

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

30 June 2008

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 Group Limited (“VTL”), which is an NZX listed company. Prior to receivership, Nathans had provided \$171m of debt to VTL, parties associated with it and various VTL franchisees. VTL owns a number of vending machine related business units which operate in New Zealand and Australia (24seven Australasia), North America (24seven US and Shop24 US), and Europe (Shop24 Europe).

Nathans was placed into receivership on 20 August 2007. Since this date, Nathans’ receivers have continued to provide funding to VTL to enable it to trade pending the sale and restructure of its business units by way of a managed process. In our view that approach will maximise returns for Nathans secured debenture investors. Proceeds generated from VTL’s realisation processes will be used to reduce debt owing to Nathans, which will ultimately generate returns of principal to Nathans secured debenture investors.

## **Progress of VTL's Sale and Restructuring Processes**

Below we outline specific progress in the sale and restructuring processes of VTL's 24seven Australasia, 24seven US, and Shop24 business units.

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

24seven Australasia was offered for sale by way of a formal competitive tender process, managed by PwC Auckland. 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)***

The 24seven United States business comprises operations in California and Texas. 24seven California was sold as a going concern with the proceeds of sale received in late April. The business operations in Texas are the subject of negotiations which we expect will be resolved shortly.

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

As previously advised, the Shop24 business is in a development phase and requires further funding and a strategic partner in order to realise maximum value for Nathans secured debenture investors. A detailed fund raising information memorandum has been prepared and issued to interested parties. A number of parties have expressed interest and are currently evaluating the opportunity. Once this process is complete the most appropriate strategy for maximising value in Shop24 can be finalised.

As stated in earlier reports we expect it will be necessary to retain the Shop 24 business for a period of say two years whilst it implements its business plan. Indications are that by following this strategy over such a period the value in Shop24 could increase significantly. At this stage we believe this is the best strategy to realise maximum value from the Shop24 business for Nathans secured debenture investors.

### **Anticipated Initial Dividend**

The amount and timing of returns to Nathans secured debenture investors is reliant on the timing of recoveries from VTL's sale and restructuring processes.

We had previously advised secured debenture investors that we were hopeful the sale of the 24seven Australasia and 24seven US business units would be completed by June 2008. This has been successfully achieved. However in both cases a number of contingent creditors remain to be resolved and therefore we are not yet in a position to pay an interim dividend to investors. We are actively seeking to deal with the contingent creditors and will be able to pay an interim dividend once the issues are resolved. We are aware of secured debenture investors' desire that the matters be resolved at the earliest opportunity and confirm that we are working to this result.

At present we hold around \$8m of funds, including the proceeds of sale from the 24seven Australasia and California businesses. The \$8m equates to an interim dividend of 4.7% of the \$171m due to secured debenture holders. However the ultimate level of interim dividend that can be released to investors will depend on the outcome of the contingent creditors referred to above.

Further dividends to investors will depend on the outcome of the Shop24 capital raising process which is at an advanced stage.

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

VTL reported a loss of \$133m for the 14 month period ended 31 August 2007. The magnitude of the loss is of serious concern and is the subject of a thorough investigation by the receivers of Nathans. Already a number of matters have come to our attention which are being investigated and which will be referred to the appropriate Government Authorities if necessary.

### **Investigations into the Business Affairs of Nathans**

Investigations into the affairs of Nathans are ongoing and have identified a number of issues. The receivers are continuing discussions with the appropriate Government Authorities

We will continue to update investors on a regular basis via our website and anticipate a further formal update will be distributed by post by 30 September 2008. In the interim as soon as we have established the initial dividend and the estimated range of potential recoveries we will advise secured debenture investors in writing. Should you wish to contact us, please do so via our website, telephone, facsimile, or private bag address, as follows:

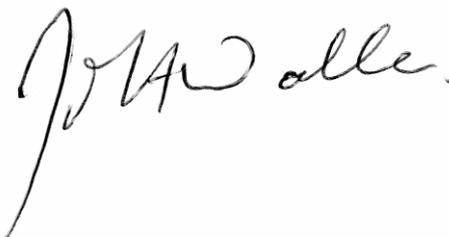
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We would like to take this opportunity to thank you for your ongoing patience and support.

Yours faithfully



Colin McCloy  
Receiver



John Waller  
Receiver