

Nathans Finance NZ Limited (In Receivership) Frequently Asked Questions

What has happened to Nathans Finance NZ Limited?

John Waller and Colin McCloy, partners of PricewaterhouseCoopers, have been appointed receivers of Nathans Finance NZ Limited ("Nathans Finance"). John Waller resigned as receiver on 22 December 2008 and Maurice Noone, partner of PricewaterhouseCoopers, was appointed as receiver of Nathans Finance on the same date.

Why were receivers appointed?

Following a breach of Nathans Finance's Trust Deed, and the declaration by its shareholder VTL Group Limited (now in receivership) ("VTL Group") that was insolvent and ceasing to trade, the trustees believed there was no alternative but to place Nathans Finance in receivership.

I am a debenture holder in Nathans Finance, what happens to my investment?

Debenture holders will be repaid pro-rata distributions of their investments as asset realisations are made by the receivers from Nathans Finance assets.

Unfortunately, in the receivers' view it is unlikely that secured debenture investors will recover more than 10% of their principal investment, and the return could be less than this.

What about interest on my investments?

No interest payments will be paid to debenture holders, as there will be a shortfall in the principal repaid to debenture holders. This also means that there is no RWT or NRWT tax withheld on payments to debenture holders.

How much money does Nathans Finance owe to debenture holders?

Nathans Finance owes approximately \$170m to 7,000 debenture holders.

I have a question re my investment. How do I communicate it to the receivers?

Please email us via our Nathans Finance specific website www.pwc.com/nz/NathansFinance or leave your name and contact details on our dedicated phone line (09) 355 8451 and we will endeavour to get back to you as soon as possible.

When will an initial dividend be paid?

An initial dividend of 2.2 cents in the dollar was paid to debenture holders on 31 December 2008.

Will there be further dividends to investors in the future, and when might these be paid?

Further dividends to investors will be paid as funds are available, over the remainder of 2009.

My contact details have changed. Who do I notify of my change of address?

If your postal details have changed, please advise your updated address details to Nathans Finance (C/- Private Bag 92612, Auckland) in writing or via our website at www.pwc.com/nz/NathansFinance and your account details will be updated accordingly. Please ensure that your investor number is included in your details.

Can I receive updates on the receivership via email?

Investors will receive a hard copy of any formal updates on the Nathans Finance receivership via post. A soft copy version of these updates and any other information released can also be found on our website at: www.pwc.com/nz/NathansFinance.

What is the status of VTL Group Limited, the parent company of Nathans Finance?

VTL Group owns a number of vending machine related businesses which operate in New Zealand, Australia, North America and Europe, and fixed assets which are predominantly vending machines. Prior to receivership Nathans Finance had provided \$171m of debt to VTL Group Limited, parties associated with it and various VTL franchisees.

Shortly after the receivership of Nathans Finance, the directors of VTL reported a loss of \$133m for the 14 month period ended 31 August 2007.

During the receivership of Nathans Finance, the receivers provided limited funding to VTL Group to enable it to trade pending the sale of VTL Group's 24seven and Shop24 business units by way of a managed process. At the same time we have sought to recover the loans to VTL Group and related parties. However, this became increasingly difficult as a result of worsening global economic conditions. As a result, the directors of VTL Group requested that receivers be appointed to VTL.

VTL Group was placed into receivership on 5 November 2008. The receivers of VTL Group are Colin McCloy and Maurice Noone of PricewaterhouseCoopers.

What action will be taken by the receivers in respect of the conduct of Nathans Finance and VTL prior to receivership?

As mentioned above, VTL Group reported a \$133m loss for the 14 month period to 31 August 2007. The receivers consider it unlikely that the secured debenture investors of Nathans Finance will recover more than 10% of their investment, and the return could be less than this.

In light of the significant trading losses incurred by VTL in the period prior to receivership and the expected losses to Nathans Finance secured debenture investors, the receivers initiated an investigation into the affairs of both Nathans and VTL. As a result of these investigations (which are ongoing), a number of serious matters came to our attention and were referred to a number of Government agencies, including the New Zealand Securities Commission ("Securities Commission").

On 23 December 2008 the Securities Commission announced that it has laid criminal charges and issued civil proceedings against Nathans directors John Hotchin, Donald Young, Kenneth Moses and Mervyn Doolan. The Securities Commission alleges (amongst other things) that the directors made untrue statements in the registered prospectus and investment statement. The charges relate to statements concerning:

- Lending to related parties;
- Nathans' bad debts disclosure;
- Nathans' liquidity;
- The diversification of Nathans' lending;
- Management of the loans in accordance with robust policies and processes; and
- Nathans' disclosure of all material matters.

The Securities Commission also alleges that letters sent to members of the public advertising Nathans Finance debenture stock contained untrue statements about some of the matters referred to above. These claims do not apply to Mr Hotchin who had resigned his directorship by the time the letters were sent out.

A hearing date for the above charges has been set down for February 2010.

We continue to investigate the affairs of both Nathans and VTL and assist various Government agencies with their investigations.

What progress has been made on the sale of the VTL business units?

The business units of 24seven California and 24seven Australasia were sold in April 2008 and May 2008 respectively.

The receivers are in the process of selling the remaining business units and we outline their progress below:

24seven US (Texas)

The receivers are finalising a settlement agreement with a third party in relation to the business operations in Texas. However, realisations are not expected to be significant in terms of potential returns to investors.

Shop24 (Europe and United States)

A detailed fund raising information memorandum was prepared and issued to interested parties earlier in the receivership. A number of parties expressed interest and have been evaluating the opportunity. The receivers are finalising negotiations with an interested party. However, once again realisations are not expected to be significant in terms of potential returns to investors.

What action will be taken by the receivers to collect Nathans Finance loans to parties other than VTL Group?

The receivers have continued to collect the Nathans Finance commercial loans throughout the receivership. The collection of these loans has now been finalised.

The receivers have commenced legal proceedings in respect of loans to related parties of Nathans and VTL.

We continue to assess the best strategy to realise loans to VTL franchisees on a case by case basis, and note that some of Nathans' franchisee loans were realised in conjunction with the sale of the 24seven Australasia and 24seven US California businesses.

What is the status of Chancery Finance Limited (formerly VTL Group Finance Limited) and VTL Bonds?

Chancery Finance Limited ("Chancery Finance") is a subsidiary of VTL Group Limited. Chancery Finance was placed into liquidation on 31 October 2008. VTL Bond holders should communicate directly with the liquidators with regards to any queries that they have.

When will I receive further updates on the receivership?

Investors will be updated on a regular basis. Our last update to investors was sent in April 2009.