

CAVALIER CORPORATION LIMITED

HALF YEAR FINANCIAL STATEMENTS

for the six months ended 31 December 2018

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Cavalier Corporation Limited and subsidiary companies

Financial Summary - for the six months ended 31 December 2018 (Unaudited)

	Unaudited Six months ended 31 Dec 2018 \$000	Unaudited Six months ended 31 Dec 2017 \$000	Audited Year ended 30 Jun 2018 \$000
Revenue	\$69,996	\$75,316	\$148,120
EBITDA (normalised) ¹	4,624	4,418	9,998
Depreciation	(1,755)	(1,806)	(3,561)
EBIT (normalised) ¹	2,869	2,612	6,437
Net interest expense	(1,045)	(1,504)	(2,798)
Share of profit after tax of equity-accounted investees (normalised) ¹	644	381	1,419
Profit before tax (normalised) ¹	2,468	1,489	5,058
Tax expense	(537)	(341)	(1,084)
Profit after tax (normalised) ¹	1,931	1,148	3,974
Abnormal net gains/(losses) after tax ¹	(11,964)	(140)	107
Profit/(Loss) after tax (GAAP)	\$(10,033)	\$1,008	\$4,081
Net cash flow from operating activities	\$2,405	\$7,542	\$12,143
Basic and diluted earnings per share (cents) – based on weighted average number of shares outstanding of 68,679,098			
Normalised ¹	2.8	1.7	5.8
GAAP	(14.6)	1.5	5.8
Return on average shareholders' equity (%)			
Normalised ¹	2.9%	1.7%	5.7%
GAAP	(14.9)%	1.5%	5.7%
	Unaudited As at 31 Dec 2018	Unaudited As at 31 Dec 2017	Audited As at 30 Jun 2018
Net tangible asset backing per share (\$)	\$0.81	\$0.89	\$0.94
Equity to total assets (%)	58.0%	53.1%	54.3%
Net interest-bearing debt to equity ratio	22:78	33:67	29:71

¹ Normalised is a non-GAAP (Generally Accepted Accounting Practice) measure that provides what the Directors believe to be a more meaningful view of the underlying financial performance of the Group. A reconciliation between GAAP and normalised earnings together with further commentary on the disclosure of non-GAAP financial information are set out at pages 16 to 18 of the half year report.

Cavalier Corporation Limited and subsidiary companies

Condensed Consolidated Income Statement

Six months ended 31 December 2018 (Unaudited)	Notes	Unaudited Six months ended 31 Dec 2018 \$000	Unaudited Six months ended 31 Dec 2017 \$000
Revenue	4	69,996	75,316
Cost of sales		(51,741)	(57,914)
Gross profit		18,255	17,402
Other income and gains	5	35	76
Distribution expenses		(12,028)	(11,806)
Administration expenses		(3,393)	(3,060)
Results from operating activities		2,869	2,612
Net finance costs		(1,045)	(1,504)
Share of profit of equity-accounted investees (net of tax)	8	644	241
Loss on sale of interest in, and property held by, equity-accounted investees (net of tax)	8	(11,964)	-
Profit/(Loss) before tax	6	(9,496)	1,349
Tax expense		(537)	(341)
Profit/(Loss) after tax for the period		\$(10,033)	\$1,008
Profit/(Loss) after tax attributable to:			
Shareholders of Cavalier Corporation Limited		(10,033)	1,008
Non-controlling interests		-	-
Profit/(Loss) after tax for the period		\$(10,033)	\$1,008
Basic and diluted earnings per share (cents)		(14.6)	1.5
Weighted average number of shares outstanding during the period (000s)		68,679	68,679

This statement is to be read in conjunction with the Notes on pages 9 to 15 and the previous year's annual financial statements.

Cavalier Corporation Limited and subsidiary companies

Condensed Consolidated Statement of Comprehensive Income

Six months ended 31 December 2018 (Unaudited)	Note	Unaudited Six months ended 31 Dec 2018 \$000	Unaudited Six months ended 31 Dec 2017 \$000
Profit/(Loss) after tax for the period		(10,033)	1,008
Other comprehensive income that may be reclassified subsequently to profit or loss			
Effective portion of changes in fair value of cash flow hedges		894	45
Net change in fair value of cash flow hedges transferred to profit or loss		(376)	65
Tax on other comprehensive income		(145)	(31)
Share of fair value of cash flow hedges of equity-accounted investee (net of tax)	8	72	(24)
Foreign currency translation differences for foreign operations		-	116
		445	171
Other comprehensive income not reclassified subsequently to profit or loss		-	-
Other comprehensive income for the period, net of tax		445	171
Total comprehensive income for the period		\$(9,588)	\$1,179
Total comprehensive income attributable to:			
Shareholders of Cavalier Corporation Limited		(9,588)	1,179
Non-controlling interests		-	-
Total comprehensive income for the period		\$(9,588)	\$1,179

This statement is to be read in conjunction with the Notes on pages 9 to 15 and the previous year's annual financial statements.

Cavalier Corporation Limited and subsidiary companies
Condensed Consolidated Statement of Changes in Equity

Six months ended 31 December 2018 (Unaudited)	Notes	Share Capital	Cash Flow Hedging Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
		\$000	\$000	\$000	\$000	\$000
Total equity at beginning of the period		21,846	(70)	(1,420)	51,866	72,222
Change in accounting policy	1	-	-	-	(304)	(304)
Total equity at beginning of the period after adjusting for impact of change in accounting policy		21,846	(70)	(1,420)	51,562	71,918
<i>Total comprehensive income for the period</i>						
Loss after tax		-	-	-	(10,033)	(10,033)
Other comprehensive income that may be reclassified subsequently to profit or loss						
Changes in fair value of cash flow hedges (net of tax)		-	373	-	-	373
Share of fair value of cash flow hedges of equity-accounted investee (net of tax)	8	-	72	-	-	72
		-	445	-	-	445
Other comprehensive income not reclassified subsequently to profit or loss		-	-	-	-	-
Total other comprehensive income		-	445	-	-	445
Total comprehensive income for the period		-	445	-	(10,033)	(9,588)
Total equity at end of the period		\$21,846	\$375	\$(1,420)	\$41,529	\$62,330

This statement is to be read in conjunction with the Notes on pages 9 to 15 and the previous year's annual financial statements.

Cavalier Corporation Limited and subsidiary companies

Condensed Consolidated Statement of Changes in Equity (continued)

Six months ended 31 December 2017 (Unaudited)	Note	Share Capital	Cash Flow Hedging Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
		\$000	\$000	\$000	\$000	\$000
Total equity at beginning of the period		21,846	(322)	(1,419)	47,785	67,890
<i>Total comprehensive income for the period</i>						
Profit after tax		-	-	-	1,008	1,008
Other comprehensive income that may be reclassified subsequently to profit or loss						
Changes in fair value of cash flow hedges (net of tax)		-	79	-	-	79
Share of fair value of cash flow hedges of equity-accounted investee (net of tax)	8	-	(24)	-	-	(24)
Foreign currency translation differences for foreign operations		-	-	116	-	116
		-	55	116	-	171
Other comprehensive income not reclassified subsequently to profit or loss		-	-	-	-	-
Total other comprehensive income		-	55	116	-	171
Total comprehensive income for the period		-	55	116	1,008	1,179
Total equity at end of the period		\$21,846	\$(267)	\$(1,303)	\$48,793	\$69,069

This statement is to be read in conjunction with the Notes on pages 9 to 15 and the previous year's annual financial statements.

Cavalier Corporation Limited and subsidiary companies

Condensed Consolidated Statement of Financial Position

As at 31 December 2018 (Unaudited)	Note	Unaudited 31 Dec 2018 \$000	Audited 30 Jun 2018 \$000
ASSETS			
Property, plant and equipment		35,502	35,142
Intangible assets		2,362	2,362
Investment in equity-accounted investees	8	1,500	24,544
Deferred tax asset		4,303	4,971
Total non-current assets		43,667	67,019
Cash and cash equivalents		599	2,111
Trade receivables, other receivables and prepayments		11,401	15,582
Inventories		50,499	47,321
Derivative financial instruments		1,234	971
Total current assets		63,733	65,985
Total assets		\$107,400	\$133,004
EQUITY			
Share capital		21,846	21,846
Cash flow hedging reserve		375	(70)
Foreign currency translation reserve		(1,420)	(1,420)
Retained earnings		41,529	51,866
Total equity attributable to equity holders of the Company		62,330	72,222
LIABILITIES			
Loans and borrowings		17,900	27,500
Employee benefits		877	911
Provisions		715	1,118
Total non-current liabilities		19,492	29,529
Loans and borrowings		-	4,000
Trade creditors and accruals		18,931	19,490
Provisions		931	2,214
Employee entitlements		4,471	4,076
Deferred income		34	47
Derivative financial instruments		554	593
Tax payable		657	833
Total current liabilities		25,578	31,253
Total liabilities		45,070	60,782
Total equity and liabilities		\$107,400	\$133,004

This statement is to be read in conjunction with the Notes on pages 9 to 15 and the previous year's annual financial statements.

Cavalier Corporation Limited and subsidiary companies

Condensed Consolidated Statement of Cash Flows

Six months ended 31 December 2018 (Unaudited)	Note	Unaudited Six months ended 31 Dec 2018 \$000	Unaudited Six months ended 31 Dec 2017 \$000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		71,223	76,960
Cash paid to suppliers and employees		(67,549)	(69,136)
Dividends received		2	1
Other receipts		2	2
GST (paid)/refunded		(25)	850
Interest paid		(1,176)	(1,503)
Income tax (paid)/refunded		(72)	368
Net cash flow from operating activities		2,405	7,542
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		100	148
Proceeds from sale of interest in, and property held by, equity-accounted investees	8	10,553	-
Dividends received from equity-accounted investee	8	1,243	-
Acquisition of property, plant and equipment		(2,184)	(721)
Net cash flow from investing activities		9,712	(573)
CASH FLOWS FROM FINANCING ACTIVITIES			
Decrease in bank loans and borrowings		(13,600)	(7,400)
Net cash flow from financing activities		(13,600)	(7,400)
NET DECREASE IN CASH AND CASH EQUIVALENTS			
		(1,483)	(431)
Cash and cash equivalents at beginning of the period		2,111	1,255
Effect of exchange rate changes on cash		(29)	19
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		\$599	\$843

This statement is to be read in conjunction with the Notes on pages 9 to 15 and the previous year's annual financial statements.

Cavalier Corporation Limited and subsidiary companies

Condensed Consolidated Statement of Cash Flows (continued)

Reconciliation of profit/(loss) with net cash flow from operating activities

Six months ended 31 December 2018 (Unaudited)	Six months ended 31 Dec 2018 \$000	Six months ended 31 Dec 2017 \$000
Profit/(Loss) after tax for the period	(10,033)	1,008
Add/(Deduct) non-cash and other items:		
Depreciation	1,755	1,806
Share of profit of equity-accounted investees	(644)	(241)
Loss on sale of interest in, and property held by, equity-accounted investees	11,964	-
Deferred tax asset	523	75
Employee benefits	361	112
Deferred income	(13)	13
Provisions	(1,686)	(618)
Net gain on sale of property, plant and equipment	(31)	(73)
Net (gain)/loss on foreign currency balance	29	(19)
Changes in working capital items:		
Trade and other receivables and prepayments	1,454	2,039
Inventories	(1,289)	4,665
Tax receivable/payable	(58)	634
Trade creditors and accruals	(143)	(1,985)
Derivative financial instruments	216	126
Net cash flow from operating activities	\$2,405	\$7,542

This statement is to be read in conjunction with the Notes on pages 9 to 15 and the previous year's annual financial statements.

Cavalier Corporation Limited and subsidiary companies

Notes to the Financial Statements

For the six months ended 31 December 2018

1. General information

Cavalier Corporation Limited (“Cavalier” or “the Company”) is a limited liability company that is domiciled and incorporated in New Zealand.

The Company is registered under the Companies Act 1993 and is an FMC reporting entity (by virtue of it being a listed issuer) for the purposes of the Financial Reporting Act 2013 and the Financial Markets Conduct Act 2013.

The interim financial statements contained in this half-yearly report have been prepared in accordance with these Acts and are for Cavalier and its subsidiaries (“the Group”) and the Group’s investment in equity-accounted investees as at, and for the six months ended, 31 December 2018.

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

The principal activities of the Group comprise carpet sales and manufacturing and wool acquisition.

All Group subsidiaries are wholly-owned.

The Group had a 27.5% interest in commission woollscourer, Cavalier Wool Holdings Limited, which it sold during the six months ended 31 December 2018 together with the property held by 50%-owned asset-owning entity, CWS Assets Limited.

Basis of preparation

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.

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, and the comparative information for the six months ended 31 December 2017, are unaudited. The comparative information as at 30 June 2018 is audited.

The interim financial statements were approved for issue by the Board of Directors of the Company on 21 February 2019.

Critical accounting judgements, estimates and assumptions

In preparing the interim financial statements, the Group has consistently applied the judgements, estimates and assumptions adopted in the preparation of the annual financial statements for the year ended 30 June 2018.

Cavalier Corporation Limited and subsidiary companies

Notes to the Financial Statements (continued)

Accounting policies

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 June 2018 and the accounting policies set out therein.

All accounting policies adopted in the preparation of the interim financial statements are consistent with those adopted in the preparation of the annual financial statements, with the exception that the Group adopted NZ IFRS 9 *Financial Instruments* (NZ IFRS 9) and NZ IFRS 15 *Revenue from Contracts with Customers* (NZ IFRS 15) during the six months ended 31 December 2018.

Impact of the adoption of NZ IFRS 9

Effective 1 July 2018, the Group applied NZ IFRS 9 for its accounting of financial instruments, which included the adoption of the expected loss model, as opposed to the incurred loss model under the old standard, for the assessment of trade and other receivables for impairment. Under the new standard, the Group assesses impairment of trade and other receivables on a forward-looking basis, taking into account not only past events and current conditions, but also forecast of future economic conditions.

It has been determined that the impact of the new standard on the assessment of trade and other receivables for impairment is not material.

The Group elected to apply the cumulative effect method, with no restatement of comparative period amounts, in applying NZ IFRS 9. The cumulative effect of applying the new standard is nil, with no adjustment to the opening balance of retained earnings recognised in the Condensed Consolidated Statement of Changes in Equity for the six months ended 31 December 2018 required as a consequence.

Impact of the adoption of NZ IFRS 15

Effective 1 July 2018, the Group also applied NZ IFRS 15 for its accounting of revenue from contracts with customers. Based on the five-step assessment performed by the Group pursuant to NZ IFRS 15, the impact of the new standard is not material. All of the revenue earned by the Group is derived from the satisfaction of a single performance obligation for each contract, which can be for the sale of carpet, carpet yarn or wool. This revenue has historically been recognised at the time there is the transfer of the risks and rewards of ownership of the products sold to the customer. It has been determined that revenue is now recognised when the customer obtains control of the products sold, typically on the earlier of payment or delivery.

It has also been determined that there are:

- no material changes to the accounting for rebates, discounts or any other variable consideration under NZ IFRS 15; and
- no financing components within the Group's sales arrangements.

The new accounting policy on revenue is disclosed in Note 3.

The Group also elected to apply the cumulative effect method, with no restatement of comparative period amounts, in applying NZ IFRS 15. The cumulative effect of applying the new standard is dealt with as an adjustment to the opening balance of retained earnings recognised in the Condensed Consolidated Statement of Changes in Equity for the six months ended 31 December 2018.

The Group's revenue recognition policy remains largely the same with the exception that revenue is now recognised when the customer obtains control of the products sold, typically on the earlier of payment or delivery.

The adoption of NZ IFRS 15 has impacted the timing of when some revenue is recognised, resulting in the following adjustments to opening retained earnings.

Cavalier Corporation Limited and subsidiary companies

Notes to the Financial Statements (continued)

Accounting policies (continued)

Impact of the adoption of NZ IFRS 15 (continued)

	\$000
Retained earnings as at 1 July 2018 before NZ IFRS 15 adjustments	51,866
Change in revenue	(2,371)
Change in cost of sales	1,949
Change in tax expense	118
Retained earnings as at 1 July 2018 after NZ IFRS 15 adjustments	<u>\$51,562</u>

The table below shows the effect of the adoption of NZ IFRS 15 on 1 July 2018 on the Condensed Consolidated Statement of Financial Position:

	As previously reported \$000	NZ IFRS 15 reclassifications \$000	Restated \$000
Assets			
Trade receivables, other receivables and prepayments	15,582	(2,727)	12,855
Inventories	47,321	1,889	49,210
Total impact on assets	<u>\$62,903</u>	<u>\$(838)</u>	<u>\$62,065</u>
Liabilities			
Trade creditors and accruals	19,490	(416)	19,074
Tax payable	833	(118)	715
Total impact on liabilities	<u>\$20,323</u>	<u>\$(534)</u>	<u>\$19,789</u>
Retained earnings	<u>\$51,866</u>	<u>\$(304)</u>	<u>\$51,562</u>

2. Going concern

The Group prepares its financial statements on a going concern basis and expects to be able to realise its assets and meet its financial obligations in the normal course of business.

The Group's ability to comply with the Bank's financial covenants and generate sufficient cash flows from operations to satisfy its funding and other financial obligations for a period of at least 12 months following balance date is important to determining the appropriateness of the going concern basis of accounting.

In this regard, reliance is placed on the forecasts of the Group's financial performance, cash flows and financial position that are prepared by management as part of its monitoring of the Group's operations and the Group's ability to comply with, among other things, the Bank's financial covenants and debt repayment obligations over the term of its Bank facility.

The Board of Directors ("Board") notes that these financial forecasts are sensitive to changes in some of the assumptions underlying the forecasts – including sales volumes and margins, manufacturing performances and a number of external factors over which the Group has limited control over, such as exchange rates and raw material input costs.

The Board also notes the progress that is being made to strengthen the Group's financial position and reduce bank loans and borrowings and believes that the Group will be able to generate the earnings and cash flows to comply with the Bank's covenants and meet its contractual obligations as these become due.

Cavalier Corporation Limited and subsidiary companies

Notes to the Financial Statements (continued)

3. Segment performance

Unaudited	Carpets		Wool		Total	
	Six months ended 31 Dec 2018 \$000	Six months ended 31 Dec 2017 \$000	Six months ended 31 Dec 2018 \$000	Six months ended 31 Dec 2017 \$000	Six months ended 31 Dec 2018 \$000	Six months ended 31 Dec 2017 \$000
External revenue	61,479	65,959	8,517	9,357	69,996	75,316
Inter-segment revenue	-	-	1,761	1,482	1,761	1,482
Total revenue	\$61,479	\$65,959	\$10,278	\$10,839	71,757	76,798
Elimination of inter-segment revenue					(1,761)	(1,482)
Consolidated revenue					\$69,996	\$75,316
Segment result before depreciation	5,459	4,789	14	581	5,473	5,370
Depreciation	(1,691)	(1,750)	(64)	(56)	(1,755)	(1,806)
Segment result after depreciation	3,768	3,039	(50)	525	3,718	3,564
Elimination of inter-segment profits					21	(52)
Unallocated corporate costs					(870)	(900)
Results from operating activities					2,869	2,612
Net finance costs					(1,045)	(1,504)
Share of profit of equity-accounted investees (net of tax)					644	241
Loss on sale of interest in, and property held by, equity-accounted investees (net of tax)					(11,964)	-
Profit/(Loss) before tax					(9,496)	1,349
Tax expense					(537)	(341)
Profit/(Loss) after tax for the period					\$(10,033)	\$1,008
Employee numbers						
Operations	438	437	30	26	468	463
Unallocated					5	5
Total					473	468
Capital expenditure	1,812	528	372	193	\$2,184	\$721

	Carpets		Wool		Total	
	Unaudited As at 31 Dec 2018 \$000	Audited As at 30 Jun 2018 \$000	Unaudited As at 31 Dec 2018 \$000	Audited As at 30 Jun 2018 \$000	Unaudited As at 31 Dec 2018 \$000	Audited As at 30 Jun 2018 \$000
Reportable segment assets	101,207	104,665	4,693	3,795	105,900	108,460
Investment in equity-accounted investees					1,500	24,544
Total assets					\$107,400	\$133,004
Reportable segment liabilities	24,198	26,122	2,972	3,160	27,170	29,282
Unallocated liabilities					17,900	31,500
Total liabilities					\$45,070	\$60,782

Cavalier Corporation Limited and subsidiary companies

Notes to the Financial Statements (continued)

3. Segment performance (continued)

The Group's reportable segments are:

- carpets, which comprises the sales and manufacturing of carpets; and
- wool, which covers the acquisition and sale of wool.

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 2018 \$000	Six months ended 31 Dec 2017 \$000
Revenue		
New Zealand	38,851	41,399
Australia	28,145	30,442
Rest of the world	3,000	3,475
	\$69,996	\$75,316
	As at 31 Dec 2018 \$000	As at 30 Jun 2018 \$000
Non-current assets		
New Zealand	43,089	66,522
Australia	578	497
	\$43,667	\$67,019

Information about major customers

None of the Group's customers are major customers as defined in NZ IFRS 8 *Operating Segments*. 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.

Cavalier Corporation Limited and subsidiary companies

Notes to the Financial Statements (continued)

4. Revenue

	Six months ended 31 Dec 2018 \$000	Six months ended 31 Dec 2017 \$000
Sales of goods	69,996	75,251
Provision of installation services	-	65
Total revenue	<u>69,996</u>	<u>75,316</u>

Accounting policy

Revenue is recognised when or as performance obligations are satisfied by transferring control of the products sold to the customer at the transaction price specified in the contract. Control typically transfers to the customer on the earlier of payment for, or delivery of, the product. The transaction price includes all amounts which the Group expects to be entitled to, net of goods and services tax and other indirect taxes, expected rebates and discounts. Where applicable, rebates and/or discounts are included within the consideration using an estimation typically based on the most likely method and are only recognised to the extent that it is highly probable that a significant reversal will not occur.

5. Other income and gains

	Six months ended 31 Dec 2018 \$000	Six months ended 31 Dec 2017 \$000
Rentals received	2	2
Dividends received	2	1
Net gain on sale of property, plant and equipment	31	73
Total other income and gains	<u>35</u>	<u>76</u>

6. Expenses

	Six months ended 31 Dec 2018 \$000	Six months ended 31 Dec 2017 \$000
Profit/(Loss) before tax includes the following:		
Depreciation	\$1,755	\$1,806
Operating lease and rental costs	<u>1,373</u>	<u>1,792</u>

7. Capital expenditure commitments

	As at 31 Dec 2018 \$000	As at 30 Jun 2018 \$000
Capital expenditure commitments	<u>435</u>	<u>397</u>

Cavalier Corporation Limited and subsidiary companies

Notes to the Financial Statements (continued)

8. Equity-accounted investees

The details relating to the Group's interest in equity-accounted investees (being Cavalier Wool Holdings Limited (CWH) and CWS Assets Limited (CWSA)) are set out below:

	Six months ended 31 Dec 2018 \$000	Six months ended 31 Dec 2017 \$000
Carrying value as at 1 July	24,544	23,490
Share of profit after tax	644	241
Share of changes in fair value of cash flow hedges (net of tax)	72	(24)
Dividends received	(1,243)	-
Proceeds of sale of interest in CWH and property in CWSA	(10,553)	-
Loss on sale of interest in CWH and property in CWSA	(11,964)	-
Carrying value as at 31 December	<u>\$1,500</u>	<u>\$23,707</u>

The Group sold its interest in 27.5%-owned CWH and the property held by 50%-owned CWSA during the period.

9. Contingent liabilities

	As at 31 Dec 2018	As at 30 Jun 2018
Bank guarantees in respect of operating leases and other commitments	<u>\$2,246</u>	<u>\$2,095</u>

10. Related party transactions

During the period, the Group did not enter into any material contracts involving related parties or directors' interests. No amounts owed by related parties have been written off or forgiven during the period. Apart from directors' fees, key executive remuneration and procurement of wool scouring services from CWH, there have been no related party transactions.

Cavalier Corporation Limited and subsidiary companies

Disclosure of Non-GAAP Financial Information

For the six months ended 31 December 2018

The half year report for the six months ended 31 December 2018 contains financial information that is non-GAAP (Generally Accepted Accounting Practice) and therefore falls within the Financial Markets Authority's guidance note on "Disclosing non-GAAP financial information" issued in July 2017.

Non-GAAP financial information has been prepared using the unaudited GAAP-compliant half year and audited GAAP-compliant full year financial statements of the Group and has not been independently reviewed.

Non-GAAP financial information contained within the half year report (more particularly, the non-GAAP measures of financial performance such as "*EBITDA (normalised)*", "*EBIT (normalised)*", "*Profit before tax (normalised)*" and "*Profit after tax (normalised)*") provide useful information to investors regarding the performance of the Group because the calculations exclude restructuring costs and other gains/losses (for example, gain/loss on sale of property and investments) that are not expected to occur on a regular basis either by virtue of quantum or nature.

In arriving at this view, the Directors have also taken cognisance of the regular requests by users of the Group financial statements, including analysts and shareholders, regarding the nature and quantum of significant items within the GAAP-compliant results and the way analysts distinguish between GAAP and non-GAAP measures of profit.

The disclosure of the non-GAAP financial information is also consistent with how the financial information for the Group is reported internally, and reviewed by the Chief Executive Officer as its chief operating decision maker, and provides what the Directors and management believe gives a more meaningful insight into the underlying financial performance of the Group and a better understanding of how the Group is tracking after taking into account these significant items.

Non-GAAP financial information does not have standardised meaning prescribed by GAAP and therefore may not be comparable to similar financial information prescribed by other entities.

In putting together the half year report, the Directors have taken into account all of the requirements within the guidance note. More specifically, these include:

- outlining why non-GAAP financial information is useful to investors and how it is used internally by management;
- identifying the source of non-GAAP financial information;
- ensuring that:
 - non-GAAP financial information is not presented with undue and greater prominence, emphasis or authority than the most directly comparable GAAP financial information;
 - presentation of non-GAAP financial information does not in any way confuse or obscure presentation of GAAP financial information;
 - a reconciliation from the non-GAAP financial information to the most directly comparable GAAP financial information, including that for the previous period, can be easily accessed (see below);
 - a consistent approach is adopted from period to period with respect to the presentation of non-GAAP financial information, including that for comparative periods;
 - where there is any change in approach from the previous period, the nature of the change is explained and the reasons and financial impact provided;
 - non-GAAP financial information is unbiased; and
- taking care when describing, or referring to, items as 'one-off' or 'non-recurring'.

Cavalier Corporation Limited and subsidiary companies

Disclosure of Non-GAAP Financial Information (continued)

Reconciliation of GAAP-compliant to non GAAP-compliant measures of profit/(loss) after tax

	Six months ended 31 Dec 2018		
	GAAP \$000	Adjustments \$000	Normalised \$000
Revenue	\$69,996	-	\$69,996
EBITDA	4,624	-	4,624
Depreciation	(1,755)	-	(1,755)
EBIT	2,869	-	2,869
Net interest expense	(1,045)	-	(1,045)
Share of profit of equity-accounted investees (net of tax)	644	-	644
Loss on sale of interest in, and property held by, equity-accounted investees (net of tax)	(11,964)	11,964	-
Profit/(Loss) before tax	(9,496)	11,964	2,468
Tax expense	(537)	-	(537)
Profit/(Loss) after tax	\$(10,033)	11,964	1,931
Abnormal net loss after tax		(11,964)	(11,964)
Loss after tax (GAAP)		-	\$(10,033)
Analysis of adjustments			
	Profit/(Loss) before tax \$000	Tax effect \$000	Profit/(Loss) after tax \$000
Loss on sale of interest in, and property held by, equity-accounted investees	(11,964)	-	(11,964)
	\$(11,964)	-	\$(11,964)

Cavalier Corporation Limited and subsidiary companies

Disclosure of Non-GAAP Financial Information (continued)

Reconciliation of GAAP-compliant to non GAAP-compliant measures of profit/(loss) after tax (continued)

	Six months ended 31 Dec 2017		
	GAAP \$000	Adjustments \$000	Normalised \$000
Revenue	\$75,316	-	\$75,316
EBITDA	4,418	-	4,418
Depreciation	(1,806)	-	(1,806)
EBIT	2,612	-	2,612
Net interest expense	(1,504)	-	(1,504)
Share of profit of equity-accounted investees (net of tax)	241	140	381
Profit before tax	1,349	140	1,489
Tax expense	(341)	-	(341)
Profit after tax	\$1,008	140	1,148
Abnormal net loss after tax		(140)	(140)
Profit after tax (GAAP)		-	\$1,008
Analysis of adjustments			
	Profit/(Loss) before tax \$000	Tax effect \$000	Profit/(Loss) after tax \$000
Scour merger costs	(140)	-	(140)
	\$(140)	-	\$(140)

Cavalier Corporation Limited

Corporate Directory

Board of Directors:

George Adams DipFSA(Hons), FCA, CMIInstD
Independent

Chairman of Audit Committee
Member of Remuneration and Nomination Committees

Grant Biel B.E. (Mech.)
Non-independent

Member of Audit, Remuneration and Nomination
Committees

Alan Clarke B.Sc.(Hons), MBA, CFInstD
Independent

Chairman of the Board of Directors
Chairman of Nomination Committee
Member of Audit and Remuneration Committees

John Rae B.Com., LLB, CMIInstD
Independent

Deputy Chairman of the Board of Directors
Chairman of Remuneration Committee
Member of Audit and Nomination Committees

Dianne Williams B.Com., MBA, CMIInstD
Independent

Member of Audit, Remuneration and Nomination
Committees

Chief Executive Officer:

Paul Alston BBS, CA

Chief Financial Officer and Company Secretary:

Victor Tan CA, FCIS

Founding Shareholder:

The late Anthony Charles Timpson ONZM

Registered Office:

7 Grayson Avenue, Auckland 2014, P O Box 97-040, Auckland 2241.
Telephone: 64-9-277 6000, Facsimile: 64-9-279 4756

Share Registrar:

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Auckland 0622, 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:

Russell McVeagh

Bankers:

Bank of New Zealand

National Australia Bank Limited

Websites:

Corporate

www.cavcorp.co.nz

Carpet Operation

www.cavbrem.co.nz, www.cavbrem.com.au,
www.normanellison.co.nz, www.normanellison.com.au

Wool Operation

www.elcodirect.co.nz

Share Registrar

www.computershare.co.nz/investorcentre