

Cavalier  
CORPORATION

CAVALIER CORPORATION 2004/05  
**INTERIM REPORT**  
TO 31 DECEMBER 2004

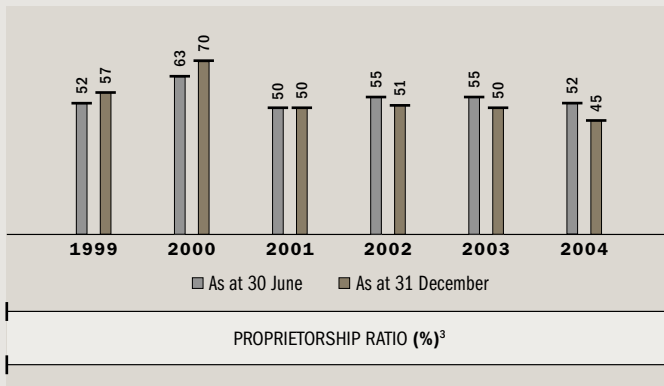
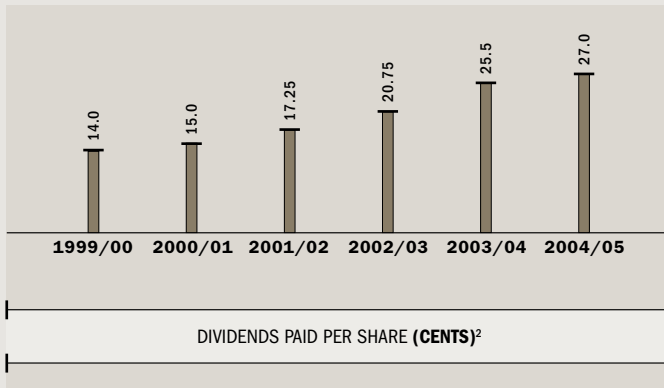
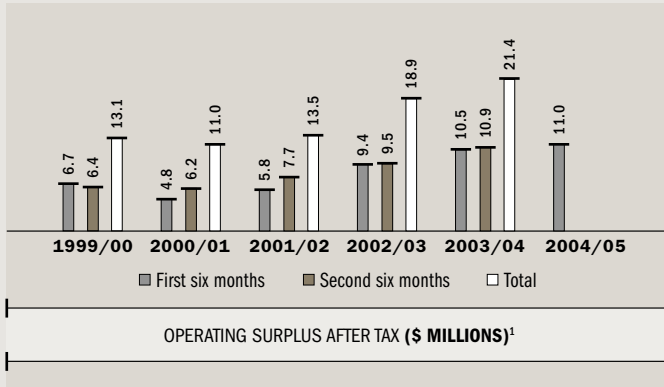


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## FINANCIAL SUMMARY

	UNAUDITED SIX MONTHS ENDED		AUDITED 12 MONTHS ENDED
	31 DEC 2004 \$000	31 DEC 2003 \$000	30 JUN 2004 \$000
<b>OPERATING REVENUE</b>	<b>\$101,342</b>	\$99,298	\$198,633
EBITDA	20,499	18,602	38,213
Depreciation and amortisation	(2,489)	(1,965)	(3,940)
EBIT	18,010	16,637	34,273
Net interest expense	(1,527)	(847)	(2,079)
Operating surplus before tax	16,483	15,790	32,194
Income tax expense	(5,525)	(5,313)	(10,761)
<b>OPERATING SURPLUS AFTER TAX</b>	<b>\$10,958</b>	\$10,477	\$21,433
<b>OPERATING SURPLUS AFTER TAX ATTRIBUTABLE TO:</b>			
Shareholders of the Company	10,745	10,328	21,011
Minority shareholders of subsidiaries	213	149	422
	<b>\$10,958</b>	\$10,477	\$21,433
<b>CASH FLOWS FROM OPERATIONS</b>	<b>\$11,854</b>	\$9,267	\$23,633
<b>EARNINGS PER SHARE (ANNUALISED)</b>	<b>33.0 cents</b>	32.5 cents	32.7 cents
<b>RETURN ON AVERAGE SHAREHOLDERS' EQUITY (ANNUALISED)</b>	<b>32.9 %</b>	33.5%	32.8%
<b>DIVIDENDS PAID (CENTS PER SHARE)</b>			
Previous year's final	14.5 cents	13.0 cents	13.0 cents
Current year's first interim	4.5 cents	4.5 cents	4.5 cents
Current year's second interim			8.0 cents
<b>TOTAL</b>			<b>25.5 cents</b>
	AS AT 31 DEC 2004	AS AT 31 DEC 2003	AS AT 30 JUN 2004
<b>NET TANGIBLE ASSET BACKING PER SHARE</b>	<b>\$0.85</b>	\$0.82	\$0.89
<b>PROPRIETORSHIP RATIO</b>	<b>45.1%</b>	50.0%	51.9%
<b>NET INTEREST-BEARING DEBT TO EQUITY RATIO</b>	<b>46:54</b>	39:61	37:63



<sup>1</sup> 2000/01 first six months' results net of abnormal closure costs of \$2 million after tax.

<sup>2</sup> 2004/05 include second interim dividend declared and paid after 31 December 2004.

<sup>3</sup> 2001 ratios reflect the impact of the return of capital to shareholders.

# DIRECTORS' REPORT



## FINANCIAL PERFORMANCE

The Directors of Cavalier Corporation are pleased to announce an unaudited operating surplus after tax and minority interests of \$10.7 million for the 6 months to 31 December 2004. This represents an increase of 4% on the corresponding period last year.

The key features for the period were the good profit performance of our carpet operations and the lower earnings from our wool operations.

Interest cost for the period of \$1.5 million was \$.7 million more than last year. Borrowings increased, mainly to fund those capital projects aimed at increasing capacity and to fund our new investment in scouring in the South Island. In addition, there was the higher cost of borrowing brought about by increases in the Official Cash Rate.

## FINANCIAL POSITION

In the Financial Position Statement as at 31 December 2004, total assets were \$146 million, an increase of \$16 million from the total as at 30 June 2004. Half of this increase relates to our new investment in 46.25%-owned associated company, Canterbury Woolscourers.

On the liabilities side, borrowings increased by \$18 million to \$56 million to fund the increase in assets. As a result, our debt to equity ratio as at 31 December 2004 was 46:54, compared with 37:63 as at 30 June 2004. \$6 million of this increase can be attributed to temporary advances to Canterbury Woolscourers and the larger amount of cash held at balance date.

## RETURN ON FUNDS EMPLOYED

Our net funds employed as at 31 December 2004 was \$121 million, an increase of \$14 million or 13% on 30 June 2004. At the same time, our annualised earnings before interest and tax over the 6 months increased by 5%.

As the increase in our earnings has not kept pace with the increase in funds employed, the result has been a marginal decrease in our return on net funds employed over this period.

However, this result has to be considered in the context of the number of new capital spends which are included within the net funds employed in our businesses as at balance date, but in respect of which we have yet to realise their earnings potential. Our recent investment in Canterbury Woolscourers is a good example because it is not expected to generate a return for us until the next financial year.

## SEGMENT REVIEWS

### Carpet Operations

Revenue for Carpets for the 6 months to 31 December 2004 was \$82.9 million, up 2% on last year. Operating surplus before interest and tax (EBIT) for the same period was \$18.1m, up 9% on last year.

EBIT to sales margin was 21.9%, an improvement from last year's 20.5%. Particularly noteworthy here was the improvement in EBIT margin attained by Ontera – up from 9.9% to 14.1%, indicating important progress on what has been one of our key objectives for that business.

We saw, in this period, a slowdown in residential carpet demands in Australia. New housing starts were subdued, as were the number of house resales, with the latter impacting negatively on refurbishment work. In New Zealand, residential carpet demand was steady.

In contrast, the commercial carpet sector was very busy on both sides of the Tasman. Business confidence was high following the years of good, steady economic growth. There was plenty of activity in commercial property leasing, which provided good levels of new and refurbishment work for us. Our carpet tile business, Ontera Modular Carpets, which operates entirely in the commercial sector, enjoyed the very buoyant conditions.

Overall, the 9% increase in EBIT on last year's record earnings for Carpets was a solid performance by our two carpet businesses.

### **Wool Operations**

Revenue in our wool operations increased by 4% to \$18.4 million, but the operating surplus of \$0.8 million was down on last year's \$1.1 million.

Our wool acquisition business was relatively busy, but the difficult market conditions caused by the high New Zealand dollar made profitable wool acquisition a challenge. Our business here is to make a profit by marrying the needs of the farmer and the wool exporter. It is a relatively risk-free business for us because we only acquire the wool when there is an order for it. However, the high New Zealand dollar has made wool expensive in foreign currency terms and it has

been difficult, under these circumstances, to match the expectations of both farmer and end-user. And in these situations, our margins tend to suffer.

Our wool scouring business at Hawkes Bay was very busy at the start of the financial year, but slowed down markedly in December, when unseasonal weather conditions interrupted the normal shearing patterns and thus the availability of wool. This should prove to be merely a timing issue, with the missing volume coming through in the third quarter.

As previously announced, we extended our wool scouring presence into the South Island through a 46.25% ownership in Canterbury Woolscourers in August last year. Canterbury Woolscourers was formed to combine two existing scours onto one site and to upgrade the plant and equipment there in order to provide the same high level of quality and service as those of our operation at Hawkes Bay. We have completed the first stage of the upgrade and are very pleased with the progress to date. The rest of the upgrade will be completed around May/June this year as planned. This investment will generate a positive return in the next financial year.

### **MICROBIAL TECHNOLOGIES**

Development work is continuing at Microbial Technologies.

We are currently in the middle of a number of field trials for the blowfly remedy, and we are about to commence a scab-mite pen trial in the UK.

# DIRECTORS' REPORT (continued)

## EARNINGS OUTLOOK

For the second half of this financial year, we expect our carpet operations to face market conditions similar to those experienced in the first half. The residential carpet sector in Australia is expected to remain at current levels. However, offsetting that will be the strong demands of the commercial carpet sector, where there are many positive signs that this sector will continue to be buoyant for us for some time yet.

Receivables from our exports to Australia are expected to return less in the second half as we have used up most of our favourable hedges on hand, and there are no indications in the short-term that the New Zealand dollar will weaken substantially against the Australian dollar.

However, we do have some compensating gains from the current weakness in the US dollar. This is because much of our imports, both here and in Australia, are denominated in US dollars so we would expect these costs to reduce.

As a net exporter, we would prefer to see the New Zealand dollar against the Australian dollar lower than where it is currently at, but we should be able to manage our way through this.

As for our wool operations, the second half of the year traditionally brings in more profit than the first half and, at this stage, there are no reasons why this should not continue.

As a result of the above, we now expect our tax paid earnings for the 2004/05 financial year to be in the range of \$21 million to \$22 million, provided there is no significant deterioration in the business environment in the immediate future.

## DIVIDENDS

The policy of paying dividends three times a year continues.

The Directors have declared a fully imputed second interim dividend for the year ending 30 June 2005 of 8 cents per share, unchanged on the previous year.

This second interim dividend will be paid on Friday, 11th March 2005. The share register will close at 5 p.m. on Friday, 4th March 2005 for the purpose of determining entitlement to the dividend and will reopen on Monday, 7th March 2005.

Non-resident shareholders will also be receiving a supplementary dividend of 1.4118 cents per share together with their second interim dividend.

For and on behalf of the Board of Directors:



A M James  
Chairman



W K Chung  
Managing Director

11 FEBRUARY 2005

## TO THE SHAREHOLDERS OF CAVALIER CORPORATION LIMITED

We have completed a review on pages 6 to 16 of the attached financial statements in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand. The financial statements provide information about the past financial performance of Cavalier Corporation Limited and its financial position as at 31 December 2004.

## DIRECTORS' RESPONSIBILITIES

The Directors of Cavalier Corporation Limited are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Group as at 31 December 2004 and the results of its operations for the six month period ended on that date.

## REVIEWERS' RESPONSIBILITIES

It is our responsibility to express an independent opinion on the financial statements presented by the Directors and report our opinion to you.

## BASIS OF OPINION

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to the financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

## REVIEW OPINION

Based on our review, nothing has come to our attention that causes us to believe that the attached financial statements do not give a true and fair view of the financial position of the Group as at 31 December 2004 and the results of its operations and cash flows for the six month period ended on that date.

Our review was completed on 11 February 2005 and our opinion is expressed as at that date.



Auckland

# CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

	NOTES	UNAUDITED SIX MONTHS ENDED		AUDITED 12 MONTHS ENDED
		31 DEC 2004 \$000	31 DEC 2003 \$000	30 JUN 2004 \$000
<b>OPERATING REVENUE</b>				
From continuing activities	2	<b>\$101,342</b>	\$99,298	\$198,633
<b>OPERATING SURPLUS BEFORE INTEREST AND INCOME TAX</b>				
From continuing activities	3	<b>18,010</b>	16,637	34,097
From discontinued activities		-	-	176
		<b>18,010</b>	16,637	34,273
Net Interest Expense		<b>(1,527)</b>	(847)	(2,079)
<b>OPERATING SURPLUS BEFORE INCOME TAX</b>		<b>16,483</b>	15,790	32,194
Income Tax Expense		<b>(5,525)</b>	(5,313)	(10,761)
<b>OPERATING SURPLUS AFTER INCOME TAX</b>		<b>\$10,958</b>	\$10,477	\$21,433
<b>OPERATING SURPLUS AFTER INCOME TAX:</b>				
Attributable to shareholders of the Company		<b>10,745</b>	10,328	21,011
Attributable to minority shareholders of subsidiaries		<b>213</b>	149	422
		<b>\$10,958</b>	\$10,477	\$21,433
<b>OPERATING SURPLUS AFTER INCOME TAX:</b>				
From continuing activities		<b>10,958</b>	10,477	21,315
From discontinued activities		-	-	118
		<b>\$10,958</b>	\$10,477	\$21,433

*This statement is to be read in conjunction with the Notes on pages 10 to 16 and the previous year's financial statements.*

# CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

	UNAUDITED SIX MONTHS ENDED	AUDITED 12 MONTHS ENDED	
	31 DEC 2004 \$000	31 DEC 2003 \$000	30 JUN 2004 \$000
<b>RECOGNISED REVENUES AND EXPENSES FOR THE PERIOD:</b>			
Operating surplus after income tax -			
of shareholders of the Company	10,745	10,328	21,011
of minority shareholders of subsidiaries	213	149	422
Share rights reserve	35	60	100
Foreign currency translation reserve	(61)	(7)	(194)
	<b>10,932</b>	<b>10,530</b>	<b>21,339</b>
<b>DISTRIBUTIONS TO OWNERS DURING THE PERIOD:</b>			
Minority shareholders of subsidiary -			
purchase of shares in subsidiary	-	(639)	(639)
dividends paid by subsidiary	(158)	(90)	(227)
Shareholders of the Company -			
previous year's final dividend	(9,413)	(8,188)	(8,188)
current year's 1st interim dividend	(2,947)	(2,921)	(2,921)
current year's 2nd interim dividend	-	-	(5,193)
	<b>(12,518)</b>	<b>(11,838)</b>	<b>(17,168)</b>
<b>MOVEMENTS IN EQUITY FOR THE PERIOD</b>	<b>\$(1,586)</b>	<b>\$(1,308)</b>	<b>\$4,171</b>
<b>EQUITY AT BEGINNING OF THE PERIOD:</b>			
Attributable to shareholders of the Company	66,596	61,981	61,981
Attributable to minority shareholders of subsidiaries	801	1,245	1,245
	<b>\$67,397</b>	<b>\$63,226</b>	<b>\$63,226</b>
<b>EQUITY AT END OF THE PERIOD:</b>			
Attributable to shareholders of the Company	64,955	61,253	66,596
Attributable to minority shareholders of subsidiaries	856	665	801
	<b>\$65,811</b>	<b>\$61,918</b>	<b>\$67,397</b>

*This statement is to be read in conjunction with the Notes on pages 10 to 16 and the previous year's financial statements.*

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2004

	NOTES	UNAUDITED		AUDITED
		31 DEC 2004	31 DEC 2003	12 MONTHS
		\$000	\$000	ENDED
				ENDED
				30 JUN 2004
				\$000
<b>SHAREHOLDERS' EQUITY</b>				
Attributable to shareholders of the Company		64,955	61,253	66,596
Attributable to minority shareholders of subsidiaries		856	665	801
		<b>65,811</b>	61,918	67,397
<b>TERM LIABILITIES (SECURED)</b>		<b>55,678</b>	38,862	37,288
<b>CURRENT LIABILITIES</b>				
Bank overdraft (secured)		1,215	1,478	1,839
Short-term borrowings		2,457	2,654	1,655
Employee entitlements		6,908	6,293	6,132
Trade creditors and accruals		12,472	12,107	14,218
Provision for tax		1,340	543	1,210
		<b>24,392</b>	23,075	25,054
<b>SHAREHOLDERS' EQUITY AND TOTAL LIABILITIES</b>		<b>\$145,881</b>	\$123,855	\$129,739
<b>NON-CURRENT ASSETS</b>				
Investment in associated company	5	3,796	-	-
Fixed assets		57,223	46,016	52,373
Goodwill		2,618	3,081	2,866
Development expenditure		6,521	5,132	5,825
Term receivables		-	164	126
Deferred tax asset		1,585	1,331	1,588
		<b>71,743</b>	55,724	62,778
<b>CURRENT ASSETS</b>				
Cash at bank		4,120	2,721	1,416
Trade debtors		23,098	26,022	26,592
Other debtors and prepayments		1,243	2,851	1,173
Short-term advance to associated company	6	4,504	-	-
Stocks		41,173	36,537	37,780
		<b>74,138</b>	68,131	66,961
<b>TOTAL ASSETS</b>		<b>\$145,881</b>	\$123,855	\$129,739

*This statement is to be read in conjunction with the Notes on pages 10 to 16 and the previous year's financial statements.*

# CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2004

	UNAUDITED SIX MONTHS ENDED		AUDITED 12 MONTHS ENDED
	31 DEC 2004 \$000	31 DEC 2003 \$000	30 JUN 2004 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
<b>CASH WAS PROVIDED FROM:</b>			
Receipts from sales of goods and services	104,606	98,027	196,786
Other receipts	43	6	39
Dividends received	-	-	2
Interest received	46	145	148
GST refunded	104	-	-
<b>CASH WAS APPLIED TO:</b>			
Payments to suppliers and employees and rebates and discounts to customers	(86,141)	(83,629)	(162,008)
Interest paid	(1,418)	(994)	(2,217)
Income tax paid	(5,386)	(3,835)	(8,850)
GST paid	-	(453)	(267)
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>4 11,854</b>	<b>9,267</b>	<b>23,633</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>CASH WAS PROVIDED FROM:</b>			
Fixed assets sold	10	5	276
<b>CASH WAS APPLIED TO:</b>			
Fixed assets purchased	(7,102)	(6,519)	(15,160)
Acquisition of shares in subsidiary	-	(1,855)	(1,855)
Acquisition of shares in associate	5 (3,841)	-	-
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES</b>	<b>(10,933)</b>	<b>(8,369)</b>	<b>(16,739)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>CASH WAS PROVIDED FROM:</b>			
Term loans raised	18,458	10,305	8,981
Advances from minority shareholders of subsidiary	225	-	-
<b>CASH WAS APPLIED TO:</b>			
Dividends paid - to shareholders of the Company	(12,360)	(11,109)	(16,302)
to minority shareholders of subsidiary	(158)	(90)	(227)
Short-term advance to associated company	(4,504)	-	-
<b>NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES</b>	<b>1,661</b>	<b>(894)</b>	<b>(7,548)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>	<b>2,582</b>	<b>4</b>	<b>(654)</b>
Cash at beginning of the period	(2,078)	(1,443)	(1,443)
Effect of exchange rate changes on cash	(56)	28	19
<b>CASH AT END OF THE PERIOD</b>	<b>4 \$448</b>	<b>\$(1,411)</b>	<b>\$(2,078)</b>

This statement is to be read in conjunction with the Notes on pages 10 to 16 and the previous year's financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

## 1 ACCOUNTING POLICIES

There have been no changes in accounting policies.

The interim financial statements have been prepared having regard to the requirements of the New Zealand Exchange and those of FRS-24 "Interim Financial Statements". As the disclosure required in interim financial statements is less extensive than in annual financial statements, the interim financial statements should be read in conjunction with the previous annual financial statements.

	UNAUDITED SIX MONTHS ENDED	AUDITED 12 MONTHS ENDED	
	31 DEC 2004 \$000	31 DEC 2003 \$000	30 JUN 2004 \$000
<b>2 OPERATING REVENUE</b>			
Operating revenue as per the Statement of Financial Performance comprises:			
<b>CONTINUING ACTIVITIES</b>			
Sales of goods and services	101,298	99,147	198,444
Rentals received	43	6	39
Dividends received	-	-	2
Interest received	46	145	148
Share of associated company tax-paid deficit	(45)	-	-
	<b>\$101,342</b>	<b>\$99,298</b>	<b>\$198,633</b>
<b>3 OPERATING SURPLUS BEFORE INTEREST AND INCOME TAX</b>			
The operating surplus before interest and income tax as per the Statement of Financial Performance is stated:			
<b>CONTINUING ACTIVITIES</b>			
<b>After charging -</b>			
Amortisation of goodwill	248	215	430
Amortisation of goodwill relating to investment in associated company	61	-	-
Depreciation	2,180	1,750	3,510
Loss on sale of fixed assets	-	-	71
Operating lease and rental costs	1,263	1,209	2,430
<b>After crediting -</b>			
Gain on sale of fixed assets	-	-	53

	UNAUDITED SIX MONTHS ENDED	AUDITED 12 MONTHS ENDED	
	31 DEC 2004 \$000	31 DEC 2003 \$000	30 JUN 2004 \$000
<b>4 CASH FLOWS</b>			
Cash comprises cash at bank, bank overdraft and short-term borrowings as follows:			
Cash at bank	4,120	2,721	1,416
Bank overdraft	(1,215)	(1,478)	(1,839)
Short-term borrowings	(2,457)	(2,654)	(1,655)
<b>CASH AT END OF THE PERIOD</b>	<b>\$448</b>	<b>\$(1,411)</b>	<b>\$(2,078)</b>
Investing activities comprise the purchase and sale of non-current assets used in the operations of the Group. All investing activities during the period were for cash.			
Financing activities comprise the change in the equity and debt capital structure and the cost of servicing that equity capital. All financing activities during the period were for cash.			
The operating surplus after income tax can be reconciled with the net cash inflow from operating activities as follows:			
Operating surplus after income tax as per the Statement of Financial Performance	10,958	10,477	21,433
Adjust for non-cash items:			
Share of associated company tax-paid deficit	45	-	-
Amortisation of goodwill	248	215	430
Depreciation	2,180	1,750	3,510
Fair value of share rights expensed	35	60	100
Movements in deferred tax	-	-	(272)
Net (gain)/loss on foreign currency balance	50	(28)	(40)
	2,558	1,997	3,728
Adjust for movements in non-current assets:			
Development expenditure	(696)	(416)	(1,109)
Term receivables	126	(25)	13
	(570)	(441)	(1,096)
Adjust for movements in working capital items:			
Trade debtors	3,433	(1,362)	(2,162)
Other debtors and prepayments	(73)	(1,389)	275
Stocks	(3,431)	159	(1,237)
Income tax refund/Provision for tax	140	1,478	2,175
Trade creditors and accruals	(1,161)	(1,652)	499
	(1,092)	(2,766)	(450)
Adjust for items classified as investing activities:			
Net (gain)/loss on sale of fixed assets	-	-	18
<b>NET CASH INFLOW FROM OPERATING ACTIVITIES</b>	<b>\$11,854</b>	<b>\$9,267</b>	<b>\$23,633</b>

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5 ACQUISITION OF SHARES IN ASSOCIATE

The Company took up, through its 92.5% subsidiary, Hawkes Bay Woolscourers Limited, an ownership and voting interest of 50% in Canterbury Woolscourers Limited with effect from 31 August 2004. Canterbury Woolscourers was formed to acquire two South Island scours – one based in Winchester and the other in Washdyke – and to consolidate the two operations on to the Washdyke site. At the same time, it will also be upgrading the existing Washdyke facilities to make the scour the most modern and sophisticated in the country.

Canterbury Woolscourers has a 30 June balance date and its principal activity is commission wool scouring.

<b>CARRYING AMOUNT OF ASSOCIATE (INCLUDING GOODWILL)</b>	
	<b>\$000</b>
Carrying amount at beginning of the period	-
Amount paid on acquisition of shares in associate	3,841
Share of associated company tax-paid deficit	(45)
Carrying amount at end of the period	<u>\$3,796</u>

<b>GOODWILL RELATING TO INVESTMENT IN ASSOCIATE</b>	
	<b>\$000</b>
Goodwill on acquisition of shares in associate	1,841
Accumulated amortisation	(61)
Net carrying amount of goodwill	<u>\$1,780</u>

<b>SHARE OF ASSOCIATED COMPANY TAX-PAID DEFICIT</b>	
	<b>\$000</b>
Share of operating surplus of associate	24
Amortisation of goodwill	(61)
Share of provision for tax of associate	(8)
Net recognised revenues and expenses	<u>\$(45)</u>

As at balance date, Canterbury Woolscourers Limited had commitments for capital expenditure of \$4,076,000.

### 6 SHORT-TERM ADVANCE TO ASSOCIATED COMPANY

This amount outstanding as at the end of the period was advanced to Canterbury Woolscourers Limited to enable it to meet its capital upgrade programme pending the finalisation of its own banking facilities. These facilities were put into place shortly after the end of the reporting period and \$2,837,000 of the advance has since been repaid. It is expected that \$1,000,000 of that balance will be capitalised to put Canterbury Woolscourers Limited on a sound financial footing and the balance repaid by 30 June 2005. Commercial rates of interest applied in respect of that advance.

## 7 SHAREHOLDERS' EQUITY

There is only one class of share in the Company. The number of shares on issue at 31 December 2004 was 65,495,595 (2003 64,914,551) fully paid up. All shares within this class rank *pari passu* in all respects.

581,044 fully paid up shares were issued under the terms of the Cavalier Corporation Limited 2000 Executive Share Rights Plan ("the Plan") on 11 November 2004, when 1,600,000 share rights issued on 9 November 2001 were exercised pursuant to the terms of the Plan.

## 8 CAPITAL COMMITMENTS

The Group had commitments for capital expenditure at 31 December 2004 of \$1,168,000 (2003 \$4,744,000).

## 9 EVENTS AFTER BALANCE DATE

### DIVIDENDS

The Directors declared, on 11 February 2005, a fully imputed second interim dividend of 8 cents per share on the 65,495,595 shares on issue to give a total second interim dividend of \$5,239,648.

## 10 FINANCIAL REPORTING FOR SEGMENTS

The Group operates in two industry segments – carpet and wool. The carpet operation is involved with the manufacturing and sales of the Bremworth, Cavalier Bremworth, Knightsbridge, Kimberley, Tramore, and Ontera brands of carpet. The wool operation is involved with the procurement and processing of raw wool.

For financial reporting purposes, statement of standard accounting practice SSAP-23 treats the Group as having its operations in two geographical segments – New Zealand and Australia. The New Zealand geographical segment comprises the activities of the Cavalier Bremworth carpet operation, which covers the manufacturing and sales of the Bremworth, Cavalier Bremworth, Knightsbridge, Kimberley, and Tramore brands of carpet, and the wool operations. The Australian geographical segment comprises the activities of Sydney-based Ontera Modular Carpets. The Australian activities of the Cavalier Bremworth carpet operation do not extend beyond facilitating export sales from New Zealand and are therefore classified as activities of the New Zealand geographical segment in accordance with SSAP-23.

All inter-segmental sales are at market prices. Inter-segmental sales during the period and intercompany profits on stocks at balance date are eliminated on consolidation.

The industry and geographical segmental information is set out over the page:

# NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## INDUSTRY SEGMENTAL INFORMATION

	CARPET	
	2004 \$000	2003 \$000
<b>(Six months ended 31 December 2004 - unaudited)</b>		
<b>SEGMENT REVENUE</b>		
Revenue derived outside the Group	82,864	81,369
Inter-segment revenue	-	-
Interest received	46	145
<b>Total revenue</b>		
<b>SEGMENT RESULTS</b>		
Operating surplus before corporate costs, interest, and income tax	18,144	16,714
Corporate costs		
Net interest expense		
<b>Operating surplus before income tax</b>		
<b>SEGMENT ASSETS</b>		
Segment assets	113,598	100,534
Unallocated assets		
<b>Total assets</b>		
<b>OTHER SEGMENT INFORMATION</b>		
Depreciation	1,719	1,359
<b>EMPLOYEE NUMBERS</b>		
Operations	729	685
Unallocated		
<b>Total</b>		

	CARPET	
	2004 \$000	2003 \$000
<b>(12 months ended 30 June 2004 - audited)</b>		
<b>SEGMENT REVENUE</b>		
Revenue derived outside the Group	155,414	
Inter-segment revenue	-	
Interest received	148	
<b>Total revenue</b>		
<b>SEGMENT RESULTS</b>		
Operating surplus before corporate costs, interest, and income tax	32,212	
Corporate costs		
Net interest expense		
<b>Operating surplus before income tax</b>		
<b>SEGMENT ASSET</b>		
Segment assets	106,014	
Unallocated assets		
<b>Total assets</b>		
<b>OTHER SEGMENT INFORMATION</b>		
Depreciation	2,729	
<b>EMPLOYEE NUMBERS</b>		
Operations	689	
Unallocated		
<b>Total</b>		

WOOL (CONTINUING)		WOOL (DISCONTINUED)		CONSOLIDATED ADJUSTMENTS		CONSOLIDATED	
2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000	2004 \$000	2003 \$000
18,432	17,784	-	-	-	-	101,296	99,153
4,109	3,518	-	-	(4,109)	(3,518)	-	-
-	-	-	-	-	-	46	145
						<b>\$101,342</b>	<b>\$99,298</b>
775	1,075	-	-	-	-	18,919	17,789
						(909)	(1,152)
						(1,527)	(847)
						<b>\$16,483</b>	<b>\$15,790</b>
21,941	18,003	-	10	-	-	135,539	118,547
						10,342	5,308
						<b>\$145,881</b>	<b>\$123,855</b>
461	391	-	-	-	-	2,180	1,750
79	87	-	-	-	-	808	772
						3	3
						<b>811</b>	<b>775</b>
WOOL (CONTINUING)		WOOL (DISCONTINUED)		CONSOLIDATED ADJUSTMENTS		CONSOLIDATED	
2004 \$000	2004 \$000	2004 \$000	2004 \$000	2004 \$000	2004 \$000	2004 \$000	2004 \$000
43,071	-	-	-	-	-	198,485	-
7,421	-	-	-	(7,421)	-	-	-
-	-	-	-	-	-	148	-
						<b>\$198,633</b>	
3,968	176	-	-	76	-	36,432	(2,159)
						(2,079)	
						<b>\$32,194</b>	
18,083	-	-	-	-	-	124,097	5,642
						<b>\$129,739</b>	
781	-	-	-	-	-	3,510	-
96	-	-	-	-	-	785	3
						<b>788</b>	



# DIRECTORY

## DIRECTORS:

G C W Biel B.E. (Mech.)

*Non-executive, Non-independent*

W K Chung B.Com., CA, CMA

R G Ebbett B.Com., ACA, FinstD

*Non-executive, Independent*

G S Hawkins B.Sc., B.Com., ACA

*Non-executive, Independent*

A M James B.Tech. (Hons.), Dip.Bus.Admin.

*Non-executive, Non-independent*

V T S Tan CA, ACIS

K L Thorpe M.A.

*Non-executive, Independent*

A C Timpson

*Non-executive, Non-independent*

Deputy Chairman of Board

Member of Audit Committee

Member of Remuneration Committee

Managing Director

Chairman of Audit Committee

Member of Remuneration Committee

Member of Audit Committee

Member of Remuneration Committee

Chairman of Board

Member of Audit Committee

Chairman of Remuneration Committee

Finance Director

Member of Audit Committee

Member of Remuneration Committee

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KPMG

## LEGAL ADVISORS:

Minter Ellison Rudd Watts

Russell McVeagh

## BANKERS:

ANZ Banking Group (New Zealand) Limited

## WEB SITES:

Corporate – [www.cavcorp.co.nz](http://www.cavcorp.co.nz)

Carpet Operation – [www.cavbrem.co.nz](http://www.cavbrem.co.nz), [www.cavbrem.com.au](http://www.cavbrem.com.au), [www.ontera.com.au](http://www.ontera.com.au)

Share Registry – [www.computershare.com](http://www.computershare.com)

