

PARTNERS

John T Whittfield Dip.Ag. M Inst.D
Peri M Finnigan BBS, Dip.Business Studies, CA (PP)
Boris van Delden B.Com, CA (PP)

SENIOR ASSOCIATES

Dennis Wood MBA, Dip.Pol, Dip.Bus.Admin
Victoria Toon B.Com, CA (PP)

DIRECTOR

Kevin W Bromwich NZ Dip.Bus

CONSULTANTS

Graeme G McDonald B.Com, FCA
John L Vague FCA ACIS AFNZIM



MCDONALD VAGUE

Business Recovery & Insolvency Specialists

LIQUIDATORS REPORT

**EXFTX LIMITED
(IN RECEIVERSHIP & IN LIQUIDATION)
("Feltex")**

Level 5 DDB Building
80 Greys Ave
PO Box 6092
Wellesley St Post Office
Auckland New Zealand

Telephone 0-9-303 0506
Facsimile 0-9-303 0508
DX No. CP28006
insol@mvp.co.nz
www.mvp.co.nz

(This company changed its name from that of Feltex Carpets Limited on 1 December 2006)

1. APPOINTMENT

Pursuant to an order of the High Court at Auckland dated the 13th day of December 2006, John Trevor Whittfield, Peri Micaela Finnigan and John Lawrence Vague, Insolvency Practitioners of Auckland, were appointed jointly and severally as liquidators. The liquidation commenced at 3:55 p.m. on the 13th day of December 2006.

2. INTRODUCTION

2.1 Appointment of Receivers

On 22 September 2006, Kerryn Mark Downey, Colin McIntosh Nicol and Peter McKenzie Anderson were appointed Receivers and Managers of Feltex by the ANZ National Bank ("ANZ") 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.

2.2 Events Leading up to Receivership

The appointment of Receivers and Managers followed a 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 or merger of Feltex prior to receivership did not reach a satisfactory conclusion. The failure to secure a recapitalisation or sale, or merger, coupled with Feltex's substantial losses and mounting cash requirements led to the appointment of the Receivers and Managers.

2.3 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.

A subsidiary of Godfrey Hirst Australia Pty Limited ("Godfrey Hirst") purchased the business and assets of Feltex Australia Pty Limited. The sale of Feltex Australia Pty Limited's business and business assets was completed in November 2006. The sale process did not produce sufficient funds to clear the amount owing to the ANZ. The ANZ will rank as an unsecured creditor in respect to the shortfall. The amount of the shortfall has yet to be ascertained and we are actively investigating the ANZ loan and security position.

3. BACKGROUND OF COMPANY STRUCTURE

Founded:	Sydney, Australia (1921)	
Date of Incorporation of New Zealand Company:	25 September 1996	
Public Company:	NZX: FTX	
Date Company Ceased Trading:	November 2006 (date of sale to Godfrey Hirst)	
Type of Business:	Carpet Manufacturer	
Headquarters:	Tottenham, Melbourne, Australia	
Trading Address:	Operations were run from: Kakariki Wool Scouring (Marton); Dannevirke Dyehouse Spinning Plant; Lower Hutt Spinning Plant; Christchurch Woven Plant; Foxton Tufting Plant; Feilding Yarn Plant; Wellington Sales; Auckland Sales.	
Previous Names / Trading Name:	Feltex Carpets Limited	
Share Capital:	149,411,870 shares	
Shareholders:	At least 8,800 shareholders	
Immediate Former Directors: (refer Paragraph 4)	John Michael Feeney	(Australia)
	Peter Thomas	(Australia)
	John Carlaw Hagen	(New Zealand)
	Peter David Hunter	(New Zealand)
	Timothy Ernest Corbett Saunders	(New Zealand)
Associated Australian Companies:	Feltex Australia Holdings Pty Limited Feltex Australia Pty Limited	
Other Relevant Information:	Administrators and Receivers/Managers appointed to both Australian companies.	

Messrs Simon Wallace-Smith and Timothy Bryce Norman of Deloitte were appointed joint and several administrators on 21 September 2006, pursuant to a resolution passed by the companies' directors pursuant to section 436A of the Corporations Act 2001 ("the Act").

At separate meetings of each company's creditors convened on 28 September 2006 Messrs Wallace-Smith and Norman stepped down from the office of joint and several administrators. Mr Michael James Humphries and Mr Laurence Andrew Fitzgerald were appointed joint and several administrators of the companies, pursuant to resolutions passed by creditors in accordance with section 436E(4) of the Australian Corporate Act 2001. The Australian companies are also now in liquidation.

4. STATUS OF DIRECTORS

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

5. EVENTS LEADING TO APPOINTMENT OF LIQUIDATORS

Notice was served on the company by an originating application under section 154 of the Companies Act 1993 to appoint a director to the company by Mr Gavigan prior to the application to wind up the company. Mr Gavigan purports to represent a significant number of shareholders. He also opposed the liquidation of the company.

The court rejected Mr Gavigan's position. We are told that he has in late January 2007 lodged an appeal. We intend to oppose that appeal and proceed with the liquidation meantime.

6. DISCLAIMER

The Liquidators do not accept any responsibility or liability for any errors, omissions or misinformation contained in this report. The liquidators 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.

7. STATEMENT OF AFFAIRS

We **attach** the Receivers statement of the company's affairs. This document is reproduced from information contained in the Receivers' report. The liquidators have not yet received full information on the sale or details of payments to the bank. The Liquidators are not yet able to express an opinion on the validity of the statement of affairs which was prepared prior to the sale of business.

The Statement of Affairs must be read in conjunction with Note 3 which details the amount owing to ANZ under cross guarantee.

8. PROPOSALS FOR CONDUCTING THE LIQUIDATION

- 8.1 The liquidators are in the process of recovering the books and records, and legal files of the company. A significant amount of records have already been recovered. A large number of records are located in Australia.
- 8.2 The liquidators will examine the books and records to ensure all assets have been properly accounted for. The Godfrey Hirst offer was accepted by the Receivers for all of the assets and business of Feltex in New Zealand, Australia and the USA on 3 October 2006. Settlement of the sale to Godfrey Hirst took place on 28 November 2006.
- 8.3 The Liquidators have commenced an investigation into the affairs of the company and will do all those things that would be expected of liquidators. We are focusing clearly on the position of the secured lender at present. Investigation by the liquidators may reveal courses of action which could be taken by the liquidators to recover moneys for shareholders and/or creditors.
- 8.4 As a matter of routine the Liquidators have a duty to examine the following matters:-
- Whether all physical assets have been properly accounted for
 - Voidable preference and voidable charges
 - Transactions at under value or over value
 - Breach of Directors duties
 - Proper disclosure in respect of such matters as – Prospectus, Bond Issue – Related party transactions
 - Validity of documentation such as solvency certificates
- 8.5 We are also actively pursuing funding options for the liquidation. There are a number of options to consider.

9. CREDITORS CLAIMS

Personal Property Securities Act / Reservation of Title

Should any creditor believe that they have registered a Purchase Money Security Interest (PMSI) on the Personal Property Securities Register (PPSR) over any goods, or proceeds from realisation of goods, they should contact the Receivers who are attending to these matters.

Receivers' address:

C/- McGrath Nicol + Partners
 Level 2, 18 Viaduct Harbour Avenue
 PO Box 91644
 AUCKLAND 1030

Creditors Claim Forms

We have previously supplied a claim form to known creditors, which we have requested be returned to this office by Friday, the 16th day of February 2007. Without any obligation to do so, we are prepared to extend this date to 3 March 2007. If you have misplaced the form please contact this office or print a copy from our website www.mvp.co.nz (refer reports/forms). If you have lodged a confirmation of amount owing form with the Receivers with attached invoices, we will copy these documents to our files and will not require a further claim to be lodged.

If you believe that you are a secured creditor please contact this office and the appropriate forms will be sent to you.

Please ensure you provide your email address for future communication.

9.1 Preferential Creditors

Initial estimates of the amounts owing to preferential creditors as at the date of receivership are set out below. These amounts are subject to verification and are not yet finalised:

	NZ\$
Employee Claims - Holiday Pay and Redundancy	5,427,459
Inland Revenue Department - PAYE	599,236
Inland Revenue Department - GST Refund Due	(89,343)
Customs	120,958
	<hr/>
Total	NZ\$6,058,320
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The Receivers have advised they have paid preferential creditors in full.

9.2 Amounts Due to the General Securityholders

The company was served with a demand from Australia and New Zealand Banking Group Limited and ANZ dated 20 September 2006 for AUD\$119.5 Million (plus ongoing interest). The bank has incurred a significant shortfall. The shortfall has not yet been determined. We are actively investigating loan and security matters.

10. ESTIMATED DATE OF COMPLETION OF LIQUIDATION

It is too early yet to estimate a date of completion for this liquidation.

11. CREDITORS MEETING

After having regard to the assets and liabilities of the company and the likely result of the liquidation, it is proposed to dispense with a formal meeting of creditors pursuant to sections 243, 244 and section 314 of the Companies Act 1993.

We intend to form an informal committee comprising three shareholder representatives and three creditors.

You are advised that should you desire a meeting pursuant to section 243 of the Companies Act 1993, notice in writing is required within 10 working days of receiving this notice.

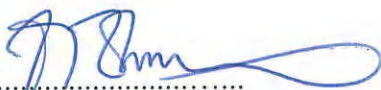
Should a formal meeting be required to be held, the notice of meeting for the purpose of creditors and shareholders to express their views and to appoint a liquidation committee will be provided on our website. We will also **attach** voting letters, proxies and claim forms on the website rather than send forms to all creditors. This action is being taken to reduce costs.

12. WEBSITE www.mvp.co.nz

Whilst we do not intend to hold a creditors meeting, we do invite creditors and shareholders to communicate information to us. Please use our website to see regular updates of the progress of the liquidation and for costs.

Creditors are advised that this report and all subsequent reports will be available on the liquidator's website. The liquidators will provide a regular bulletin updating creditors with current progress in actions taken. This bulletin will be lodged on the website to reduce costs. Please send us your email address if you would like further reports sent to you.

Enquiries to: John Whittfield
Phone: 0-9-303 9517 (direct dial)
Peri Finnigan
Phone: 0-9-303 9519 (direct dial)
Email: pfinnigan@mvp.co.nz



.....
JOHN T WHITTFIELD
LIQUIDATOR

DATED this *12* day of February 2007

Extract from Receivers' Report
EXFTX LIMITED (IN RECEIVERSHIP)
(This company traded as Feltex Carpets Limited)

Statement of Affairs of the above named company as at 22 September 2006 (being the date of Receivership) showing assets at estimated realisable values and liabilities expected to rank.

	Book Value	Estimated To Realise
ASSETS NOT SPECIFICALLY PLEDGED	NZ\$000	NZ\$000
Cash and Cash Equivalents	166	
Trade Receivables	15,631	
Other Receivables and Prepayments	1,143	
Inventories (Note 1)	19,794	
Derivatives	364	
Deferred Income Tax Asset	3,808	
Intercompany Loans	15,132	
Property, Plant and Equipment	33,913	
TOTAL ASSETS		89,951
LIABILITIES		
Trade and Other Payables (Note 2)	10,166	
Trade Bills	20,255	
Interest Bearing Loans and Borrowings (Note 3)	19,751	
Provisions	5,925	
Deferred Income Tax Liabilities	2,106	
TOTAL LIABILITIES		58,203
TOTAL NET ASSETS		\$31,748
REPRESENTED BY EQUITY		
Issued Capital	70,800	
Share Option Equity	853	
Reserves	(147)	
Retained Earnings (Deficit)	(39,758)	
TOTAL EQUITY		\$31,748

IMPORTANT NOTE AND DISCLAIMER:

The above schedule has been prepared based on information obtained from the company. This information has not been verified. The Receivers have not carried out an audit of the information supplied and do not accept any responsibility for the accuracy of the information. The Receivers do not accept any responsibility on any ground whatever, including liability in negligence, to any other person. We note that the liabilities of the company reflected in the schedule exclude certain amounts due in respect of employee redundancy entitlements and amounts due to the Australia and New Zealand Banking Group Limited and ANZ National Bank Limited, the General Security Agreement holders. We comment further on these items overleaf.

Notes:

1. Certain suppliers have registered security interests on the Personal Properties Securities Register which may rank in priority to the General Security Agreement holders. The Receivers and Managers are assessing these claims.
2. Employee redundancy entitlements are not accrued in the Statement of Financial Position.
3. The company has a liability under the cross guarantee financing arrangements for the full amount due to the Australian and New Zealand Banking Group Limited and ANZ National Bank Limited to AUD\$119.5M plus interest.

IN THE MATTER of The Companies Act 1993

and

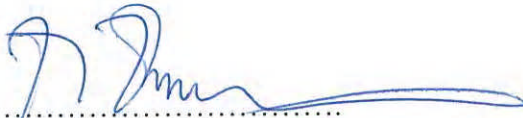
IN THE MATTER of EXFTX LIMITED

(IN RECEIVERSHIP & IN LIQUIDATION)

(This company traded as Feltex Carpets Limited)

NOTICE TO CREDITORS TO PROVE DEBTS OR CLAIMS

Notice is hereby given that the undersigned, the Liquidator of EXFTX Limited (In Receivership & In Liquidation), does hereby fix Friday, the 16th day of February 2007*, as the day on or before which the creditors of the Company are to make their claims, and to establish any priority their claims may have under Section 312 of The Companies Act 1993, or to be excluded from the benefit of any distribution made before such claim is made.



.....
JOHN T WHITTFIELD
LIQUIDATOR

DATED this 12 day of February 2007

ADDRESS OF LIQUIDATOR

McDonald Vague
Insolvency Specialists
Level 5, 80 Greys Avenue
P.O. Box 6092
Wellesley Street Post Office
AUCKLAND

Telephone: 0-9-303 0506

Facsimile: 0-9-303 0508

Website: www.mvp.co.nz

* this date has been extended to 3 March 2007

DATE OF LIQUIDATION: 13 December 2006



McDONALD VAGUE
Insolvency & Recovery Specialists
PO Box 6092 Wellesley St PO Auckland New Zealand
Telephone 0-9-303 0506 Facsimile 0-9-303 0508

UNSECURED CREDITOR'S CLAIM
(Also for use by Preferential Creditors)

SECTION 304(1) COMPANIES ACT 1993
(For help see www.mvp.co.nz or email claims@mvp.co.nz)

NAME AND POSTAL ADDRESS OF CREDITOR IN FULL

* Any personal information collected is for the purpose of administering the liquidation in accordance with the Companies Act 1993.

The information will be used and retained by the liquidators and McDonald Vague and will be released to other parties only with your authorisation or in compliance with the Privacy Act 1993.

Under Section 304(1) of the Companies Act 1993 any claim by an unsecured creditor against a company in liquidation must be in this prescribed form and must –
(a) Contain full particulars of the claim; and
(b) Identify any documents that evidence or substantiate the claim.

You may have access to and request correction of any personal information.

(*Not applicable, if creditor is not an individual within the meaning of the Privacy Act 1993.)

Telephone Numbers: ()

()

E-Mail

My Reference is:
(if applicable)

NAME OF COMPANY IN LIQUIDATION:

(IN LIQUIDATION)

(If claim is made on behalf of creditor, specify relationship to creditor and authority)

claim that the company was at the date it was put into liquidation indebted to the abovenamed creditor for the sum of (Amount in words)

STATUS OF CLAIM:

1. I am an unsecured creditor for
(Also applicable to secured creditors who hereby surrender their security)

\$

2. I am a preferential creditor for
(Refer details on reverse)

\$

3. My total claim is for
(State currency if other than \$NZ)

Other
Currency

NZ \$

4. I have claimed retention/reservation of title rights pursuant to rights held by me and/or I have a security interest which is registered on the Personal Property Securities Register

Tick if Applicable
(Refer details on reverse)

Full particulars of the claim are set out, and any supporting documents that substantiate the claim, are identified on the reverse of this form.

(The liquidator may require the production of a document under Section 304(2) of the Companies Act 1993. You are **not required to attach any supporting documents** at this stage, but you may attach them now, if you think it would expedite the processing of the claim.)

SIGNED:

Date: / /

WARNING —

It is an offence under Section 304(6) of the Companies Act 1993 to –
Make or authorise the making of, a claim that is false or misleading in a material particular knowing it to be false or misleading; or
Omit, or authorise the omission from a claim of any matter knowing that the omission makes the claim false or misleading in a material particular.

Received
(Date Stamp)

RESERVED FOR OFFICE USE:

Claim admitted/rejected for voting purposes:
(Delete one)

Signed:

Date: / /

CLAIM REJECTED FOR PAYMENT:

Preferential Claim for:

Ordinary Claim for:

\$

\$

or
CLAIM ADMITTED FOR PAYMENT:

Preferential Claim for:

Ordinary Claim for:

\$

\$

Signed
Liquidator:

Dated: / /

Note: If the decision to admit or reject a claim is amended, regulation 8 of the Companies Act 1993 Liquidation Regulations 1994 requires that it be recorded in writing.





PARTICULARS OF CLAIM

MCDONALD VAGUE
 Insolvency & Recovery Specialists
 PO Box 6092 Wellesley St PO Auckland New Zealand
 Telephone 0-9-303 0506 Facsimile 0-9-303 0508

If the creditor owes money to the company, please give full details.

Date	Details of Claim and Identification of Documents that Evidence or Substantiate the Claim	Amount \$

RETENTION OF TITLE CLAIMANTS ONLY (Romalpa Claims)

Please provide details of the basis of the retention of title claim filed by you and/or details of entry on Personal Property Securities Register.

PREFERENTIAL CLAIMANTS ONLY

Guideline

The Seventh Schedule of the Companies Act 1993 sets out those claims which are regarded as preferential and shows their extent and order of priority. For example, wages, salary and redundancy of any employee in respect of services rendered to the company during the four months preceding the commencement of liquidation is preferential AND the total sum to which priority is to be given in the case of any one employee for wages, holiday pay, deductions and child support must not exceed \$15,000 or such greater amount as is prescribed at the commencement of the liquidation.

1. Why do you believe you are a preferential creditor?
(eg. employee, GST, etc) _____
2. Details of your claim: _____

If applicable please record here your GST Registration number: _____

and total GST included in your claim: \$ _____