

Cavalier Corporation 2001

FINANCIAL STATEMENTS AND OTHER DISCLOSURES

Cavalier
CORPORATION

financial statements

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Auditors' Report



TO THE SHAREHOLDERS OF CAVALIER CORPORATION LIMITED

We have audited the financial statements on pages 4 to 20. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 June 2001 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 4 and 5.

DIRECTORS' RESPONSIBILITIES

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2001 and their financial performance and cash flows for the year ended on that date.

AUDITORS' RESPONSIBILITIES

We are responsible for expressing an independent opinion on the financial statements presented by the Directors and reporting our opinion to you.

BASIS OF OPINION

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements.

It also includes assessing:

- the significant estimates and judgements made by the Directors in the preparation of the financial statements; and
- whether the accounting policies used and described on pages 4 and 5 are appropriate to the circumstances of the Company and Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Our firm carries out other assignments on behalf of the Group in the areas of tax advice, internal audits, and general consultancy work. The firm has no other interest in the Group.

UNQUALIFIED OPINION

We have obtained all the information and explanations we have required.

In our opinion:

- proper accounting records have been kept by the Company as far as appears from our examination of those records; and
- the financial statements on pages 4 to 20:
 - comply with generally accepted accounting practice; and
 - give a true and fair view of the financial position of the Company and Group as at 30 June 2001 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 27 August 2001 and our unqualified opinion is expressed as at that date.

Chartered Accountants
Auckland, New Zealand

Directors' Responsibility Statement

Cavalier Corporation Limited

DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of the financial statements. The Directors discharge this responsibility by ensuring that the financial statements comply with generally accepted accounting practice and give a true and fair view of the financial position of the Company and Group as at balance date and of their financial performance and cash flows for the year ended on that date.

ACCOUNTING POLICIES

The Directors consider that the accounting policies used in the preparation of the financial statements of the Company and Group are appropriate, consistently applied, and supported by reasonable judgements and estimates. All relevant financial reporting and accounting standards have also been followed.

ACCOUNTING RECORDS

The Directors believe that proper accounting records, which enable, with reasonable accuracy, the determination of the financial position of the Company and Group and facilitate the compliance of the financial statements with the Financial Reporting Act 1993, have been kept.

SAFEGUARDING OF ASSETS

The Directors consider that they have taken adequate steps to safeguard the assets of the Company and Group, prevent and detect fraud and other irregularities, and ensure that all transactions are recorded and appropriately reported.

FINANCIAL STATEMENTS

The Directors have pleasure in presenting, on pages 4 to 20, the financial statements of the Company and Group for the year ended 30 June 2001.

These financial statements were authorised for issue by the Directors on 27 August 2001 and, as required by section 211(1)(b) of the Companies Act 1993 and sections 10 and 13 of the Financial Reporting Act 1993, are signed and dated as at that date.

For and on behalf of the Directors:



A C Timpson
Chairman



A M James
Managing Director

Statement of Accounting Policies

REPORTING ENTITY

Cavalier Corporation Limited is a company registered under the New Zealand Companies Act 1993 and is listed on the New Zealand Stock Exchange. The Group consists of Cavalier Corporation Limited and its subsidiaries. Cavalier Corporation Limited is an issuer for the purposes of the New Zealand Financial Reporting Act 1993 and is, accordingly, a reporting entity that is required to comply with the provisions of that Act and with generally accepted accounting practice.

MEASUREMENT BASE

The accounting principles recognised as appropriate for the measurement and reporting of financial performance and financial position under the historical cost method have been adopted in the preparation of these financial statements, except where modified by the revaluation of certain assets. Accrual accounting concepts have also been adopted to match expenses and revenue. Reliance is placed on the fact that the Group is a going concern.

ACCOUNTING POLICIES

The following specific accounting policies which significantly affect the measurement of financial performance and financial position have been applied:

1 Principles of Consolidation The consolidated financial statements are prepared from the audited financial statements of the Company and its subsidiary companies.

The Group follows the Pooling of Interests Method of consolidation in respect of E Lichtenstein and Company Limited and Cavalier Bremworth Limited because neither company could be identified as an acquirer when they were merged, in 1984, pursuant to section 205 of the Companies Act 1955. Subsidiaries of these companies and all other subsidiaries are consolidated using the Purchase Method.

The results of any subsidiaries acquired or disposed of during the year are included in the consolidated Statement of Financial Performance from the date of acquisition or up to the date of disposal. All significant transactions between group companies are eliminated on consolidation.

2 Operating Revenue Operating revenue shown in the Statement of Financial Performance includes the amounts received and receivable by the Group for goods and services supplied to customers in the ordinary course of business. Operating revenue is stated exclusive of Goods and Services Tax charged to customers.

3 Fixed Assets Fixed assets are stated in the financial statements at their gross carrying amount at 1 July 1992 in accordance with the transitional provisions contained within statement of standard accounting practice SSAP-28, adjusted for acquisitions and disposals since that date.

Gross carrying amount of a fixed asset is either the initial cost or the revalued amount, adjusted for additions, improvements, and disposals and is the recoverable amount where this is lower than the initial cost or the revalued amount.

4 Depreciation Depreciation is charged so as to write off the initial cost or revalued amount of fixed assets to their estimated residual value over their expected economic lives.

The principal rates used are as follows:

Land	Nil
Buildings	1.0–2.5% straight line
Plant and equipment	6.7–10.0% straight line
Other assets	
– computer equipment	20.0–25.0% straight line
– motor vehicles and office equipment	20.0% diminishing value
– fixtures and fittings	10.0% straight line

5 Goodwill The excess of cost over the fair value of assets acquired is capitalised as goodwill and is amortised to the Statement of Financial Performance over 10 years.

6 Debtors Trade debtors are stated at estimated realisable value after providing against debts where collection is doubtful. Hire purchase debtors are stated at net of provisions for unearned finance income and doubtful debts.

7 Unearned Finance Income Unearned finance income in respect of hire purchase debtors is recognised in the Statement of Financial Performance using the “rule of 78” on the net hire purchase debtors outstanding.

8 Research and Development Expenditure Research and development expenditure is charged to the Statement of Financial Performance as it is incurred, except that development costs, for clearly defined products, are capitalised to the extent that related future economic benefits, net of further costs to final commercialisation, are expected, with reasonable certainty, to exceed these costs. Capitalised development costs will, upon the commencement of commercial production, be progressively amortised to the Statement of Financial Performance over the period of expected benefit.

9 Stocks Stocks of the carpet business are stated at the lower of cost and net realisable value. Cost is determined on a first-in first-out basis, and in the case of carpet stocks, includes direct materials, labour, and production overheads. Carpet work-in-progress includes direct materials and a portion of direct labour and production overheads appropriate to the stage of completion attained.

Stocks of the wool business are stated at the lower of cost and net realisable value. Cost of wool stocks is determined using the weighted average cost formula, and in the case of scoured wool stocks, includes direct materials, labour, and production overheads. Wool work-in-progress includes direct materials and a portion of direct labour and production overheads appropriate to the stage of completion attained. Cost of all other stocks is determined on a first-in first-out basis.

10 Shareholders' Equity When shares recognised within shareholders' equity are repurchased or cancelled, the amount of consideration paid, including directly attributable costs, is recognised as a distribution in the Statement of Movements in Equity.

11 Share Rights The estimated fair value of rights issued to senior executives under the Cavalier Corporation Limited 2000 Executive Share Rights Plan is recognised as an expense over the minimum three-year period between the issue date of the rights and the earliest exercise date of the rights. At the same time, a corresponding amount is recognised as a credit to equity in the Statement of Movements in Equity. The estimated fair value of the rights issued is determined using the Black-Scholes option pricing model.

Where rights lapse before they can be exercised, the amounts previously recognised as expenses are reversed and a corresponding debit against equity is recognised in the Statement of Movements in Equity.

The market value of shares issued to the senior executives upon the exercise of the rights will be accounted for within shareholders' equity.

12 Income Tax The income tax expense for the year comprises income tax payable, calculated at current rates, on assessable income for the year, adjusted for income taxes deferred or prepaid in respect of all timing differences reversing or originating in the year.

The liability method of tax effect accounting is applied on a comprehensive basis to all timing differences. Under this method, the income tax effects of all currently outstanding timing differences are determined and reported, either as liabilities for income tax payable in the future or as assets representing future income tax benefits. The income tax effect of cumulative timing differences is adjusted for any changes in income tax rates.

13 Foreign Currencies Foreign currency transactions, including those of foreign operations, are recorded at the exchange rates in effect at the dates of the transactions, except where foreign currency forward exchange contracts have been taken out to cover forward currency commitments. Where foreign currency forward exchange contracts have been taken out, the transactions are translated at the rates contained in the contracts.

Unhedged foreign currency monetary assets and liabilities, including those of foreign operations, are converted to New Zealand dollars at the rates of exchange ruling at balance date. Profits and losses due to currency fluctuations on these items are recognised by way of a credit or charge in the Statement of Financial Performance.

Foreign currency non-monetary assets, including those of foreign operations, are converted to New Zealand dollars at the rates of exchange in effect when the amounts of these assets were determined.

Where foreign currency monetary liabilities are designated as hedges against foreign currency non-monetary assets, the assets are translated at the rates of exchange ruling at balance date, and the gains or losses due to currency fluctuations on both the foreign currency liabilities and assets are transferred to the foreign currency translation reserve.

14 Financial Instruments Off balance sheet financial instruments, entered into as hedges of an underlying position, are accounted for on the same basis as the underlying position with all profits and losses dealt with in the same manner as the corresponding profits and losses on the related underlying position.

Off balance sheet financial instruments, entered into with no corresponding underlying position, are accounted for on a mark-to-market basis and the profits or losses recognised by way of a credit or charge in the Statement of Financial Performance.

CHANGES IN ACCOUNTING POLICIES

There have been no changes in accounting policies.

Statements of **Financial Performance**

FOR THE YEAR ENDED 30 JUNE 2001	NOTES	GROUP		PARENT	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
Operating Revenue					
From continuing activities	2	124,522	99,944	11,875	15,375
From discontinued activities	2	64,258	118,447	-	-
		\$188,780	\$218,391	\$11,875	\$15,375
Operating Surplus Before Interest and Income Tax					
From continuing activities	3	22,222	21,412	8,737	11,653
From discontinued activities	3	(4,956)	383	-	-
		17,266	21,795	8,737	11,653
Net Interest Expense		(974)	(2,394)	-	-
Operating Surplus Before Income Tax		16,292	19,401	8,737	11,653
Income Tax Expense	4	(5,297)	(6,304)	(209)	(96)
Operating Surplus After Income Tax ¹		10,995	13,097	8,528	11,557
Minority Interest in Surplus of Subsidiary		(746)	-	-	-
Net Operating Surplus Attributable to Shareholders of the Company		\$10,249	\$13,097	\$8,528	\$11,557
¹ Operating Surplus After Income Tax					
From continuing activities		13,818	13,739	8,528	11,557
From discontinued activities		(2,823)	(642)	-	-
		\$10,995	\$13,097	\$8,528	\$11,557

These statements are to be read in conjunction with the Statement of Accounting Policies on pages 4 and 5, the Notes on pages 10 to 20, and the Auditors' Report on page 2.

Statements of **Movements in Equity**

FOR THE YEAR ENDED 30 JUNE 2001	NOTES	GROUP		PARENT	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
Equity at Beginning of the Year		80,095	72,756	52,374	46,575
Recognised Revenues and Expenses for the Year					
Operating surplus after income tax – of shareholders of the Company		10,249	13,097	8,528	11,557
of minority shareholders of subsidiary		746	–	–	–
Share rights reserve	6	36	–	36	–
		11,031	13,097	8,564	11,557
Contributions From Owners During the Year					
Minority shareholders of subsidiary		1,078	–	–	–
Distributions to Owners During the Year					
Minority shareholders of subsidiary – purchase of shares in subsidiary	1	(873)	–	–	–
dividends paid by subsidiary		(74)	–	–	–
Return of capital by Company	5	(25,262)	–	(25,262)	–
Dividends paid by Company – Previous year's final ¹		(5,039)	–	(5,039)	–
Current year's 1st interim		(2,159)	(2,159)	(2,159)	(2,159)
Current year's 2nd interim		(3,599)	(3,599)	(3,599)	(3,599)
		(37,006)	(5,758)	(36,059)	(5,758)
Equity at End of the Year		\$55,198	\$80,095	\$24,879	\$52,374

¹ The Group elected to comply with the new FRS-5 "Events After Balance Date", which was issued in July 2000, with effect from 30 June 2000. Pursuant to this new FRS-5, dividends proposed or declared after balance date, but before the financial statements are authorised for issue, must not be recognised as a liability at balance date, but must be disclosed in the financial statements (refer to Note 24).

These statements are to be read in conjunction with the Statement of Accounting Policies on pages 4 and 5, the Notes on pages 10 to 20, and the Auditors' Report on page 2.

Statements of **Financial Position**

AS AT 30 JUNE 2001	NOTES	GROUP		PARENT	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
Capital Employed					
Shareholders' equity					
Attributable to shareholders of the Company	5	54,321	80,095	24,879	52,374
Attributable to minority shareholders of subsidiary		877	-	-	-
		55,198	80,095	24,879	52,374
Amount owing to shareholders	5	25,197	-	25,197	-
Term liabilities	7	13,595	28,409	-	-
		\$93,990	\$108,504	\$50,076	\$52,374
Employment of Capital					
Fixed assets	8	39,250	36,788	-	-
Investments	9	-	-	22,540	22,540
Goodwill		2,696	350	-	-
Development expenditure	10	2,809	2,030	-	-
Term receivables	11	1,272	212	-	-
Deferred tax asset	12	2,448	1,708	39	38
Current assets	13	61,826	85,828	28,006	30,105
Less current liabilities	14	(16,311)	(18,412)	(509)	(309)
Working capital		45,515	67,416	27,497	29,796
		\$93,990	\$108,504	\$50,076	\$52,374

These statements are to be read in conjunction with the Statement of Accounting Policies on pages 4 and 5, the Notes on pages 10 to 20, and the Auditors' Report on page 2.

Statements of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2001	NOTES	GROUP		PARENT	
		2001 \$000	2000 \$000	2001 \$000	2000 \$000
Cash Flows From Operating Activities					
Cash was provided from:					
Receipts from sales of goods and services		186,425	220,066	-	-
Other receipts		201	179	3,875	3,875
Dividends received		-	-	8,000	11,500
Interest received		227	168	-	-
GST refunded		366	131	-	-
Cash was applied to:					
Payments to suppliers		(108,210)	(136,500)	(716)	(739)
Payments to customers		(3,400)	(3,590)	-	-
Payments to employees		(32,087)	(29,315)	(2,379)	(3,032)
Interest paid		(1,295)	(2,625)	-	-
Income tax paid		(4,710)	(7,287)	(17)	(48)
Net Cash Inflow From Operating Activities	15	37,517	41,227	8,763	11,556
Cash Flows From Investing Activities					
Cash was provided from:					
Fixed assets sold		2,856	225	-	-
Cash was applied to:					
Fixed assets purchased		(10,655)	(4,808)	-	-
Purchase of shares in subsidiary		(3,323)	-	-	-
Net Cash Outflow From Investing Activities		(11,122)	(4,583)	-	-
Cash Flows From Financing Activities					
Cash was provided from:					
Minority shareholders of subsidiary		1,078	-	-	-
Term loans raised		2,500	-	-	-
Advances to subsidiaries repaid		-	-	2,792	623
Cash was applied to:					
Advances to subsidiaries		-	-	(693)	(2,102)
Term loans settled		(17,250)	(27,158)	-	-
Costs relating to capital repayment		(65)	-	(65)	-
Dividends paid		(10,871)	(10,077)	(10,797)	(10,077)
Net Cash Outflow From Financing Activities		(24,608)	(37,235)	(8,763)	(11,556)
Net Increase/(Decrease) in Cash Held					
Cash at beginning of the year		(2,024)	(1,436)	-	-
Effect of exchange rate changes on cash		43	3	-	-
Cash at End of the Year	15	\$(194)	\$(2,024)	-	-

These statements are to be read in conjunction with the Statement of Accounting Policies on pages 4 and 5, the Notes on pages 10 to 20, and the Auditors' Report on page 2.

Notes to the Financial Statements

1 Principal Subsidiaries

The principal subsidiaries of the Company and their activities are:

- Cavalier Bremworth Limited – carpet manufacturing and distribution
- Cavalier Bremworth (Australia) Limited – carpet distribution
- Cavalier Spinners Limited – carpet yarn manufacturing
- Knightsbridge Carpets Limited – carpet distribution
- Microbial Technologies Limited – bio-pesticides development
- E Lichtenstein and Company Limited – wool trading and scouring
- Hawkes Bay Woolscourers Limited – commission wool scouring
- Elco Direct Limited – wool acquisition

All subsidiaries have 30 June balance dates.

Apart from Hawkes Bay Woolscourers Limited, which is 76% owned, all other subsidiaries are wholly owned.

The Directors resolved, on 7 July 2000, to exit the wool trading activities of E Lichtenstein and Company Limited. All outstanding commitments at that time were completed during the current financial year, and the exit from wool trading was completed at 30 June 2001. This decision also led to the closure of its Auckland scour in November 2000. At about the same time, Hawkes Bay Woolscourers Limited – a subsidiary in which the Company had a 51% interest – was established to acquire and operate an existing commission wool scouring business in Hawkes Bay.

The Company increased its interest in Hawkes Bay Woolscourers Limited from 51% to 76% on 1 May 2001 for a cash consideration of \$3,323,000. The effect of this acquisition can be summarised as follows:

	\$000
25% minority interest in fair value of net assets of Hawkes Bay Woolscourers Limited on 1 May 2001	873
Goodwill on acquisition	2,450
Total consideration paid	<u>\$3,323</u>

The revenue, results and assets of wool trading and of the Auckland scour of E Lichtenstein and Company Limited have been disclosed in the financial statements under discontinued activities, whereas those of Hawkes Bay Woolscourers Limited and Elco Direct Limited have been dealt with under continuing activities.

	GROUP		PARENT	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
2 Operating Revenue				
Operating revenue as per the Statement of Financial Performance comprises:				
Continuing activities				
Sales of goods and services	124,094	99,597	–	–
Rentals received	201	179	–	–
Dividends received	–	–	8,000	11,500
Interest received	227	168	–	–
Management fee received	–	–	3,875	3,875
	<u>\$124,522</u>	<u>\$99,944</u>	<u>\$11,875</u>	<u>\$15,375</u>
Discontinued activities				
Sales of goods	63,705	118,447	–	–
Interest received	553	–	–	–
	<u>\$64,258</u>	<u>\$118,447</u>	–	–

	GROUP		PARENT	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
3 Operating Surplus Before Interest and Income Tax				
The operating surplus before interest and income tax as per the Statement of Financial Performance is stated:				
Continuing activities				
After charging –				
Fees paid to PricewaterhouseCoopers:				
for audit of financial statements	88	84	8	8
for other professional services provided	78	30	41	3
Fees paid to auditors of a subsidiary	8	–	–	–
Amortisation of goodwill	104	63	–	–
Bad debts written off	51	196	–	–
Changes in doubtful debt provision	4	–	–	–
Depreciation	2,553	2,143	–	–
Diminution in value of fixed assets	–	76	–	–
Directors' fees	124	95	124	95
Donations	4	1	–	–
Interest expense	1,754	1,232	–	–
Loss on sale of fixed assets	9	41	–	–
Operating lease and rental costs	1,163	1,001	–	–
After crediting –				
Changes in doubtful debt provision	–	89	–	–
Foreign currency gains	43	3	–	–
Gain on sale of fixed assets	38	3	–	–
Discontinued activities				
After charging –				
Fees paid to PricewaterhouseCoopers:				
for audit of financial statements	25	24	–	–
for other professional services provided	–	–	–	–
Changes in doubtful debt provision	1,220	–	–	–
Closure costs	3,052	–	–	–
Depreciation	412	847	–	–
Diminution in value of fixed assets	60	–	–	–
Interest expense	–	1,330	–	–
Loss on sale of fixed assets	–	8	–	–
Operating lease and rental costs	31	31	–	–
After crediting –				
Gain on sale of fixed assets	873	–	–	–

Notes to the Financial Statements (Continued)

	GROUP		PARENT	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
4 Income Tax Expense				
Operating surplus before tax as per the Statement of Financial Performance	\$16,292	\$19,401	\$8,737	\$11,653
The income tax expense has been calculated as follows:				
Income tax on the operating surplus for the year at 33%	(5,376)	(6,402)	(2,883)	(3,845)
Plus/(Less) taxation effect of:				
Depreciation on revaluations	(17)	(17)	-	-
Dividends received	-	-	2,640	3,795
Non-deductible items	(173)	(88)	(12)	(46)
Non-assessable items	371	-	-	-
Prior year adjustments	(102)	203	46	-
	79	98	2,674	3,749
Income tax expense	\$(5,297)	\$(6,304)	\$(209)	\$(96)
The income tax expense is represented by:				
Current tax	(6,037)	(6,769)	(210)	(81)
Deferred tax	740	465	1	(15)
	\$(5,297)	\$(6,304)	\$(209)	\$(96)

5 Shareholders' Equity

There is only one class of shares in the Company. The number of shares on issue at 30 June 2001 was 31,490,610, fully paid up (2000 35,990,061, fully paid up). All shares within this class rank *pari passu* in all respects.

The Company cancelled, on 30 June 2001, 4,499,451 shares on issue as at 29 June 2001 pursuant to the terms of a Court approved scheme of arrangement for the return of \$25,197,000 of surplus capital to shareholders. The return of capital, which works out at \$5.60 for each of the shares cancelled, was approved by shareholders at a special meeting held on 1 June 2001, and the final order from the High Court of New Zealand sanctioning the return was received on 13 June 2001.

However, because the return of capital was not paid out until 6 July 2001, it has been shown as an amount owing to shareholders at 30 June 2001.

6 Executive Share Rights Plan

The Company issued, on 6 December 2000, 1,800,000 rights under the Cavalier Corporation Limited 2000 Executive Share Rights Plan ("the Plan") to the executive Directors of the Company and to selected senior executives of the Group. 60,000 rights have since lapsed, and the balance on issue at 30 June 2001 was 1,740,000.

The Plan seeks to align the interests of senior executives with those of shareholders by having an element of the senior executives' total remuneration linked to the returns enjoyed by shareholders, thereby providing them with the incentive to increase value for shareholders. At the same time, because the rewards under the Plan would not crystallise for at least three years, it also enables the Group to retain these senior executives for their loyalty, experience and continuing performance.

The rights holders' rewards under the Plan will be determined on the exercise date by multiplying the difference between the market price of the Company's shares at exercise date and the adjusted base price by the number of rights exercised at that date. These rewards are then divided by the market price of the Company's shares at exercise date to give the number of shares to be issued to the holders, subject to a maximum of one share for every 1.8 rights exercised.

The adjusted base price is the market price of the Company's shares at issue date plus an escalation factor, being the Company's tax paid cost of equity capital between issue date and exercise date, and then adjusted downwards for dividends paid between these two dates. Based on the observed trading performance of the Company's share price relative to the New Zealand sharemarket over the previous five years, the after tax cost of the Company's equity capital was estimated to be 10% per annum at the issue date. The market price of the Company's shares at that date was \$4.26 per share.

The rights can only be exercised in the period commencing on the third anniversary of the issue date and terminating on the earlier of the rights holder ceasing full time employment or the date six years from issue date and then only if the market price of the Company's shares exceeds the adjusted base price at that time.

The rights holders are restricted from dealing with some of the shares issued under the Plan in the first two years after their issue.

The rights do not confer the same rights as shares and merely holding rights does not entitle the rights holders to:

- receive any dividends paid,
- attend or vote at any meeting of the shareholders, or
- exercise any other rights which shareholders are entitled to exercise.

The Company has shareholder approval to issue up to 2,600,000 rights under the Plan to the executive Directors of the Company and to selected senior executives of the Group over the 12-month period to 9 November 2001. Subject to approval of the Board of Directors, the Company expects to issue a further 800,000 rights under the Plan prior to that date.

	AVERAGE INTEREST RATE		GROUP		PARENT	
	2001 %	2000 %	2001 \$000	2000 \$000	2001 \$000	2000 \$000
7 Term Liabilities						
Loans secured by registered mortgages over specific properties and by debentures over assets and undertakings of group companies	6.1	7.1	13,595	28,409	-	-
Less current portion repayable within one year			-	-	-	-
			\$13,595	\$28,409	-	-
Term liabilities fall due for repayment in the following periods:						
After one year but within two years			\$13,595	\$28,409	-	-

Notes to the Financial Statements (Continued)

	GROUP 2001			GROUP 2000		
	COST OR VALUATION \$000	ACCUM. DEPN. \$000	BOOK VALUE \$000	COST OR VALUATION \$000	ACCUM. DEPN. \$000	BOOK VALUE \$000
8 Fixed Assets						
Freehold land						
Cost	4,257	–	4,257	4,121	–	4,121
Valuation	75	–	75	882	–	882
	4,332	–	4,332	5,003	–	5,003
Buildings						
Cost	14,642	1,722	12,920	12,690	1,591	11,099
Valuation	2,961	431	2,530	5,361	1,173	4,188
	17,603	2,153	15,450	18,051	2,764	15,287
Plant and equipment						
Cost	28,348	13,848	14,500	29,765	18,251	11,514
Valuation	4,707	4,707	–	4,707	4,707	–
	33,055	18,555	14,500	34,472	22,958	11,514
Other fixed assets						
Cost	10,368	5,400	4,968	10,493	5,509	4,984
Valuation	324	324	–	324	324	–
	10,692	5,724	4,968	10,817	5,833	4,984
	\$65,682	\$26,432	\$39,250	\$68,343	\$31,555	\$36,788

These assets are charged by registered mortgages and debentures as security for the Group's secured borrowings.

Other fixed assets consist of research plant and equipment, motor vehicles, office equipment, computer equipment, fixtures and fittings, and tools.

Assets stated at valuation were revalued in accordance with valuation reports of independent registered valuers.

The dates of the valuations were as follows:

Land and buildings	30 June 1985
Plant and equipment and other fixed assets	Prior to 1 April 1983

The Group is governed by the transitional provisions contained within statement of standard accounting practice SSAP-28 and is, accordingly, not required to conduct valuations on a systematic basis as now required by that standard.

The aggregate fair value of land and buildings, based on valuations conducted by independent registered valuers during the year, was \$19,537,000.

	PARENT	
	2001 \$000	2000 \$000
9 Investments		
Shares in subsidiaries	\$22,540	\$22,540

	GROUP		PARENT	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
10 Development Expenditure				
Balance at beginning of the year	2,030	1,397	-	-
Development expenditure capitalised	779	633	-	-
Balance at end of the year	\$2,809	\$2,030	-	-
11 Term Receivables				
Hire purchase debtors	4,129	1,622	-	-
Provision for unearned finance income	(237)	(67)	-	-
Provision for doubtful debts	(78)	(31)	-	-
Net hire purchase debtors	3,814	1,524	-	-
Less current portion repayable within one year	(2,542)	(1,312)	-	-
Term hire purchase debtors	\$1,272	\$212	-	-
Term hire purchase debtors fall due for repayment in the following periods:				
After one year but within two years	\$1,272	\$212	-	-
These assets are charged by debentures as security for the Group's secured borrowings.				
12 Deferred Tax				
Balance at beginning of the year	1,708	1,243	38	53
Deferred tax portion of income tax expense	740	465	1	(15)
Balance at end of the year	\$2,448	\$1,708	\$39	\$38
13 Current Assets				
Cash at bank	2,834	1,305	-	-
Trade debtors	18,788	18,967	-	-
Other debtors and prepayments	4,121	2,329	-	-
Stocks – Raw materials	12,184	35,254		
– Work-in-progress	1,072	973		
– Finished goods	22,028	24,874		
– Total	35,284	61,101	-	-
Income tax refund	799	2,126	-	-
Advances to subsidiaries	-	-	28,006	30,105
	\$61,826	\$85,828	\$28,006	\$30,105
These assets are charged by debentures as security for the Group's secured borrowings.				
14 Current Liabilities				
Bank overdraft (secured)	1,596	730	-	-
Employee entitlements	4,237	4,374	-	-
Trade creditors	8,228	9,758	-	-
Accruals and provisions	818	951	158	151
Short-term borrowings (unsecured)	1,432	2,599	-	-
Provision for tax	-	-	201	8
Advances from subsidiaries	-	-	150	150
	\$16,311	\$18,412	\$509	\$309
The bank overdraft is secured by registered mortgages over specific properties and by debentures over assets and undertakings of group companies.				

Notes to the Financial Statements (Continued)

	GROUP		PARENT	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
15 Cash Flows				
Cash comprises cash at bank, bank overdraft, and short-term borrowings as follows:				
Cash at bank	2,834	1,305	-	-
Bank overdraft	(1,596)	(730)	-	-
Short-term borrowings	(1,432)	(2,599)	-	-
Cash at end of the year	\$(194)	\$(2,024)	-	-

Investing activities comprise the purchase and sale of non-current assets used in the operations of the Group. The Group sold, on 31 May 2001, a property for \$3,250,000, but because settlement did not take place until 1 August 2001, no cash flow was involved in the year to 30 June 2001. All other investing activities during the year were for cash.

Financing activities comprise the change in the equity and debt capital structure and the cost of servicing that equity capital. The Company cancelled, on 30 June 2001, 4,499,451 shares on issue as at 29 June 2001 pursuant to the terms of a Court approved scheme of arrangement for the return of \$25,197,000 of surplus capital to shareholders. However, because this amount was not paid out until 6 July 2001, no cash flow was involved in the year to 30 June 2001. All other financing activities during the year were for cash.

The operating surplus after tax can be reconciled with the net cash inflow from operating activities as follows:

Operating surplus after tax as per the Statement of Financial Performance	10,995	13,097	8,528	11,557
Adjust for non cash items:				
Depreciation	2,965	2,990	-	-
Diminution in value of fixed assets	60	76	-	-
Amortisation of goodwill	104	63	-	-
Fair value of share rights expensed	36	-	36	-
Movements in deferred tax	(740)	(465)	(1)	15
Net (gain)/loss on foreign currency balance	(43)	(3)	-	-
	2,382	2,661	35	15
Adjust for movements in term assets:				
Development expenditure	(779)	(633)	-	-
Term receivables	(1,060)	775	-	-
	(1,839)	142	-	-
Adjust for movements in working capital items:				
Trade debtors	179	1,418	-	-
Other debtors and prepayments	1,358	246	-	-
Stocks	25,817	22,792	-	-
Income tax refund/Provision for tax	1,327	(518)	193	33
Trade creditors, accruals, and provisions	(1,800)	1,343	7	(49)
	26,881	25,281	200	(16)
Adjust for items classified as investing activities:				
Net (gain)/loss on sale of fixed assets	(902)	46	-	-
Net cash inflow from operating activities	\$37,517	\$41,227	\$8,763	\$11,556

	GROUP		PARENT	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
16 Imputation Credit Account				
Balance at beginning of the year	18,439	16,115	6,903	6,146
Income tax paid/(refunded)	4,710	7,238	-	7
Imputation credits attached to dividends received	-	-	3,940	5,664
Imputation credits attached to dividends paid	(5,322)	(4,914)	(5,286)	(4,914)
Balance at end of the year	\$17,827	\$18,439	\$5,557	\$6,903

	GROUP	
	2001 \$000	2000 \$000
17 Lease Commitments		
The Group's commitments in respect of operating lease agreements were:		
Within one year	859	915
After one year but within two years	380	501
After two years but within five years	481	242
After five years	-	2,243

The Parent had no operating lease commitments at 30 June 2001 (2000 Nil).

Neither the Group nor the Parent had any finance lease commitments at 30 June 2001 (2000 Nil).

18 Capital Commitments

The Group had commitments for capital expenditure at 30 June 2001 of \$1,240,000 (2000 \$1,378,000).

The Parent had no capital commitments at 30 June 2001 (2000 Nil).

	GROUP		PARENT	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
19 Contingent Liabilities				
Trade bills discounted	4,839	9,408	-	-
Guarantee of subsidiary company obligations	-	-	10,887	27,885
	\$4,839	\$9,408	\$10,887	\$27,885

20 Related Party Transactions

The unsecured short-term borrowings as detailed in Note 14 included borrowings from the following related parties:

	GROUP		PARENT	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000
Chippendale Holdings Limited	140	151	-	-
Rural Aviation (1963) Limited	1,089	2,063	-	-
A M and A James	203	199	-	-
	\$1,432	\$2,413	-	-

These borrowings are repayable on demand. At balance date, the interest rate on these borrowings was 5.75% (2000 6.8%). This compares with an average interest rate, at balance date, of 6.1% (2000 7.1%) for the Group's other borrowings.

Chippendale Holdings Limited and Rural Aviation (1963) Limited are substantial security holders in the Company.

Mr A M James is Managing Director of the Company.

Notes to the Financial Statements (Continued)

	CARPET		WOOL (CONTINUING)		WOOL (DISCONTINUED)		CONSOLIDATION ADJUSTMENTS		CONSOLIDATED	
	2001 \$000	2000 \$000	2001 \$000	2000 \$000	2001 \$000	2000 \$000	2001 \$000	2000 \$000	2001 \$000	2000 \$000
21 Financial Reporting for Segments										
Industry segmental information										
Segment revenue										
Revenue derived										
outside the Group	96,741	99,673	27,554	103	63,705	118,447	-	-	188,000	218,223
Inter-segment										
revenue	-	-	31,062	66,440	16,818	19,879	(47,880)	(86,319)	-	-
Interest received	227	168	-	-	553	-	-	-	780	168
Total revenue									\$188,780	\$218,391
Segment results										
Operating surplus										
before corporate										
costs, interest, and										
income tax	19,812	21,689	3,805	1,414	(4,956)	383	79	(42)	18,740	23,444
Corporate costs									(1,474)	(1,649)
Net interest expense									(974)	(2,394)
Operating surplus										
before income tax									\$16,292	\$19,401
Segment assets										
Segment assets	82,370	72,355	14,307	2,402	10,372	49,556	-	-	107,049	124,313
Unallocated assets									3,252	2,603
Total assets									\$110,301	\$126,916
Other segment information										
Depreciation	2,134	1,963	419	180	412	847	-	-	\$2,965	\$2,990
Employee numbers										
Operations	567	550	72	41	2	40	-	-	641	631
Unallocated									3	3
Total									644	634

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, and Tramore brands of carpet. The wool operation (continuing) is involved with the acquisition and processing of raw wool. The wool operation (discontinued) was involved with wool trading and the wool processing previously conducted out of the Auckland scour of E Lichtenstein and Company Limited. The scour was closed in November 2000, and the exit from wool trading was completed at 30 June 2001. All inter-segmental sales are at market prices. Inter-segmental sales during the year and intercompany profits on stocks at balance date are eliminated on consolidation.

Geographical segmental information

Statement of standard accounting practice SSAP-23 treats the Group as having its operation within New Zealand and no geographical segmental information is therefore required.

22 Financial Instruments

Management policies

It is the Group's policy to hedge foreign currency risks on trade-related transactions as they arise. However, this general policy may be varied from time to time, when circumstances dictate, so that existing currency risks are left unhedged or anticipated future currency risks are hedged.

The Group's policy also requires that exposures to foreign currency risks are reported to and reviewed by the Board of Directors, monthly.

Interest rate risks are continually monitored having regard to the circumstances at any given time. When circumstances dictate, interest rate swaps, interest rate options, and forward rate agreements are entered into to hedge against fluctuations in interest rates.

Fair value

The carrying amounts and estimated fair values of the Group's financial assets and liabilities at 30 June 2001 were as follows:

	GROUP 2001		GROUP 2000	
	CARRYING AMOUNT \$000	FAIR VALUE \$000	CARRYING AMOUNT \$000	FAIR VALUE \$000
Cash at bank	2,834	2,834	1,305	1,305
Trade debtors	18,788	18,788	18,967	18,967
Other debtors	4,121	4,121	2,329	2,329
Foreign currency forward exchange contracts	-	440	-	(379)
Foreign currency option agreements	-	(147)	-	(75)
Bank overdraft	(1,596)	(1,596)	(730)	(730)
Term liabilities	(13,595)	(13,595)	(28,409)	(28,409)
Short-term borrowings	(1,432)	(1,432)	(2,599)	(2,599)

The following methods and assumptions were used to estimate the fair value of each class of financial assets and liabilities:

Cash at bank, trade debtors, other debtors, bank overdraft, and short-term borrowings

The carrying amounts of these items are equivalent to their fair values.

Foreign currency forward exchange contracts and option agreements

The fair values of these instruments are estimated based on their quoted market prices at balance date.

Term liabilities

The carrying amounts of the Group's term liabilities are equivalent to their fair values because these liabilities are at interest rates which approximate the interest rates currently available to the Group for debts of similar maturities.

Off balance sheet risk

The Group has entered into foreign currency forward exchange contracts and foreign currency option agreements to manage its exposure to fluctuations in foreign currency exchange rates.

Whilst these financial instruments are subject to the risk that exchange rates may change subsequent to implementation, such changes would generally be offset by the equal and opposite effects on the balances being hedged.

Notes to the Financial Statements (Continued)

	GROUP	
	2001 \$000	2000 \$000
The notional principal or contract amounts outstanding at 30 June 2001 were as follows:		
Foreign currency forward exchange contracts		
– NZD purchase commitments	8,227	9,255
– NZD sell commitments	–	–
NZD call option agreements purchased	30,086	28,097
NZD put option agreements sold	60,172	56,194

The Group had no interest rate options or forward rate agreements at 30 June 2001 (2000 Nil).

Credit risk

Foreign currency forward exchange contracts and foreign currency option agreements have been entered into with parties approved by the Board of Directors as having the required credit ratings. The Group's exposure to credit risk from these financial instruments is limited because it does not expect the non-performances of the obligations contained therein due to the high credit ratings of the financial institutions concerned. The Group does not require any collateral or security to support these financial instruments.

The Group places its surplus funds with trading banks approved by the Board of Directors as having the required credit rating and further minimises its credit exposure by limiting the amount placed with any one bank at any one time. Credit risk exposure with respect to debtors is limited by stringent credit controls and by the utilisation of irrevocable letters of credit and trade insurances wherever required and concentration thereof is limited by the large number of customers included within the Group's customer base.

The Parent had no financial instruments at 30 June 2001 (2000 Nil), and all financial assets and liabilities at balance date were stated at fair value.

23 Foreign Currency Denominated Assets and Liabilities

At 30 June 2001, the Group had the following foreign currency denominated monetary assets and monetary liabilities which were not hedged:

	GROUP 2001		GROUP 2000	
	ASSETS \$000	LIABILITIES \$000	ASSETS \$000	LIABILITIES \$000
United States Dollars	USD 40	USD 563	USD 110	USD 351
Great British Pounds	GBP 67	–	–	GBP 155
Australian Dollars	–	AUD 109	–	AUD 210
Euro	–	–	EUR 167	–
Deutsche Marks	–	–	–	DEM 160
Japanese Yen	–	–	–	JPY 1,217

The conversion rates at balance date were – USD 0.41:NZD 1.00, GBP 0.29:NZD 1.00 and AUD 0.80:NZD 1.00.

24 Events After Balance Date

Dividends

The Directors declared, on 27 August 2001, a fully imputed final dividend of 16 cents per ordinary share on the reduced number of shares on issue of 31,490,610, to give a total final dividend of \$5,039,000.

Trend Statement

	2001 \$000	2000 \$000	1999 \$000	1998 \$000	1997 \$000	1996 \$000	1995 \$000	1994 \$000
Financial Performance								
Operating revenue	\$188,780	\$218,391	\$201,329	\$193,912	\$190,411	\$199,130	\$250,125	\$231,619
EBITDA and abnormal items	23,447	24,924	21,966	23,110	19,606	22,882	25,185	21,220
Abnormal items	(3,052)	-	-	-	-	-	-	-
EBITDA	20,395	24,924	21,966	23,110	19,606	22,882	25,185	21,220
Depreciation	(2,965)	(2,990)	(2,960)	(3,265)	(3,238)	(2,953)	(2,802)	(2,701)
Amortisation	(164)	(139)	(63)	(440)	(56)	(29)	-	-
EBIT	17,266	21,795	18,943	19,405	16,312	19,900	22,383	18,519
Net interest expense	(974)	(2,394)	(3,082)	(4,291)	(4,118)	(4,383)	(3,720)	(1,861)
Operating surplus before tax	16,292	19,401	15,861	15,114	12,194	15,517	18,663	16,658
Income tax expense	(5,297)	(6,304)	(5,269)	(5,063)	(4,125)	(5,249)	(6,262)	(5,590)
Operating surplus after tax	10,995	13,097	10,592	10,051	8,069	10,268	12,401	11,068
Minority interest	(746)	-	-	-	-	-	-	-
Net operating surplus attributable to shareholders of the Company	10,249	13,097	10,592	10,051	8,069	10,268	12,401	11,068
Ordinary dividends declared ¹	(10,797)	(10,077)	(9,357)	(7,558)	(8,638)	(9,357)	(9,357)	(8,913)
Surplus after dividends	\$(548)	\$3,020	\$1,235	\$2,493	\$(569)	\$911	\$3,044	\$2,155
Capital Employed								
Shareholders' equity ¹	55,198	80,095	77,075	75,840	73,347	73,916	73,005	69,961
Amount owing to shareholders	25,197	-	-	-	-	-	-	-
Term liabilities	13,595	28,409	55,484	56,632	55,884	52,072	23,525	23,625
	\$93,990	\$108,504	\$132,559	\$132,472	\$129,231	\$125,988	\$96,530	\$93,586
Employment of Capital								
Fixed assets	39,250	36,788	35,234	35,281	38,334	37,730	37,589	36,887
Goodwill	2,696	350	413	476	539	471	-	-
Development expenditure	2,809	2,030	1,397	875	361	-	-	-
Term receivables	1,272	212	987	-	2,971	881	611	-
Deferred tax asset	2,448	1,708	1,243	1,378	1,609	1,703	1,353	739
Current assets	61,826	85,828	109,618	111,639	103,123	102,875	107,270	114,780
Less current liabilities ¹	(16,311)	(18,412)	(16,333)	(17,177)	(17,706)	(17,672)	(50,293)	(58,820)
Working capital	45,515	67,416	93,285	94,462	85,417	85,203	56,977	55,960
	\$93,990	\$108,504	\$132,559	\$132,472	\$129,231	\$125,988	\$96,530	\$93,586

¹ Pursuant to the new FRS-5 "Events After Balance Date", dividends proposed or declared after balance date, but before the financial statements are authorised for issue, must not be recognised as a liability at balance date. Consistent with this and to ensure comparability, all comparatives in the Trend Statement have been restated to reflect this change.

Trend Statement (Continued)

	2001	2000	1999	1998	1997	1996	1995	1994
Financial Ratios and Summary								
Use of Funds and Return on Investment								
Return on average shareholders' equity ¹	13.7%	16.7%	13.9%	13.5%	11.0%	14.0%	17.3%	15.2%
Basic earnings per ordinary share ²	28.5c	36.4c	29.4c	27.9c	22.4c	28.5c	34.5c	33.3c
Financial Structure								
Net tangible asset backing per ordinary share ¹	\$1.64	\$2.22	\$2.13	\$2.09	\$2.02	\$2.04	\$2.03	\$1.94
Proprietorship ratio ¹	50.0%	63.1%	51.8%	50.7%	49.9%	51.5%	49.7%	45.9%
Net interest bearing debt : equity ratio ¹	20:80	28:72	42:58	44:56	44:56	43:57	41:59	46:54
Net interest cover (times)	17.7	9.1	6.1	4.5	4.0	4.5	6.1	9.7
Returns to Shareholders								
Dividends per ordinary share declared (excluding supplementary) ¹	30.0c	28.0c	26.0c	21.0c	24.0c	26.0c	26.0c	27.0c
Dividend imputation	100%	100%	100%	100%	100%	100%	100%	100%
Ordinary dividend cover (times) ¹	0.9	1.3	1.1	1.3	0.9	1.1	1.3	1.2
Supplementary dividends per ordinary share declared	5.3c	5.0c	4.6c	3.7c	4.3c	4.6c	4.6c	4.8c
Share Price								
June	\$5.45	\$3.38	\$3.49	\$2.28	\$2.42	\$2.40	\$3.05	\$4.38
52 week high	\$5.63	\$3.75	\$3.75	\$2.80	\$3.43	\$3.25	\$4.38	\$6.65
52 week low	\$3.20	\$3.07	\$2.15	\$1.86	\$2.31	\$2.30	\$2.70	\$4.10
Capital Expenditure and Depreciation (\$000)								
Capital expenditure	\$10,655	\$4,808	\$2,909	\$3,119	\$4,760	\$3,740	\$3,737	\$1,215
Depreciation	\$2,965	\$2,990	\$2,960	\$3,265	\$3,238	\$2,953	\$2,802	\$2,701

¹ Pursuant to the new FRS-5 "Events After Balance Date", dividends proposed or declared after balance date, but before the financial statements are authorised for issue, must not be recognised as a liability at balance date. Consistent with this and to ensure comparability, all comparatives in the Trend Statement have been restated to reflect this change.

² Based on the weighted average number of ordinary shares on issue during the year.

other disclosures

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Disclosures under the **Companies Act 1993**

FOR THE YEAR ENDED 30 JUNE 2001

Directors (s211(1)(i))

The Directors of the Company as at 30 June 2001 were:

G C W Biel
 W K Chung
 R G Ebbett
 G S Hawkins
 A M James
 A C Timpson

R A Pratt resigned from the Board of Directors on 25 August 2000.

Interests register (s211(1)(e))

The Companies Act 1993 requires the Company to maintain an interests register in which are recorded the particulars of certain transactions and matters (eg. use of company information, share dealing, remuneration, and indemnity and insurance) involving the Directors. It further requires particulars of the entries in this interests register for the year to be disclosed in the Annual Report.

Use of company information (s145)

During the year, no notices were received from the Directors regarding the use of company information that would not otherwise have been available to them, except in their capacity as directors.

Share dealing (s148)

Notices in relation to share dealings were received from the following during the year:

- Timpson family interests – sale, on 18 September 2000, of a relevant interest in 48,623 shares at \$4.11 per share
- G C W Biel – transfer, on 14 February 2001, of a relevant interest in 23,648 shares to family interests

Directors' relevant interests in shares in the Company at 30 June 2001 were¹:

G C W Biel	
Beneficial	1,058,448
Other	3,679,973
<hr/>	
W K Chung	
Beneficial	2,542
Other	-
<hr/>	
R G Ebbett	
Beneficial	12,073
Other	-
<hr/>	
G S Hawkins	
Beneficial	2,625
Other	-
<hr/>	
A M James	
Beneficial	30,625
Other	-
<hr/>	
A C Timpson	
Beneficial	394,782
Other	-

¹ Disclosures reflect the cancellation, on 30 June 2001, of one for every eight shares in the Company pursuant to the Court approved scheme of arrangement for the return of surplus capital to shareholders.

Remuneration (s161)

The Board authorised the following during the year:

- an increase in the base remuneration of W K Chung by \$10,000 per annum with effect from 1 July 2000;
- a payment of \$1,800,000 to R A Pratt at the time of the closure of the Lichtenstein wool operation. The payment to R A Pratt, who had been with Lichtenstein for almost 40 years, comprises compensation for redundancy, payment in lieu of notice, and accrued annual and long service leave; and
- increases in the directors' fees paid to G C W Biel, R G Ebbett, and G S Hawkins by \$6,000 per annum and those paid to A C Timpson by \$10,000 per annum with effect from 1 July 2000. The last time directors' fees paid to the non-executive Directors were changed was on 1 July 1993.

The Board also authorised the issue of 680,000 rights under the Cavalier Corporation Limited 2000 Executive Share Rights Plan ("Plan") to the two executive Directors of the Company, A M James and W K Chung. 430,000 rights were issued to A M James and 250,000 rights were issued to W K Chung. The entitlements of A M James and W K Chung under the Plan will be determined on the exercise date by multiplying the difference between the market price of the Company's shares at exercise date and the adjusted base price by the number of rights exercised at that date. These rewards are then divided by the market price of the Company's shares at exercise date to give the number of shares to be issued to them, subject to a maximum of one share for every 1.8 rights exercised. A summary of the terms of the Plan is set out on pages 12 and 13 of this document (note 6 of the Notes to the Financial Statements).

At the same time, the Board also changed the way in which the variable component of the remuneration packages of the two executive Directors were calculated in two ways – firstly, by shifting the basis from one based on profit to one based on economic value added in order to broaden the executive focus and secondly, by reducing the entitlement rate.

Indemnity and insurance (s162)

During the year, the Company effected directors' and officers' liability insurance to cover, to the extent normally covered by such policies, the risks arising out of the acts or omissions of the Directors and employees of the Company and its subsidiaries in their capacity as such. The cost of this cover was approximately \$9,600.

Specific disclosures of interest (s140(1))

No specific disclosures of interest were received during the year.

General disclosures of interest (s140(2))

The following general disclosures of interest were received during the year:

G C W Biel	Director of: Heli Harvest Limited Rural Aviation (1963) Limited
W K Chung	None
R G Ebbett	Director of: Ebbett Waikato Group Limited Renaissance Corporation Limited Tubepack Limited Acma Capital (N.Z.) Limited
G S Hawkins	Director of: Ballance Agri-Nutrients Co-operative Limited Biomed Limited Blues Limited Global Dairy Co. Limited Hawkins Consulting Services Limited Robinson Industries Limited (Chairman) Tower Managed Funds Limited
A M James	None

Disclosures under the **Companies Act 1993** (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

General disclosures of interest (s140(2)) – continued

A C Timpson	Director of:
	Astrograss Allweather Surfaces Limited
	Chippendale Holdings Limited
	Marama Trading Limited
	Pauanui Publishing Limited
	Radford Yarn Technology Limited

Directors' remuneration (s211(1)(f))

The total remuneration and value of other benefits earned (received, and due and receivable) by each of the Directors of the Company for the year ended 30 June 2001 were:

G C W Biel	\$26,000
W K Chung	\$353,000
R G Ebbett	\$26,000
G S Hawkins	\$26,000
A M James	\$485,000
R A Pratt	\$1,831,000
A C Timpson	\$46,000

Employees' remuneration (s211(1)(g))

The number of employees of the Company and its subsidiaries (excluding employees holding office as directors of the Company, but including other employees holding office as directors of subsidiaries) whose remuneration and value of other benefits for the year ended 30 June 2001 fall into the various brackets specified by the Companies Act 1993 is as follows:

REMUNERATION AND VALUE OF OTHER BENEFITS (\$)	NUMBER OF EMPLOYEES ¹
110,000 – 119,999	1
120,000 – 129,999	–
130,000 – 139,999	–
140,000 – 149,999	4
150,000 – 159,999	4
160,000 – 169,999	1
170,000 – 179,999	–
180,000 – 189,999	1
190,000 – 199,999	–
200,000 – 209,999	3
210,000 – 219,999	–
220,000 – 229,999	–
230,000 – 239,999	3
240,000 – 249,999	1
300,000 – 309,999	1
360,000 – 369,999	1
Total number of employees	20

¹ The above disclosure includes five employees of discontinued activities who received, on top of their normal remuneration, compensation for redundancy, payment in lieu of notice, and accrued annual and long service leave.

Donations (s211(1)(h), s211(2))

Refer to page 11 of this document (note 3 of the Notes to the Financial Statements).

Audit fees (s211(1)(j), s211(2))

Refer to page 11 of this document (note 3 of the Notes to the Financial Statements).

Subsidiary company directors (s211(2))

The following persons respectively held office as directors of subsidiary companies at the end of the year:

SUBSIDIARIES	DIRECTORS
Cavalier Bremworth Limited and Cavalier Spinners Limited	G C W Biel W K Chung A M James A C Timpson
Cavalier Bremworth (Australia) Limited and Kimberley Carpets Pty. Limited	G C W Biel W K Chung D M Cotton A M James A C Timpson
Cavalier Bremworth (North America) Limited and Northern Prospecting Limited	G C W Biel W K Chung A C Timpson
Knightsbridge Carpets Limited	W K Chung A M James A C Timpson
E Lichtenstein and Company Limited, Elco Direct Limited, Elcopac Limited, Elcotex Limited, Elcowool Limited, e-Wool Limited, and Heron Distributors Limited	A M James A C Timpson
Hawkes Bay Woolscourers Limited	G C W Biel D M Ferrier A M James W K Chung (alternate of G C W Biel)
Ascot Wools Limited	D M Ferrier A M James
Microbial Technologies Limited	W K Chung D J Cooper A M James D E Pinnock V T S Tan A C Timpson

Disclosures under the **Companies Act 1993** (Continued)

FOR THE YEAR ENDED 30 JUNE 2001

Mr R A Pratt resigned as a director of E Lichtenstein and Company Limited, Elco Direct Limited, Elcopac Limited, Elcotex Limited, Elcowool Limited, e-Wool Limited, and Heron Distributors Limited on 25 August 2000. Mr A G Macdonald resigned as a director of Hawkes Bay Woolscourers Limited on 31 May 2001. There were no other retirements or resignations of subsidiary company directors during the year.

No subsidiary company directors received, in their capacity as such, directors' fees or other benefits from the subsidiaries.

The details of entries in the interests register and the remuneration and value of other benefits of subsidiary company directors who are also the Directors of the Company are set out on pages 24 to 26 of this document.

There were no entries in the interests register in respect of any of the subsidiary company directors who are not also the Directors of the Company. The remuneration and value of other benefits of these directors is disclosed under employee remuneration on page 26 of this document.

Disclosures under the New Zealand **Stock Exchange Listing Rules**

AS AT 28 AUGUST 2001	NUMBER OF SHAREHOLDERS	%	SHARES HELD	%
Analysis of shareholdings (Listing Rule 10.5.1)				
Size of shareholdings				
Up to 199	170	3.0	16,901	0.1
200 – 499	429	7.4	157,199	0.5
500 – 999	1,104	19.2	876,633	2.8
1,000 – 4,999	2,963	51.4	7,254,583	23.0
5,000 – 9,999	693	12.0	4,895,341	15.5
10,000 – 49,999	377	6.5	6,899,564	21.9
50,000 – 99,999	20	0.4	1,401,468	4.5
Over 99,999	7	0.1	9,988,921	31.7
	5,763	100.0	31,490,610	100.0
Location of shareholders				
New Zealand	5,671	98.4	31,259,796	99.3
Overseas – Australia	54	0.9	100,542	0.3
– Others	38	0.7	130,272	0.4
	5,763	100.0	31,490,610	100.0
Top 20 shareholders				
Chippendale Holdings Limited			3,938,645	12.5
Rural Aviation (1963) Limited			3,729,164	11.8
Westburn Investments Limited			1,009,257	3.2
New Zealand Central Securities Depository Limited			615,491	2.0
Peter Hanbury Masfen and Joanna Alison Masfen			393,750	1.3
Forbar Custodians Limited			197,614	0.6
Edric Ian Spackman			105,000	0.3
J & D Sands Limited			96,250	0.3
Solwin Investments Limited			96,250	0.3
Nicolaas Johannes Kaptein			87,500	0.3
Chi-Ping Lui			87,500	0.3
Jack Huffam Plowman			87,500	0.3
Herbert Charles Wilson			87,500	0.3
Estate Raymond Forbes Wilson Deceased			74,504	0.2
Estate Gabriel David Tetro Deceased			70,141	0.2
Titoki Downs Limited			70,000	0.2
William Edward Cron			69,503	0.2
Edward George Hunt			69,080	0.2
Investment Custodial Services Limited			64,424	0.2
Roland Fraser Stead			63,000	0.2
			11,012,073	35.0

Disclosures under the New Zealand **Stock Exchange Listing Rules** (Continued)

AS AT 28 AUGUST 2001

SHARES
HELD %**New Zealand Central Securities Depository Limited**

New Zealand Central Securities Depository Limited provides a custodial depository service to offshore and institutional shareholders and does not have a beneficial interest in the shares registered in its name. The beneficial owners of the shares registered in its name as at 28 August 2001 were:

Guardian Trust Investment Nominees (RWT) Limited	332,463	1.1
Citibank Nominees (New Zealand) Limited	124,606	0.4
TEA Custodians Limited – The NZ Mid Cap Index Fund	65,052	0.2
The NZ Guardian Trust Co. Limited – Guardian Trust Investment Limited	53,918	0.2
NZ Permanent Trustees Limited – NMFM Supermidcap Fund	26,889	0.1
Portfolio Nominees Limited	12,556	–
National Nominees New Zealand Limited	4	–
ANZ Nominees Limited	3	–
	615,491	2.0

BENEFICIAL

NON-BENEFICIAL

	30 JUNE 2001	30 JUNE 2000	30 JUNE 2001	30 JUNE 2000
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Directors' and associated persons' shareholdingsShares ¹

G C W Biel	1,058,448	1,235,803	3,709,284 ²	4,231,834
W K Chung	2,542	2,905	–	–
R G Ebbett	12,073	13,799	–	–
G S Hawkins	2,625	3,000	–	–
A M James	30,625	35,000	–	–
A C Timpson	394,782	455,869	–	–
Rights under the Cavalier Corporation Limited 2000 Executive Share Rights Plan ³				
W K Chung	250,000	–	–	–
A M James	430,000	–	–	–

¹ Disclosures reflect the cancellation, on 30 June 2001, of one for every eight shares in the Company pursuant to the Court approved scheme of arrangement for the return of surplus capital to shareholders.

² Includes 29,311 held by associated persons (2000 8,650).

³ A summary of the terms of the Plan is set out on pages 12 and 13 of this document (note 6 of the Notes to the Financial Statements).

Disclosures under the **Securities Amendment Act 1988**

AS AT 28 AUGUST 2001

NUMBER OF VOTING SECURITIES
WHERE RELEVANT INTEREST EXISTS ¹**Substantial security holders (s26)**

The substantial security holders of the Company in respect of whom notices have been received were:

G C W Biel	5,017,373
Chippendale Holdings Limited	5,162,814
Rural Aviation (1963) Limited	4,997,362
Tony Timpson Family Trust	5,162,814
Westburn Investments Limited	1,697,763

The total number of issued voting securities for the purposes of the Securities Amendment Act 1988 was 31,490,610.

The definition of the term “relevant interest” in the Act is extremely wide, and more than one relevant interest can exist in the same voting securities.

¹ Disclosures reflect the cancellation, on 30 June 2001, of one for every eight shares in the Company pursuant to the Court approved scheme of arrangement for the return of surplus capital to shareholders.

Corporate Directory

Board of Directors:

G C W Biel	Deputy Chairman of Board Member of Audit Committee Member of Remuneration Committee
W K Chung	Finance Director
R G Ebbett	Non-executive Director Chairman of Audit Committee Member of Remuneration Committee
G S Hawkins	Non-executive Director Member of Audit Committee Member of Remuneration Committee
A M James	Managing Director
A C Timpson	Chairman of Board Member of Audit Committee Chairman of Remuneration Committee

Company Secretary:

V T S Tan

Registered Office:

7 Grayson Avenue, Papatoetoe,
P O Box 97-040, Auckland 1730.
Telephone: 64-9-277 6000, Facsimile: 64-9-279 4756.

Share Registrar:

Computershare Registry Services Limited
Level 2, 159 Hurstmere Road, Takapuna, North Shore City,
Private Bag 92119, Auckland 1020.
Telephone: 64-9-488 8700, Facsimile: 64-9-488 8787, Investor Enquiries: 64-9-488 8777.

Auditors:

PricewaterhouseCoopers

Legal Advisors:

Martelli McKegg Wells and Cormack
Minter Ellison Rudd Watts
Russell McVeagh

Bankers:

ANZ Banking Group (New Zealand) Limited

Web Sites:

Corporate – www.cavcorp.co.nz
Carpet Operation – www.cavbrem.co.nz, www.cavbrem.com.au



