

CROUCH INSOLVENCY

CHARTERED ACCOUNTANTS

Personal and Corporate Insolvency Solutions

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8 May 2008

To the member or creditor as addressed

Dear Sir/Madam,

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

NOTICE OF ANNUAL MEETINGS OF MEMBERS AND CREDITORS

I refer to my appointment as Liquidator of the abovenamed company on 4 May 2005 made pursuant to an Order of the Supreme Court of New South Wales. I also refer to the meeting of members and creditors held on 29 May 2007 and to my report to creditors dated 23 October 2007.

NOTICE OF MEETING OF MEMBERS AND CREDITORS TO BE HELD ON 3 JUNE 2008

A formal notice of a meeting of members and creditors is enclosed. The meeting has been convened as follows:

Time and Date: 2:00pm on 3 June 2008

Venue: The Carrington Room
Sydney Masonic Centre
66 Goulburn Street, Sydney, NSW

This meeting is being called pursuant to my statutory requirement as Liquidator to convene annual meetings of creditors and members.

Proxy forms and proof of debt forms to be lodged prior to meeting

If you wish to attend and vote at the meeting you must lodge a Proof of Debt form with my office prior to the meeting (subject to the exception referred to below). If you have already lodged a Proof of Debt form with my office there is no need to lodge another form for this meeting.

Corporate creditors and/or individual creditors wishing to appoint a person as proxy to attend the meeting on their behalf must lodge a Proxy form with my office prior to the meeting.

A Proxy form and Proof of Debt form is enclosed.

Exception regarding lodgement of proofs of debt for wine investors

I confirm that, pursuant to Orders of the Supreme Court of New South Wales, it is not necessary for wine investors that have suffered a loss of wine to lodge a formal Proof of Debt form (unless specifically requested to do so). For the purposes of this meeting, these claims shall be calculated, where possible, on the basis of the amount paid for the lost wine and shall be admitted for voting purposes for this amount.

REPORT ON THE PROGRESS OF THE LIQUIDATION

My report dated 23 October 2007 provided an update on the progress of the liquidation (and receivership). This report, and numerous earlier reports, may be accessed via the Heritage link on my website at www.bankruptcy.net.au.

A further update on key developments is provided below.

Sale of Lien wine realises \$1,559,136

I confirm that I have exercised my lien over approximately 108,000 bottles of investor wine subject to outstanding receivership levies and storage charges in the total sum of \$773,955 (referred to as 'Lien wine'). This wine was previously held by a total of 297 investors (referred to as 'Lien investors'). An on-line auction sale of this wine, held during October 2007 and December 2007, has realised a total of \$1,559,136.

These proceeds of the sale of Lien wine are to be applied against the outstanding levies and storage charges together with my professional costs and expenses incurred in realising this wine. I estimate that the amount realised on the sale of the Lien wine shall be insufficient to meet all of the amounts due in respect the outstanding levies, storage fees and realisation costs. As a result, I do not expect any surplus funds to be returned to the Lien investors from the sale of Lien wine.

An account of the results of the sale of individual portfolios shall be forwarded to each Lien investor shortly.

The proceeds of the sale of the Lien wine have been deposited to the receivership account and, accordingly, are not reflected in the summary of liquidator's receipts and payments annexed to this report.

Details of 'House wine' and 'Lien wine' sales to be posted to website

I confirm that in June and July 2007 approximately 58,000 bottles of wine owned by the company (referred to as 'House wine') were sold via on-line auction. This sale realised a total of \$1,255,339.

Details of the results of the on-line auction sale of both House wine and Lien wine shall be posted to my website at www.bankruptcy.net.au within the next 4 weeks.

Final reconciliations of investor losses and Proof of debt data being prepared

As previously advised, final wine stocktakes were undertaken during the evacuation of wine from the Heritage storage facilities during the period November 2006 to April 2007. These stocktakes were undertaken as part of the sale of the business to Wine Investment Services Pty Limited ('WIS') and gave rise to stock adjustments effecting 19,102 bottles (represented by bottle additions of 9,670 and deletions of 9,432 being a net addition of 238 bottles) (referred to as 'Evacuation adjustments').

During my recent review of the final wine stocktake results, it was determined that, of the total Evacuation adjustments recorded, adjustments effecting a total of 3,260 bottles (resulting in a net addition of 180 bottles) may not have been posted to the WAM wine management system. Ownership of the WAM system transferred to WIS under the terms of the contract for the sale of the business.

I am presently investigating the number of investors effected by these latest adjustments (which are estimated to be less than 50) and intend to deal individually with those investors in relation to any adjustments required to their portfolios. I shall also communicate any necessary adjustments to WIS.

I am also presently finalising my reconciliations of investor levy and storage accounts due and paid, incorporating payments received via the realisation of Lien wine and any adjustments required as result of the abovementioned final stock adjustments with a view to issuing individual investor statements by 30 June 2008.

The investor statements to be issued shall disclose my calculation of the total losses sustained by individual investors and, as such, their formal claim or 'Proof of Debt' amount in the liquidation. Investors shall have an opportunity to dispute my calculations prior to the finalisation of their claims.

Payment received per agreement with Directors

As previously advised, a deed of settlement was entered into with the company's directors on 4 June 2007. An initial instalment amount has been received in accordance with the terms of this deed. Two further instalments are due in June 2008 and June 2009 respectively.

Details of the settlement terms are confidential.

Potential claim against former auditors

In May 2007 I notified the company's former auditors of a potential claim that I considered the company may have against them in the amount of up to \$18 million. The former auditors have strongly rejected any such claim and have furnished additional information in support of their position.

I have recently obtained further legal advice concerning this matter and am presently considering further action.

Assistance provided to ASIC

Pursuant to formal notices received, I have attended the offices of ASIC to assist with their enquiries into the company's affairs and have delivered up company records. The specific nature of ASIC's enquiries and my discussions are confidential at this stage.

Summary of receipts and payments attached

Attached, as Annexure A, is a summary of the liquidation receipts and payments for the period 5 May 2007 to 4 May 2008. Six monthly accounts of my receipts and payments have been lodged with ASIC.

Dividend estimated at 6.9 cents per dollar

I presently estimate that sufficient funds shall ultimately become available in the liquidation to allow for the payment of a dividend to creditors at the rate of approximately 6.9 cents per dollar to be paid to ordinary unsecured creditors. This estimate remains subject to the following:

- Finalisation of the Evacuation adjustments as referred to above;
- Finalisation of the reconciliation of investor losses as referred to above;
- Receipt of future payments due under the terms of the settlement deed entered into with the directors;
- The resolution of the potential claim against the former auditors as referred to above;
- Formal adjudication on creditor claims;
- Future legal costs incurred in pursuing potential claims against the former auditors;
- Liquidator's future costs and expenses; and
- Any unforeseen matters arising prior to finalisation of the matter

I anticipate that dividends shall be paid in two instalments in September 2008 and June 2009.

Committee of Inspection to consider Liquidator's remuneration

The members of the Committee of Inspection are:

- Mark Batistich representing Balnaves Vineyard Services Pty Limited;
- Adrian Read representing Read Marketing and Communication Pty Limited;
- Peter Rickard representing himself; and
- John Campbell representing himself.

At the most recent meeting of the Committee, held on 27 July 2007, it was resolved that the Liquidator's professional fees for the period 4 May 2005 (being the commencement date) to 30 June 2007 be approved in the sum of \$1,214,396 (plus GST).

I intend to convene a further meeting of the Committee of Inspection shortly to consider, amongst other things, the approval of my liquidator's remuneration for the period from 1 July 2007 to 31 March 2008. My professional fees incurred for this period are estimated to be \$280,000 (excluding GST).

The above amounts exclude fees incurred in my capacity as Receiver and Manager. Receivership fees approved and drawn for the period ended 30 June 2007 total \$4,450,612. I estimate my further receivership fees for the period 1 July 2007 to 31 March 2008 to be up to an amount of approximately \$647,000. These further fees shall be subject to consideration by the Committee of Investors and to approval by the Court.

Please contact Tarnya Tkachenko of my office should you require any further information.

Yours faithfully
HERITAGE FINE WINES PTY LIMITED (IN LIQUIDATION)



NICHOLAS CROUCH
JOINT & SEVERAL LIQUIDATOR

Encl: Annexure A – Receipts and payments summary
 Form 529 – Notice of meeting of members and creditors
 Form 529 – Formal proof of debt
 Form 535 – Appointment of proxy

ANNEXURE A

HERITAGE FINE WINES PTY LIMITED (IN LIQUIDATION)

A.C.N. 093 310 715

Receipts and payments summary for period 5 May 2007 to 4 May 2008

Receipts	\$
Directors' settlement instalment	666,667
GST refunds	128,431
Interest	43,185
Loan recovery - Farid	111,282
Other	113
Pre appointment debtor	600
Reimbursements - R&M	31,376
Sale of wine - house	1,255,339
Sale of wine - other	10,144
Total	2,247,137
Payments	
Auction fees	82,957
Bank Fees	15
Computer expenses	340
Expert's report - re audit	20,394
GST Payments	99,974
Insurance	7,980
Legal fees	57,295
Liquidator's expenses	27,667
Liquidator's fees	1,335,836
Other	625
Printing and searches	9,170
Refund to investor - re wine sale	5,084
Refund to R&M - re wine sale	10,144
Travel & accommodation	601
Total	1,658,082
Cash at bank	
Opening balance	264,994
Closing balance	854,050

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FORM 529 NOTICE OF MEETING OF MEMBERS AND CREDITORS

**HERITAGE FINE WINES PTY LIMITED
(IN LIQUIDATION)
ACN 093 310 715**

Notice is given that an annual meeting of the members and creditors will be held at The Carrington Room, Sydney Masonic Centre, 66 Goulburn Street, Sydney NSW on 3 June 2008 at 2:00pm.

AGENDA

1. Statutory meeting requirements.
2. Report from liquidator.
3. Any other business.

Attendance at this meeting is not compulsory.

Dated 8 May 2008



**NICHOLAS CROUCH
JOINT & SEVERAL LIQUIDATOR**

FORM 535
CORPORATIONS ACT 2001
HERITAGE FINE WINES PTY LIMITED (IN LIQUIDATION)
ACN: 093 310 715
FORMAL PROOF OF DEBT

INSTRUCTIONS

To the Liquidators of **HERITAGE FINE WINES PTY LIMITED (IN LIQUIDATION)**

1. This is to state that the company was at the 2 March 2005 and still is justly and truly indebted to:

(1) _____

2. _____ of _____ (2)

in the sum of (3) _____ dollars and _____ cents.

3. Particulars of the debt are (4):

	2. DATE	CONSIDERATION	AMOUNT	GST	TOTAL

Show here what goods and services that were provided to company and are unpaid.

6. Do not complete unless you are a secured creditor.

(6) To my knowledge or belief the creditor has not, nor has any person by the creditor's order, had or received any satisfaction or security for the sum or any part of it except for the following: *(Insert particulars of all securities held. Where the securities are on the property of the company, assess the value of those securities. If any bills or other negotiable securities are held, specify them).*

(7) I am employed by the creditor authorised in writing by the creditor to make this statement. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, remains unpaid and unsatisfied.

(8) I am the creditor's agent duly authorised in writing to make this statement in writing. I know that the debt was incurred for the consideration stated and that the debt, to the best of my knowledge and belief, still remains unpaid and unsatisfied.

7. Do not complete unless you act for an employee.

8. Do not complete unless you act for an employee.

DATED / /

Signature (9) _____

Occupation _____

Telephone _____

Email _____

9. Sign here

ABN _____

Office Use Only				
File No.		Accepted	\$	
Processed By:		Rejected	\$	Date Sent :
Date Processed		Under Consideration	\$	

Please return completed form by fax 02 8262 9300 or by mail to Crouch Insolvency, Level 28 St Martins Tower, 31 Market Street, Sydney, NSW 2000. Contact Tarnya Tkachenko on 02 8262 9333 with any issues.

HERITAGE FINE WINES PTY LIMITED
(IN LIQUIDATION)
ACN 093 310 715
APPOINTMENT OF PROXY

INSTRUCTIONS

1. Insert name of creditor

I/We⁽¹⁾ _____

2. Insert Creditor address

of⁽²⁾ _____ a member/creditor of the

3. Proxy name
4. Alternative Proxy

abovenamed company appoint⁽³⁾ _____ or in their absence⁽⁴⁾

as ***general**⁽⁵⁾ / ***special**⁽⁵⁾ proxy to vote at the annual meeting of members and creditors to be held on 3 June 2008 at 2:00pm, or at any adjournment of that meeting.

5. Circle **general** to permit proxy to vote as proxy desires, or circle **special** to instruct proxy to vote as you direct below

***Special**⁽⁵⁾ voting instructions:

Complete only if creditor is secured

I am a secured creditor and the total amount owed to me after deducting the value of my security is \$ _____

6. Please insert name of person to act on committee if elected

I/we authorise⁽⁶⁾ _____ to represent me/us on the committee of inspection if elected.

7. Insert date

Dated this⁽⁷⁾ ____ / ____ / ____

8. Director or authorised representative signature

Signature⁽⁸⁾: _____

9. Attach Common Seal

⁽⁹⁾ _____
Common Seal of Company

COMPLETE BELOW ONLY IF CREDITOR IS BLIND

CERTIFICATE OF WITNESS

This certificate is to be completed only where the person giving the proxy is blind or incapable of writing. The signature of the creditor must not be witnessed by the person nominated as proxy.

I _____ of _____ certify that the above instrument appointing a proxy was completed by me in the presence of and at the request of the person appointing the proxy and read to him before he attached his signature or mark to the instrument.

DATED this _____ day of _____ 20 _____ Signature of witness: _____

Place of residence: _____

Please return completed form by fax 02 8262 9300 or by mail to Crouch Insolvency, Level 28 St Martins Tower, 31 Market Street, Sydney, NSW 2000. Contact Tarnya Tkachenko on 02 8262 9333 with any issues.