

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 third 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. Proposals for realisation of other property/assets

In our first report we advised that all of the business and assets of Feltex had been sold to Godfrey Hirst, subject only to certain regulatory approvals in the case of two blocks of land in the Manawatu. Regulatory approval was subsequently obtained for both blocks of land.

7. 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.

In the first six month period to 21 March 2007, the Receivers of the New Zealand entity made repayments amounting to A\$48.9 million and the Receivers of the Australian companies under the cross guarantees, repaid A\$52.9 million.

In the second six month period to 21 September 2007, the Receivers of the New Zealand entity have made repayments amounting to A\$0.3 million and the Receivers of the Australian companies under the cross guarantees, have repaid A\$3.4 million.

Accordingly, the remaining balance due to the General Security Agreement holder as at 21 September 2007 was A\$14 million, plus accrued interest.

8. Preferential creditors

The Receivers have settled all preferential claims in full.

9. 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.

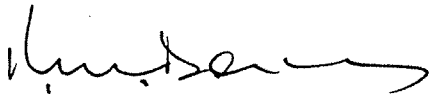
It is the Liquidators duty to deal with the claims of unsecured creditors and investigate the events leading up to date of the appointment of the Receivers and Managers.

10. Receipts and payments

We attach a summary of the receipts and payments for the six month period 22 March 2007 to 21 September 2007 – refer to Appendices 1 (a) and (b).

11. 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

8 November 2007

EXFTX Limited (In Receivership)(In Liquidation)**Receipts and Payments Summary - NZ Dollar Bank Accounts
From 22 March 2007 to 21 September 2007**

	NZ \$
Opening Cash as at 22 March 2007	935,638
Receipts	
Interest received	39,026
GST refunds	194,920
Transfer from Receivers AU\$ bank account	<u>202,214</u>
<i>Total receipts</i>	436,160
Payments	
Plant overheads	45,900
Telephone, fax and communication costs	37,494
Receivers fees	218,815
Legal fees	35,440
Net refund due to Godfrey Hirst	59,447
<i>Total payments</i>	<u>397,096</u>
Balance as at 21 September 2007	NZ \$ <u>974,702</u>

EXFTX Limited (In Receivership)(In Liquidation)**Receipts and Payments Summary - Australian Dollar Bank Account
From 22 March 2007 to 21 September 2007**

	AU \$
Opening cash as at 22 March 2007	1,000,000
Payments	
Repayments to General Security Agreement holders	300,000
Funds transferred to Receivers NZ\$ bank account	<u>182,371</u>
<i>Total payments</i>	<u>482,371</u>
Balance as at 21 September 2007	AU \$ <u>517,629</u>