

## CIRCULAR TO INVESTORS

11 November 2008

Dear Sir/Madam

**PWL – ACN 084 252 488 Ltd (formerly Palandri Wines Ltd) (“PWL”) and  
PWPL – ACN 085 042 879 Ltd (formerly Palandri Wine Production Ltd) (“PWPL”)  
(Both in Liquidation)  
Supreme Court of Western Australia - Action COR 19 of 2008 - Harvest Proceeds  
Proceedings**

As you may be aware, John Greig, Neil Cussen and I were appointed Liquidators of PWL and PWPL on 7 October 2008 following our earlier appointment as Administrators on 26 February 2008.

PWL is the responsible entity of the following managed investment schemes:

- Margaret River Wine Business – ARSN 086 241 198 (**MRWBS**);
  - Margaret River Wine Business Trust – ARSN 119 602 505 (**MRWBT**);
  - Palandri American Wine Business – ARSN 098 544 908 (**PAWB**);
  - Palandri Agricultural Property Trust – ARSN 114 192 933 (**PAPT**);
  - Palandri Winegrape Project – ARSN 114 193 234 (**PWP**); and
  - Palandri Global Supply Challenge - ARSN 124 150 616 (**PGSC**);
- (collectively referred to as the **Schemes**).

On 24 September 2008, the Supreme Court of Western Australia ordered that the Schemes be wound up and that Mark Conlan and Neil Cribb be appointed as persons responsible for ensuring that the windings up proceed in accordance with the constitutions of the Schemes and any applicable orders of Court.

### 1 Harvest Orders

On 4 March 2008 and 7 March 2008 the Supreme Court of Western Australia made orders (**Orders**) permitting the Administrators to harvest grapes grown on the various vineyards on which a number of the Schemes operated.

The harvest was completed in March 2008 and 1.244 million litres of wine were produced from 4 vineyards, namely Frankland River Vineyard No 1, Frankland River Vineyard No 2,

Palandri Reserve Vineyard, and the Harvey Vineyard. There were no grapes to harvest on the Cookernup property as no vines had been planted.

The purpose of this letter is to inform you of the proceeds generated and costs incurred in relation to the harvest, and the Liquidators' intentions in relation to the distribution of the proceeds.

## **2 Revenue and Expenses**

A summary of the revenue and expenses associated with the harvest is attached as a schedule to this letter.

To date, we have sold 1,103,253 litres of wine for a total price of \$2,115,944.70. A further 141,000 litres of wine remains unsold which we estimate to be worth approximately \$70,500.

Pursuant to the Orders, we are permitted to deduct from the wine sale proceeds, the costs of and incidental to the harvesting, transportation and processing of the grapes, converting the grapes into wine and, storing, selling and distributing the wine including the reasonable costs and remuneration of the Administration. The balance of the proceeds of the harvest are to be held pending further orders of the Court.

We consider that we will be entitled to deduct the sum of approximately \$1,837,064.24 in costs incurred associated with the harvest pursuant to the Orders of the Court. The schedule attached to this letter contains a breakdown of how the sum of \$1,837,064.24 is calculated. Some of that amount consists of estimates of future expenses.

We intend to apply to Court for the purpose of making submissions as to why expenses of \$1,837,064.24 should be deducted from the harvest proceeds. To the extent that sum consists of future expenses which we are not able to accurately quantify at the time the Court considers the matter, it may be necessary to attend before the Court again once those expenses can be quantified. If the entire deduction is made, a balance of \$349,380.46 would remain, including the estimated revenue from the sale of the remaining wine.

## **3 Balance of Proceeds**

We consider that the balance of the harvest proceeds ought to be paid to PWL in its capacity as responsible entity of the Schemes to be dealt with in the windings up as Scheme property.

One of the reasons for this view is because if the harvest had proceeded without the involvement of the Administrators and without the intervention of the Court, the balance of the proceeds would have been held by PWL as property of the relevant Schemes.

Once in the hands of PWL, Messrs Conlan and Cribb would be responsible for ensuring that those funds are dealt with properly in the winding up of the Schemes.

In the winding up application for the Schemes, it was ordered that the costs of the application to Court to wind up the Schemes and the costs of the winding up itself would be payable from Scheme property. In the event that the balance of the proceeds is returned to PWL as Scheme property, those costs would be payable from that balance. Further, it is likely that given the financial condition of the Schemes, relevant Scheme creditors will be entitled to be paid from any balance remaining.

We consider that after deduction of these amounts, it may be unlikely that any sum will remain for payment to any members of the Schemes.

## 4 Court Hearing

We intend to seek further orders from the Court to confirm that we may apply the harvest proceeds as set out above.

The orders we intend to seek include the following:

1. The plaintiffs may deduct from the proceeds of sale of wine the sum of \$1,837,064.24 or such lesser sum that can be quantified as at the date of the hearing.
2. The difference between \$1,837,064.24 and the sum so ordered in paragraph 1 be held by the plaintiffs to abide further orders of the Court.
3. The balance of the proceeds of sale of wine and any unsold wine be delivered to PWL as trustee of the relevant Schemes to which that property relates.

If you object to the application of the harvest proceeds in this way, you must do **both** of the following:

- (a) file an appearance in the approved form at the Central Office of the Supreme Court of Western Australia in proceedings **COR 19 of 2008** and serve that appearance on our solicitors, McKenzie Moncrieff Lawyers, Level 5, 37 St Georges Terrace, PERTH WA 6000 (Ref: TZ:DKS:307) by 1 December 2008.
- (b) attend the Supreme Court of Western Australia in proceedings **COR 19 of 2008** at 9.30am on 10 December 2008.

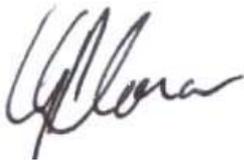
Directions are then likely to be made for the hearing of your objection.

In any event, members should obtain their own legal advice in relation to this matter. We cannot act for you in this regard and neither can our solicitors.

## 5 Questions

If you have any questions about any of the matters contained in this circular or the attached schedule, please contact Sarah Marshall of this office on (08) 9365 7369.

Yours faithfully



Gary Doran  
Joint and Several Liquidator

**PWPL - ACN 085 042 879 Ltd (In Liquidation)  
Formerly Palandri Wine Production Limited  
Accounting for 2008 harvest proceeds**

	\$	\$
<b>Receipts</b>		
2008 wine stock sold to date		2,115,944.70
Remaining stock to be sold (estimated value)		70,500.00
<b>Total estimated revenue</b>		<b><u>2,186,444.70</u></b>
 <b>Expenses</b>		
Production - Additives	20,254.65	
Production - Gas Supplies	19,117.76	
Production - Cleaning Supplies	821.49	
Production - Land Maintenance	144,373.27	
Production - Raw Materials	3,040.00	
Commissions paid	100.00	
Gas	6,239.49	
Hire of Equipment	59,108.00	
Insurance	131,040.77	
Lease payments	66,298.67	
Postage	500.03	
Repairs & Maintenance	27,489.85	
Sundry Expenses	1,019.72	
Other Government Charges	19,967.46	
Retention of Title Payment	17,237.00	
Staff Expenses	6,999.15	
Bank Charges	906.80	
Administrators' Remuneration	163,907.50	
Administrators' Expenses	8,195.37	
Transport / Courier	88,289.91	
Production - Cooperage	62,194.10	
Bank Service Fee	1,824.70	
Rent	149,545.64	
Stationery & Printing	11,663.72	
Superannuation	40,687.54	
Telephone & Fax	15,083.99	
Vehicle Running Costs	133.55	
Wages & Salaries	379,301.89	
Sub-Contractors	30,464.71	
Stamp Duty	13.49	
Novated Lease Payments	5,681.36	
Retention of Title	624.44	
State Payroll Tax	12,481.17	

Agents/Valuers Fees	13,581.86	
Hire of Meeting Room	2,342.27	
Legal Fees	77,409.50	
Misc. Process Charges	57.39	
Postage	241.80	
Repairs & Maintenance	615.50	1,588,855.51

**Future liabilities**

Allowance for further expenses	30,000.00	
Legal fees	43,653.00	
Administrators' remuneration	167,413.00	
Administrators' expenses	7,142.73	248,208.73

Total expenses 1,837,064.24

**Net proceeds** 349,380.46