

The Administrative Receiver's Report

S.48(1)

Pursuant to Section 48(1) of the Insolvency Act 1986 and Rule 3.8(3) of the Insolvency Rules 1986

To the Registrar of Companies

For official use

Company Number

00924669

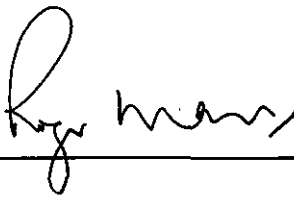
Name of Company

Insert full name of company

Carpets International (UK) Limited

We Roger Marsh, Steve A Ellis, Garth A Calow
of PricewaterhouseCoopers LLP,
9 Bond Court, Leeds, LS1 2SN


administrative receivers of the company attach a copy of our report to creditors and a copy of the statement of affairs of the company.

Signed  Dated 5.11.2003

Presentor's name
address and reference
(if any)

Vanessa Powell
PricewaterhouseCoopers LLP
9 Bond Court
Leeds
LS1 2SN

For Official use
Receivers Section Post Room



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COMPANIES HOUSE 07/11/03

PricewaterhouseCoopers LLP
9 Bond Court
Leeds LS1 2SN
Telephone +44 (0) 113 289 4000
Facsimile +44 (0) 113 289 4460
Direct Phone +44 (0) 113 289 4955
Direct Fax +44 (0) 113 289 4580

To All Known Creditors

When telephoning please ask for Vanessa Powell on 0113 289 4955

31 October 2003

Our ref: VJP/Carpets/Creditors/101003

Dear Sirs

Carpets International (UK) Limited and Carpet Holdings Limited - both in administrative receivership ("the Companies")

Following my letter dated 4 September 2003, I write to inform you that as joint administrative receiver I am required to prepare a report on the conduct of the receivership and call a meeting of the Companies creditors at which the report will be presented. It contains all of the information that I must give to creditors under the provisions of Section 48 of the Insolvency Act 1986. A copy of the report is enclosed for your information.

A notice for a meeting of the Companies creditors, to be held on 19 November 2003, is enclosed. The purpose of this meeting is to receive the joint administrative receivers' report and, if the creditors wish, to appoint a creditors committee for each Company. The meeting is not convened to appoint a liquidator and creditors are not entitled to question the directors, who are not required to attend.

Creditors wishing to vote at the meeting must complete and lodge with me the enclosed proxy form, unless they are individuals attending the meeting personally or are companies authorising a representative under Section 375 of the Companies Act 1985.

All creditors who wish to vote at the meeting whether in person, by proxy, or in some other way, must give details of their claim against the Company before noon on the last working day before the meeting. A secured creditor is entitled to vote only in respect of the balance (if any) of their debt after deducting the value of their security as estimated by them.

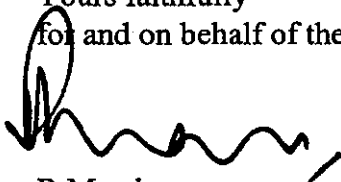
Creditors whose claims include VAT may be able to obtain VAT bad debt relief six months after the taxable supply. If you are not familiar with the procedure you should contact your local VAT office.

PricewaterhouseCoopers LLP is the successor partnership to the UK firms of Price Waterhouse and Coopers & Lybrand. The principal place of business of PricewaterhouseCoopers LLP and its associate partnerships, and of Coopers & Lybrand, is 1 Embankment Place, London WC2N 6RH. The principal place of business of Price Waterhouse is Southwark Towers, 32 London Bridge Street, London SE1 9SY. Lists of the partners' names are available for inspection at those places.

All partners in the associate partnerships are authorised to conduct business as agents of, and all contracts for services to clients are with, PricewaterhouseCoopers LLP. PricewaterhouseCoopers LLP is authorised by the Financial Services Authority for investment business activities.

Under the insolvency legislation, the joint administrative receivers have a duty to consider the conduct of those who have been directors of either Company at any time in the three years preceding the date of our appointment. If there is anything that you feel I should be aware of, please provide me with the details to the above address. This is part of our usual procedures and does not imply any criticism of the directors' conduct.

Yours faithfully
for and on behalf of the Companies



R Marsh
Joint Administrative Receiver

Enclosures: Section 48 report
Notice of meeting
Proxy form
Statement of claim form

Roger Marsh, Steve A Ellis and Garth Calow have been appointed as joint administrative receivers of the Companies. Roger Marsh and Steve Ellis are licensed to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. Garth Calow is licensed to act as an insolvency practitioner by the Institute of Chartered Accountants in Ireland.

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Facsimile +44 (0) 113 289 4460
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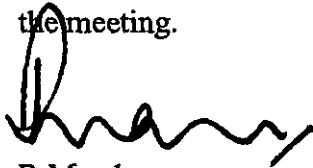
Notice to Creditors

When telephoning please ask for Vanessa Powell on 0113 289 4955

Carpets International (UK) Limited & Carpet Holdings Limited – both in administrative receivership (“the Companies”)

A meeting of the creditors of the Companies is to be held at The Queens Hotel, City Square, Leeds LS1 1PL at 12.00pm on 19 November 2003 under the provisions of section 48 of the Insolvency Act 1986. The purpose of this meeting is to receive the report of the receivers and, if the creditors wish to do so, to appoint a creditors’ committee for each company.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting.



R Marsh
Joint Administrative Receiver

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To all known creditors

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31 October 2003

Our ref: VJP/SB/Carpets/S48/101003

Dear Sir/Madam

**Carpets International (UK) Limited ("CIL") & Carpet Holdings Limited ("CHL")
– both in administrative receivership ("the Group")**

Introduction

- 1 We set out below our report pursuant to Section 48 of the Insolvency Act 1986.

Statutory information

- 2 The statutory information in relation to the Companies, as shown at Companies House, is provided in Appendix A.

Brief history

- 3 CIL and CHL were incorporated on 15 December 1967 and 3 February 1998, respectively. In 1998, CIL was subject to a management buy-out from Shaws Industries Inc through CHL which became the holding company for the trading company CIL.
- 4 The Group's activities included the manufacture of tufted carpets, polypropylene fibre extrusion and the processing of bulked continuous filament nylon and spun polyester yarns for use in tufted carpet manufacture. It was the UK's largest

To all known creditors
31 October 2003

manufacturer of tufted carpets with its head office based at 4 Coop Place, Rooley Lane, Bradford BD5 6QW.

- 5 CIL had four manufacturing facilities within the UK; Hartlepool, Newbridge (Wales), Donaghadee (Northern Ireland) and Killinchy (Northern Ireland). The Hartlepool and Killinchy sites were principally engaged in processing raw materials for use in Donaghadee. The company also controlled and operated its distribution activities from a warehouse in Hull.
- 6 In each year since 1998 CIL's sales declined, the directors attributing this to:
 - Over-capacity in the industry;
 - The increased popularity of new hard floor coverings;
 - Competition from overseas suppliers; and
 - The strength of sterling
- 7 This decline continued in 2003 and resulted in a loss before interest and tax of £1.45m per the management accounts for the six months ending 30 June 2003.

Events leading up to our appointments

- 8 The declining carpet sales and losses referred to above led to increasing cash pressure on the Group. A cashflow forecast prepared by management in early August 2003 indicated that the Group would breach its existing facility during August and that additional funding of c£2.5m would be required in early September.
- 9 As a consequence of this funding shortfall PricewaterhouseCoopers were requested to carry out a review of the Group's financial position and future prospects. This review confirmed management's view of the funding requirement. In circumstances where neither the Group's shareholders or its working capital funder, Burdale Financial Limited ("Burdale"), were prepared to provide additional finance, the directors concluded they had no option but to request that Burdale appoint Joint Administrative Receivers to the Group.
- 10 As a consequence, on 20 August 2003, Stephen Ellis, Garth Calow and I were appointed joint administrative receivers ("the receivers") of both CHL and CIL under powers contained in a debenture dated 6 December 2002.

Events since the appointment of the receivers

- 11 Following appointment the receivers' staff attended all of the Group's operating sites to gain control of the business. Contemporaneously we reviewed the viability of the business and met with the key stakeholders to examine whether trading could be continued.

To all known creditors
31 October 2003

- 12 This review indicated that realisations would be maximised by the receivers continuing to trade for a short period so as to allow raw materials and work in progress to be converted into finished products. This period of trading would allow the business to be preserved and create a window of opportunity in which a going concern sale could be pursued.
- 13 However, the review also indicated that the company had significant manufacturing overcapacity compared to its order book and that cost savings were required in order to sustain the business pending disposal. These cost savings involved 294 redundancies on 1 September 2003 and the closure of the Hartlepool manufacturing site.
- 14 Having stabilised the short-term trading position, the business and assets were advertised for sale and initial expressions of interest in acquiring some of the manufacturing operations were received from 45 parties. Considerable additional interest was also expressed in acquiring the carpet stocks and plant and machinery if the business was to close. Regrettably, no continuing interest emerged in the acquisition of the business of the entire Group.
- 15 Over the period, trading has been well supported by employees and customers, notwithstanding that the receivers were unable to continue cover for past and future warranties. However, further deteriorations in both the order book and sales prices led to a need for further cost reductions. As a consequence, it became necessary to close CIL's other raw material manufacturing operation at Killinchy on 29 September 2003.
- 16 Despite the initial interest expressed in the business, only one going concern offer emerged, that being for the Newbridge plant from a management led buy-out team. After prolonged negotiations, a sale of the Newbridge business, together with the associated stocks, brand names and goodwill was finally concluded on 31 October 2003. This sale to the management team which will trade as Abingdon Flooring Limited will preserve some 300 jobs in South Wales and Bradford.
- 17 There were no offers for the Donaghadee business as a going concern and effective completion of the order book led to the closure of that site on 17 October 2003. We are presently considering a number of offers for the site for re-development, although we understand a local management buy-out team is exploring whether it may be able to make an offer to re-start the business.
- 18 The receivers have continued to operate the company's distribution centre in Hull so as to realise finished goods stock. The site's operation is subject to continual review as little interest has been expressed to date in acquiring the leasehold site as a distribution centre.

To all known creditors
31 October 2003

Amounts owing to debenture holder

- 19 At the date of appointment, CIL's indebtedness to Burdale was approximately £18,132,000. This debt was secured by a guarantee granted by CHL.
- 20 It is unclear at this stage whether Burdale will be repaid in full.

Preferential creditors

- 21 The preferential claims against CIL are yet to be agreed but the joint administrative receivers estimate they might total approximately £4.8m. It is unlikely that realisations will be sufficient to allow anything other than a small dividend to be paid to the preferential creditors of CIL.
- 22 The receivers are not aware of any preferential claims against CHL.

Unsecured creditors

- 23 Based on current information the receivers are of the opinion that there is no realistic prospect of any funds becoming available with which to pay a dividend to the unsecured creditors of either CIL or CHL.

Statement of Affairs

- 24 The directors have submitted a Statement of Affairs for CIL, a copy of which is set out in Appendix B.
- 25 This statement includes the book amount of the assets and liabilities of CIL at the date of appointment, together with the directors' estimate of the value that the assets will realise in the receivership. The statement does not include any provisions for the costs of realisation, or for liens, reservation of title claims and duress exercised by creditors during the receivership.
- 26 The directors have not yet submitted a Statement of Affairs for CHL.

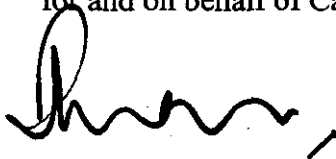
Distribution of this report

- 27 In accordance with Section 48 of the Insolvency Act 1986, a copy of this report has been sent to the Registrar of Companies and to the secured, preferential and unsecured creditors of CIL and CHL.

PRICEWATERHOUSECOOPERS

To all known creditors
31 October 2003

Yours faithfully
for and on behalf of Carpets Holdings Limited and Carpets International (UK) Limited



R Marsh
Joint Administrative Receiver

Roger Marsh, Steve A Ellis and Garth Calow have been appointed as joint administrative receivers of the Companies. Roger Marsh and Steve Ellis are licensed to act as insolvency practitioners by the Institute of Chartered Accountants in England and Wales. Garth Calow is licensed to act as an insolvency practitioner by the Institute of Chartered Accountants in Ireland.

Carpets International (UK) Limited – in administrative receivership

Statutory and other information

Registered Number: 00924669

Registered Office: PricewaterhouseCoopers LLP
9 Bond Court
Leeds
LS1 2SN

Former Registered Office: 4 Coop Place
Rooley Lane
Bradford
West Yorkshire
BD5 8XQ

Date of Incorporation: 15 December 1967

Company Secretary: Archie Wasteen Barfield (resigned 05/09/03)

Directors: James Joseph Taylor
Bart Alexander McLean (resigned 04/09/03)
Ralph Jacob Boe (resigned 10/09/03)

Trading Address: 4 Coop Place
Rooley Lane
Bradford
West Yorkshire
BD5 8XQ

Carpet Holdings Limited – in administrative receivership

Statutory and other information

Registered Number: 03503892

Registered Office: PricewaterhouseCoopers LLP
9 Bond Court
Leeds
LS1 2SN

Former Registered Office: 4 Coop Place
Rooley Lane
Bradford
West Yorkshire
BD5 8XQ

Date of Incorporation: 3 February 1998

Company Secretary: Archie Wasteen Barfield (resigned 05/09/03)

Directors: Richard Lee Cravey Jnr. (resigned 12/09/03)
Bart Alexander McLean (resigned 04/09/03)
Ralph Jacob Boe (resigned 10/09/03)

Trading Address: 4 Coop Place
Rooley Lane
Bradford
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