

**24 SEPTEMBER 2006  
NZX ANNOUNCEMENT AND MEDIA RELEASE**

**Feltex Carpets Limited (Receivers and Managers Appointed) (“Feltex”)  
Receivership update**

McGrathNicol+Partners wish to provide an update on the receivership of Feltex.

Pleasing progress has been made in maintaining normal production and trading operations. It is “business as usual”. Colin Nicol, Receiver and Manager, said:

**Staff**

- The Receivers and Managers (“Receivers”) have obtained the cooperation and support of Feltex’s employees. Employees have been briefed on the Receivers’ plans, which are to maintain business continuity and to complete a going concern sale or recapitalisation of Feltex.
- The Receivers are committed to maintaining the confidence of employees in their ongoing employment under their current terms and conditions.
- A process to keep unions and employees informed and involved has been established. We wish to thank employees and their unions for their commitment during this difficult process. We are committed to doing our best to secure their long-term future.

**Suppliers**

- The support of key suppliers has also been established. Goods and services purchased by the Receivers are assured of payment. The uncertainty which has affected Feltex’s supply chain in recent months has now been eliminated.

**Customers**

- The support of key customers is being reinforced. Arrangements are being put in place to assure customers of warranty support.

**Going concern sale**

- The Receivers are actively pursuing a sale or recapitalisation of Feltex as a going concern.
- We have received formal expressions of interest from the Turner consortium and from Godfrey Hirst. Both of those parties have been invited to submit binding

offers to acquire or recapitalise Feltex. We have also received enquiries from other parties.

- McGrathNicol+Partners anticipate that Feltex will be sold or recapitalised as a going concern. We do not foresee the break up or liquidation of the business. It is anticipated that strong new owners will be in place from November. Feltex's strong brands and quality are highly sought after.

#### **Feltex board**

- A new chain of command has been established in management. The Board of Directors no longer has authority to control the business. Peter Thomas is no longer the CEO. Financial reporting and control is under the supervision of the Receivers.
- We note that recent efforts to secure a sale or recapitalisation made significant progress but did not reach a satisfactory conclusion. The failure to secure a sale or recapitalisation, coupled with Feltex's substantial losses and mounting cash requirements, led to our appointment.
- It is clear from the documentation we have reviewed that it was not possible to secure a sale or recapitalisation except on terms which would have required a significant debt write-off by the ANZ bank. This does not appear to have been disclosed by Feltex.
- We note that some of the proposals received by Feltex which we have examined carried high risk of non-completion, lacked enforceable financial commitments from key stakeholders, and/or involved proposals with adverse legal or reputation risks.

The Receivers are focusing on maintaining stable business operations and underpinning the long-term future for Feltex and its employees, suppliers and customers. There are excellent prospects for a successful conclusion.

We shall keep stakeholders informed of our progress during the conduct of the Receivership and wish to thank Feltex's employees, unions, suppliers and customers for their support.

#### **All media enquiries should be directed to:**

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