

**RECEIVERS' REPORT ON THE STATE OF AFFAIRS**  
**of**  
**EXFTX LIMITED (IN RECEIVERSHIP)(IN LIQUIDATION)**  
**which previously traded as**  
**FELTEX CARPETS LIMITED ("Feltex" or "the company")**

**1. Introduction**

On 22 September 2006 Kerryn Mark Downey, Colin McIntosh Nicol and Peter McKenzie Anderson were appointed Receivers and Managers of Feltex under a General Security Agreement dated 9 May 2000 in respect of all the company's undertaking and all its real and personal property and all its assets and effects both present and future, including its uncalled and unpaid capital, but excluding its assets located in Australia.

We set out below our eighth report on the state of the affairs of Feltex (excluding its assets located in Australia) as required by section 24 of the Receiverships Act 1993.

**2. Disclaimer**

This report has been prepared by us in accordance with Section 24 of the Receiverships Act 1993. It is prepared for the sole purpose of reporting on the state of affairs with respect to the property in receivership and the conduct of the receivership, pursuant to Sections 26 and 27 of the Receiverships Act 1993. In compiling this report we have relied on information supplied by the company.

The Receivers do not accept any responsibility or liability for any errors, omissions or misinformation contained in this report. The Receivers do not accept responsibility or liability for any losses occasioned to any party as a result of the circulation, publication, reproduction, or use of this report.

**3. Events leading up to our appointment**

Our appointment as Receivers and Managers followed the widely publicised deterioration in Feltex's financial performance, which led to unsustainable debt levels and a share price collapse. The efforts by the directors to secure a recapitalisation or sale of Feltex prior to receivership made significant progress but did not reach a satisfactory conclusion. The failure to secure a recapitalisation or sale, coupled with Feltex's substantial losses and mounting cash requirements, led to the appointment of the Receivers and Managers.

**4. Receivers' trading**

The Receivers focused on maintaining stable business operations and continued to operate the Feltex business while actively pursuing a recapitalisation or sale of the company. The support of key suppliers, customers, unions and employees was sought and established early on in the receivership.

Following acceptance of an offer for the sale of the business (commented on below) it was necessary to announce that there would regrettably be redundancies at the Kakariki and Christchurch locations in light of the purchaser's intentions for these two sites going forward.

## 5. Sale of the business

To preserve the economic value of the business, the Receivers had to move quickly to complete a sale. Sale discussions were continued with TurnerCo and Godfrey Hirst and several other parties who had expressed an interest in the business. TurnerCo withdrew from the process and on 29 September 2006 the Receivers announced that the Godfrey Hirst group (“Godfrey Hirst”) had submitted an unconditional offer for the purchase of Feltex as a going concern.

The Godfrey Hirst offer was for all of the assets and business of Feltex in New Zealand, Australia and the USA. On 3 October 2006 the Receivers confirmed that the offer from Godfrey Hirst had been accepted.

Settlement of the sale to Godfrey Hirst took place on 30 November 2006.

The Receivers’ decision to move quickly to sell was necessary based on the following factors:

- The Receivers faced significant risks to maintain value in trading on for an extended period.
- It had already been widely publicised in the months preceding the receivership, that the directors were engaged in discussions with certain parties regarding the recapitalisation, merger or sale of the business.
- Godfrey Hirst and TurnerCo had undertaken due diligence and were ready to proceed with an offer on an expedited basis.
- A sale on the terms discussed with Godfrey Hirst and TurnerCo exceeded the Receivers’ break-up realisation scenario.

The Receivers’ sale process was independently reviewed and confirmed.

A condition of the sale to Godfrey Hirst was that the company change its name. Accordingly, on 1 December 2006 the company’s name was changed to EXFTX Limited (In Receivership)(In Liquidation).

## 6. Matters attended to since our last report (dated 5 November 2009)

- Dealt with ad-hoc enquiries raised by ex-employees and creditors.
- Continued to liaise with the Liquidators on an as required basis.
- Attended to the investment of funds.
- Attended to GST obligations.
- Preparation of six monthly statutory report.

## 7. Outstanding matters

- Finalisation of two Godfrey Hirst retention issues.
- Once these retention issues have been concluded, we will make a final repayment of the surplus funds to the General Security Agreement holder.

**8. Amounts due to the General Security Agreement holders**

The Feltex group of companies were served with demands from Australia and New Zealand Banking Group Limited and ANZ National Bank Limited dated 20 September 2006, for A\$119.5 million.

To date, the Receivers of the New Zealand entity have made repayments amounting to A\$49.2 million and the Receivers of the Australian companies under the cross guarantees, have repaid A\$67.4 million. These repayment figures include the A\$10.1 million repaid during the six months to 21 March 2010.

Accordingly, the remaining balance due to the General Security Agreement holder as at 21 March 2010 was circa A\$2.9 million, plus accrued interest since the date of appointment.

**9. Preferential creditors**

The Receivers have settled all preferential claims in full.

**10. Unsecured creditors**

As previously reported, the Receivers do not expect there to be any surplus funds available from the realisation of the assets of the company to pass on to the Liquidators who were appointed on 13 December 2006.

It is the Liquidators duty to deal with the claims of unsecured creditors and investigate the events leading up to date of the appointment of the Receivers and Managers.

**11. Receipts and payments**

We attach a summary of the receipts and payments for the six month period 22 September 2009 to 21 March 2010 – refer to Appendices 1 (a) and (b).

**12. Status of Directors**

Peter Thomas resigned as a director on 22 September 2006. Tim Saunders, Michael Feeney, John Hagen and David Hunter all resigned as directors on 18 October 2006. The company currently has no directors.



**Kerryn M Downey**  
Joint Receiver and Manager

21 May 2010

**EXFTX Limited (In Receivership)(In Liquidation)****Receipts and Payments Summary - NZ Dollar Bank Accounts  
From 22 September 2009 to 21 March 2010**

	NZ \$
<b>Opening Cash as at 22 September 2009</b>	<b>438,727</b>
<b>Receipts</b>	
Interest received	5,973
<b>Less payments</b>	
Receivers fees and disbursements	(10,009)
GST	<u>(1,252)</u>
<b>Balance as at 21 March 2010</b>	<b>NZ \$ <u><u>433,439</u></u></b>

**EXFTX Limited (In Receivership)(In Liquidation)**

**Receipts and Payments Summary - Australian Dollar Bank Account  
From 22 September 2009 to 21 March 2010**

	AU \$
Opening cash as at 22 September 2009	517,629
Payments	Nil
Balance as at 21 March 2010	AU \$ <u><u>517,629</u></u>