CAVALIER CORPORATION LIMITED

HALF YEAR REPORT

For the six months ended
31 December 2012




CAVALIER
CORPORATION

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Half Year Report

FINANCIAL SUMMARY

For the six months ended 31 December 2012

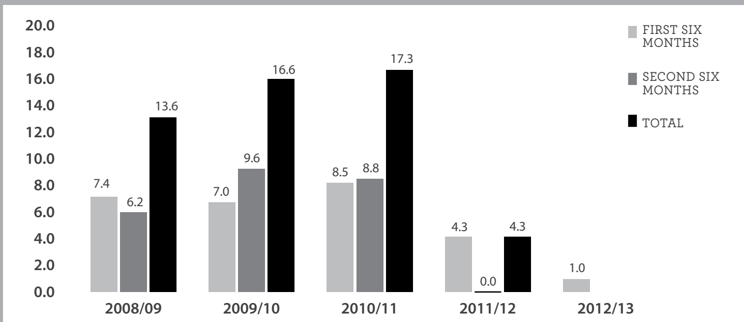
	Unaudited Six months ended 31 Dec 2012 $000	Unaudited Six months ended 31 Dec 2011 $000	Audited Year ended 30 June 2012 $000
Operating revenue	**$100,973**	$107,992	$217,198
Earnings before interest, tax, depreciation and one-off costs	**3,723**	9,760	12,278
Depreciation	**(3,227)**	(3,419)	(6,738)
Earnings before interest, tax and one-off costs	**496**	6,341	5,540
Net interest expense	**(1,940)**	(1,956)	(4,049)
Share of profit of equity-accounted investee (net of income tax)	**2,116**	1,178	3,302
Profit before income tax (normalised)	**672**	5,563	4,793
Income tax benefit/(expense)	**340**	(1,284)	(510)
Profit after income tax (normalised)	**1,012**	4,279	4,283
Restructuring costs (after tax)	**427**	(732)	(5,916)
Profit/(Loss) after income tax (reported)	**$1,439**	**$3,547**	**$(1,633)**
Net cash flow from operating activities	**$8,943**	**$(4,048)**	**$8,093**
Basic and diluted earnings per share (normalised, annualised) (cents) – based on weighted average number of shares outstanding during the period of 68,263,857 (31 December 2011 – 68,263,857; 30 June 2012 - 68,263,857)	**3.0**	12.5	6.3
Return on average shareholders' equity (normalised, annualised) (%)	**2.2%**	8.8%	4.5%
Dividends paid per share (cents)			
Previous year's final	-	11.0	11.0
Current year's first interim	-	-	-
Current year's second interim	-	-	-
Total	**-**	**11.0**	**11.0**

	Unaudited As at 31 Dec 2012	Unaudited As at 31 Dec 2011	Audited As at 30 June 2012
Net tangible asset backing per share ($)	**$1.24**	$1.30	$1.22
Proprietorship ratio (%)	**48.9%**	44.3%	45.1%
Net interest-bearing debt to equity ratio	**38:62**	45:55	42:58

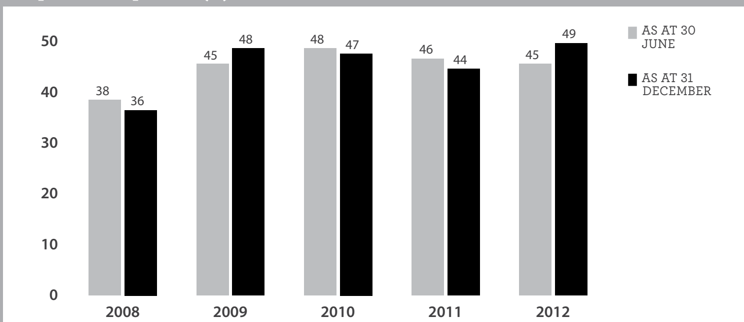
FINANCIAL SUMMARY

For the six months ended 31 December 2012

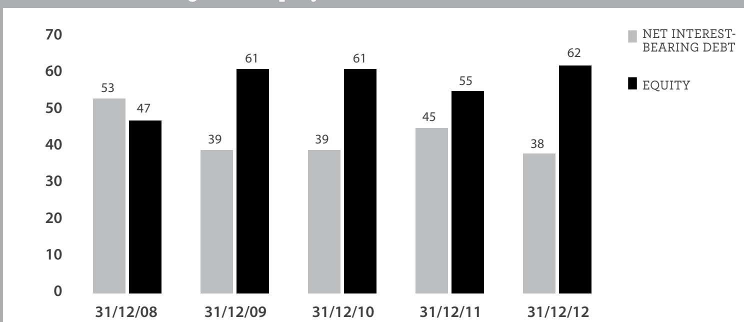
Profit after tax – normalised ($ millions)



Proprietorship ratio (%)



Net interest-bearing debt : Equity ratio



DIRECTORS' REPORT

For the six months ended 31 December 2012

Your directors present their report, including financial statements, for Cavalier Corporation for the financial period ended six months to 31 December 2012.

FINANCIAL PERFORMANCE

Unaudited profit after tax of $1.4 million for the period is a decrease of 59% on the $3.5 million reported in 2011.

The result includes, net of tax, $149,000 of redundancy costs and a $576,000 write back of over accrued restructuring costs from the 2012 financial year.

The first six months of 2012/13 was challenging, with the run out of high cost stocks due to unusually high wool prices from the preceding year and soft trading conditions in both New Zealand and Australia.

Group revenue for the six months was $101 million, a decrease of 6% on the $108 million in the previous year, with sluggish New Zealand and Australian based revenue.

Return on average shareholders' equity for the six months was 2.2% and earnings per share was 3.0 cents (both normalised and annualised) – compared with 8.8% and 12.5 cents respectively the previous year. It was a disappointing but not unexpected trading result for the first half of the year.

FINANCIAL POSITION

Shareholders' equity at 31 December 2012 of $92.1 million was down 4.3% on the $96.2 million reported a year ago.

In December 2011, the company's net interest-bearing debt was in excess of $78 million and the immediate trading outlook was not encouraging. At the time, the company decided it needed to strengthen its balance sheet by reducing debt. Since then, management have embarked on a programme to reduce the levels of inventory held, restrict capital spend to essential items only and cut overhead costs and discretionary spending where possible. Also included in the debt reduction plans was the suspension of the shareholder dividend. As a result, the company's net interest-bearing debt has dropped by $21.3 million or 27% since December 2011.

Net interest-bearing debt at balance date stood at $56.8 million and net interest-bearing debt to equity ratio was 38:62. The previous year's figures were $78.1 million and 45:55 respectively.

Total assets employed stood at $188.4 million, down $28.6 million on the $217.0 million reported in 2011. Inventories reduced by $25.6 million and debtors by $2.8 million, reflecting the efforts made by management to reduce stock levels and debtor days outstanding.

As a result, shareholders' equity accounted for 49% of total assets employed at balance date, compared with 44% a year ago and 45% as at 30 June 2012.

CASH FLOWS

Net cash flows from operating activities were $8.9 million, an improvement of $13.0 million on the same period last year. This reflects the cash generated from the reduction in inventories and reduced debtor balances.

Since June 2012, net cash inflows from investing activities were $0.8 million with a modest amount of capital spend of $0.7 million offset by a $2.0 million dividend received from our 50% associate, Cavalier Wool Holdings Limited ("CWH").

In the six months since year-end, there has been a cash outflow of $9.3 million from financing activities which is the result of the debt repayment programme.

SEGMENT REVIEWS

Carpet Business

Our carpet business comprises broadloom carpets and carpet tiles which predominantly services the New Zealand and Australian markets, but with an increasing focus on the rest of the world.

In the six months to 31 December 2012, our carpet business produced a segment result before restructuring costs of $1.0 million on revenue of $88.0 million, compared with $6.7 million on revenue of $92.0 million the previous year – a decrease of 85% and 4% respectively.

It has been a difficult first six months for the carpet business. As a result of soft demand, we were unable to pass on the high carrying value of brought forward finished goods stocks and had to therefore absorb this through lower margins. The retailing landscape also continues to change, with increased consolidation and direct importing helped by the ever increasing strength of the New Zealand Dollar.

There are signs that the economy is picking up in New Zealand with increased building consents being issued and the Christchurch rebuild underway. However, the sentiment in Australia is more worrying and the economy across the Tasman appears to be slowing down.

We expect to launch Cavalier's new high-end synthetic products before year-end, and with the high valued finished goods stock now fully run out of the system, margins going forward should be closer to long term averages.

In the last six months, there has been a major reorganisation of the manufacturing business, with consolidation of the spinning and warehousing activities that we commenced in June. The cost benefits of this restructuring will flow through into future years.

Wool Business

The wool business comprises our wool buying business Elco Direct and the 50% interest in the commission wool scourer, CWH.

Elco Direct's revenue of $13.9 million was down 22% due to reduced wool prices in the second half of 2011/12. However, EBIT at $353,000 was on par with the $359,000 achieved in December 2011 and the business is currently tracking above expectations.

Cavalier's share of the tax-paid earnings of CWH for the six months to 31 December 2012 is $2.1 million compared with $1.2 million the previous year. CWH has had an excellent start to the year and the outlook remains positive for the remaining six months.

There were plans to rationalise the scouring industry by consolidating the New Zealand Wool Services International Limited ("NZWSI") scouring business with CWH. An extensive process was undertaken in an attempt to make this happen. However, the rationalisation did not occur. NZWSI is currently being taken over by Lempriere Holdings Limited, an Australian wool trader, and we will watch this development with interest.

The directors will continue to inform shareholders of any significant developments as they unfold.

Yarn Business

The Radford Yarn Technologies operation is a supplier of premium felted woolen yarns to the Cavalier Bremworth broadloom carpet operation and to up-market broadloom carpet and rug manufacturers in North America and Europe. Sales were down on last year and as a result, it made a small loss for the first six months.

In December, Cavalier purchased the remaining 25% of the business.

BUSINESS IMPROVEMENT PLANS

Last year, we embarked on a business improvement plan aimed at optimising capacity utilisation.

It involved:

- The closure of one of our three carpet yarn spinning plants; and
- The consolidation of our New Zealand based warehousing and distribution operations.

The cost of this program was recognised in the 2011/12 financial results with an $8.2 million (pre-tax) or $5.9 million (post-tax) cost incurred or provided.

DIRECTORS' REPORT

(Continued)

We indicated at the November Annual Meeting of shareholders that we had further business improvement initiatives scheduled for implementation during the 2012/13 year in order to continue to improve the level of efficiencies in our businesses. We are continuing to work on these and will update shareholders as they unfold.

EARNINGS OUTLOOK

The results for the first six months were disappointing and reflected soft demand in both New Zealand and Australia and the high cost of stocks being sold with associated reduced margins.

The directors expect an improvement in the next six months and the latest normalised after tax earnings outlook remains in the $6 to $10 million range as indicated at the Annual Meeting of shareholders in November.

In arriving at this earnings outlook, we anticipate the demand for carpet to lift in New Zealand alongside increased building activity helped by the Christchurch rebuild and a general uplift in real estate turnover, while we expect Australia to remain relatively flat. Now that the high stock value has run its course, we will benefit from increased margins over the next six months. The feedback on our new synthetic carpet range is encouraging and we expect sales of the product before year-end.

There has been significant reduction in headcount in the previous 12 months and the business has been reorganised to operate more efficiently. The reduced costs as a consequence will flow through into future earnings.

DIVIDENDS

The first half trading results do not support the payment of a dividend at this stage, and the directors are therefore not recommending an interim dividend payment.

Whilst the company is in a much better financial position with considerably less interest-bearing debt, there needs to be a lift in earnings to justify a payment of a dividend.

If earnings improve as forecast and the outlook remains positive, directors expect to be able to declare a dividend with the announcement of the full year results in August, subject to capital requirements and the cost of any further restructuring.

A M James
Chairman

C A McKenzie
Managing Director

15 February 2013

AUDITOR'S REVIEW REPORT

KPMG

TO THE SHAREHOLDERS OF CAVALIER CORPORATION LIMITED

We have reviewed the attached interim financial statements on pages 8 to 23 in accordance with the Review Engagement Standard RS-1 issued by the External Reporting Board and Review Engagement Guideline RG-1 issued by the New Zealand Institute of Chartered Accountants. The financial statements provide information about the past financial performance of Cavalier Corporation Limited and its subsidiaries ("the Group") and its financial position as at 31 December 2012.

DIRECTORS' RESPONSIBILITIES

The Directors of Cavalier Corporation Limited are responsible for the preparation of interim financial statements which give a true and fair view of the financial position of the Group as at 31 December 2012 and the results of its operations and cash flows for the six months ended on that date.

REVIEWER'S RESPONSIBILITIES

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

BASIS OF OPINION

A review is limited primarily to enquiries of Group 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.

Our firm has also provided other services to the Group in relation to taxation. Partners and employees of our firm may also deal with the Group on normal terms within the ordinary course of trading activities of the business of the Group. These matters have not impaired our independence as auditors of the Group. The firm has no other relationship with, or interest in, the Group.

REVIEW OPINION

Based on our review, nothing has come to our attention that causes us to believe that the attached interim financial statements on pages 8 to 23 do not give a true and fair view of the financial position of the Group as at 31 December 2012, the results of its operations and cash flows for the six months ended on that date in accordance with NZ IAS 34 Interim Financial Reporting.

Our review was completed on 15 February 2013 and our opinion is expressed as at that date.

KPMG

Auckland

CONDENSED CONSOLIDATED
INCOME STATEMENT

Six months ended 31 December 2012 (Unaudited)

	Notes	**Unaudited Six months ended 31 Dec 2012 $000**	Unaudited Six months ended 31 Dec 2011 $000	Audited Year ended 30 June 2012 $000
Revenue	3	**100,973**	107,992	217,198
Cost of sales		**(76,492)**	(73,784)	(160,995)
Gross profit		**24,481**	34,208	56,203
Other income and gains/losses	4	**14**	88	45
Distribution expenses		**(17,530)**	(20,559)	(36,669)
Administration expenses		**(6,469)**	(7,396)	(14,039)
Restructuring costs	5	**593**	(1,016)	(8,218)
Results from operating activities		**1,089**	5,325	(2,678)
Finance income		**-**	-	-
Finance expenses		**(1,940)**	(1,956)	(4,049)
Net finance costs		**(1,940)**	(1,956)	(4,049)
Share of profit of equity-accounted investee (net of income tax)		**2,116**	1,178	3,302
Profit/(Loss) before income tax	6	**1,265**	4,547	(3,425)
Income tax benefit/(expense)		**174**	(1,000)	1,792
Profit/(Loss) after tax for the period		**$1,439**	$3,547	$(1,633)
Profit/(Loss) after tax attributable to:				
Shareholders of Cavalier Corporation Limited		**1,439**	3,547	(1,633)
Non-controlling interests		**-**	-	-
Profit/(Loss) after tax for the period		**$1,439**	$3,547	$(1,633)
Basic and diluted earnings per share (cents)		**2.1**	5.2	(2.4)
Weighted average number of shares outstanding during the period (000s)		**68,263.9**	68,263.9	68,263.9

This statement is to be read in conjunction with the Notes on pages 15 to 23 and the previous year's annual financial statements.

CONDENSED CONSOLIDATED
STATEMENT OF COMPREHENSIVE INCOME
Six months ended 31 December 2012 (Unaudited)

	Notes	**Unaudited Six months ended 31 Dec 2012 $000**	Unaudited Six months ended 31 Dec 2011 $000	Audited Year ended 30 June 2012 $000
Profit/(Loss) after tax for the period		**1,439**	3,547	(1,633)
Other comprehensive income				
Effective portion of changes in fair value of cash flow hedges		**(221)**	(411)	(139)
Net change in fair value of cash flow hedges transferred to profit or loss		**(32)**	(292)	(292)
Foreign currency translation differences for foreign operations		**(361)**	464	(378)
Changes in amounts payable to non-controlling interests	9	**320**	858	1,300
Income tax on other comprehensive income		**70**	192	116
Other comprehensive income for the period, net of income tax		**(224)**	811	607
Total comprehensive income for the period		**$1,215**	$4,358	$(1,026)
Total comprehensive income attributable to:				
Shareholders of Cavalier Corporation Limited		**1,215**	4,358	(1,026)
Non-controlling interests		**-**	-	-
Total comprehensive income for the period		**$1,215**	$4,358	$(1,026)

This statement is to be read in conjunction with the Notes on pages 15 to 23 and the previous year's annual financial statements.

CONDENSED CONSOLIDATED

STATEMENT OF CHANGES IN EQUITY

Six months ended 31 December 2012 (Unaudited)

	Notes	Share Capital $000	Cash Flow Hedging Reserve $000	Foreign Currency Translation Reserve $000	Share Rights Reserve $000	Retained Earnings $000	Total Equity $000
Total equity at beginning of the period		**$21,157**	**$(685)**	**$2,354**	**$1,429**	**$66,600**	**$90,855**
Total comprehensive income for the period							
Profit after tax for the period		**-**	**-**	**-**	**-**	**1,439**	**1,439**
Other comprehensive income for the period							
Effective portion of changes in fair value of cash flow hedges (net of tax)		**-**	**(183)**	**-**	**-**	**-**	**(183)**
Foreign currency translation differences for foreign operations		**-**	**-**	**(361)**	**-**	**-**	**(361)**
Changes in amounts payable to non-controlling interests	9	**-**	**-**	**-**	**-**	**320**	**320**
Total other comprehensive income		**-**	**(183)**	**(361)**	**-**	**320**	**(224)**
Total comprehensive income for the period		**-**	**(183)**	**(361)**	**-**	**1,759**	**1,215**
Transactions with owners, recorded directly in equity							
Equity-settled share-based payments		**-**	**-**	**-**	**20**	**-**	**20**
Total equity at end of the period		**$21,157**	**$(868)**	**$1,993**	**$1,449**	**$68,359**	**$92,090**

This statement is to be read in conjunction with the Notes on pages 15 to 23 and the previous year's annual financial statements.

CONDENSED CONSOLIDATED

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

Six months ended 31 December 2011 (Unaudited)

	Share Capital $000	Cash Flow Hedging Reserve $000	Foreign Currency Translation Reserve $000	Share Rights Reserve $000	Retained Earnings $000	Total Equity $000
Total equity at beginning of the period	$21,157	$(370)	$2,732	$1,333	$74,442	$99,294
Total comprehensive income for the period						
Profit after tax for the period	-	-	-	-	3,547	3,547
Other comprehensive income for the period						
Effective portion of changes in fair value of cash flow hedges (net of tax)	-	(511)	-	-	-	(511)
Foreign currency translation differences for foreign operations	-	-	464	-	-	464
Changes in amounts payable to non-controlling interests	-	-	-	-	858	858
Total other comprehensive income	-	(511)	464	-	858	811
Total comprehensive income for the period	-	(511)	464	-	4,405	4,358
Transactions with owners, recorded directly in equity						
Dividends paid to equity holders of the Company	-	-	-	-	(7,509)	(7,509)
Equity-settled share-based payments	-	-	-	48	-	48
Total equity at end of the period	$21,157	$(881)	$3,196	$1,381	$71,338	$96,191

This statement is to be read in conjunction with the Notes on pages 15 to 23 and the previous year's annual financial statements.

CONDENSED CONSOLIDATED
STATEMENT OF CHANGES IN EQUITY (CONTINUED)
Year ended 30 June 2012 (Audited)

	Share Capital $000	Cash Flow Hedging Reserve $000	Foreign Currency Translation Reserve $000	Share Rights Reserve $000	Retained Earnings $000	Total Equity $000
Total equity at beginning of the period	$21,157	$(370)	$2,732	$1,333	$74,442	$99,294
Total comprehensive income for the period						
Loss after tax for the period	-	-	-	-	(1,633)	(1,633)
Other comprehensive income for the period						
Effective portion of changes in fair value of cash flow hedges (net of tax)	-	(315)	-	-	-	(315)
Foreign currency translation differences for foreign operations	-	-	(378)	-	-	(378)
Changes in amounts payable to non-controlling interests	-	-	-	-	1,300	1,300
Total other comprehensive income	-	(315)	(378)	-	1,300	607
Total comprehensive income for the period	-	(315)	(378)	-	(333)	(1,026)
Transactions with owners, recorded directly in equity						
Dividends paid to equity holders of the Company	-	-	-	-	(7,509)	(7,509)
Equity-settled share-based payments	-	-	-	96	-	96
Total equity at end of the period	$21,157	$(685)	$2,354	$1,429	$66,600	$90,855

This statement is to be read in conjunction with the Notes on pages 15 to 23 and the previous year's annual financial statements.

CONDENSED CONSOLIDATED
STATEMENT OF FINANCIAL POSITION

As at 31 December 2012 (Unaudited)

	Notes	**Unaudited 31 Dec 2012 $000**	Unaudited 31 Dec 2011 $000	Audited 30 June 2012 $000
ASSETS				
Property, plant and equipment	8	**72,196**	78,969	75,080
Intangible assets		**7,502**	7,502	7,502
Investment in equity-accounted investee		**22,709**	21,469	22,593
Deferred tax asset		**2,625**	544	1,998
Total non-current assets		**105,032**	108,484	107,173
Cash and cash equivalents		**2,907**	305	2,029
Trade receivables, other receivables and prepayments		**25,356**	28,190	29,135
Inventories		**54,255**	79,811	62,901
Derivative financial instruments		**104**	177	97
Tax receivable		**726**	-	99
Total current assets		**83,348**	108,483	94,261
Total assets		**$188,380**	$216,967	$201,434
EQUITY				
Share capital		**21,157**	21,157	21,157
Cash flow hedging reserve		**(868)**	(881)	(685)
Foreign currency translation reserve		**1,993**	3,196	2,354
Share rights reserve		**1,449**	1,381	1,429
Retained earnings		**68,359**	71,338	66,600
Total equity attributable to equity holders of the Company		**92,090**	96,191	90,855
LIABILITIES				
Loans and borrowings	8	**59,169**	69,570	68,503
Employee benefits		**2,764**	3,553	2,996
Amount payable to non-controlling interests	9	**-**	850	850
Deferred income		**329**	402	364
Provisions		**914**	210	1,381
Total non-current liabilities		**63,176**	74,585	74,094
Bank overdraft	8	**444**	770	79
Loans and borrowings	8, 12	**94**	8,073	93
Trade creditors and accruals		**23,026**	25,998	23,199
Provisions		**2,690**	705	5,631
Employee entitlements		**5,281**	6,113	6,159
Amount payable to non-controlling interests		**210**	2,099	210
Deferred income		**69**	70	70
Derivative financial instruments		**1,300**	1,398	1,044
Tax payable		**-**	965	-
Total current liabilities		**33,114**	46,191	36,485
Total liabilities		**96,290**	120,776	110,579
Total equity and liabilities		**$188,380**	$216,967	$201,434

This statement is to be read in conjunction with the Notes on pages 15 to 23 and the previous year's annual financial statements.

CONDENSED CONSOLIDATED
STATEMENT OF CASH FLOWS

Six months ended 31 December 2012 (Unaudited)

	Notes	**Unaudited Six months ended 31 Dec 2012 $000**	Unaudited Six months ended 31 Dec 2011 $000	Audited Year ended 30 June 2012 $000
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash receipts from customers		**105,133**	111,188	218,221
Cash paid to suppliers and employees		**(93,958)**	(111,143)	(204,180)
		11,175	45	14,041
Dividends received		**3**	2	3
Other receipts		**11**	11	22
GST refunded/(paid)		**628**	(147)	202
Interest paid		**(1,839)**	(1,814)	(4,174)
Income tax paid		**(1,035)**	(2,145)	(2,001)
Net cash flow from operating activities	7	**8,943**	(4,048)	8,093
CASH FLOWS FROM INVESTING ACTIVITIES				
Proceeds from sale of property, plant and equipment		**39**	47	64
Proceeds from sale of plant and equipment held for resale		**-**	119	126
Acquisition of property, plant and equipment		**(674)**	(2,026)	(2,457)
Contingent purchase consideration of non-controlling interests	9	**(530)**	(306)	(1,753)
Dividends received from equity-accounted investee		**2,000**	2,000	3,000
Net cash flow from investing activities		**835**	(166)	(1,020)
CASH FLOWS FROM FINANCING ACTIVITIES				
Movements in other borrowings		**1**	459	(1,346)
ANZ loans drawn down pre refinancing		**-**	9,500	6,084
BNZ loans drawn down at refinancing		**-**	-	72,486
ANZ loans repaid at refinancing		**-**	-	(72,156)
BNZ loans repaid post refinancing		**(9,263)**	-	(3,983)
Dividends paid to equity holders of the Company		**-**	(7,509)	(7,509)
Net cash flow from financing activities		**(9,262)**	2,450	(6,424)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**516**	(1,764)	649
Cash and cash equivalents at beginning of the period		**1,950**	1,302	1,302
Effect of exchange rate changes on cash		**(3)**	(3)	(1)
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**$2,463**	$(465)	$1,950

This statement is to be read in conjunction with the Notes on pages 15 to 23 and the previous year's annual financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 31 December 2012

1. GENERAL

Cavalier Corporation Limited ("Cavalier" or "Company") is a company that is incorporated and domiciled in New Zealand.

The Company is registered under the New Zealand Companies Act 1993. The Company 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 both the Companies Act 1993 and the Financial Reporting Act 1993 and with New Zealand Generally Accepted Accounting Practice.

The principal activities of the Company and its subsidiaries ("Group") comprise the Cavalier Bremworth and Norman Ellison broadloom carpet businesses, the Ontera Modular carpet tile operation, the Elco Direct wool procurement business and the Radford Yarn Technologies operation.

All subsidiaries in the Group are wholly-owned except for the Ontera Modular Carpets Proprietary Limited group of companies ("Ontera") which is 96.75% owned.

Because of the need to recognise put options granted to the non-controlling interests in respect of their shareholding in Ontera as financial liabilities in the Statement of Financial Position, the shareholding of the non-controlling interests has been similarly derecognised in the financial statements and their interests accounted for as if the Group owned a 100% of Ontera.

Cavalier also has a 50% interest in the Cavalier Wool Holdings Limited group of companies ("CWH"). CWH is involved in commission wool scouring.

The Company is listed on the New Zealand Exchange and is required to comply with the provisions of the NZSX Listing Rules which require it to present half-yearly reports incorporating, amongst other things, the interim financial statements covering the Group.

The interim financial statements contained in this half-yearly report were approved for issue by the Board of Directors of the Company on 15 February 2013.

These interim financial statements are presented in New Zealand dollars ($), which is the Company's functional currency. Unless otherwise indicated, all financial information presented in New Zealand dollars has been rounded to the nearest thousand.

The interim financial statements are condensed financial statements that have been prepared in accordance with NZ IAS 34 *Interim Financial Reporting*. The disclosures normally required by other standards within New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") to be included in a complete set of annual financial statements are not required to be incorporated into a condensed set of interim financial statements prepared under NZ IAS 34. As a consequence, the interim financial statements do not comply with NZ IFRS.

The interim financial statements, and the comparative information for the six months ended 31 December 2011, are unaudited. The comparative information for the year ended 30 June 2012 is audited.

2. ACCOUNTING POLICIES

The accounting policies adopted in the preparation of the interim financial statements are the same as those adopted in the preparation of the annual financial statements for the year ended 30 June 2012. The interim financial statements should therefore be read in conjunction with those annual financial statements and the accounting policies set out therein.

	Six months ended 31 Dec 2012 $000	Six months ended 31 Dec 2011 $000	Year ended 30 June 2012 $000
3. REVENUE			
Sales of goods	**$100,973**	$107,992	$217,198
4. OTHER INCOME AND GAINS/LOSSES			
Dividends received	**3**	2	3
Rentals received	**11**	11	22
Net loss on disposal of property, plant and equipment	**-**	(24)	(86)
Net gain on disposal of plant and equipment held for resale	**-**	99	106
Total other income and gains/losses	**$14**	$88	$45
5. RESTRUCTURING COSTS			
Employee termination benefits, employee support costs, costs to relocate plant and equipment and contract termination costs as a consequence of various business improvement plans initiated in response to deterioration in trading conditions	**207**	1,016	8,218
Reversal of provisions previously recognised	**(800)**	-	-
	$(593)	$1,016	$8,218

	Six months ended 31 Dec 2012 $000	Six months ended 31 Dec 2011 $000	Year ended 30 June 2012 $000
6. EXPENSES			
Profit/(Loss) before income tax includes the following:			
Depreciation	**$3,227**	$3,419	$6,738
Operating lease and rental costs	**$3,380**	$3,686	$7,689

7. CASH FLOW RECONCILIATION			
Profit/(Loss) after tax for the period	**1,439**	3,547	(1,633)
Add/(Deduct) non-cash and other items:			
Equity-settled share-based transactions	**20**	48	96
Depreciation	**3,227**	3,419	6,738
Impairment of plant and equipment	**-**	-	694
Share of profit of equity-accounted investee	**(2,116)**	(1,178)	(3,302)
Deferred government grants	**-**	-	(380)
Deferred tax asset	**(576)**	(168)	(1,750)
Employee benefits	**(229)**	75	(475)
Deferred income	**(36)**	10	(28)
Provisions	**(3,354)**	(5)	6,092
Net loss on sale of property, plant and equipment	**-**	24	86
Net gain on sale of plant and equipment held for resale	**-**	(99)	(106)
Net gain on foreign currency balance	**(7)**	(16)	(10)
Changes in working capital items:			
Trade and other receivables and prepayments	**3,689**	2,316	1,114
Inventories	**8,538**	(6,497)	10,117
Tax payable	**(621)**	(991)	(2,036)
Trade creditors and accruals	**(1,027)**	(4,675)	(7,265)
Derivative financial instruments	**(4)**	142	141
Net cash flow from operating activities	**$8,943**	$(4,048)	$8,093

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2012

8. ASSETS PLEDGED AS SECURITY AND LOANS AND BORROWINGS

The Group's funding facilities are secured by various general security agreements with its bankers and by registered mortgages over land and buildings.

9. ACQUISITION OF BALANCE OF RADFORD YARN TECHNOLOGIES LIMITED

The Company acquired the remaining 25% of Radford Yarn Technologies Limited ("RYT") during the period ended 31 December 2012.

The purchase price of this 25% interest amounted to $530,000.

Pursuant to NZ IAS 32 *Financial Instruments: Disclosure and Presentation*, the Group has been recognising put options granted to the non-controlling interests of RYT in respect of their 25% shareholding as financial liabilities, effectively treating these put options as if they had already been exercised and dealing with RYT in the consolidated financial statements as if it was 100% owned.

As a consequence, this acquisition of the 25% of RYT will not affect the way it has previously been accounted for.

A $320,000 difference between the purchase price and the amount previously provided for in the financial statements of $850,000 has been recognised in the Statement of Comprehensive Income.

	As at 31 Dec 2012 $000	As at 31 Dec 2011 $000	As at 30 June 2012 $000
10. CAPITAL EXPENDITURE COMMITMENTS			
Capital expenditure commitments	**$626**	$544	$50
11. CONTINGENT LIABILITIES			
Bank guarantees in respect of operating leases and other commitments	**$1,544**	$1,605	$1,497
12. RELATED PARTY TRANSACTIONS			
Substantial security holders			
Loans and borrowings disclosed under current liabilities in the Statement of Financial Position include borrowings from the following related parties:			
Chippendale Holdings Limited	**14**	1,812	10
Rural Aviation (1963) Limited	**80**	86	83
Total	**$94**	$1,898	$93
Interest rate	**3.45%**	3.45%	3.45%

These borrowings are unsecured and are repayable on demand. The interest rates as at various balance dates can be compared with commercial interest rates of 4.60%, 3.95% and 4.67% respectively for borrowings of a similar tenure from the Group's bankers. Chippendale Holdings Limited and Rural Aviation (1963) Limited are substantial security holders in the Company.

Equity-accounted investee

CWH, the Group's 50% owned equity-accounted investee, provides the Group's broadloom carpet operations with wool scouring services, whether directly or through wool exporters from whom the Group purchases most of its wool.

The value of services contracted directly with CWH during the six months ended 31 December 2012 was $212,000 (six months ended 31 December 2011 $594,000; 12 months ended 30 June 2012 $845,000).

The Group also provides CWH with management services. The value of the fees charged during the six months ended 31 December 2012 was $36,000 (six months ended 31 December 2011 $36,000; 12 months ended 30 June 2012 $72,000).

Dividends totalling $2,000,000 were received from CWH during the six months ended 31 December 2012 (six months ended 31 December 2011 $2,000,000; 12 months ended 30 June 2012 $3,000,000).

13. SEGMENT REPORTING

The Group's reportable segments are:

- carpets, which involves the manufacturing and sales of carpets by the Cavalier Bremworth and Norman Ellison broadloom carpet businesses and the Ontera Modular carpet tile operation;
- wool acquisition, through Elco Direct; and
- other, being segments that fall below the quantitative thresholds that require separate disclosure.

The Group has determined pursuant to NZ IFRS 8 *Operating Segments* that the Cavalier Bremworth and Norman Ellison broadloom carpet businesses, the Ontera Modular carpet tile operation, the Radford Yarn operation and the Elco Direct wool acquisition unit are the Group's operating segments.

In determining its reportable segments, the Group considered the criteria set out in paragraph 12 of NZ IFRS 8 and was able to aggregate the Cavalier Bremworth, Norman Ellison and Ontera Modular operating segments into a single reportable segment.

The Radford Yarn operation fell below the quantitative thresholds set out in NZ IFRS 8 and is disclosed in "other".

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2012

13. SEGMENT REPORTING (CONTINUED)

	Carpets	
	Six months ended 31 Dec 2012 $000	Six months ended 31 Dec 2011 $000
External revenue	**87,991**	92,000
Inter-segment revenue	**-**	-
Total revenue	**$87,991**	$92,000
Elimination of inter-segment revenue		
Consolidated revenue		
Segment result before depreciation and restructuring costs	**4,042**	9,921
Depreciation	**(3,034)**	(3,234)
Segment result before restructuring costs	**1,008**	6,687
Restructuring costs	**593**	(1,016)
Segment result after restructuring costs	**1,601**	5,671
Elimination of inter-segment profits		
Unallocated corporate costs		
Results from operating activities		
Net finance costs		
Share of profit of equity-accounted investee (net of income tax)		
Profit before income tax		
Income tax benefit/(expense)		
Profit after tax for the period		
Reportable segment assets	**154,833**	181,021
Investment in equity-accounted investee		
Total assets		
Capital expenditure	**638**	1,689
Reportable segment liabilities	**34,051**	38,988
Unallocated liabilities		
Total liabilities		
Employee numbers		
Operations	**649**	814
Unallocated		
Total		

	Wool Acquisition		Others		Total	
	Six months ended 31 Dec 2012 $000	Six months ended 31 Dec 2011 $000	**Six months ended 31 Dec 2012 $000**	Six months ended 31 Dec 2011 $000	**Six months ended 31 Dec 2012 $000**	Six months ended 31 Dec 2011 $000
	11,580	14,018	**1,402**	1,974	**100,973**	107,992
	2,295	3,763	**993**	2,206	**3,288**	5,969
	$13,875	$17,781	**$2,395**	$4,180	**104,261**	113,961
					(3,288)	(5,969)
					$100,973	$107,992
	404	413	**42**	303	**4,488**	10,637
	(51)	(54)	**(142)**	(131)	**(3,227)**	(3,419)
	353	359	**(100)**	172	**1,261**	7,218
	-	-	**-**	-	**593**	(1,016)
	353	359	**(100)**	172	**1,854**	6,202
					85	45
					(850)	(922)
					1,089	5,325
					(1,940)	(1,956)
					2,116	1,178
					1,265	4,547
					174	(1,000)
					$1,439	$3,547
	3,501	6,676	**7,337**	7,801	**165,671**	195,498
					22,709	21,469
					$188,380	$216,967
	36	76	**-**	261	**$674**	$2,026
	2,349	2,445	**627**	1,700	**37,027**	43,133
					59,263	77,643
					$96,290	$120,776
	29	32	**24**	31	**702**	877
					4	4
					706	881

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

For the six months ended 31 December 2012

13. SEGMENT REPORTING (CONTINUED)

	Carpets	Wool Acquisition	Others	Total
	Year ended 30 June 2012 $000	Year ended 30 June 2012 $000	Year ended 30 June 2012 $000	Year ended 30 June 2012 $000
External revenue	178,927	34,293	3,978	217,198
Inter-segment revenue	-	6,464	2,841	9,305
Total revenue	$178,927	$40,757	$6,819	226,503
Elimination of inter-segment revenue				(9,305)
Consolidated revenue				$217,198
Segment result before depreciation and restructuring costs	12,550	658	406	13,614
Depreciation	(6,367)	(102)	(269)	(6,738)
Segment result before restructuring costs	6,183	556	137	6,876
Restructuring costs	(8,218)	-	-	(8,218)
Segment result after restructuring costs	(2,035)	556	137	(1,342)
Elimination of inter-segment profits				450
Unallocated corporate costs				(1,786)
Results from operating activities				(2,678)
Net finance costs				(4,049)
Share of profit of equity-accounted investee (net of income tax)				3,302
Loss before income tax				(3,425)
Income tax benefit				1,792
Loss after tax for the period				$(1,633)
Reportable segment assets	167,901	3,538	7,402	178,841
Investment in equity-accounted investee				22,593
Total assets				$201,434
Capital expenditure	2,025	105	327	$2,457
Reportable segment liabilities	38,947	1,551	1,485	41,983
Unallocated liabilities				68,596
Total liabilities				$110,579
Employee numbers				
Operations	722	23	26	771
Unallocated				4
Total				775

13. SEGMENT REPORTING (CONTINUED)

Inter-segment transactions

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.

Information about geographical areas

In presenting information on the basis of geographical areas, revenue is based on the geographical location of customers and non-current assets are based on the geographical location of those assets.

	Six months ended 31 Dec 2012 $000	Six months ended 31 Dec 2011 $000	Year ended 30 June 2012 $000
Revenue			
New Zealand	**41,422**	45,475	94,609
Australia	**56,536**	59,585	116,838
Rest of the world	**3,015**	2,932	5,751
	$100,973	$107,992	$217,198

	As at 31 Dec 2012 $000	As at 31 Dec 2011 $000	As at 30 June 2012 $000
Non-current assets			
New Zealand	**81,095**	82,416	82,519
Australia	**23,937**	26,068	24,654
	$105,032	$108,484	$107,173

Information about major customers

None of the Group's customers are major customers as defined in NZ IFRS 8. Major customers are those external customers where revenues from transactions with the Group are equal to, or exceed, 10% of the Group's total revenues.

CORPORATE DIRECTORY

BOARD OF DIRECTORS:

G C W Biel B.E. (Mech.) Non-executive, Non-independent	Deputy Chairman of the Board Member of Audit Committee Member of Remuneration Committee
G S Hawkins B.Sc., B.Com., ACA, FInstD Non-executive, Independent	Chairman of Audit Committee Member of Remuneration Committee
S E F Haydon B.Sc., ACA Non-executive, Independent	Member of Audit Committee Member of Remuneration Committee
A M James B.Tech. (Hons.), Dip.Bus.Admin. Non-executive, Independent	Chairman of the Board Member of Audit Committee Chairman of Remuneration Committee
C A McKenzie Dip.Wool&WoolTech., MInstD	Managing Director and Chief Executive Officer
K L Thorpe M.A. Non-executive, Independent	Member of Audit Committee Member of Remuneration Committee

CHIEF FINANCIAL OFFICER:
P J Alston BBS, CA

COMPANY SECRETARY:
V T S Tan CA, FCIS

FOUNDING SHAREHOLDER:
A C Timpson ONZM, FInstD

REGISTERED OFFICE:
7 Grayson Avenue, Papatoetoe, P O Box 97-040, Manukau City 2241.
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 92-119, Auckland 1142.
Telephone: 64-9-488 8700, Facsimile: 64-9-488 8787, Investor Enquiries: 64-9-488 8777

AUDITORS:
KPMG

LEGAL ADVISORS:
Minter Ellison Rudd Watts

BANKERS:
Bank of New Zealand National Australia Bank Limited

WEBSITES:

Corporate	www.cavcorp.co.nz
Carpet Operations	www.cavbrem.co.nz, www.cavbrem.com.au, www.knightsbridgecarpets.co.nz, www.kimberleycarpets.com.au, www.ontera.com.au, www.normanellison.co.nz
Yarn Operation	www.radfordyarn.com
Wool Operation	www.elcodirect.co.nz
Share Registrar	www.computershare.co.nz/investorcentre

CAVALIER
CORPORATION

BREMWORTH COLLECTION

CAVALIER BREMWORTH

Knightsbridge Carpets

Kimberley CARPETS

ELCODIRECT WOOL BUYERS

RadfordYarn New Zealand

tramore

Norman Ellison CARPETS

Ontera A STEP AHEAD