

The Insolvency Act 1986

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 Office Use

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Company Number

00063772

Name of Company

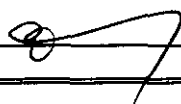
Insert full name
of company

Noxet UK Limited (formerly Texon UK Limited)

We, D K Duggins and I Best

of One Colmore Square
Birmingham
B4 6HQAdministrative 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

27/4/05

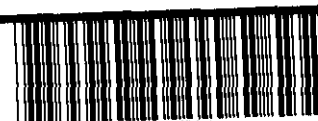
Presenter's name,
address and reference
(if any):Matt Greenhall
Ernst & Young LLP
One Colmore Square
Birmingham
B4 6HQ

Ref: DKD/DD/MG/C5.1

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Liquidation
Section

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05/05/05

**Archview Limited
USM (Holdings) Limited
Texon Group Limited
Texon International Limited
Noxet Administration Services Limited (formerly Texon
Administration Services Limited)
(All In Administrative Receivership)
Noxet UK Limited (formerly Texon UK Limited)(In Administrative Receivership
and Creditors' Voluntary Liquidation)
(together "the Companies")**

Joint Administrative Receivers' Report

**Pursuant To Section 48
Of The Insolvency Act 1986**

**Archview Limited
USM (Holdings) Limited
Texon Group Limited
Texon International Limited
Noxet Administration Services Limited (formerly Texon
Administration Services Limited)
(All In Administrative Receivership)
Noxet UK Limited (formerly Texon UK Limited)(In Administrative Receivership
and Creditors' Voluntary Liquidation)**

**D K Duggins And I Best Appointed Joint Administrative Receivers
On 8 February 2005**

Contents

Section

- 1 Introduction
- 2 Group Structure
- 3 Statutory information
- 4 History of the company
- 5 Extracts from accounts
- 6 Events leading up to the appointment of the Joint Administrative Receivers
- 7 Conduct of the receivership
- 8 Amounts due to secured creditor
- 9 Preferential creditors
- 10 Non preferential creditors
- 11 Statement of affairs
- 12 Receipts & payments accounts
- 13 Meeting of Creditors

Appendices

- 1 Group Structure
- 2 Statutory information
- 3 Extracts from accounts
- 4 Receipts & payments accounts to 15 April 2005
- 5 Statutory statement of affairs

DEFINITIONS

the Companies	Archview Limited, USM (Holdings) Limited, Texon Group Limited, Texon International Limited, Noxet Administration Services Limited (formerly Texon Administration Services Limited) and Noxet UK Limited (formerly Texon UK Limited)
the Group	The Companies and all other UK and overseas subsidiaries.
TUK	Noxet UK Limited (formerly Texon UK limited)
the Bank	Barclays Bank Plc

1 INTRODUCTION

- 1.1 We, D K Duggins and I Best were appointed Joint Administrative Receivers of the Companies on 8 February 2005 under powers contained in fixed and floating charges, dated 15 November 2001, over the whole of the Companies' assets.

2 GROUP STRUCTURE

- 2.1 The Group's structure prior to the appointment of Administrative Receiver's is given in Appendix 1.

3 STATUTORY INFORMATION

- 3.1 Statutory information is set out in Appendix 2.

4 HISTORY OF THE GROUP

- 4.1 Until the 1990's the Companies were principally involved in the manufacture and sale of machinery for shoe production. During the 1990's, TUK (the company which holds the UK trading business and assets) acquired businesses involved in manufacturing and distributing shoe materials/components.
- 4.2 In 1997 there was a demerger of the shoe machinery and shoe materials businesses. The Group retained the materials side, with UK manufacturing concentrated in Leicester and Skelton. This materials business concentrated on the manufacture and worldwide distribution of shoe components under the Texon brand name.
- 4.3 The Companies owned a controlling interest in 29 overseas subsidiaries involved in both the manufacture and distribution of shoe components, with the Leicester office acting as the global headquarters. Annual global turnover had been in excess of £100 million per annum.
- 4.4 Following the demerger, TUK sold and leased back a substantial property in Ross Walk, Leicester, in order to fund working capital requirements. This transaction resulted in TUK having a £1 million per annum rental cost.
- 4.5 With the transfer of manufacturing operations to Skelton and the Far East, additional working capital was required by the Group. In 2001 the Texon Group put in place new banking facilities with Barclays Bank Plc including a EUR51.9 million term loan. The security package offered against these banking facilities was supported by debentures, over all of the Companies' assets, and was further supplemented by cross guarantees between the Companies.

- 4.6 In late 2002 the Group's then parent company underwent a major restructuring. This involved a corporate voluntary arrangement of the parent company and the injection of funds via a new holding company, Texon Holdings Ltd. Simultaneously a group wide operational review commenced which uncovered accounting irregularities in TUK and led, in 2003, to the downsizing of the Skelton operations of TUK, to reflect the falling sales volumes. The accounting problems and restructuring activities resulted in the Group reporting a £50m loss in its 2002 accounts.

5 EXTRACTS FROM ACCOUNTS

- 5.1 Recent financial information is set out in Appendix 3.

6 EVENTS LEADING UP TO THE APPOINTMENT OF THE JOINT ADMINISTRATIVE RECEIVERS

- 6.1 Following the 2002 restructuring the Group continued to experience increased competition from new competitors in the Far East. The resultant loss of market share, coupled with the downward pressure on prices, had a further detrimental impact on the Group's profitability and working capital requirements.
- 6.2 Employees of the Companies were members of the USM Texon Pension Scheme, which was closed in 2000 and commenced winding up in March 2004. The last actuarial valuation of the scheme reported a deficit of approximately £3.5 million on a minimum funding requirement basis; on a full liability basis the deficit was estimated in excess of £10 million. During the second quarter of 2004 the pension scheme trustees presented winding up petitions against TUK, which were withdrawn after negotiations in order to give the Group time to solve their financial difficulties. The trustees of the scheme had also made an application to opt back into the State Earnings Retirement Pension Scheme (SERPS), but were only eligible to do so if TUK was in Liquidation.
- 6.3 During the second half of 2004 the Companies came under increasing creditor pressure due to the level of debts and the continued decline in Group sales. The situation was exacerbated by the ongoing costs of unemployed assets and property. Once it became clear that the group needed further funding to complete a financial restructuring and arrest the decline in trading, the Group commenced discussions with their stakeholders.
- 6.4 In early 2005 it became clear that a further winding up petition would be presented by the trustees of the USM Texon Pension Scheme, as part of the trustees' efforts to protect the interests of the members of the scheme. The impact of this would not only be the liquidation and closure of TUK's Skelton operation, but, because of the complex intergroup relationships, would also result in the insolvency of the majority of the overseas operations. In view of this the directors considered that; whilst the head office functions could be reorganised within a new company (Texon Management Ltd), the only basis on which to preserve the remaining UK jobs and the Group was through an insolvency process.

- 6.5 On 8th February 2005 Barclays Bank Plc demanded that TUK pay EUR51.9 million under its guarantee of TUK's term loan from the bank, together with substantial amounts under other banking facilities. The Companies were not in a position to meet this demand and the directors invited the bank to appoint administrative receivers.

7 CONDUCT OF THE RECEIVERSHIP

- 7.1 The business and assets of the Skelton operations were sold on the 8 February 2005, immediately following our appointment, to Texon Non Woven Limited. As part of the sale and under Transfer of Undertakings (Protection of Employment) Regulations 1981 ("TUPE"), all employees at Skelton were also transferred.
- 7.2 All arrears of wages were met by Texon Non Woven Ltd, which ensured that preferential claims in the receivership were kept to a minimum. The sale/transfers also ensured that there were no redundancies as a result of the Receivership process.
- 7.3 Texon Group's 100% share holding of Texon Management Limited, Manto De Elias S.L (Spain) and Texon Overseas were all sold immediately on our appointment on the 8 February 2005 to Texon (Newco 2) Limited. As part of the sales Texon (Newco 2) Ltd also acquired all intercompany loan balances between the various receivership companies and the remaining group. This was essential to ensure the ongoing overseas operations, which represent a substantial element of the Group's business.
- 7.4 A breakdown of the proceeds from the sale is shown below.

	£'s
Skelton Business & Assets of TUK	8,000,000
Spanish Companies Share & Loan Sale	481,740
Texon Management Share & Loan Sale	327,535
Texon Overseas Share & Loan Sale	33,646,755
	<u>42,456,030</u>

- 7.5 Due to the complex Group structure and intercompany relationships it was not considered possible to trade the business during receivership. The insolvency of the Companies would have led the overseas subsidiaries to enter the appropriate local insolvency procedure, whereby the Administrative Receivers would lose control of these operations. As the majority of the Group's value lay in these subsidiaries, any protracted insolvency would have significantly damaged the value of the Group. In order to affect a going concern sale of the UK business and overseas subsidiaries, it was essential that an immediate sale of the business and assets of the Companies was achieved on our appointment.
- 7.6 The offer received from management was supported by a professional valuation, which we have subsequently confirmed. On this basis and as discussed earlier in this report, the sale was completed on 8 February 2005.
- 7.7 On 10 March 2005 TUK was placed into Creditors' Voluntary Liquidation.

8 AMOUNTS DUE TO SECURED CREDITORS

- 8.1 The amount due by the Group to the secured creditor, Barclays Bank Plc, was £42.5 million.
- 8.2 Following the sale of the business and assets of the Companies the indebtedness to the Bank has been fully repaid.

9 PREFERENTIAL CREDITORS

- 9.1 There are no Preferential Creditors at the date of appointment, other than in TUK. These liabilities have been assumed under TUPE by Texon Non Woven Ltd.

10 NON PREFERENTIAL CREDITORS

- 10.1 We do not anticipate that there will be any funds available from the realisation of assets to enable any distribution to non preferential creditors.

11 STATEMENTS OF AFFAIRS

- 11.1 The directors have submitted sworn Statements of Affairs and copies are enclosed with this report as Appendix 5. These Statements have only recently been received from the directors and we will provide our comments on them at the meeting of creditors, details of which are given below.

12 RECEIPTS AND PAYMENTS

- 12.1 The Joint Administrative Receivers' Receipts and Payments Accounts for the period from appointment to 15 April 2005 are attached as Appendix 4.

13 MEETING OF CREDITORS

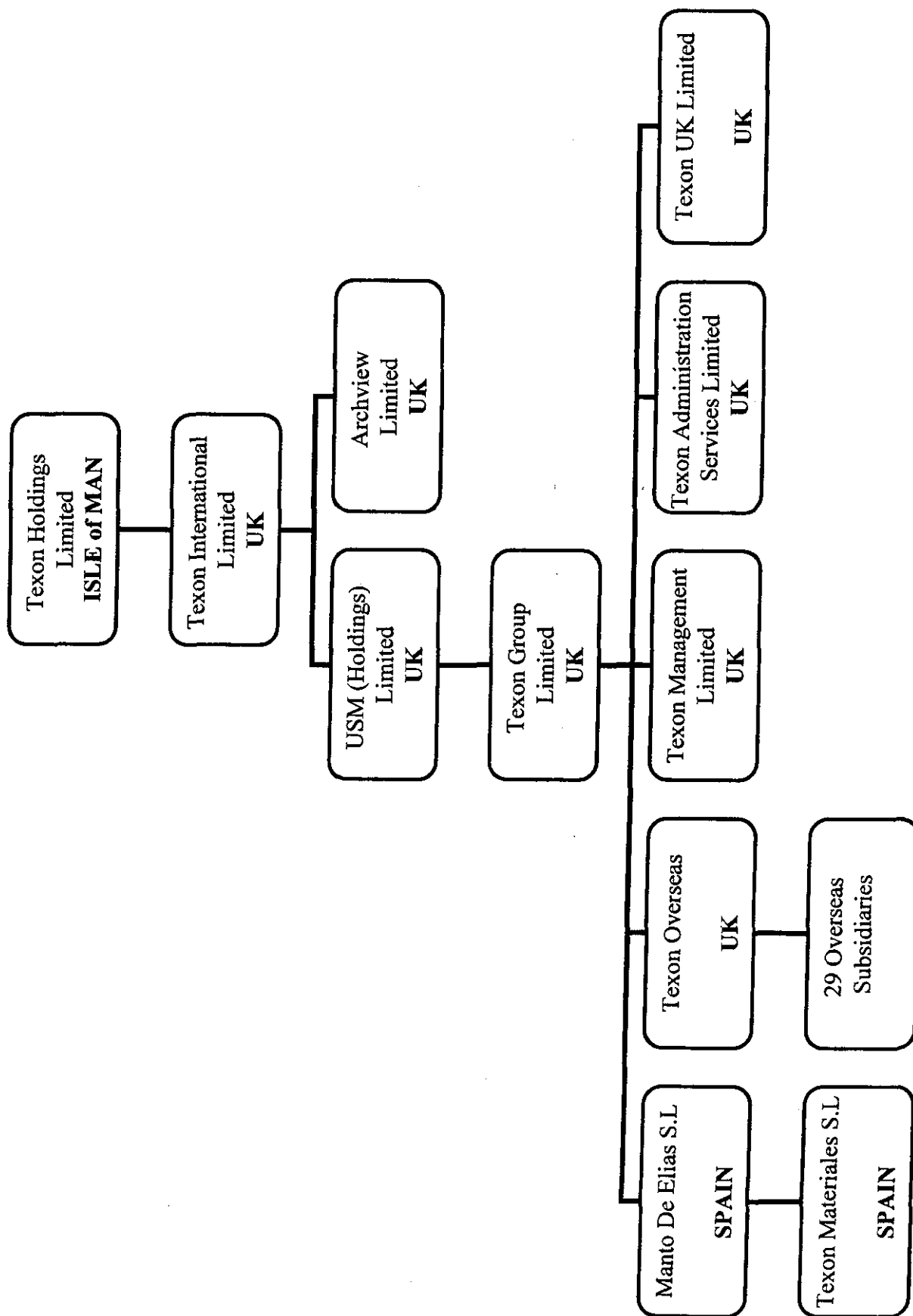
- 13.1 A meeting of creditors will be held in the Chiltern Suite at the Britannia Hotel, New Street, Birmingham B2 4RX on 6 May 2005 at 10:00am, to receive our report on the conduct of the receiverships. This report will be presented at the meeting and no further information is expected to be available. We enclose a formal notice of the meeting, together with a form of proxy.



D K Duggins
Joint Administrative Receiver
19 April 2003

Texon Group Structure

Appendix 1



**Archview Limited
(In Administrative Receivership)**

STATUTORY INFORMATION

Company Name:	Archview Limited
Company Number:	03005777
Date of Incorporation:	4 January 1995
Nature of Business:	Textile & Clothing Manufacture
Trading Address:	16a Fir Tree Lane, Groby, Leicestershire, LE6 0FH.
Registered Office:	c/o Ernst & Young LLP, One Colmore Square, Birmingham, B4 6HQ.
Directors:	Texon Administration Services Ltd
Company Secretary:	P Mattingly
Share Capital:	Authorised: 2 ordinary shares of £1 each. Called Up: 2 ordinary shares of £1 each.
Joint Administrative Receivers:	D K Duggins and I Best Ernst & young LLP, One Colmore Square, Birmingham, B4 6HQ.
Date of Appointment:	8 February 2005
Appointor:	Barclays Bank Plc
Date of Debenture:	15 November 2001

Noxet UK Limited (formerly Texon UK Limited)
(In Administrative Receivership and Creditors' Voluntary Liquidation)

STATUTORY INFORMATION

Company Name:	Noxet UK Limited
Company Number:	00063772
Date of Incorporation:	5 October 1899
Nature of Business:	Textile & Clothing Manufacture
Trading Address:	16a Fir Tree Lane, Groby, Leicestershire, LE6 0FH.
Registered Office:	c/o Ernst & Young LLP, One Colmore Square, Birmingham, B4 6HQ.
Directors:	Texon Administration Services Limited
Company Secretary:	P Mattingly
Share Capital:	Authorised: 17,664,000 ordinary shares of £1 each. Called Up: 17,664,000 ordinary shares of £1 each.
Joint Administrative Receivers:	D K Duggins and I Best Ernst & young LLP, One Colmore Square, Birmingham, B4 6HQ.
Date of Appointment:	8 February 2005
Appointor:	Barclays Bank Plc
Date of Debenture:	15 November 2001