



**...EVERY STEP OF THE WAY**

CAVALIER CORPORATION 2003 FINANCIAL STATEMENTS AND OTHER DISCLOSURES

Cavalier  
CORPORATION

“We have laid the foundations for opportunity in the years to come, but we are not forgetting where we came from and what made us successful.” A M James, Managing Director

## CONTENTS

### FINANCIAL STATEMENTS

AUDIT REPORT	01
DIRECTORS' RESPONSIBILITY STATEMENT	02
STATEMENT OF ACCOUNTING POLICIES	03
STATEMENTS OF FINANCIAL PERFORMANCE	05
STATEMENTS OF MOVEMENTS IN EQUITY	06
STATEMENTS OF FINANCIAL POSITION	07
STATEMENTS OF CASH FLOWS	08
NOTES TO THE FINANCIAL STATEMENTS	09

TREND STATEMENT	23
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GLOSSARY OF FINANCIAL TERMS	25
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### OTHER DISCLOSURES


DISCLOSURES UNDER THE COMPANIES ACT 1993	26
DISCLOSURES UNDER THE NEW ZEALAND EXCHANGE LISTING RULES	30
DISCLOSURES UNDER THE SECURITIES AMENDMENT ACT 1988	32

CORPORATE DIRECTORY	IBC
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The 2003 Annual Report of Cavalier Corporation Limited comprises two documents – the 2003 Annual Review and the 2003 Financial Statements and Other Disclosures. As required by section 211(1)(k) of the Companies Act 1993, this document – the 2003 Financial Statements and Other Disclosures – is signed on behalf of the Board on 12 September 2003 by:



A C Timpson, Chairman



A M James, Managing Director

## AUDIT REPORT



### TO THE SHAREHOLDERS OF CAVALIER CORPORATION LIMITED

We have audited the financial statements on pages 3 to 22. The financial statements provide information about the past financial performance and financial position of the Company and Group as at 30 June 2003. This information is stated in accordance with the accounting policies set out on pages 3 and 4.

### DIRECTORS' RESPONSIBILITIES

The Directors are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Company and Group as at 30 June 2003 and the results of their operations and cash flows for the year ended on that date.

### AUDITORS' 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

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;
- whether the accounting policies are appropriate to the Company's and Group's circumstances, consistently applied and adequately disclosed.

We conducted our audit in accordance with New Zealand Auditing Standards issued by the Institute of Chartered Accountants of New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to obtain 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 has also provided other services to the Company and certain of its subsidiaries in relation to taxation services. These matters have not impaired our independence as auditors of the Company and Group. The firm has no other relationship with, or interest in, the Company or any of its subsidiaries.

### 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;
- the financial statements on pages 3 to 22:
  - comply with New Zealand generally accepted accounting practice;
  - give a true and fair view of the financial position of the Company and Group as at 30 June 2003 and the results of their operations and cash flows for the year ended on that date.

Our audit was completed on 22 August 2003 and our unqualified opinion is expressed as at that date.

Auckland

## DIRECTORS' RESPONSIBILITY STATEMENT

### 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 AND INTERNAL CONTROLS

The Directors consider that they have taken adequate steps to safeguard the assets of the Company and Group and to prevent and detect fraud and other irregularities. Internal control procedures are also considered to be sufficient to provide a reasonable assurance as to the integrity and reliability of the financial statements.

### FINANCIAL STATEMENTS

The Directors are pleased to present, on pages 3 to 22, the financial statements of the Company and Group for the year ended 30 June 2003.

These financial statements were authorised for issue by the Directors on 22 August 2003 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 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. 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 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 less depreciation. 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 ARISING ON ACQUISITION.** The excess of the cost of acquisition over the fair value of the identifiable net assets acquired is capitalised as goodwill and is amortised to the Statement of Financial Performance over 10 years, the period over which the benefits associated with the acquisition are expected to be derived.
- 6 **DISCOUNT ON ACQUISITION.** A discount arising on the acquisition of a subsidiary represents the excess of the fair value of the identifiable net assets acquired over the purchase consideration. The discount is first applied in reducing the fair values of the non-monetary assets acquired, and any amount remaining is recognised in the Statement of Financial Performance.
- 7 **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.
- 8 **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.
- 9 **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.

## STATEMENT OF ACCOUNTING POLICIES (CONTINUED)

- 10 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.
- 11 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.
- 12 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.
- 13 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. Future income tax benefits are not recognised unless realisation of the asset is virtually certain.
- 14 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 translated 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.
- 15 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 2003	NOTES	G R O U P		P A R E N T	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>OPERATING REVENUE</b>					
From continuing activities	2	193,199	161,215	18,475	13,875
From discontinued activities	2	23	3,572	-	-
		<b>\$193,222</b>	<b>\$164,787</b>	<b>\$18,475</b>	<b>\$13,875</b>
<b>OPERATING SURPLUS BEFORE INTEREST AND INCOME TAX</b>					
From continuing activities	3	29,942	22,402	14,204	10,865
From discontinued activities	3	353	6	-	-
		<b>30,295</b>	<b>22,408</b>	<b>14,204</b>	<b>10,865</b>
Net Interest Expense		(1,979)	(1,888)	-	-
<b>OPERATING SURPLUS BEFORE INCOME TAX</b>		<b>28,316</b>	<b>20,520</b>	<b>14,204</b>	<b>10,865</b>
Income Tax Expense	4	(9,460)	(6,986)	(104)	(313)
<b>OPERATING SURPLUS AFTER INCOME TAX</b>		<b>\$18,856</b>	<b>\$13,534</b>	<b>\$14,100</b>	<b>\$10,552</b>
<b>OPERATING SURPLUS AFTER INCOME TAX:</b>					
Attributable to shareholders of the Company		18,263	13,151	14,100	10,552
Attributable to minority shareholders of subsidiaries		593	383	-	-
		<b>\$18,856</b>	<b>\$13,534</b>	<b>\$14,100</b>	<b>\$10,552</b>
<b>OPERATING SURPLUS AFTER INCOME TAX:</b>					
From continuing activities		18,619	13,530	14,100	10,552
From discontinued activities		237	4	-	-
		<b>\$18,856</b>	<b>\$13,534</b>	<b>\$14,100</b>	<b>\$10,552</b>

*These statements are to be read in conjunction with the Statement of Accounting Policies on pages 3 and 4, the Notes on pages 9 to 22, and the Audit Report on page 1.*

## STATEMENTS OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2003	NOTES	GROUP		PARENT	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>RECOGNISED REVENUES AND EXPENSES FOR THE YEAR</b>					
Operating surplus after income tax –					
of shareholders of the Company		18,263	13,151	14,100	10,552
of minority shareholders of subsidiaries		593	383	-	-
Foreign currency translation reserve	6	(17)	-	-	-
Share rights reserve	6	113	83	113	83
		<b>18,952</b>	<b>13,617</b>	<b>14,213</b>	<b>10,635</b>
<b>CONTRIBUTIONS FROM OWNERS DURING THE YEAR</b>					
Minority shareholders of subsidiary		244	-	-	-
<b>DISTRIBUTIONS TO OWNERS DURING THE YEAR</b>					
Minority shareholders of subsidiary –					
dividends paid by subsidiary		(600)	(252)	-	-
Shareholders of the Company –					
previous year's final dividend		(5,511)	(5,038)	(5,511)	(5,038)
current year's 1st interim dividend		(2,834)	(2,204)	(2,834)	(2,204)
current year's 2nd interim dividend		(4,724)	(3,622)	(4,724)	(3,622)
		<b>(13,669)</b>	<b>(11,116)</b>	<b>(13,069)</b>	<b>(10,864)</b>
<b>MOVEMENTS IN EQUITY FOR THE YEAR</b>		<b>\$5,527</b>	<b>\$2,501</b>	<b>\$1,144</b>	<b>\$(229)</b>
<b>EQUITY AT BEGINNING OF THE YEAR:</b>					
Attributable to shareholders of the Company		56,691	54,321	24,650	24,879
Attributable to minority shareholders of subsidiary		1,008	877	-	-
		<b>\$57,699</b>	<b>\$55,198</b>	<b>\$24,650</b>	<b>\$24,879</b>
<b>EQUITY AT END OF THE YEAR:</b>					
Attributable to shareholders of the Company		61,981	56,691	25,794	24,650
Attributable to minority shareholders of subsidiaries		1,245	1,008	-	-
		<b>\$63,226</b>	<b>\$57,699</b>	<b>\$25,794</b>	<b>\$24,650</b>

These statements are to be read in conjunction with the Statement of Accounting Policies on pages 3 and 4, the Notes on pages 9 to 22, and the Audit Report on page 1.

## STATEMENTS OF FINANCIAL POSITION

AS AT 30 JUNE 2003	NOTES	G R O U P		P A R E N T	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
Shareholders' equity	5, 6, 7				
Attributable to shareholders of the Company		61,981	56,691	25,794	24,650
Attributable to minority shareholders of subsidiaries		1,245	1,008	-	-
<b>SHAREHOLDERS' EQUITY</b>		<b>63,226</b>	57,699	<b>25,794</b>	24,650
Term liabilities	8	28,566	26,467	-	-
Current liabilities	9	23,718	21,776	16,225	16,594
<b>SHAREHOLDERS' EQUITY AND TOTAL LIABILITIES</b>		<b>\$115,510</b>	\$105,942	<b>\$42,019</b>	\$41,244
Fixed assets	10	41,259	40,395	-	-
Investments	11	-	-	24,590	22,540
Goodwill	12	2,080	2,388	-	-
Development expenditure	13	4,716	3,725	-	-
Term receivables	14	139	113	-	-
Deferred tax asset	15	1,332	1,686	22	22
<b>NON-CURRENT ASSETS</b>		<b>49,526</b>	48,307	<b>24,612</b>	22,562
Current assets	16	65,984	57,635	17,407	18,682
<b>TOTAL ASSETS</b>		<b>\$115,510</b>	\$105,942	<b>\$42,019</b>	\$41,244

*These statements are to be read in conjunction with the Statement of Accounting Policies on pages 3 and 4, the Notes on pages 9 to 22, and the Audit Report on page 1.*

## STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2003	NOTES	GROUP		PARENT	
		2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
<b>CASH WAS PROVIDED FROM:</b>					
		194,770	163,439	-	-
		48	219	4,475	3,875
		1	-	14,000	10,000
		113	234	-	-
		1,136	-	-	-
<b>CASH WAS APPLIED TO:</b>					
		(163,423)	(135,104)	(4,144)	(2,975)
		(7,516)	(7,220)	(301)	(243)
		(2,196)	(1,872)	-	-
		-	(1,169)	-	-
	17	<b>22,933</b>	<b>18,527</b>	<b>14,030</b>	<b>10,657</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
<b>CASH WAS PROVIDED FROM:</b>					
		81	3,345	-	-
<b>CASH WAS APPLIED TO:</b>					
	26	(704)	-	(2,050)	-
		(3,515)	(4,674)	-	-
		<b>(4,138)</b>	<b>(1,329)</b>	<b>(2,050)</b>	<b>-</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
<b>CASH WAS PROVIDED FROM:</b>					
	26	244	-	-	-
		-	15,150	-	-
		-	-	3,759	26,097
<b>CASH WAS APPLIED TO:</b>					
		-	-	(2,670)	(691)
		(2,641)	-	-	-
		-	(25,197)	-	(25,197)
		(13,069)	(10,864)	(13,069)	(10,864)
		(600)	(252)	-	-
		<b>(16,066)</b>	<b>(21,163)</b>	<b>(11,980)</b>	<b>(10,655)</b>
<b>NET INCREASE/(DECREASE) IN CASH HELD</b>					
		2,729	(3,965)	-	2
		(4,147)	(194)	2	-
		(25)	12	-	-
	17	<b>\$(1,443)</b>	<b>\$(4,147)</b>	<b>\$2</b>	<b>\$2</b>

These statements are to be read in conjunction with the Statement of Accounting Policies on pages 3 and 4, the Notes on pages 9 to 22, and the Audit Report on page 1.

## NOTES TO THE FINANCIAL STATEMENTS

### 1 PRINCIPAL SUBSIDIARIES AND ACTIVITIES

The principal subsidiaries of the Company and their activities are:

- Cavalier Bremworth Limited – broadloom carpet manufacturing and distribution
- Cavalier Bremworth Proprietary Limited – broadloom carpet distribution
- Knightsbridge Carpets Limited – broadloom carpet distribution
- Kimberley Carpets Proprietary Limited – broadloom carpet distribution
- Cavalier Spinners Limited – carpet yarn manufacturing
- Ontera Modular Carpets Proprietary Limited – carpet tile manufacturing and distribution
- Hawkes Bay Woolscourers Limited – commission wool scouring
- Elco Direct Limited – wool procurement
- Microbial Technologies Limited – bio-pesticides development

All subsidiaries have 30 June balance dates. Apart from Ontera Modular Carpets Proprietary Limited, which is 89.5% owned, and Hawkes Bay Woolscourers Limited, which is 76% owned, all other subsidiaries are wholly owned. Voting interests in the two non-wholly owned subsidiaries are the same as the ownership interests.

The Group's principal activities comprise a broadloom carpet business, a carpet tile business, a commission wool scouring business, and a wool procurement business.

Cavalier Bremworth, the broadloom carpet business, operates two woollen yarn spinning plants and a carpet plant – all New Zealand-based – and has major distribution centres in Auckland and Sydney and sales offices throughout New Zealand and Australia and in Hong Kong. It has agents or distributors in the USA, Canada, the UK, the Middle East, and throughout Asia. The business markets carpet under the Bremworth, Cavalier Bremworth, Knightsbridge, Kimberley, and Tramore brands. Sydney-based Ontera Modular Carpets is Australasia's manufacturer and marketer of carpet tiles and has sales operations in both New Zealand and Australia.

Hawkes Bay Woolscourers, the commission wool scouring business, provides a commission wool scouring service for the wool exporting industry and scours all of the Group's carpet wool requirements. Likewise, Elco Direct, the wool procurement business, is a service provider to both the wool industry and the Group's carpet business.

The Group is also engaged in a developmental venture through its subsidiary, Microbial Technologies Limited. The venture involves the utilisation of a natural biological agent for the control of flystrike and lice infestations in sheep.

The effect of the acquisition of 100% of the shares in Ontera Modular Carpets Proprietary Limited on 1 July 2002, and the subsequent sale of 10.5% of those shares to the management of Ontera Modular Carpets Proprietary Limited on 1 April 2003, is set out in Note 26.

### 2 OPERATING REVENUE

Operating revenue as per the Statement of Financial Performance comprises:

#### CONTINUING ACTIVITIES

	GROUP		PARENT	
	2003	2002	2003	2002
	\$000	\$000	\$000	\$000
Sales of goods and services	193,037	160,762	-	-
Rentals received	48	219	-	-
Dividends received	1	-	14,000	10,000
Interest received	113	234	-	-
Management fee received	-	-	4,475	3,875
	<b>\$193,199</b>	<b>\$161,215</b>	<b>\$18,475</b>	<b>\$13,875</b>

#### DISCONTINUED ACTIVITIES

Sales of goods	\$23	\$3,572	-	-
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## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	GROUP		PARENT	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<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>				
Fees paid to the auditors:				
for audit of financial statements	48	48	6	6
for other professional services provided	30	14	-	-
Fees paid to auditors of subsidiaries	52	5	-	-
Amortisation of goodwill	308	308	-	-
Bad debts written off	-	24	-	-
Changes in doubtful debt provision	3	3	-	-
Depreciation				
Buildings	246	235		
Plant and equipment	2,449	2,084		
Other fixed assets	865	775		
Total depreciation charge	3,560	3,094	-	-
Directors' fees	143	124	143	124
Donations	4	3	-	-
Loss on sale of fixed assets	95	9	-	-
Operating lease and rental costs	2,356	1,071	-	-
<b>AFTER CREDITING –</b>				
Foreign currency gains	13	12	-	-
Gain on sale of fixed assets	7	47	-	-
<b>DISCONTINUED ACTIVITIES</b>				
<b>AFTER CHARGING –</b>				
Bad debts written off	-	865	-	-
<b>AFTER CREDITING –</b>				
Changes in doubtful debt provision	371	849	-	-

	GROUP		PARENT	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>4 INCOME TAX EXPENSE</b>				
Operating surplus before income tax as per the Statement of Financial Performance	<b>\$28,316</b>	\$20,520	<b>\$14,204</b>	\$10,865
<b>THE INCOME TAX EXPENSE HAS BEEN CALCULATED AS FOLLOWS:</b>				
Income tax on the operating surplus for the year at 33%	<b>(9,344)</b>	(6,772)	<b>(4,687)</b>	(3,585)
Plus/(Less) taxation effect of:				
Depreciation on revaluations	<b>(17)</b>	(17)	-	-
Dividends received	-	-	<b>4,620</b>	3,300
Non-deductible items	<b>(176)</b>	(173)	<b>(37)</b>	(28)
Non-assessable items	-	2	-	-
Difference in tax rate in overseas jurisdictions	<b>74</b>	-	-	-
Prior year adjustments	<b>3</b>	(26)	-	-
	<b>(116)</b>	(214)	<b>4,583</b>	3,272
Income tax expense	<b>\$(9,460)</b>	\$(6,986)	<b>\$(104)</b>	\$(313)
<b>THE INCOME TAX EXPENSE IS REPRESENTED BY:</b>				
Current tax	<b>(8,440)</b>	(6,224)	<b>(104)</b>	(296)
Deferred tax	<b>(1,020)</b>	(762)	-	(17)
	<b>\$(9,460)</b>	\$(6,986)	<b>\$(104)</b>	\$(313)

**5 SHAREHOLDERS' EQUITY**

There is only one class of share in the Company. The number of shares on issue at 30 June 2003 was 62,981,220, fully paid up (2002 31,490,610, fully paid up), following a 2:1 share split on 6 December 2002. All shares within this class rank pari passu in all respects.

	GROUP		PARENT	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>6 RESERVES</b>				
Included within shareholders' equity are the following reserves:				
<b>FOREIGN CURRENCY TRANSLATION RESERVE:</b>				
Balance at beginning of the year	-	-	-	-
Difference arising on translation of independent foreign operations	<b>(17)</b>	-	-	-
Balance at end of the year	<b>\$(17)</b>	-	-	-
<b>SHARE RIGHTS RESERVE:</b>				
Balance at beginning of the year	<b>119</b>	36	<b>119</b>	36
Corresponding amount of fair value of rights expensed in the Statement of Financial Performance	<b>113</b>	83	<b>113</b>	83
Balance at end of the year	<b>\$232</b>	\$119	<b>\$232</b>	\$119

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 7 EXECUTIVE SHARE RIGHTS PLAN

The details of share rights issued 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 were as follows:

	P A R E N T	
	2003 000	2002 000
Balance at beginning of the year	5,080	3,480
Share rights issued	2,020	1,600
Share rights lapsed	-	-
Balance at end of the year	7,100	5,080
Rights approved but remain unissued	1,865	-

All figures in this note have, to the extent required, been adjusted for the effect of the 2:1 share split on 6 December 2002.

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 and the adjusted base price at exercise date 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 share market over the preceding five years, the after tax cost of the Company's equity capital was estimated to be 10% per annum at the issue dates of 6 December 2000, 9 November 2001, 4 December 2002, and 21 March 2003. The market prices of the Company's shares at these issue dates were \$2.13, \$2.83, \$3.11 and \$3.91 per share respectively.

Based on the current dividend policy of the Company, the rights holders' rewards under various market price scenarios at the earliest possible exercise date of 10 November 2003 in respect of the 3,480,000 rights issued on 6 December 2000 can be best illustrated thus:

	SCENARIO 1	SCENARIO 2	SCENARIO 3 <sup>1</sup>
Market price (A) at exercise date	\$2.16 or less	\$4.50	\$4.86
Estimated adjusted base price (B) at exercise date	\$2.16	\$2.16	\$2.16
Rights holders' rewards (being (A-B) x 3,480,000 rights issued on 6 December 2000)	Nil	\$8,143,200	\$9,396,000
Number of shares to be issued (being rights holders' rewards divided by market price), subject to maximum of one share for every 1.8 rights/1,933,333 shares	Nil	1,809,600	1,933,333
Dilution effect (maximum 3.0%, when market price reaches \$4.86 at exercise date)	Nil	2.8%	3.0%

<sup>1</sup> Market price at which the maximum number of shares are issued and maximum dilution is reached.

**7 EXECUTIVE SHARE RIGHTS PLAN (CONTINUED)**

In the case of the 1,600,000 rights issued on 9 November 2001 and based on the earliest possible exercise date of 9 November 2004, the market price at which the maximum 888,889 shares would have to be issued, and the maximum dilution of 1.4% is reached, is \$6.80.

The rights can only be exercised in the period commencing on the third anniversary of the issue date, unless the Board of Directors determines otherwise, 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.

	2003	2002	GROUP		PARENT	
	AVERAGE INTEREST RATE %	AVERAGE INTEREST RATE %	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>8 TERM LIABILITIES</b>						
Loans secured by registered mortgages over specific properties and by debentures over assets and undertakings of group companies	5.6	5.7	28,566	28,467	-	-
Less current portion repayable within one year <sup>1</sup>			-	(2,000)	-	-
			<b>\$28,566</b>	<b>\$26,467</b>	<b>-</b>	<b>-</b>
Term liabilities fall due for repayment in the following periods:						
After one year but within two years			<b>\$28,566</b>	<b>\$26,467</b>	<b>-</b>	<b>-</b>

<sup>1</sup> Excludes \$6.2 million (2002 \$5.7 million), which is subject to annual review, as it is anticipated that if required, the Group will be able to have this renewed for a further term at the next review date.

	GROUP		PARENT	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>9 CURRENT LIABILITIES</b>				
Bank overdraft (secured)	1,230	949	-	-
Current portion of term liabilities (secured)	-	2,000	-	-
Short-term borrowings (unsecured)	2,436	6,055	-	-
Employee entitlements	6,604	4,620	-	-
Trade creditors and accruals	13,448	8,152	124	110
Provision for tax	-	-	57	254
Advances from subsidiaries	-	-	16,044	16,230
	<b>\$23,718</b>	<b>\$21,776</b>	<b>\$16,225</b>	<b>\$16,594</b>

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 2003			GROUP 2002		
	COST OR VALUATION \$000	ACCUM. DEPN. \$000	BOOK VALUE \$000	COST OR VALUATION \$000	ACCUM. DEPN. \$000	BOOK VALUE \$000
<b>10 FIXED ASSETS</b>						
Freehold land						
Cost	4,167	-	4,167	4,163	-	4,163
Valuation	75	-	75	75	-	75
	4,242	-	4,242	4,238	-	4,238
Buildings						
Cost	15,258	2,126	13,132	14,884	1,916	12,968
Valuation	2,961	490	2,471	2,961	460	2,501
	18,219	2,616	15,603	17,845	2,376	15,469
Plant and equipment						
Cost	33,486	18,310	15,176	31,265	15,871	15,394
Valuation	4,707	4,707	-	4,707	4,707	-
	38,193	23,017	15,176	35,972	20,578	15,394
Other fixed assets						
Cost	12,550	6,312	6,238	11,014	5,720	5,294
Valuation	324	324	-	324	324	-
	12,874	6,636	6,238	11,338	6,044	5,294
	<b>\$73,528</b>	<b>\$32,269</b>	<b>\$41,259</b>	<b>\$69,393</b>	<b>\$28,998</b>	<b>\$40,395</b>

These assets are charged by registered mortgages and debentures as security for the Group's secured borrowings. Other fixed assets consist of plant and equipment associated with the Microbial developmental project, motor vehicles, office equipment, computer equipment, fixtures and fittings, and tools.

The aggregate fair value of land and buildings, based on valuations conducted by independent registered valuers in the previous financial year, was \$20,020,000.

	PARENT	
	2003 \$000	2002 \$000
<b>11 INVESTMENTS</b>		
Shares in subsidiaries	<b>\$24,590</b>	\$22,540

	GROUP		PARENT	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>12 GOODWILL</b>				
Balance at beginning of the year	2,388	2,696	-	-
Goodwill amortised	(308)	(308)	-	-
Balance at end of the year	<b>\$2,080</b>	\$2,388	-	-
Gross carrying amount	3,074	3,074	-	-
Accumulated amortisation	(994)	(686)	-	-
Balance at end of the year	<b>\$2,080</b>	\$2,388	-	-

	GROUP		PARENT	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>13 DEVELOPMENT EXPENDITURE</b>				
Balance at beginning of the year	3,725	2,809	-	-
Development expenditure capitalised	991	916	-	-
Balance at end of the year	<b>\$4,716</b>	<b>\$3,725</b>	-	-

Capitalised development expenditure relates to the expenditure associated with the Microbial developmental project, a summary of which is set out in note 1 of the Notes to the Financial Statements.

	GROUP		PARENT	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>14 TERM RECEIVABLES</b>				
Hire purchase debtors	732	1,793	-	-
Provision for unearned finance income	(59)	(73)	-	-
Provision for doubtful debts	(13)	(35)	-	-
Net hire purchase debtors	660	1,685	-	-
Less current portion repayable within one year	(521)	(1,572)	-	-
Term hire purchase debtors	<b>\$139</b>	<b>\$113</b>	-	-
Term hire purchase debtors fall due for repayment in the following periods:				
After one year but within two years	<b>\$139</b>	<b>\$113</b>	-	-

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

	GROUP		PARENT	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>15 DEFERRED TAX ASSET</b>				
Balance at beginning of the year	1,686	2,448	22	39
Acquired on acquisition of subsidiary	671	-	-	-
Deferred tax portion of income tax expense	(1,020)	(762)	-	(17)
Effect of translation of foreign subsidiary	(5)	-	-	-
Balance at end of the year	<b>\$1,332</b>	<b>\$1,686</b>	<b>\$22</b>	<b>\$22</b>
<b>16 CURRENT ASSETS</b>				
Cash at bank	2,223	2,857	2	2
Trade debtors	24,668	21,353	-	-
Other debtors and prepayments	1,462	2,818	-	-
Stocks – Raw materials	13,211	9,964	-	-
– Work-in-progress	1,311	1,335	-	-
– Finished goods	22,174	17,513	-	-
– Total	36,696	28,812	-	-
Income tax refund	935	1,795	-	-
Advances to subsidiaries	-	-	17,405	18,680
	<b>\$65,984</b>	<b>\$57,635</b>	<b>\$17,407</b>	<b>\$18,682</b>

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

	GROUP		PARENT	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>17 CASH FLOWS</b>				
Cash comprises cash at bank, bank overdraft, and short-term borrowings as follows:				
Cash at bank	2,223	2,857	2	2
Bank overdraft	(1,230)	(949)	-	-
Short-term borrowings	(2,436)	(6,055)	-	-
Cash at end of the year	<b>\$(1,443)</b>	<b>\$(4,147)</b>	<b>\$2</b>	<b>\$2</b>
Investing activities comprise the purchase and sale of non-current assets used in the operations of the Group. All 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. All financing activities during the year were for cash.				
<b>The operating surplus after tax can be reconciled with the net cash inflow from operating activities as follows:</b>				
Operating surplus after tax as per the Statement of Financial Performance	18,856	13,534	14,100	10,552
Adjust for non-cash items:				
Depreciation	3,560	3,094	-	-
Changes in provisions	-	(150)	-	-
Amortisation of goodwill	308	308	-	-
Fair value of share rights expensed	113	83	113	83
Movements in deferred tax	1,020	762	-	17
Net (gain)/loss on foreign currency balance	(13)	(12)	-	-
	<b>4,988</b>	<b>4,085</b>	<b>113</b>	<b>100</b>
Adjust for movements in term assets:				
Development expenditure	(991)	(916)	-	-
Term receivables	(26)	1,159	-	-
	<b>(1,017)</b>	<b>243</b>	<b>-</b>	<b>-</b>
Adjust for movements in working capital items:				
Trade debtors	1,472	(2,565)	-	-
Other debtors and prepayments	1,692	(1,847)	-	-
Stocks	(4,774)	6,472	-	-
Income tax refund/Provision for tax	926	(996)	(197)	53
Employee entitlements	898	383	-	-
Trade creditors and accruals	(196)	(744)	14	(48)
	<b>18</b>	<b>703</b>	<b>(183)</b>	<b>5</b>
Adjust for items classified as investing activities:				
Net (gain)/loss on sale of fixed assets	88	(38)	-	-
Net cash inflow from operating activities	<b>\$22,933</b>	<b>\$18,527</b>	<b>\$14,030</b>	<b>\$10,657</b>

**18 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 (continuing) is involved with the procurement 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 all wool trading activities were completed at 30 June 2001. The residual activities of that discontinued operation, which were all completed at balance date, have been disclosed under that segment.

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, which the Group acquired on 1 July 2002. 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 on the following pages.

**INDUSTRY SEGMENTAL INFORMATION**

	CARPET		WOOL (CONTINUING)		WOOL (DISCONTINUED)		CONSOLIDATION ADJUSTMENTS		CONSOLIDATED	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>SEGMENT REVENUE</b>										
Revenue derived outside the Group	148,797	108,670	44,289	52,311	23	3,572	-	-	193,109	164,553
Inter-segment revenue	-	-	10,016	8,375	-	-	(10,016)	(8,375)	-	-
Interest received	113	234	-	-	-	-	-	-	113	234
Total revenue									\$193,222	\$164,787
<b>SEGMENT RESULTS</b>										
Operating surplus before corporate costs, interest, and income tax	28,089	19,918	3,807	3,668	353	6	(105)	248	32,144	23,840
Corporate costs									(1,849)	(1,432)
Net interest expense									(1,979)	(1,888)
Operating surplus before income tax									\$28,316	\$20,520
<b>SEGMENT ASSETS</b>										
Segment assets	94,667	84,460	15,926	16,015	27	1,248	-	-	110,620	101,723
Unallocated assets									4,890	4,219
Total assets									\$115,510	\$105,942
<b>OTHER SEGMENT INFORMATION</b>										
Depreciation	2,791	2,448	769	646	-	-	-	-	\$3,560	\$3,094
<b>EMPLOYEE NUMBERS</b>										
Operations	681	594	77	67	-	-	-	-	758	661
Unallocated									3	3
Total									761	664

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### GEOGRAPHICAL SEGMENTAL INFORMATION

	NEW ZEALAND		AUSTRALIA		CONSOLIDATION ADJUSTMENTS		CONSOLIDATED	
	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000	2003 \$000	2002 \$000
<b>SEGMENT REVENUE</b>								
Revenue derived outside the Group	164,791	164,553	28,318	-	-	-	193,109	164,553
Inter-segment revenue	-	-	-	-	-	-	-	-
Interest received	113	234	-	-	-	-	113	234
Total revenue							<b>\$193,222</b>	<b>\$164,787</b>
<b>SEGMENT RESULTS</b>								
Operating surplus before corporate costs, interest and income tax	29,433	23,840	2,711	-	-	-	32,144	23,840
Corporate costs							(1,849)	(1,432)
Net interest expense							(1,979)	(1,888)
Operating surplus before income tax							<b>\$28,316</b>	<b>\$20,520</b>
<b>SEGMENT ASSETS</b>								
Segment assets	100,035	101,723	10,585	-	-	-	110,620	101,723
Unallocated assets							4,890	4,219
Total assets							<b>\$115,510</b>	<b>\$105,942</b>
<b>OTHER SEGMENT INFORMATION</b>								
Depreciation	3,351	3,094	209	-	-	-	\$3,560	\$3,094
<b>EMPLOYEE NUMBERS</b>								
Operations	692	661	66	-	-	-	758	661
Unallocated							3	3
Total							<b>761</b>	<b>664</b>

GROUP		PARENT	
2003 \$000	2002 \$000	2003 \$000	2002 \$000

### 19 RELATED PARTY TRANSACTIONS

The unsecured short-term borrowings as detailed in Note 9 is made up of borrowings from the following related parties:

Chippendale Holdings Limited	1,325	1,636	-	-
Rural Aviation (1963) Limited	-	4,311	-	-
A M James and A White-James	1,111 <sup>1</sup>	108	-	-
	<b>\$2,436</b>	<b>\$6,055</b>	-	-

These borrowings are repayable on demand. At balance date, the interest rate on these borrowings was 5.3% (2002 5.6%). This compares with an average interest rate, at balance date, of 5.6% (2002 5.7%) 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.

<sup>1</sup> The Company has the right to utilise this amount as an offset against any loss that may arise out of a forward exchange contract taken out on behalf of A M James and A White-James to sell NZD1,500,000 and buy AUD at an average rate of .8671. The amount of unrealised loss in respect of this forward exchange contract was \$10,802 at balance date.

	<b>P A R E N T</b>	
	<b>2003</b>	<b>2002</b>
	<b>\$000</b>	<b>\$000</b>
<b>20 IMPUTATION CREDIT ACCOUNT</b>		
Balance at beginning of the year	5,288	5,557
Transfer to consolidated group imputation credit account	(5,288)	-
Income tax paid/(refunded)	-	(17)
Imputation credits attached to dividends received	-	5,067
Imputation credits attached to dividends paid	-	(5,319)
Balance at end of the year	-	\$5,288

	<b>G R O U P</b>	
	<b>2003</b>	<b>2002</b>
	<b>\$000</b>	<b>\$000</b>
The imputation credits that were available to shareholders of the Parent at 30 June 2003 through Group companies were	<b>\$19,592</b>	<b>\$18,498</b>

	<b>G R O U P</b>	
	<b>2003</b>	<b>2002</b>
	<b>\$000</b>	<b>\$000</b>
<b>21 LEASE COMMITMENTS</b>		
The Group's commitments in respect of operating lease agreements were:		
Within one year	2,030	828
After one year but within two years	1,481	530
After two years but within five years	1,419	378
After five years	-	12

The Parent had no operating lease commitments at 30 June 2003 (2002 Nil).

Neither the Group nor the Parent had any finance lease commitments at 30 June 2003 (2002 Nil).

<b>22 CAPITAL COMMITMENTS</b>		
The Group had commitments for capital expenditure at 30 June 2003 of \$315,000 (2002 \$58,000).		
The Parent had no capital commitments at 30 June 2003 (2002 Nil).		

	<b>P A R E N T</b>	
	<b>2003</b>	<b>2002</b>
	<b>\$000</b>	<b>\$000</b>
<b>23 CONTINGENT LIABILITIES</b>		
Bank guarantees in relation to subsidiary company obligations	<b>\$22,062</b>	<b>\$24,816</b>

The other companies in the Group had no contingent liabilities at 30 June 2003 (2002 Nil) other than those arising from their guarantees, pursuant to cross guarantees in favour of the ANZ Banking Group (New Zealand) Limited, of each other's obligations.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 24 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 does not engage in speculative transactions or hold derivative financial instruments for trading purposes.

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 2003 were as follows:

	G R O U P			
	2 0 0 3		2 0 0 2	
	CARRYING AMOUNT \$000	FAIR VALUE \$000	CARRYING AMOUNT \$000	FAIR VALUE \$000
Cash at bank	2,223	2,223	2,857	2,857
Trade debtors	24,807	24,807	21,353	21,353
Other debtors	1,462	1,462	2,818	2,818
Foreign currency forward exchange contracts	-	-	-	63
Foreign currency option agreements	-	(539)	-	334
Interest rate swaps	-	(17)	-	41
Term liabilities	(28,566)	(28,566)	(26,467)	(26,467)
Bank overdraft	(1,230)	(1,230)	(949)	(949)
Current portion of term liabilities	-	-	(2,000)	(2,000)
Short-term borrowings	(2,436)	(2,436)	(6,055)	(6,055)

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.

**24 FINANCIAL INSTRUMENTS (CONTINUED)**

The notional principal or contract amounts outstanding at 30 June 2003 were as follows:

	<b>GROUP</b>	
	<b>2003</b>	2002
	<b>\$000</b>	<b>\$000</b>
Foreign currency forward exchange contracts		
– NZD purchase commitments	-	883
– NZD sell commitments	-	-
NZD call option agreements purchased	<b>6,586</b>	9,205
NZD put option agreements sold	<b>22,917</b>	18,411
Interest rate swaps	<b>5,000</b>	15,000

**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, by the utilisation of irrevocable letters of credit and trade insurances wherever required, and by the large number of customers within the Group's customer base.

The Parent had no financial instruments at 30 June 2003 (2002 Nil), and all financial assets and liabilities at balance date were stated at fair value.

**25 FOREIGN CURRENCY DENOMINATED ASSETS AND LIABILITIES**

At 30 June 2003, the Group had the following foreign currency denominated monetary assets and monetary liabilities which were not hedged:

	<b>GROUP</b>			
	<b>2003</b>		2002	
	<b>ASSETS</b>	<b>LIABILITIES</b>	ASSETS	LIABILITIES
	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>	<b>\$000</b>
United States Dollars	<b>USD 12</b>	<b>USD 183</b>	USD 140	-
Great British Pounds	<b>GBP 65</b>	-	-	-
Euro	-	<b>EUR 322</b>	-	-
Hong Kong Dollars	-	-	HKD 234	-

The conversion rate at balance date for the USD was .5827, GBP .3525, and EUR .5097.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26 SHARES IN ONTERA MODULAR CARPETS PROPRIETARY LIMITED

The Company acquired all of the shares in Ontera Modular Carpets Proprietary Limited ("Ontera") with effect from 1 July 2002, and the acquisition had the following effect on the consolidated financial position:

	\$000
Non-current assets	1,762
Current assets	8,437
Current liabilities	(9,472)
Net assets acquired	727
Goodwill on acquisition	-
Consideration paid	727
Cash acquired with subsidiary	(23)
Net cash impact of acquisition	\$704

The Company also injected a further amount of \$1,609,000 into Ontera to put it on a sound financial footing.

After allowing for tax, \$809,000 was applied towards the reduction of the fair values of the recognised identifiable non-monetary assets attributable to the acquisition of Ontera as follows:

Fixed assets – from \$1,281,000 to \$1,091,000

Stocks – from \$3,740,000 to \$3,121,000

At the same time, the deferred tax asset at the acquisition date was adjusted from \$428,000 to \$671,000 to allow for the tax effect of restating those identifiable non-monetary assets.

\$450,000 of these restatements, after allowing for the tax effect, were released to the Statement of Financial Performance as realised during the year ended 30 June 2003 as the stocks to which they relate were sold and the future economic benefits embodied in the restated fixed assets were consumed.

The contribution of Ontera to the Group's operating surplus after tax for the year ended 30 June 2003, inclusive of the \$450,000 restatements realised, was \$1,717,000.

On 1 April 2003, 10.5% of the shares in Ontera were sold to the management of Ontera for \$244,000 – the fair value of the shares at that date.

### 27 EVENTS AFTER BALANCE DATE

The following are the non-adjustable events after balance date affecting the Parent and the Group:

#### DIVIDENDS

The Directors declared, on 22 August 2003, a fully imputed final dividend of 13 cents per ordinary share on the 62,981,220 shares on issue to give a total final dividend of \$8,187,559.

#### HAWKES BAY WOOLSCOURERS LIMITED

The Company increased its ownership and voting interest in Hawkes Bay Woolscourers Limited from 76% to 92.5% with effect from 1 July 2003 for a cash consideration of \$1,855,000. The effect of this acquisition can be summarised as follows:

	\$000
Non-current assets	1,126
Current assets	374
Term liabilities	(710)
Current liabilities	(151)
Net assets acquired	639
Goodwill on acquisition	1,216
Consideration paid	\$1,855

## TREND STATEMENT

	2003 \$000	2002 \$000	2001 \$000	2000 \$000	1999 \$000	1998 \$000	1997 \$000	1996 \$000
<b>FINANCIAL PERFORMANCE</b>								
Operating revenue	<b>\$193,222</b>	\$164,787	\$188,780	\$218,391	\$201,329	\$193,912	\$190,411	\$199,130
EBITDA and abnormal items	<b>34,163</b>	25,810	23,447	24,924	21,966	23,110	19,606	22,882
Abnormal items	-	-	(3,052)	-	-	-	-	-
EBITDA	<b>34,163</b>	25,810	20,395	24,924	21,966	23,110	19,606	22,882
Depreciation	<b>(3,560)</b>	(3,094)	(2,965)	(2,990)	(2,960)	(3,265)	(3,238)	(2,953)
Amortisation	<b>(308)</b>	(308)	(164)	(139)	(63)	(440)	(56)	(29)
EBIT	<b>30,295</b>	22,408	17,266	21,795	18,943	19,405	16,312	19,900
Net interest expense	<b>(1,979)</b>	(1,888)	(974)	(2,394)	(3,082)	(4,291)	(4,118)	(4,383)
Operating surplus before tax	<b>28,316</b>	20,520	16,292	19,401	15,861	15,114	12,194	15,517
Income tax expense	<b>(9,460)</b>	(6,986)	(5,297)	(6,304)	(5,269)	(5,063)	(4,125)	(5,249)
Operating surplus after tax	<b>18,856</b>	13,534	10,995	13,097	10,592	10,051	8,069	10,268
Minority interest	<b>(593)</b>	(383)	(746)	-	-	-	-	-
Net operating surplus attributable to shareholders of the Company	<b>18,263</b>	13,151	10,249	13,097	10,592	10,051	8,069	10,268
Ordinary dividends declared	<b>(13,069)</b>	(10,864)	(10,797)	(10,077)	(9,357)	(7,558)	(8,638)	(9,357)
Surplus after dividends	<b>\$5,194</b>	\$2,287	\$(548)	\$3,020	\$1,235	\$2,493	\$(569)	\$911
<b>FINANCIAL POSITION</b>								
Shareholders' equity	<b>63,226</b>	57,699	55,198	80,095	77,075	75,840	73,347	73,916
Term liabilities	<b>28,566</b>	26,467	13,595	28,409	55,484	56,632	55,884	52,072
Current liabilities	<b>23,718</b>	21,776	41,508	18,412	16,333	17,177	17,706	17,672
Shareholders' equity and total liabilities	<b>\$115,510</b>	\$105,942	\$110,301	\$126,916	\$148,892	\$149,649	\$146,937	\$143,660
Fixed assets	<b>41,259</b>	40,395	39,250	36,788	35,234	35,281	38,334	37,730
Goodwill	<b>2,080</b>	2,388	2,696	350	413	476	539	471
Development expenditure	<b>4,716</b>	3,725	2,809	2,030	1,397	875	361	-
Term receivables	<b>139</b>	113	1,272	212	987	-	2,971	881
Deferred tax asset	<b>1,332</b>	1,686	2,448	1,708	1,243	1,378	1,609	1,703
Non-current assets	<b>49,526</b>	48,307	48,475	41,088	39,274	38,010	43,814	40,785
Current assets	<b>65,984</b>	57,635	61,826	85,828	109,618	111,639	103,123	102,875
Total assets	<b>\$115,510</b>	\$105,942	\$110,301	\$126,916	\$148,892	\$149,649	\$146,937	\$143,660

## TREND STATEMENT (CONTINUED)

	2003	2002	2001	2000	1999	1998	1997	1996
<b>FINANCIAL RATIOS AND SUMMARY</b>								
<b>USE OF FUNDS AND RETURN ON INVESTMENT</b>								
Return on average shareholders' equity	<b>31.2%</b>	24.0%	13.7%	16.7%	13.9%	13.5%	11.0%	14.0%
NOPAT : Total funds employed	<b>21.6%</b>	16.4%	12.4%	13.3%	9.4%	9.6%	8.3%	10.3%
Basic earnings per ordinary share <sup>1</sup>	<b>29.0c</b>	20.9c	14.2c	18.2c	14.7c	14.0c	11.2c	14.3c
<b>FINANCIAL STRUCTURE</b>								
Net tangible asset backing per ordinary share <sup>1</sup>	<b>\$0.88</b>	\$0.80	\$0.78	\$1.08	\$1.05	\$1.03	\$1.01	\$1.02
Proprietorship ratio	<b>54.7%</b>	54.5%	50.0%	63.1%	51.8%	50.7%	49.9%	51.5%
Net interest-bearing debt : equity ratio	<b>32:68</b>	36:64	20:80	28:72	42:58	44:56	44:56	43:57
Net interest cover (times)	<b>15.3</b>	11.9	17.7	9.1	6.1	4.5	4.0	4.5
<b>RETURNS TO SHAREHOLDERS</b>								
Dividends paid per ordinary share (excluding supplementary) <sup>1</sup>	<b>20.75c</b>	17.25c	15.00c	14.00c	13.00c	10.50c	12.00c	13.00c
Dividend imputation	<b>100%</b>	100%	100%	100%	100%	100%	100%	100%
Ordinary dividend cover (times)	<b>1.4</b>	1.2	0.9	1.3	1.1	1.3	0.9	1.1
Supplementary dividends paid per ordinary share <sup>1</sup>	<b>3.66c</b>	3.04c	2.65c	2.47c	2.29c	1.85c	2.12c	2.29c
<b>SHARE PRICE<sup>1</sup></b>								
June	<b>\$4.80</b>	\$3.10	\$2.73	\$1.69	\$1.75	\$1.14	\$1.21	\$1.20
52 week high	<b>\$4.95</b>	\$3.20	\$2.82	\$1.88	\$1.88	\$1.40	\$1.72	\$1.63
52 week low	<b>\$2.85</b>	\$2.44	\$1.60	\$1.54	\$1.08	\$0.93	\$1.16	\$1.15
<b>CAPITAL EXPENDITURE AND DEPRECIATION (\$000)</b>								
Capital expenditure	<b>\$3,515</b>	\$4,674	\$10,655	\$4,808	\$2,909	\$3,119	\$4,760	\$3,740
Depreciation	<b>\$3,560</b>	\$3,094	\$2,965	\$2,990	\$2,960	\$3,265	\$3,238	\$2,953

<sup>1</sup> Where relevant, figures have been adjusted to reflect the 2:1 share split on 6 December 2002.

## GLOSSARY OF FINANCIAL TERMS

Earnings before interest, tax, depreciation, and amortisation (EBITDA)	Operating surplus before tax plus net interest expense, depreciation, and amortisation
Earnings before interest and tax (EBIT)	Operating surplus before tax plus net interest expense
Net operating profit after tax (NOPAT)	EBIT less theoretical tax on EBIT
Net assets	Total assets less total liabilities
Total funds employed	Shareholders' equity plus net interest-bearing liabilities, or Total assets less cash at bank less non interest-bearing liabilities
<b>USE OF FUNDS AND RETURN ON INVESTMENT</b>	
Return on average shareholders' equity	$\frac{\text{Operating surplus after tax}}{\text{Average shareholders' equity}}$
NOPAT : Total funds employed	$\frac{\text{NOPAT}}{\text{Total funds employed}}$
Basic earnings per ordinary share	$\frac{\text{Net operating surplus attributable to shareholders of the Company}}{\text{Weighted average number of ordinary shares on issue during the year}}$
<b>FINANCIAL STRUCTURE</b>	
Net tangible asset backing per ordinary share	$\frac{\text{Net assets less goodwill, development expenditure, and minority interest}}{\text{Number of ordinary shares on issue at balance date}}$
Proprietorship ratio	$\frac{\text{Shareholders' equity}}{\text{Shareholders' equity and total liabilities}}$
Net interest-bearing debt : equity ratio	$\frac{\text{Interest-bearing debt less cash at bank}}{\text{Shareholders' equity}}$
Net interest cover	$\frac{\text{EBIT}}{\text{Net interest expense}}$
<b>RETURNS TO SHAREHOLDERS</b>	
Ordinary dividend cover	$\frac{\text{Net operating surplus attributable to shareholders of the Company}}{\text{Ordinary dividends declared}}$

## DISCLOSURES UNDER THE COMPANIES ACT 1993

### FOR THE YEAR ENDED 30 JUNE 2003

#### DIRECTORS (s211(1)(i))

The Directors of the Company as at 30 June 2003 were:

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

There were no changes in directors during the year.

#### 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)

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

W K Chung – acquired, on 24 September 2002, a relevant interest in 210 shares at \$6.46 per share (pre-share split)

Directors' relevant interests in shares in the Company at 30 June 2003 were:

G C W Biel	
Beneficial	-
Other	8,467,642
W K Chung	
Beneficial	5,504
Other	-
R G Ebbett	
Beneficial	24,146
Other	-
G S Hawkins	
Beneficial	5,250
Other	-
A M James	
Beneficial	61,250
Other	-
A C Timpson	
Beneficial	77,386
Other	-

Directors' relevant interests in rights under the Cavalier Corporation Limited 2000 Executive Share Rights Plan<sup>1</sup> at 30 June 2003 (after adjusting for the 2:1 share split on 6 December 2002) were:

W K Chung	
Beneficial	940,000
Other	-
A M James	
Beneficial	1,620,000
Other	-

<sup>1</sup> A summary of the terms of the Plan is set out on pages 12 and 13 of this document (note 7 of the Notes to the Financial Statements).

**FOR THE YEAR ENDED 30 JUNE 2003****REMUNERATION** (s161)

The Board authorised the following during the year:

- an increase in the base remuneration of W K Chung by \$6,000 per annum with effect from 1 July 2002;
- increases in the directors' fees paid to G C W Biel, R G Ebbett, and G S Hawkins by \$4,000 per annum and those paid to A C Timpson by \$7,000 per annum with effect from 1 July 2002. The last time directors' fees paid to the non-executive Directors were changed was on 1 July 2000.

The Board also authorised the issue of 300,000 rights (equivalent to 600,000 rights after taking into account the share split) 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. 190,000 rights (equivalent to 380,000 rights post share split) were issued to A M James and 110,000 rights (equivalent to 220,000 rights post share split) 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 and the adjusted base price at exercise date 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 7 of the Notes to the Financial Statements).

**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 \$11,250.

**SPECIFIC DISCLOSURES OF INTEREST** (s140(1))

No specific disclosures of interest were received during the year.

**GENERAL DISCLOSURES OF INTEREST** (s140(2))

General disclosures of interest that have been received and are still current are:

G C W Biel –	Director of: Heli Harvest Limited Rural Aviation (1963) Limited
<hr/>	
W K Chung –	None
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R G Ebbett –	Director of: Acma Capital (N.Z.) Limited Anglesea Properties Limited Ebbett Waikato Group Limited Horticom Limited Renaissance Corporation Limited TBS Corporation Limited
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G S Hawkins –	Director of: Ballance Agri-Nutrients Co-operative Limited Fonterra Co-operative Group Limited Hawkins Consulting Services Limited Horizon Energy Distribution Limited Stableburn Farms Limited Watercare Services Limited
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A M James –	None
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A C Timpson –	Director of: Astrograss Allweather Surfaces Limited Chippendale Holdings Limited Marama Trading Limited Pauanui Publishing Limited Radford Yarn Technology Limited
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## DISCLOSURES UNDER THE COMPANIES ACT 1993 (CONTINUED)

### FOR THE YEAR ENDED 30 JUNE 2003

#### 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 2003 were:

G C W Biel	\$30,000
W K Chung	\$450,000
R G Ebbett	\$30,000
G S Hawkins	\$30,000
A M James	\$663,000
A C Timpson	\$53,000

#### 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 2003 fall into the various brackets specified by the Companies Act 1993 is as follows:

Remuneration and value of other benefits (\$)	Number of employees
100,000–109,999	11
110,000–119,999	5
120,000–129,999	1
130,000–139,999	-
140,000–149,999	2
150,000–159,999	1
160,000–169,999	-
170,000–179,999	-
180,000–189,999	5
190,000–199,999	4
200,000–209,999	1
210,000–219,999	-
220,000–229,999	-
230,000–239,999	-
240,000–249,999	1
280,000–289,999	1
290,000–299,999	1
360,000–369,999	1
410,000–419,999	1
<b>TOTAL NUMBER OF EMPLOYEES</b>	<b>35</b>

#### DONATIONS (s211(1)(h), s211(2))

Refer to page 10 of this document (note 3 of the Notes to the Financial Statements).

#### AUDIT FEES (s211(1)(j), s211(2))

Refer to page 10 of this document (note 3 of the Notes to the Financial Statements).

**FOR THE YEAR ENDED 30 JUNE 2003****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 Holding (Australia) Pty. Limited and Cavalier Bremworth Pty. Limited	G C W Biel W K Chung D M Cotton A M James
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	W K Chung 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)
Microbial Technologies Limited	W K Chung D J Cooper A M James D E Pinnock V T S Tan A C Timpson
Ontera Modular Carpets Pty. Limited	E Allemanno W K Chung A M James

There were no 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 26 to 28 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 28 of this document.

## DISCLOSURES UNDER THE NEW ZEALAND EXCHANGE LISTING RULES

AS AT 29 AUGUST 2003

ANALYSIS OF SHAREHOLDINGS (Listing Rule 10.5.1)

	NUMBER OF SHAREHOLDERS	%	SHARES HELD	%
<b>SIZE OF SHAREHOLDINGS</b>				
Up to 199	97	1.6	7,373	0.0
200–499	171	2.9	59,886	0.1
500–999	399	6.7	291,872	0.5
1,000–1,999	1,116	18.6	1,681,137	2.7
2,000–4,999	1,862	31.1	5,964,911	9.5
5,000–9,999	1,219	20.3	8,379,777	13.3
10,000–49,999	1,031	17.2	18,482,833	29.3
50,000–99,999	69	1.1	4,554,542	7.2
Over 99,999	31	0.5	23,558,889	37.4
	5,995	100.0	62,981,220	100.0

**LOCATION OF SHAREHOLDERS**

New Zealand	5,890	98.2	62,480,163	99.2
Overseas – Australia	60	1.0	215,910	0.3
– Others	45	0.8	285,147	0.5
	5,995	100.0	62,981,220	100.0

**TOP 20 SHAREHOLDERS**

Chippendale Holdings Limited	8,886,490	14.1
Rural Aviation (1963) Limited	8,467,642	13.4
New Zealand Central Securities Depository Limited	1,491,538	2.4
Peter Hanbury Masfen and Joanna Alison Masfen	787,500	1.3
J & D Sands Limited	250,000	0.4
Forbar Custodians Limited	242,617	0.4
Mary Dorcas Spackman	231,874	0.4
Forbar Custodians Limited	213,113	0.3
Herbert Charles Wilson	204,000	0.3
Nicolaas Johannes Kaptein	200,000	0.3
Solwin Investments Limited	192,500	0.3
Chi-Ping Lui	175,000	0.3
Owen Thomas Goold Wright and David Raymond Simpson	175,000	0.3
Estate Gabriel David Tetro Deceased	140,282	0.2
Estate William Edward Cron Deceased	139,006	0.2
Estate Raymond Forbes Wilson Deceased	127,008	0.2
Roland Fraser Stead	126,000	0.2
Ann Martin McLean	123,865	0.2
Edward George Hunt	122,160	0.2
Wilson Ramsay and Porter Limited	116,220	0.2
	22,411,815	35.6

**AS AT 29 AUGUST 2003****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 29 August 2003 were:

	SHARES HELD	%
Guardian Trust Investment Nominees (RWT) Limited	883,744	1.40
Citibank Nominees (New Zealand) Limited	251,896	0.40
TEA Custodians Limited – NZ Mid Cap Index Fund	149,938	0.24
The New Zealand Guardian Trust Company Limited – Guardian Trust Investment Limited	118,936	0.19
ANZ Nominees Limited	39,421	0.06
The Trustees Executors and Agency Company of New Zealand	25,000	0.04
Westpac Banking Corporation – Client Assets No. 2	14,721	0.02
Portfolio Nominees Limited	7,874	0.01
National Nominees New Zealand Limited	8	-
	1,491,538	2.37

**DIRECTORS' AND ASSOCIATED PERSONS' SHAREHOLDINGS**

	<b>30 JUNE 2003</b>	
	BENEFICIAL	NON-BENEFICIAL
<b>SHARES</b>		
G C W Biel	-	8,526,262 <sup>1</sup>
W K Chung	5,504	-
R G Ebbett	24,146	-
G S Hawkins	5,250	-
A M James	61,250	-
A C Timpson	77,386	8,902,164 <sup>2</sup>
<b>RIGHTS UNDER THE CAVALIER CORPORATION LIMITED 2000 EXECUTIVE SHARE RIGHTS PLAN<sup>3</sup></b>		
W K Chung	940,000	-
A M James	1,620,000	-

<sup>1</sup> Includes 58,620 held by associated persons.

<sup>2</sup> All held by associated persons.

<sup>3</sup> A summary of the terms of the Plan is set out on pages 12 and 13 of this document (note 7 of the Notes to the Financial Statements). The number of rights has been adjusted for the 2:1 share split on 6 December 2002.

**WAIVERS FROM THE NEW ZEALAND EXCHANGE**

The Company has been granted a waiver from complying with Listing Rule 9.2.2 (d) by virtue of the exception set out in Listing Rule 9.2.4 (c).

## DISCLOSURES UNDER THE SECURITIES AMENDMENT ACT 1988

### AS AT 29 AUGUST 2003

#### SUBSTANTIAL SECURITY HOLDERS (s26)

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

	NUMBER OF VOTING SECURITIES WHERE RELEVANT INTEREST EXISTS <sup>1</sup>
G C W Biel	8,467,642
Chippendale Holdings Limited	8,886,490
Rural Aviation (1963) Limited	8,467,642
Tony Timpson Family Trust	8,902,164

The total number of issued voting securities for the purposes of the Securities Amendment Act 1988 was 62,981,220.

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.

<sup>1</sup> The number of voting securities has been adjusted for the 2:1 share split on 6 December 2002.

## CORPORATE DIRECTORY

### BOARD OF DIRECTORS:

G C W Biel B.E. (Mech.)	Deputy Chairman of Board Member of Audit Committee Member of Remuneration Committee
W K Chung B.Com., CA, CMA	Finance Director
R G Ebbett B.Com., ACA, FinstD	Non-executive Director Chairman of Audit Committee Member of Remuneration Committee
G S Hawkins B.Sc., B.Com., ACA	Non-executive Director Member of Audit Committee Member of Remuneration Committee
A M James B.Tech. (Hons.), Dip.Bus.Admin.	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 Investor 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:

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)

