

# CROUCH INSOLVENCY

CHARTERED ACCOUNTANTS

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17 August 2006

Dear Sir/Madam,

## **HERITAGE FINE WINES PTY LTD (IN LIQUIDATION) (RECEIVER AND MANAGER APPOINTED) ACN 093 310 715 ("HERITAGE")**

### **INVESTOR UPDATE**

I refer to my recent correspondence to investors and now provide an update on the progress of the receivership.

#### **Substantial quantity of wine returned to investors**

I am pleased to advise that since commencing the wine distribution in May in excess of 275,000 bottles have now been returned to investors or delivered to other facilities in accordance with investor requests. This represents some 793 deliveries.

As of the date of this report a further 49 wine return orders are pending delivery (representing a total of 38,526 bottles. I expect to have these orders completed by the end of next week.

The return of investor wine has been a substantial and, at times, complex undertaking. I take this opportunity to thank investors for their continued cooperation and patience during this process.

#### **Storage business advertised for sale**

I have recently advertised the sale of the available assets of the storage business in the Australian Financial Review. A copy of the advertisement is available for view on my web site.

The assets available for sale primarily comprise the storage and distribution contracts, the customer database and the wine administration management system. I have received several expressions of interest to date in response to these advertisements. Several other potential purchasers are also known to me from prior communications.

I anticipate that a sale of the business shall be achieved within 2 months. As mentioned, a sale would include the transfer of existing storage and distribution agreements with investors to the purchaser. Individual investors would then deal with the purchaser directly in regard to their future storage and/or wine return requirements.

I consider that a sale of the storage business at this time shall be to the advantage of investors in that it shall facilitate my retirement as Receiver and Manager and allow future wine storage and distribution to be undertaken by a specialist operator without my supervision.

#### **Notice received to vacate Blacktown warehouse**

I have recently received notice from the landlord of the Blacktown warehouse to vacate this facility to enable the storage provider to enter into a long term agreement with a national client. This facility has been the primary Sydney based storage facility with approximately 1,500 m2 of storage space and presently accommodating around 960 pallets of wine. To date, all wine deliveries have been undertaken from the Blacktown storage facility.

As a result, a purchaser shall need to establish alternate storage and despatch facilities for the wine held at Blacktown. In the event that a sale is not completed by the date on which the facility is required to be vacated, I shall relocate the wine to another suitable site. I am presently investigating potential alternate sites. Wine deliveries will not be possible during the relocation period which I expect will take between 1-2 weeks.

### **Suspension of Deliveries for Periodic Stocktake**

In preparation for the relocation of the wine at Blacktown and the proposed sale of the storage business I intend to undertake a further periodic stocktake over the coming weeks. For this purpose it shall be necessary to suspend wine deliveries from next week for a period, estimated to be 1-3 weeks.

I expect that all wine return orders received by close of business yesterday shall be delivered prior to the suspension of delivery activities. Wine return orders received after this date will be attended to as soon as practicable.

I regret any inconvenience caused to investors as a result of this unavoidable suspension of delivery activities.

### **Sales Advisory Committee**

A report from my office regarding options for sale of your wine including advice from the Sales Advisory Committee should be available in the next 3 weeks.

The report will not, at this time, detail offers to purchase your wine nor will it make recommendations for realisation. The report will provide each investor with auction and replacement value of their wine together with options for the sale of wine.

### **Investigations into Directors and Company**

I have provided a brief to my Senior Counsel regarding the potential claims that may exist against the directors and related parties. I expect his advice within 2 weeks. I will keep investors advised of the results of this advice as soon as it is available. I note the directors and related parties deny any inappropriate conduct.

Please contact my office if you have any enquiries.

Yours faithfully

**HERITAGE FINE WINES PTY LIMITED**

**NICHOLAS CROUCH  
RECEIVER AND MANAGER**