Dec 2022 $ '000	31 Dec 2021 $ '000	31 Dec 2022 $ '000	31 Dec 2021 $ '000
RV Solutions	41,621	41,407	1,945	1,837	3,856	5,054
Building Solutions [1]	168,156	151,374	4,619	4,437	(2,314)	(48,303)
Community Solutions	13,132	16,376	1,533	1,626	2,584	4,726
Operating segment total	**222,909**	**209,157**	**8,097**	**7,900**	**4,126**	**(38,523)**
Unallocated	196	-	398	406	(3,880)	(2,865)
Total	**223,105**	**209,157**	**8,495**	**8,306**	**246**	**(41,388)**
Amortisation of contract intangible (Building Solutions)					-	(1,137)
Profit (loss) before interest and tax (EBIT)					**246**	**(42,525)**
Finance costs					(769)	(743)
Profit (loss) before income tax benefit					**(523)**	**(43,268)**
Income tax benefit (expense)					(291)	4,623
Profit (loss) from continuing operations					**(814)**	**(38,645)**
Loss from discontinued operations					-	(457)
Profit (loss) attributable to members of the parent entity					**(814)**	**(39,102)**

[1] Underlying EBITA for Building Solutions for the period was an $2.3 million loss (31 December 2021: $8.5 million loss).

The unallocated line represents the results of the Company's corporate function.

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

	Segment assets		Segment liabilities	
	31 Dec 2022 $ '000	30 Jun 2022 $ '000	31 Dec 2022 $ '000	30 Jun 2022 $ '000
RV Solutions	56,280	50,705	19,262	14,036
Building Solutions	170,301	172,762	109,597	122,029
Community Solutions	21,334	23,072	4,131	5,381
Operating segment total	**247,915**	**246,539**	**132,990**	**141,446**
Unallocated	56,702	63,656	8,456	5,229
Total	**304,617**	**310,195**	**141,446**	**146,675**

The unallocated line represents the results of the Company's corporate function.

5. SALES REVENUE

	Consolidated	
	31 Dec 2022	31 Dec 2021
Continuing operations	**$ '000**	**$ '000**
Recognised at a point in time:		
RV Solutions	41,468	41,407
Total revenue recognised at a point in time	41,468	41,407
Recognised over time:		
Building Solutions	167,853	151,374
Community Solutions	13,132	16,376
Total revenue recognised over time	180,985	167,750
Total sales revenue	**222,453**	**209,157**

6. TRADE AND OTHER RECEIVABLES AND CONTRACT ASSETS

	31 Dec 2022 $ '000	30 Jun 2022 $ '000
Trade and other receivables		
Current		
Trade receivables	51,724	50,855
Expected credit losses	(1,162)	(1,701)
Finance lease receivable	609	1,295
Other receivables	8,110	4,249
Total	**59,281**	**54,698**
Non-current		
Finance lease receivable	1,449	1,697
Total	**1,449**	**1,697**
Contract assets		
Current	44,576	43,939
Non-current	-	-
Total	**44,576**	**43,939**

7. INVENTORIES

	31 Dec 2022 $ '000	30 Jun 2022 $ '000
Current		
Raw materials & stores	11,225	15,433
Finished goods	24,086	15,932
Stock obsolescence provision	(3,331)	(3,507)
Total	**31,980**	**27,858**

The stock obsolescence provision is allocated within the Company's segments as shown below:

	31 Dec 2022 $ '000	30 Jun 2022 $ '000
Current		
RV Solutions	(301)	(548)
Building Solutions	(3,030)	(2,959)
Total	**(3,331)**	**(3,507)**

8. PROPERTY, PLANT AND EQUIPMENT

	31 Dec 2022 $ '000	30 Jun 2022 $ '000
Freehold land		
Cost	1,408	1,408
Buildings		
Cost	1,343	1,343
Accumulated depreciation	(557)	(540)
Balance	786	803
Leasehold property and improvements		
Cost	51,877	51,854
Accumulated amortisation	(43,937)	(43,417)
Balance	7,940	8,437
Plant and equipment		
Cost	96,822	97,126
Accumulated depreciation	(74,017)	(73,124)
Balance	22,805	24,002
Assets under construction		
Cost	2,751	2,271
Total	**35,690**	**36,921**

The following tables show the movements in property, plant and equipment:

	Freehold land $ '000	Buildings $ '000	Leasehold property and improvements $ '000	Plant and equipment $ '000	Assets under construction $ '000	Total $ '000
Balance at 1 July 2022	1,408	803	8,437	24,002	2,271	36,921
Additions	-	-	-	2,017	1,554	3,571
Transferred from assets under construction	-	-	-	321	-	321
Transferred to plant and equipment	-	-	-		(321)	(321)
Disposals	-	-	-	(748)	-	(748)
Depreciation	-	(17)	(497)	(3,541)	-	(4,055)
Transferred to project	-	-	-	-	(753)	(753)
Other – reversal of impairment on disposal	-	-	-	754	-	754
Balance at 31 December 2022	**1,408**	**786**	**7,940**	**22,805**	**2,751**	**35,690**
Balance at 1 July 2021	1,408	837	8,395	27,192	2,011	39,843
Additions	-	-	790	5,697	2,898	9,385
Transferred to ERP software	-	-	-	-	-	-
Transferred to product development	-	-	-	(392)		(392)
Transferred to plant and equipment	-	-	-	-	-	-
Transferred from leasehold improvements	-	-	-	1,199	(1,199)	-
Transferred from assets under construction	-	-	-	-	-	-
Transferred to project	-	-	-	129	-	129
Disposals	-	-	-	(2,863)	(1,439)	(4,302)
Depreciation	-	(34)	(748)	(6,960)	-	(7,742)
Balance at 30 June 2022	**1,408**	**803**	**8,437**	**24,002**	**2,271**	**36,921**

9. INTANGIBLE ASSETS

	31 Dec 2022 $ '000	30 Jun 2022 $ '000
Product development		
At cost	4,723	4,377
Accumulated amortisation and impairment	(3,845)	(3,678)
Balance	878	699
Product development WIP		
At cost	-	-
Contract intangible		
Acquired	14,924	14,924
Accumulated amortisation and impairment	(14,924)	(14,924)
Balance	-	-
ERP software		
At cost	4,211	3,890
Accumulated amortisation	(2,393)	(2,006)
Balance	1,818	1,884
ERP software WIP		
At cost	750	740
Total	**3,446**	**3,323**

The following tables show the movements in intangible assets:

	Product development $ '000	Product development WIP $ '000	Contract intangible $ '000	ERP software $ '000	ERP software WIP $ '000	Total $ '000
Balance at 1 July 2022	699	-	-	1,884	740	3,323
Additions	346	-	-	-	376	722
Transferred from product development WIP	-	-	-	-	-	-
Transferred to product development	-	-	-	-	-	-
Transferred from ERP software WIP	-	-	-	330	-	330
Transferred to ERP software	-	-	-	-	(330)	(330)
Disposals	-	-	-	-	(36)	(36)
Depreciation and amortisation	(150)	-	-	(381)	-	(531)
Other	(17)	-	-	(15)	-	(32)
Balance at 31 December 2022	**878**	**-**	**-**	**1,818**	**750**	**3,446**
Balance at 1 July 2021	894	1,949	3,845	1,298	1,514	9,500
Additions	1,954	-	-	87	798	2,839
Transferred from ERP software WIP	-	-	-	1,217	-	1,217
Transferred to plant and equipment	392	-	-	-	-	392
Transferred to product development	(91)	(1,949)	-	-	(1,572)	(3,612)
Disposals	(45)	-	-	-	-	(45)
Depreciation and amortisation	(456)	-	(1,137)	(718)	-	(2,311)
Impairment	(1,949)	-	(2,708)	-	-	(4,657)
Balance at 30 June 2022	**699**	**-**	**-**	**1,884**	**740**	**3,323**

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

	31 Dec 2022 $ '000	30 Jun 2022 $ '000
Cost		
Opening balance	45,259	43,278
Right-of-use additions	4,616	3,274
Right-of-use modifications	-	-
Disposals	(2,826)	(1,293)
Total	47,049	45,259
Accumulated depreciation		
Opening balance	18,930	12,392
Depreciation charged this year	3,909	7,668
Disposals	(2,573)	(1,130)
Total	20,266	18,930
Balance	**26,783**	**26,329**

Lease liabilities are presented in the statement of financial position as follows:

	31 Dec 2022 $ '000	30 Jun 2022 $ '000
Lease liabilities (current)	6,583	5,027
Lease liabilities (non-current)	21,187	22,154
Total lease liabilities	**27,770**	**27,181**

The Group has leases for offices, production facilities and related warehouses, and some IT equipment. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the statement of financial position as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of sales) are excluded from the initial measurement of the lease liability and asset.

Each lease generally imposes a restriction that, unless there is a contractual right for the Group to sublet the asset to another party, the right-of-use asset can only be used by the Group. Leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Some leases contain an option to extend the lease for a further term. The Group is prohibited from selling or pledging the underlying leased assets as security. For leases over office buildings and factory premises the Group must keep those properties in a good state of repair and return the properties in their original condition at the end of the lease. Further, the Group must insure items of property, plant and equipment and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of the Group's leasing activities by type of right-of-use asset recognised on the statement of financial position:

	No. of right-of-use assets leased	Range of remaining term	Average remaining lease term	No. of leases with options to purchase	No. of leases with variable payments linked to an index or rate	No. of leases with termination options
Office buildings/spaces	5	1-7 years	4 years	-	5	-
Production facilities and warehouses	22	1-6 years	2 years	-	22	-

10. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)

The lease liabilities are secured by the related underlying assets. Future minimum lease payments at 31 December 2022 were as follows:

	Minimum lease payments due						
	Less than 1 year	**1-2 years**	**2-3 years**	**3-4 years**	**4-5 years**	**After 5 years**	**Total**
31 December 2022							
Lease payments	7,967	7,161	5,562	3,707	3,409	1,967	29,773
Finance charges	(757)	(539)	(345)	(215)	(110)	(37)	(2,003)
Net present value	**7,210**	**6,622**	**5,217**	**3,492**	**3,299**	**1,930**	**27,770**
30 June 2022							
Lease payments	7,339	6,485	5,271	3,322	3,138	3,595	29,150
Finance charges	(672)	(498)	(345)	(230)	(145)	(79)	(1,969)
Net present value	**6,667**	**5,987**	**4,926**	**3,092**	**2,993**	**3,516**	**27,181**

Lease payments not recognised as a liability

The Company has elected not to recognise a lease liability for short term leases (leases with an expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis.

The expense relating to payments not included in the measurement of a lease liability is as follows:

	31 Dec 2022 $ '000	**31 Dec 2021 $ '000**
Short term and low value leases	**548**	**229**

11. GOODWILL

	31 Dec 2022 $ '000	**30 Jun 2022 $ '000**
Goodwill	**43,522**	**43,522**
Reconciliation of the carrying amount of Goodwill:		
Gross carrying amount		
Opening balance	104,046	104,046
Total	104,046	104,046
Accumulated impairment		
Opening balance	(60,524)	(31,980)
Impairment loss in respect of Building Solutions	-	(28,544)
Total	(60,524)	(60,524)
RV Solutions	9,110	9,110
Community Solutions	2,196	2,196
Building Solutions	32,216	32,216
Balance	**43,522**	**43,522**

Goodwill is allocated to the Company's three cash-generating units: RV Solutions, Community Solutions and Building Solutions. Testing for impairment is carried out on an annual basis or whenever there is an indicator of impairment.

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 over a 5-year period with the inclusion of a terminal value.

In respect of the RV Solutions, Community Solutions and Building Solutions cash-generating units there are no impairment indicators given current EBITDA results relative to the cash-generating unit's carrying value and there are no reasonable changes in key assumptions which would result in the carrying amounts exceeding the recoverable amounts.

12. FINANCING ARRANGEMENTS

	31 Dec 2022 $ '000	30 Jun 2022 $ '000
Facilities available		
Multi-option	46,000	50,000
Surety bonds	35,000	35,000
Total facilities available	**81,000**	**85,000**
Facilities utilised		
Multi-option	8,481	8,957
Surety bonds	13,992	18,091
Total facilities utilised	**22,473**	**27,048**
Facilities not utilised		
Multi-option	37,519	41,043
Surety bonds	21,008	16,909
Total facilities not utilised	**58,527**	**57,952**
Multi-option facility utilisation		
Bank loans	-	-
Bank guarantees	8,481	8,957
Multi-option facility utilised	**8,481**	**8,957**

Multi-option

Multi-option facility, of up to a limit of $46 million (30 June 2022: $50 million), allows the Company to utilise the facility balance available at its discretion for bank loans, up to a sub-limit of $25 million and bank guarantees up to a sub-limit of $25 million. Bank loans are secured by a mortgage debenture over the assets of the consolidated entity and bear interest at a BBSY rate plus 2.60% (30 June 2022: 0.90%) plus a line fee of 0.90% (30 June 2022: 0.85%). 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.

13. PROVISIONS

	31 Dec 2022 $ '000	30 Jun 2022 $ '000
Current		
Employee benefits	8,060	7,711
Onerous Contracts	2,655	14,127
Warranty & defects	73	3,969
Other provisions	80	85
Total	**10,868**	**25,892**
Non-current		
Employee benefits	305	366
Total	**305**	**366**
Aggregate employee benefits	**8,365**	**8,077**

The warranty, defects and onerous contracts provisions are allocated within the Company's segments as shown below:

	Warranty & Defects		Onerous Contracts	
	31 Dec 2022 $ '000	30 June 2022 $ '000	31 Dec 2022 $ '000	30 June 2022 $ '000
Building Solutions	-	3,896	2,655	14,127
Unallocated	73	73	-	-
Total	**73**	**3,969**	**2,655**	**14,127**

Movements in each class of provision during the period, other than employee benefits, are set out below:

	30 Jun 2022 $ '000	Arising during the period $ '000	Utilised $ '000	Unused amounts reversed $ '000	31 Dec 2022 $ '000
Onerous Contracts	14,127	-	(11,472)	-	2,655
Warranty & defects	3,969	-	(2,280)	(1,616)	73
Other	85	32	(37)	-	80
Total	**18,181**	**32**	**(13,789)**	**(1,616)**	**2,808**

The estimation technique for accounting for warranties in the Building Solutions business has been reassessed following growth in the size and complexity of projects undertaken.

14. EVENTS AFTER THE REPORTING PERIOD

No adjusting or significant non-adjusting events occurred between the reporting date and the date of authorisation of this report.

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Independent auditor's review report to the members of Fleetwood Limited

Conclusion

We have reviewed the accompanying half-year financial report of Fleetwood Limited (the Company) and its subsidiaries (collectively the Group), which comprises the condensed consolidated statement of financial position as at 31 December 2022, the condensed consolidated statement of profit or loss and other comprehensive income for the half year ended 31 December 2022, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of the Group does not comply with the *Corporations Act 2001*, including:

a. Giving a true and fair view of the consolidated financial position of the Group as at 31 December 2022 and of its consolidated financial performance for the half-year ended on that date; and

b. Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity* (ASRE 2410). Our responsibilities are further described in the *Auditor's responsibilities for the review of the half-year 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 (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

Directors' responsibilities for the half-year financial report

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

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Auditor's responsibilities for the review of the half-year financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 31 December 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

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

Ernst & Young

Russell Curtin
Partner
Perth
22 February 2023