

CROUCH INSOLVENCY

CHARTERED ACCOUNTANTS

Personal and Corporate Insolvency Solutions

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15 December 2005

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

Investor Update - Court grants Orders regarding wine ownership and distribution

On 12 December 2005 the Supreme Court of NSW granted all orders and declarations sought by Nicholas Crouch, as Receiver and Manager, pertaining to the ownership and distribution of the wine.

A full copy of the Court Orders shall be available on the Crouch Insolvency website at www.bankruptcy.net.au shortly.

Wine ownership

In summary the Court has agreed with all of the Receiver and Manager's recommendations concerning the allocation of barcoded and non-barcoded wine to investors. The Court has also confirmed that title to the wine presently held by Heritage on behalf of investors now passes to investors in accordance with the Receiver and Manager's recommendations.

The Court also agreed generally that:

1. Wine held in the warehouses that exceeds investor claims (for that label) shall become company owned stock;
2. The Receiver and Manager should distribute wine, subject to the payment of all outstanding levies and other charges due on the wine;
3. Any bottles of wine subject to fractional entitlements shall be sold by the Receiver and Manager and the proceeds of sale (after deducting costs of the sale and unpaid levies and other charges) shall be paid to those investors with a claim to the relevant label on a pro-rata basis;
4. The Receiver and Manager shall be entitled to sell wine belonging to investors in circumstances where the investor remains uncontactable for a defined period and that the proceeds of sale of the wine shall be paid into Court (after deducting costs of sale, and unpaid levies and other charges);
5. The Receiver and Manager shall repay levies paid in respect of lost wine;
6. A final voluntary levy up to an amount of \$1.75 per bottle (exclusive of GST) be imposed to discharge receivership costs.
7. The Receiver and Manager's remuneration be approved.
8. It shall not be necessary for investors that have suffered a loss to lodge a formal Proof of Debt in the liquidation of the company (unless specifically requested by the Liquidator). Claims of

these investors calculated on the basis of the amount paid for the lost wine shall be automatically noted in the liquidation.

Distribution – Election by investors

In regard to the distribution of wine, the Court has agreed, amongst other things, that:

1. Investors shall be entitled to make an election that:
 - a. Wine be continued to be stored by the Receiver and Manager on a month to month basis at cost (thereby avoiding retail rates), estimated to be about 15 cents per bottle per month; **OR**
 - b. Wine be stored by the Receiver and Manager at the above estimated cost with a view to subsequent collection or delivery by the Receiver and Manager at an estimated 50 cents handling fee per bottle plus insurance and delivery charges. Distribution is expected to commence in February 2006 and is estimated to take a further 2 to 4 months to complete.
2. The Receiver and Manager shall be entitled to enter into a contract on behalf of investors for the on-going storage and distribution of wine, pursuant to investor elections.

Election forms (for the future storage or distribution of wine) shall be forwarded to all investors shortly.

Orders regarding specific wine labels

Orders were also made by the Court relating to five (5) specific labels whereby the Court has agreed that certain investors with claims to these labels shall be entitled to elect that certain wine (of similar descriptions or vintages) be applied to their claims, as recommended by the Receiver and Manager.

In making its orders the Court commented that the wine reconciliation had been a phenomenal task. Overall, approximately 76% of bottles subject to investor claims have been identified as available for distribution.

Sales Advisory Committee

As discussed at the recent meetings of investors, it is intended that a Sales Advisory Committee be formed for the purposes of advising investors of how to maximise the sale of their wine. In this regard, some preliminary discussions have been held with leading industry players, wine masters and representatives of the major international wholesaler traders from the UK, USA and Japan.

Investors wishing to utilise the services of the Sales Advisory Committee shall have the opportunity to store their wine, at cost, during the 2-3 month period in which it is estimated that the Committee shall require to formulate the preferred sales strategy.

It is expected that the Sales Advisory Committee would also fully explore the possibility that investor wine sold overseas may be eligible for a rebate of the Wine Equalisation Tax. Preliminary advice suggests a WET rebate on exported wine may be worth approximately \$4.50 per bottle to investors.

The Receiver and Manager again expresses his thanks to investors for their assistance and patience shown to date in the reconciliation process.

Yours faithfully

HERITAGE FINE WINES PTY LIMITED

**NICHOLAS CROUCH
RECEIVER AND MANAGER**