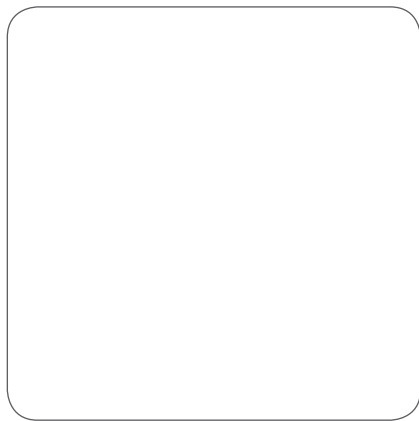


Dorchester

Loans | Insurance | Debt Recovery



Half Year Report
For the six months ended
30 September 2014





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FINANCIAL SUMMARY

for the six months ended 30 September 2014

	2014	2013	Change
	\$ millions	\$ millions	%
Revenue	21.7	15.7	38
Total comprehensive income attributable to shareholders	5.0	1.8	(182)
Total assets	191.9	119.7	60
Total Equity	76.6	67.7	13
Interim dividend	\$0.004	-	

SUMMARY OF ACTIVITY

For the six months ended 30 September 2014

22 May 2014	Dorchester declared a final dividend of a \$0.005 per share for the year ended 31 March 2014, payable on 23 July 2014 with a record dated of 16 July 2014.
17 July 2014	772,603 ordinary shares were issued for the Trance 3 (final) payment for purchase of insurance assets, trademarks and intellectual property of Mainstream Insurance Solutions Limited.
28 July 2014	Dorchester announced it had entered into a Lock Up Agreement with Bartel Holdings Limited, a 20.8% shareholder in Turners Group NZ Limited (Turners) and advised that it intended to make a full takeover offer for 100% of Turners' equity securities under Rule 8 of the Takeovers Code.
21 August 2014	Rating agency A.M. Best has re-affirmed the financial strength rating of B+ (Good) and the issuer credit rating of "bbb-" of its insurance subsidiary DPL Insurance Limited. The outlook for both ratings is stable.
21 August 2014	Dorchester advised that it had registered, with the Companies Office, a trust deed and simplified disclosure prospectus, for the secured convertible bonds to be offered to Turners Group NZ Limited shareholders under its intended takeover offer. Dorchester also advised it had re-financed its bank facilities, and a new acquisition facility, for the Turners acquisition, with Bank of New Zealand.
26 August 2014	Dorchester advised that its subsidiary, Dorchester Turners Limited, has lodged a formal takeover notice with Turners Group. Dorchester also confirmed that it had received equity commitments from interests associated with its largest shareholders for a total of \$10m new share capital to complete the funding for the takeover, subject to shareholder approval.
17 September 2014	Dorchester Pacific's Annual Meeting and shareholders approved the issue of bonds and shares to part fund the Turners takeover.
19 September 2014	Dorchester advised Turners Group NZ Limited (Turners) that the takeover offer document had been sent to all shareholders of Turners.
26 September 2014	Dorchester invited all existing Dorchester shareholders to apply for further Dorchester shares to part fund the Turners takeover.

Significant events since period end

3 October 2014	Dorchester crossed the 50% control threshold for Turners Group.
17 October 2014	Dorchester advised that acceptances for the takeover offer received which, together with its existing shareholding, represents 86.9% of the shareholding in Turners and that the takeover offer was being extended to 7 November 2014.
28 October 2014	Dorchester gave notice that the takeover offer for Turners has become unconditional.
30 October 2014	Dorchester advised it had issued 121,769,205 ordinary shares and 22,593,065 \$1.00 bonds pursuant to the capital raising and as consideration for acceptances of the takeover offer for Turners.
31 October 2014	Dorchester advised that it holds more than 90% of the voting rights in Turners and was now proceeding to compulsory acquisition of all issued fully paid ordinary shares.
26 November 2014	Dorchester posted its unaudited interim results for the six month period to 30 September 2014, reporting a net profit after tax of \$5.06 million (2013: \$1.085 million)
26 November 2014	Dorchester declared an interim dividend of \$0.004 per share. The dividend (unimputed) will be paid on Thursday 18 December 2014, with a record dated of 12 December 2014.
26 November 2014	Dorchester announced that the Group net profit before for the financial year to 31 March 2015 is now forecast to be around \$14 million, up on the previous guidance of \$11.5 million, as a result of the inclusion of 4 months of full profit contribution from Turners Group NZ Limited.
26 November 2014	Dorchester announced a proposed share buyback on small holdings and a staff share plan.
27 November 2014	Dorchester advised that it had completed the compulsory acquisition of all outstanding shares in not already held in Turners Group NZ Limited.

EXECUTIVE SUMMARY -

Report from the chairman & executive director

Dorchester Pacific Limited announced its results for the six months to 30 September 2014 on 26 November 2014. The unaudited interim result was a net profit after tax of \$5.06 million (2013: \$1.85 million).

Net profit before tax was \$5.59 million. While the group still has tax losses to utilise, tax is paid on the profits of recently acquired Oxford Finance.

The result includes an equity accounted contribution from the 19.85% of Turners Auctions held over the interim period. The takeover offer for Turners was made on 18 September 2014.

Shareholder Funds at 30 September 2014 increased to \$76.63 million (\$67.7 million at 30 September 2013).

Trading and Operations

The group trading result for the first six months was just ahead of forecast. All four operating businesses - Dorchester Finance, Oxford Finance, DPL Insurance and EC Credit - contributed positively, with Oxford Finance performing particularly well, 20% ahead of the acquisition forecast.

Dorchester Finance

New lending for Dorchester Finance has been slightly below forecast in recent months with a competitive market for motor vehicle lending, particularly in greater Auckland, resulting in more relaxed lending criteria on offer to dealers and borrowers. Our focus remains on a quality build rather than any chase for market share and our growth strategy includes expanding our loan book with different channel partners where we are able to achieve more control over origination. Arrears and bad debt metrics are tracking at or better than forecast levels.

DPL Insurance

New policy sales of motor vehicle insurance, mechanical breakdown insurance and loan repayment insurance are continuing to increase on a month-by-month basis. Further investment in support staff and systems development are being made to position the business for further growth in 2015. Loss ratios across all product categories are in line with budgeted levels.

EC Credit

New Zealand revenues including contingency collection commission from bank and institutional clients have remained in line with forecast and ahead of last year. Australian sales which contribute 50% of EC Credit profits have picked up since earlier in the year but growth remains patchy. The indications of a lower New Zealand dollar are a welcome forecast. Securities Registration (PPSR) has produced additional sales in both markets. The second and final earn-out payment for the business has been made.

Oxford Finance

The purchase of Levin based Oxford Finance was settled on 1 April 2014. Lending is predominantly for the purchase of motor vehicles. The business has a strong presence in Wellington, Wairapa, Taranaki, Waikato and the Bay of Plenty. There is a deferred settlement for approximately half of the purchase price which is due on or before 31 March 2015. The business has performed at 20% above pre-acquisition forecast and integration has been satisfactory and to plan.

Turners Group NZ Limited

On 28 July 2014, the Company announced its intention to make a takeover offer for all the shares it did not already hold in Turners Group NZ Limited. At the time Dorchester held 19.85% of Turners. The Company also announced it had entered a pre-bid lock up agreement with Bartel Holdings Limited who at the time held 20.82% of Turners,

The rationale for the takeover is the acquisition of a well performing business, with a strong brand and market presence, which also offers channels for finance and insurance growth with control over sales origination.

The consideration offered to Turners shareholders was \$3.00 cash for each Turners ordinary share or 2 year 9% bonds or Dorchester shares at an issue price of \$0.25 per share, or any combination of cash, bonds or shares subject to some limitation on shares that could be taken up.

At Dorchester's Annual Meeting held on 17 September 2014, shareholders approved the issue of Dorchester shares and bonds to partly fund the acquisition of Turners.

Acquisition and issue of Bonds and Shares

At the date of this report Dorchester holds 100% of the shares in Turners following the compulsory acquisition for cash from Turners shareholders who had not accepted the takeover offer by the 24 November 2014 closing date.

The final consideration mix for the acquired Turners shares was;

Cash	51%
Dorchester bonds	25%
Dorchester shares	24%
	<u>100%</u>

EXECUTIVE SUMMARY -

Report from the chairman & executive director cont...

New capital raised and bonds issued, including shares and bonds issued to Turners shareholders was;

Dorchester bonds	23.2 million bonds @ \$1.00	\$23.2 million
Dorchester shares	129.8 million shares @ \$0.25	\$32.5 million
		<u>\$55.7 million</u>

Bank borrowings of approximately \$10 million were required to fund the acquisition.

Share Buyback and Staff Share Plan

There are approximately 5,400 shareholders on Dorchester's share register (pre Turners takeover). Over 2,000 of these hold less than 4,000 shares. The total value of all holdings under 4,000 shares is just under \$1 million. The company proposes to offer to acquire shareholdings of less than 4,000 shares at the same \$0.25 per share price as the recent capital raising and the price offered to Turners shareholders. No brokerage will be payable and the shares will still qualify for the interim dividend payment.

Directors have also resolved to establish a staff share plan for the company's staff which will number around 550 following the acquisition of Turners. The shares in the scheme will be issued at \$0.25 per share. Directors and Executive Directors will not be eligible to participate in the scheme. No options are involved.

Besides the economics of maintaining small holdings, we are conscious that a significant number of the current holders of under 4,000 shares are original Debentureholders who were issued shares as part of the 2010 Capital Reconstruction Plan. They have not had an opportunity to cash up their smaller holdings, other than on market, so this represents a simple and cost effective way for them to do so. There is no compulsion on any shareholder to sell under the proposed offer.

It is in the interests of the company and of benefit to all shareholders to acquire shares from any holders who may not be willing shareholders of Dorchester and re-issue those shares to staff who will be motivated holders with interests aligned to all remaining shareholders.

Dividend

Directors have declared an interim dividend of 0.4 of a cent per share (no interim dividend was paid in 2013).

The interim dividend will be paid on the higher share capital arising from the recent capital raising and the issue of Dorchester shares to Turners shareholders as part consideration for the takeover offer. The dividend (unimputed) will be paid on Thursday 18 December 2014. For the purposes of determining shareholder entitlements, the record date will be 5.00 pm, Friday 12 December 2014.

Outlook

Group trading since 30 September 2014 has continued in line with budget and earlier forecasts.

Group trading net profit before tax for the financial year to 31 March 2015 is now forecast to be around \$14 million, up on the previous guidance of \$11.5 million, as a result of the inclusion of 4 months of full profit contribution from Turners Group NZ Limited.

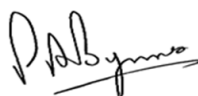
In addition there will be abnormal profits of between \$3.5 million and \$4 million, the net result of bringing Dorchester's earlier 19.85% holding in Turners into line with market value (being the \$3.00 per share takeover offer price) and the write-off of all acquisition and transaction costs related to the Turners takeover.

Following the issue of new capital to partly fund the Turners acquisition, shareholder funds are approximately \$114 million. If forecast profits as noted above are achieved shareholder funds are expected to be approximately \$120 million as at 31 March 2015.

The final consideration mix and successful capital raise to fund the Turners acquisition has resulted in a balance sheet with headroom for further merger and acquisition activity. Directors are comfortable with Turners general strategic direction and management of the business. The company will therefore continue to remain active in the evaluation of opportunities that could add further growth for the Turners business or for the Dorchester Group.



Grant Baker
Chairman



Paul Byrnes
Executive Director and CEO

DORCHESTER PACIFIC LIMITED
CONDENSED CONSOLIDATED STATEMENT
OF COMPREHENSIVE INCOME
For the six months ended 30 September 2014

	Six months ended 30/09/2014 Unaudited Note \$'000	Six months ended 30/09/2013 Unaudited \$'000	Year ended 31/03/2014 Audited \$'000
Continuing operations			
Interest income	8,574	3,469	7,417
Commission received	8	(1)	-
Loan fee income	279	162	336
Life insurance and life investment contract income	2,669	1,953	4,247
Collection income	9,443	9,121	17,015
Other operating income	679	1,035	2,312
Operating revenue	21,652	15,739	31,327
Interest expense	(2,236)	(1,417)	(2,188)
Present value of optional convertible notes interest instalments to March 2015	-	(1,669)	(1,669)
Impairment charge on finance receivables and reverse annuity mortgages	(685)	(245)	(532)
Life insurance and life investment contract expenses	(2,499)	(1,738)	(3,765)
Other operating expenses	(11,088)	(8,884)	(19,002)
Net operating profit/(loss)	5,144	1,786	4,171
Share of profit of equity-accounted investment (net of tax)	450	191	721
Profit/(loss) before taxation	5,594	1,977	4,892
Taxation (expense)/benefit	(529)	(113)	3,225
Profit/(loss) from continuing operations	5,065	1,864	8,117
Discontinued operations			
Loss/(profit) from discontinued operations (net of income tax)	-	(17)	93
Profit/(loss)	5,065	1,847	8,210
<i>Other comprehensive income for the year, net of tax</i>			
Foreign currency translation differences	(17)	(57)	(35)
Total comprehensive income attributable to shareholders	5,048	1,790	8,175
Earning per share			
Basic earnings per share (cents)	1.025	0.586	2.039
Diluted earnings per share (cents)	1.025	0.586	2.039



DORCHESTER PACIFIC LIMITED
CONDENSED CONSOLIDATED STATEMENT
OF CHANGES IN EQUITY
 For the six months ended 30 September 2014

	Note	Share Capital \$'000	Share Option Reserve \$'000	Translation Reserve \$'000	Retained Earnings \$'000	Total \$'000
Balance at 1 April 2013 (audited)		67,846	884	(7)	(35,533)	33,190
Net proceeds of issue of shares		33,571	(884)	-	-	32,687
Transactions with shareholders in their capacity as owners		33,571	(884)	-	-	32,687
Loss		-	-	-	1,847	1,847
Other comprehensive income for the year, net of tax		-	-	(57)	-	(57)
Balance at 30 September 2013 (unaudited)		101,417	-	(64)	(33,686)	67,667
Profit		-	-	-	6,363	6,363
Other comprehensive income for the year, net of tax		-	-	22	-	22
Balance at 31 March 2014 (audited)		101,417	-	(42)	(27,323)	74,052
Dividend paid		-	-	-	(2,470)	(2,470)
Transaction with shareholders in their capacity as owners		-	-	-	(2,470)	(2,470)
Profit		-	-	-	5,065	5,065
Other comprehensive income for the year, net of tax		-	-	(17)	-	(17)
Balance at 30 September 2014 (unaudited)		101,417	-	(59)	(24,728)	76,630

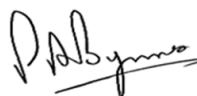
The accompanying notes form part of these financial statements

DORCHESTER PACIFIC LIMITED
CONDENSED CONSOLIDATED STATEMENT
OF FINANCIAL POSITION
As at 30 September 2014

	30/09/2014	30/09/2013	31/03/2014
	Unaudited	Unaudited	Audited
	\$'000	\$'000	\$'000
Assets			
Cash and cash equivalents	8,654	5,502	5,555
Financial assets at fair value through profit or loss			
- Insurance	16,260	15,615	15,891
- Other	365	1,346	419
Finance receivables	3 92,136	34,098	37,726
Receivables and deferred expenses	7,063	4,554	5,806
Reverse annuity mortgages	3 16,383	17,999	17,808
Investment in associate	9,791	9,679	10,209
Property, plant and equipment	901	658	595
Deferred tax asset	7,018	3,340	6,761
Intangible assets	33,312	26,053	25,912
	191,883	118,844	126,682
Assets classified as held for sale and discontinued operations	-	831	-
Total assets	191,883	119,675	126,682
Liabilities			
Other payables	11,407	8,803	6,619
Deferred revenue	6,187	6,813	6,733
Borrowings	4 74,224	15,388	17,565
Life investment contract liabilities	15,713	15,510	15,293
Life insurance contract liabilities	7,722	5,494	6,420
Total liabilities	115,253	52,008	52,630
Shareholders' equity			
Share capital	101,417	101,417	101,417
Translation reserve	(59)	(64)	(42)
Retained earnings	(24,728)	(33,686)	(27,323)
Total shareholders' equity	76,630	67,667	74,052
Total shareholders' equity and liabilities	191,883	119,675	126,682



G.K. Baker
Chairman



P.A. Byrnes
Executive Director

Authorised for issue on 26 November 2014

DORCHESTER PACIFIC LIMITED

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	Six months ended 30/09/2014 Unaudited \$'000	Six months ended 30/09/2013 Unaudited \$'000	Year ended 31/03/2014 Audited \$'000
Cash flows from operating activities			
Interest received	7,919	2,712	5,830
Receipts from customers	12,475	9,908	20,691
Interest paid	(2,478)	(2,552)	(3,373)
Payment to suppliers and employees	(13,231)	(9,697)	(21,108)
Income tax paid	(701)	(23)	(95)
Net cash inflow/(outflow) from operating activities before changes in operating assets and liabilities	3,984	348	1,945
Net increase in finance receivables	(5,095)	(5,431)	(9,272)
Net decrease in reverse annuity mortgages	2,173	897	1,889
Sale of insurance assets at fair value through profit and loss	696	1,260	2,423
Net contribution from life investment contracts	(164)	(1,355)	(1,429)
Changes in operating assets and liabilities arising from cash flow movements	(2,390)	(4,629)	(6,389)
Net cash (outflow)/inflow from operating activities	1,594	(4,281)	(4,444)
Cash flows from investing activities			
Proceeds from sale of assets classified as available for sale	-	-	100
Dividend received from associate	868	380	380
Purchase of fixed assets and intangible assets	(131)	(101)	(230)
Purchase of Oxford Finance Limited	(8,592)	-	-
Purchase of investments	-	(9,868)	(11,747)
Net cash inflow from investing activities	(7,855)	(9,589)	(11,497)
Cash flows from financing activities			
Net bank loan advances/(repayments)	10,559	(7,900)	(5,370)
Proceeds of share issue	-	22,107	3,998
Proceeds from conversion of options	-	-	17,712
Dividend paid	(2,470)	-	-
Net cash inflow/(outflow) from financing activities	8,089	14,207	16,340
Net movement in cash and cash equivalents	1,828	337	399
Add opening cash and cash equivalents	5,555	5,184	5,184
Translation difference	5	(19)	(28)
Add cash included in purchase of Oxford Finance Limited	1,266	-	-
Closing cash and cash equivalents	8,654	5,502	5,555

The accompanying notes form part of these financial statements



DORCHESTER PACIFIC LIMITED
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 September 2014

	Six months ended 30/09/2014 Unaudited \$'000	Six months ended 30/09/2013 Unaudited \$'000	Year ended 31/03/2014 Audited \$'000
RECONCILIATION OF NET SURPLUS WITH CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(loss)	5,065	1,847	8,210
Adjustment for Non-cash items			
Impairment charge on finance receivables and reverse annuity mortgages	685	245	532
Depreciation and amortisation	354	390	750
Net loss on sale of fixed assets	11	-	-
Capitalised reverse annuity mortgage interest	(758)	(846)	(1,657)
Deferred revenues	(546)	(1,021)	(1,101)
Change in value of financial assets at fair value through profit or loss	(427)	(859)	(1,371)
Net annuity and premium change to policyholders accounts	719	1,308	1,575
Equity accounted income	(450)	(191)	(721)
Translation difference	-	-	(98)
Adjustment for Movements in Working Capital			
Net increase receivables and pre-payments	(175)	(1,089)	(1,936)
Net increase in payables	(487)	587	250
Net increase in finance receivables	(5,095)	(5,431)	(9,272)
Net decrease in reverse annuity mortgages	2,173	897	1,889
Net decrease of insurance assets at fair value through profit or loss	696	1,260	2,423
Decrease in assets classified as available for sale	-	-	831
Net contributions from life investment contracts	(164)	(1,355)	(1,429)
Net increase in deferred tax	(7)	(23)	(3,319)
Net Cash inflow/(outflow) from Operating Activities	1,594	(4,281)	(4,444)

DORCHESTER PACIFIC LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2014

1. BASIS OF PRESENTATION AND ACCOUNTING POLICIES

These unaudited consolidated condensed interim financial statements of Dorchester Pacific Limited (the Company) and its subsidiaries (the Group) have been prepared in accordance with NZ IAS 34: Interim Financial Reporting Standard.

The Company is registered under the Companies Act 1993, listed on the New Zealand Exchange and is an issuer for the purposes of the Financial Reporting Act 1993.

The unaudited consolidated condensed interim financial statements of the Group for the six months ended 30 September 2014 have been prepared using the same accounting policies and methods of computation as, and should be read in conjunction with, the financial statements and related notes included in the Group's annual report for the year ended 31 March 2014.

The same significant judgments, estimates and assumptions (including basis of segmentation) included in the notes to the financial statements in the Group's Annual Report for the year to 31 March 2014 have been applied to these interim financial statements. The business does not experience notable seasonal variations. There has been no change to the basis of segmentation from that applied at 31 March 2014.

To ensure consistency with audited figures, 30 September 2013 comparatives have been regrouped where appropriate.

2. SEGMENT INFORMATION

For the period ended 30 September 2014

Unaudited \$ 000's	Finance	Insurance	Collection Services	Corporate & Other	Group
Interest income from external customers	7,690	337	1	546	8,574
Other external revenue	840	2,670	8,943	625	13,078
Total Operating Revenue	8,530	3,007	8,944	1,171	21,652
Interest expense	(1,848)	-	-	(388)	(2,236)
Impairment charge on finance receivables and reverse annuity mortgages	(672)	(9)	-	(4)	(685)
Life insurance and investment contract expenses	-	(2,436)	-	-	(2,436)
Depreciation and amortisation	(90)	(63)	(39)	(162)	(354)
Other Operating expenses	(2,888)	-	(6,835)	(1,074)	(10,797)
Segment result before equity accounted income	3,032	499	2,070	(457)	5,144
Share of profit of equity-accounted investment (net of tax)					450
Segment result before taxation					5,594
Income tax					(529)
Net profit attributable to shareholders					5,065
Segment Assets	94,909	31,921	15,867	120,827	263,524
Eliminations					(71,641)
Group Assets					191,883
Segment Liabilities	72,763	24,110	8,898	33,208	138,979
Eliminations					(23,726)
Group Liabilities					115,253

Acquisition of property, plant & equipment and intangible assets.	70	42	19	-	131
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All segments, except for collection services which has operations in both New Zealand and Australia, operate within New Zealand.

Geographical analysis - unaudited Collection Services - 30 September 2014 (\$'000)	New Zealand	Australia	Eliminations	Total
Interest income from external customers	1	-	-	1
Other external revenue	8,943	3,025	(3,025)	8,943
Total operating revenue	8,944	3,025	(3,025)	8,944
Depreciation and amortisation	(38)	(1)		(39)
Other operating expenses	(6,956)	(2,904)	3,025	(6,835)
Segment result before taxation	1,950	120	-	2,070
Segment assets	14,793	1,547	(473)	15,867
Segment liabilities	8,056	1,315	(473)	8,898

DORCHESTER PACIFIC LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2014

2. SEGMENT INFORMATION (continued)

For the period ended 30 September 2013

Unaudited \$ 000's	Finance	Insurance	Collection Services	Corporate & Other	Group
Interest income from external customers	2,516	365	1	587	3,469
Other external revenue	651	1,962	9,120	537	12,270
Total Operating Revenue	3,167	2,327	9,121	1,124	15,739
Interest expense	(89)	-	-	(2,997)	(3,086)
Impairment charge on finance receivables and reverse annuity mc	(232)	(8)	-	(5)	(245)
Life insurance and investment contract expenses	-	(1,697)	-	-	(1,697)
Depreciation and amortisation	(83)	(41)	(58)	(208)	(390)
Other Operating expenses	(1,366)	-	(6,705)	(464)	(8,535)
Segment result before equity accounted income	1,397	581	2,358	(2,550)	1,786
Share of profit of equity-accounted investment (net of tax)					191
Segment result before taxation					1,977
Income tax					(113)
Loss from continuing operations					1,864
Loss from discontinued operations (net of income tax)					(17)
Net loss attributable to shareholders					1,847
Segment Assets	34,391	28,279	12,182	96,334	171,186
Eliminations					(52,342)
Discontinued operations					831
Group Assets					119,675
Segment Liabilities	19,113	21,576	8,143	34,922	83,754
Eliminations					(31,746)
Group Liabilities					52,008

Acquisition of property, plant & equipment
and intangible assets.

17	22	30	32	101
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All segments, except for collection services which has operations in both New Zealand and Australia, operate within New Zealand.

Geographical analysis - unaudited Collection Services - 30 September 2013 (\$'000)	New			Total
	Zealand	Australia	Eliminations	
Interest income from external customers	1	-	-	1
Other external revenue	6,175	4,572	(1,627)	9,120
Total operating revenue	6,176	4,572	(1,627)	9,121
Depreciation and amortisation	(50)	(8)	-	(58)
Other operating expenses	(3,943)	(4,389)	1,627	(6,705)
Segment result before taxation	2,183	175	-	2,358
Segment assets	14,020	3,903	(5,741)	12,182
Segment liabilities	10,478	3,406	(5,741)	8,143



DORCHESTER PACIFIC LIMITED NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2014

2. SEGMENT INFORMATION (continued)

For the year ended 31 March 2014

Audited \$ 000's	Finance	Insurance	Collection Services	Corporate & Other	Group Total
Interest income from external customers	5,559	729	4	1,125	7,417
Other External Revenue	1,310	4,247	17,014	1,339	23,910
Total Operating Revenue	6,869	4,976	17,018	2,464	31,327
Interest expense	-	(9)	-	(2,179)	(2,188)
Present value of optional convertible notes interest instalments to March 2015	-	-	-	(1,669)	(1,669)
Impairment charge on finance receivables and reverse annuity mortgages	(509)	(13)	-	(10)	(532)
Life insurance and investment contract expenses	-	(3,651)	-	-	(3,651)
Depreciation and amortisation	(121)	(114)	(135)	(380)	(750)
Other Operating expenses	(2,879)	-	(13,382)	(2,105)	(18,366)
Segment result before equity accounted income	3,360	1,189	3,501	(3,879)	4,171
Share of profit of equity-accounted investment (net of tax)					721
Segment result before taxation					4,892
Income tax					3,225
Profit from continuing operations					8,117
Profit from discontinued operations (net of income tax)					93
Net profit attributable to shareholders					8,210
Segment Assets	37,953	28,805	13,615	101,550	181,923
Eliminations					(55,241)
Group Assets					126,682
Segment Liabilities	20,713	21,495	8,832	35,212	86,252
Eliminations					(33,622)
Group Liabilities					52,630

Acquisition of property plant & equipment, intangible assets, and other non-current assets	32	56	54	88	230
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All segments, except for collection services which has operations in both New Zealand and Australia, operate within New Zealand.

Geographical analysis - audited Collection Services 31 March 2014 (\$'000)	New Zealand	Australia	Eliminations	Total
Interest income from external customers	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



DORCHESTER PACIFIC LIMITED NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2014

3. FINANCE RECEIVABLES AND REVERSE ANNUITY MORTGAGES

	30/09/2014 Unaudited \$'000	30/09/2013 Unaudited \$'000	31/03/2014 Audited \$'000
Gross finance receivables	98,750	40,163	43,212
Deferred fee revenue and commission expenses	(328)	(24)	34
Provision for impairment	(6,286)	(6,041)	(5,520)
	92,136	34,098	37,726
Reverse annuity mortgages	5,683	6,639	6,589
Reverse annuity mortgages secured by bank lending	10,792	11,460	11,317
Total reverse annuity mortgages	16,475	18,099	17,906
Deferred fee revenue and commission expenses	(54)	(81)	(69)
Provision for impairment	(38)	(19)	(29)
	16,383	17,999	17,808
<i>Fair value</i>			
Finance receivables	93,957	33,652	37,726
Reverse annuity mortgages	20,412	19,364	20,049

The fair value of finance receivables is based on cash flows discounted using current lending rates ranging from 13.50% to 17.5% (30 September 2013: 15.5% to 17.5% and 31 March 2014: 17.5% to 18.5%) and 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.

4. ACQUISITION OF OXFORD FINANCE LIMITED

On 1 April 2014, the Group acquired 100% of the equity in Oxford Finance Limited, a Levin based finance company. 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 following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

	1 April 2014 \$'000
<i>Fair value of consideration transferred</i>	
Amount settled in cash on settlement date	6,836
Fair value of future payments	4,701
Fair value of contingent consideration	942
	12,479
<i>Identified assets acquired and liabilities assumed</i>	
Cash and cash equivalents	1,266
Finance receivables	49,953
Trade and other receivables	472
Fixed assets	344
Intangible assets	278
Trade and other payables	(1,329)
Borrowings	(46,100)
Identifiable net assets	4,884
Goodwill on acquisition	7,595



DORCHESTER PACIFIC LIMITED NOTES TO THE INTERIM FINANCIAL STATEMENTS

For the six months ended 30 September 2014

4. ACQUISITION OF OXFORD FINANCE LIMITED (continued)

	\$'000
Consideration transferred settled in cash	6,836
Cash and cash equivalent acquired	(1,266)
Net cash outflow on acquisition	5,570
Acquisition costs charged to expenses	180
Net cash paid relating to acquisition	5,750

Fair value of future payments and fair value of contingent consideration

the purchase agreement makes provision for monthly payments. The \$4,701,000 fair value initially recognised for the future payments reflects management's estimate of the value and timing of the payments discounted using a rate of 6%.

The purchase agreement included an earn-out arrangement whereby the purchase price could be reduced if the earnings targets for the year to 31 March 2015 are not met. The \$942,000 fair value initially recognised for the contingent consideration 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 and was discounted using a rate of 6%.

The full purchase price is to be settled within three days of receiving the 31 March 2015 management accounts. The future payments and contingent consideration are secured by a Deed of Mortgage over Oxford Finance Limited's shares.

Borrowings

The purchase agreement included a funding arrangement whereby the vendor (Electra Limited) would grant a loan facility to Oxford Finance Limited (OFL) which would replicate OFL's bank facility and be secured by a General Security Agreement over the assets of OFL and a Deed of Mortgage over OFL's shares. The purchaser (Dorchester Oxford Limited) agreed to secure or procure repayment of the loan facility on or before 31 March 2015.

Identified assets acquired and liabilities assumed

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.

Goodwill

Goodwill of \$7,595,000 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 30 September 2014 the business contributed revenue of \$4.6 million and profit of \$0.7 million to the Group's consolidated results.



DORCHESTER PACIFIC LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
 For the six months ended 30 September 2014

5. FAIR VALUE DISCLOSURES

As at 30 September 2014, 30 September 2013 and 31 March 2014, the carrying value of cash and cash equivalents, other receivables and other payables approximate their fair values due to the short-term nature of the financial assets or liabilities. As at 30 September 2014, 30 September 2013 and 31 March 2014 the carrying value of borrowings approximates its fair value as all borrowings are subject to floating or short-term interest rates.

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.

30 September 2014	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets:				
Insurance	521	15,739	-	16,260
Other	365	-	-	365
	886	15,739	-	16,625
30 September 2013	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets:				
Insurance	537	15,615	-	16,152
Other	809	-	-	809
	1,346	15,615	-	16,961
30 March 2014	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
Financial assets:				
Insurance	529	15,362	-	15,891
Other	419	-	-	419
	948	15,362	-	16,310

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.

6. CONTINGENT LIABILITIES

There are no contingent liabilities at 30 September 2014 (30 September 2013: Nil; 31 March 2014: Nil).



DORCHESTER PACIFIC LIMITED **NOTES TO THE INTERIM FINANCIAL STATEMENTS**

For the six months ended 30 September 2014

7. SUBSEQUENT EVENTS AFTER BALANCE DATE

Turners Group (NZ) Limited (Turners) takeover

On 28 July 2014, Dorchester announced it had entered into a Lock Up Agreement with Bartel Holdings limited, a 20.8% shareholder in Turners and that it intended to make a full takeover offer for 100% of Turners' equity securities under Rule 8 of the Takeovers Code.

On 18 September 2014, Dorchester made takeover offer for all shares in Turners not already held by the Group. The offer provided Turners' shareholders with the option to receive a mix of cash, 9% interest bearing Convertible bonds, and Dorchester ordinary shares.

On 28 October 2014, Dorchester advised the directors of Turners that the takeover had become unconditional. On 29 October 2014 Dorchester advised that holds or controls 90% or more of the total voting rights in Turners. On 31 October 2014, Dorchester issued a compulsory acquisition notice for the shares not held or controlled by Dorchester.

The consideration for Turners was settled as follows:

- Payment of \$34.1 million in cash;
- issue of 62.1 million Dorchester shares at \$0.25 per share; and
- issue of \$16.2 million in 9% Convertible Bonds.

Capital Raising

At the Annual meeting held on 17 September 2014, shareholders approved the issue of fully paid ordinary shares to part fund the Turners takeover. On 30 October 2014, 67.7 million ordinary shares were issued as part of the capital raising to non-Turners shareholders.

EC Credit Control

On 27 November 2014 the second and final earn-out for the purchase of the business of EC Credit Control was settled. 7.0 million ordinary shares were issued on the same terms as, and rank equally with, all existing ordinary shares, on that date as part of the second and final earn-out settlement.

Dividend

Subsequent to 30 September 2014 the Directors declared an interim dividend of \$0.004 per share, un-imputed. The aggregate dividend of \$2.5m is to be paid on 18 December 2014 out of retained earnings at 30 September 2014, but is not recognised as a liability at 30 September 2014.



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

REGISTERED OFFICE AND ADDRESS FOR SERVICE

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P O Box 1232, Shortland Street, Auckland 1140,
New Zealand

Freephone: 0800 733 008

Telephone: +64 9 300 4800

Facsimile: +64 9 300 4801

Email: info@dorchester.co.nz

Web: www.dorchester.co.nz

AUDITOR

Staples Rodway

BANKERS

Bank of New Zealand

SOLICITORS

Chapman Tripp



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	December
End of financial year	31 March
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 8777. Other questions should be directed to the Company at the registered address.

SHARE REGISTRAR

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Private Bag 92119, Victoria Street West,
Auckland 1142, New Zealand
Telephone: +64 9 488 8777
Facsimile: +64 9 488 8787

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.

Dorchester Pacific Limited
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