



*Receivers' Report on the State of Affairs of
Nathans Finance NZ Limited (In Receivership)*

Company Number: 1150880



IMPORTANT NOTE

- This report has been prepared in accordance with and for the purpose of Section 24 of the Receiverships Act 1993, for the sole purpose of reporting on the state of affairs with respect to the property in receivership and the conduct of the receivership for the six month period 20 February 2017 to 19 August 2017.
- All information contained in this report is provided in accordance with Sections 26 and 27 of the Receiverships Act 1993.
- This report is subject to the restrictions set out at Appendix I. In particular, in preparing this report we have relied upon and not independently verified or audited information or explanations provided to us.

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1. Introduction

- Colin McCloy and John Waller were appointed receivers of Nathans Finance NZ Limited (“Nathans”) by Perpetual Trust Limited on 20 August 2007.
- On 22 December 2008 Mr Waller resigned as receiver and Maurice Noone was appointed receiver to act jointly and severally with Colin McCloy. On 8 May 2014 Maurice Noone resigned as receiver and John Fisk of PricewaterhouseCoopers was appointed receiver of Nathans.
- This report has been prepared in accordance with and for the purpose of Section 24 of the Receiverships Act 1993, reporting on the state of affairs with respect to the property in receivership and the conduct of the receivership for the period from 20 August 2016 to 19 February 2017. This report is subject to the restrictions at Appendix I.
- Nathans is a subsidiary of VTL Group Limited (In Receivership) (“VTL”), which was an NZX listed company.
- 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 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.



2. *Events following appointment*

- Following our appointment as receivers we:
 - Secured key assets;
 - Secured documents and obtained an electronic back-up of computer records;
 - Communicated with investors and Perpetual Trust Limited;
 - Undertook investigations into the financial standing of Nathans; and
 - Developed asset realisation strategies.
- Recovery of amounts owed to Nathans by VTL and related parties became increasingly difficult given deteriorating global economic conditions. As a result, the directors of VTL requested that receivers be appointed to manage the affairs of VTL. We have managed the receiverships of Nathans and VTL in conjunction with each other to enable both receiverships to be operated as effectively and cost efficiently as possible.
- We finalised the receivership of VTL and resigned as receivers in October 2015.

3. *Particulars of assets and disposals of receivership property*

- The recorded assets of the Company have been realised by the receivers and no further recoveries are expected.



4. *Particulars of debts and liabilities outstanding and requiring to be satisfied from the property in receivership*

4.1 *Nathans Secured Debenture Investors*

- Nathans has 7,082 secured debenture investors, with investments totalling \$174m.
- We wrote to investors on 24 August 2007 advising of our appointment as receivers and requesting confirmation of the amounts recorded as outstanding in respect of their investments.
- We have updated investors throughout the receivership as material matters arose and wrote advising them of the final distribution of funds recovered in September 2015.

Amount and Timing of Returns to Secured Debenture Investors

- Over the course of the receiverships we have made payments to secured debenture investors totalling 16.5 cents in the dollar (\$28.2m) in respect of their principal investments as follows:
 - 2.2 cents in the dollar in December 2008;
 - 1.5 cents in the dollar in December 2009;
 - 3 cents in the dollar in December 2013; and
 - 9.8 cents in the dollar in September 2015.

- No further funds are available for distribution. There are a number of investors whose account details were not valid and we continue to work to contact these investors and arrange re-distribution of these unclaimed monies.

4.2 *Preferential creditors*

Employee entitlements

- All known employee entitlements have been distributed to the respective employees over the course of the receivership.

Inland Revenue (“IR”)

- Payment of \$886k was made to IR in respect of their preferential claim for unpaid Resident and Non-Resident Withholding Tax.

4.3 *Unsecured creditors*

- Due to the shortfall in amounts owing to secured debenture investors, there will be no amounts available for payment to unsecured creditors.



5. *Other matters*

The receivers have completed all administrative and taxation matters and have continued to seek to contact those with unclaimed distributions to arrange payment where possible prior to finalising the receivership. These amounts are being held in a specific account separate from receivership funds (currently c. \$0.4m).

We will shortly conclude the receivership. At that time, any remaining unclaimed monies will be distributed to Inland Revenue and the Trustee in accordance with the requirements of the Trust Deed and the Unclaimed Monies Act 1971.

5.2 *Communication*

Should stakeholders have any queries arising from this report, please contact our office in writing via our website, facsimile, or private bag address, as follows:

Nathans Finance NZ Limited (In Receivership)
PricewaterhouseCoopers
Private Bag 92-162
AUCKLAND
Facsimile: +64 9 355 8013
Website: www.pwc.co.nz/nathans-finance

Yours faithfully
Nathans Finance NZ Limited (In Receivership)

A handwritten signature in black ink, appearing to read 'John Fisk', with a long, sweeping underline.

John Fisk
Receiver



Appendix A

Restrictions

- All information contained in this report is provided in accordance with Sections 26 and 27 of the Receiverships Act 1993.
- The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.
- We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of the Company. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever arising from this report.
- The statements and opinions expressed in this report are based on information available as at the date of the report.
- We reserve the right, but will be under no obligation, to review or amend our Report, if any additional information, which was in existence on the date of this Report was not brought to our attention, or subsequently comes to light.
- We have relied on forecasts and assumptions prepared by the Company about future events which, by their nature, are not able to be independently verified. Inevitably, some assumptions may not materialise and unanticipated events and circumstances are likely to occur. Therefore, actual results in the future will vary from the forecasts upon which we have relied. These variations may be material.
- In addition the following should be noted:
 - Certain numbers included in tables throughout this report have been rounded and therefore do not add exactly.
 - Unless otherwise stated all amounts are stated in New Zealand dollars.



Appendix B

Receipts and payments

The table below sets out the receipts and payments for Nathans from 20 August 2007 to 19 August 2017

	NZD'000
Receipts	
Cash on hand at Appointment	7,384
Loan recoveries	4,738
VTL Sales proceeds	3,146
Pre-receivership debtors	2,362
Litigation settlements	23,402
Reparations received	1,092
Net interest	1,173
Net GST	52
Sundry income	1
	43,350
Payments	
Advances to VTL	6,463
Operational and other expenses	1,974
Repayment of overdue maturities	185
Investor register maintenance and distribution costs	339
Receivers' fees	1,695
Receivers' disbursements	125
Legal costs	3,125
Professional fees	375
Distribution to preferential creditor - Inland Revenue	886
Distributions to secured investors	28,182
	43,349
Net Funds	2