

CAVALIER CORPORATION LIMITED

DESIGN: A NATURAL ADVANTAGE

2005/06 INTERIM REPORT TO 31 DECEMBER 2005



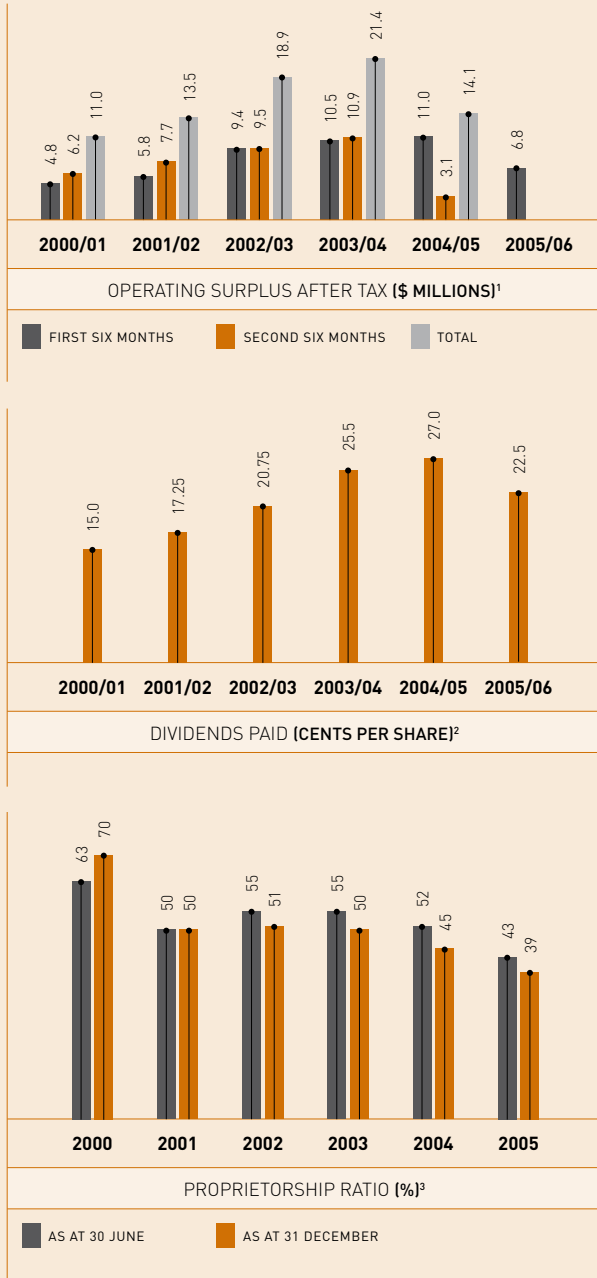
Cavalier
CORPORATION

TABLE OF CONTENTS

Financial Summary	IFC	Consolidated Statement of Financial Position	7
Directors' Report	2	Consolidated Statement of Cash Flows	8
Auditors' Review Report	4	Notes to the Financial Statements	9
Consolidated Statement of Financial Performance	5	Directory	IBC
Consolidated Statement of Movements in Equity	6		

FINANCIAL SUMMARY

	UNAUDITED SIX MONTHS ENDED		AUDITED 12 MONTHS ENDED
	31 DEC 2005	31 DEC 2004	30 JUN 2005
	\$000	\$000	\$000
OPERATING REVENUE	\$96,295	\$101,403	\$207,840
EBITDA (before Microbial costs)	15,883	20,449	37,919
Microbial costs	(446)	-	(8,696)
EBITDA (after Microbial costs)	15,437	20,499	29,223
Depreciation and amortisation	(2,803)	(2,489)	(4,967)
EBIT	12,634	18,010	24,256
Net interest expense	(2,119)	(1,527)	(2,854)
Operating surplus before tax	10,515	16,483	21,402
Income tax expense	(3,677)	(5,525)	(7,292)
OPERATING SURPLUS AFTER TAX	\$6,838	\$10,958	\$14,110
OPERATING SURPLUS AFTER TAX ATTRIBUTABLE TO:			
Shareholders of the Company	6,715	10,745	13,699
Minority shareholders of subsidiaries	123	213	411
	\$6,838	\$10,958	\$14,110
CASH FLOWS FROM OPERATIONS	\$6,963	\$11,854	\$13,385
EARNINGS PER SHARE (ANNUALISED)	20.5 cents	33.0 cents	21.0 cents
RETURN ON AVERAGE SHAREHOLDERS' EQUITY (ANNUALISED)	22.2%	32.9%	21.5%
DIVIDENDS PAID (CENTS PER SHARE)			
Previous year's final	14.5 cents	14.5 cents	14.5 cents
Current year's first interim	3.0 cents	4.5 cents	4.5 cents
Current year's second interim			8.0 cents
TOTAL			27.0 cents
	AS AT	AS AT	
	31 DEC 2005	31 DEC 2004	30 JUN 2005
	\$000	\$000	\$000
NET TANGIBLE ASSET BACKING PER SHARE	\$0.85	\$0.85	\$0.92
PROPRIETORSHIP RATIO	38.8%	45.1%	43.2%
NET INTEREST-BEARING DEBT TO EQUITY RATIO	55:45	46:54	49:51



¹ 2000/01 first six months' results net of abnormal closure costs of \$2 million after tax and 2004/05 second six months' results net of write-down relating to the Microbial development project of \$5.8 million after tax.

² 2005/06 include second interim dividend declared and paid after 31 December 2005.

³ 2001 ratios reflect the impact of the return of capital to shareholders and 2005 ratios reflect the write-down relating to the Microbial development project.

DIRECTORS' REPORT

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005



A M JAMES
Chairman



W K CHUNG
Managing Director

FINANCIAL PERFORMANCE

The Directors of Cavalier Corporation announce an unaudited operating surplus after tax and minority interests of \$6.7 million for the six months to 31 December 2005. This represents a 38% decrease on last year.

Operating revenue at \$96.3 million is 5% down on last year, with most of the reduction coming from our broadloom carpet operation.

The EBITDA for our operational businesses, which excludes the research costs relating to the Microbial project, of \$15.9 million is down 23% on last year. Interest cost is up by 39%, brought about by increased borrowings and higher interest rates.

The reduction in earnings was signalled at our Annual Meeting in November last year and reflects the softer and more challenging conditions faced by our carpet and wool operations.

FINANCIAL POSITION

Total assets of the company increased by \$4.7 million to \$152.6 million over the reporting period, whilst total liabilities increased by \$9.4 million to \$93.4 million.

With the significant capacity expansion programmes of the last few years now completed and the company's investment in wool scouring in the South Island now in place, the company will be in a position to enhance its cash flows from operations and to apply these to reduce debt.

SEGMENT REVIEWS

CARPET OPERATIONS

Operating revenue for carpets was \$78 million, down 6% on the previous year, and operating surplus before interest and tax of \$14.4 million was down 21% on the previous year.

Market conditions for the broadloom carpet business have been particularly challenging over the last six months because of the slow down in the housing sector and the resulting drop off in demand for carpet.

We have seen this slow down in residential carpet sales in Australia, our main off-shore market, for some time now and are starting to experience the same in New Zealand.

Trading conditions in the contract flooring business, where our broadloom and tile carpet businesses operate, were much better, but margins came under pressure as carpet manufacturers diverted their surplus capacity into this segment of the market. Despite this, our tile operation, Ontera Modular, which operates exclusively in the contract market, performed relatively well and was able to increase its sales by 7% on last year.

WOOL OPERATIONS

Revenue for the wool businesses was \$18.3 million, virtually the same as last year. The operating result before interest and tax was a loss of \$0.3 million, a turnaround from a profit of \$0.8 million last year.

The wool acquisition business found trading conditions to be very difficult. The high NZD and a lack of demand for NZ wool have taken their toll on wool prices which have been the lowest for some years now. Our wool operation does not take positions in wool so there is no trading risk involved. It only buys wool from farmers when there are corresponding buy orders from wool exporters. However, its margins have been eroded by the difficulty of the wool exporter in selling wool profitably at the current high NZD.

Our main wool business is commission wool scouring and this too is finding the trading environment challenging as it grapples with higher operating costs, such as freight and energy, and lower wool grease revenues due to the high NZD.

MICROBIAL TECHNOLOGIES

Costs relating to the Microbial project for this six month period were charged against profit as incurred. Previously, these costs were capitalised to development costs in the Balance Sheet and so had no impact on earnings.

\$446,000 were spent on the project for the six months to 31 December 2005.

As noted in the Managing Director's address at the Annual Meeting, we are continuing with the Microbial project to explore several important aspects that could alter the commercial dynamics of the project significantly. Trials are being conducted at the moment, but it is too early to provide any meaningful results at this stage. The results should be available within the next few months, and they will be pivotal to our future involvement in this project. We will inform shareholders of our decision at the time.

EARNINGS OUTLOOK

Our earnings at this half way stage of the current financial year are down 38% on last year which is in line with the projections given at the Annual Meeting in November last year.

Our outlook for the full year is for operating earnings to be 20% to 30% down on last year's \$19.5 million, both before Microbial costs. This outlook is unchanged from that provided at last November's Annual Meeting.

If there are any material changes to our year-end outlook, we will let shareholders know.

DIVIDENDS

The policy of paying dividends three times a year continues.

The Directors have declared a fully imputed second interim dividend for the year ending 30 June 2006 of 5 cents per share, 3 cents down on the 8 cents per share second interim dividend for the previous year.

This second interim dividend, together with the first interim of 3 cents per share paid in December 2005, gives a total of 8 cents thus far – 4.5 cents down on the 12.5 cents per share for the previous year.

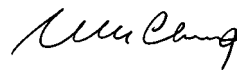
The second interim dividend will be paid on Friday, 17th March 2006. The share register will close at 5 p.m. on Friday, 10th March 2006 for the purpose of determining entitlement to the dividend and will reopen on Monday, 13th March 2006.

Non-resident shareholders will also be receiving a supplementary dividend of 0.8824 cent per share together with their second interim dividend.

For and on behalf of the Board of Directors:



A M JAMES
Chairman



W K CHUNG
Managing Director

17 February 2006

AUDITORS' REVIEW REPORT



TO THE SHAREHOLDERS OF CAVALIER CORPORATION LIMITED

We have completed a review on pages 5 to 16 of the attached financial statements in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand. The financial statements provide information about the past financial performance of Cavalier Corporation Limited and its financial position as at 31 December 2005.

DIRECTORS' RESPONSIBILITIES

The Directors of Cavalier Corporation Limited are responsible for the preparation of financial statements which give a true and fair view of the financial position of the Group as at 31 December 2005 and the results of its operations and cash flows for the six month period ended on that date.

REVIEWERS' RESPONSIBILITIES

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

BASIS OF OPINION

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

REVIEW OPINION

Based on our review, nothing has come to our attention that causes us to believe that the attached financial statements do not give a true and fair view of the financial position of the Group as at 31 December 2005 and the results of its operations and cash flows for the six month period ended on that date.

Our review was completed on 16 February 2006 and our opinion is expressed as at that date.

A handwritten signature in black ink that reads 'KPMG.' with a period at the end.

Auckland

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

	NOTES	UNAUDITED SIX MONTHS ENDED		AUDITED 12 MONTHS ENDED
		31 DEC 2005 \$000	31 DEC 2004 \$000	30 JUN 2005 \$000
OPERATING REVENUE	2	\$96,295	\$101,403	\$207,840
OPERATING SURPLUS BEFORE ABNORMAL ITEMS, INTEREST AND INCOME TAX		12,634	18,010	32,952
Abnormal Items	3	-	-	(8,696)
OPERATING SURPLUS BEFORE INTEREST AND INCOME TAX	4	12,634	18,010	24,256
Net Interest Expense		(2,119)	(1,527)	(2,854)
OPERATING SURPLUS BEFORE INCOME TAX		10,515	16,483	21,402
Income Tax Expense		(3,677)	(5,525)	(7,292)
OPERATING SURPLUS AFTER INCOME TAX		\$6,838	\$10,958	\$14,110
OPERATING SURPLUS AFTER INCOME TAX:				
Attributable to shareholders of the Company		6,715	10,745	13,699
Attributable to minority shareholders of subsidiaries		123	213	411
		\$6,838	\$10,958	\$14,110

This statement is to be read in conjunction with the Notes on pages 9 to 16 and the previous year's financial statements.

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

	UNAUDITED SIX MONTHS ENDED		AUDITED 12 MONTHS ENDED
	31 DEC 2005	31 DEC 2004	30 JUN 2005
	\$000	\$000	\$000
RECOGNISED REVENUES AND EXPENSES FOR THE PERIOD:			
Operating surplus after income tax -			
of shareholders of the Company	6,715	10,745	13,699
of minority shareholders of subsidiaries	123	213	411
Foreign currency translation reserve	(103)	(61)	(26)
	6,735	10,897	14,084
CONTRIBUTIONS FROM OWNERS DURING THE PERIOD:			
Minority shareholders of subsidiary	-	-	225
Share rights issued	84	35	138
	84	35	363
DISTRIBUTIONS TO OWNERS DURING THE PERIOD:			
Minority shareholders of subsidiary -			
dividends paid by subsidiary	(53)	(158)	(340)
Shareholders of the Company -			
previous year's final dividend	(9,497)	(9,413)	(9,413)
current year's 1st interim dividend	(1,965)	(2,947)	(2,947)
current year's 2nd interim dividend	-	-	(5,240)
	(11,515)	(12,518)	(17,940)
MOVEMENTS IN EQUITY FOR THE PERIOD	\$(4,696)	\$(1,586)	\$(3,493)
EQUITY AT BEGINNING OF THE PERIOD:			
Attributable to shareholders of the Company	62,807	66,596	66,596
Attributable to minority shareholders of subsidiaries	1,097	801	801
	\$63,904	\$67,397	\$67,397
EQUITY AT END OF THE PERIOD:			
Attributable to shareholders of the Company	58,041	64,955	62,807
Attributable to minority shareholders of subsidiaries	1,167	856	1,097
	\$59,208	\$65,811	\$63,904

This statement is to be read in conjunction with the Notes on pages 9 to 16 and the previous year's financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2005

	NOTES	UNAUDITED SIX MONTHS ENDED		AUDITED 12 MONTHS ENDED
		31 DEC 2005 \$000	31 DEC 2004 \$000	30 JUN 2005 \$000
SHAREHOLDERS' EQUITY				
Attributable to shareholders of the Company		58,041	64,955	62,807
Attributable to minority shareholders of subsidiaries		1,167	856	1,097
		59,208	65,811	63,904
TERM LIABILITIES (SECURED)				
		71,085	55,678	59,802
CURRENT LIABILITIES				
Bank overdraft (secured)		1,022	1,215	135
Short-term borrowings		3,191	2,457	2,065
Employee entitlements		5,130	6,908	6,248
Trade creditors and accruals		12,927	12,472	15,673
Provision for tax		-	1,340	-
		22,270	24,392	24,121
SHAREHOLDERS' EQUITY AND TOTAL LIABILITIES				
		\$152,563	\$145,881	\$147,827
NON-CURRENT ASSETS				
Fixed assets		59,787	57,223	58,182
Investment in associated company	6	3,879	3,796	4,231
Goodwill		2,140	2,618	2,371
Development expenditure		-	6,521	-
Deferred tax asset		3,319	1,585	3,363
		69,125	71,743	68,147
CURRENT ASSETS				
Cash at bank		3,251	4,120	1,355
Trade debtors		24,455	23,098	30,609
Other debtors and prepayments		3,120	1,243	1,932
Short-term advance to associated company	7	3,369	4,504	670
Stocks		47,293	41,173	43,721
Income tax refund		1,950	-	1,393
		83,438	74,138	79,680
TOTAL ASSETS				
		\$152,563	\$145,881	\$147,827

This statement is to be read in conjunction with the Notes on pages 9 to 16 and the previous year's financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE SIX MONTHS ENDED 31 DECEMBER 2005

	NOTES	UNAUDITED SIX MONTHS ENDED		AUDITED 12 MONTHS ENDED
		31 DEC 2005 \$000	31 DEC 2004 \$000	30 JUN 2005 \$000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash was provided from:				
Receipts from sales of goods and services		102,006	104,606	204,152
Other receipts		48	43	86
Interest received		30	46	83
GST refunded		-	104	-
Cash was applied to:				
Payments to suppliers and employees and rebates and discounts to customers		(88,552)	(86,141)	(175,970)
Interest paid		(1,910)	(1,418)	(2,888)
Income tax paid		(4,185)	(5,386)	(11,664)
GST paid		(474)	-	(414)
NET CASH INFLOW FROM OPERATING ACTIVITIES	5	6,963	11,854	13,385
CASH FLOWS FROM INVESTING ACTIVITIES				
Cash was provided from:				
Fixed assets sold		42	10	111
Cash was applied to:				
Fixed assets purchased		(4,102)	(7,102)	(11,224)
Borrowing costs capitalised to fixed assets		(150)	-	(569)
Acquisition of shares in associate	6	-	(3,841)	(4,550)
NET CASH OUTFLOW FROM INVESTING ACTIVITIES		(4,210)	(10,933)	(16,232)
CASH FLOWS FROM FINANCING ACTIVITIES				
Cash was provided from:				
Minority shareholders of subsidiary		-	225	225
Term loans raised		11,400	18,458	22,557
Cash was applied to:				
Dividends paid –				
to shareholders of the Company		(11,462)	(12,360)	(17,600)
to minority shareholders of subsidiary		(53)	(158)	(340)
Short-term advance to associated company		(2,699)	(4,504)	(670)
NET CASH INFLOW/(OUTFLOW) FROM FINANCING ACTIVITIES		(2,814)	1,661	4,172
NET INCREASE/(DECREASE) IN CASH HELD		(61)	2,582	1,325
Cash at beginning of the period		(845)	(2,078)	(2,078)
Effect of exchange rate changes on cash		(56)	(56)	(92)
CASH AT END OF THE PERIOD	5	\$(962)	\$448	\$(845)

This statement is to be read in conjunction with the Notes on pages 9 to 16 and the previous year's financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

There have been no changes in accounting policies.

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

	UNAUDITED SIX MONTHS ENDED		AUDITED 12 MONTHS ENDED
	31 DEC 2005	31 DEC 2004	30 JUN 2005
	\$000	\$000	\$000
2 OPERATING REVENUE			
Operating revenue as per the Statement of Financial Performance comprises:			
Sales of goods and services	96,217	101,298	207,671
Rentals received	48	43	86
Interest received	30	46	83
Share of associated company tax-paid surplus	-	16	-
	\$96,295	\$101,403	\$207,840
3 ABNORMAL ITEMS			
Write-downs relating to the Microbial development project:			
Write-off of development expenditure	-	-	7,118
Impairment losses in respect of fixed assets	-	-	1,578
	-	-	\$8,696
4 OPERATING SURPLUS BEFORE INTEREST AND INCOME TAX			
The operating surplus before interest and income tax as per the Statement of Financial Performance is stated:			
After charging -			
Amortisation of goodwill	309	309	624
Depreciation	2,494	2,180	4,343
Loss on sale of fixed assets	3	-	3
Operating lease and rental costs	1,392	1,263	2,535
Research costs relating to the Microbial development project	446	-	-
Share of associated company tax-paid deficit	274	-	190
After crediting -			
Gain on sale of fixed assets	-	-	90
5 CASH FLOWS			
Cash comprises cash at bank, bank overdraft and short-term borrowings as follows:			
Cash at bank	3,251	4,120	1,355
Bank overdraft	(1,022)	(1,215)	(135)
Short-term borrowings	(3,191)	(2,457)	(2,065)
Cash at end of the period	\$(962)	\$448	\$(845)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Investing activities comprise the purchase and sale of non-current assets used in the operations of the Group. All investing activities during the period were for cash.

Financing activities comprise the change in the equity and debt capital structure and the cost of servicing that equity capital. All financing activities during the period were for cash.

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

	UNAUDITED SIX MONTHS ENDED		AUDITED 12 MONTHS ENDED
	31 DEC 2005	31 DEC 2004	30 JUN 2005
	\$000	\$000	\$000
Operating surplus after income tax as per the Statement of Financial Performance	6,838	10,958	14,110
Adjust for non-cash items:			
Amortisation of goodwill	309	309	624
Depreciation	2,494	2,180	4,343
Fair value of share rights expensed	84	35	138
Movements in deferred tax	44	-	(1,775)
Net (gain)/loss on foreign currency balance	56	50	87
Share of associated company tax-paid (surplus)/deficit	274	(16)	190
Write-downs relating to the Microbial development project	-	-	8,696
	3,261	2,558	12,303
Adjust for movements in non-current assets:			
Development expenditure	-	(696)	(1,293)
Term receivables	-	126	126
	-	(570)	(1,167)
Adjust for movements in working capital items:			
Trade debtors	6,068	3,433	(4,051)
Other debtors and prepayments	(1,192)	(73)	(761)
Stocks	(3,685)	(3,431)	(5,963)
Income tax refund/Provision for tax	(552)	140	(2,598)
Trade creditors, accruals and employee entitlements	(3,778)	(1,161)	1,599
	(3,139)	(1,092)	(11,774)
Adjust for items classified as investing activities:			
Net (gain)/loss on sale of fixed assets	3	-	(87)
NET CASH INFLOW FROM OPERATING ACTIVITIES	\$6,963	\$11,854	\$13,385

6 INVESTMENT IN ASSOCIATED COMPANY**Carrying amount of associate (including goodwill)**

Carrying amount at beginning of the period	4,231	-	-
Amount paid on acquisition of shares in associate	-	3,841	4,550
Share of associated company tax-paid surplus/(deficit)	(274)	16	(190)
Amortisation of goodwill	(78)	(61)	(129)
Carrying amount at end of the period	\$3,879	\$3,796	\$4,231

	UNAUDITED SIX MONTHS ENDED		AUDITED 12 MONTHS ENDED
	31 DEC 2005	31 DEC 2004	30 JUN 2005
	\$000	\$000	\$000
Goodwill relating to investment in associate			
Goodwill on acquisition of shares in associate	1,550	1,841	1,550
Accumulated amortisation	(207)	(61)	(129)
Net carrying amount of goodwill	\$1,343	\$1,780	\$1,421
Share of associated company tax-paid surplus/(deficit)			
Share of operating surplus/(deficit) of associate	(403)	24	(275)
Share of provision for tax of associate	129	(8)	85
Net recognised revenues and expenses	\$(274)	\$16	\$(190)

As at balance date, Canterbury Woollscourers Limited had commitments for capital expenditure of \$79,000 (31 December 2004 \$4,076,000, 30 June 2005 \$2,060,000).

7 SHORT-TERM ADVANCE TO ASSOCIATED COMPANY

Commercial rates of interest apply in respect of this advance.

8 SHAREHOLDERS' EQUITY

There is only one class of share in the Company. The number of shares on issue at 31 December 2005 was 65,495,595 (31 December 2004 65,495,595, 30 June 2005 65,495,595) fully paid up. All shares within this class rank pari passu in all respects.

9 CAPITAL COMMITMENTS

The Group had commitments for capital expenditure at 31 December 2005 of \$765,000 (31 December 2004 \$1,168,000, 30 June 2005 \$2,995,000).

10 EVENTS AFTER BALANCE DATE

Dividends

The Directors declared, on 17 February 2006, a fully imputed second interim dividend of 5 cents per share on the 65,495,595 shares on issue to give a total second interim dividend of \$3,274,780.

11 FINANCIAL REPORTING FOR SEGMENTS

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

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

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

The industry and geographical segmental information is set out on the following pages.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 FINANCIAL REPORTING FOR SEGMENTS (CONTINUED)

INDUSTRY SEGMENTAL INFORMATION (Six months ended 31 December 2005 – unaudited)

		CARPET
	2005 \$000	2004 \$000
SEGMENT REVENUE		
Revenue derived outside the Group	77,937	82,864
Inter-segment revenue	-	-
Interest received	30	46
Total revenue		
SEGMENT RESULTS		
Operating surplus before corporate costs, interest, and income tax	14,365	18,144
Corporate costs		
Unallocated costs		
Net interest expense		
Operating surplus before income tax		
SEGMENT ASSETS		
Segment assets	125,859	113,598
Unallocated assets		
Total assets		
OTHER SEGMENT INFORMATION		
Depreciation	1,986	1,719
EMPLOYEE NUMBERS		
Operations	732	729
Unallocated		
Total		

INDUSTRY SEGMENTAL INFORMATION (12 months ended 30 June 2005 – audited)

		CARPET
		2005 \$000
SEGMENT REVENUE		
Revenue derived outside the Group		158,690
Inter-segment revenue		-
Interest received		83
Total revenue		
SEGMENT RESULTS		
Operating surplus before corporate costs, interest, and income tax		32,599
Corporate costs		
Unallocated costs		
Net interest expense		
Operating surplus before income tax		
SEGMENT ASSETS		
Segment assets		123,484
Unallocated assets		
Total assets		
OTHER SEGMENT INFORMATION		
Depreciation		3,393
EMPLOYEE NUMBERS		
Operations		765
Unallocated		
Total		

WOOL		CONSOLIDATION ADJUSTMENTS		CONSOLIDATED	
2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000
18,328	18,493	-	-	96,265	101,357
2,753	4,109	(2,753)	(4,109)	-	-
-	-	-	-	30	46
				\$96,295	\$101,403
(326)	775	-	-	14,039	18,919
				(959)	(909)
				(446)	-
				(2,119)	(1,527)
				\$10,515	\$16,483
25,863	21,941	-	-	151,722	135,539
				841	10,342
				\$152,563	\$145,881
508	461	-	-	2,494	2,180
84	79	-	-	816	808
				4	3
				820	811
WOOL		CONSOLIDATION ADJUSTMENTS		CONSOLIDATED	
2005 \$000	2005 \$000	2005 \$000	2005 \$000	2005 \$000	2005 \$000
49,067		-		207,757	
7,161		(7,161)		-	
-		-		83	
				\$207,840	
2,098		-		34,697	
				(1,745)	
				(8,696)	
				(2,854)	
				\$21,402	
23,532		-		147,016	
				811	
				\$147,827	
950		-		4,343	
80		-		845	
				3	
				848	

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11 FINANCIAL REPORTING FOR SEGMENTS (CONTINUED)

GEOGRAPHICAL SEGMENTAL INFORMATION (Six months ended 31 December 2005 - unaudited)

	NEW ZEALAND		AUSTRALIA		CONSOLIDATED	
	2005 \$000	2004 \$000	2005 \$000	2004 \$000	2005 \$000	2004 \$000
SEGMENT REVENUE						
Revenue derived outside the Group	78,142	84,352	18,123	17,005	96,265	101,357
Inter-segment revenue	-	-	-	-	-	-
Interest received	30	46	-	-	30	46
Total revenue					\$96,295	\$101,403
SEGMENT RESULTS						
Operating surplus before corporate costs, interest, and income tax	11,875	16,523	2,164	2,396	14,039	18,919
Corporate costs					(959)	(909)
Unallocated costs					(446)	-
Net interest expense					(2,119)	(1,527)
Operating surplus before income tax					\$10,515	\$16,483
SEGMENT ASSETS						
Segment assets	135,572	122,264	16,150	13,275	151,722	135,539
Unallocated assets					841	10,342
Total assets					\$152,563	\$145,881
OTHER SEGMENT INFORMATION						
Depreciation	2,095	1,836	399	344	\$2,494	\$2,180
EMPLOYEE NUMBERS						
Operations	730	729	86	79	816	808
Unallocated					4	3
Total					820	811

GEOGRAPHICAL SEGMENTAL INFORMATION (12 months ended 30 June 2005 - audited)

	NEW ZEALAND	AUSTRALIA	CONSOLIDATED
	2005	2005	2005
	\$000	\$000	\$000
SEGMENT REVENUE			
Revenue derived outside the Group	174,068	33,689	207,757
Inter-segment revenue	-	-	-
Interest received	83	-	83
Total revenue			\$207,840
SEGMENT RESULTS			
Operating surplus before corporate costs, interest, and income tax	30,297	4,400	34,697
Corporate costs			(1,745)
Abnormal costs			(8,696)
Net interest expense			(2,854)
Operating surplus before income tax			\$21,402
SEGMENT ASSETS			
Segment assets	130,430	16,586	147,016
Unallocated assets			811
Total assets			\$147,827
OTHER SEGMENT INFORMATION			
Depreciation	3,650	693	\$4,343
EMPLOYEE NUMBERS			
Operations	764	81	845
Unallocated			3
Total			848

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12 ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

In December 2002, the New Zealand Accounting Standards Review Board announced that New Zealand standards which comply with International Financial Reporting Standards ("NZ IFRS") will apply to New Zealand entities for periods commencing 1 January 2007. Entities also have the option of early adoption from 1 January 2005, in line with Australian and European requirements.

The Group has commenced a project to identify the key impacts from adoption of NZ IFRS, but has not yet decided on the date of NZ IFRS implementation.

On transition to NZ IFRS, the Group will be required to restate comparative financial statements using NZ IFRS. Most adjustments required on transition to NZ IFRS will be made retrospectively against opening retained earnings in an opening balance sheet.

The differences between existing NZ GAAP and NZ IFRS identified as potentially having a significant effect on Cavalier's parent and consolidated financial performance and financial position have not yet been quantified by Cavalier. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented. Only a complete set of financial statements and notes together with comparative balances can provide a true and fair presentation of Cavalier's financial position, results of operations and cash flows in accordance with NZ IFRS.

The purpose of this disclosure is, therefore, to provide a summary of the potential impact that Cavalier expects as a result of transitioning to NZ IFRS from current NZ GAAP based on the standards as they are today. The summary should not be taken as an exhaustive list of all the differences between existing NZ GAAP and NZ IFRS. It is possible that future developments to NZ IFRS will change the nature of the adjustments required by the time Cavalier reports its first financial statements prepared under NZ IFRS. As we progress towards 30 June 2006, Cavalier intends to continue to provide users of the financial statements with updated information about the likely impacts of NZ IFRS on Cavalier's earnings, cash flows and financial position.

Goodwill

Goodwill relating to the acquisition of Hawkes Bay Woolscourers Limited and Canterbury Woolscourers Limited is currently amortised over 10 years. NZ IFRS does not permit goodwill to be amortised. As a result, goodwill amortisation will cease.

Financial instruments

Accounting for financial instruments under NZ IFRS involves some major changes from NZ GAAP. All derivative contracts will be carried at fair value on Cavalier's balance sheet. Changes in the fair value of derivative contracts held as hedges of future cash flows will be reflected in a reserve until the hedged transaction affects reported profit.

Long-term employee benefits

Currently, under Cavalier's NZ GAAP accounting policies, long service leave and retirement benefits are recognised when they vest. Under NZ IFRS, these employee benefits will be accrued from the date an employee is first employed, to the extent that it is probable that the benefit will eventually vest. Accordingly, Cavalier will record long service leave and retirement benefit at the present value of the current obligation calculated on this basis. This will increase liabilities and reduce retained earnings on transition date.

Deferred tax

NZ IFRS requires the use of the "balance sheet" approach rather than the "income statement" approach applied under NZ GAAP. This will be calculated as a difference between accounting and tax base at each reporting date. Initial analysis indicates that Cavalier is likely to recognise additional deferred tax assets and liabilities as a result of this change in approach.

CAVALIER CORPORATION LIMITED DIRECTORY

BOARD OF DIRECTORS:

G C W Biel B.E. (Mech.) <i>Non-executive, Non-independent</i>	Deputy Chairman of the Board Member of Audit Committee Member of Remuneration Committee
W K Chung B.Com., CA, CMA	Managing Director
R G Ebbett B.Com., ACA, FInstD <i>Non-executive, Independent</i>	Chairman of Audit Committee Member of Remuneration Committee
G S Hawkins B.Sc., B.Com., ACA <i>Non-executive, Independent</i>	Member of Audit Committee Member of Remuneration Committee
A M James B.Tech. (Hons.), Dip.Bus.Admin. <i>Non-executive, Non-independent</i>	Chairman of the Board Member of Audit Committee Chairman of Remuneration Committee
V T S Tan CA, ACIS	Finance Director
K L Thorpe M.A. <i>Non-executive, Independent</i>	Member of Audit Committee Member of Remuneration Committee
A C Timpson <i>Non-executive, Non-independent</i>	Member of Remuneration Committee

REGISTERED OFFICE:

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

SHARE REGISTRY:

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
Carpet Operations - www.cavbrem.co.nz, www.cavbrem.com.au, www.ontera.com.au
Share Registry - www.computershare.com

OUR COMMITMENT

- MAXIMISING RETURNS TO SHAREHOLDERS BY ACHIEVING SUPERIOR PROFIT PERFORMANCE IN OUR BUSINESSES AND BY INVESTING AT RETURNS IN EXCESS OF THE COST OF CAPITAL
 - MAINTAINING MARKET LEADERSHIP BY FOCUSING ON BRAND VALUES, SUPERIOR PRODUCT QUALITY AND INNOVATION, AND OUTSTANDING CUSTOMER SERVICE
 - FOSTERING AN ORGANISATIONAL CULTURE DEDICATED TO CONTINUOUS IMPROVEMENT AND COST EFFICIENCY AND BEING THE MOST PREFERRED SUPPLIER IN ALL MARKETS AND MARKET SEGMENTS IN WHICH WE OPERATE
 - CONDUCTING BUSINESS WITH CONSISTENCY AND ABSOLUTE INTEGRITY AT ALL TIMES
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