

15 August 2008

TO CREDITORS

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

REPORT TO CREDITORS

I refer to my appointment by the Supreme Court of NSW as liquidator of the abovenamed company on 4 May 2005 and to my appointment as receiver & manager on 16 May 2005.

I confirm Crouch Insolvency has changed its name to Crouch Amirbeaggi.

I hereby provide a further report on the progress of the liquidation and receivership of HFW.

SALE OF HFW LIEN WINE

Approximately 300 investors failed to pay their levies, storage or insurance fees in relation to some 108,000 bottles that were subject to my control. I held a lien over this wine for the costs I paid on the investor's behalf.

I formed the view that the majority of the lien wine was a depreciating asset as the ongoing storage and insurance costs exceed any potential increase in value from holding the wine.

In accordance with Court Orders the lien wine was consolidated. Following a nationwide tender and advertising process the lien wine was sold via a Grays online auction held over an 8 week period. The consolidated costs of dealing with investor's lien wine including levies, storage, exit fees and auctioneers fees exceeded the gross sale proceeds as detailed below:

Gross Sales	<u>1,417,397</u>
Less exit fee paid to WIS	190,581
Less levies, storage & insurance fees	611,923
Less receivership fees	365,984
Less auctioneer costs	<u>407,309</u>
Total costs	<u>1,575,797</u>
Deficiency	<u>-158,400</u>

Details of the gross average auction price obtained for the lien wine on a label by label basis (per Wine ID) are now available on my website.

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, which provided they would pay an confidential sum to the liquidator to settle all claims made by the liquidator on behalf of the company.

The settlement does not alter the rights or claims of any investor or third party. The first two instalments have been received in accordance with the terms of this deed. A final third instalment is due from the directors in June 2009. A dividend to creditors will be paid following receipt of this payment.

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 sought further expert advice concerning this matter and will report to creditors in due course.

SUMMARY OF RECEIPTS AND PAYMENTS

Attached, as annexure A is a summary of the receipts and payments for the liquidation for the period to 31 July 2008.

PROPOSED DIVIDEND

I estimate that approximately \$650,000 shall ultimately become available in the liquidation for a dividend to creditors. This quantum of the dividend is contingent upon the following:

- Finalisation of the reconciliation of investor losses;
- 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 the dividend shall be paid following the final instalment of the settlement proceeds due from the directors in June 2009.

PROFESSIONAL FEES

On 3 June 2008 at the annual meeting of members and creditors of HFW, I tabled and invited creditors to inspect 77 pages of combined receivership and liquidation time cost records detailing services rendered in six minute intervals in the amount of approximately \$957,000, for the period 1 June 2007 to 31 March 2008. The creditors present unanimously supported the payment of these fees.

I have convened a meeting of the liquidation's committee of inspection and the receivership's committee of investors for 28 August 2008 to seek approval of my professional fees in the amount of \$1,192,822. This amount is represented by \$792,138 for the liquidation and \$400,684 for the receivership for the period 1 June 2007 to 31 July 2008.

I will invite the liquidators committee of inspection to approve the payment of the fees incurred in the liquidation and I will approach the Court on or about 1 September 2008 to seek approval of the receivership fees.

FINAL STOCK ADJUSTMENTS

Over a period of some 4-5 months commencing October 2006 my office facilitated the relocation of all remaining 1,105,307 bottles of HFW wine from various locations to Wine Investment Services Pty Ltd (WIS) premises' in the Hunter Valley.

During this process my office checked the contents of approximately 1,860 pallets to ensure the receiver's stock control system known as WAM (Wine Administration Management System) reconciled to the physical bottle count undertaken by WIS and my office.

During this process approximately 1,500 bottles were found to have minor wine ID errors.

An example of an error identified from this process is where WAM recorded a pallet of Charles Cimicky 2000 vintage Reserve Shiraz that was in fact a pallet of Charles Cimicky 2000 vintage Signature Shiraz. Alas, 768 bottles of Reserve must be deleted from WAM and 768 bottles of Signature must be added to the WAM records.

To accommodate these variations, 259 bottles of wine will be classified as fractional wine, 79 bottles of investor wine will be purchased by the receiver and a handful of investor's portfolios will be adjusted to ensure WAM records reconcile to the physical stock take.

I expect this process will take approximately 4 weeks to complete.

RETIREMENT AS RECEIVER & MANAGER

After the finalisation of final minor adjustments to investor holdings detailed above and settlement of my outstanding professional fees and expenses, I will seek the Court's consent to retire as receiver & manager.

I expect my role as joint liquidator shall continue for another 12-24 months.

To discuss HFW please contact Tarnya Tkachenko of my office in the first instance.

Yours faithfully,
HERITAGE FINE WINES PTY LTD



**NICHOLAS CROUCH
JOINT RECEIVER & MANAGER
JOINT LIQUIDATOR**

Attach Receipts and Payments

**Heritage Fine Wines Pty Ltd
(In Liquidation)
A.C.N. 093 310 715
Receipts and Payments for period between 5 March 2005 and 31 July 2008**

Receipt Type	Received to		Estimated		Payment Type	Paid to		Estimated		Total
	Date \$	Receipts \$	Future	Receipts \$		Date \$	Payments \$	Future	Payments \$	
Debtors	600	600		600	Accounting & Legal Fees	184,132			184,132	
Sale of Business	715,000	715,000		715,000	Computer Exp, Searches & Printing	37,953			37,953	
Plant & Equipment(Gross)	3,693	3,693		3,693	Pallet Hire	1,993			1,993	
Simon Farid Loan Repayments	131,282	131,282		131,282	Travel & Accom	2,590			2,590	
Refunds & Rebates	198,232	198,232	72,013	270,245	Consulting Fees	391			391	
Interest Received	62,671	62,671		62,671	Bank fees	420			420	
GEERS Receipts	254,105	254,105		254,105	Insurance & Storage	76,655			76,655	
Sale of wine	1,265,483	1,265,483		1,265,483	Liquidators Fees	1,335,836	792,138		2,127,974	
Part 5.7B Recoveries	1,333,333	1,333,333	666,666	1,999,999	Liquidators Disbursements	27,667			27,667	
					Commission & Exp re: sale of wine	82,957			82,957	
					Investor refunds & Transfers	15,228			15,228	
					Payment to Greg Parker	278,174			278,174	
					BAS Payments	156,981			156,981	
					GEERS Payments	254,380			254,380	
					House Levies & Storage	0	590,739		590,739	
	3,964,401	738,679	4,703,080			2,455,358	1,382,877		3,838,235	

Note: All figures are inclusive of GST where applicable

Funds Available for Distribution

864,845