

Nathans Finance NZ Limited (In Receivership) - “Nathans”

24 December 2008

Dear Investor

We write to provide a further update to Nathans secured debenture investors on the progress of both the Nathans and VTL receiverships.

As was mentioned in our last update to investors, Colin McCloy and Anthony Boswell of this office were appointed receivers of VTL on 5 November 2008. We have continued to operate the receiverships of both Nathans and VTL concurrently.

Progress of VTL’s Sale and Restructuring Processes

The recoveries for Nathans investors will ultimately be determined by recoveries from VTL’s 24seven Australasia, 24seven US and Shop24 business units; and recovery of other assets. We comment below on the progress made with respect to the recovery of assets since our last update:

24seven US (Texas)

We have been in negotiations with an interested party regarding the business operations in Texas and the remainder of the US. The receivers expect the negotiations to be finalised by 31 January 2008.

Shop24 (Europe and United States)

We continue to deal with a number of parties who have expressed interest in Shop24, and are hopeful that a sale of the business will be made within the first quarter of 2009. Unfortunately in the current volatile economic environment it is difficult to assess the ultimate outcome of the process.

Recovery of Other Assets

We expect to have finalised the collection of Nathans' commercial loans by the end of January 2009.

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.

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.

Investigations into Nathans' and VTL's affairs

In light of the significant trading losses incurred by VTL in the period prior to receivership, 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 and Kenneth Moses, and fourth director believed to be resident in Australia. 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.

We have identified potential claims that can be made against various parties associated with Nathans and VTL. Legal action in respect of these claims is to be commenced in shortly. The receivers have also notified the US Securities and Exchange Commission ("SEC") with respect to matters of concern relating to dealings in the US.

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

Anticipated Dividend

As mentioned in our previous report, 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 face a significant loss and in our 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.

We continue to believe that we will be able to make an interim dividend to investors of up to 2.5% on or before 30 December 2008. Any such payment will be made via direct credit into the bank account that is recorded in Nathans' debenture registry held by Computershare.

A further update will be provided to investors by 31 March 2009. We expect to be able to provide an additional interim dividend at that stage. However, we are unable to estimate the quantum of this dividend yet. 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)



C T McCloy
Receiver