

9 October 2006
NZX ANNOUNCEMENT AND MEDIA RELEASE

Feltex Carpets Limited (In receivership) ("Feltex")
Receivership update

The Receivers and Managers of Feltex ("Receivers") wish to provide the following update.

Progress towards sale of business

Satisfactory progress is being made in completing the sale of Feltex's business to the Godfrey Hirst group. The anticipated handover date remains early November. Good working relations have been established with Godfrey Hirst's management to prepare for the handover, and Godfrey Hirst's support with customers and suppliers has been most helpful.

Christchurch Plant

The Receivers and Managers of Feltex ("Receivers") today announced that Godfrey Hirst has advised it will not offer re-employment to approximately 134 employees at Feltex's Christchurch plant. This plant produces speciality woven carpets.

Godfrey Hirst had previously advised it intended to offer employment to staff such that approximately 70 employees would be made redundant at this plant.

Up-to-date information about this plant's profitability and prospects has resulted in Godfrey Hirst's re-assessment of this plant's viability. Godfrey Hirst believes it is not able to profitably compete with international competitors, which are predominantly based in Asia.

The Receivers understand that over the last 12 months Feltex had been exploring the options for the future of the Christchurch plant, including a possible sale of the plant and equipment to a Chinese woven carpet manufacturer.

The Receivers greatly regret the necessity for further redundancies. These redundancies will take effect at or around the time of handover to Godfrey Hirst, which is currently scheduled for 3 November 2006. The Receivers will be consulting with the unions and are putting in place appropriate support services for the staff impacted by the redundancies. All statutory employee entitlements will be paid at that time.

Assurances have been obtained from Godfrey Hirst that jobs will be offered to all Feltex employees at the remaining sites in Foxton, Feilding, Dannevirke, Lower Hutt/Wellington and Newmarket.

Godfrey Hirst has also advised of employment opportunities for approximately 20 of Feltex's Christchurch employees at its Canterbury spinning unit together with some vacancies at their Napier scour.

Australian raw material supply

The Receivers have established satisfactory supply arrangements where required except in the case of one yarn supplier, Honeywell. That supplier has withheld supply to both Feltex

and Godfrey Hirst in Australia. To date this has not interrupted Feltex's Australian production but it is possible temporary stand-downs may be required while alternative arrangements are made. Godfrey Hirst is assisting Feltex in resolving this issue, including substitution of factory inputs. This issue is not expected to disrupt the sale of the business. Feltex's Australian unions have been kept fully informed.

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