

## Nathans Finance NZ Limited (In Receivership) (“Nathans”) – Update to Investors

10 December 2009

Dear Investor

We write to provide an update to Nathans secured debenture investors on the progress of the receivership.

### Background to this update

Nathans is a subsidiary of VTL, which is an NZX listed company. At the date of Nathans’ receivership VTL owned a number of vending machine franchise businesses which operated in New Zealand and Australia (“24seven Australasia”), North America (“24seven US”), and Shop 24 Europe and US (“Shop24”).

At the date of receivership Nathans had advanced \$171m of debt to VTL, 24seven Australasia, 24seven US, Shop 24, their franchisors and franchisees. In addition Nathans owned \$10m of fixed assets, mainly vending machines. Accordingly, Nathans’ vending-related assets at receivership totalled \$181m, or 93% of its total assets, which were recorded at a book value of \$194m. Recoveries from Nathans’ vending assets will therefore have the single largest impact on the ultimate returns for Nathans investors.

As noted previously, in our view the recoverable value of the assets of Nathans was materially overstated at 20 August 2007, being the date of our appointment as receivers of Nathans. In this regard we note that shortly after the receivership of Nathans, the directors of VTL reported a loss of \$133m for the 14 month period ended 31 August 2007. The loss will have a direct impact on the potential recoveries for the Nathans receivers and ultimately Nathans investors. The magnitude of the loss is a serious concern and has been the subject of investigation by the receivers of Nathans. A number of matters of concern have since been reported to certain Government Authorities, who are investigating the matters.

### Progress of VTL’s Sale and Restructuring Processes

As you are aware, ultimately the recoveries for Nathans investors will be determined by recoveries from VTL’s 24seven Australasia, 24seven US and Shop24 business units; and recovery of other assets. We comment on progress made since our last update as follows:

***24seven Australasia (Australia and New Zealand)***

24seven Australasia was offered for sale by way of a formal competitive tender process, managed by PwC. A number of bids were received and a sale as a going concern was concluded at the end of May 2008.

***24seven US (California and Texas)***

As previously advised the 24seven US business comprises operations in California and Texas. 24seven California was sold as a going concern with the proceeds of sale received in late April 2008. The receivers were unable to finalise a sale of the business in Texas due to the quality of the business and difficult trading conditions.

***Shop24 (Europe and United States)***

A detailed fund raising information memorandum was prepared and issued to interested parties earlier in the receivership. The receivers sold the Shop24 business in June 2009. The realisation is not material in terms of the potential return to investors.

***Recovery of Other Assets***

The receivers have finalised the collection of Nathans' commercial loans. Legal proceedings in respect of the loans to related parties of Nathans and VTL continue to progress.

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.

Please note that we have omitted certain details concerning our proposal for the disposal of receivership property as we believe that their inclusion would materially prejudice the exercise of our duties to obtain the best price reasonably obtainable for the sale of receivership property.

***Anticipated Further Dividends***

As mentioned previously, it is clear that, in light of the pre-receivership losses reported by the directors of VTL and the impact of worsening global economic conditions on our ability to realise the assets of Nathans and VTL, investors are likely to face a significant loss. As advised in earlier reports, in our view it is unlikely that secured debenture investors will recover more than 10% of their principal investment.

We made payment of 2.2% of the principal investment to secured debenture investors of Nathans in December 2008. The receivers currently have cash on hand of approximately \$4.6 million. Accordingly, we expect to make a second interim distribution of 1.5% of investors' principal investment during December 2009, with funds retained to cover the Inland Revenue Department's preferential claim and contingent costs.

**Investigation into VTL's \$133m Loss**

As mentioned previously, 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.

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. A preliminary hearing was held in the District Court in April 2009, and a full depositions hearing for all four directors is to be held in February 2010.

We have also identified potential claims that can be made against various parties associated with Nathans and VTL. Legal action in respect of these claims is progressing.

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

We will continue to update investors on a regular basis. Should you wish to contact us, please do so via our website, telephone, facsimile, or private bag address, as follows:

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We would like to take this opportunity to thank you for your ongoing patience and support.

Yours faithfully  
Nathans Finance NZ Limited (In Receivership)



Colin McCloy  
Receiver