

Dorchester

Loans | Insurance | Debt Recovery



Annual Report
31 March 2014



THE COMPANY

Dorchester Pacific Limited is a financial services company. The Company has three operating entities:

- **Dorchester Finance** provides loans to consumers and SME's;
- **DPL Insurance** offers life and non-life insurance products; and
- **EC Credit** provides debt collection services to corporates and SME customers.



FINANCIAL SUMMARY

	31/03/2014 \$ millions	31/03/2013 \$ millions	Change %
Revenue	31.3	19.2	63%
Total comprehensive income/(loss) attributable to shareholders	8.2	1.7	382%
Total Assets	126.7	104.0	22%
Per Ordinary Share			
Earnings (cents per share)	2.04	0.90	
Final Dividend (cents per share)	0.5	0.0	
Dividend Record Date	16 July 2014	N/A	
Dividend Payment Date	23 July 2014	N/A	
Net Tangible Asset Backing (\$ per share)	\$0.08	\$0.02	382%



SIGNIFICANT EVENTS

- 4 April 2013 Dorchester acquires a strategic stake in Turners Auctions.
- 1 May 2013 Dorchester announced a proposed capital restructure and share placement that, together with the cash injection expected from the exercise of options on issue, should boost shareholder funds to approximately \$61 million.
- 5 June 2013 Dorchester announced approximately 134 million options of the 150 million options on issue have been exercised and will be converted into ordinary shares.
- 7 June 2013 Dorchester announced the successful completion of a targeted placement of 35 million shares to institutional investors. Approximately 16.3 million new shares will be issued as a result of the placement with the balance of the shares coming from two major shareholders.
- 10 June 2013 Dorchester announced it had increased its shareholding in Turners Auctions Limited to approximately 19.85% of the shares on issue.
- 17 June 2013 Approximately 134 million ordinary shares are issued for the 134 million options exercised.
- 18 June 2013 Approximately 16 million ordinary shares are issued for the share placement announced on 7 June 2013.
- 4 July 2013 Dorchester Insurance Subsidiary assigned a financial strength rating of B+ (Good) and an issuer rating of BBB- by rating agency A.M. Best.
- 5 July 2013 602,000 ordinary shares are issued for the Tranche 2 payment for purchase of insurance assets, trademarks and intellectual property of Mainstream Insurance Solutions Limited.
- 23 August 2013 Dorchester Pacific's Annual Meeting.
- 28 August 2013 Dorchester announced that its insurance subsidiary, DPL Insurance, has been issued a full licence by the Reserve Bank of New Zealand under the Insurance (Prudential Supervision) Act 2010.
- 30 August 2013 110 million ordinary shares are issued upon conversion of optional convertible notes and 10 million ordinary shares are issued for the exercise of options.
- 8 November 2013 Period one earn-out for the purchase of the business of EC Credit Control was settled. Approximately 14.6 million ordinary shares were issued as part consideration for the period one earn-out.
- 11 November 2013 Announced unaudited interim results for the six months to 30 September 2013 reporting a profit of \$1.8 million (2012: \$0.1 million loss).
- 17 March 2014 Dorchester enters into an unconditional agreement to purchase Levin based Oxford Finance on 1 April 2014.



SIGNIFICANT EVENTS

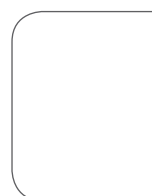
Post Year End

- 1 April 2014 Dorchester makes initial payment for purchase of Oxford Finance.
- 22 May 2014 Directors declare a final dividend of \$0.005 per share, un-imputed, to be paid on 23 July 2014 with a record date of 5.00 pm 16 July 2014



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CHAIRMAN'S & EXECUTIVE DIRECTOR'S REPORT

Dorchester Pacific Group Results to 31 March 2014

A net profit after tax of \$8.2 million (2013: \$1.7 million) was recorded for the year to 31 March 2014.

The result includes the full year trading for Dorchester Finance, DPL Insurance and the EC Credit debt recovery business, but no contribution from Oxford Finance which was settled on 1 April 2014.

The \$8.2 million profit includes two extraordinary items;

1. a one-off interest prepayment expense of \$1.67 million relating to \$11 million of convertible notes, converted to ordinary shares in August 2013; and
2. a gain of \$3.23 million from bringing tax losses on to the balance sheet.

The balance sheet at 31 March 2014 shows shareholder funds of \$74.1 million (2013, \$33.2 million).

The results reflect a completely transformed business with trading profit ahead of the half year guidance of \$6 million for the full year and a strong, conservatively geared balance sheet.

Trading and Operations

All three entities, Dorchester Finance, DPL Insurance and EC Credit traded profitably and in line with forecast over the year to 31 March 2014.

Dorchester Finance continued to achieve or exceed all performance metrics month on month. The receivables book is building well with additional motor vehicle dealers and finance brokers still being added to the client base. However, the focus remains on a quality build rather than any market share objective. We believe this will be achieved by a high and consistent level of servicing of the client network.

For **DPL Insurance**, new policy sales of motor vehicle insurance, mechanical breakdown insurance and loan repayment insurance under the 'Mainstream' brand are ahead of forecast and new distribution channels and cross selling opportunities are opening up. Loss ratios across the suite of Mainstream and Dorchester Life products are tracking at better than budgeted levels.

EC Credit's New Zealand revenues, including contingency collection commission from bank and institutional clients, have remained buoyant and ahead of last year. Australian market revenues were slower in the months around last year's election. However, Australian sales and profit contribution have increased in recent months helped by initiatives including an improved Australian sales territory structure to better target SME businesses, additional institutional debt recovery loadings and the launch of a new services offering around Personal Property Securities Registration.

Investment in Turners Auctions

During the year the Group purchased a 19.85% equity interest in NZX listed Turners Auctions Limited. As advised to the market at the time our objective is to participate as a provider of finance and insurance. CEO and Executive Director, Paul Byrnes, has been appointed to the board of Turners Auctions. We are very pleased with the investment and the recent strong performance of Turners. The investment carrying value at 31 March 2014 under the equity method of accounting is \$10.2 million. The market value at 31 March 2014 of the Turners Auction shares acquired was \$14.5 million.

Purchase of Oxford Finance Limited

In March 2014 the Group entered into an unconditional agreement to purchase Levin based Oxford Finance Limited. The transaction was settled on 1 April 2014. The final purchase price will be between \$11.3 million and \$12.3 million depending on earnings of the business for the 12 months to 31 March 2015. The cash consideration for the acquisition will be funded from retained earnings and the proceeds of last years capital raising.



CHAIRMAN'S & EXECUTIVE DIRECTOR'S REPORT continued

The acquisition is an excellent fit in all respects with loan type, average interest rate, term and loan portfolio metrics all in line with the receivables book Dorchester Finance is building. The geographical concentration of Oxford Finance's customer base ideally complements the strength of Dorchester Finance in the Auckland and Hamilton regions. We expect Oxford Finance to contribute \$3.0 million of earnings before tax in the first year to 31 March 2015.

Capital Raising from Exercise of Options and Placement

In June 2013, \$20.5 million new capital was raised following the exercise of 134 million options issued in June 2010 and a further 16 million new share issued in a targeted placement to institutional investors at 25 cents per share.

In August 2013, shareholders approved the earlier conversion to ordinary shares of the 110 million (\$11.0 million) Optional Convertible Notes which were issued in November 2011. The interest prepayment cost of \$1.67 million is included in the Group's profit result to 31 March 2014.

Dividend

Directors have declared a final dividend of a half cent per share for the year ended 31 March 2014. The total dividend (un-imputed) of \$2.5 million equates to approximately 40% of the underlying trading profit of \$6.7 million before extraordinary items and is in line with the dividend policy guideline advised to the market last year.

The dividend will be paid on Wednesday 23 July 2014. For the purposes of determining shareholder entitlements, the record date will be 5.00 pm, Wednesday 16 July 2014.

Outlook

The year under review has seen a milestone turnaround for the Dorchester Group. The profit result of \$8.2 million is a record profit for Dorchester since its listing in 1985 and the dividend is the first dividend return to shareholders for 7 years.

We expect Group net profit before tax of \$10.0 million - \$11.0 million will be achieved for the financial year to 31 March 2015 and forecast this increasing to around \$15.0 million for the year to 31 March 2016. These forecasts include a full contribution from Oxford Finance but no contribution from further merger and acquisition activity.

While further acquisition activity remains key to the Dorchester Group growth strategy, we will continue to evaluate these opportunities very carefully to ensure we make the right acquisitions and investments.

G.K. Baker
Chairman Director

P.A. Byrnes
Executive Director

OUR PEOPLE - BOARD OF DIRECTORS

Dorchester Pacific Group Results to 31 March 2014



Mr G.K. Baker (Chairman)

Grant Baker is a founding Director of the venture capital firm The Business Bakery and has vast experience within numerous New Zealand companies, both private and public. He has previously served as the CEO of Blue Star Group Limited and Ubix Business Machines and has sat as the Executive Chairman of Netco Ltd, Empower Ltd and 42 Below Ltd. Grant is currently an Executive Director of listed company Trilogy International Limited, Chairman of listed company Moa Group Limited and Chairman of cancer charity GICI (Gastro Intestinal Cancer Institute).



Mr P.A. Byrnes (Deputy Chairman)

Paul Byrnes is a chartered accountant with 20 years experience in senior and CEO roles in private and listed companies. He joined the Dorchester Board in 2004, and is also Chairman of power company Top Energy Limited, a director of Hellaby Holdings Limited, and a number of private companies. He was appointed CEO/Executive Director in May 2008.



Mr K. Brewer

Kevin Brewer is a business consultant with a background in merchant banking, M & A and corporate advisory with Bancorp and KPMG in New Zealand, Australia and the United Kingdom. He has held senior GM and CEO roles for SKY CITY Entertainment Group, including responsibility for the Adelaide business, and Wendy's New Zealand. Kevin is a Chartered Accountant and holds a post graduate diploma in marketing from the University of Auckland. He is on the board of YHA New Zealand and The Anglican Trust for Women & Children.



Mr J.J. Gosney

John Gosney is a professional company director with extensive management experience and a background in finance and investment. He joined the Dorchester Board in May 2008 and represents the interests of Hugh Green Investments Limited. John is a director of a number of private companies and has interests in commercial and industrial property. John holds a Bachelor of Commerce and Masters of Business Administration from Otago University.



Mr M.J. Harrison

Matthew Harrison is Managing Director of EC Credit Control, the debt recovery business acquired in 2012. He joined EC Credit Control in 1998 following senior sales and administration roles in the courier industry. Matthew was appointed to the Dorchester Board in 2012 and is also a director of a number of private companies. Matthew holds a Bachelor of Commerce in Economics from Otago University.



Mr G.A. Peebles

Gregory Peebles is a career banker with over 35 years with Westpac rising to Chief Credit Officer for New Zealand. Greg, representing Westpac, was a director of TV3 for six years and holds a number of directorships in private companies and trusts including the Hospice South Auckland Charitable Trust.



Mr A. Vriens - (Independent Chairman - DPL Insurance Limited)

DPL Insurance Limited chairman and director, Antony Vriens, is a highly experienced and commercial financial services professional with demonstrated success as a senior executive in insurance and wealth management businesses within Australia and New Zealand.

MANAGEMENT



Mr J Searle

James Searle is the General Manager of DPL Insurance responsible for the growth, underwriting and operational performance of our insurance business. James has over 25 years' experience in the insurance industry having worked across a range of functions, and leadership roles including companies such as IAG and Lumley.



Mrs B.M. Badish

Barbara Badish is responsible for the finance function in Dorchester. Barbara has held senior management positions in the financial services and banking sectors with companies both in New Zealand and overseas including Geneva Finance, KPMG and HSBC.



Mr D. French

Darryl French is our Group Operations Manager of Lending and Collections, his key roles within Dorchester is to manage both the Lending and Collections areas. Darryl has more than 23 years experience within the Credit and Lending sectors both within a main Trading Bank and Finance environment where he has held a number of management positions.



GOVERNANCE

The Board of Directors is responsible for setting the Group's strategic direction, directing the Group and enhancing its value for shareholders in accordance with good corporate governance principles. The Board of Directors has adopted a corporate governance code ("Code").

The Code and its governance practices for the year ended 31 March 2014 are generally consistent with the principles identified in the "Corporate Governance in New Zealand Principles and Guidelines" report, released by the New Zealand Securities Commission in 2004.

Our governance practices for the year ended 31 March 2014 comply with the NZX Corporate Governance Best Practice Code excepting a formal procedure for the assessment of board performance which the Board intends to develop.

The company will continue to monitor best practice in the governance area and update its policies to ensure it maintains the most appropriate standards. The Company has not adopted a diversity policy.

Our principal governance statements are outlined in this report, however, the full corporate governance code and key policies are available on the Dorchester website:

<http://www.dorchester.co.nz/Shareholder-Information/Corporate-Governance/default.aspx>

THE BOARD OF DIRECTORS

The Board's key responsibilities are to review and approve the strategic direction of the Company, to oversee the financial and operational controls of the business and to manage appropriate risk management strategies and policies. Our governance structure and practices encourage the highest standards of ethical conduct and provide accountability and control systems commensurate with the risks involved.

The Board is also responsible for fostering corporate culture, the appointment and remuneration of senior executives, the adoption of corporate plans and policies, the approval of transactions of substance and the review of business risks.

Ethical Conduct

The Code includes a policy on business ethics which is designed to govern the Board's conduct. The Code addresses conflicts of interest, receipt of gifts and behaviours.

Selection and Role of the Chairman

The chairman is selected by the Board. The chairman's role is to manage the Board effectively, to provide leadership to the Board and to facilitate the Board's interaction with the CEO or Executive Director.

Board Membership

The Board currently consists of two independent directors, two executive directors, two non-executive directors, who are elected based on the value they bring to the Board and against set criteria detailed in the Code.

Each Dorchester director is a skilled and experienced business person. Together they provide value by making quality contributions to corporate governance matters, conceptual thinking, strategic planning, policies and providing guidance to management. As at 31 March 2014 the Board was as follows:

Grant Baker	Chairman
Kevin Brewer	Independent Director
Paul Byrnes	Executive Director
John Gosney	Non-executive Director
Matthew Harrison	Executive Director
Gregory Peebles	Independent Director

Profiles of current board members are shown on page 6.

Stephen Sinclair is an alternate director for Grant Baker.

The number of elected directors and the procedure for their retirement and re-election at annual meetings of shareholders are set out in the Constitution of the Company.



GOVERNANCE continued

Director Independence

In order for a director to be independent, the Board has determined that he or she must not be an executive of Dorchester and must have no disqualifying relationship. The Board follows the guidelines of the NZX Listing Rules.

The Board has determined that Kevin Brewer and Gregory Peebles are independent.

John Gosney is a director of Hugh Green Investments Limited which has a 25.75% shareholding in Dorchester and represents their interests. He is therefore not independent.

Paul Byrnes and Matthew Harrison are acting as executives within Dorchester and are therefore not independent.

Grant Baker, and his alternate Stephen Sinclair, are representatives of The Business Bakery LP which, together with associates, has a 23.20% shareholding in Dorchester and are therefore not independent.

Nomination and Appointment of Directors

The Board is responsible for identifying and recommending candidates. Directors may also be nominated by shareholders under Listing Rule 3.3.2.

A director may be appointed by ordinary resolution and all directors are subject to removal by ordinary resolution.

The Board may at any time appoint additional directors. A director appointed by the Board shall only hold office until the next annual meeting of the Company, but shall be eligible for election at that meeting.

One third of directors shall retire from office at the annual meeting each year. The directors to retire shall be those who have been longest in office since they were last elected or deemed to be elected.

Directors' Meetings

The number of meetings attended by directors during the year is detailed in the following table.

Director	Board Meeting	Audit	Lending and Credit
Grant Baker	11		
Kevin Brewer	11	2	2
Paul Byrnes	10		
John Gosney	10	2	2
Matthew Harrison	11		
Gregory Peebles	11	2	2

Disclosure of Interests by Directors

The Code sets out the procedures to be followed where directors have an interest in a transaction or proposed transaction or are faced with a potential conflict of interest requiring the disclosure of that conflict to the Board. Each Company in the Dorchester Group is required to maintain an interests register in which particulars of certain transactions and matters involving directors must be recorded. The interests register for Dorchester and its subsidiaries is available for inspection at its registered office.

Details of matters entered into the interests register by individual directors are outlined on page 69 of this report.

Directors' Share Dealings

The Company has adopted a share dealing policy which sets out the procedure to be followed by directors and staff when trading in Dorchester shares, to ensure that no trades are affected whilst that person is in possession of price sensitive information. Details of directors' share dealings are outlined on page 68.



GOVERNANCE continued

Indemnification and Insurance of Directors and Officers

The Company has directors' and officers' liability insurance with DUAL NEW ZEALAND which ensures that generally, directors and officers will incur no monetary loss as a result of actions undertaken by them.

BOARD COMMITTEES

The Board has constituted two standing Committees being the Audit and Risk Management Committee and the Lending and Credit Committee. Due to the size of the Company's Board, matters normally dealt with by the remuneration and the nominations committees are dealt with by the full Board.

Audit and Risk Management Committee

The role of the audit committee is to assist the Board in carrying out its responsibilities under the Companies Act 1993 and the Financial Reporting Act 1993 regarding accountancy practices, policies and controls relative to the Company's financial position and make appropriate enquiry into the audits of the Company's financial statements. This responsibility includes providing the Board with additional assurance about the quality and reliability of the financial information issued publicly by the Company.

Although the Board as a whole is responsible for accuracy and relevance of the Company's financial statements, the Audit Committee provides an additional and more specialised oversight. The committee also reviews operation of internal controls and the quality and cost of the audit undertaken by the Company's external auditors.

The Audit Committee comprises two non-executive directors, of whom at least one must be considered a financial expert. The Audit Committee members are Gregory Peebles (Chair), Kevin Brewer and John Gosney. It met twice during the financial year. In addition, the External Auditor of the Company attends meetings of the Audit Committee.

Lending and Credit Committee

The Lending and Credit Committee reviews the lending and credit policies of Dorchester Finance Limited. It is also responsible for the approval of lending policies, the approval/decline of loan applications in terms of approval authority and reviews the recovery of overdue loans and doubtful debt provisions in order to ensure that provisioning is satisfactory.

The Lending and Credit Committee members are Gregory Peebles (Chair), Kevin Brewer and John Gosney.

REMUNERATION

The Code includes a Remuneration Policy. Matters normally dealt with by a Remuneration Committee are dealt with by the full Board. Details of directors and executives' remuneration and entitlements are detailed on pages 54 and 69.

Remuneration of Directors

The amount currently being paid to each non-executive director (other than the Chairman and Gregory Peebles) of the Company is \$50,000 per annum. The Chairman is currently paid \$82,000 per annum. Gregory Peebles is paid \$80,000 per annum.

Under the NZX Listing Rule 3.5.2, the Board may only make a payment to a director upon cessation or retirement from the office with shareholder approval. Dorchester's policy is in line with best practice guidelines from the New Zealand Institute of Directors, and no directors appointed after 2000 are entitled to retirement payments.

Remuneration of Executives

Executive remuneration consists of a fixed base salary and a variable short term bonus paid annually. Bonuses are paid against targets agreed with executives at the commencement of the year and are based on profitability, growth and personal objectives.



AUDITOR'S REPORT

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staplesrodway⁷
CHARTERED ACCOUNTANTS

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF DORCHESTER PACIFIC LIMITED

Report on the Consolidated Financial Statements

We have audited the consolidated financial statements of Dorchester Pacific Limited ('the Company') and its Subsidiaries (together 'the Group') on pages 12 to 66, which comprise the Statements of Financial Position of the Company and Group as at 31 March 2014, Statements of Comprehensive Income, Statements of Changes in Equity and Statements of Cash Flows of the Company and Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation of consolidated financial statements in accordance with generally accepted accounting practice in New Zealand and that give a true and fair view of the matters to which they relate, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing (New Zealand). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers the internal controls relevant to the entity's preparation of consolidated financial statements that give a true and fair view of the matters to which they relate in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates, as well as evaluating the presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, the Company or Group.

Opinion

In our opinion, the consolidated financial statements on pages 12 to 66:

- comply with generally accepted accounting practice in New Zealand;
- comply with International Financial Reporting Standards;
- give a true and fair view of the financial position of the Company and Group as at 31 March 2014 and of their financial performance and cash flows for the year then ended.



AUDITOR'S REPORT continued



Report on Other Legal and Regulatory Requirements

Sections 16(1)(d) and 16(1)(e) of the Financial Reporting Act 1993 require us to comment on whether we have obtained all the information and explanations that we have required from the Company and Group and whether we consider that proper accounting records have been kept by the Company and Group.

We have obtained all the information and explanations that we have required.

In our opinion proper accounting records have been kept by the Company and Group as far as appears from our examination of those records.

Matters Relating to the Electronic Presentation of the Audited Financial Statements

This audit report relates to the financial statements of Dorchester Pacific Limited for the year ended 31 March 2014 included on Dorchester Pacific Limited's website. Dorchester Pacific Limited's Board of Directors is responsible for the maintenance and integrity of Dorchester Pacific Limited's website. We have not been engaged to report on the integrity of Dorchester Pacific Limited's website. We accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The audit report refers only to the financial statements named above. It does not provide an opinion on any other information which may have been hyper linked to / from these financial statements. If readers of this report are concerned with the inherent risks arising from electronic data communication they should refer to the published hard copy of the audited financial statements and related audit report dated 18 June 2014 to confirm the information included in the audited financial statements presented on this website.

Legislation in New Zealand governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STAPLES RODWAY AUCKLAND
AUCKLAND

18 June 2014



DORCHESTER PACIFIC LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 March 2014

		Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
	Notes				
Continuing operations					
Interest income		7,417	5,905	68	96
Commission income		-	29	-	-
Loan fee income		336	227	-	-
Life insurance and life investment contract income		4,247	3,520	-	-
Collection income		17,015	7,815	-	-
Other operating income		2,312	1,386	382	7,291
Gain on repurchase of secured capital notes	24	-	280	-	280
Operating revenue	7	31,327	19,162	450	7,667
Interest expense		(2,188)	(2,355)	(1,318)	(1,509)
Interest expense present value of optional convertible notes interest instalments to March 2015	24	(1,669)	-	(1,669)	-
Interest expense on secured capital notes	24	-	(250)	-	(250)
Interest expense on secured capital notes (relates to fair value adjustment reversal)	24	-	(313)	-	(313)
Impairment (charge)/release on finance receivables, reverse annuity mortgages and other receivables	27	(532)	(425)	-	3,331
Life insurance and life investment contract expenses		(3,765)	(2,995)	-	-
Other operating expenses	7	(19,002)	(12,957)	(1,846)	(2,832)
Net operating profit/(loss)		4,171	(133)	(4,383)	6,094
Share of profit of equity-accounted investment (net of tax)	16	721	-	-	-
Profit/(loss) before taxation		4,892	(133)	(4,383)	6,094
Taxation benefit	8	3,225	1,746	-	-
Profit/(loss) from continuing operations		8,117	1,613	(4,383)	6,094
Discontinued operations					
Profit from discontinued operation (net of income tax)	9	93	102	-	-
Profit/(loss)		8,210	1,715	(4,383)	6,094
Other comprehensive income for the year (which may subsequently be reclassified to profit/loss), net of tax					
Foreign currency translation differences		(35)	(7)	-	-
Movement in available for sale securities		-	-	4,638	-
Total comprehensive income attributable to shareholders		8,175	1,708	255	6,094
Earnings per share (cents per share)					
Basic earnings per share	10	2.04	0.90		
Basic earnings per share on continuing operations	10	2.02	0.85		
Diluted earnings per share	10	2.04	0.62		
Diluted earnings per share on continuing operations	10	2.02	0.59		



DORCHESTER PACIFIC LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 31 March 2014

Group	Notes	Share Capital \$'000	Share Option Reserve \$'000	Translation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 April 2012		60,850	565	-	(37,248)	24,167
Transactions with shareholders in their capacity as owners	25	6,996	319	-	-	7,315
Profit		-	-	-	1,715	1,715
Foreign currency translation differences		-	-	(7)	-	(7)
Total comprehensive income for the year, net of tax		-	-	(7)	1,715	1,708
Balance at 31 March 2013		67,846	884	(7)	(35,533)	33,190
Transactions with shareholders in their capacity as owners	25	33,571	(884)	-	-	32,687
Profit		-	-	-	8,210	8,210
Foreign currency translation differences		-	-	(35)	-	(35)
Total comprehensive income for the year, net of tax		-	-	(35)	8,210	8,175
Balance at 31 March 2014		101,417	-	(42)	(27,323)	74,052

Parent	Notes	Share Capital \$'000	Share Option Reserve \$'000	Available for Sale Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 April 2012		61,601	565	-	(46,626)	15,540
Transactions with shareholders in their capacity as owners	25	6,245	319	-	-	6,564
Profit		-	-	-	6,094	6,094
Other comprehensive income for the year (which may subsequently be reclassified to profit/loss), net of tax		-	-	-	-	-
Total comprehensive income for the year, net of tax		-	-	-	6,094	6,094
Balance at 31 March 2013		67,846	884	-	(40,532)	28,198
Transactions with shareholders in their capacity as owners	25	33,571	(884)	-	-	32,687
Profit		-	-	-	(4,383)	(4,383)
Revaluation of investment		-	-	4,638	-	4,638
Total comprehensive income for the year, net of tax		-	-	4,638	(4,383)	255
Balance at 31 March 2014		101,417	-	4,638	(44,915)	61,140



DORCHESTER PACIFIC LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 March 2014

	Notes	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
Assets					
Cash and cash equivalents	11	5,555	5,184	895	1,089
Financial assets at fair value through profit or loss	12	16,310	17,362	319	545
Finance receivables	13	37,726	28,757	-	-
Receivables and deferred expenses	14	5,806	3,500	34,229	29,038
Reverse annuity mortgages	15	17,808	18,063	-	-
Investment in associate	16	10,209	-	14,506	-
Investments in subsidiaries	17	-	-	21,518	21,518
Property, plant and equipment	18	595	687	250	223
Tax asset	19	6,761	3,317	-	-
Intangible assets	20	25,912	26,254	24	44
		126,682	103,124	71,741	52,457
Assets classified as held for sale and discontinued operations	21	-	831	-	-
Total assets		126,682	103,955	71,741	52,457
Liabilities					
Other payables	22	6,619	8,239	620	1,415
Deferred revenue	23	6,733	7,834	-	-
Borrowings	24	17,565	22,784	9,981	11,987
Optional convertible notes	24	-	10,857	-	10,857
Life investment contract liabilities	35	15,293	16,370	-	-
Insurance contract liabilities	35	6,420	4,681	-	-
Total liabilities		52,630	70,765	10,601	24,259
Shareholders' equity					
Share capital	25	101,417	67,846	101,417	67,846
Share option reserve	25	-	884	-	884
Translation reserve		(42)	(7)	-	-
Available for sale reserve		-	-	4,638	-
Retained earnings		(27,323)	(35,533)	(44,915)	(40,532)
Total shareholders' equity		74,052	33,190	61,140	28,198
Total shareholders' equity and liabilities		126,682	103,955	71,741	52,457

For and on behalf of the Board

G.K. Baker
Chairman Director

P.A. Byrnes
Executive Director

Authorised for issue on 18 June 2014



DORCHESTER PACIFIC LIMITED CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Notes	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
Cash flows from operating activities					
Interest received		5,830	4,218	64	96
Receipts from customers		20,691	10,065	2	(9)
Interest paid		(3,373)	(2,172)	(2,805)	(1,666)
Payment to suppliers and employees		(21,108)	(13,502)	(2,524)	(2,017)
Income tax paid		(95)	(2)	-	-
Net cash outflow from operating activities before changes in operating assets and liabilities		1,945	(1,393)	(5,263)	(3,596)
Net increase in finance receivables		(9,272)	(7,113)	-	-
Net decrease in reverse annuity mortgages		1,889	4,991	-	-
Net decrease of financial assets at fair value through profit or loss		2,423	4,748	226	-
Net (withdrawals)/contributions from life investment contracts		(1,429)	(2,547)	-	-
Changes in operating assets and liabilities arising from cash flow movements		(6,389)	79	226	-
Net cash (outflow)/inflow from operating activities	29	(4,444)	(1,314)	(5,037)	(3,596)
Cash flows from investing activities					
Proceeds from sale of properties that were classified as held for sale		100	1,936	-	-
Dividends received from associate		380	-	380	-
Cash included with purchase of business assets	17	-	135	-	-
Purchase of fixed and intangible assets		(230)	(301)	(86)	(57)
Purchase of investments		(11,747)	(6,147)	(9,868)	-
Net cash inflow/(outflow) from investing activities		(11,497)	(4,377)	(9,574)	(57)
Cash flows from financing activities					
Net bank loan advances/(repayments)		(5,370)	15,266	(2,033)	12,035
Proceeds from the issue of shares		3,998	-	3,998	-
Proceeds from the conversion of options		17,712	462	17,762	462
Net increase in intercompany balance		-	-	(5,310)	(1,685)
Net decrease in secured capital notes		-	(13,820)	-	(13,820)
Proceeds from the issue of optional convertible notes		-	5,500	-	5,500
Net cash inflow/(outflow) from financing activities		16,340	7,408	14,417	2,492
Net movement in cash and cash equivalents		399	1,717	(194)	(1,161)
Add opening cash and cash equivalents		5,184	3,467	1,089	2,250
Translation difference		(28)	-	-	-
Closing cash and cash equivalents		5,555	5,184	895	1,089
Represented By:					
Cash at bank		5,555	5,184	895	1,089
Closing cash and cash equivalents	11	5,555	5,184	895	1,089

The accompanying notes form part of these financial statements



DORCHESTER PACIFIC LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

1. REPORTING ENTITY

Dorchester Pacific Limited (the "Company") is a for-profit entity incorporated and domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand Stock Exchange. The Company is an issuer for the purposes of the Financial Reporting Act 1993.

The financial statements for the Company and consolidated financial statements are presented. The consolidated financial statements of Dorchester Pacific Limited as at and for the year ended 31 March 2014 comprise the Company (the "Parent") and its subsidiaries (together the "Group") which are listed under note 17 to these financial statements.

The Group's primary activity is financial services offering loans, insurance products and credit collection services.

2. Basis of Preparation

2.1 Statement of Compliance

The financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). They comply with New Zealand equivalents to International Financial Reporting Standards ("NZ IFRS") and other applicable Financial Reporting Standards, as appropriate for for-profit entities. These financial statements have been prepared under the requirements of the Companies Act 1993 and the Financial Reporting Act 1993. The financial statements also comply with International Financial Reporting Standards.

The financial statements were authorised for issue by the Board of Directors on 18 June 2014.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis, as modified by the revaluation of certain assets and liabilities as identified in specific accounting policies.

2.3 Functional and Presentation Currency and Rounding

These financial statements are presented in New Zealand Dollars (\$) which is the Company's functional currency. The financial information presented in New Zealand Dollars has been rounded to the nearest thousand, except when otherwise indicated.

2.4 Use of Estimates and Judgements

The preparation of the financial statements in conformity with NZ IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from estimates.

Estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future period affected. Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements are described in note 4.

3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

3.1 New standards and interpretation

The following new financial reporting standards and amendments to standards are effective from 1 January 2013 and have been applied in preparing these financial statements.

NZ IAS 1 Presentation of Financial Statements

It requires that items in other comprehensive income be grouped in two sections, items that will not be reclassified to profit or loss and items that may subsequently be classified to profit or loss.

NZ IFRS 10 Consolidated Financial Statements

NZ IAS 27 Separate Financial Statements

NZ IAS 28 Investments in Associates and Joint Ventures

NZ IFRS 10 replaces NZ IAS 27 Consolidated and Separate Financial Statements and NZ SIC-12 Consolidation - Special Purpose entities. It has been issued concurrently with:

- NZ IFRS 11 Joint Arrangements;
- NZ IFRS 12 Disclosure of Interests in Other Entities;
- NZ IAS 27 (revised 2011) - this included amendments for the issue of NZ IFRS 10, but retains current guidance for separate financial statements; and
- NZ IAS 28 (revised 2011) - this has been amended for conforming changes based on the issue of NZ IFRS 10 and NZ IFRS 11.

The objective of NZ IFRS 10 is to establish control as a single basis for consolidation for all entities, regardless of the nature of the investee. The definition of control includes three elements - power over an investee, exposure or rights to variable returns of the investee, and the ability to use power over the investee to affect the investor's returns. The adoption of NZ IFRS 10 has not resulted in the identification of any additional subsidiaries.

NZ IFRS 13 Fair Value Measurement

It defines fair value and provides a single source of fair value measurement and disclosure requirements for use across all NZ IFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by another NZ IFRS. NZ IFRS 13 applies prospectively for annual periods beginning on or after 1 January 2013. The adoption of NZ IFRS 13 has not resulted in any changes in the measurement of fair value financial assets or liabilities of the Group.



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

- 4 April 2013 Dorchester acquires a strategic stake in Turners Auctions.
- 1 May 2013 Dorchester announced a proposed capital restructure and share placement that, together with the cash injection expected from the exercise of options on issue, should boost shareholder funds to approximately \$61 million.
- 5 June 2013 Dorchester announced approximately 134 million options of the 150 million options on issue have been exercised and will be converted into ordinary shares.
- 7 June 2013 Dorchester announced the successful completion of a targeted placement of 35 million shares to institutional investors. Approximately 16.3 million new shares will be issued as a result of the placement with the balance of the shares coming from two major shareholders.
- 10 June 2013 Dorchester announced it had increased its shareholding in Turners Auctions Limited to approximately 19.85% of the shares on issue.
- 17 June 2013 Approximately 134 million ordinary shares are issued for the 134 million options exercised.
- 18 June 2013 Approximately 16 million ordinary shares are issued for the share placement announced on 7 June 2013.
- 4 July 2013 Dorchester Insurance Subsidiary assigned a financial strength rating of B+ (Good) and an issuer rating of BBB- by rating agency A.M. Best.
- 5 July 2013 602,000 ordinary shares are issued for the Tranche 2 payment for purchase of insurance assets, trademarks and intellectual property of Mainstream Insurance Solutions Limited.
- 23 August 2013 Dorchester Pacific's Annual Meeting.
- 28 August 2013 Dorchester announced that its insurance subsidiary, DPL Insurance, has been issued a full licence by the Reserve Bank of New Zealand under the Insurance (Prudential Supervision) Act 2010.
- 30 August 2013 110 million ordinary shares are issued upon conversion of optional convertible notes and 10 million ordinary shares are issued for the exercise of options.
- 8 November 2013 Period one earn-out for the purchase of the business of EC Credit Control was settled. Approximately 14.6 million ordinary shares were issued as part consideration for the period one earn-out.
- 11 November 2013 Announced unaudited interim results for the six months to 30 September 2013 reporting a profit of \$1.8 million (2012: \$0.1 million loss).
- 17 March 2014 Dorchester enters into an unconditional agreement to purchase Levin based Oxford Finance on 1 April 2014.

SIGNIFICANT EVENTS POST YEAR END

- 1 April 2014 Dorchester makes initial payment for purchase of Oxford Finance.
- 22 May 2014 Directors declare a final dividend of \$0.005 per share, un-imputed, to be paid on 23 July 2014 with a record date of 5.00 pm 16 July 2014



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve (translation reserve) in equity. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the translation reserve in equity.

3.4 Revenue and expense recognition

Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and that the revenue can be reliably measured. The principal sources of revenue are interest income, fees, commissions, and insurance premium income.

Interest income and expense

Financial instruments are classified in the manner described in policy 3.5. Some are measured by reference to amortised cost, others by reference to fair value.

For financial instruments measured at amortised cost, the effective interest method is used to measure the interest income or expense recognised in profit or loss. For financial instruments measured at fair value, interest income or expense is recognised on an accrual basis.

The effective interest method calculates the amortised cost of a financial asset or financial liability and allocates the interest income or interest expense over the relevant period. The calculation includes all fees paid or received and directly related transaction costs that are an integral part of the effective interest rate. The interest income or expense is allocated over the life of the instrument and is measured for inclusion in profit and loss by applying the effective interest rate to the instruments amortised cost.

Lending and funding - fees and commissions

Lending fee income (such as booking and establishment fees) that is integral to the effective yield of a loan held at amortised cost is capitalised as part of the amortised cost and deferred over the life of the loan using the effective interest method. Lending fees not directly related to the origination of a loan are recognised over the period of service.

Incremental and directly attributable costs (such as commissions) associated with the origination of a financial asset (such as loans) and financial liabilities (such as borrowings) are capitalised as part of the amortised cost and deferred over the life of the financial instrument using the effective interest method.

Premium income and acquisition costs

Premium income on long-term insurance contracts is recognised on an accrual basis. Premium income on temporary life insurance contracts and short-term motor vehicle contracts is recognised in the period in which the premium is earned during the term of the contract.

The proportion of premiums not earned in the profit or loss at the reporting date is recognised in the balance sheet as unearned premium liability.

Under life investment contracts deposits are received from policyholders which are then invested on behalf of the policyholders. No premium income is recognised as revenue. Fees deducted from members' accounts are accounted for as fee income.

Commissions and other acquisition costs that vary with and are related to securing new and renewing existing insurance contracts are effectively deferred and amortised over the life of the policy, where product profitability can support the recovery of acquisition costs.

Commissions and other acquisition costs that vary with and are directly related to securing new life investment contracts are capitalised as a deferred acquisition cost asset. All other acquisition costs are recognised as expenses in profit or loss when incurred. The deferred acquisition cost asset is subsequently amortised over the life of the contracts and recognised in profit or loss.

Collection income, other service related fees and commissions

When collection income, fee and commission income, or commission expenses relate to specific transactions or events, they are recognised in profit or loss when the service is provided. When they relate to services provided over a period, they are spread on straight line basis over the period of service.

Voucher income

Pre-paid debt recovery voucher income is recognised when the voucher is redeemed or after a period of time based on historical redemption patterns. Estimates are readjusted as necessary based on movements in the actual redemption patterns.

Other income

Dividend income is recorded in the profit or loss when the Group's right to receive the dividend is established. Realised and unrealised gains and losses from re-measurement of financial instruments at fair value through profit or loss are included in other operating income and life insurance income.

Claims expense

Claims expenses represent claim payments adjusted for the movement in the outstanding claims liability.

Insurance contract claims are recognised when a liability has been established. Claims under life investment contracts represent withdrawals of investment deposits and are recognised as a reduction in the life investment contract liabilities.



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

3.5 Financial instruments

Basis of recognition and measurement

The Group classifies financial instruments into one of the following categories at initial recognition: financial assets - financial assets at fair value through profit or loss, available for sale financial assets, loans and receivables and held to maturity financial assets; financial liabilities - financial liabilities at fair value through profit or loss or financial liabilities measured at amortised cost.

The classification depends on the purpose for which the financial instruments were acquired. Management determines the classification of its financial instruments at initial recognition and re-evaluates this designation at every reporting date.

Some of these categories require measurement at fair value. Where available, quoted market prices are used as a measure of fair value. Where quoted market prices do not exist, fair values are estimated using present value or other market accepted valuation techniques, using methods and assumptions that are based on market conditions and risks existing as at balance date.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows expire or if the Group transfers them without retaining control of substantially all risks and rewards of the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract are extinguished.

The Group initially recognises loans and advances and debt securities issued on the date on which they are originated. All other financial instruments are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument. A financial asset or liability is measured initially at fair value plus or less, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

Financial assets at fair value through profit or loss are subsequently carried at fair value with realised and unrealised gains and losses arising from changes in their fair value included in profit and loss in the period they arise. Available for sale financial assets are subsequently measured at fair value and changes in fair value are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss. Loans and receivables and held to maturity financial assets are carried at amortised cost using the effective interest method.

The Group assesses at each balance date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

(i) Financial assets at fair value through profit or loss

This category has two sub categories: financial assets held for trading and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated hedges.

The Group's financial assets at fair value through profit or loss comprise: fixed interest securities, investments in unlisted funds and derivatives.

(ii) Available for sale financial assets

Available for sale financial assets are non derivatives which are either designated in this category or not classified in any of the other categories. The Group has no assets in this category.

(iii) Loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable.

The Group's assets in this category are: finance receivables, reverse annuity mortgages, cash and cash equivalents, related party receivables and other receivables.

(iv) Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. The Group has no assets in this category.

(v) Financial liabilities at fair value through profit or loss

This category has two sub categories: financial liabilities held for trading, and those designated at fair value through profit or loss at inception. A financial liability is classified in this category if held principally for the purpose of settling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges.

The Group's liabilities in this category are life investment contract liabilities.

(vi) Other financial liabilities

This category includes all financial liabilities other than those designated as fair value through profit or loss.

The Group's other financial liabilities include borrowings, optional convertible notes and other payables.

(vii) Derivative financial instruments and hedge accounting

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at their fair market value at each reporting date. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

Hedge accounting

The Group has not designated any derivatives as a hedging instrument.

Derivatives that do not qualify for hedge accounting

The changes in fair value of derivatives that do not qualify for hedge accounting are recognised through profit or loss.

3.6 Offsetting financial instruments

The Group offsets financial assets and financial liabilities and reports the net balance in the statement of financial position where there is a legally enforceable right to set-off and there is an intention to settle on a net basis or to realise the asset and to settle the liability simultaneously. The Group has not offset any financial assets and financial liabilities in these financial statements.

3.7 Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk and are accounted for in accordance with the requirements of NZ IFRS 4 Insurance Contracts. The Group issues the following insurance contracts:

- Long-term insurance contracts with fixed and guaranteed terms, these contracts insure events associated with human life (for example, death) over a long duration;
- Temporary life insurance contracts covering death disablement, disability and redundancy risks; and
- Short term motor vehicle contracts covering comprehensive, third party and mechanical breakdown risks.

The liability for insurance contracts has been determined in accordance with Appendix C of NZ IFRS 4 Insurance Contracts and Professional Standard No 3 of the New Zealand Society of Actuaries. In terms of these standards, the liability is determined using the methodology referred to as Margin on Service (MoS). Under MoS the excess premium received over claims and expenses, 'the profit margin', is recognised over the life of the contract in a manner that reflects the pattern of risk accepted from the policyholder 'the service'.

3.8 Life investment contracts

Life investment contracts are those contracts with minimal insurance risk and are accounted for in accordance with NZ IAS 18 Revenue and NZ IAS 39 Financial instruments: Recognition and Measurement (refer note 3.5). The life investment contracts are unit-linked and fair value of a unit linked contract is determined using the current unit values that reflect the fair value of the financial assets backing the contract, multiplied by the number of units attributable to the contract holder.

3.9 Property, plant and equipment

Property, plant and equipment are recognised in the statement of financial position at cost less accumulated depreciation and impairment losses. Depreciation is calculated on a diminishing value basis to allocate the costs, net of any residual amounts, over their useful lives. The rates for the following asset classes are:

Computer hardware	31.2 - 48.0%
Office equipment	7.5 - 60.0%
Furniture, fittings and leasehold improvements	7.5 - 60.0%
Motor vehicles	26.0 - 31.2%

Assets are reviewed for impairment indicators annually to identify events or changes in circumstances that indicate that the carrying amount may not be recoverable. If an asset's carrying amount is greater than its estimated recoverable amount, the carrying amount is written down to its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and the asset's value in use. Any impairment loss is recognised in profit or loss.

3.10 Intangible assets

Goodwill

The Group measures goodwill on acquisitions on the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount of the identifiable assets acquired and liabilities assumed.

Goodwill on acquisitions of subsidiaries is included in 'intangible assets'. Goodwill on acquisition of associates is included in the carrying of investment in associate. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment.

Computer software

Computer software comprises costs incurred in acquiring and building software applications. Computer software costs are amortised on a diminishing value basis at a rate of 50%.

Computer software assets are reviewed annually for impairment, where the estimated recoverable amount is lower than the carrying value, the difference is charged to profit or loss.

Cost incurred in planning and evaluating computer software or in maintaining a system after implementation, are expensed.

Corporate relationships

Corporate relationships represent the fair value of customer relationships identified at the date of acquisition of a business. Corporate relationship assets are amortised on the straight line basis over the expected life (3 - 5 years) of the relationship.

Corporate relationship assets are reviewed annually for impairment, where the estimated recoverable amount is lower than the carrying value, the difference is charged to profit or loss.



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

3.11 Investment property

Investment property is property held either to earn rental income or for capital appreciation or both. Investment property is measured at fair value annually by an independent registered valuer. Any change in fair value is recognised in profit or loss.

3.12 Leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

3.13 Finance lease receivables

Finance lease receivables are initially recognised at the present value of the minimum lease payments, plus the present value of any unguaranteed residual value expected at the term of the lease. Payments received are allocated between interest revenue and a reduction in the lease receivable, reflecting a constant rate of return.

3.14 Taxation

Income tax for the period comprises current and deferred tax. Current and deferred tax are recognised as an expense or income in the profit or loss, except when they relate to items that are recognised outside profit or loss (whether in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at balance date after taking advantage of all allowable deductions under current taxation legislation and any adjustment to tax liabilities in respect of previous years.

Deferred tax is provided using the liability method, providing for temporary differences between the amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the amount of assets and liabilities, using tax rates enacted or substantively enacted as at balance date.

Deferred taxation assets arising from temporary differences or income tax losses, are recognised only to the extent that it is probable that a future taxable profit will be available against which the asset can be utilised. Deferred taxation assets are reduced to the extent that it is no longer probable that the related tax asset will be realised. Any reduction is recognised in profit or loss.

3.15 Asset quality

(i) Impaired financial assets and past due assets

Impaired assets consist of restructured assets, assets acquired through the enforcement of security and other impaired assets.

Restructured assets – loans where counter-parties have had difficulty in complying with the original terms of the contract. Concessional terms have been granted and the loans are at yields greater than or equal to cost of funds.

Assets acquired through enforcement of security are those assets acquired in full or partial satisfaction of debt.

Other impaired assets are any credit exposures for which an impairment loss is required in accordance with NZ IAS 39.

(ii) 90 day past due assets:

Includes loans which have not been operated by the counter-party within their key terms for at least 90 days and which are not specifically impaired.

3.16 Provision for impairment on financial assets

Impairment is assessed initially for financial assets that are individually significant or known to be individually impaired, and then on a collective basis. Where an asset is determined to not be individually impaired, it is included in a group of assets with similar characteristics and collectively tested with that group for impairment.

Finance receivables are reviewed at each balance date to determine whether there is any objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the loan and prior to the reporting date. The loss event has to have had an impact on the estimated future cash flows.

If any such indication exists, the asset's recoverable amount is estimated and provision is made for the difference between the carrying amount and the recoverable amount. The recoverable amounts of loans measured at amortised cost are calculated as the present value of the expected future cash flows discounted at the instrument's original effective interest rate.

Loans assessed for impairment collectively are grouped with other loans with similar risk characteristics. The collective provision is estimated based on historical loss experience of similar loans. This is adjusted for the impacts of current observable data.

The impairment provisions (specific and collective) are deducted from finance receivables in the statement of financial position and the movement in the impairment provisions is recognised in profit or loss. Bad debts are written off against the impairment provision in the year in which they are identified. If in a subsequent period the amount of an impairment loss decreases and the decrease is linked objectively to an event occurring after the impairment loss, the loss is reversed through profit or loss.



DORCHESTER PACIFIC LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

3.17 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired. Intangible assets not yet available for use are tested for impairment annually, or more frequently if events or changes in circumstances indicate that they might be impaired.

Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The Group conducts an annual internal review of asset values, which is used as a source of information to assess for any indicators of impairment. External factors, such as changes in expected future processes, technology and economic conditions, are also monitored for indicators of impairment. If any indication of impairment exists, an estimate of the asset's recoverable amount is calculated.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Value in use is determined by estimating future cash flows from the use and ultimate disposal of the asset and discounting these to their present value using a pre-tax discount rate that reflects current market rates and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Impairment losses directly reduce the carrying amount of assets and are recognised in profit or loss.

Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

3.18 Managed funds and other fiduciary activities

DPL Insurance Limited acted as a promoter for a number of superannuation funds with assets managed by a third party investment manager. The assets and liabilities of these funds are included in the financial statements.

Arrangements exist to ensure the activities of the superannuation funds are managed independently from the other activities of the company.

3.19 Employee benefits

Liabilities for employee entitlements are carried at the present value of the estimated future cash flows.

Wages, salaries and annual leave

Liabilities for wages, salaries and annual leave are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

Superannuation plans

The Group pays contributions to superannuation plans, such as Kiwisaver. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as an employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Employee share scheme

The Group operates an equity settled, share based compensation scheme whereby participants were offered an interest free loan to purchase shares of the Company at the market value of the shares over an agreed trading period. The scheme is closed to new participants. The employee share scheme is required to be consolidated as part of the Group financial statements (refer 3.2 above).

Where the risks and rewards of shares in the scheme is with the scheme trustees the shares are treated as treasury shares. Where the risks and rewards of shares in the scheme is with the employee the employee loan funding the shares is recognised.

The staff benefit expense of the interest free loan is recognised over the period of the loan on an effective interest method.

3.20 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of the Company that makes strategic decisions and approves all significant operating decisions.

3.21 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale. When an operation is classified as a discontinued operation the comparative statement of comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

3.22 Statement of cash flows

The Cash Flow Statement has been prepared using the direct approach modified by netting certain cash flows in order to provide more meaningful disclosure to better reflect the activities of the Group's customers or the party providing funding to the Group than those of the Group. These include reverse annuity mortgages, finance receivables, borrowings, secured notes and intercompany balances.

Definitions of the terms used in the statement of cash flows are as follows:

Operating activities

Operating activities include all transactions and other events that are not investing or financing activities.

Investing activities

Investing activities are those activities relating to the acquisition, holding and disposal of property, plant and equipment, intangible assets, finance receivables and of investments. Investments can include securities not falling within the definition of cash.

Financing activities

Financing activities are those activities that result in changes in the size and composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid (if any) in relation to the capital structure are included in financing activities.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

3.23 Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are re-measured in accordance with the Group's accounting policies. Thereafter the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3.24 Contingent liabilities

The Group is involved in transactions that give rise to contingent liabilities. The Group discloses a Contingent Liability when it has a possible obligation arising from past events that will be confirmed by the occurrence or non-occurrence of one or more uncertain future events. A Contingent Liability is disclosed when a present obligation is not recognised because it is not probable that an outflow of resources will be required to settle an obligation, or the amount of the obligation cannot be measured with sufficient reliability.



DORCHESTER PACIFIC LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

4. SIGNIFICANT JUDGEMENTS AND ESTIMATES

The Group makes estimates and assumptions that affect the amounts reported in the financial statements. Estimates and judgements are continually evaluated; they are based on historical experience and current observable data. The estimates and judgements made by the Group in the process of applying the accounting policies that have the most significant effect relate to the following:

4.1 Provision for impairment on financial assets

An impairment loss is recognised when there is objective evidence that a financial asset is impaired. Management specifically reviews its loan and receivables financial assets and analyses historical bad debts, customer concentrations, customer creditworthiness, current economic trends and changes in the customer payment terms when making a judgment to evaluate the adequacy of the allowance for impairment losses. Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics and adjusted as necessary on the basis of current observable data to reflect the effect of current conditions. If the expectation is different from the estimation, such difference will impact the carrying value of receivables (refer notes 13 to 15).

4.2 Impairment of non-current assets held for sale

The Group determines that a non-current asset held for sale is impaired when the fair value of the asset less costs to sell the asset is lower than the carrying value of the asset. The determination of the fair value of the asset less costs to sell the asset requires judgement (refer note 21).

4.3 Fair value of financial instruments

The fair value of financial instruments that are not quoted in active markets are determined using discounted cash flow models. To the extent practical, models use observable data, however normal volatilities require management to make estimates. Changes in assumptions about these factors could affect the reported fair values of financial instruments (refer note 12).

4.4 Business combinations

Management uses valuation techniques to determine the fair values of the various elements of a business combination (see note 3.2). The fair value of contingent consideration is dependent on the outcome of many variables that affect future profitability (see note 17).

4.5 Deferred tax asset

The Group has recorded a deferred tax asset in its statement of financial position as at 31 March 2014. Significant judgement is required in determining the utilisation of deferred tax asset is probable. The Directors have reviewed the forecast earnings of the Group and have determined that the utilisation of the deferred tax is probable (refer note 19).

4.6 Impairment of goodwill

The recoverability of the carrying value of goodwill is assessed at least annually to ensure that it is not impaired. Performing this assessment generally requires management to estimate future cash flows to be generated by the related investment or cash-generating unit, which entails making judgements, including the expected rate of growth of revenues, margins expected to be achieved and the appropriate discount rate to apply when valuing future cash flows (refer note 20).

4.7 Liabilities arising from claims made under insurance contracts

Liabilities arising from claims made under insurance contracts are estimated based on the terms of cover provided under an insurance contract.

The estimation of the ultimate liability arising from claims made under insurance contracts is based on a number of actuarial techniques that analyse experience, trends and other relevant factors. The estimate process involves using Group specific data, relevant industry data and general economic data, including but not limited to, claim frequencies, average claim sizes and historical trends (refer note 35).

4.8 Unredeemed voucher liabilities

The Group's estimate of the unredeemed voucher liability is based on historic redemption patterns. Changes in the redemption pattern of unredeemed vouchers could affect the reported value of this liability (note 23).



DORCHESTER PACIFIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

5. New standards and interpretations not yet adopted

The following new financial reporting standards and amendments to standards relevant to the Group are not yet effective for the year ended 31 March 2014, and have not been applied in preparing these financial statements:

NZ IFRS 9 Financial Instruments

NZ IFRS 9 is part of the International Accounting Standards Board's project to replace IAS 39 *Financial Instruments: Recognition and Measurement*. The standard introduces amended requirements for classifying and measuring financial assets and liabilities. Effective date: 1 January 2017. The Group is yet to assess NZ IFRS 9's full impact and intends to adopt NZ IFRS 9 no later than the accounting period beginning on or after 1 January 2017.



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

- 4 April 2013 Dorchester acquires a strategic stake in Turners Auctions.
- 1 May 2013 Dorchester announced a proposed capital restructure and share placement that, together with the cash injection expected from the exercise of options on issue, should boost shareholder funds to approximately \$61 million.
- 5 June 2013 Dorchester announced approximately 134 million options of the 150 million options on issue have been exercised and will be converted into ordinary shares.
- 7 June 2013 Dorchester announced the successful completion of a targeted placement of 35 million shares to institutional investors. Approximately 16.3 million new shares will be issued as a result of the placement with the balance of the shares coming from two major shareholders.
- 10 June 2013 Dorchester announced it had increased its shareholding in Turners Auctions Limited to approximately 19.85% of the shares on issue.
- 17 June 2013 Approximately 134 million ordinary shares are issued for the 134 million options exercised.
- 18 June 2013 Approximately 16 million ordinary shares are issued for the share placement announced on 7 June 2013.
- 4 July 2013 Dorchester Insurance Subsidiary assigned a financial strength rating of B+ (Good) and an issuer rating of BBB- by rating agency A.M. Best.
- 5 July 2013 602,000 ordinary shares are issued for the Tranche 2 payment for purchase of insurance assets, trademarks and intellectual property of Mainstream Insurance Solutions Limited.
- 23 August 2013 Dorchester Pacific's Annual Meeting.
- 28 August 2013 Dorchester announced that its insurance subsidiary, DPL Insurance, has been issued a full licence by the Reserve Bank of New Zealand under the Insurance (Prudential Supervision) Act 2010.
- 30 August 2013 110 million ordinary shares are issued upon conversion of optional convertible notes and 10 million ordinary shares are issued for the exercise of options.
- 8 November 2013 Period one earn-out for the purchase of the business of EC Credit Control was settled. Approximately 14.6 million ordinary shares were issued as part consideration for the period one earn-out.
- 11 November 2013 Announced unaudited interim results for the six months to 30 September 2013 reporting a profit of \$1.8 million (2012: \$0.1 million loss).
- 17 March 2014 Dorchester enters into an unconditional agreement to purchase Levin based Oxford Finance on 1 April 2014.

SIGNIFICANT EVENTS POST YEAR END

- 1 April 2014 Dorchester makes initial payment for purchase of Oxford Finance.
- 22 May 2014 Directors declare a final dividend of \$0.005 per share, un-imputed, to be paid on 23 July 2014 with a record date of 5.00 pm 16 July 2014



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

6. SEGMENTAL INFORMATION (continued)

All segments, except for collection services which has operations in both New Zealand and Australia, operate within New Zealand.

Geographical analysis				
Collection Services 2014 (\$'000)	New Zealand	Australia	Eliminations	Total
Interest income	2	2	-	4
Other external revenue	11,157	8,682	(2,825)	17,014
Total operating revenue	11,159	8,684	(2,825)	17,018
Depreciation and amortisation	(109)	(26)	-	(135)
Other operating expenses	(7,897)	(8,310)	2,825	(13,382)
Segment result before taxation	3,153	348	-	3,501
Segment assets	12,000	1,729	(114)	13,615
Segment liabilities	7,609	1,370	(147)	8,832

Geographical analysis				
Collection Services 2013 (\$'000)	New Zealand	Australia	Eliminations	Total
Interest income	1	2	-	3
Other external revenue	4,459	4,747	(1,472)	7,734
Total operating revenue	4,460	4,749	(1,472)	7,737
Depreciation and amortisation	(56)	(2)	-	(58)
Other operating expenses	(3,537)	(4,452)	1,472	(6,517)
Segment result before taxation	867	295	-	1,162
Segment assets	9,800	1,930	(1,125)	10,605
Segment liabilities	8,935	1,634	(1,119)	9,450

NZ IFRS 8, 'Operating Segments' are reported in a manner consistent with the internal reporting to the chief operating decision-maker. The chief operating decision-maker has been identified as the Board of the Company that makes strategic decisions and approve all significant operating decisions.

The Board of Dorchester Pacific Limited reviews internal reporting at the operating profit level in the four segments: Finance, Insurance, Collection Services and Corporate. No individual customer represent more than 10% of Group revenue.

The major types of products and services from which the above segments derive income are:

- Finance, provides asset based secured finance to consumers and SME's.
- Insurance, marketing and administration of a range of life and consumer insurance and superannuation products.
- Collection services, credit management and debt recovery services to the corporate and SME sectors.
- Other business, the corporate centre.

The Group entities comprising each segment are as follows:

Finance

Dorchester Finance Limited

Insurance

DPL Insurance Limited

Dorchester Life Management Limited

Dorchester Life Trustees Limited

Collections services

EC Credit Control (NZ) Limited (formerly Dorchester Capital Limited)

EC Credit Control (Aust) Pty Limited

Corporate and other

Dorchester Pacific Limited

Dorchester RAMS Limited

Dorchester Hotel Property Trust Management Limited



DORCHESTER PACIFIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

7. PROFIT/(LOSS) BEFORE TAX

	Group	Group	Parent	Parent
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000

Operating revenue includes:

Interest income

Bank accounts, short term deposits and investments	217	199	68	96
Finance receivables	5,559	3,902	-	-
Reverse annuity mortgages	1,641	1,804	-	-
Total Interest Income	7,417	5,905	68	96

Other Revenue

Commissions & fees received	-	29	-	-
Loan fee income	336	227	-	-
Life insurance and life investment contract income	4,247	3,520	-	-
Collection income	17,015	7,815	-	-
Bad debts recovered	979	1,073	-	-
Foreign exchange gain	1,087	-	-	-
Dividend income	-	-	380	-
Other revenue	246	313	2	7,291
Profit on repurchase of secured capital notes	-	280	-	280
Total Other Revenue	23,910	13,257	382	7,571
Total Operating Revenue	31,327	19,162	450	7,667

Operating Expenses Include:

Interest Expense

Bank borrowings and other	1,695	1,353	825	507
Optional convertible notes	493	1,002	493	1,002
Total Interest Expense	2,188	2,355	1,318	1,509

Other Operating Expenses

Audit fees				
- fees for the audit of the financial statements	221	163	26	22
Tax advisory fees	68	84	33	15
Donations	-	-	-	-
Directors' fees	379	356	320	356
Depreciation:				
- computer hardware	81	68	29	35
- office equipment	24	18	7	9
- motor vehicles	5	5	-	-
- furniture, fittings, and leasehold improvements	79	43	23	20
Amortisation of intangible assets	447	322	20	42
Impairment of intangible assets	-	20	-	-
Employee benefits (short term)	8,493	5,436	533	542
Employee benefits (Kiwisaver)	205	87	13	8
Commission paid	3,451	1,862	-	-
Rental and lease costs	650	1,089	149	310
Gain on sale of property, plant and equipment	-	2	-	-
Other operating expenses	4,899	3,402	693	1,473
Total Other Expenses	19,002	12,957	1,846	2,832



DORCHESTER PACIFIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

8. TAXATION

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
Net operating profit/(loss) before taxation (including discontinued operations)	4,264	(31)	(4,383)	6,094
Income tax benefit/ (expense) at prevailing rates	(1,233)	9	1,227	(1,706)
Tax impact of income not subject to tax	120	175	-	1,808
Tax impact of expenses not deductible for tax purposes	(18)	(642)	-	(88)
Tax assets not recorded	-	-	(1,227)	(14)
Tax assets recognised	4,356	2,204	-	-
Taxation benefit/(expense)	3,225	1,746	-	-
Comprising:				
Current	(135)	(2)	-	-
Deferred	3,360	1,748	-	-
	3,225	1,746	-	-

9. DISCONTINUED OPERATIONS

All assets in the category have been sold during the year, the disposal group at 31 March 2013 consisted of a block of land in west Auckland. The block of land in west Auckland was sold during the financial year with a settlement date of 1 May 2014 and the balance outstanding reclassified as a receivable.

Results of discontinued operations	Group 2014 \$'000	Group 2013 \$'000
Revenue	144	212
Expenses	(51)	(110)
Results from operating activities	93	102
Taxation	-	-
Results from operating activities (net of income tax)	93	102
Basic earnings/(loss) per share (cents)	0.02	0.05
Cash flows from discontinued operation:		
Cash flows from operating activities	(46)	67
Cash flows from investing activities	100	1,936
Cash flows from financing activities	-	-
Net cash from/(used in) discontinued operation	54	2,003
Effect of disposal on the financial position of the Group		
Assets classified as held for resale	-	831
Cash and cash equivalents	-	-
Other payables	-	-
Net identifiable assets and liabilities	-	831
Consideration received, satisfied in cash	-	1,936



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

10. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share at 31 March was based on the profit attributable to ordinary shareholders and a weighted average number of ordinary shares outstanding as follows:

	Group 2014 \$'000	Group 2013 \$'000
Profit from continuing operations	8,117	1,613
Discontinued operations	93	102
Profit/(loss)	8,210	1,715
Weighted average number of ordinary shares at 31 March	402,741,350	189,541,174
Basic earnings per share (cents per share)	2.04	0.90
Basic earnings per share on continuing operations (cents per share)	2.02	0.85

Weighted number of shares

Opening balance	208,263,598	175,179,977
Shares issued for the purchase of insurance assets	443,666	493,151
Shares issued on the conversion of options	175,469,495	3,212,662
Shares issued to institutional investors	12,833,329	-
Shares issued for the purchase of ECCC	5,731,262	10,663,014
Shares cancelled	-	(7,630)
	402,741,350	189,541,174

Diluted earnings per share

The calculation of diluted earnings per share at 31 March was based on the diluted profit attributable to shareholders and a diluted weighted average number of ordinary shares outstanding as follows:

	Group 2013 \$'000
Continuing operations	1,613
Add: interest expense relating to optional convertible notes, net of tax	1,002
Continuing operations (diluted)	2,615
Discontinued operations	102
Net profit/(loss) attributable to ordinary shareholders (diluted)	2,717

Weighted number of ordinary shares (diluted)

Weighted average number of shares (basic)	189,541,174
Effect of conversion of optional convertible notes	95,760,274
Effect of conversion of June 2013 options	150,190,936
Effect of the conversion of options for the purchase of ECCC	5,671,233
Weighted average number of shares (diluted)	441,163,617

Diluted earnings per share (cents per share)	0.62
Diluted earnings per share on continuing operations (cents per share)	0.59

No diluted earnings per share has been presented for 31 March 2014 as there are no dilutionary securities on issue on that date.

11. CASH AND CASH EQUIVALENTS

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
Cash at bank	5,555	5,184	895	1,089



DORCHESTER PACIFIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
Insurance:				
Investments in unitised funds	15,362	15,591	-	-
Fixed Interest securities - Government Stock	529	1,062	-	-
Other:				
Term deposits	365	628	319	545
Fair value of foreign exchange derivative contract	54	81	-	-
Total	16,310	17,362	319	545

Investments in unitised funds comprise:

New Zealand and overseas equities	6,662	6,271	-	-
Fixed Interest securities	2,711	2,005	-	-
Cash	1,807	3,128	-	-
New Zealand and overseas property securities	4,182	4,187	-	-
Total	15,362	15,591	-	-

Investments with external investment managers

OnePath (NZ) Limited (formerly ING (NZ) Ltd) - Unitised Funds	15,362	15,591	-	-
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Investments in unlisted units represent the investments of the life investment contracts (refer note 35).

There is no current/non current split for investment in unitised funds because the timing of realisation is not known (refer note 26 (e)).

13. FINANCE RECEIVABLES

		Group 2014 \$'000	Group 2013 \$'000
	Note		
Commercial Loans		7,940	8,406
Consumer Loans		30,791	22,063
Property development & investment		4,481	4,801
Gross finance receivables		43,212	35,270
Specific impairment provision	27	(2,061)	(2,498)
Collective impairment provision	27	(3,459)	(3,919)
Deferred fee revenue and commission expenses		34	(96)
		37,726	28,757

Further details for Finance receivables are included in notes 26 and 27.

14. OTHER RECEIVABLES

		Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
	Note				
Deferred acquisition costs		1,604	1,110	-	-
Staff share receivable scheme		6	8	6	8
Other receivables and prepayments		4,196	2,382	444	606
Related party receivables	28	-	-	33,779	28,424
		5,806	3,500	34,229	29,038



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

15. REVERSE ANNUITY MORTGAGES

	Group 2014 \$'000	Group 2013 \$'000
Securing bank borrowing (refer note 24)	11,317	11,580
DPL Insurance Limited RAMs (unencumbered)	6,589	6,585
Total reverse annuity mortgages	17,906	18,165
Deferred fee revenue and commission expenses	(69)	(96)
Provision for impairment	(29)	(6)
	17,808	18,063

16. INVESTMENT IN ASSOCIATE

During the year under review the Group purchased a 19.85% voting and equity interest in Turners Auctions Limited. Although the Group holds less than 20% of the equity shares of Turners Auctions Limited, and it has less than 20% of the voting power in shareholder meetings, the Group exercises significant influence by virtue of having a director on the board of Turners Auctions Limited. The reporting date for Turners Auctions Limited is 31 December. For the purposes of applying the equity method of accounting, Turners Auctions Limited's Annual Report December 2013 has been used, and appropriate adjustments have been made for the effect of significant transactions between that date and the 31 March 2014. The shares are quoted on the NZX and market value of the shares on 31 March 2014 was \$14,506,345.

Summarised financial information in respect of the Group's associate is set out below:

Consolidated balance sheet as at 31 December 2013		\$'000
Total assets		57,016
Total liabilities		38,448
Net assets		18,568

Group's share of net assets of associate	3,685
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Consolidated statement of comprehensive income for the year ended 31 December 2013		\$'000
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Total revenue	89,435
Profit for the period	4,817
Group's share of associates profits	721

Movement in the carrying amount of the Group's investment in associate:

	2014 \$'000
Balance 1 April	-
New investments	9,868
Share of profits of associate	721
Share of dividends	(380)
	10,209

The purchase consideration for Turners Auctions Limited can be analysed as follows:

	2014 \$'000
Consideration paid	9,868
Company's share of net assets	3,545
Goodwill arising on acquisition	6,323



DORCHESTER PACIFIC LIMITED NOTES TO THE FINANCIAL STATEMENTS

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17. INVESTMENT IN SUBSIDIARIES

		Ownership Interest Held	
		2014	2013
Subsidiary			
Dorchester Finance Limited	Finance	100%	100%
EC Credit Control (NZ) Limited (formerly Dorchester Capital Limited)	Collection services	100%	100%
EC Credit Control (Aust) Pty Limited	Collection services	100%	100%
Dorchester RAMS Limited	Reverse annuity mortgages	100%	100%
DPL Insurance Limited (formerly Dorchester Life Limited)	Assurance	100%	100%
Dorchester Life Management Limited	Trustee for superannuation funds	100%	100%
Dorchester Life Trustees Limited	Trustee for retirement plans	100%	100%
Dorchester Staff Share Plan Trustees Limited	Trustee	100%	100%
Dorchester Hotel Property Trust Management Limited	Hotel property management	100%	100%
Estate Management Services Limited	Collection services	100%	100%
EC Web Services Limited	Web services	67%	67%

All subsidiaries have a balance date of 31 March and, with the exception of EC Credit Control (Aust) Pty Limited which is incorporated in Australia, all subsidiaries are incorporated in New Zealand.

Dorchester Hotel Property Trust Trading Limited ("DHPTTL") is a wholly owned subsidiary of Dorchester Hotel Property Trust Management Limited. DHPTTL is a special purpose entity established to manage the operations of the properties held by the Dorchester Property Trust and as such it does not meet the control test under NZ IFRS 10, is therefore not a subsidiary and is not included in the Group financial statements.

Acquisition of business assets and liabilities in year ending 31 March 2013

With effect from 1 October 2012 the Group purchased the business of EC Credit Control Limited, a supplier of credit management and debt recovery services to the corporate and SME sectors in the New Zealand and Australian markets. The business was purchased by the subsidiary EC Credit Control (NZ) Limited formerly Dorchester Capital Limited. The acquisition was made to enhance the Group's position as an end-to-end financial services provider and improve sustainable profitability.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	2013 \$'000
Consideration transferred	
Cash	6,147
Ordinary shares (28,000,000)	4,200
Share options (10,000,000)	339
Contingent consideration	7,710
Total	18,396
Identified assets acquired and liabilities assumed	
Intangible assets	1,152
Fixed assets	214
Receivables and deferred expenses	1,266
Cash and cash equivalents	135
Other payables	(763)
Voucher liabilities	(7,499)
Identifiable net liabilities	(5,495)
Goodwill on acquisition	23,891
Consideration transferred settled in cash	6,147
Cash and cash equivalents acquired	(135)
Net cash outflow on acquisition	6,012
Acquisition costs charged to expenses	430
Net cash paid relating to the acquisition	6,442



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

17. INVESTMENT IN SUBSIDIARIES (continued)

Equity instruments issued

The fair value of the ordinary shares issued was based on the listed share price of the Company before acquisition.

Contingent consideration

The purchase agreement included an earn-out arrangement over two years with the final pay-out, in cash and shares, based on the businesses earnings achieved over that period. The additional consideration will be settled in October 2013 and October 2014. The \$7.7 million fair value of the contingent liability initially recognised represents the present value of the Group's probability weighted estimate of the future settlement. It reflects management's estimate of a weighted range of probable outcomes, the cash component of the future settlement was discounted using a rate of 6.0%. At 31 March 2014, the future settlement liability had decreased to \$3.9 million (31 March 2013: \$7.9 million) due to payment of the first settlement of \$1.8m and the unwind of the discount.

Identified assets acquired and liabilities assumed

The fair value of intangible assets arising from customer relationships have been determined using the income approach, discounting future estimated cash flows by a risk adjusted weighted average cost capital.

The fair value of intangible assets arising from software have been determined using the cost approach, the carrying value of the assets were considered to be a fair representation of the replacement cost.

The fair value of voucher liabilities were based on historic redemption patterns.

Goodwill

Goodwill of \$23.9 million is primarily related to growth expectations, expected future profitability and the substantial skill and expertise of the work force.

Contribution to Group results

In the six months to 31 March 2013 the business contributed revenue of \$7.8 million and profit of \$1.6 million to the Group's consolidated results. If the acquisition had occurred on 1 April 2012, management estimates that the contribution to the Group consolidated revenue would have been \$16.3 million and the contribution to the Group consolidated profit for the year would have been \$2.3 million. In determining these amounts, management has assumed the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 April 2012.



DORCHESTER PACIFIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

18. PROPERTY, PLANT & EQUIPMENT

	Computer hardware \$'000	Office equipment \$'000	Motor vehicles \$'000	Furniture fittings & leasehold improvements \$'000	TOTAL \$'000
Group 2014					
At cost	1,611	364	70	744	2,789
Accumulated depreciation	(1,431)	(290)	(35)	(346)	(2,102)
Opening carrying amount	180	74	35	398	687
Additions	70	15	-	42	127
Disposals, transfers and translation difference	-	-	-	(4)	(4)
Depreciation	(94)	(28)	(13)	(80)	(215)
Closing carrying amount	156	61	22	356	595
At cost	1,681	379	70	782	2,912
Accumulated depreciation	(1,525)	(318)	(48)	(426)	(2,317)
Closing carrying amount	156	61	22	356	595
Group 2013					
At cost	1,487	330	52	593	2,462
Accumulated depreciation	(1,351)	(269)	(50)	(301)	(1,971)
Opening carrying amount	136	61	2	292	491
Additions	124	34	42	151	351
Disposals and transfers	-	-	(1)	-	(1)
Depreciation	(80)	(21)	(8)	(45)	(154)
Closing carrying amount	180	74	35	398	687
At cost	1,611	364	70	744	2,789
Accumulated depreciation	(1,431)	(290)	(35)	(346)	(2,102)
Closing carrying amount	180	74	35	398	687



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

18. PROPERTY, PLANT & EQUIPMENT (continued)

	Computer hardware \$'000	Office equipment \$'000	Furniture fittings & leasehold improvements \$'000	TOTAL \$'000
Parent 2014				
At cost	682	190	337	1,209
Accumulated depreciation	(640)	(165)	(181)	(986)
Opening carrying amount	42	25	156	223
Additions	49	-	37	86
Disposals and transfers	-	-	-	-
Depreciation	(29)	(7)	(23)	(59)
Closing carrying amount	62	18	170	250
At cost	731	190	374	1,295
Accumulated depreciation	(669)	(172)	(204)	(1,045)
Closing carrying amount	62	18	170	250
Parent 2013				
At cost	676	188	322	1,186
Accumulated depreciation	(605)	(156)	(161)	(922)
Opening carrying amount	71	32	161	264
Additions	6	2	15	23
Disposals and transfers	-	-	-	-
Depreciation	(35)	(9)	(20)	(64)
Closing carrying amount	42	25	156	223
At cost	682	190	337	1,209
Accumulated depreciation	(640)	(165)	(181)	(986)
Closing carrying amount	42	25	156	223



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

19. TAXATION

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current assets against current liabilities and when the deferred income taxes relate to the same fiscal authority. The movement on the deferred tax account is as follows:

	Group 2014 \$'000	Group 2013 \$'000
Resident withholding tax paid	84	-
Deferred taxation	6,677	3,317
	6,761	3,317
<i>Resident withholding tax paid</i>		
Opening balance	-	-
Transferred from	45	-
Resident withholding tax paid during the year	39	-
Closing balance	84	-
<i>Deferred tax</i>		
Opening balance	3,317	1,569
Charge to profit or loss	3,360	1,748
Closing balance	6,677	3,317
The deferred tax asset is attributable to the following item:		
Tax losses	5,125	1,744
Loan impairment provision	1,552	1,573
	6,677	3,317
Deferred tax asset to be recovered after more than 12 months	3,317	2,317
Deferred tax asset to be recovered within 12 months	3,360	1,000

The deferred tax asset has been recognised at 28%, the tax rate at which it is expected to reverse.

Deferred tax assets of \$4.0m (2013:\$4.2m) relating to tax losses have not been recognised in the Group's and Company's statement of financial position at 31 March 2014. The Company and all its subsidiaries except for Dorchester RAMS Limited are grouped for tax purposes. The unrecognised deferred tax assets have been determined based on a tax rate of 28%.

The Group's forecast earnings support the recognition of a deferred tax asset. As previously noted, significant judgement is required in determining whether the utilisation of this assets is probable. Should the Group not earn sufficient taxable profit to utilise the deferred tax asset the Group will need to write off the deferred tax asset to the profit or loss.

Imputation credit memorandum account

Opening balance	2	-
Income tax payments/(refunds received)	39	2
Imputation credits received	148	-
Imputation credits utilised	(2)	-
Imputation credits lost due to change in share holding	-	-
	187	2

From 31 March 2007 the imputation credit account had been grouped under Dorchester Pacific Limited.

Policy holder tax losses

The policy holder tax losses carried forward at 31 March 2014 are \$3,676,000 (2013: \$3,208,000).

The policy holder taxation losses are only available to be offset against future policy holder income.

DORCHESTER PACIFIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

20. INTANGIBLE ASSETS

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
Goodwill				
Cost	24,921	1,025	-	-
Addition (EC Credit Control refer note 17)	-	23,891	-	-
Foreign exchange adjustment	91	5	-	-
Closing carrying amount	25,012	24,921	-	-
Software				
At cost	1,716	1,348	797	766
Accumulated amortisation	(1,321)	(1,095)	(753)	(711)
Opening carrying amount	395	253	44	55
Additions	102	368	-	31
Disposals and transfers	-	-	-	-
Amortisation	(234)	(226)	(20)	(42)
Closing carrying amount	263	395	24	44
At cost	1,818	1,716	797	797
Accumulated amortisation	(1,555)	(1,321)	(773)	(753)
Closing carrying amount	263	395	24	44
Corporate relationships				
Opening balance	938	-	-	-
Additions	-	1,089	-	-
Disposals and transfers	-	-	-	-
Amortisation	(301)	(131)	-	-
Impairment	-	(20)	-	-
Closing carrying amount	637	938	-	-
At cost	1,089	1,089	-	-
Accumulated amortisation and impairment provision	(452)	(151)	-	-
Closing carrying amount	637	938	-	-
Total intangible assets carrying amount	25,912	26,254	24	44

The impairment and amortisation is recognised in other operating expenses in profit or loss.

Impairment testing for cash-generating units containing goodwill

For the purpose of impairment testing, goodwill is allocated to the Group's segment which represents the lowest level within the Group at which the goodwill is monitored for internal management purposes.

The aggregate carrying amounts of goodwill allocated to each unit are as follows:	Group 2014 \$'000	Group 2013 \$'000
Allocated to the insurance segment (DPL Insurance Limited & Dorchester Life Management Limited)	1,025	1,025
Allocated to collection services (EC Credit Control)	23,987	23,896
	25,012	24,921

The recoverable amounts of the units are based on value in use calculations. Value in use was determined based on the following key assumptions:

For the insurance segment, cash flows were extrapolated using a constant growth rate of 2.5% (2013: 2.5%) for 10 years which are conservative long-term growth rates and is consistent with the long term average growth rate for the industry. A pre-tax discount rate of 12.1% (2013: 12.1%) was applied in determining the recoverable amount. The discount rate was estimated based on a weighted average cost of capital of similar listed companies.

For the collection services segment, forecast cash flows were used for 2015, 2016 and 2017 (2013: 2014 and 2015), there after cash flows were extrapolated using constant growth of 5% for 7 years (2013: 8 years). A pre-tax discount rate of 13.0% (2013: 13.0%) was applied in determining the recoverable amount. The discount rate was based on the weighted average cost of the business.

Sensitivity Analysis

In assessing the impairment testing for cash generating units containing goodwill, sensitivity analyses were done. For the insurance sector, this included changing the growth rate to 0.0% (2013: 0.0%) and changing the discount rate to 15.00% (2013: 15.00%). For the collections services sector, this included extrapolating 2014 earnings (2013: 2013 earnings) using a constant growth rate of 0% (2013: 2.5%) and changing the discount rate to 18.00% (2013: 15.00%). This analysis did not produce any indicators of impairment.



DORCHESTER PACIFIC LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

21. ASSETS CLASSIFIED AS HELD FOR SALE AND DISCONTINUED OPERATIONS

	Group 2014 \$'000	Group 2013 \$'000
Opening balance	831	2,581
Disposals	(831)	(1,900)
Increase in valuations	-	150
Total disposal group	-	831

As at 31 March the disposal group comprised of the following assets (refer note 9):

Property	-	831
	-	831

22. OTHER PAYABLES

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
Accounts payable	367	447	60	155
Employee entitlements (short term)	582	470	66	73
Related party payable	-	-	379	334
Other payables and accruals	1,783	1,712	115	853
Deferred consideration (refer note 17)	3,887	5,610	-	-
	6,619	8,239	620	1,415

23. DEFERRED REVENUE

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
Unredeemed vouchers	6,667	7,543	-	-
Insurance investment	66	291	-	-
	6,733	7,834	-	-



DORCHESTER PACIFIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

24. BORROWINGS

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
Secured bank borrowings	17,782	23,103	10,093	12,128
Deferred borrowing costs	(217)	(319)	(112)	(141)
	17,565	22,784	9,981	11,987
Optional Convertible Notes	-	11,000	-	11,000
Deferred issue costs	-	(143)	-	(143)
	-	10,857	-	10,857

Secured bank borrowings

The bank borrowings are secured by a first-ranking general security agreement over the assets of the Company and its subsidiaries (excluding DPL Insurance Limited and Dorchester RAMS Limited) and a first ranking security over the reverse mortgages in Dorchester RAMS Limited. Except for \$1.8 million (2013: \$5.7 million) of bank borrowings in Australian dollars, all bank borrowings are denominated in New Zealand dollars. Current interest rates are variable and average 5.68% (2013: 5.76%).

Optional Convertible Notes

At the Annual Meeting of shareholders held on 23 August 2013, shareholders approved a resolution allowing the early conversion of the notes into 110,000,000 ordinary shares and a discounted payment of monthly interest instalments to 31 March 2015 (original maturity date). The notes were converted into ordinary shares on the 30 August 2013 and discounted interest payment of \$1,668,538 was made to noteholders.

At the 31 March 2013 110,000,000 notes with a value of \$11.0 million were outstanding. The notes were secured by a second-ranking general security agreement over the assets of the Company and its subsidiaries (excluding DPL Insurance Limited, which has provided an unsecured obligation against its reverse mortgage advances). The Group had granted first ranking security for bank borrowings which ranked ahead of the security granted to the noteholders.

Secured Capital Notes

The secured capital notes were constituted under a Trust Deed dated 11 June 2010 between the Group and Perpetual Trust Limited (the 'Deed'). The charge created by the Deed gave noteholders a security interest over all Group assets and undertakings other than excluded assets. Within defined parameters the Deed permitted security interests over assets which would take priority to the noteholders' security interest.

In August 2012 the Group made an offer to buy back all outstanding notes at \$0.92 per note. In September 2012 all outstanding notes were acquired resulting in a gain on repayment after costs of \$280,000. Following repayment of all the outstanding secured capital notes the Group was released from all its obligations under the Trust Deed.



DORCHESTER PACIFIC LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

25. SHARE CAPITAL

		Group 2014	Group 2013	Parent 2014	Parent 2013
Number of ordinary shares					
Opening balance		208,263,598	175,179,977	208,263,598	175,483,122
Shares issued on the conversion of options		134,098,835	4,616,621	134,098,835	4,616,621
Shares issued to institutional investors		16,378,199	-	16,378,199	-
Shares issued for the purchase of ECCC	17	14,628,745	28,000,000	14,628,745	28,000,000
Shares issued for the purchase of insurance assets	28	602,000	500,000	602,000	500,000
Shares issued on conversion of optional convertible notes	24	110,000,000	-	110,000,000	-
Shares issued on conversion of options issued for the purchase of ECCC	17	10,000,000	-	10,000,000	-
Shares cancelled	31	-	(33,000)	-	(336,145)
Total issued and authorised capital		493,971,377	208,263,598	493,971,377	208,263,598
Dollar value of ordinary shares					
Opening balance		67,846	60,850	67,846	61,601
Shares issued on the conversion of options		17,206	473	17,206	473
Shares issued to institutional investors		3,998	-	3,998	-
Shares issued for the purchase of ECCC	17	-	6,464	-	6,464
Shares issued for the purchase of insurance assets	28	-	150	-	150
Shares issued on conversion of optional convertible notes	24	10,777	-	10,777	-
Shares issued on conversion of options issued for the purchase of ECCC	17	1,590	-	1,590	-
Shares cancelled	31	-	(91)	-	(842)
Total issued capital		101,417	67,846	101,417	67,846

Ordinary shares are fully paid with no par value. All ordinary shares have equal voting rights and share equally in dividends and surplus on winding up. No dividends were declared or paid in 2014 and 2013. Subsequent to year end Directors declared a final dividend of \$0.005 per share, un-imputed.

Share options

On 17 June 2013 134,098,835 options issued in August 2010 were exercised, August 2010 options not exercised on that date were cancelled. The 10,000,000 options issued as part of the consideration for the purchase of the business of EC Credit Control were exercised on 30 August 2013. All options were exercised at price of \$0.125.

	Group 2014 '000	Group 2013 '000	Parent 2014 '000	Parent 2013 '000
Number of options outstanding				
Opening balance	160,191	154,808	160,191	154,808
Granted during the period	-	10,000	-	10,000
Exercised during the period	(144,099)	(4,617)	(144,099)	(4,617)
Forfeited during the period	(16,092)	-	(16,092)	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	-	160,191	-	160,191
Exercisable at the end of the period	-	10,000	-	10,000

As at 31 March 2014 there were no share options outstanding. At 31 March 2013 there were 150,190,936 share options outstanding with an exercise price of \$0.125 and exercise date of 15 June 2013 and 10,000,000 options with an exercise price of \$0.125 and exercisable at any time up to the date following one calendar month after the period one earn-out period (refer note 17).

Capital management

The Group's capital includes share capital, translation reserve and retained earnings. The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowing and the advantages and security afforded by a sound capital position. The allocation of capital between its specific business operations and activities is, to a large extent, driven by optimisation of the return on the capital allocated. The process of allocating capital to specific operations and activities is undertaken independently of those responsible for the operation. The Group's strategies in respect of capital management and allocation are reviewed regularly by the Board of Directors.

The Group's funding covenants include minimum equity ratios. There have been no breaches of covenants. In addition to the above, the life insurance company is required to retain equity for solvency purposes, refer note 35 F.



DORCHESTER PACIFIC LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

26. FINANCIAL RISK MANAGEMENT

The financial condition and operating results of the Group are affected by a number of key financial and non-financial risks. Financial risks include credit risk, liquidity risk and market risk. The non-financial risks include insurance risk which is covered in note 35.

a.) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's cash and cash equivalents, financial assets at fair value through profit or loss (excluding equities held in unlisted funds), finance receivables, reverse annuity mortgages and other receivables.

To manage credit risk the Group performs credit evaluations on all customers requiring advances. The Group requires collateral, other security or exemplary credit history to support the financial instruments with credit risk. The Group operates a lending policy with various levels of authority depending on the size of the loan. A lending and credit committee operates and overdue loans are assessed on a regular basis by this body. The Group's cash and cash equivalents are placed with registered banks.

Risk gradings categorise exposures according to the degree of risk of financial loss faced and focuses management on the attendant risks. The current risk grading framework consists of three grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. They are as follows:

- neither past due or impaired - compliance with all terms, good security value, and no adverse events affecting the borrower;
- past due but not impaired - payments past due, compliance with most of the terms, concerns over security value, concerns over future events that may affect the borrower; and
- impaired - non-compliance with terms or evidence of impairment of security held, or adverse event affecting the borrower.

The Group implements guidelines on the acceptability of specific classes of collateral or credit risk mitigation. The principal collateral types for finance receivables are:

- mortgages over properties, with the maximum loan to value rate being 75%;
- mortgages over houses for reverse annuity mortgages;
- charges over business assets such as equipment; and
- charges over motor vehicles.

For motor vehicle and equipment finance receivables, estimates of the value of collateral are assessed at the time of borrowing, and are not updated unless the receivable is being assessed for specific impairment. The allowance for impairment includes the Group's estimate of the value of collateral held.

Maximum exposure to credit risk is represented by the carrying value of each financial asset in the statement of financial position which is net of any provision for impairment. The reported credit risk exposures do not take into account the fair value of any collateral, in the event of counterparties failing to meet their contractual obligation.

Financial assets - carrying value	Group 2014	Group 2013
Cash and cash equivalents	5,555	5,184
Financial assets at fair value through profit or loss	948	1,771
Finance receivables	37,726	28,757
Reverse annuity mortgages	17,808	18,063
Other receivables	4,135	2,085
	66,172	55,860

For Life investment linked contracts the investments credit risk is appropriate for each particular product and the risk is borne by the policy holder. There is no significant risk assumed by the Group.

The Group has no material credit commitments.

a.) i.) Concentrations of credit risk

Concentrations of credit risk exist if a number of counterparties are involved in similar activities and have similar economic characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

The Group manages, limits and controls concentrations of credit risk, in particular, to individual counterparties and groups, and to industries and geographic locations. The Group has ceased commercial property development lending except where the property exposure existed prior June 2010 and the lending is part of an exit strategy for the property exposure. The Group continues to lend on motor vehicles and to manufacturing and service businesses and may take property as collateral to mitigate against credit risk on these loans.

Concentrations of credit risks are monitored on an on going basis and subject to an annual or more frequent review, when considered necessary.



DORCHESTER PACIFIC LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

26. FINANCIAL RISK MANAGEMENT (continued)

The Group has exposure to the following number of counterparties or groups of closely related counterparties:

	Group 2014	Group 2013
Percentage of shareholders equity:		
10% - 20%	-	1*

* includes one exposure to a registered bank.

Geographic concentrations of finance receivables

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by the geographic regions of our counterparties.

	Group 2014 \$'000	Group 2013 \$'000
Auckland	18,763	14,531
Canterbury	5,761	3,542
Northland	2,391	1,753
Otago/Southland	477	364
Rest of North Island	3,723	3,751
Rest of South Island	775	468
Waikato/Bay of Plenty	4,122	3,284
Wellington	1,632	1,160
Overseas	48	-
	37,692	28,853

Geographic concentrations of reverse annuity mortgages

The following table breaks down the Group's main credit exposure at their carrying amounts, as categorised by the geographic regions of our counterparties.

	Group 2014 \$'000	Group 2013 \$'000
Auckland	8,136	7,790
Canterbury	1,269	1,214
Northland	4,408	4,244
Otago/Southland	446	437
Rest of North Island	682	978
Rest of South Island	219	505
Taupo	378	444
Waikato/Bay of Plenty	1,932	1,911
Wellington	407	636
	17,877	18,159



DORCHESTER PACIFIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

26. FINANCIAL RISK MANAGEMENT (continued)

a.) ii.) Finance receivables are summarised as follows:

	Group 2014 \$'000	Group 2013 \$'000
Business and property loans		
Neither past due nor impaired	6,720	7,921
Past due but not impaired	961	375
Impaired	4,740	4,911
Gross	12,421	13,207
Less: specific impairment provision	(2,061)	(2,498)
	10,360	10,709
Personal		
Neither past due nor impaired	25,295	15,580
Past due but not impaired	5,496	6,483
Impaired	-	-
Gross	30,791	22,063
Less: specific impairment provision	-	-
	30,791	22,063
Total financial receivables net of specific provisions	41,151	32,772
Less collective impairment provision	(3,459)	(3,919)
Total finance receivables before deferred fee revenue and commission expense	37,692	28,853
Deferred fee revenue and commission expense	34	(96)
Total finance receivables	37,726	28,757

Aside from those receivables that are subject to specific impairment provisioning, all finance receivables are assessed as part of the determination of a collective impairment provision. Further information on the impairment of finance receivables is provided in note 27.

	Group 2014 \$'000	Group 2013 \$'000
Finance Receivables past due but not specifically impaired		
Gross amount of finance receivables that were past due but not specifically impaired were as follows:		
Business and property loans		
Past due up to 30 days	378	225
Past due 30 – 60 days	356	66
Past due 60 – 90 days	-	10
Past due 90+ days	227	74
Total	961	375
Personal		
Past due up to 30 days	1,559	1,146
Past due 30 – 60 days	424	292
Past due 60 – 90 days	103	166
Past due 90+ days	3,410	4,879
Total	5,496	6,483

These financial receivables are considered for the calculation of the collective impairment provision.

The proportion of finance receivables with repayments in arrears in excess of three months is 19.4% (2013: 27.9%) of total finance receivables.



DORCHESTER PACIFIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

26. FINANCIAL RISK MANAGEMENT (continued)

	Group 2014 \$'000	Group 2013 \$'000
Finance receivables specifically impaired		
The breakdown of the gross amount of specifically impaired finance receivables are as follows:		
Business and property loans	4,740	4,911
Personal	-	-
	Group 2014 \$'000	Group 2013 \$'000
Finance receivables security type		
The breakdown of the net amount of finance receivables into type of security is as follows:		
First Mortgage	2,500	2,502
Second mortgages and caveats against properties	3,729	2,524
PPSA (Personal Property Securities Act)	29,136	21,019
Unsecured (Includes rescheduled Acknowledgement of Debt agreements)	2,327	2,808
Total	37,692	28,853

The property development loans which have first mortgage collateral amount to \$2.5m (2013: \$2.63) (net of impairment provisions) and the estimated fair value of this collateral at balance date is \$3.2m (2013: \$2.8m). The security on secured business and personal loans is generally the assets being purchased, for business loans typically equipment and personal loans typically motor vehicles or chattels. It is impractical to determine the current fair value of the collateral held due to the large number of loans, average size, term to maturity, wide variety and condition of each collateral item.

	Group 2014 \$'000	Group 2013 \$'000
Finance receivables restructured		
Dorchester Finance has through court processes agreed Acknowledgement of Debt restructured terms with personal customers.	2,503	3,125
Collective Provision	(1,922)	(2,232)
Other restructured receivables	77	206
Total	658	1,099

Reposessed collateral

Finance receivables where the security is subject to repossession are sold as soon as practicable, with the proceeds used to reduce the outstanding finance receivables.

Property receivables where the borrower has defaulted are subject to enforcement action via the issue of a property law act notice. This process may result in the property being sold with the proceeds of sale being applied to the outstanding property receivable; alternatively the property may be purchased in reduction of the outstanding finance receivable in which case the property would be held for resale.

a.) iii.) Reverse annuity mortgages specifically impaired

	Group 2014 \$'000	Group 2013 \$'000
Reverse annuity mortgages specifically impaired		
	-	-

Reverse annuity mortgages (RAM's) are an equity release product secured over the borrowers' residences. Mortgage advances and interest accruals increase the mortgage carrying amount therefore there are no past due mortgages. When the mortgage advances and interest accruals exceed secured property valuations the reverse annuity mortgage is specifically impaired.



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

26. FINANCIAL RISK MANAGEMENT (continued)

b.) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its obligations associated with financial liabilities as they fall due.

The Group endeavours to maintain sufficient funds to meet its commitments based on forecasted cash flow requirements. Management actively manages the lending and borrowing portfolios to ensure the net exposure to liquidity risk is minimised. The exposure is reviewed on an on going basis from daily procedures to monthly reporting as part of the Group's liquidity management process.

The management process includes:

- day to day funding, managed by monitoring future cash flows to ensure that requirements can be met; and
- managing the concentration and profile of debt maturities.

Monitoring and reporting take the form of cash flow measurement and projections, these include:

- day to day funding requirements;
- on a weekly basis, projecting the requirements for each of the next four weeks; and
- on a monthly basis, projecting the requirements for each of the next twelve months.

The monthly projections are reported to the Board. The Group also monitors the level of undrawn lending commitments. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and collection date of the financial assets (see tables below).

The tables below present cash flows payable by the Group for financial liabilities and unrecognised loan commitments based on the earliest possible contractual maturity and in the case of borrowings the drawdowns next roll over date. Where the Group expects cash flows on these instrument to vary from their contractual maturity the Group has presented the estimated maturity profile for the instruments in a separate table.

The liquidity risk for cash flows payable on the life investment contracts liabilities that are unit linked contracts is managed by holding a pool of readily tradable investment assets (included in financial assets at fair value through profit or loss) and deposits on call. The liability and supporting assets have been excluded from the maturity analysis below because there is no contractual or expected maturity date for the life investment contracts and the readily tradable investment assets offset any liquidity risk. The liquidity risk on other insurance cash flows is managed by holding at least 25% of the insurance business assets in liquid assets such as cash and cash equivalents.

Group 2014 (\$'000)	0-6 months	7-12 months	13-24 months	25-60 months	60+ months	Total
Financial Assets						
Cash and cash equivalents	5,555	-	-	-	-	5,555
Financial assets at fair value through profit or loss	583	-	-	325	40	948
Finance receivables contractual maturity	12,940	8,020	10,324	6,442	-	37,726
Reverse annuity mortgages	3,625	84	1,097	1,716	11,286	17,808
Other receivables	3,760	125	250	-	-	4,135
	26,463	8,229	11,671	8,483	11,326	66,172
Financial Liabilities						
Borrowings	170	3,761	10,251	3,600	-	17,782
Other payables	553	3,887	-	-	-	4,440
	723	7,648	10,251	3,600	-	22,222
Off-statement of financial position Items						
Interest receivable not yet accrued	772	1,355	3,516	2,561	22,306	30,510
Interest payable not yet accrued	189	-	-	-	-	189
Estimated Maturity Profiles						
Finance receivables estimated maturity	10,181	8,086	10,387	9,072	-	37,726

Interest receivable not yet accrued is the interest receivable on finance receivable and RAMs over the remaining term of the loans. Interest payable not yet accrued is the interest payable on the borrowings calculated over the remaining contractual period of the borrowing as per the contracted interest rates.



DORCHESTER PACIFIC LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

26. FINANCIAL RISK MANAGEMENT (continued)

Group 2013 (\$'000)	0-6 months	7-12 months	13-24 months	25-60 months	60+ months	Total
Financial Assets						
Cash and cash equivalents	5,184	-	-	-	-	5,184
Financial assets at fair value through profit or loss	853	-	548	-	289	1,690
Finance receivables contractual maturity	8,741	5,649	7,196	7,001	170	28,757
Reverse annuity mortgages	241	-	3,224	1,528	13,070	18,063
Other receivables	1,960	125	-	-	-	2,085
	16,979	5,774	10,968	8,529	13,529	55,779
Financial Liabilities						
Borrowings	17,851	402	1,250	3,600	-	23,103
Optional convertible notes	-	-	11,000	-	-	11,000
Other payables	592	1,943	3,667	-	-	6,202
	18,443	2,345	15,917	3,600	-	40,305
Off-statement of financial position Items						
Interest receivable not yet accrued	1,633	802	7,805	4,275	21,351	35,866
Interest payable not yet accrued	716	760	1,819	261	-	3,556
Estimated Maturity Profiles						
Finance receivables estimated maturity	8,273	5,347	7,569	7,372	196	28,757
Borrowings estimated maturity	121	402	18,980	3,600	-	23,103
Optional convertible notes	11,000	-	-	-	-	11,000
Parent 2014 (\$'000)	0-6 months	7-12 months	13-24 months	25-60 months	60+ months	Total
Financial Assets						
Cash and cash equivalents	895	-	-	-	-	895
Financial assets at fair value through profit or loss	-	-	-	319	-	319
Other receivables	34,195	125	250	-	-	34,570
	35,090	125	250	319	-	35,784
Financial Liabilities						
Borrowings	93	-	10,000	-	-	10,093
Other payables	362	-	-	-	-	362
	455	-	10,000	-	-	10,455
Parent 2013 (\$'000)	0-6 months	7-12 months	13-24 months	25-60 months	60+ months	Total
Financial Assets						
Cash and cash equivalents	1,089	-	-	-	-	1,089
Financial assets at fair value through profit or loss	296	-	-	-	249	545
Other receivables	26,465	125	-	-	-	26,590
	27,850	125	-	-	249	28,224
Financial Liabilities						
Borrowings	12,127	-	-	-	-	12,127
Optional convertible notes	-	-	11,000	-	-	11,000
Other payables	514	-	-	-	-	514
	12,641	-	11,000	-	-	23,641



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

26. FINANCIAL RISK MANAGEMENT (continued)

c.) Market risk

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices, will affect the Group's income or the value of its holdings of financial instruments.

c.i.) Insurance business

For the investment linked policies the market risk is transferred to the policy holder. The Group earns fees on investment linked policies that are based on the amount of assets invested and it may receive lower fees should markets fall. Asset allocation for investment linked policies is decided by the Policy Holder.

In the other insurance business, market risk arises when there is a mismatch between the insurance policy liabilities and the assets backing those liabilities. Refer to note 35(k) for insurance liabilities interest rate sensitivity. The insurance business has no significant currency and equity risk.

c.ii.) Financing activities

Interest rate risk is the risk of loss to the Group arising from adverse changes in interest rates. The Group's financing activities are exposed to interest rate risk in respect of its interest earning assets and interest bearing liabilities. Changes to interest rates can impact the Group's financial results by affecting the interest spread earned on these assets and liabilities.

Interest rates are managed by assessing the demand for funds, new lending, expected debt repayments and maintaining a portfolio of financial assets and liabilities with a sufficient spread between the Group's lending and borrowing activities. Exposure to interest rates is monitored by the Board of Directors on a monthly basis.

The interest rates earned on finance receivables are fixed over the term of the contract. When approving interest rates for individual loan advances, interest rate risk is measured in accordance with the approved lending policy. The expected maturity profile of finance receivables is set out in note 26(b).

The expected repayment profiles of the borrowings is set out in note 26(b).

The following table summarises the sensitivity of the Group's financial assets and liabilities to interest rate risk. The analysis shows the annualised impact on the profit before tax and equity of a +/- 1% movement in interest rates. The equity impact takes into account the tax effect of the profit impact.

Group 2014	Carrying Amount \$'000	-1% Profit \$'000	-1% Equity \$'000	+1% Profit \$'000	+1% Equity \$'000
Financial Assets					
Cash and cash equivalents	5,555	(56)	(40)	56	40
Financial assets at fair value through profit or loss	948	(44)	(32)	38	27
Finance receivables	37,726	(377)	(271)	377	271
Reverse annuity mortgages	17,808	(178)	(128)	178	128
Financial Liabilities					
Borrowings	17,565	176	127	(176)	(127)
Total increase/(decrease)		(479)	(344)	473	339
Group 2013	Carrying Amount \$'000	-1% Profit \$'000	-1% Equity \$'000	+1% Profit \$'000	+1% Equity \$'000
Financial Assets					
Cash and cash equivalents	5,184	(52)	(37)	52	37
Financial assets at fair value through profit or loss	1,771	(563)	(405)	487	351
Finance receivables	28,757	(288)	(207)	288	207
Reverse annuity mortgages	18,063	(181)	(130)	181	130
Financial Liabilities					
Borrowings	22,784	228	164	(228)	(164)
Optional convertible notes	11,000	110	79	(110)	(79)
Total increase/(decrease)		(745)	(536)	669	482



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

26. FINANCIAL RISK MANAGEMENT (continued)

Parent 2014	Carrying Amount \$'000	-1% Profit \$'000	-1% Equity \$'000	+1% Profit \$'000	+1% Equity \$'000
Financial Assets					
Cash and cash equivalents	895	(9)	(6)	9	6
Financial Liabilities					
Borrowings	9,981	100	72	(100)	(72)
Total increase/(decrease)		91	66	(91)	(66)

Parent 2013	Carrying Amount \$'000	-1% Profit \$'000	-1% Equity \$'000	+1% Profit \$'000	+1% Equity \$'000
Financial Assets					
Cash and cash equivalents	1,089	(11)	(8)	11	8
Financial Liabilities					
Borrowings	11,987	120	86	(120)	(86)
Optional convertible notes	11,000	110	79	(110)	(79)
Total increase/(decrease)		219	157	(219)	(157)

c.iii.) Currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the NZD. The currencies in which transactions are primarily denominated are NZD and AUD.

Generally, borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily NZD, but also AUD. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances. Interest on borrowings is denominated in the currency of the borrowing.

To ensure the net exposure to EC Credit Control (Aust) Pty Ltd, which has AUD as its functional currency, is kept to an acceptable level, the Group converts the AUD unredeemed voucher liability (refer note 23) into a NZD liability by selling the AUD liability to the New Zealand entity that will be providing the relevant services to settle the liability when the voucher is redeemed.

The Group has entered into a number of variable forward foreign exchange rate transactions to convert AUD to NZD. These transactions are not designated as a hedge and are accounted for at fair value through profit or loss. The parent has no exposure to currency risk.

The Group's exposure to foreign currency risk was as follows based on nominal amounts:

	2014 Exposure to AUD	2013 Exposure to AUD
in NZD '000		
Cash and cash equivalents	103	197
Accounts receivable	1,626	830
Secured bank loans	(1,941)	(5,700)
Accounts payable	(839)	(1,155)
Net statement of financial position exposure	(1,051)	(5,828)
Variable forward foreign exchange contracts	(321)	(4,645)
Net exposure	(1,372)	(10,473)

The following table summarises the sensitivity of the Group's AUD assets and financial liabilities to foreign exchange fluctuations. The analysis shows the impact on the profit before tax and equity of a +/-10% movement in the NZD/AUD exchange rate. The equity impact takes into account the tax effect of the profit impacts.

in NZD '000	-10% Profit	-10% Equity	+10% Profit	+10% Equity
31 March 2014				
AUD	(82)	(57)	125	87
31 March 2013				
AUD	(1,067)	(779)	1,067	777



DORCHESTER PACIFIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

26. FINANCIAL RISK MANAGEMENT (continued)

d.) Fair value of financial assets and liabilities not carried at fair value

The table below summarises the carrying amounts and fair values of those financial assets and financial liabilities not presented on the Group's statement of financial position at their fair value:

2014	Group Carrying amount \$'000	Group Fair value \$'000	Parent Carrying amount \$'000	Parent Fair value \$'000
Financial assets				
Cash and cash equivalents	5,555	5,555	895	895
Finance receivables	37,726	37,726	-	-
Reverse annuity mortgages	17,808	20,049	-	-
Other receivables	4,135	4,135	34,570	34,570
	65,224	67,465	35,465	35,465
Financial liabilities				
Other payables	4,440	4,440	362	362
Borrowings	17,565	17,782	9,981	10,093
	22,005	22,222	10,343	10,455
2013	Group Carrying amount \$'000	Group Fair value \$'000	Parent Carrying amount \$'000	Parent Fair value \$'000
Financial assets				
Cash and cash equivalents	5,184	5,184	1,089	1,089
Finance receivables	28,757	28,048	-	-
Reverse annuity mortgages	18,063	20,684	-	-
Other receivables	2,085	2,085	26,590	26,590
	54,089	56,001	27,679	27,679
Financial liabilities				
Other payables	6,202	6,202	514	514
Borrowings	22,784	23,103	11,987	12,128
Optional convertible notes	10,857	11,000	10,857	11,000
	39,843	40,305	23,358	23,642

The fair value of finance receivables is based on cash flows discounted using current lending rates ranging between 17.5% to 18.5% (2013: 15.5% to 17.5%).

The fair value of borrowings is based on cash flows discounted using current borrowing rates ranging between 5.28% and 6.40% (2013: 6.15% and 10.0%).

The fair value for reverse annuity mortgages is estimated using a discounted cash flow model based on a current market interest rate for similar products after making allowances for impairment.

The fair value for optional convertible notes is estimated using a discounted cash flow model based on a current market interest rate for similar products.



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

26. FINANCIAL RISK MANAGEMENT (continued)

e.) Fair value of financial assets and liabilities carried at fair value are determined as follows:

Level 1 the fair value is calculated using quoted prices in active markets.

Level 2 the fair value is estimated using inputs other than quoted prices in level 1 that are observable for the assets or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of financial assets and liabilities carried at fair value as well as the methods used to calculate fair value are summarised in the table below.

2014	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets:				
Insurance	529	15,362	-	15,891
Other	419	-	-	419
	948	15,362	-	16,310

2013	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Financial assets:				
Insurance	1,062	15,591	-	16,653
Other	709	-	-	709
	1,771	15,591	-	17,362

Financial assets insurance

The financial assets in this category have been designated at inception as fair value through profit or loss because they back life insurance contract liabilities or life investment contract liabilities. Purchases and sales of these securities are recorded on a trade basis. Insurance investments include:

- Shares in Listed Companies and Managed Funds - shares and managed funds are recognised at fair value based on the bid market price quoted by the stock exchange or fund manager.
- Fixed Interest Securities - fixed interest securities are recognised at fair value based on quoted bid market price.

Financial assets other

Financial assets trading are performance bonds deposited with high quality credit institutions at current market prices and foreign exchange derivative contracts based on quoted market price.



DORCHESTER PACIFIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

27. FINANCE RECEIVABLES - ASSET QUALITY

	Group 2014 \$'000	Group 2013 \$'000
Specific impairment provision		
Opening balance	2,498	2,433
Charge/(release) through profit or loss	(437)	65
Closing balance	2,061	2,498
Collective impairment provision		
Opening balance	3,919	4,878
Other transfers	-	(176)
Release through profit or loss	(460)	(783)
Closing balance	3,459	3,919
Total impairment provision	5,520	6,417
Specific impaired financial assets		
Opening balance	4,911	5,005
Additions to other individually impaired assets	175	230
Amounts now collectively assessed	-	(60)
Amounts recovered during the period	(189)	(170)
Amounts written off	(157)	(94)
	4,740	4,911
Movement in provisions - reconciliation to statement of comprehensive income		
Provisions for:		
Specific impaired finance receivables	(437)	65
Collective impairment provision	(460)	(783)
Collective impairment on reverse annuity mortgages	(23)	49
Bad debts written off	1,452	1,094
Movement	532	425



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

28. TRANSACTIONS WITH RELATED PARTIES

All members of the Group, including subsidiaries identified in note 17, are considered to be related parties of Dorchester Pacific Limited

	Parent 2014 \$'000	Parent 2013 \$'000
Significant advances/(borrowings) between Dorchester Pacific Limited and its subsidiaries :		
Dorchester Property Trust Management Limited	(119)	(74)
Dorchester Life Trustees Limited	(260)	(260)
Total	(379)	(334)
Dorchester Finance Limited	20,473	14,982
EC Credit Control Limited (formerly known as Dorchester Capital Limited)	11,465	11,360
DPL Insurance Limited	195	177
Dorchester Life Management Limited	255	529
Dorchester RAMS Limited	1,391	1,376
Total	33,779	28,424

Advances and borrowings between Dorchester Pacific and its subsidiaries are interest free and repayable on demand.

Optional convertible notes

In 2012 110,000,000 optional convertible notes with an issue price of \$0.10 were approved for issue. 100,000,000 were allocated to major shareholders and partners in the Business Bakery LP (a major shareholder). The notes were converted into ordinary shares on 30 August 2013 (refer note 25). At 31 March 2013, 100,000,000 notes with a value of \$10,000,000 were outstanding.

2014			Number of shares issued	Interest paid on notes \$'000
Hugh Green Investments Limited			40,000,000	774
The Business Bakery LP			10,000,000	193
Paul Byrnes			20,000,000	387
Baker Investment Trust No 2			20,000,000	387
Ross Venture Trust			5,000,000	97
Sinclair Investment Trust			5,000,000	97
			100,000,000	1,935
2013			Value of notes issued \$'000	Interest paid on notes \$'000
	Number of notes allocated	Number of notes issued		
Hugh Green Investments Limited	40,000,000	40,000,000	4,000	338
The Business Bakery LP	10,000,000	10,000,000	1,000	85
Paul Byrnes	20,000,000	20,000,000	2,000	169
Baker Investment Trust No 2	20,000,000	20,000,000	2,000	169
Ross Venture Trust	5,000,000	5,000,000	500	42
Sinclair Investment Trust	5,000,000	5,000,000	500	42
	100,000,000	100,000,000	10,000	845

Harrison Property Holdings Limited (HPhL)

The premises leased by the Group in Napier is owned by a HPhL, a company related to Matthew Harrison, Managing Director of EC Credit Control. During the year ended 31 March 2014 rent and opex paid to HPhL was \$169,000 (2013:\$65,000).

Mainstream Insurance Solutions Limited (MISL)

In April 2012, Dorchester Pacific Limited purchased the trademarks and intellectual property of MISL, a company related to James Searle (General Manager, DPL Insurance) and Greg Main (Previously CEO, DPL Insurance) by issuing 500,000 shares at \$0.10 each. In terms of the sale and purchase agreement, further shares up to a maximum of 1,500,000 shares may be issued over the next two year depending on the gross premium written by the Group. During the year 602,000 shares were issued to MISL in settlement of the tranche 2 payment. Refer note 25.



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

28. TRANSACTIONS WITH RELATED PARTIES (continued)

Key management personnel compensation

The key management personnel are all the Directors of the Company and Group General Managers. Compensation of key management personnel for the years ended 31 March 2014 and 31 March 2013 was as follows:

(\$'000)	Short-term benefits	Post- employment benefits	Other long- term benefits	Share-based payments	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Year ended 31 March 2014	1,285	-	-	-	1,285
Year ended 31 March 2013	942	-	-	-	942

At the Annual Meeting shareholders approved an additional loan to chief executive officer of up to \$250,000. At balance dated the amount outstanding on the loan to the chief executive officer was \$375,000 (2013: \$250,000), \$125,000 bearing interest at 7% and \$250,000 bearing interest at 5% (2013:\$250,000 - 7%).

Key management personal that resigned during the year ended 31 March 2014 received no termination benefits and were paid only contractual employment obligations. Key management do not have any post employment entitlements.

Directors that resigned during the year did not receive any termination benefits and directors do not have any post employment entitlements.

The company operated a staff share scheme that is now closed, the only benefit was an interest free loan. The company receives payments in cash over the term of the loan. Directors and key management are not entitled to any share based payments and have no loans under the staff share scheme.

The Group has no transactions or loans with key management personnel, other than what is reported above and detailed in the shareholder and statutory information section on pages 67 to 70. Directors fees are detailed in note 7 and in the shareholder and statutory information section. The details of the director and employee share purchase scheme are included in note 31 and in the statutory and shareholder information section. Directors do not have loans under the scheme (2013: \$Nil).

29. RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
Profit or loss	8,210	1,715	(4,383)	6,094
Adjustment for non-cash items				
Impairment (charge)/ release on finance receivables, reverse annuity mortgages and other receivables	532	425	-	(3,331)
Net (profit)/loss on sale fixed assets and assets classified as held for sale	-	(36)	-	-
Depreciation and impairment	750	531	80	109
Net unrealised (gain)/loss on properties held for sale and investments	-	(150)	-	-
Interest expense on debentures and notes (relates to fair value adjustment reversal)	-	313	-	313
Capitalised bank interest	-	469	-	-
Capitalised reverse annuity mortgage interest	(1,657)	(1,822)	-	-
Deferred revenues	(1,101)	(542)	-	-
Financial assets at fair value through profit and loss	(1,371)	(2,359)	-	-
Net annuity and premium change to policyholder accounts	1,575	1,893	-	-
Equity accounted income	(721)	-	-	-
Translation difference	(98)	-	-	-
Profit on repurchase of secured notes	-	(280)	-	(280)
Adjustment for movements in working capital				
Net (increase)/decrease in receivables and pre-payments	(1,936)	(896)	415	(70)
Net increase/(decrease) in payables	250	1,185	(995)	869
Net increase in finance receivables	(9,272)	(7,113)	-	-
Net decrease in reverse annuity mortgages	1,889	4,991	-	-
Net decrease of insurance assets at fair value through profit or loss	2,423	4,748	226	-
Decrease in assets classified as available for sale	831	-	-	-
Net (withdrawals)/contributions from life investment contracts	(1,429)	(2,547)	-	-
Net increase in deferred tax	(3,319)	(1,748)	-	-
Cancellation of shares	-	(91)	-	(842)
Dividends received from associate	-	-	(380)	-
Non-cash dividend	-	-	-	(6,458)
Net cash inflow/(outflow) from operating activities	(4,444)	(1,314)	(5,037)	(3,596)



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

31. DIRECTOR AND EMPLOYEE SHARE PURCHASE SCHEME

The Dorchester Pacific Director and Employee Share Purchase Scheme was established in 1996 to assist employees to become shareholders in the Company. Approval for the scheme was received from shareholders at the Annual Meetings of the Company on 27 September 1996, 27 August 1998, 18 August 1999 (when the scheme was extended to include non-executive directors), 24 August 2000, 20 August 2003 and 24 August 2004. This scheme is now closed.

Shares were allocated to employees and non executive directors following a recommendation to the Board of Directors by the Chief Executive Officer. The price was determined at the market value of the shares over an agreed trading period. The issue price for the shares was: 1997 issue 38.5 cents, 1998 issue 53 cents, 1999 issue 82 cents, 2000 issue 105 cents, 2003 issue 185 cents and 2005 issue 276 cents. As at 31 March 2014 the Trustees (Dorchester Staff Share Plan Trustees Limited) held 18,000 shares representing 0.004% of the issued shares (2013: 18,000 representing 0.01% of the issued shares). Shares surplus to the requirements of the scheme were cancelled during the financial year. The Trustees hold all the shares in the scheme on behalf of employees. Rights to attend and vote at meetings of the company conferred by the shares are exercisable by the Trustees.

Participants were offered an interest free loan for a period of five years but are eligible to repay the loan in full after eighteen months. Cash derived from dividends related to the allotted shares is applied against the loan to purchase those shares. Total loans outstanding at 31 March 2014 were \$5,844 (2013: \$8,394) are included in receivables and deferred expenses.

32. COMMITMENTS AND CONTINGENT LIABILITIES

	Group 2014 \$'000	Group 2013 \$'000	Parent 2014 \$'000	Parent 2013 \$'000
Operating lease commitments under non-cancellable operating leases:				
Not later than 1 year	782	1,036	608	891
1-2 years	543	689	398	545
2-5 years	1,652	1,663	1,245	1,232
5+ years	324	468	301	300
	3,301	3,856	2,552	2,968

The Group leases a two floors at 34 Shortland Street, Auckland, a building in Napier under operating leases and office space in Sydney, Australia. The lease commitments include onerous lease obligations of \$85,000 (2013: \$397,000) for which a provision has been raised in other payables.

Capital Expenditure:

The group does not currently have any approved capital expenditure commitments.

Loan Commitments:

Loan commitment details are provided in Liquidity Risk note in note 26.

Contingent Liabilities:

The Group has no other material contingent liabilities at 31 March 2014 and 31 March 2013.

33. SUBSEQUENT EVENTS AFTER BALANCE DATE

Oxford Finance Limited

On 17 March 2014 the Group announced it had entered into an unconditional agreement to purchase the Levin based Oxford Finance Limited with effect from 1 April 2014. The acquisition strengthens the Group's Finance business with loan portfolio metrics in line with the Dorchester Finance's receivables book and significantly increases the Group's Finance business geographic presence outside of the Auckland and Hamilton regions.

The consideration for the acquisition is expected to be between \$11.3 million and \$12.3 million and will be settled in cash.

The financial impact of the acquisition is not disclosed as the accounting for the business combination had not been completed at the time of signing the annual report.

Dividend

Since year end the Directors have declared a final dividend of \$0.005 per share, un-imputed. The aggregated dividend of \$2.5m is to be paid on 23 July 2014 out of retained earnings at 31 March 2014, but is not recognised as a liability at 31 March 2014.



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

34. COMPARISONS TO FORECASTS

Prospective Group financial statements for the year ended 31 March 2014 were included in the Capital Reconstruction Plan Offer Document 2010.

	Actual \$'000	Unaudited Prospective Information \$'000	Variance \$'000
Consolidated statement of comprehensive income			
Revenue			
Interest income	7,417	15,276	(7,859)
Life insurance and life investment contract Income	4,247	15,823	(11,576)
Other operating income	19,663	2,876	16,787
Profit on repurchase of secured capital notes	-	-	-
Operating Revenue	31,327	33,975	(2,648)
Interest expense	(3,857)	(4,254)	397
Impairment (charge)/release on finance receivables and reverse annuity mortgages	(532)	(4,449)	3,917
Life insurance and life investment contract expenses	(3,765)	(7,733)	3,968
Other operating expenses	(19,002)	(8,706)	(10,296)
Net operating profit/(loss)	4,171		
Share of profit of equity-accounted investment (net of tax)	721		
Net profit/(loss) before fair value adjustments	4,892	8,833	(4,662)
Capital Raising and Capital Reconstruction Plan fair value adjustments and interest fair value adjustments	-	(236)	236
Net profit/(loss) before taxation	4,892	8,597	(4,426)
Taxation (expense)/benefit	3,225	(2,407)	5,632
Net profit/(loss) from continuing operations	8,117	6,190	1,206
Discontinued operations			
Profit/(loss) from discontinued operation (net of income tax)	93	-	93
Profit/(loss)	8,210	6,190	1,299
Consolidated summary balance sheet			
Assets			
Cash and cash equivalents	5,555	4,295	1,260
Financial assets at fair value through profit and loss	16,310	63,437	(47,127)
Finance receivables	37,726	75,393	(37,667)
Reverse annuity mortgages	17,808	17,298	510
Other	49,283	4,360	44,923
Total assets	126,682	164,783	(38,101)
Liabilities			
Life insurance & life investment contract liabilities	21,713	65,473	(43,760)
Borrowings	17,565	4,165	13,400
Finance receivables borrowings	-	26,710	(26,710)
Secured notes	-	10,000	(10,000)
Other payables	13,352	14,642	(1,290)
Total liabilities	52,630	120,990	(68,360)
Total shareholders' equity	74,052	43,793	30,259
Total shareholders' equity and liabilities	126,682	164,783	(38,101)
Consolidated summary cash flow			
Net cash outflow from operating activities	(4,444)	(7,788)	3,344
Net cash inflow from investing activities	(11,497)	-	(11,497)
Net cash inflow from financing activities	16,340	8,870	7,470
Net movement in cash and cash equivalents	399	1,082	(683)

The Offer Document 2010 included prospective financial statements for years to 31 March 2015. The net profit for the current year of \$4,892,000 was \$4,426,000 below the forecast of profit of \$8,833,000.

As previously advised changes in circumstances have rendered the prospective financial information irrelevant and are largely responsible for the variances in the consolidated statement of comprehensive income, the consolidated summary balance sheet and consolidated summary cash flows. The following changes in circumstances have occurred:

- the Group, in response to the new regulatory environment, has restructured its insurance and savings business from the then business described in the Offer Document.
- the Group has purchased the business asset and liabilities of EC Credit Control; and
- The Group's funding structure is different from that included in the Offer Document.



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

34. COMPARISONS TO FORECASTS (continued)

Prospective Group financial statements for the year ended 31 March 2013 were included in the Capital Reconstruction Plan Offer Document 2010.

	Actual \$'000	Unaudited Prospective Information \$'000	Variance \$'000
Consolidated statement of comprehensive income			
Revenue			
Interest income	5,905	12,058	(6,153)
Life insurance and life investment contract Income	3,520	12,224	(8,704)
Other operating income	9,457	2,149	7,308
Profit on repurchase of secured capital notes	280	-	280
Operating Revenue	19,162	26,431	(7,269)
Interest expense	(2,605)	(3,760)	1,155
Impairment (charge)/release on finance receivables and reverse annuity mortgages	(425)	(2,149)	1,724
Life insurance and life investment contract expenses	(2,995)	(7,208)	4,213
Other operating expenses	(12,957)	(7,310)	(5,647)
Net profit/(loss) before fair value adjustments	180	6,004	(5,824)
Capital Raising and Capital Reconstruction Plan fair value adjustments and interest fair value adjustments	(313)	(888)	575
Net profit/(loss) before taxation	(133)	5,116	(5,249)
Taxation (expense)/benefit	1,746	(1,432)	3,178
Net profit/(loss) from continuing operations	1,613	3,684	(2,071)
Discontinued operations			
Profit/(loss) from discontinued operation (net of income tax)	102	-	102
Profit/(loss)	1,715	3,684	(1,969)
Consolidated summary balance sheet			
Assets			
Cash and cash equivalents	5,184	3,213	1,971
Financial assets at fair value through profit and loss	17,362	43,762	(26,400)
Finance receivables	28,757	66,104	(37,347)
Reverse annuity mortgages	18,063	18,722	(659)
Other	33,758	8,163	25,595
	103,124	139,964	(36,840)
Assets classified as available for sale and discontinued operations	831	-	831
Total assets	103,955	107,347	(36,009)
Liabilities			
Life insurance & life investment contract liabilities	21,051	45,798	(24,747)
Borrowings	22,784	5,639	17,145
Finance receivables borrowings	-	27,883	(27,883)
Secured notes	-	19,764	(19,764)
Optional convertible notes	10,857	-	10,857
Other payables	16,073	12,658	3,415
Total liabilities	70,765	111,742	(40,977)
Total shareholders' equity	33,190	28,222	4,968
Total shareholders' equity and liabilities	103,955	139,964	(36,009)
Consolidated summary cash flow			
Net cash outflow from operating activities	(1,314)	(13,778)	12,464
Net cash inflow from investing activities	(4,377)	3,278	(7,655)
Net cash inflow from financing activities	7,408	10,000	(2,592)
Net movement in cash and cash equivalents	1,717	(500)	2,217

The Offer Document 2010 included prospective financial statements for years to 31 March 2015. The net profit before fair value adjustment for the year to March 2013 of \$180,000 was \$5,824,000 below the forecast of profit of \$6,004,000. Included in income is an unanticipated one off gain of \$280,000 resulting from an early buy-back of the secured notes.

As previously advised changes in circumstances have rendered the prospective financial information irrelevant and are largely responsible for the variances in the consolidated statement of comprehensive income, the consolidated summary balance sheet and consolidated summary cash flows.

- the Group, in response to the new regulatory environment, has restructured its insurance and savings business from the then business described in the Offer Document.
- the Group has purchased the business asset and liabilities of EC Credit Control; and
- The Group's funding structure is different from that included in the Offer Document.



DORCHESTER PACIFIC LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

35. INSURANCE related disclosures

A.) Actuarial Policies and Methods

The actuarial report on insurance contract liabilities and prudential reserves for the current reporting period was prepared as at 31 March 2014 by Peter Davies, a Fellow of the New Zealand Society of Actuaries. The value of insurance contract liabilities has been determined in accordance with NZ IFRS 4 of the New Zealand Institute of Chartered Accountants and Professional Standard No. 3 of the New Zealand Society of Actuaries. In terms of these standards, the liability is determined using the methodology referred to as Margin on Service (MoS). After making appropriate checks, the actuary was satisfied as to the accuracy of the data from which the amount of policy liabilities has been determined.

Overview of MoS methodology

MoS is designed to recognise profits on life insurance contracts as services are provided to policyholders and income is received. Profits are deferred and amortised over the life of the policy, whereas losses are recognised immediately. Services used to determine profit recognition include the cost of expected claims, maintaining policies, and investment management. The policy service for each of the major product groupings that is used to defer and amortise the profit over the life of the policies are called profit carriers. Life insurance contract liabilities are generally determined as the present value of all future expected payments, expenses, taxes and profit margins reduced by the present value of all future expected premiums. Profit margins for participating businesses are set in relation to the value of supporting assets.

MoS profit comprises the following components:

(i) Planned margins of revenues over expenses

At the time of writing a policy and at each balance date, best estimate assumptions are used to determine all expected future payments and premiums. Where actual experience replicates best estimate assumptions, the expected profit margin will be released to profit over the life of the policy.

(ii) The difference between actual and assumed experience

Experience profits/(losses) are realised where actual experience differs from best estimate assumptions. Instances giving rise to experience profits/(losses) include variations in claims, expenses, mortality, discontinuance and investment returns. For example, an experience profit will emerge when the expenses of maintaining all in-force business in a year are lower than the best estimate assumption in respect of those expenses.

(iii) Changes to underlying assumptions

Assumptions used for measuring life insurance contract liabilities are reviewed each year. Where the review leads to a change in assumptions, the change is deemed to have occurred from the end of the year, except for changes in discount rates which are recognised in the year that the rates are changed.

The financial effect of all other changes to the assumptions underlying the measurement of life insurance contract liabilities made during the reporting period is recognised in profit or loss over the future reporting periods during which services are provided to policyholders.

(vi) Loss recognition on groups of related products

If based on best estimate assumptions, written business for a group of related products is expected to be unprofitable, the total expected loss for that related product group is recognised in profit or loss immediately. When loss making business becomes profitable previously recognised losses are reversed.

(v) Investment earnings on assets in excess of policy liabilities

Profits are generated from investment assets which are in excess of those required to meet policyholder liabilities. Investment earnings are directly influenced by market conditions and as such this component of MoS profit will vary from year to year.

The key assumptions used in determining policy liabilities are as follows:

a) Discount Rates

Discount rates used to determine the life insurance contract liabilities are based on an appropriate risk-free rate of return, taking account of the term of the insurance contracts.

Tax was deducted at the rate of 28% on investment earnings net of investment expenses (2013: 28%). The net discount rates assumed were as follows:

	2014	2013
Whole of Life and Endowment Policies	3.29%	2.53%
Term Insurance Policies	Not applicable	Not applicable
Funeral Benefit Policies	Not applicable	Not applicable
Annuity Policies	3.29%	2.53%
Consumer Credit and Key Person Loan Protection	Not applicable	Not applicable

b) Inflation Rates

In determining the future expected rate of return, general inflation was assumed to continue into the future at 2.0% per annum (2013: 2.0%).



DORCHESTER PACIFIC LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

35. INSURANCE related disclosures (continued)

c) Mortality Rates

Rates of mortality were assumed as follows:

For underwritten whole of life, endowment and term insurance policies: NZ97 (2013: NZ97).

For guaranteed issue funeral plans: NZ97 multiplied by a factor to reflect higher mortality at younger ages.

For annuities and reverse annuity mortgages the Directors assumed mortality according to the PA(90) table, reduced by four years (but assuming no age reduction for the Cook Islands annuity pension plan) (2013: PA(90) table, reduced by four years, no age reduction for Cook Islands).

d) Profit Carriers

The policies were divided into major product groups with profit carriers as follows:

Major Product Groups

Participating whole of life and endowment policies
Non participating whole of life and endowment policies
Lump sum funeral benefit policies (caring plan)
Term insurance policies
Funeral plan policies (regular premium guaranteed issue)
Annuities
Consumer credit / lifestyle
Motor business
Accidental death and redundancy - Stop gap
Accidental death regular and single premium

Carrier
Policyholder bonuses
Premiums
Not applicable
Premiums
Claims
Annuity payments
Premiums
Not applicable
Not applicable
Not applicable

e) Investment and Maintenance Expenses

	Cost per policy per annum	
	2014	2013
	\$	\$
Endowments	190	151
Funeral plans	47	38
Term life plans (for loss recognition)	95	76
Consumer credit plans (for loss recognition)	48	38
Annuity plans	190	151

Investment management expenses were assumed to be 1.0% (2013: 1.0%) of policy liabilities.

f) Inflation and Automatic Indexation of Benefits

Maintenance expenses are assumed to increase 2.0% per annum (2013: 2.0%). Investment management expenses are assumed to remain a constant percentage of funds under management.

g) Taxation

The assumed future tax rates reflect the corporate tax rate applying in New Zealand with effect from 1 April 2014. The calculations have been carried out on the basis of current life insurance income tax legislation.

h) Rates of Discontinuance

Rates of discontinuance are assumed to be 5.0% for whole of life, endowment and term insurance business (2013: 5.0%), and nil for annuity pension plan (2013: \$nil).

i) Surrender Values

The company's current basis of calculating surrender values is assumed to continue in the future.

j) Rates of Future Supportable Participating Benefits

Rates of bonus supported by the participating fund are simple annual bonuses of \$0.00 (2013: \$20.00) per \$1,000 of sum assured on endowment policies. These equal the rates of bonus declared in the previous year.

k) Impact of changes in assumptions

The impact of the change in the discount rate from 3.51% to 4.57% is a reduction in policy liabilities of \$314,149 (2013: 4.05% - 3.51% increase of \$132,613).

The impact of the revised expense assumptions is an increase in policy liabilities of \$12,543 (2013: \$27,817).

l) Crediting Policy Adopted for Future Supportable Participating Benefits

For participating business the company's policy is to distribute profits arising such that over long periods the returns to policy holders are commensurate with the investment returns achieved on relevant assets, together with other sources of profit arising from this business. In applying the policyholders' share of distributions to provide bonuses, consideration is given to achieving equity between generations of policyholders and equity between the various classes and sizes of policies in force. Assumed future bonus rates included in policyholder liabilities were set such that the present value of policyholder liabilities, allowing for the shareholders' right to participate in distributions, equals the value of assets supporting the business.



DORCHESTER PACIFIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

35. INSURANCE related disclosures (continued)

B.) Surplus after taxation from insurance activities arose from:

	Group 2014 \$'000	Group 2013 \$'000
Insurance Contracts		
Planned margin of revenues over expenses	19	7
Change in valuation assumptions	(12)	-
Change in discount rate: 3.51% to 4.57% (2012: 4.05% to 3.51%)	319	(132)
Difference between actual and assumed experience	(91)	(141)
Life investments contracts		
Difference between actual and assumed experience	174	164
Investment returns on assets in excess of		
Insurance contract and investment contract liabilities	743	1,829
Surplus after taxation attributable to insurance activities	1,152	1,727

The disclosure of the components of operating profit after tax expense are required to be separated between policyholders' and shareholders' interests. We have included only one column, as any policy holder profits are an expense of the Group and not attributable to the Shareholder.

It is not currently possible to identify all experience variances separately for life investment contracts. The difference between actual and assumed experience for life insurance contracts therefore includes some variances relating to life investment contracts.

C.) Insurance and investment contract income

	Group 2014 \$'000	Group 2013 \$'000
Insurance contract premiums	2,963	1,857
Reinsurance revenues	10	21
Investment revenue	1,479	2,349
Less: investment revenue paid to life insurance investment contracts	(1,329)	(2,185)
Other Revenues	1,124	1,478
Total insurance and investment contract income	4,247	3,520
Investment Income		
Equity securities	1,083	1,202
Fixed interest securities	115	298
Property investments	281	849
	1,479	2,349

Included within equity securities is dividend income of \$Nil (2013: \$Nil) and included within fixed interest securities is interest income of \$Nil (2013: \$Nil). Included within total Investment Income is net realised and unrealised gains/(losses) on securities at fair value through profit or loss of \$1,478,733 (2013: \$2,349,358).



DORCHESTER PACIFIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

35. INSURANCE related disclosures (continued)

D.) Insurance related expenses

	Group 2014 \$'000	Group 2013 \$'000
Insurance contract claims	568	481
Reinsurance expenses	72	50
Insurance contracts		
Policy acquisition expenses - commission costs	1,512	579
Deferred acquisition cost amortisation	(395)	(321)
Total insurance contract related expenses	1,117	258
Life investment contracts		
Investment management expenses	80	92
Other operating expenses	1,918	1,998
Net change in life insurance contract liabilities	10	116
Total insurance expenses	3,765	2,995

Included in other operating expenses are the following:

Audit fees for the audit of financial statements	65	60
Rental and lease costs	109	246
Amortisation of intangible assets	88	36
Depreciation	26	20
Employee benefits	1,140	926

E.) Taxation

Income tax losses on policyholder base

The policy holder tax losses carried forward at 31 March 2014 are \$3,676,782 (2013: \$3,208,042).

Imputation credit memorandum account

The policyholder imputation credit account has a closing balance at 31 March 2014 of \$Nil (2013: \$Nil).



DORCHESTER PACIFIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

35. INSURANCE related disclosures (continued)

F.) DPL Insurance Limited solvency calculation

In terms of the Insurance (Prudential Supervision) Act 2010, DPL Insurance Limited must comply with the Solvency Standard for Life Insurance Business issued by the Reserve Bank of New Zealand in August 2011. DPL Insurance Limited is required to hold minimum solvency capital of \$5.0 million and have a solvency margin of at least \$1.

	2014 \$'000	2013 \$'000
Actual solvency capital	6,905	5,753
Calculated minimum solvency capital	4,302	3,952
Coverage ratio on calculated margin (times)	1.61	1.46
Overall minimum capital requirement	5,000	5,000
Solvency margin on overall minimum requirement	1,905	753
Coverage ratio on overall minimum requirement (times)	1.38	1.15
<i>Non-life insurance</i>		
Actual solvency capital	1,304	601
Calculated minimum solvency capital	473	162
Solvency margin on calculated minimum requirement	831	439
<i>Life insurance</i>		
Actual solvency capital	5,601	5,152
Calculated minimum solvency capital	3,829	3,790
Solvency margin on calculated minimum requirement	1,772	1,362

G.) Policyholder liabilities

	Group 2014 \$'000	Group 2013 \$'000
Insurance contract liabilities		
Opening life insurance contract liabilities	4,681	3,353
Increase / (decrease) in life insurance contract liabilities recognised in profit or loss	(353)	488
Increase / (decrease) in premium revenues recognised in profit or loss	1,773	972
Increase / (decrease) in interest income recognised in profit or loss	319	(132)
Closing insurance contract liabilities	6,420	4,681
 Policyholder liabilities contain the following components:		
Future policy benefits	11,373	9,495
Future bonuses	-	39
Future expenses	594	507
Future profit margins	586	557
Balance of future premiums	(6,135)	(5,926)
Re-insurance	2	2
Cost of bonus	-	7
	6,420	4,681
 Life insurance contracts with a discretionary participation feature - the amount of the liabilities that relates to guarantees	336	372
Unit-linked policyholder liabilities relating to assured returns of funds invested are:		
Other contracts with a fixed or guaranteed termination value - current termination value	2,774	2,766



DORCHESTER PACIFIC LIMITED
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2014

35. INSURANCE related disclosures (continued)

	Group 2014 \$'000	Group 2013 \$'000
Life investment contracts at fair value through profit or loss		
Opening life investment contracts at fair value through profit or loss	16,370	18,352
Increase / (decrease) in life investment contract liabilities recognised through profit or loss	1,177	1,921
Deposit premium	3,969	5,300
Withdrawals	(5,397)	(7,849)
Activity, plan, and establishment fees	(826)	(1,354)
Closing life investment contract liabilities	15,293	16,370
Opening deferred income reserve	291	512
Recognised in profit or loss	(225)	(221)
Closing deferred income reserve	66	291
Life investment contract liabilities held by the life insurance business	15,359	16,661

The benefits offered under the Group's unit-linked investment contracts are based on the returns of selected equities and debt securities. This investment mix is unique, and it cannot be associated to an individual benchmark index with a sufficiently high correlation. All financial liabilities at fair value through profit and loss are designated by the Group to be in this measurement category. The liabilities originated from unit-linked contracts are measured with reference to their respective underlying assets of these contracts. Changes in the credit risk of the underlying assets do not impact the measurement of the unit-linked liabilities. The maturity value of these financial liabilities is determined by the fair value of the linked assets, at maturity date.

H.) Policyholder liabilities comprise

	Group 2014 \$'000	Group 2013 \$'000
Annuities	1,691	1,896
Endowment	334	410
Whole of Life	1,240	699
Provision for bonuses and future margins	584	557
Consumer Credit Protection & key person loan protection	2,469	950
Accidental death/redundancy	42	89
Term Life	15	30
Claims provisions	45	50
Deferred commissions - Superlife & Superbond	66	291
Superlife policies	7,428	7,967
Life Bond policies - life bond reserve	11	11
Superannuation funds:		
Unclaimed monies closed funds - NZPP	-	821
Super Bond Retirement Plan	7,615	7,349
Invincible Superannuation Fund	179	154
Save and Invest Group Superannuation Plan	60	68
	21,779	21,342



DORCHESTER PACIFIC LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

35. INSURANCE related disclosures (continued)

H.) Policyholder liabilities comprise (continued)

The policy liabilities in respect of annuities, endowment, whole of life, term life, super life and life bond have been established in accordance with the policy conditions and maintained at a level equivalent to obligations due to policy holders as maturity or partial benefits.

Dorchester Life Management Limited, as administrator for a number of superannuation funds, and Dorchester Life Trustees Limited, as trustee of Super Bond Retirement Plan, invest in a life policy issued to the trustees by DPL Insurance Limited. During the year the Company received premiums, paid claims and invested the funds for the superannuation schemes outlined above. All investments and bank accounts of these funds are recorded in the name of DPL Insurance Limited.

I.) Disaggregated information

The business undertaken and policies accepted by DPL Insurance Limited are a combination of investment linked and non-investment linked. Investment linked business is business for which the life insurer issues a contract where the benefit amount is directly linked to the market value of the investments held in the particular investment linked fund. Non-investment linked business is life insurance business other than investment linked business.

Group 2014	Investment Linked \$'000	Non – Investment Linked \$'000	Total \$'000
Premium Income	-	2,963	2,963
Investment Income	1,479	729	2,208
Claims expense	-	(432)	(432)
Other operating revenue	-	1,124	1,124
Other operating expenses	(177)	(3,382)	(3,559)
Investment revenues allocated to Policyholders	(1,152)	-	(1,152)
Net Profit before Taxation	150	1,002	1,152
Net Profit after Taxation	150	1,002	1,152
Policy Liabilities	15,293	6,420	21,713
Investment assets	15,362	7,033	22,395
Other assets	200	7,296	7,496
Other liabilities	66	804	870
Retained Earnings	635	3,137	3,772

Group 2013	Investment Linked \$'000	Non – Investment Linked \$'000	Total \$'000
Premium Income	-	1,857	1,857
Investment Income	2,349	1,445	3,794
Claims expense	-	(349)	(349)
Other operating revenue	-	1,254	1,254
Other operating expenses	(264)	(2,645)	(2,909)
Investment revenues allocated to Policyholders	(1,920)	-	(1,920)
Net Profit before Taxation	165	1,562	1,727
Net Profit after Taxation	165	1,562	1,727
Policy Liabilities	16,370	4,681	21,051
Investment assets	16,414	7,647	24,061
Other assets	659	3,543	4,202
Other liabilities	291	800	1,091
Retained Earnings	485	2,224	2,709

The above information is disclosed prior to the elimination of any related party transactions or balances.



DORCHESTER PACIFIC LIMITED

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

35. INSURANCE related disclosures (continued)

J.) Managed Funds and other Fiduciary Activities

DPL Insurance Limited acted as a promoter for a number of superannuation funds with assets managed by a third party investment manager. The assets and liabilities of these funds are not included in the financial statements. Arrangements exist to ensure the activities of the superannuation funds are managed independently from the other activities of the company.

K.) Insurance Risk

The insurance business of the Group involves a number of financial and non-financial risks. The financial risks are covered in note 26. Key objectives in managing insurance risk are:

- (i) To ensure sound business practices are in place for underwriting risks and claims management;
- (ii) To achieve a target return on capital that is invested in order to take on insurance risk; and
- (iii) To ensure solvency and capital requirements are met.

Life insurance

The life insurance business of the Group involves a number of non-financial risks concerned with the pricing, acceptance and management of the mortality, and longevity risks accepted from policyholders. These risks are controlled through the use of underwriting procedures and adequate premium rates and policy charges, all of which are approved by the Actuary. Tight controls are also maintained over claims management practices to ensure the correct and timely payment of insurance claims.

Terms and conditions of life insurance contracts

The nature of the terms of the insurance contracts written by the Group is such that certain external variables can be identified on which related cash flows for claim payments depend. The tables below provide an overview of the key variables upon which the amount of related cash flows are dependent.

Type of contract	Details of the contract workings	Nature of compensation for claims	Key variables affecting cash flows
Non-participating life insurance contracts with fixed and guaranteed terms	Benefits paid on death or maturity are fixed and guaranteed and not at the discretion of the issuer	Benefits, defined by the insurance contract, are determined by the contract and are not directly affected by the performance of underlying assets or the performance of the contracts as whole.	Mortality, lapses, expenses and market earnings on assets backing the liabilities.
Life insurance contracts with discretionary participating benefits (endowment and whole of life)	These policies include a clearly defined initial guaranteed sum assured which is payable on death. The guaranteed amount is a multiple of the amount that is increased throughout the duration of the policy by the addition of regular bonuses annually which, once added, are not removed. Regular bonuses are also added retrospectively.	Benefits arising from the discretionary participation feature are based on the performance of a specified pool of contracts or a specified type of contract.	Mortality, lapses, expenses and market earnings on assets backing the liabilities.
Life Annuity Contracts	These policies provide guaranteed regular payments to the life assured.	The amount of the payment is set at inception of the policy.	Longevity, expenses and market earnings on assets backing the liabilities.

Non-life insurance

The risk management activities include prudent underwriting, pricing, and management of risk, together with claims management, reserving and investment management. The objective of these disciplines is to enhance the financial performance of the insurance operations and to ensure sound business practices are in place for underwriting risks and claims management.

Claims

Variations in claim levels will affect reported profit and equity. The impact may be magnified if the variation leads to a change in actuarial assumptions which cannot be absorbed within the present value of planned margins for a group of related products. Insurance risk may arise through the reassessment of the incidence of claims, the trend of future claims and the effect of unforeseen diseases or epidemics. Insurance risk is controlled by ensuring underwriting standards adequately identify potential risk, retaining the right to amend premiums on risk policies where appropriate. The experience of the Group's life insurance business is reviewed regularly.

Concentration of insurance risk

The Group does not believe it has any major geographic concentration of insurance risk. The Group's policies aims to reduce concentration risk by maintaining a portfolio of policyholders with a broad spread of insurance risk types, ages, sexes, occupation classes and geographic locations. The group uses reinsurance to limit the insurance risk exposure for any one individual.



DORCHESTER PACIFIC LIMITED NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2014

35. INSURANCE related disclosures (continued)

K.) Insurance Risk (continued)

Sensitivity Analysis

The liabilities included in the reported results are calculated using certain assumptions about key variables as disclosed above. Sensitivity analysis is conducted to assess the impact of actual experience being different to that assumed in the calculation of liabilities. Movements in any variable will impact the profit and net assets of the Group. The tables below describe how a change in actual experience relative to that expected will effect next financial year's expected shareholder profit.

Variable	Impact of movement in underlying variable
Expense risk	An increase in the level or inflationary growth of expenses over assumed levels will decrease profit and shareholders equity.
Interest rate risk	Depending on the profile of the investment portfolio, the investment income of the Group will decrease as interest rates decrease. This may be offset to an extent by changes in the market value of fixed interest investments. The impact on profit and shareholder equity depends on the relative profiles of assets and liabilities, to the extent that these are not matched.
Mortality rates	For insurance contracts providing death benefits, greater mortality rates would lead to higher levels of claims, increasing associated claims cost and therefore reducing profit and shareholder equity.
Discontinuance	The impact of discontinuance rate assumption depends on a range of factors including the type of contract, the surrender value basis (where applicable) and the duration in force. For example, an increase in discontinuance rates at earlier durations of life insurance contracts usually has a negative effect on profit and shareholder equity. However, due to the interplay between the factors, there is not always an adverse outcome from an increase in discontinuance rates.
Market Risk	For benefits which are not contractually linked to the underlying assets, the Group is exposed to Market Risk

The table below illustrates how changes in key assumptions would impact the reported profit and liabilities of the Group.

2014	Effect on Policy Liabilities	Effect on Future Profit
Change in key assumptions (\$'000)		
Market risks		
Increase in interest rates of 1%	(815)	(37)
Decrease in interest rates of 1%	941	41
Insurance risks		
Increase in expenses of 10%	1	(237)
Decrease in expenses of 10%	(1)	237
Decrease in mortality by 10%	867	(488)
Increase in mortality by 10%	34	1,551
Worsening of discontinuance rate by 10%	-	291
Improvement in discontinuance rate by 10%	-	(313)
2013	Effect on Policy Liabilities	Effect on Future Profit
Change in key assumptions (\$'000)		
Market risks		
Increase in interest rates of 1%	(473)	(36)
Decrease in interest rates of 1%	543	41
Insurance risks		
Increase in expenses of 10%	1	(112)
Decrease in expenses of 10%	(1)	113
Decrease in mortality by 10%	110	(479)
Increase in mortality by 10%	36	694
Worsening of discontinuance rate by 10%	-	132
Improvement in discontinuance rate by 10%	-	(142)



SHAREHOLDER AND STATUTORY INFORMATION

STOCK EXCHANGE LISTING

The Company's shares are listed on the main board equity security market operated by the NZX Limited.

PRINCIPAL ORDINARY SHAREHOLDERS AS AT 31 MAY 2014

The following table shows the names and holdings of the 20 largest holdings of quoted ordinary share (DPC) of the Company.

Rank	Name	Units	% of Issued Capital
1	Hugh Green Investments Limited	127,173,401	25.75
2	The Business Bakery LP	44,617,226	9.03
3	The Business Bakery LP No 2 Account	40,000,000	8.10
4	Paul Anthony Byrnes	33,098,937	6.70
5	Harrigens Trustees Limited	32,506,944	6.58
6	Baker Investment Trust No 2	20,000,000	4.05
7	John Jeffers Harrison	15,000,000	3.04
8	Paul Bernard Mora and Mary Innes Mora	10,000,000	2.02
9	Accident Compensation Corporation - NZCSD <Acci40>	8,981,000	1.82
10	New Zealand Permanent Trustees Limited - Nzcsd <Nzpt43>	6,000,000	1.21
11	Ross Venture Trust	5,000,000	1.01
12	Sinclair Investment Trust	5,000,000	1.01
13	Custodial Services Limited <A/C 3>	4,878,975	0.99
14	Tea Custodians Limited - NZCSD <Teac40>	4,000,000	0.81
15	Investment Custodial Services Limited <A/C R	3,412,377	0.69
16	Custodial Services Limited <A/C 4>	3,409,509	0.69
17	Aratas Investment Trust	2,800,000	0.57
18	FNZ Custodians Limited	2,518,924	0.51
19	David Gerald Poole + Warren James Ladbrook + Gaylene Johanne Cadwallader <Poole Family A/C>	2,000,000	0.40
20	Leveraged Equities Finance Limited	1,865,644	0.38

SPREAD OF ORDINARY SHAREHOLDERS AS AT 31 MAY 2014

Range	Total Holders	Units	% of Issued Capital
1 – 999	627	295,068	0.06
1,000 - 1,999	558	766,462	0.16
2,000 - 4,999	1,277	4,035,796	0.82
5,000 - 9,999	1,091	7,440,747	1.51
10,000 - 49,999	1,487	29,657,368	6.00
50,000 - 99,999	197	13,018,567	2.64
100,000 - 499,999	190	35,101,004	7.11
500,000 - 999,000	19	13,152,700	2.66
1,000,000 plus	31	390,503,665	79.05
Total	5,477	493,971,377	100.00

Domicile of Ordinary Shareholders	Shareholders		Shares	
	Number	%	Number	%
New Zealand	5,287	96.53	483,693,380	97.92
Australia	80	1.46	2,563,773	0.52
Other	110	2.01	7,714,224	1.56
Total	5,477	100.00	493,971,377	100.00



SHAREHOLDER AND STATUTORY INFORMATION

Substantial Security Holders

The following information is given pursuant to section 35F of the Securities Markets Act 1988.

The following are registered by the company as at 31 May 2014 as Substantial Security Holders in the Company, having disclosed a relevant interest in listed voting securities under the Securities Markets Act 1988.

	Number of Shares	%
Hugh Green Investments Ltd	127,173,401	25.75
The Business Bakery LP	84,617,226	17.13
Paul Anthony Byrnes	33,098,937	6.70
Harrigens Trustees Limited	32,506,944	6.58

The total number of voting securities of the company on issue at 31 May 2014 was 493,971,377 paid ordinary shares.

STATEMENT OF DIRECTORS' SECURITY HOLDINGS

As at 31 March 2014	Relevant Interest in Quoted Shares
Grant Baker, Matthew Harrison and Stephen Sinclair	84,617,226
Grant Baker	20,000,000
Kevin Brewer	-
Paul Byrnes	33,098,937
John Gosney	-
Matthew Harrison	32,506,944
Gregory Peebles	-
Stephen Sinclair	5,006,072

Share transactions disclosed to the Board and entered in the Company's Interests Register for the year ended 31 March 2014 were:

	Date of Transaction	Shares Acquired (disposed)	Consideration paid (received) \$	Nature of relevant interest
Paul Byrnes	17/06/2013	2,500,000	312,500	Beneficial owner
Paul Byrnes	30/08/2013	20,000,000	2,000,000	Beneficial owner
Matthew Harrison	18/06/2013	(6,121,801)	(1,530,450)	Shares held in associated family trust
Matthew Harrison	30/08/2013	10,000,000	1,250,000	Shares held in associated family trust
Matthew Harrison	08/11/2013	14,628,745	1,828,593	Shares held in associated family trust
Grant Baker	30/08/2013	20,000,000	2,000,000	Shares held in associated family trust
Grant Baker, Matthew Harrison and Stephen Sinclair	17/06/2013	40,000,000	5,000,000	Beneficial owner
Grant Baker, Matthew Harrison and Stephen Sinclair	18/06/2013	(12,500,000)	(3,125,000)	Beneficial owner
Grant Baker, Matthew Harrison and Stephen Sinclair	30/08/2013	10,000,000	1,000,000	Beneficial owner
Stephen Sinclair	30/08/2013	5,000,000	500,000	Shares held in associated family trust



SHAREHOLDER AND STATUTORY INFORMATION

Directors' remuneration and other benefits

The names of the directors of the company at 31 March 2014 and the details of their remuneration and value of other benefits received for services to Dorchester Pacific Limited for the year ended on that date are:

	\$	Nature of Remuneration
G.K. Baker	77,833	Director's Fee
K Brewer	47,500	Director's Fee
P.A. Byrnes	47,500	Director's Fee
J.J. Gosney	47,500	Director's Fee
M.J. Harrison	-	Director's Fee
G.A. Peebles	80,000	Director's Fee
S.J. Sinclair (Alternate for G Baker)	-	Director's Fee

During the year ended 31 March 2014 Mr Byrnes was an Executive for Dorchester Pacific Limited and has been remunerated for services on a consultancy basis. The total fees paid for the year to 31 March 2014 were \$290,000 GST exclusive (2013: \$3241,633 GST exclusive).

During the year ended 31 March 2014 Mr Harrison was an Executive for EC Credit Control (New Zealand) Limited and has been remunerated for services on a consultancy basis. The total fees paid for the year to 31 March 2014 were \$275,000 GST exclusive (2013: \$137,496 GST exclusive).

During the year ended 31 March 2014 Mr Gosney received an additional \$20,000 (2013: \$20,000) in fees for his services as director of Dorchester Hotel Property Trust Management Limited.

During the year ended 31 March 2014 Mr Peebles received an additional \$15,000 (2013: \$nil) in fees for his services as chairman of the Audit and Risk Management Committee (\$10,000) and chairman of the Lending and Credit Committee (\$5,000).

Entries recorded in the interests register

Loans

During the year Mr Byrnes was advanced a loan of \$250,000 bearing interest at 5% with a repayment date of 23 August 2015. Mr Byrnes has another loan of \$125,000 bearing interest at 7% repayable on 30 September 2014. The amount outstanding on 31 March 2013 was \$250,000.

Share Transactions and Holdings

The share transactions effected by various directors and itemised on pages 68 and 69 have been recorded in the Interest Register.

Other Directorships

Mr Baker, Mr Byrnes and Mr Gosney are directors of Dorchester Staff Share Plan Trustees Limited which acts as Trustee of the Director and Employee Share Purchase Scheme Trust.

The following represents the interests of directors in other companies as disclosed to the Company and entered in the Interests Register:

Grant Baker

The Business Bakery LP
Trilogy International Limited
Moa Group Limited
GI Cancer Institute (NZ) Limited

Kevin Brewer

Youth Hostels Association of NZ
Anglican Trust for Women & Children

Paul Byrnes

Hellaby Holdings Limited
STM Group NZ Limited
Top Energy Limited (including wholly owned subsidiaries)
Turners Auctions Limited (appointed 5 April 2013)

John Gosney

Mikano Limited
Mikano Holdings Limited
Heliport Lease Holdings Limited
Hugh Green Investments Limited and group companies
St John Balanced Property Fund Limited
Poronui Investments Limited

Matthew Harrison

Harrison Property Holding Limited

Gregory Peebles

Totara Foundation Trust
Hospice South Auckland Charitable Trust

Gender Diversity

As 31 March 2014 and 31 March 2013, Dorchester Pacific Limited had six male directors, and one female and two male officers. As at 31 March 2014, Dorchester Pacific Limited has 1 male, alternate director.



SHAREHOLDER AND STATUTORY INFORMATION

Employee remuneration

During the year ended 31 March 2014, the number of employees or former employees of the Group, not being directors of Dorchester Pacific Limited, who received remuneration and other benefits in their capacity as employees, the value of which exceeded \$100,000 for the year was as follows:

Remuneration range	No. of employees	
	2014	2013
100,000 - 109,999	-	1
110,000 - 119,999	2	-
120,000 - 129,999	2	1
130,000 - 139,999	-	1
140,000 - 149,999	2	1
150,000 - 159,999	1	-
160,000 - 169,999	1	1
180,000 - 189,999	1	-
210,000 - 219,999	2	1
230,000 - 239,999	2	-



CORPORATE DIRECTORY AND SHAREHOLDER INFORMATION

CORPORATE DIRECTORY

DIRECTORS

Grant Baker
Chairman
Appointed 10 September 2009

Kevin Brewer
Independent Director
Appointed 12 December 2012

Paul Byrnes
Executive Director
Appointed 2 February 2004

John Gosney
Non-executive Director
Appointed 21 May 2008

Matthew Harrison
Executive Director
Appointed 12 December 2012

Gregory Peebles
Independent Director
Appointed 17 February 2011

SHAREHOLDER INFORMATION

COMPANY PUBLICATIONS

The Company informs investors of the Company's business and operations by issuing an Annual Report, an Interim Report and regular newsletters.

Financial calendar

Half year results announced	November
Half year report	December
Interim dividend paid	November
End of financial year	31-Mar
Annual results announced	May
Annual report	June
Annual dividend paid	July

ENQUIRIES

Shareholders with enquiries about transactions, change of address or dividend payments should contact Computershare Investor Services on +64 9 488 8700. Other questions should be directed to the Company at the registered address.

STOCK EXCHANGE

The Company's shares trade on the New Zealand Exchange under the code DPC. The minimum marketable parcel on the NZX is 50 shares.

This annual report is dated 18 June 2014 and is signed on behalf of the board by:

G.K. Baker
Chairman

P.A. Byrnes
Executive Director

REGISTERED OFFICE AND ADDRESS FOR SERVICE

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P O Box 1232, Shortland Street
Auckland 1140, New Zealand
Telephone: +64 9 300 4800
Facsimile: +64 9 300 4801
Email: enquiries@dorchester.co.nz
Web: www.dorchester.co.nz

AUDITOR

Staples Rodway

BANKERS

Bank of New Zealand

SOLICITORS

Chapman Tripp

SHARE REGISTRAR

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland
Private Bag 92119, Auckland 1142, New Zealand.
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NOTES

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