GRANT SAMUEL

Turners Group NZ Limited

Independent Adviser's Report on the Takeover Offer by Dorchester Pacific Limited

September 2014

Grant Samuel confirms that it:

- has no conflict of interest that could affect its ability to provide an unbiased report; and
- has no direct or indirect pecuniary or other interest in the proposed transaction considered in this report, including any success or contingency fee or remuneration, other than to receive the cash fee for providing this report.

Grant Samuel has satisfied the Takeovers Panel, on the basis of the material provided to the Panel, that it is independent under the Takeovers Code for the purposes of preparing this report.

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Glossary

Term	Definition
Bartel	Bartel Holdings Limited
Bonds	2 year convertible bonds to be offered by Dorchester Pacific Limited with the option to convert to Dorchester ordinary shares at the maturity date
Dorchester	Dorchester Pacific Limited
Dorchester Shares	Ordinary shares in Dorchester Pacific Limited
EBIT	Earnings before interest and tax
EBITDA	Earnings before interest, tax, depreciation and amortisation
FY2014	The financial year ending 31 December 2014
IPO	Initial Public Offering
MTF	Motor Trade Finances Limited
NZSX	New Zealand Stock Exchange
Offer	The Dorchester Offer
SPP	Share Purchase Plan
Turners	Turners Group NZ Limited
VWAP	Volume weighted average share price

1. Terms of the Full Takeover Offer from Dorchester

1.1 Background

Turners Group NZ Limited (**Turners**) is New Zealand's largest auction house with 18 branches and an annual turnover of approximately NZ$100 million. Turners was historically an autonomous business within Turners & Growers Ltd, before being formally separated and listed on the New Zealand Stock Exchange (**NZSX**) in 2002. Today, the company's operations are organised into three distinct divisions - Auctions, Fleet and Finance. The Auctions division is involved in remarketing used vehicles and commercial goods, the Fleet division purchases motor vehicles and commercial goods for resale, and the Finance division provides finance to customers.

On 28 July 2014, Turners announced that it had received a notice of intention to make a full takeover offer from Dorchester Turners Limited, a wholly owned subsidiary of NZSX listed company Dorchester Pacific Limited (**Dorchester**), (the **Dorchester Offer**). Dorchester's principal business activities are in the finance, debt recovery and insurance sectors. The Dorchester Offer provides for various forms of consideration to accepting Turners shareholders. Accepting shareholders may elect to take $3.00 cash per share, newly created Bonds in Dorchester, newly issued shares in Dorchester, or combinations thereof subject to certain maximum limitations. Details of the Offer consideration are set out in Section 1.2 below. The Takeover Offer is conditional on Dorchester achieving acceptances sufficient to take its interest in Turners to a minimum of 50% of the shares in Turners.

Dorchester already owns a 19.85% shareholding in Turners - a holding that it acquired in April 2013. In conjunction within the Dorchester Offer, Dorchester has entered into a formal lock-up agreement with the largest shareholder in Turners, Bartel Holdings Limited (**Bartel**). Under the terms of this lock-up agreement, Bartel has undertaken to accept the Dorchester Offer for its entire 20.82% shareholding in Turners. Combined with its existing 19.85% shareholding, the effect of the Bartel lock-up agreement gives Dorchester a relevant interest in Turners at the commencement of the takeover offer of 40.67%. As the Dorchester Offer is conditional on receiving acceptances to take its interest in Turners to 50.01%, Dorchester requires acceptances in respect of a further 9.34% of the issued shares in Turners to satisfy its minimum acceptance condition.

The Dorchester Offer was sent to Turners shareholders on 18 September 2014 and remains open for acceptance until 17 October 2014, unless extended.

1.2 Details of the Dorchester Offer

The Dorchester Offer is for all of the ordinary shares in Turners. In consideration for their shares, Turners shareholders have been offered the option of:

- **cash** consideration of $3.00 per Turners ordinary share; or
- two year convertible bonds (**Bonds**) to be issued by Dorchester with an option to convert to Dorchester ordinary shares at the maturity date. The interest rate on the bonds is fixed at 9% per annum; or
- 12 Dorchester ordinary shares (**Dorchester Shares**) at an issue price of $0.25 per share for each Turners ordinary share; or
- any combination of cash and/or Bonds and/or Dorchester Shares, subject to the limitations described below.

The limits under each form of consideration are summarised below:

- **Cash**: No limit.
- **Bonds**: The maximum number of Bonds to be issued under the Offer will be 55 million.
- **Dorchester Shares**: The maximum share issue is $39.5 million. Turners' shareholders electing to take Dorchester shares as part or full consideration for their Turners shares will be entitled to a guaranteed allocation of up to 60% of the consideration in the form of Dorchester shares, with allocations above that dependent on the level of acceptances and the demand (or not) for Dorchester shares.

Bartel has agreed to accept a combination of 60% Dorchester Shares and 40% Bonds as consideration for its Turners shares if the Dorchester Offer is successful.

Dorchester has sought payment by Turners of a fully imputed special dividend of $0.15 per Turners share to existing Turners' shareholders, to be payable if and when acceptances to the Dorchester Offer are received that give it an interest of 50% or greater in Turners. Grant Samuel observes that the Board of Turners is not required to declare any dividend simply because one has been requested, but with a 50% minimum shareholding, any controlling shareholder would be in a position to dictate dividend policy. If paid, the special dividend of $0.15 per Turners share would be received by all Turners shareholders regardless of whether they had accepted the Dorchester Offer.

Any shareholder whose address on Turners' share register is not in New Zealand (**Overseas Shareholder**) may, if they intend to accept the Dorchester Offer, receive as consideration for their Turners Shares, cash and/or Bonds and/or Dorchester Shares in accordance with the Takeovers Code (Dorchester Turners Limited) Exemption Notice 2014 (**Exemption Notice**).

However as outlined in the Target Company Statement the bonds and shares that are issued as consideration for Turners shares held by an Overseas Shareholder will ultimately be sold by a nominee (a designated NZX Trading and Advising Firm) with the cash proceeds being distributed back to the Overseas Shareholders. For the reasons stated in the Target Company Statement, Overseas Shareholders should consider accepting cash as consideration for their Shares.

1.3 Requirements of the Takeovers Code

The Takeovers Code came into effect on 1 July 2001, replacing the NZSX Listing Rules and the Companies Amendment Act 1963 requirements governing the conduct of company takeover activity in New Zealand. The Takeovers Code seeks to ensure that all shareholders are treated equally and on the basis of proper disclosure are able to make informed decisions on shareholding transactions that may impact on their own holdings.

Turners is a Code Company for the purposes of the Takeovers Code. Rule 6 of the Takeovers Code, the fundamental rule, states that a person (along with its associates) who holds or controls:

(a) no voting rights, or less than 20% of the voting rights, in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company unless, after that event, that person and that person's associates hold or control in total not more than 20% of the voting rights in the code company;

(b) 20% or more of the voting rights in a code company may not become the holder or controller of an increased percentage of the voting rights in the code company.

Rule 7 of the Takeovers Code sets out the exceptions to the fundamental rule. Rule 7 states that a person may become the holder or controller of an increased percentage of the voting rights in a code company under the following circumstances:

(a) ***by an acquisition under a full offer;***

(b) by an acquisition under a partial offer;

(c) by an acquisition by the person of voting securities in the code company or in any other body corporate from one or more other persons if the acquisition has been approved by an ordinary resolution of the code company in accordance with the code;

(d) by an allotment to the person of voting securities in the code company or in any other body corporate if the allotment has been approved by an ordinary resolution of the code company in accordance with the code;

(e) if: (i) the person holds or controls more than 50%, but less than 90%, of the voting rights in the code company; and

(f) (ii) the resulting percentage held by the person does not exceed by more than 5 the lowest percentage of the total voting rights in the code company held or controlled by the person in the 12-month period ending on, and inclusive of, the date of the increase;

(g) if the person already holds or controls 90% or more of the voting rights in the code company.

The Takeovers Code specifies the responsibilities and obligations for both Dorchester and Turners as bidder and target respectively. Turners' response to the Dorchester Offer, known as a target company statement, must contain the information prescribed in the Second Schedule of the Takeovers Code, and is to include or be accompanied by an Independent Adviser's Report (or summary thereof).

2. Scope of the Report

2.1 Purpose of the Report

The Independent Directors of Turners have engaged Grant Samuel & Associates Limited (**Grant Samuel**) to prepare an Independent Adviser's Report to comply with the Takeovers Code in respect of the Dorchester Offer. Grant Samuel is independent of Turners and Dorchester and has no involvement with, or interest in, the outcome of the Proposed Transaction. Rule 21 of the Takeovers Code requires the Independent Adviser to report on the merits of an offer. The term "merits" has no definition either in the Takeovers Code itself or in any statute dealing with securities or commercial law in New Zealand. While the Takeovers Code does not prescribe a meaning of the term "merit", it suggests that "merits" include both positives and negatives in respect of a transaction.

A copy of this report will accompany the Target Company Statement to be sent to all Turners shareholders. This report is for the benefit of the shareholders of Turners. The report should not be used for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Dorchester Offer. This report should be read in conjunction with the Qualifications, Declarations and Consents outlined at Appendix G.

2.2 Basis of Evaluation

Grant Samuel has evaluated the Dorchester Offer by reviewing the following factors:

- evaluating the estimated value range of Turners and the consideration being offered by Dorchester when compared to that estimated value range;
- evaluating the advantages and disadvantages of each form of consideration available to Turners' shareholders;
- assessing the likelihood of an alternative offer and alternative transactions;
- assessing the likely market price and liquidity of Turners' shares in the absence of the Dorchester Offer;
- evaluating any advantages or disadvantages for Turners' shareholders of accepting or rejecting the Dorchester Offer and in particular if Dorchester secures a shareholding of more than 50.1% but less than the 90% to enforce compulsory acquisition;
- reviewing the current trading conditions for Turners and Dorchester and the timing and circumstances surrounding the Dorchester Offer; and
- assessing the attractions and risks of Turners and Dorchester.

2.3 Approach to Valuation

Grant Samuel has estimated the value range of Turners with reference to its full underlying value. In Grant Samuel's opinion the price to be paid under a full takeover should reflect the full underlying value of the company. The support for this opinion is two fold:

- the Takeovers Code's compulsory acquisition provisions apply when the threshold of 90% of voting rights has been reached. In this instance, the Takeovers Code seeks to avoid issues of premiums or discounts for minority holdings by providing that a class of shares is to be valued as a whole with each share then being valued on a pro rata basis. In other words, a minority shareholder is to receive its share of the full underlying value. Grant Samuel believes that the appropriate test for fairness under a full or partial takeover offer where the offeror will gain control is the full underlying value, prorated across all shares. The rationale for this opinion is that it would be inconsistent for one group of minority shareholders, those selling under compulsory acquisition, to receive a different price under the same offer from those who accepted the offer earlier; and
- under the Takeovers Code the acquisition of more than 20% of voting rights in a "code" company can only be made under an offer to all shareholders unless the shareholders otherwise give approval. As a result, a controlling shareholding (generally accepted to be no less than 40% of the voting rights) cannot be transferred without the acquirer making an offer on the same terms and conditions to all shareholders (unless shareholders consent). Prior to the introduction of the Takeovers Code some market commentators held the view that where a major shareholder had a controlling shareholding, any control premium attached only to that shareholding. One of the core foundations of the Takeovers Code is that all shareholders be treated equally. In this context, any control premium is now available to all shareholders under a takeover offer (in a scenario where an offeror will

gain control), regardless of the size of their shareholding or the size of the offeror's shareholding at the time the offer is made.

Accordingly, Grant Samuel is of the opinion that not only because shares acquired under a compulsory acquisition scenario will receive a price equivalent to full underlying value, but because the control premium is now available to all shareholders, the share price under either a full or partial takeover offer where the offeror will gain control should be within or exceed the prorated full underlying valuation range of the company. Turners has been valued at fair market value, which is defined as the estimated price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information.

Grant Samuel's opinion is to be considered as a whole. Selecting portions of the analyses or factors considered by it, without considering all the factors and analyses together, could create a misleading view of the process underlying the opinion. The preparation of an opinion is a complex process and is not necessarily susceptible to partial analysis or summary. For the avoidance of doubt, appendices B to G form part of this report.

3. Profile of Turners

3.1 Background

Turners can trace its history back to the 1910's when Turners and Growers Ltd began auctioning cars and trucks alongside its fruit and produce business. By 1967 Turners was established as a separate business within Turners and Growers, and the business continued to flourish. In 2002, Turners was formally separated and spun out as its own entity and listed on the NZSX.

Today, Turners is New Zealand's largest auction house and is one of the leading vendors of second hand vehicles, trucks and machinery in the country. Turners operates out of 18 branches in 10 locations across New Zealand, with its head office in Penrose, Auckland. Turners national network of branches and online channels are an important element of its sales proposition as together they provide buyers and sellers access to both national and local markets. Turners currently hold approximately 50 auctions a week that can be attended at Turners' locations or accessed via Turners' online service, Turners Live. Turners' customers include:

- Private vendors and buyers
- Rental vehicle companies
- Vehicle importers
- Insurance companies
- Commercial fleet owners
- Lease vehicle companies
- Vehicle dealers
- Insolvency experts
- Finance companies

The Turners network has steadily grown and the core product range extended to cover auctions, fleet management and finance. Turners employs approximately 300 people nationwide.

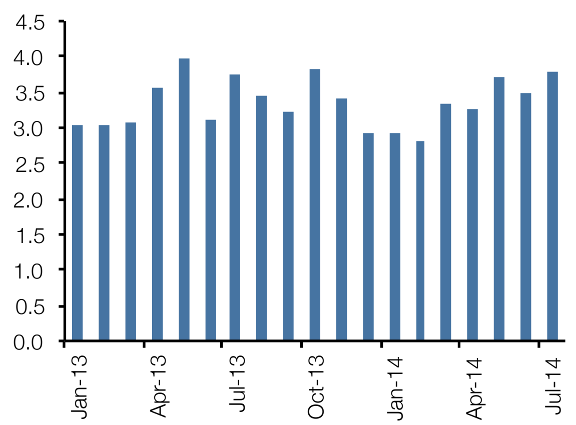
3.2 Business divisions

Turners has three key business divisions - Auctions, Fleet and Finance:

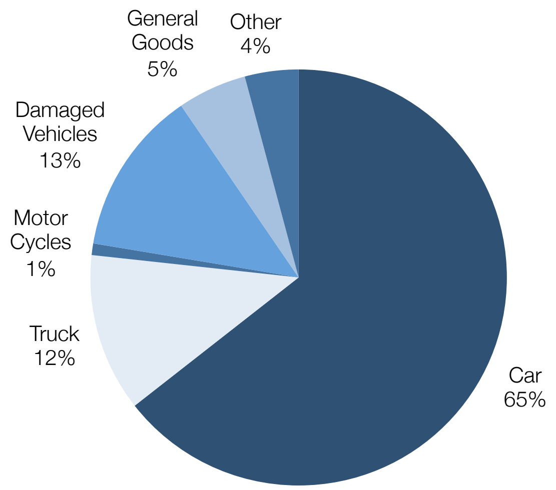
Auctions

The Auctions division primarily sells used vehicles and commercial goods. Used vehicle sales include trucks, light commercial vehicles and passenger cars. Vehicle sales also include damaged and end of life cars, often supplied by insurance companies. Commercial goods include a wide variety of products ranging from heavy plant and equipment through to computers and furniture. Auctions have proven to be a very effective selling mechanism for vehicles and machinery. A profile of the volume and types of vehicles sold by Turners' auction division is set out below:

Auction: Revenue ($ millions)



Auction: Revenue Split (%)

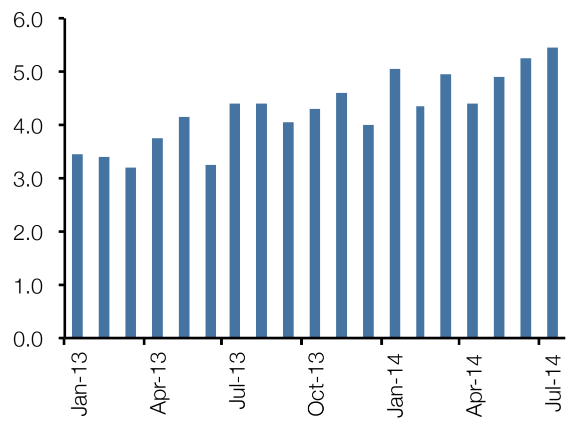


Source: Turners' Management Accounts

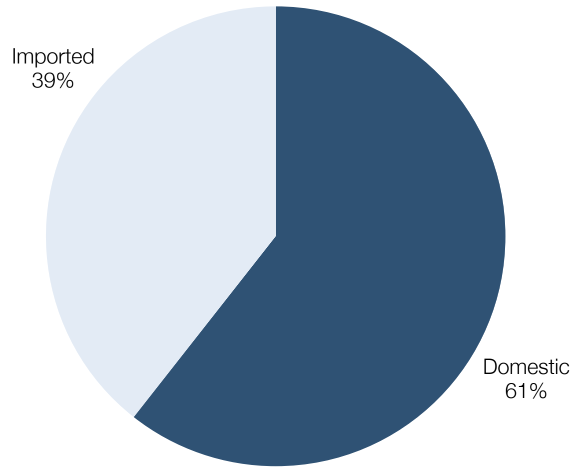
Fleet

The Fleet division specialises in purchasing vehicles from the domestic and international market and selling these vehicles directly to the end customer. The product is primarily sourced from domestic vendors (approximately two thirds of Fleet sales) and supplemented with used vehicles imported from Japan (approximately one third of Fleet sales). The mix of domestic and imported vehicles can vary in particular due to favourable or unfavourable movements in exchange rates (in particular the NZD/JPY). As an example, in the first half of the financial year ending 31 December 2014 there was a 32% increase in the sale of imported used vehicles. The CashNow service where domestic vendors are offered a fast payment for their vehicles is also growing in popularity and is providing a consistent supply of product. In the first six months of 2014 there was a 43% increase in vehicles bought by Turners using the CashNow service. As outlined in the graph below, Fleet revenue has steadily grown since January 2013.

Fleet: Revenue ($ millions)



Fleet: Revenue Split (%)

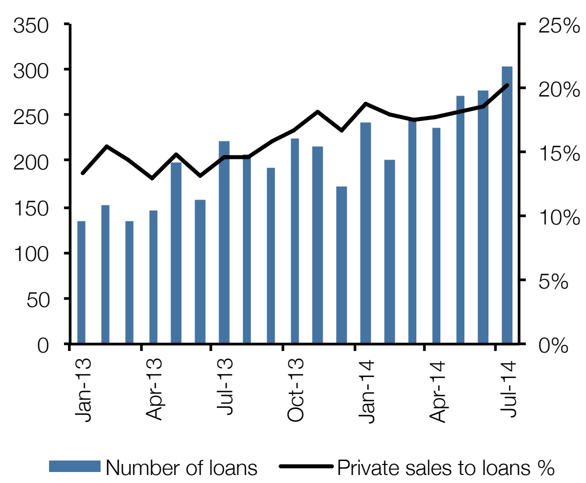


Source: Turners' Management Accounts

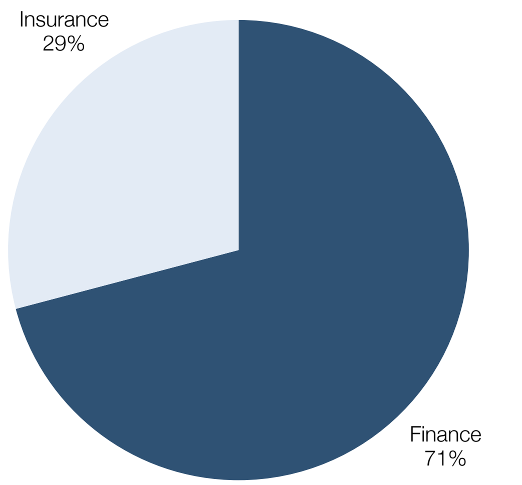
Finance

Finance provides consumer finance to Turners' retail customers to facilitate vehicle purchasing. Turners' consumer finance product provides customers with a pre-approved level of finance prior to the purchase of a vehicle. Finance also offers a range of other financial products including personal finance, motor vehicle insurance, mechanical breakdown insurance and loss of income insurance (to cover finance loans). Motor Trade Finances Limited (**MTF**), a company in which Turners has a 0.35% shareholding, is the funding entity. The insurance products (e.g. vehicle insurance and mechanical insurance) are primarily underwritten by third party insurance companies. Finance will also provide finance for vehicles sold outside of Turners. Turners' growth strategy has resulted in strong growth with the loan book increasing by 48% over the last 18 months and loan conversion increasing from 13.3% to 20.1% [1].

Finance: number of loans written & loan conversion



Finance: Revenue Split (%)



Source: Turners' Management Accounts

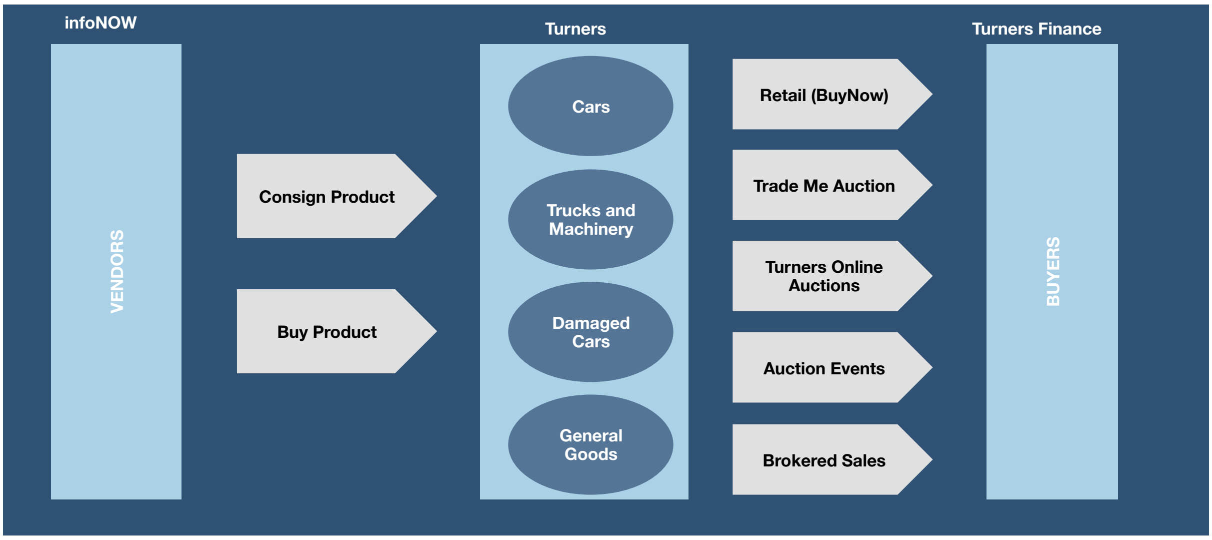
[1] Loanswritten / private sales

3.3 Growth Strategy

In 2013, Turners modified its business model from being an event based sales business with a focus on auctions to having a customer-centric retail model. The auctions service continues to play an important role, but there is a commitment to developing alternative distribution channels and services to ensure a selection of selling and buying options are available to customers. Turners' management believe there is an opportunity for the company to significantly increase its market share by creating more opportunities to source and sell used vehicles. As the company is now set up as an integrated buying/selling/finance/insurance platform, an increase in used vehicle sales should logically lead to an increase in finance and insurance revenues.

To deliver the modified business model, Turners has invested in a new framework for its long-term growth strategy. This investment has included the development of a new website, a new technology platform and business system, and a rebranding exercise. The following diagram is a summarised version of Turners' blueprint for growth:

Turners Blueprint for Growth



3.4 Financial Performance

The financial performance of Turners for the years ended 31 December 2010, 2011, 2012 and 2013, together with the forecast for the year ending 31 December 2014, are summarised in the table below:

Turners Financial Performance (NZ$ millions)

Year end 31 December	**2010**	**2011**	**2012**	**2013**	**2014F**
Commission and other auction revenue	35.4	36.2	36.5	36.2	35.2
Finance related insurance commission	1.0	0.9	0.9	1.2	2.1
Sales of goods	29.4	33.5	36.0	47.0	61.9
Net finance revenue	2.4	2.6	2.6	2.8	3.3
Other revenue	0.6	0.4	0.2	0.2	0.4
Total revenue	**68.8**	**73.5**	**76.3**	**87.3**	**102.9**
Goods sold out of inventory	(25.4)	(28.4)	(30.9)	(39.8)	(52.9)
Subcontracted services	(4.3)	(4.0)	(4.1)	(4.7)	(6.2)
Gross contribution	**39.1**	**41.2**	**41.3**	**42.8**	**43.8**
Gross contribution margin %	*57%*	*56%*	*54%*	*49%*	*43%*
Employee benefits	(16.5)	(18.1)	(18.5)	(19.2)	(19.8)
Property	(7.6)	(7.4)	(6.8)	(6.8)	(6.9)
Advertising	(1.6)	(1.7)	(1.7)	(1.7)	(1.5)
Other expenses	(7.4)	(7.3)	(7.2)	(6.6)	(6.8)
Total expenses	**(33.1)**	**(34.4)**	**(34.1)**	**(34.3)**	**(35.0)**
Net operating profit	**6.1**	**6.7**	**7.2**	**8.5**	**8.8**
Net operating profit %	*9%*	*9%*	*9%*	*10%*	*9%*
Depreciation and amortisation	(1.6)	(1.5)	(1.5)	(1.8)	(1.7)
Other income/expenses	-	(0.1)	0.1	0.2	0.0
Profit before income tax	**4.4**	**5.1**	**5.8**	**6.8**	**7.1**
Income tax expense	(1.4)	(1.4)	(1.6)	(2.0)	(2.0)
Profit after income tax	**3.0**	**3.7**	**4.2**	**4.8**	**5.1**

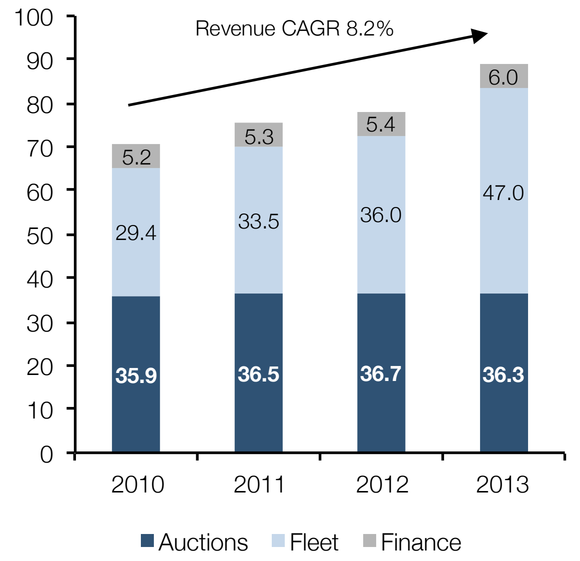
Source: Turners' Annual Reports

The following points should be taken into consideration when reviewing the table above:

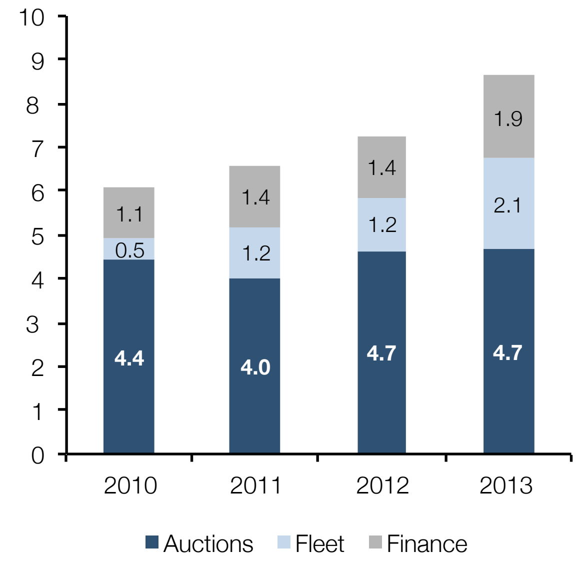
- the forecast for FY14 is based on Turners' performance for the eight months to August, plus expected operating performance for the four months to December;
- over the last four financial years Turners has achieved revenue and operating profit growth, primarily through an increase in fleet revenue;
- over the last 12 months the Auction division's revenue has been relatively flat. The Auction division lost a significant long-term customer contract in mid FY13 which resulted in an approximate 12,000 vehicles per annum contraction in the number of damaged vehicles sold by Turners;
- total expenses as a percentage of sales decreased in FY13 following a cost review. This review led to improved efficiencies and disciplines within the company;
- operating profit in FY13 was adversely impacted by significant investment in IT as part of the business reshaping;
- subcontracted services is the cost of preparing vehicles for sale (e.g. grooming, repairs and appraisal reports);
- the gross contribution margin and net operating profit margin has declined during FY14 due to a focus on increasing sales volumes to increase opportunities for add on sales of finance and insurance products; and
- historically the second half of the financial year is stronger.

The financial performance of Turners' business divisions for the years ended 31 December 2010, 2011, 2012 and 2013, are summarised below:

Divisional Revenue (NZ$ millions) [2]



Divisional Operating Profit (NZ$ millions) [3]



Source: Turners' Annual Reports. CAGR means Compound Annual Growth Rate.

- Fleet revenue growth has been achieved through attractive domestic pricing due to the recent strength of the New Zealand dollar, an increase in product supply from the CashNow service, increase in supply from Japan and the expansion of the product to include end of life and damaged vehicles. Fleet revenue growth continued in the first half of the financial year ending 31 December 2014, with Fleet revenue up 36% on the same period in 2013;
- Auctions revenue has remained relatively flat over the last four years. The loss of revenue as a result of the lost contract is being targeted for recovery through the following initiatives:
  - growth in supply from large lease vendors, used imports and private vehicle sellers;
  - targeted growth in the trucks and machinery category; and
  - the development of a multi channel strategy, with growing volumes being sold through Trade Me;
- Finance is growing rapidly. The earnings growth achieved by Finance in recent years continued in the first half of the financial year ending 31 December 2014 with Finance's revenue increasing by 41% on the same period in 2013. The growth has been driven by more BuyNow transactions and a more integrated sales approach leading to an increase in add-on services such as insurance. The increase in the sale of insurance products led to an increase in margin for Finance in FY13 as the commission on the sale of the product is recognised up front.

[2] Excludes finance costs

[3] Excludes other income and expenses.

3.5 Financial Position

The financial position of Turners as at 31 December 2012 and 2013 and at 30 June 2014 are outlined in the table below:

Turners – Financial Position (NZ$ millions)

	31 December		30 June
	2012	**2013**	**2014**
Cash and cash equivalents	13.9	13.7	11.6
Trade and other receivables	2.6	3.1	4.4
Inventories	4.9	8.2	11.3
Finance receivables	21.2	25.6	30.5
Property, plant and equipment	3.6	3.0	2.8
Intangible assets	1.8	2.2	2.1
Other	1.7	1.1	1.4
Total assets	**49.8**	**57.0**	**64.0**
Trade and other payables	(9.6)	(11.7)	(14.1)
Finance payables	(21.5)	(25.8)	(30.7)
Other	(0.9)	(0.9)	(0.8)
Total liabilities	**(31.9)**	**(38.4)**	**(45.7)**
Net assets	**17.9**	**18.6**	**18.4**

The following points are relevant when considering the above table:

- since 31 December 2010 Turners' balance sheet has no external bank debt;
- Turners Finance Limited is a minority shareholder of MTF with a 0.35% shareholding. MTF provides the services of a finance company, including funding, on a full recourse basis back to its shareholders. The carrying value of this investment is $153,000, which is included in other receivables. MTF provides the majority of Finance's funds;
- the increase in inventory reflects the transition to sourcing and selling more vehicles directly to customers. The inventory has also increased as Turners took advantage of good buying opportunities in Japan. Imported vehicles typically take about 60 days to land (i.e. 1-2 months on water) and an average of 60 days to comply and sell (120 day cycle). Vehicles purchased domestically generally sell within 10 – 15 days once acquired;
- intangible assets have increased since 2011 due to the investment in computer software and the redevelopment of the core business operating system; and
- since 2010 Turners' capital structure has remained relatively unchanged with no capital raisings or modifications to the capital structure.

3.6 Cash Flows

The cash flows for Turners for the years ended 31 December 2011, 2012, and 2013 are shown in the table below:

Turners – Cash Flows (NZ$ millions)

Year end 31 December	2011	2012	2013
Net operating profit	6.7	7.2	8.5
Income tax paid	(1.5)	(1.4)	(1.8)
(Increase)/decrease in working capital	(1.0)	2.4	(1.0)
Other income/expenses	0.2	(0.1)	(0.1)
Operating cash flow	**4.3**	**8.0**	**5.5**
Payments for property, plant and equipment	(1.6)	(1.6)	(1.0)
Payments for intangible assets	(0.9)	(1.2)	(1.2)
Proceeds from sale of property, plant and equipment	0.2	0.4	0.5
Other	0.1	-	-
Net cash flow from investing	**(2.2)**	**(2.5)**	**(1.6)**
Dividends paid	(6.3)	(3.6)	(4.1)
Net cash flow from financing	**(6.3)**	**(3.6)**	**(4.1)**
Net increase (decrease) in cash and cash equivalents	**(4.2)**	**2.0**	**(0.2)**

In reviewing the above table the following should be considered:

- the decline in operating cash flow in FY13 is largely a consequence of a $3.3 million increase in inventory. A negative movement in inventory in FY12 had the reverse effect, increasing operating cash flow. Inventories have continued to increase in the 2014 financial year; and
- Turners' long-term dividend policy is to pay approximately 90% of net profit in dividends to shareholders. In 2011 the company paid a fully imputed special dividend of six cents per share. The increased dividend payout reflected the strong balance sheet and cash position at the time.

3.7 Capital Expenditure

The capital expenditure for Turners for the years ended 31 December 2011, 2012, and 2013 and the year to date capital expenditure for the financial year ending 31 December 2014 are shown in the table below:

Turners – Capital Investment (NZ$ millions)

Year end 31 December	2011	2012	2013	2014YTD
Plant & Equipment, motor vehicle	0.5	0.8	0.7	0.3
Computer software	0.9	1.2	1.2	0.3
Leasehold improvements	0.9	0.2	0.1	0.1
Computer equipment	0.1	0.6	0.1	-
Other	0.2	0.1	0.1	-
Total capital expenditure	**2.5**	**2.8**	**2.2**	**0.7**

In reviewing the above table the following should be considered:

- In September 2014 Turners acquired land at Roscommon Road for $4.2 million. The land will be used for trucks and machinery and damaged vehicles. Turners has also entered into an arrangement to lease some additional land in Christchurch, also for trucks and machinery. This investment will assist with the growth of the trucks & machinery business and a separation of the trade and retail business;
- Turners is moving its property requirements towards a retail/online business model which requires a property footprint weighted towards more yard space for storage, processing and retail merchandising. There is a progressively reducing need for buildings to accommodate large auction audiences;
- Turners is planning to invest in the development of a further online sales channel which management believe will result in future cost savings; and
- Capital expenditure in 2014 is weighted towards the second half of the year due to rebranding, branch locations, and the IT development cycle.

3.8 Capital Structure and Ownership

As of 12 September 2014, Turners had 27,375,271 shares on issue held by approximately 1,530 shareholders. The Company's top 20 shareholders are shown in the table below:

Turners – Top 20 Shareholders as at 12 September 2014

Shareholder	Shares (000s)	%
Bartel Holdings Limited	5,701	20.8%
Dorchester Pacific Limited	5,433	19.9%
New Zealand Central Securities Depository Limited (**NZCSD**)	3,330	12.2%
Glenn Duncraft	550	2.0%
Keith Jeffery & Pongarauhine Jeffery	400	1.5%
Russell Hambling & John Hambling & Independent Trustees (Tauranga) Limited	300	1.1%
Donald Currey & Finn Jorgensen	206	0.8%
Neville Peters & Daphne Peters & Blair Robinson	200	0.7%
Stephen Turner & Catherine Turner & Donald Turner	192	0.7%
Margaret Goldsmith	188	0.7%
Lindsay Missen	180	0.7%
ACE Finance Limited	176	0.6%
John Hambling & Iris Hambling & Michael Aurelius Evans	150	0.5%
David Walpole & Erica Walpole	150	0.5%
Bruce Turner	148	0.5%
Ross Turner & Carol Turner & Redoubt Trustees Limited & Evans Pennell Trustees Limited	146	0.5%
Simon Bilkey	145	0.5%
Estate Connell	145	0.5%
John Young & Margaret Young	135	0.5%
Michael Robert Dossor	110	0.4%
Top 20 Shareholders	**17,983**	**65.7%**
Other Shareholders	**9,392**	**34.3%**
Total	**27,375**	**100.0%**

Source: NZX Company Research

Turners has two large shareholders, Bartel and Dorchester which collectively hold 40.7% of the shares. The remaining 59.3% of the shares are widely held. The largest NZCSD shareholders are The New Zealand Guardian Trust Company and New Zealand Permanent Trustees Limited, which hold 4.3% and 3.5% respectively.

The following table shows the volume of Turners shares traded over the 12-month period ended 19 September 2014, the price ranges and the volume weighted average price (**VWAP**) for the respective time periods:

Turners – Share Trading Summary

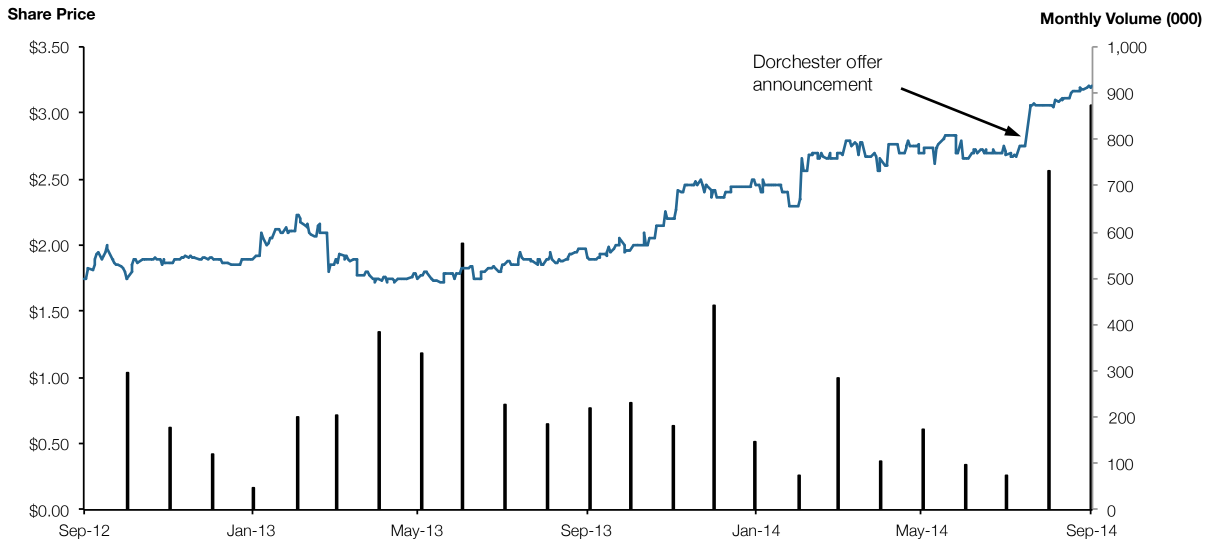
Time period	Low	High	VWAP	Volume (000s)
1 month	3.10	3.24	3.16	872
3 months	2.67	3.24	3.09	1,821
6 months	2.52	3.24	3.03	2,188
12 months	1.92	3.24	2.79	3,497

Source: NZX Company Research

3.9 Share Price Performance

The share price and trading volume history of Turners shares is depicted graphically below:

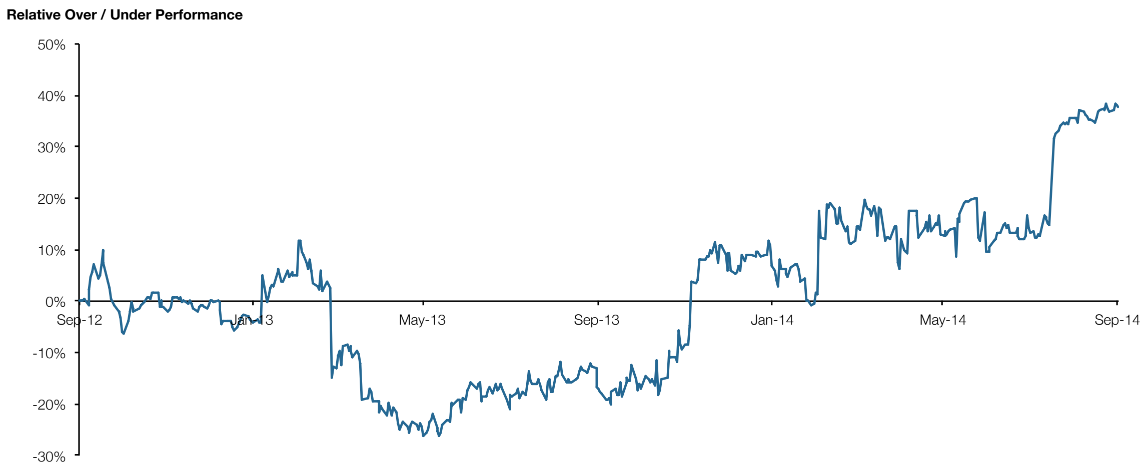
Turners – Share price performance over the last two years



Source: NZX Company Research

Turners' share price performance against the NZX50 Index is shown in the graph below:

Turners – Share price performance relative to the NZX50 Capital Index over the last two years



Source: Capital IQ

4. Valuation of Turners

4.1 Summary

Grant Samuel has estimated the equity value of Turners as at September 2014 in the range of $85.3 million to $93.5 million, or $3.12 to $3.42 per share. The valuation is summarised in the table below:

Turners – Valuation Summary

$ million except where otherwise stated	Low	High
Enterprise value	73.8	82.0
Net cash for valuation purposes	11.5	11.5
Equity value	**85.3**	**93.5**
Fully diluted shares on issue (million)	27.4	27.4
Value per share (including special dividend)	**$3.12**	**$3.42**
Less Special Dividend	$0.15	$0.15
Value per share after payment of special dividend[4]	**$2.97**	**$3.27**

A value range of $73.8 million to $82.0 million has been attributed to Turners' business operations. This valuation range is an overall judgement having regard to:

- earnings multiples;
- the attributes and earnings outlook of Turners' automotive and Finance businesses; and
- Turners' dominant market position in the used vehicle auction business. The growing Fleet business, which is increasing the supply of vehicles to auctions and selling direct to customers is providing a sound platform for growth.

The valuation represents the estimated full underlying value of Turners assuming 100% of the company was available to be acquired and includes a premium for control. The value exceeds the price at which, based on current market conditions, Grant Samuel would expect Turners shares to trade on the NZX in the absence of a takeover offer or proposal similar in nature to the Dorchester Offer.

Net cash for valuation purposes

Turners has external debt owing to MTF, which is offset by finance receivables. These have been treated as operating assets and liabilities for the purpose of determining the enterprise value range. Turners currently has cash of $11.5 million, which if the Dorchester Offer succeeds will be fully utilised by the end of the financial year after paying the 15 cents special dividend and the purchase of the property in Roscommon Road.

4.2 Preferred Methodology

Overview

Grant Samuel's valuation of Turners has been estimated on the basis of fair market value as a going concern, defined as the estimated price that could be realised in an open market over a reasonable period of time assuming that potential buyers have full information. The valuation of Turners is appropriate for the acquisition of the company as a whole and accordingly incorporates a premium for control. The value is in excess of the level at which, under current market conditions, shares in Turners could be expected to trade on the share market. Shares in a listed company normally trade at a discount of 15% - 25% to the underlying value of the company as a whole, but the extent of the discount (if any) depends on the specific circumstances of each company.

The most reliable evidence as to the value of a business is the price at which the business or a comparable business has been bought and sold in an arm's length transaction. In the absence of direct market evidence of value,

[4] The special dividend will only be declared when the 50.01% shareholding level is achieved.

estimates of value are made using methodologies that infer value from other available evidence. There are four primary valuation methodologies commonly used for valuing businesses:

- capitalisation of earnings or cash flows;
- discounting of projected cash flows;
- industry rules of thumb; and
- estimation of the aggregate proceeds from an orderly realisation of assets.

Each of these valuation methodologies has application in different circumstances. The primary criterion for determining which methodology is appropriate is the actual practice adopted by purchasers of the type of business involved. A detailed description of each of these methodologies is outlined at Appendix E.

Preferred Approach

In Grant Samuel's opinion a capitalisation of earnings approach is the most appropriate method to value businesses with a history of consistent earnings. This is primarily due to the ready availability of quality information that can be analysed to determine an applicable multiple range. This information includes transactions (and IPO's), and the sharemarket ratings of comparable automotive businesses.

4.3 Auction and Fleet Business

Grant Samuel has assessed the full underlying value of the Auction and Fleet business at $54 million to $60 million having regard to the earnings multiples of comparable listed companies and recent transaction evidence. The implied multiples are consistent with the multiples implied by the share prices of comparable companies and recent transaction evidence in the automotive sector. The valuation of Turners Auction and Fleet business implies the following multiples:

Turners (Auction and Fleet business) - Implied Multiples

	Valuation Range	
	Low	**High**
Multiple of EBITDA – year ended 31 December 2013	8.7	9.7
Multiple of EBITDA – year ending 31 December 2014	9.1	10.1
Multiple of EBIT – year ended 31 December 2013	12.4	13.7
Multiple of EBIT – year ending 31 December 2014	12.8	14.2

An explanation regarding interpreting the above multiples is included at Appendix F.

Transactions in the Automotive Industry

The valuation of Turners has been considered having regard to the earnings multiples implied by the price at which broadly comparable companies and businesses have changed hands. A selection of relevant transactions involving automotive auctioneers, and Australasian automotive parts and dealership businesses is set out below:

Recent Transaction Evidence

Date	Target	Acquirer	Implied Enterprise Value (millions)	EBITDA Multiple[5] (times)		EBIT Multiple[6] (times)	
				Historical	Forecast	Historical	Forecast
Global Automotive Auctioneers							
Aug 2011	OPENLANE	KAR Auction Services	US$210				
	Pre synergies			*na*	*16.2*[7]	*na*	*na*
	Post synergies			*na*	*8.4-10.5*	*na*	*na*
Dec 2009	KAR Auction Services	Initial Public Offering	US$3,500	9.1	na	16.8	na
Dec 2006	ADESA	Private Equity Consortium	US$2,851	10.1	na	12.0	na
Feb 2005	IAAI	Private Equity Consortium	US$385	11.3	na	18.3	na
Average				***10.2***	***9.3***	***15.7***	***-***
Median				***10.1***	***9.3***	***16.8***	***-***
Australasian Automotive Parts Businesses							
May 2014	Burson Group	Initial Public Offering	A$371	12.3	8.6	14.1	11.8
Mar 2013	Exego Group	Genuine Parts Company	US$1,019	na	9.0	na	na
Sep 2011	Burson Group	Quadrant Private Equity	A$148	7.0	na	na	na
Dec 2006	Repco Corporation	CCMP Capital	A$548	8.2	8.9	10.5	11.8
Average				***9.2***	***8.8***	***12.3***	***11.8***
Median				***8.2***	***8.9***	***12.3***	***11.8***
Australasian Automotive Dealerships							
Mar 2014	Bradstreet Motors	Automotive Holdings	A$68	4.1	na	4.3	na
Jul 2012	Automotive Holdings	AP Eagers	A$983	5.8	5.6	7.0	6.7
Aug 2010	Adtrans Group	AP Eagers	A$168	8.5	8.0	9.0	na
Average				***6.1***	***6.8***	***6.8***	***6.7***
Median				***5.8***	***6.8***	***7.0***	***6.7***
Other Australasian Automotive Businesses							
Dec 2013	MotorWeb Services	Trade ME Group	NZ$19.5	5.3	4.8	na	na
Apr 2012	Autobase	Trade ME Group	NZ$15.3	na	na	4.8	na
Average (all)				***8.2***	***8.8***	***10.8***	***10.1***
Median (all)				***8.3***	***8.7***	***10.5***	***11.8***

Source: Media reports, company announcements, annual reports and presentations.

Brief descriptions of the transactions included above are provided in Appendix B. Each transaction has its own unique set of circumstances.

[5] Represents implied enterprise value divided by EBITDA.

[6] Represents implied enterprise value divided by EBIT.

[7] This multiple has not been included in the calculation of the average and median multiples.

Care should be taken when assessing the transactions involving automotive auctioneers as all of these occurred in the North American market. Each of these transactions are interrelated as Insurance Auto Auctions Inc. (IAAI) was later merged with ADESA Inc, with the combined entity then undertaking an initial public offering (IPO) as KAR Auction Services (KAR). KAR later acquired OPENLANE Inc., an online automotive auction business. The implied enterprise value to EBITDA multiples for these transactions range from 9.1 times historical EBITDA for the IPO of KAR in 2009 to 11.3 times historical EBITDA for the acquisition of IAAI in 2006. US companies tend to, but do not always trade at higher implied multiples of earnings. All of the target companies are larger than Turners.

Transactions involving automotive parts businesses in Australasia also exhibit a relatively tight band of implied EBITDA multiples, ranging from approximately 7.0 times historical EBITDA for Quadrant's acquisition of a 75% shareholding in Burson Group in 2011, to 9.0 times forecast EBITDA for Genuine Part Group's acquisition of Exego Group (previously Repco Corporation) in 2013. Whilst automotive parts businesses are not directly comparable to automotive auction businesses, they do provide a useful reference point as both types of business are influenced by broader trends in the automotive market.

Transactions involving automotive dealerships have tended to be at lower implied multiples of EBITDA and EBIT. Transactions involving small dealerships, such as the acquisition of Bradstreet Motors by Automotive Holdings, have tended to be at lower multiples, reflecting the risks associated with retaining dealership relationships with large automotive brands. For the large diversified automotive dealership businesses, such as Automotive Holdings and AP Eagers, this risk is somewhat offset by having a diversified portfolio of dealerships and brands such that the loss of one brand or dealership is unlikely to have the same earnings impact as if the business held few dealerships.

Sharemarket Evidence

The valuation of Turners has also been considered in the context of the share market ratings of listed automotive auctioneers and Australasian automotive businesses. While none of these companies is precisely comparable to Turners, the share market data provides some framework within which to assess the valuation of Turners.

Share Market Ratings of Selected Listed Companies[8]

Company	Market Capitalisation (millions)	EBITDA Multiple[9] (times)		EBIT Multiple[10] (times)	
		Historic	Forecast	Historic	Forecast
Global Automotive Auctioneers					
Copart	US$4,153	12.7	9.7	15.2	11.4
KAR Auction Services	US$4,062	14.1	10.8	nm	17.6
Ritchie Bros. Auctioneers	US$2,357	12.4	12.4	16.1	16.3
Average		***13.1***	***11.0***	***15.6***	***15.1***
Median		***12.7***	***10.8***	***15.6***	***16.3***
Australasian Automotive Businesses					
AMA Group	A$107	11.3	8.4	11.9	8.6
AP Eagers	A$984	12.3	11.9	13.7	13.1
Automotive Holdings Group	A$1,137	10.6	8.4	12.8	10.2
Burson Group	A$412	nm	11.9	nm	13.4
The Colonial Motor Group	NZ$190	6.7	na	7.4	na
Average		***10.2***	***10.2***	***11.4***	***11.3***
Median		***11.0***	***10.2***	***12.4***	***11.7***

Source: Grant Samuel analysis[11]

[8] The companies selected have a variety of year-ends. The financial information presented in the Historic column corresponds to the most recent actual annual result. The forecast column corresponds to the forecast for the subsequent year.

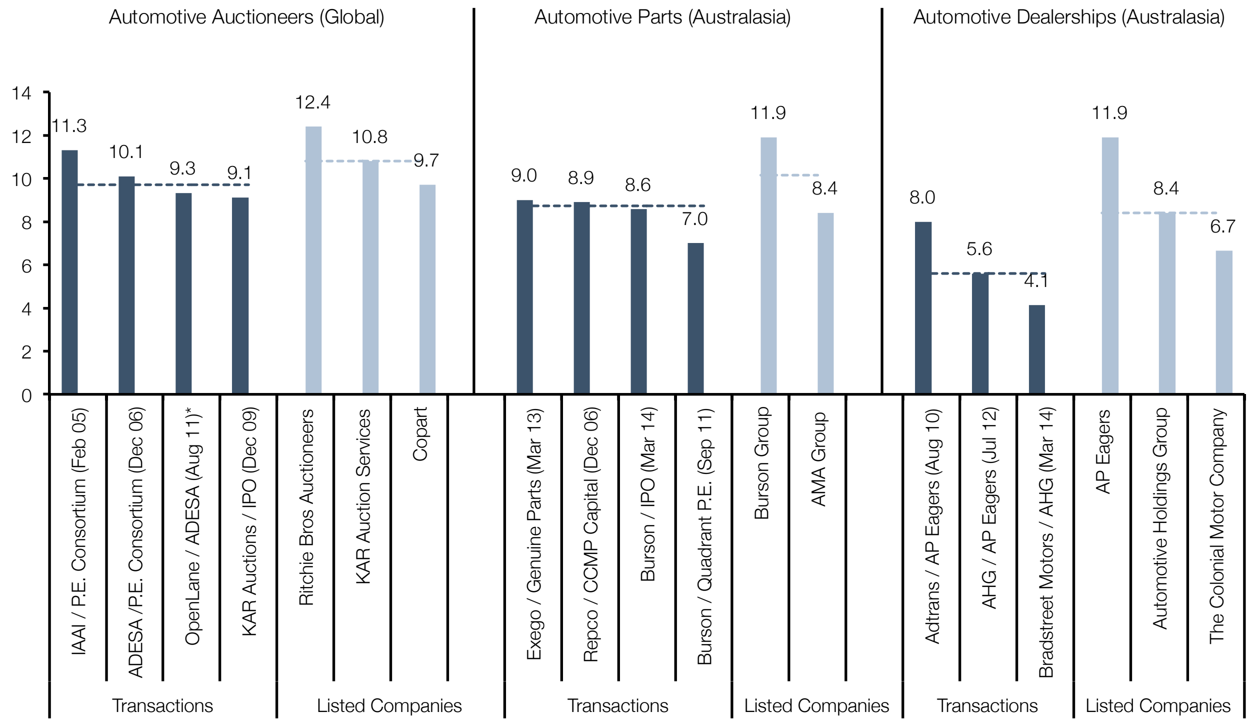
[9] Represents gross capitalisation (that is, the sum of the market capitalisation adjusted for minorities, plus borrowings less cash as at the latest balance date) divided by EBITDA.

[10] Represents gross capitalisation divided by EBIT.

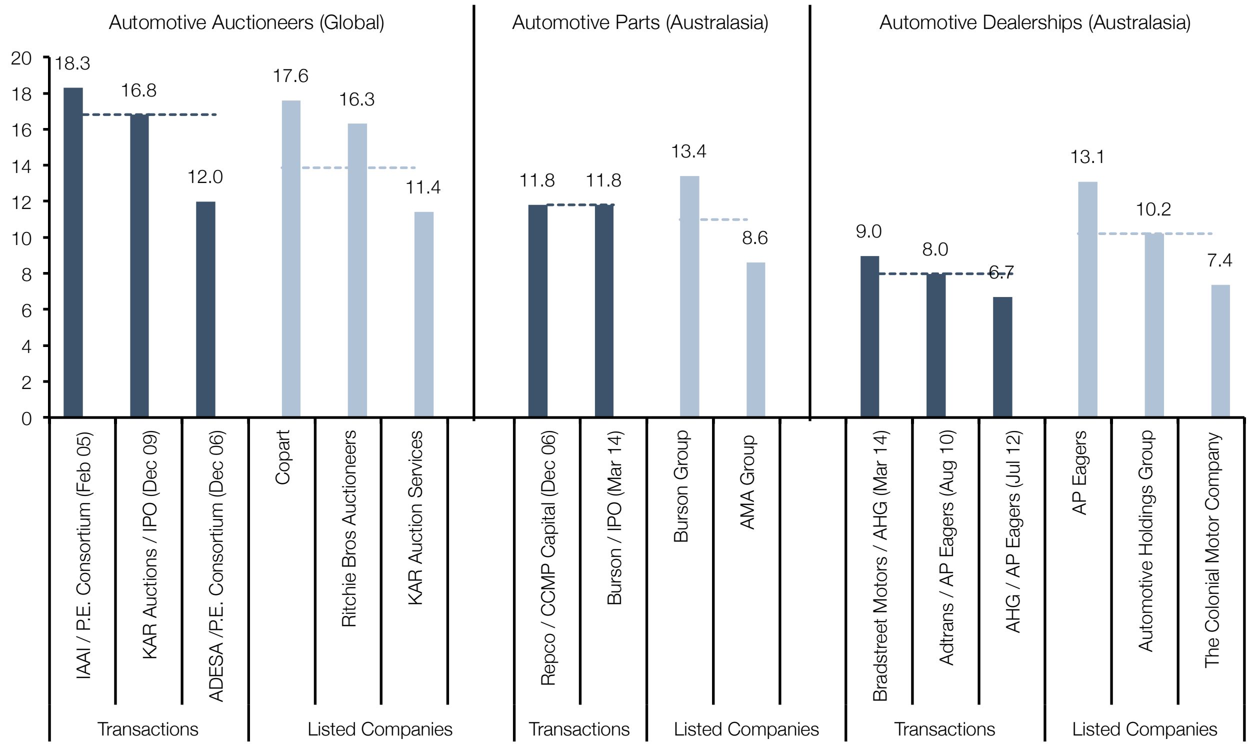
The implied enterprise value multiples for the comparable transactions and companies are outlined below:

Automotive Businesses (Comparable Transactions and Listed Companies)

Implied Enterprise Value / EBITDA multiples (times)[12]



Implied Enterprise Value / EBIT multiple (times)[13]



[11] Grant Samuel analysis based on company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

[12] Where available, multiples of forecast EBITDA have been shown.

[13] Where available, multiples of forecast EBIT have been shown.

A description of each of the companies above is set out in Appendix C. When observing the table above the following points should be noted:

- the multiples are based on closing share prices as at 23 September 2014. The share prices, and therefore the multiples, do not include a premium for control. Shares in a listed company normally trade at a discount to the underlying value of the company as a whole;
- the companies selected have varying financial year ends. The data presented above is the most recent annual historical result plus the subsequent forecast year;
- there are considerable differences between the operations and scale of the comparable companies when compared with Turners. In addition, care needs to be exercised when comparing multiples of New Zealand companies with internationally listed companies. Differences in regulatory environments, share market and broader economic conditions, taxation systems and accounting standards hinder comparisons.

4.4 Finance

Grant Samuel has assessed the full underlying value of Finance assuming 100% of the business was acquired at $19.8 million to $22.0 million having regard to the earnings multiples of comparable listed companies. There is very limited transaction evidence of comparable transactions, largely due to the specialised nature of the Finance offering, and as a result there are insufficient transactions to draw meaningful conclusions.

The valuation takes into account the rapid and profitable growth in the finance book, which is a function of the more pro-active approach to offering finance to purchasers and is assisting the automotive business in growing market share. The financing arrangement with MTF enables Turners to grow its finance receivables without the need for any additional equity or increase in overhead costs. It is an attractive model. The valuation of Finance implies the following multiples:

Finance - Implied Multiples

	Valuation Range	
	Low	**High**
Price earnings multiple – year ended 31 December 2013	14.8	16.4
Price earnings multiple – year ending 31 December 2014	11.0	12.3

The table below outlines the relevant earnings and asset multiples of broadly comparable listed companies:

Share Market Ratings of Selected Listed Companies[14]

Company	Market Capitalisation ($ millions)	Price/Earnings (times)		Price/Net Assets (times)
		Historic	**Forecast**	**Historic**
Australia & New Zealand Banking Group	A$86,492	13.7	12.5	2.2
Bank of Queensland	A$4,388	nm	13.9	1.9
Bendigo and Adelaide Bank	A$5,476	13.9	13.0	1.6
Commonwealth Bank of Australia	A$124,902	14.4	14.1	3.2
FlexiGroup	A$1,094	nm	12.0	4.9
Heartland New Zealand	A$477	11.8	10.4	1.2
MyState	A$401	13.5	13.3	1.9
National Australia Bank	A$77,342	14.6	13.1	2.0
Westpac Banking Corporation	A$101,331	14.9	13.5	2.9
Wide Bay Australia	A$200	14.1	13.1	1.3
Average		***13.9***	***12.9***	***2.3***
Median		***14.0***	***13.1***	***2.0***

Source: Grant Samuel analysis[15]

[14] The companies selected have a variety of year ends. The financial information presented in the Historic column corresponds to the most recent actual annual result. The forecast column corresponds to the forecast for the subsequent year.

[15] Grant Samuel analysis based on company announcements and, in the absence of company published financial forecasts, brokers' reports. Where company financial forecasts are not available, the median of the financial forecasts prepared by a range of brokers has

A description of each of the companies above is set out in Appendix D. When observing the table above the following points should be noted:

- the multiples are based on closing share prices as at 23 September 2014. The share prices, and therefore the multiples, do not include a premium for control. Shares in a listed company normally trade at a discount to the underlying value of the company as a whole;
- the companies selected have varying financial year ends. The data presented above is the most recent annual historical result plus the subsequent forecast year;
- there are considerable differences between the operations and scale of the above companies when compared with the Turners Finance business. A number of the companies listed above are very large trading banks. Although they provide finance, they are fundamentally more diverse in their earnings streams and robust than small New Zealand finance companies; and
- In addition, care needs to be exercised when comparing multiples of New Zealand companies with internationally listed companies. Differences in regulatory environments, share market and broader economic conditions, taxation systems and accounting standards hinder comparisons.

generally been used to derive relevant forecast value parameters. The source, date and number of broker reports utilised for each company depends on analyst coverage, availability and recent corporate activity.

5. Profile of Dorchester

5.1 Overview of Dorchester

Dorchester was established in September 1984 as Venture Pacific Limited and later listed its shares on the NZX in 1985. From 1999 through to 2004 the company acquired a number of finance companies throughout New Zealand and expanded into other services including personnel/recruitment, investment advice and publications, life assurance, share broking and portfolio management.

As a result of the global financial crisis (**GFC**) and the resulting economic downturn Dorchester divested a number of non-core assets, including Direct Broking (2006), Equity Investment Advisors (2008) and Energy Direct (2009) and undertook a capital restructure in 2010. Since the company's capital restructure Dorchester has initiated a growth strategy, which has included a number of acquisitions including EC Credit Control (2012), Mainstream Insurance (2012), a cornerstone shareholding in Turners (2013) and Oxford Finance (2014).

Today, Dorchester is a financial services company involved in the provision of loan finance, insurance and debt recovery services. In addition, Dorchester also provides property management services to the Dorchester Property Trust.

Insurance

Dorchester primarily distributes insurance products through the Company's two insurance brands:

- Mainstream Insurance specialises in the provision of consumer insurance products and services to the motor industry and intermediate finance and insurance market; and
- Dorchester Life provides life insurance products and services.

Dorchester also distributes insurance on a white label basis, however this accounts for less than 5% of total insurance revenue.

Finance & Lending

Dorchester's finance and lending division comprises two distinct operating entities:

- Dorchester Finance is based in Auckland with a strong customer base in the Auckland and Waikato regions; and
- Oxford Finance is based in Levin and provides vehicle finance, commercial lending, and personal loan solutions. The geographical concentration of Oxford Finance complements Dorchester Finance's loan book.

Dorchester's finance and lending division is focused on motor vehicle lending, which makes up approximately 70% of the company's loan book ($87.7 million as at 31 March 2014).

Debt Recovery

EC Credit Control provides a full range of debt management / recovery services to businesses throughout New Zealand and Australia and employs approximately 150 staff and agents.

Property

Dorchester manages a property portfolio on behalf of the Dorchester Property Trust. Dorchester's objective is to sell the properties and return the cash proceeds to the Dorchester Property Trust unit holders. The property portfolio comprises two hotels and one apartment complex:

- Goldridge Resort - Queenstown.
- Quality Hotel Emerald - Gisborne.
- Parkview on Hagley - Christchurch.

5.2 Financial Performance

The financial performance of Dorchester for the year ended 31 March 2013 and 2014 are shown in the table below:

Dorchester Normalised Financial Performance (NZ$ millions)

Year end 31 March	2013	2014
Interest revenue	5.9	7.4
Other revenue	12.2	21.8
Total Operating Revenue	**18.1**	**29.3**
Interest expense	(2.9)	(2.2)
Impairment charge	(0.4)	(0.5)
Life insurance and investment contract expenses	(3.0)	(3.8)
Operating expenses	(12.5)	(18.4)
Depreciation and amortisation	(0.5)	(0.6)
Total expenses	**(19.3)**	**(25.5)**
Normalised operating income	**(1.2)**	**3.8**
Foreign exchange gain	-	1.1
Bad debt recovered	1.1	1.0
Cost of early conversion of the option	-	(1.7)
Operating income after unusual items	**(0.1)**	**4.2**
Turners equity accounted	-	0.7
Profit before tax	**(0.1)**	**4.9**

The following points should be taken into consideration when reviewing the table above:

- Dorchester's normalised operating income improved in FY14 due to the improved performance of EC Credit Control and the insurance and finance & lending divisions;
- FY14 includes a full year of trading for the recently acquired Mainstream Insurance and EC Credit Control businesses;
- the FY14 result excludes the performance of Oxford Finance, which was acquired in April 2014. Dorchester expects that Oxford Finance will contribute approximately $3.0 million of operating income before tax in the financial year ending 31 March 2015;
- Dorchester estimates that net profit before tax of $11.5 million will be achieved for the financial year ending 31 March 2015, rising to around $15.0 million for year financial year ending 31 March 2016 (excluding the impact of the takeover offer for Turners); and
- the bad debt recovered relates to the written down Senate Loan Book. Dorchester anticipates a similar level of recovery each year for the next couple of financial years.

5.3 Financial Position

The financial position of Dorchester as at 31 March 2013 and 2014 is outlined in the table below:

Dorchester – Financial Position (NZ$ millions)

As at 31 March	2013	2014
Cash and cash equivalents	5.2	5.6
Financial assets	17.4	16.3
Finance receivables	28.8	37.7
Receivables and deferred expenses	3.5	5.8
Reverse annuity mortgages	18.1	17.8
Investments in associates	-	10.2
Intangible assets	26.3	25.9
Other	4.8	7.4
Total assets	**104.0**	**126.7**
Borrowings	(22.8)	(17.6)
Optional convertible notes	(10.9)	-
Life investment contract liabilities	(16.4)	(15.3)
Insurance contract liabilities	(4.7)	(6.4)
Deferred revenue	(7.8)	(6.7)
Other payables	(8.2)	(6.6)
Total liabilities	**(70.8)**	**(52.6)**
Net assets	**33.2**	**74.1**

The following points are relevant when considering the above table:

- in the financial year ending 31 March 2014 Dorchester completed a number of capital restructure events which included the conversion of options to equity (raising $16.8 million) and an institutional private placement (raising $4.1 million);
- the increase in finance receivables was due to an increase in consumer lending;
- investments in associates represents Dorchester's shareholding in Turners; and
- as a result of the capital restructure events and the improved performance of the business net assets increased by $40.9 million in the financial year ending 31 March 2014, resulting in a conservatively geared balance sheet.

5.4 Cash Flow

The cash flows for Dorchester for the years ended 31 March 2013 and 2014 are shown in the table below:

Dorchester – Cash Flows (NZ$ millions)

Year end 31 March	2013	2014
Cash flow from operating activities	(1.3)	(4.4)
Cash flow from investments	(4.4)	(11.5)
Cash flow from financing	7.4	16.3
Net cash flow	**1.7**	**0.4**

In reviewing the above table the following should be considered:

- cash generated from operating activities decreased in FY14 due to the movements in operating assets and liabilities. The operating cash flow (before movements in operating assets and liabilities) increased by $3.3 million in FY14 to $1.9 million; and
- the increase in cash generated from financing in FY14 is due to the capital restructure events outlined above, offset by bank loan repayments.

5.5 Capital Structure and Ownership

As at 12 September 2014 Dorchester had 494,693,980 shares on issue held by approximately 5,430 shareholders. The company's top 10 shareholders are shown in the table below:

Dorchester – Top 10 Shareholders as at 12 September 2014

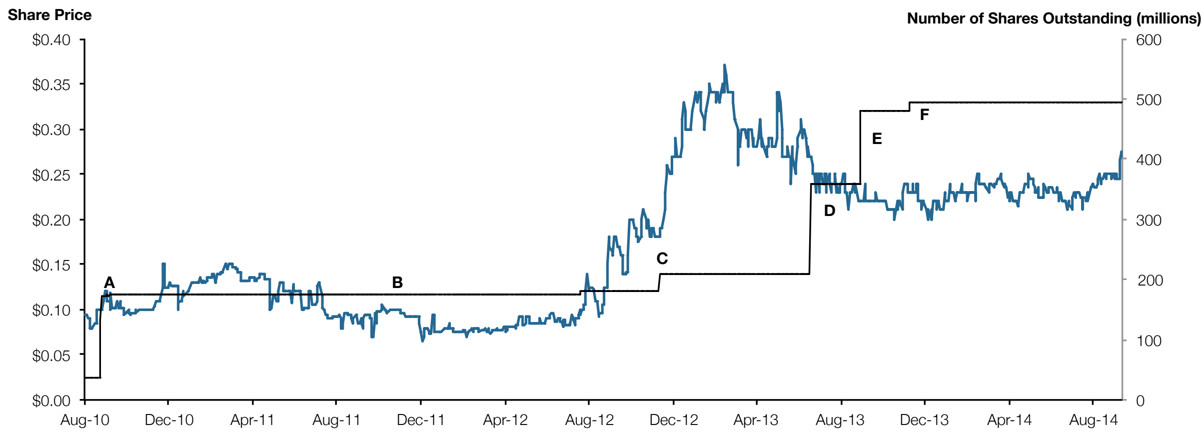
Shareholder	Shares (000s)	%
Hugh Green Investments Limited	127,173	25.7%
The Business Bakery	84,617	17.1%
Paul Byrnes	33,099	6.7%
Harrigens Trustees Limited	32,507	6.6%
Baker Investment Trust No 2	20,000	4.0%
John Harrison	15,000	3.0%
Paul Mora & Mary Mora	10,000	2.0%
Accident Compensation Corporation	9,081	1.8%
New Zealand Permanent Trustees Ltd	8,320	1.7%
Ross Venture Trust	5,000	1.0%
Top 10 Shareholders	**344,798**	**69.7%**
Other Shareholders	**149,896**	**30.3%**
Total	**494,694**	**100.0%**

Dorchester has two large shareholders, Hugh Green Investments Limited and The Business Bakery, which hold 42.8% of the shares. The top 10 shareholders represent almost 70% of the shares.

5.6 Capital Raising History

Dorchester has undertaken a number of capital raising events in recent years, resulting in a substantial increase in the number of ordinary shares outstanding. Dorchester's share price and the number of shares outstanding since the capital restructure in 2010 is outlined below:

Dorchester – Share Price and Number of Shares Outstanding (Aug 2010 to Sep 2014)



An overview of the key recent capital raising events (A-F above) is provided below:

Overview of Recent Capital Raising Events

Ref	Date	Issue Price	# Issued	Value	Description
A	Aug 2010	Shares: 10 cents Secured notes: Options: 12.5 cents	136.9	$10.3m $20.0m	▪ As part of a Capital Restructuring Plan, Dorchester issued approximately $20m in secured notes (with 56.5m options attached) and approximately $10.3m in shares (with 95.8 million options attached).
B	Nov 2011	na	na	$11.0m	▪ Issue of $11.0m of convertible notes.
C	Nov 2012	12.5 cents	28m	$3.5m	▪ Purchase of EC Credit Control.
D	Jun 2013	12.5 cents - options 25.0 cents -placement	134m 16m	$16.8m $4.1m	▪ 134 million out of the 150 million options issued in June 2010 were exercised. For the balance of options that were not exercised, shares were issued to institutional investors at 25 cents per share. ▪ A further 19m shares owned by existing Dorchester shareholders, The Business Bakery and Matthew Harrison were also placed with institutional investors.
E	Aug 2013	10 cents	110m	$11.0m	▪ Conversion of notes issued in November 2011.
F	Nov 2013	12.5 cents	14.6m	$1.8m	▪ Period one earn out payment for EC Credit Control.

6. Value of Consideration under the Dorchester Offer

6.1 Approach

Shareholders wishing to accept the Dorchester Offer have the option of different forms of consideration:

- ***Cash*** at $3.00 per share; or
- three $1 convertible ***Bonds*** per share; or
- 12 ordinary ***Dorchester Shares*** for each share held in Turners.

To add further complexity, accepting Turners shareholders can elect to take different components of each form of consideration, subject to certain limitations within each form. For the purposes of analysis, Grant Samuel has evaluated each form of consideration separately.

6.2 Cash

The cash offer price is $3.00 per share. The cash consideration of $3.00 per share is within Grant Samuel's estimated valuation range for Turners of $2.97 - $3.27 per share (after the special dividend).

As Bartel has elected to sell its Turners shares into the Offer for specified consideration of 40% Bonds and 60% Dorchester Shares, the maximum cash component of the Dorchester Offer (assuming all accepting shareholders elected solely cash consideration for their Turners shares, the Offer was successful in reaching 100%, and the Offer price was not increased, would be $48.73 million as set out in the table below:

Dorchester Offer - Maximum Cash Component	
Total Turners Shares on Issue	27.37m
Less: already owned by Dorchester or subject to Bartel lock-up	11.13m
Maximum shares available to be acquired	**16.24m**
Offer Price	$3.00 per share
Maximum Funding	**$48.73m**

In order to comply with the Takeovers Code that requires it to have all the necessary funding in place to complete the Offer, Dorchester has arranged acquisition debt funding facilities of $39.55 million, and secured additional cash resources of $10 million from the planned placement of shares to selected existing major shareholders in Dorchester. The placement of shares to existing major shareholders in Dorchester will only occur if the Dorchester Offer is successful in reaching the 50.01% acceptance threshold. The quantum of cash Dorchester may require to fund the takeover offer could vary greatly. If the Dorchester Offer is successful in achieving the 50.01% acceptance threshold, it is almost certain that a number of accepting shareholders will elect to take Bonds or Dorchester Shares as consideration, so the cash funding requirement is likely to be materially less than the maximum amount. The cash funding requirement will also be a direct function of the level of acceptances under the Offer.

6.3 Bonds

The terms and conditions of the Bond offer are set out in detail in the Simplified Disclosure Prospectus dated 21 August 2014. Shareholders considering receiving bonds in part or in full as consideration for their Turners shares should carefully read the Prospectus. The key terms of the Bond offer are summarised below:

Dorchester Bonds - Key Terms	
Issue Price	$1.00 per Bond
Maximum number of Bonds issued	55 million ($55 million worth)
Term	2 years expiring 30 September 2016
Interest Rate	9% per annum payable quarterly in arrears (31 December, 31 March, 30 June, 30 September)
Conversion/Redemption	▪ Cash; ▪ Conversion into Dorchester Shares at the lesser of $0.30 per share or a 5% discount to 90 day VWAP of Dorchester Shares.
Security	Ranks behind Bank Security
Covenants	Bonds are subject to financial covenants agreed between Dorchester and BNZ ▪ ***Interest Cover Ratio*** - the ratio of EBITDA to Total Interest being greater than: To December 2014 3.0 times From 1 January 2015 3.5 times ▪ ***Debt Service Cover Ratio*** – the ratio of cash flow available for debt service to total debt service costs to be greater than 1.1 times; and ▪ ***Leverage Ratio*** – the ratio of Gross Debt to EBITDA. The ratio which decreases with time and increases the higher the percentage of shareholding in Turners from 2.0 times to 3.75 times.
Underwritten	No
Available to external investors	Yes
Listing	The Bonds have not been approved for trading on the NZDX. Dorchester may consider applying to the NZX for approval to quote the Bonds, but there is no certainty that it will do this.
Early Repayment	No

The bonds will be secured by a general security agreement over the assets of Dorchester and all its major subsidiaries. The bonds will rank behind the existing bank debt and the new acquisition bank debt security:

- interest may only be paid on the Bonds if no default exists under the bank facilities and no default will occur as a result of interest payment. In these circumstances, interest will continue to accrue on the Bonds but not be paid and the failure to pay interest will not be an event of default;
- Dorchester may not repay the Bonds in advance of the maturity date and can only repay the Bonds on the maturity date if no default exists under the bank facilities and no bank default will occur as a result of the repayment. If Dorchester fails to repay the Bonds on the maturity date there will be a standstill period of 90 days before the Trustee can take any enforcement action on behalf of Bondholders;
- the bank may advance further money to Dorchester without Bondholders' consent; and
- any breach by Dorchester of the terms of the subordination arrangements will be an event of default under the bank facilities entitling the bank to enforce its security.

The bonds pay an interest rate of 9% paid quarterly and can, at the holders option, be repaid in full on 30 September 2016 or converted into ordinary shares in Dorchester at the lesser of $0.30 per share or a 5% discount to the VWAP of Dorchester shares for the 90 days prior to 30 September 2016. The conversion formula is attractive in as much as the maximum conversion price is $0.30 per Dorchester share with the possibility of a lower price (this will depend on the Dorchester share price in the 90 days prior to 30 September 2016). Importantly, a holder of the Bonds can elect to be repaid in cash or receive a combination of cash and shares in Dorchester on the maturity date. The key consideration for Turners' shareholders is the credit risk of Dorchester as the Bonds are structured as a loan to Dorchester and that loan or obligation ranks behind the repayment of bank facilities. The risks of a default by Dorchester in the near term are, in Grant Samuel's opinion, relatively low given the prevailing economic climate. As the Bonds will only be issued if the Dorchester Offer is successful in reaching the 50.01% minimum acceptance threshold, a successful takeover will provide Dorchester with either a dividend stream from Turners (if acceptances do not reach 90%) or, if the 100% level is reached, diverse income streams from:

- finance;
- insurance;
- debt collection; and
- motor vehicle sales.

This dividend stream or cash flow (in the 100% scenario) from Turners and the rapidly improving earnings and cash flow of Dorchester's businesses suggests that Dorchester will be able to meet its obligation to pay interest on the Bonds. However, the Bonds have not been approved for trading on the NZDX or any other established securities market so it is unlikely that a secondary market will develop and as a consequence the Bonds are likely to be difficult to sell. Dorchester has not ruled out applying for approval to the NZX to quote the Bonds, but there is not certainty that Dorchester will do this or that the NZX will approve the application. Shareholders considering taking up Bonds should therefore be prepared to hold the bonds through to maturity on 30 September 2016. No investment is riskless and Turners shareholders considering accepting convertible bonds for all or part of their shareholding should consult their financial adviser.

As the bondholders have the option to convert some or all of their bonds into Dorchester shares at the maturity date, the bonds have the characteristics of both a debt instrument and an option. Each of these components are discussed below:

Debt Instrument Component of Bond

The value of the debt component of the bond is a function of the principal paid on maturity, the interest (or coupon) payments during the term of the bond, and the required rate of return (or discount rate) applied to the coupon payments. Whether a debt security is valued above, below, or equal to, its principal amount is a function of the coupon rate relative to its required rate of return.

At an issue price of $1.00 per bond, and a coupon rate of 9.00%, the yield to maturity for the debt component of the Dorchester bond is also 9.00%. Whilst this yield to maturity is greater than for NZX Debt Market listed bonds with similar maturity dates, which range from 4.70% to 6.70% (see below), the Dorchester Bonds will, at least initially, be unlisted and therefore difficult to sell. This factor, as well as Dorchester's risk profile relative to other bond issuers, indicates that a 9.00% coupon rate is reasonable given the characteristics of the securities and market evidence.

Fixed Interest Securities as at 16 September 2014

Debt Issuer	Credit rating	Yield	Coupon	Maturity
Air New Zealand	Baa3	5.15%	6.90%	15-Nov-16
APN Media (NZ)	Not rated	6.70%	7.86%	15-Mar-16
Auckland Airport	A-	5.95%	8.00%	15-Nov-16
Fonterra	A+	6.40%	6.83%	4-Mar-16
Genesis	BBB+	4.70%	7.65%	15-Mar-16
Goodman Fielder	Not rated	6.75%	7.54%	16-May-16
Spark Finance	A-	4.90%	7.04%	22-Mar-16
TrustPower	Not rated	5.50%	8.00%	15-Dec-16
Z Energy	Not rated	5.10%	7.35%	15-Oct-16

Source: Interest.co.nz

Embedded Option Component of Bond

The ability to convert the bonds into Dorchester Shares at the maturity date is a positive feature of the Bonds insofar as it means the holder will potentially be able to participate in the equity upside without being exposed to the downside risk of the share value decreasing. The convertibility feature is effectively an embedded option as the bondholder has the right, but not the obligation, to convert the bonds into Dorchester Shares at the maturity date.

Whether a bond holder ends up converting the bonds into ordinary Dorchester Shares will depend upon, amongst other factors, the market conditions at the time of conversion, the characteristics and recent performance of the underlying security (in this case Dorchester Shares) and the potential impact on the share price of holders converting Bonds into Dorchester Shares in terms of dilution and potential overhang if there isn't sufficient liquidity in the market. Turners' shareholders need to be cognisant of these factors and recognise that while the embedded option will always be in the money other than in a liquidation or receivership scenario there may be other reasons for not electing not to convert the Bonds into Dorchester Shares and in those circumstances the embedded option has no value to the holder.

Financial models can be applied to derive a theoretical value range for the embedded option, however there are genuine limitations in applying these models and the outputs need to viewed with considerable caution, not least because the characteristics of the embedded option does not match the profile of the security on which the option pricing theory was developed. The variable exercise price and inherent uncertainty in deriving inputs such as future share price volatility mean these theoretical outputs provide only a reference point as to the possible value of this conversion feature at the maturity date. Notwithstanding the limitations of such financial models, Grant Samuel has estimated a theoretical value range of the embedded option component of the Bonds at between $0.04 to $0.07 per Bond based on the following key inputs:

Summary of Option Valuation Inputs

Variable	Input	Comment
The life of the option	2 years	▪ Issue date of 1 October 2014 and a maturity date of 30 September 2016.
Exercise price	Variable	▪ At the lesser of i) $0.30/share or ii) a 5% discount to the 90 day VWAP of Dorchester shares prior to the exercise date.
Current price of the underlying asset	$0.25/share	▪ 30 day VWAP of Dorchester shares for the period to 11 September 2014.
Expected volatility of the underlying asset	30% to 40%	▪ This range is based on an assessment of the implied volatility of Dorchester's and Turners' share price movements during the past 3 years.
Risk free rate	3.7%	▪ Based on a linear regression of the 1-year and 5-year government bond yields as at 16 September 2014. There are not currently any 2-year bonds that are listed.
Expected dividend yield	2% to 3%	▪ Estimate based on Dorchester's and Turners' observed dividend yield.

6.4 Shares

Turners shareholders that elect to accept the Dorchester Offer can elect to receive Dorchester Shares in respect of some or all of their accepted holdings. The Dorchester Shares are being offered at $0.25 per share, at a ratio of 12 Dorchester Shares for each Turners share. Dorchester has capped the issue of shares under the takeover offer and the placement at a maximum of $30 million, unless exceeded as a result of Turners shareholders subscribing for shares. In the event that all Turners shareholders accepted 100% of their consideration in Dorchester Shares, then the maximum size of the Share issue would be approximately $39.5 million.

The share placement to fund the Dorchester Offer includes the following:

- a share placement to major Dorchester shareholders (Hugh Green Investments Limited, Bakery Limited Partners, and Matthew and John Harrison (**Dorchester's Committed Shareholders**), who have agreed to commit $10 million of transaction funding to Dorchester if the takeover offer succeeds via the acquisition of Dorchester Shares or, if the maximum number of shares that can be issued is reached, the acquisition of Dorchester Bonds;
- the number of shares issued to Dorchester's Committed Shareholders may be impacted by the number of shares issued to Turners' shareholders who accept the Dorchester Offer and the number of Turners' shareholders that elect to direct the special dividend paid to them by Turners to subscribe for shares in the share

placement (i.e. if $25 million of shares are issued to Turners' shareholders, Dorchester's Committed Shareholders would be issued $5 million of shares and $5 million of Dorchester bonds);

- a share placement to external investors of up to $10 million. If Dorchester's Committed Shareholders fulfil their funding commitment via the acquisition of Dorchester shares, the share placement to external investors will not take place.

If the Dorchester Offer is successful and the maximum number of shares is issued, Dorchester is intending to undertake a share purchase plan (**SPP**) to its existing retail shareholders within three months of completion. The SPP will issue shares at the same price (at $0.25 per share) and allow each shareholder to subscribe for a maximum of $15,000 of Dorchester shares per shareholder.

Approach

The Dorchester Offer, if successful, involves a change of control of Turners. For the purposes of analysis, the relevant test for Turners shareholders is the expected market value of the Dorchester shares received as consideration if the takeover offer is successful. This involves an estimation of the trading price for Dorchester if the Dorchester Offer is successful (as compared to the pre bid price). The value of the share component of the consideration will vary with movements in the Dorchester share price. Accordingly, until the shares under the Dorchester Offer are issued, Turners shareholders who accept Dorchester shares as consideration are exposed to events or other factors that impact the Dorchester share price. The actual value of the consideration could therefore ultimately exceed, or be less than, $3.00 per Turners share.

It is normal practice to use the post announcement market price as the starting point for estimating the value of an offer with a share component. The closing Dorchester share price as at 24 September 2014 was $0.26 per share. This is above the issue price for Dorchester shares under the current terms of the Dorchester Offer. An alternative method is to estimate the underlying value of the combined entity and then to apply a discount to reflect an appropriate portfolio interest. However, access to the detailed financial and operational information (such as earnings and operational forecasts or asset plans) of both parties is required to undertake such a fundamental analysis of the value of the consideration. Furthermore, the consensus view of a well-traded market is likely to be a more reliable estimate than that of a single external observer. Market prices (particularly for large entities that enjoy high levels of market liquidity and are closely followed by a wide range of market analysts) usually incorporate the influence of all publicly available information on an entity's prospects, future earnings and risks. Unfortunately, Dorchester is a smaller entity and to date has not attracted much institutional or broker coverage.

Grant Samuel has had regard to the current market price of Dorchester and addressed the following questions:

- Is there any reason why the market price is not a true reflection of the fair market value of Dorchester shares? For example, there could be:
  - important information about the entity and its business/assets which would affect the share price but is not in the public domain;
  - mispricing by the market; and/or
  - abnormal trading activity in Dorchester shares; and
- will the takeover offer, if successful, have a material impact on Dorchester's financial metrics, growth prospects, risk profile or other factors that would be likely to result in a change in the share price?

In considering these questions, Grant Samuel has:

- analysed the recent trading in Dorchester shares;
- analysed the impact of Dorchester Offer on Dorchester's key financial metrics; and
- considered the implications for Dorchester's share price of acquiring Turners.

Each of these aspects is set out below:

Analysis of Sharemarket Trading in Dorchester Shares

Dorchester is not a liquid stock. The following table shows the volume of Dorchester shares traded over the 12-month period ended 19 September 2014, the price ranges and the volume weighted average price for the respective time periods:

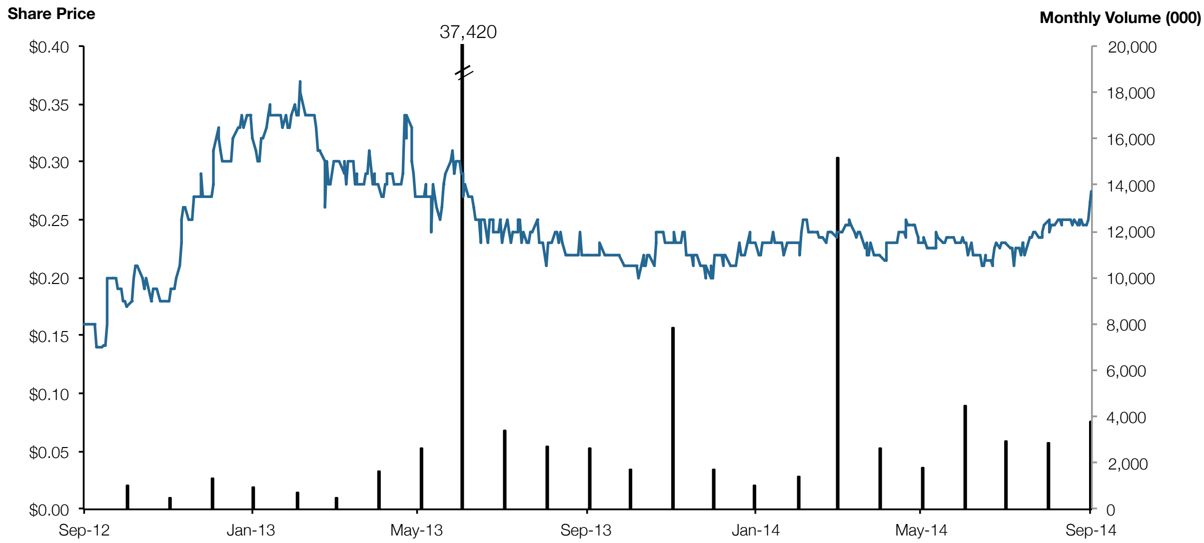
Dorchester – Share Trading Summary

Time period	Low	High	VWAP	Volume (000s)
1 month	0.25	0.30	0.26	4,050
3 months	0.21	0.30	0.24	9,771
6 months	0.21	0.30	0.24	18,399
12 months	0.20	0.30	0.23	47,901

Source: NZX Company Research

The share price and trading volume history of Dorchester shares is depicted graphically below:

Dorchester – Share price performance and monthly volume over the last two years



Source: NZX Company Research

On 7 June 2013, Dorchester completed a share placement of 35 million shares at $0.25 per share. The placement comprised a secondary pool of 18.7 million shares offered by major shareholders, The Business Bakery and Matthew Harrison. Seven new institutional shareholders took up the majority of the total shares placed.

The important question is whether the recent performance and current price reflect the rational view of a well-informed market or, alternatively, whether Dorchester is out of line with its peers or the market. There are no listed companies listed on the NZX that are comparable to Dorchester, and no brokers appear to actively follow Dorchester or provide research on the company. This is a function of the relatively small size of Dorchester and that as a consequence it currently has relatively few institutional shareholders on its share register.

However, some comfort can be taken that under NZX Listing Rules, Dorchester is required to keep the market informed of events and developments in a timely manner as they occur. Once Dorchester becomes aware of any information concerning it that a reasonable person would expect to have a material effect on the price or value of its securities, it must inform the market of that information. Dorchester has made a number of releases to the market in the past month, most relating to the takeover of Turners, but including detail on the takeover offer financing arrangements (26 August 2014), Disclosure Prospectus for the Bonds (26 August 2014) and an update on trading and current year forecasts (9 September 2014). Consequently, there is no reason to consider that any information relating to Dorchester's existing business that would have a material impact on its share price has not been publicly disclosed.

In Grant Samuel's opinion, the value of Dorchester shares to be issued to Turners' shareholders will to some extent be influenced by the percentage ownership Dorchester is able to acquire. At 100% ownership the share price of Dorchester can be expected to be higher than at the lowest acceptance level of 50.1% as the market will likely recognise the benefits of 100% ownership as compared to any lesser level. The form of consideration paid (cash, shares and convertible bonds) may also have an impact on the ultimate Dorchester share price. A high take-up of the cash option will result in higher gearing, which potentially could put downwards pressure on Dorchester's share price. A high take-up of the convertible bonds would be likely to have a smaller impact particularly as the cost of servicing the 9% coupon is likely to be higher than the cost of bank debt. A high take-up of shares will have mild dilutionary impact based on the current price differential between the issue price ($0.25 per Dorchester share) and the prevailing share price ($0.26 per Dorchester share as at 24 September 2014). In the highly unlikely event that all Turners' shareholders accepted to receive 60% of the consideration in shares then the new shares issued (including those issued to Bartel) would represent 24.2% of the enlarged capital of Dorchester.

Impact of the Dorchester Offer on Dorchester

The Dorchester Offer has a minimum acceptance condition of 50.01%. Therefore, if the Dorchester Offer becomes unconditional, the company could acquire an interest in Turners in the range of 50.01% - 100%. The impact of the Dorchester Offer on Dorchester's shareholding structure and financials is difficult to predict due to:

- the mix of consideration that Turners' shareholders accept for their shares (i.e. cash, Dorchester Shares and Dorchester Bonds);
- the extent to which Turner's shareholders accept the Dorchester Offer;
- the level of subscription to the Share Placement by Turners' shareholders and external investors and the impact of any scaling implications;
- the number of Dorchester bondholders that elect to convert the Dorchester Bonds to Dorchester Shares on maturity and the conversion ratio (which is dependent on the 90 day VWAP of the shares prior to the maturity date); and
- the number of Dorchester shares issued to the existing retail shareholders via the SPP.

To assist Turners' shareholders to understand the impact the Dorchester Offer may have on Dorchester Grant Samuel has created pro-forma financial accounts. The pro-forma operational and financial implications for Dorchester if the takeover offer of Turners is successful are summarised below:

Dorchester – Pro-forma Accounts at 31 March 2015

Consolidated Financial Performance ($ millions)	Dorchester	Turners	Dorchester Proforma
Net profit before tax	**11.5**	**7.1**	**18.6**
Depreciation and amortisation	0.8	1.7	2.5
Less equity accounting of Turners	(1.0)	-	(1.0)
Group operating profit (before minority interests)	**11.3**	**8.8**	**20.1**

Consolidated Financial Position ($ millions)	Turners shareholding owned by Dorchester		
	50%	75%	100%
Total assets	**260.2**	**280.7**	**301.3**
Borrowings	65.6	72.1	79.3
Convertible bonds – Dorchester's Committed Shareholders	-	-	6.5
Convertible bonds - Turners' Shareholders	9.4	16.2	23.1
Other liabilities	78.4	78.4	78.4
Total liabilities	**153.4**	**166.7**	**187.3**
Opening Equity	84.0	84.0	84.0
Equity issued to Dorchester's Committed Shareholders	10.0	10.0	3.5
Equity issued to Turners' Shareholders	12.8	19.7	26.5
Equity issued to Other Shareholders	-	0.3	-
Closing Equity	**106.8**	**114.0**	**114.0**
Minority interest	(17.1)	(13.7)	-
Dorchester Equity	**89.7**	**100.3**	**114.0**
Pro-forma information to test financial covenants			
Borrowings & convertible bonds	75.0	88.4	108.9
Less borrowings relating to finance operations	(70.0)	(70.0)	(70.0)
Gross debt for financial covenants	**5.0**	**18.4**	**38.9**
EBITDA of Dorchester	17.1	17.1	17.1
Plus adjustment for Turners earnings	1.0	2.1	4.9
Less EBITDA relating to finance operations	(9.4)	(9.4)	(9.4)
EBITDA for financial covenants	**8.7**	**9.8**	**12.6**
Interest	0.5	1.6	3.3
Financial covenants			
Interest cover (EBITDA to Total interest) greater than	3.5	3.5	3.5
Leverage (Gross debt to EBITDA) less than	2.0	2.0	3.5
Pro-forma financial covenants			
Interest cover (EBITDA to Total interest)	15.9	6.1	3.8
Leverage (Gross debt to EBITDA)	0.6	1.9	3.1

The following points should be taken into consideration when reviewing the table above:

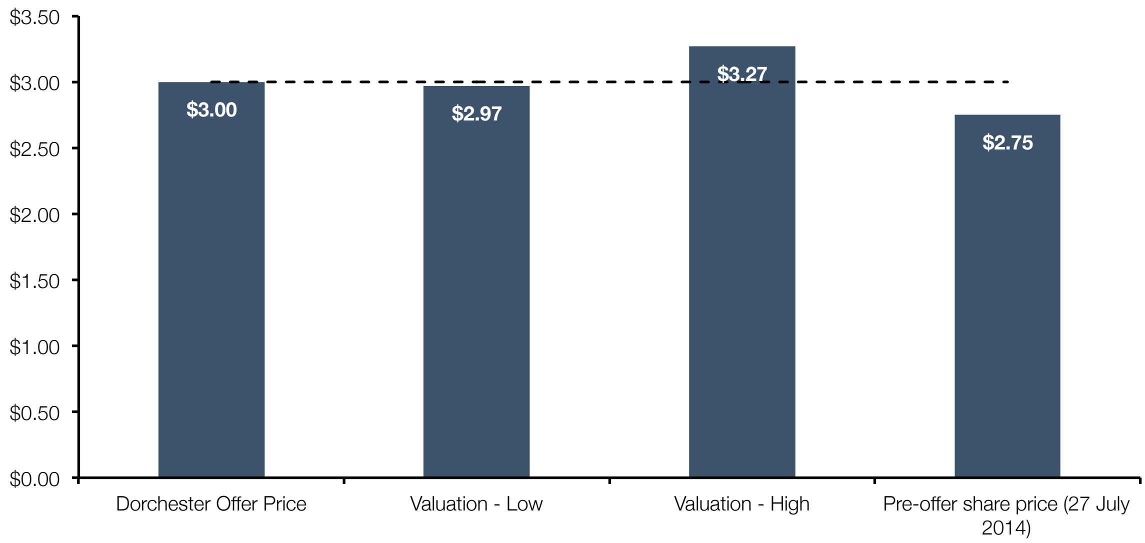
- as Dorchester's level of ownership in Turners will exceed 50.01% if the Dorchester Offer is successful, Dorchester will consolidate Turners into the Group's financial accounts;
- the pro-forma financial position is based on Dorchester's forecast balance sheet as at 31 March 2015 and Turners balance sheet as at 30 June 2014, adjusted for material post balance sheet events such as the interim and special dividend and the acquisition of property;
- the Turners net operating profit is based on the company's forecast for the financial year ending 31 December 2014;
- the financial covenants are tested on all Dorchester companies, excluding Dorchester Finance, Dorchester Rams Limited and their subsidiaries (i.e. the finance operations). The EBITDA includes the dividend received from Turners unless 100% of Turners is acquired. In the circumstance that Dorchester acquires 100% of Turners, the Turners EBITDA (excluding Finance) is included in the calculation;
- the Turners earnings included above has been netted off against the equity accounted earnings that was included in Dorchester's EBITDA for the financial year ending 31 March 2015;
- the pro-forma financials outlined above assumes that Turners' shareholders will spread their consideration evenly across the three options (i.e. 33.3% in Dorchester shares, 33.3% % Dorchester Bonds and 33.3% % in cash) with the exception of Bartel (60% in shares and 40% in bonds);
- under the scenarios listed above Dorchester passes the financial covenant tests. Under the most extreme scenario of all Turners' shareholders accepting cash, Dorchester would also pass the covenant tests based on Grant Samuel's pro-forma analysis.
- the analysis does not include the potential equity that may be introduced under the SPP. The equity raised from the SPP will reduce the gross debt of Dorchester and improve the financial covenant ratios;
- the pro forma accounts assumes that there are no shares issued to external investors unless there is a funding shortfall (i.e. in preference to drawing down on the bank loan). The value of the number of shares issued under the scenarios above is capped at $30 million (i.e. under the 50% scenario a further $7.2 million of shares could be placed;
- the analysis assumes that no Turner's shareholders elect to invest the special dividend in the Dorchester Share Placement;
- Dorchester's Committed Shareholders have the right, but not the obligation to subscribe for new bonds in the situation where the equity commitment cannot be fulfilled due to the $30 million cap on the share placement. This analysis assumes they will take the right and fund $10 million of new funds;
- the total assets increase due to the increase in goodwill relating to the acquisition of Turners shares; and
- as the majority of the gross debt relates to the acquisition facility the pro-forma financials have only been tested against the acquisition facility covenants.

7. Merits of the Dorchester Offer

7.1 The Value of the Dorchester Offer

- ***Grant Samuel's assessment of the value of Turners***. In Grant Samuel's opinion the full underlying value of Turners shares is in the range of $3.12 to $3.42 per share, or $2.97 to $3.27 per share excluding the 15 cent special dividend. The full underlying value is the price a person or entity would be expected to pay to acquire the company as a whole and, accordingly, includes a premium for control. Dorchester is seeking to acquire a controlling interest in Turners through its takeover offer, and accordingly full underlying value is the relevant measure for assessment of the price being offered. The Dorchester Offer price is $3.00 per share, available to accepting shareholders in the form of cash, Dorchester Bonds or Dorchester Shares in any combination (subject to certain maximum availability of Dorchester Shares and Dorchester Bonds). The Dorchester Offer price is within Grant Samuel's assessed valuation of Turners. The diagram below compares the Dorchester Offer price with Grant Samuel's assessed value range and the Turners share price immediately prior to the announcement that the takeover offer was expected from Dorchester:

Comparison of the Dorchester Offer price with the valuation range and the Pre-Offer Turners share price



- ***the premium implied by the Dorchester Offer.*** The Dorchester Offer represents a premium of approximately 9.1% relative to the closing price of $2.75 per share on 27 July 2014 being the trading day prior to the announcement of the Dorchester Offer and a premium of 10.6% premium over the volume average weighted price over the 30 trading days prior to the announcement. These level of premia are lower than the average level of premia observed in other successful takeovers of listed companies in New Zealand and Australia; and
- ***comparable company and comparable transaction data***. The Dorchester Offer implies multiples for the Auction and Fleet business of 8.7 to 9.7 times historical EBITDA and 9.1 to 10.1 times forecast EBITDA, and for the Finance business of 11.0 to 12.3 times forecast net profit after tax. Grant Samuel's analysis suggests the historical multiples implied by the Dorchester Offer is broadly in line with multiples paid for controlling shareholdings in comparable companies.

7.2 Rationale for the Offer / Timing and circumstances surrounding the Offer

Dorchester acquired a 19.85% shareholding in Turners in 2013. Paul Byrnes, Executive Director and CEO of Dorchester joined the Board of Turners in April 2013. Dorchester has an established finance and insurance platform and has identified a range of synergies and opportunities that may arise as a consequence of a takeover of Turners. The acquisition has strategic benefits for Dorchester in that it will allow Dorchester to:

- attach finance on non-standard and commercial vehicles (i.e. both currently not able to be financed under the criteria offered to Turners' customers by the current financier);

- attach finance on plant and equipment and other general goods sold by Turners, for which Turners presently has no finance offering;
- offer finance facilities to Turners' dealer clients for vehicles sold outside Turners' auction or sale processes;
- replace Turners' current underwriter with Dorchester Insurance Group (which provides similar products) and offer more tailored insurance products;
- leverage Turners' database to distribute other Dorchester Insurance Group products and motor vehicle related insurance policies to past clients of Turners; and
- increase the penetration rate of motor vehicles sold with an insurance package attached (leveraging Dorchester Insurance Group expertise).

Dorchester also expects the demand for vehicles and general goods sold by Turners to increase as a result of greater breadth in its financing options to Turners' customers.

7.3 Potential Outcomes of the Dorchester Offer

Dorchester acquires 100% of Turners

The Dorchester Offer is conditional on receiving sufficient acceptances to take its shareholding in Turners to 50.01% of the shares on issue. If Dorchester receives further acceptances that take its shareholding in Turners to 90% or more then:

- Dorchester will acquire the remaining shares in Turners using the compulsory acquisition provisions of the Takeovers Code. The compulsory acquisition provisions give Dorchester the right to compulsorily acquire the remaining Turners shares on issue upon the 90% acceptance threshold being reached; and
- Turners will be de-listed from the NZSX and become a wholly owned subsidiary of Dorchester.

Dorchester receives acceptances of more than 50% but less than 90% of Turners

If Dorchester achieves the minimum acceptance condition of 50.01% but less than the compulsory acquisition threshold of 90% then:

- Dorchester must acquire all Turners shares accepted into the Offer;
- Turners will continue to be listed on the NZSX with Dorchester as a cornerstone majority shareholder;
- Dorchester will have effective control over the day-to-day operations of Turners. Dorchester has indicated that in the event that Dorchester achieves majority control, but holds less than 90% of the Turners shares, then it has no present intentions to make any changes to the business activities, material assets or capital structure of Turners. Remaining minority shareholders will have limited influence over the day-to-day operations of Turners;
  - Dorchester will be entitled to appoint new directors to the Board of Turners;
  - by virtue of its majority shareholding Dorchester would control the outcome of any ordinary resolution put to shareholders;
  - once Dorchester has control of Turners it can determine such matters as dividend policy, capital expenditure and funding. The intent to make a $0.15 special dividend has already been indicated by Dorchester. These may have an impact on the earnings of the business. At a shareholding of more than 50% but less than 90% Dorchester could also prevent a dividend being paid, preferring profits to be re-invested in expanding the business;
  - if Dorchester acquires a shareholding of 75% or more it will be able to control the outcome of special resolutions such as those required to change the constitution or approve a major transaction;
  - even in the absence of a substantial shareholding being acquired by Dorchester, Turners shares are relatively thinly traded. This may suppress the Turners share price. The closer the Dorchester shareholding gets to 90% the lower the liquidity of Turners shares will be. Turners' free float could reduce from approximately 59% (potentially substantially);

- if the Offer is declared unconditional at a shareholding of more than 50% but less than 90%, Dorchester cannot without shareholder approval acquire any further shares in Turners for a period of twelve months without making another formal takeover offer for all or some of the remaining shares in the company. However, from twelve months after the Dorchester Offer closes, Dorchester will be able to utilise the "creep" provisions of the Takeovers Code to purchase up to a further 5% of Turners per annum.
- the prospects of receiving a fully priced offer in the future for their investment in Turners may be reduced depending on the ownership outcomes under the Dorchester Offer. Turners shareholders who elect not to accept the Offer have either decided they want to retain their investment in Turners for the longer term, or are expecting that Dorchester will make another offer at a higher price. There is no certainty regarding the ongoing performance of Turners or that a subsequent offer from Dorchester will be forthcoming if it does not acquire 100% of Turners. The risks and benefits associated with an investment in Turners are outlined at Section 7.6 below.

Dorchester does not receive acceptances to reach the 50.01% minimum acceptance threshold

If Dorchester receives acceptances of less than 50% of the shares in Turners the Offer will lapse and no shares will be acquired by Dorchester.

7.4 Factors affecting the outcome of the Offer

Likelihood of Dorchester Increasing its Offer Price or Extending the Offer Close Date

There are two permissible variations to the key terms of the Dorchester Offer:

- Dorchester may choose to extend the Offer period. The Dorchester Offer is due to close on 17 October 2014. Under the rules of the Takeovers Code the latest date to which the Dorchester Offer may be extended is 90 days after the date on which the Offer opens, in this case 17 December 2014; and
- Dorchester may choose to increase its Offer price. If Dorchester increases its Offer price while its current Offer is still open the increased price will be available to all Turners shareholders even if they have already accepted the $3.00 per share Offer. This will not apply if Dorchester makes a further takeover offer at a higher price after the current Offer has closed, in which case the higher price would only be available to shareholders that did not accept the current Dorchester Offer.

Likelihood of Alternative Offers

- The Dorchester Offer was announced on 28 July 2014. To date no alternative offers have been forthcoming;
- The Bartel lock up and the existing Dorchester shareholding are collectively a major impediment to an alternative offer as they represent a combined 40%;
- Any subsequent takeover offer for 100% of Turners would require Dorchester to sell its shareholding in Turners to the new offeror for the full takeover to be successful. Importantly, in the event Dorchester is successful in its takeover and subsequently chose to sell its shareholding in Turners to a third party it could only do so with the approval, by way of ordinary resolution, of Turners shareholders not associated with Dorchester.

Other factors

- since the Offer was announced on 28 July 2014 Turners shares have traded at a VWAP of $3.11 per share and as at 24 September 2014 the Turners share price closed at $3.15 per share. At this price shareholders are likely to be better off accepting the cash offer from Dorchester and receiving the $0.15 per share dividend. There is a risk that Dorchester will not acquire significant acceptances to get to 50.01%. In Grant Samuel's opinion this is a relatively low risk given that Dorchester with its own shares and those of Bartel, subject to the lock up, controls 40.7%. Selling Turners shares at or around $3.15 per share on the sharemarket will attract brokerage which will reduce the amount received;
- the lock-up agreement with Bartel does not confer any additional benefits to Bartel than are available to all other Turners shareholders. Bartel has accepted the Dorchester Offer. It does not have the ability to accept alternative proposals or to retain its shareholding in Turners unless the Offer is unsuccessful;

- there is no need for shareholders to accept the Offer early. The closing date for the Offer is 17 October 2014. This date can be extended by Dorchester by giving no less than 14 days notice of such an extension. Not accepting the Dorchester Offer or holding out until near the time the Dorchester Offer closes may cause the Offer price to be increased. However, there is no certainty that the Offer price will be increased.

7.5 Other Advantages, Disadvantages and Risks

If the Dorchester Offer is successful, Turners shareholders that have elected to receive Dorchester shares as part consideration, will exchange some of their Turners shares for shares in Dorchester. In doing so, Turners shareholders will:

- realise their investment in Turners at a value that incorporates a premium for control, but the actual value received will only be determined when the Dorchester shares are issued. Some shareholders may not want to hold Dorchester shares and would have preferred to crystallise their investment in Turners in cash. There is no certainty that they will be able to realise the scrip received for an amount equivalent to the value attributed to the consideration (e.g. due to transaction costs and the risks associated with any stock market investment);
- incur no transaction costs (i.e brokerage) to acquire Dorchester shares; and
- the value of the share component of the consideration will vary with movements in the Dorchester share price. Accordingly, until the shares are issued under the Dorchester Offer, Turners shareholders that accept shares as consideration for the Dorchester Offer are exposed to movements in the Dorchester share price. The actual value received could ultimately exceed, or be less than, $3.00 per Turners share.

The decision to hold Dorchester shares is a decision independent of a decision to accept the Dorchester Offer. However, if Dorchester shares are retained, Turners shareholders will:

- retain economic interest in the Turners' assets, albeit on a diluted basis. The eventual interest of Turners shareholders in Dorchester will depend both on the ownership level outcome under the Dorchester Offer as well as shareholders elections as to the consideration alternatives;
- gain exposure to Dorchester, a financial services company involved in the provision of loan finance, insurance, debt recovery services and property management;
- be entitled to Dorchester distributions on a pari passu basis with Dorchester shareholders; and
- be exposed to integration risk and synergies. There may be unanticipated issues or costs that arise on integration.

The Dorchester Bonds provide an attractive rate of interest for two years after which time the Bonds can be converted into shares in Dorchester or redeemed for cash. The maximum price at which the shares can be converted is $0.30 (i.e. holders of the Bonds will receive a minimum of 3.33 Dorchester shares for every $1 Bond held). If the 30 day VWAP price to the conversion date is less than $0.30 then bondholders will receive a higher number of Dorchester Shares. The convertible aspect of the Dorchester Bonds provides holders with an option to secure Dorchester Shares at the end of the two years with a low risk of default by Dorchester in either repaying the Bonds or paying interest. For more conservative investors the lower number of shares (3.33 versus 4.00 under the share offer) could be more than offset by having the ability to acquire Dorchester shares in two years, which should give sufficient time for the integration of Turners and Dorchester to be successfully completed and for the sharemarket to reflect the expect increase in earnings in the share price.

7.6 An investment in Turners

In the absence of the Dorchester Offer or a similar offer, it is likely that Turners shares under current market conditions and its current ownership and operating structure would trade at prices below the value of the Dorchester Offer ($3.00 per share). As with any equity investment there are risks associated with the market in which Turners operates. The risks associated with an investment in Turners include:

- a decline in earnings due to an economic downturn. Turners financial performance is highly influenced by the New Zealand economy;

- an increase in competition, which results in a significant reduction in the supply and sale of used and damaged vehicles supplied from major customers such as the Government and Insurance companies;
- Turners not implementing an effective online model resulting in a loss of market share;
- Turners increasing investment in used car inventory may reduce the available capital for distribution, and therefore a reduction in dividends; and
- a change to regulations that impact Turners' operations. As a participant in the New Zealand Motor Vehicle Industry Turners must ensure compliance with a number of regulations (see Appendix A for an overview).

The benefits and opportunities associated with an investment in Turners include:

- an improvement in the financial performance due to the new strategic initiatives. Turners implemented a new strategy in 2013 and this is resulting in an improving financial performance. Turners has also invested in refreshing its brand, improving its retail experience by modifying its property portfolio and it has developed a multi-channel sales model. The full benefits of these initiatives have not yet been fully reflected in Turners' financial performance;
- Turners market position reducing the variability of its earnings. Turners is the largest direct seller of used vehicles in New Zealand and holds strong market positions in the segments it operates in; and
- the finance business is experiencing strong growth in earnings month on month and the arrangement with MTF ensures the growth can be managed without the need for any additional investment.

7.7 Acceptance or Rejection of the Dorchester Offer

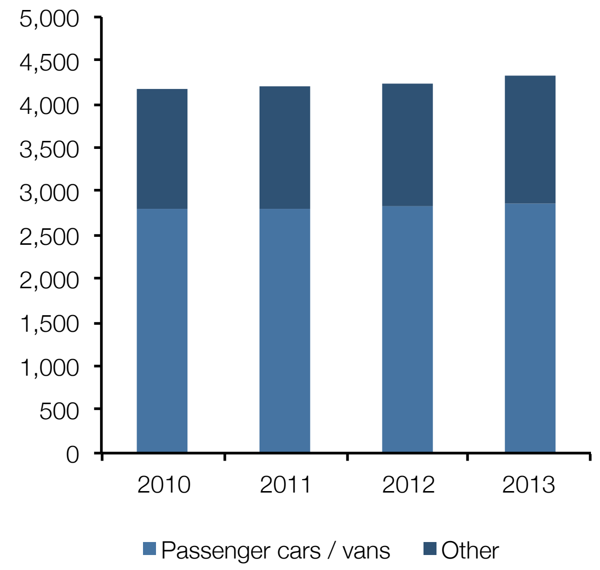
Acceptance or rejection of the Dorchester Offer is a matter for individual shareholders based on their own view as to value and future market conditions, risk profile, liquidity preference, portfolio strategy, tax position and other factors. In particular, taxation consequences will vary widely across shareholders. Shareholders will need to consider these consequences and, if appropriate, consult their own professional adviser(s).

GRANT SAMUEL & ASSOCIATES LIMITED
25 September 2014

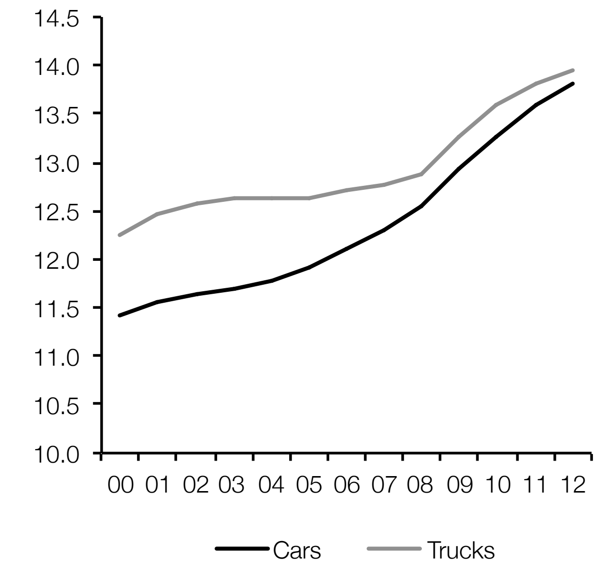
Appendix A - Overview of the Second Hand Motor Vehicle Industry

There are approximately 3.9 million licensed vehicles in New Zealand and over the last 3 years, on average, circa 50,000 vehicles have been added to the New Zealand Fleet per annum. The increase in the mean age of vehicles is a global trend and New Zealand's rate of increase is broadly consistent with other countries[16]. The increase in the Fleet's age has been caused by the development of better rust prevention techniques in the early 1990s, along with improved mechanical reliability.

New Zealand Vehicle Fleet Size (000)



Mean age of Fleet by Vehicle Type (Age)

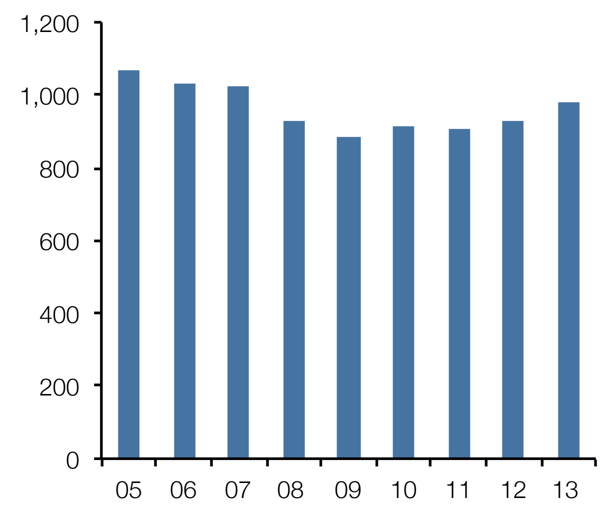


In the 1980s the Government lowered tariffs on imported vehicles, which made it cheaper to import assembled vehicles rather than assembling in New Zealand. In 1998, the last vehicle assembly plant in New Zealand closed.

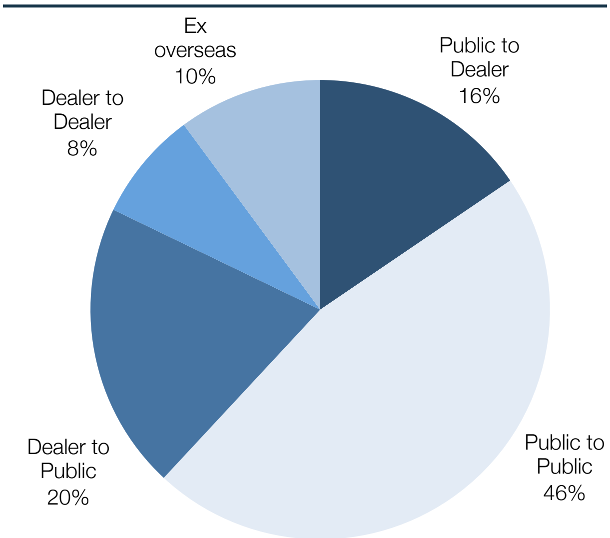
Overview of Used Vehicle Sector

The largest segment of the Motor Vehicle industry is the sale of used vehicles. Since the GFC the number of used vehicle transactions has increased year on year. This trend has continued into 2014 with year on year sales up by 5.8%. The Motor Vehicle industry is unique in that over half of used vehicle transactions are between the public (i.e. sold through friends or via advertising online or in publications) or from the public to dealers.

NZ Used Vehicle Market Transactions (000)



Used Vehicle Market Transactions by type (%)



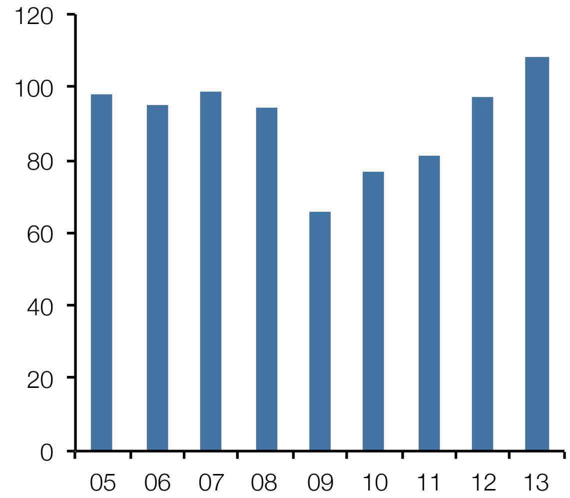
Source: NZTA

[16] Ministry of Transport – Ageing of light Vehicle Fleet 2011

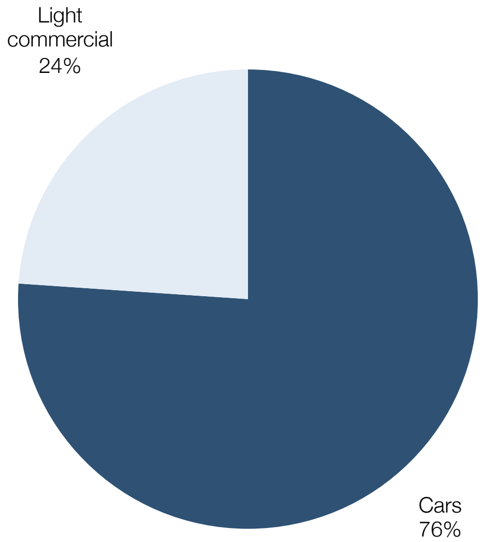
The majority of used vehicles imported to New Zealand are sourced from Japan (approximately 95%) and the number of unsold imports in New Zealand has recently increased as a result of a tax change in Japan and the strength of the New Zealand dollar, making it cheaper to import vehicles into New Zealand.

In line with the trend in the used vehicle sector, since the GFC the number of new vehicle sale has been increasing year on year. However, new vehicle sales achieved in 2013 exceeded the level of sales achieved in the years leading up to the GFC and this growth has continued into 2014 with year on year sales up 10%. The growth in used vehicles has been achieved despite an increase in competition amongst manufacturers post GFC as they compete for market share, a high New Zealand dollar, low interest rate environment allowing for attractive finance packages and an increase in economic confidence.

NZ New Vehicle Market Transactions (000)



Used Vehicle Market Transactions by Category (%)



Source: NZTA

Despite the aging of New Zealand's vehicle fleet the damaged vehicle market is also growing with year on year sales increasing by circa 5%. The main purchasers of damaged vehicles are dismantlers, wreckers and recyclers.

Regulation

Participants in the New Zealand Motor Vehicle Industry must ensure compliance with a number of regulations including:

- Consumer Information Standards (Used Motor Vehicles) Regulations 2008 which requires a properly completed Consumer Information Notice (**CIN**) to be attached to all used motor vehicles offered or displayed for sale by a used motor vehicle trader. The CIN provides sellers with a standard format by which buyers can obtain information about used vehicles in order to make better-informed purchasing decisions;
- Consumer Guarantees Act 1993 (**CGA 1993**). This provides protection for consumers and ensures the seller of the vehicle sells a vehicle that matches the dealer's description and any demonstration model shown and is fit for all the purposes vehicles of that type are commonly used for;
- Motor Vehicle Sales Act 2003 (**MVSA 2003**). This covers off the requirement to register as a motor vehicle trader, covers the various disclosure obligations and outlines the offences and enforcement (e.g. all motor vehicle dealers must be registered on the Motor Vehicle Traders Register or face a maximum fine of $50,000 for an individual or $200,000 for a company). The MVSA 2003 also covers the Motor Vehicle Disputes Tribunal which handles claims against registered motor vehicle traders;
- Fair Trading Act 1986, which amongst other things, provides protection against false adverting and misleading and deceptive behaviour; and

- Auctioneers Act 2013 which covers the requirement to register as an auctioneer and covers the various disclosure obligations and outlines the offences and enforcement.

Recently there have been reforms to consumer law in particular, and changes to the Auctioneers Act of 1928. The changes will provide greater protection for consumers. The changes will create a level playing field for onsite and online auctions, increase liabilities for the seller of vehicles (if they are in the business) and increase consumer protection for public buyers at auction.

Appendix B - Recent Transaction Evidence

A brief description of each of the transactions listed in Section 4 is outlined below:

Transactions involving Automotive Auctioneers:

OPENLANE, Inc. / ADESA, Inc.

In August 2011, ADESA, Inc. (**ADESA**) agreed to acquire OPENLANE, Inc. (**OPENLANE**), an online auction company for automotive dealers in North America, for US$210 million in cash. At the time of the acquisition, it was expected that OPENLANE would generate pro-forma adjusted EBITDA of approximately US$13 million in 2011, and pro-forma adjusted EBITDA of between US$20 million and US$25 million in 2012, reflecting the synergies that were expected to be realised upon the integration of OPENLANE into ADESA. The acquisition price implies a multiple of 16.2 times 2011 forecast EBITDA, and a multiple of 8.4 to 10.5 times adjusted pro-forma EBITDA.

KAR Auction Services, Inc. / Initial Public Offering

On November 30 2009, KAR Auction Services, Inc. (**KAR**) announced to the market that it planned to raise between US$345 million to US$391 million in an initial public offering (**IPO**), with the funds being used to repay the company's senior debt notes. The book build set a price of US$12 per share, which was well below the indicative price range of US$15 to US$17 per share. KAR was formed prior to the IPO through the merger of ADESA and Insurance Auction Auctions Inc. (**IAAI**). At the time of listing, KAR was the second largest automotive auctioneer in the North American market.

ADESA, Inc. / Private Equity Consortium

In December 2006, a consortium of private equity investors comprising Kelso & Company, Goldman Sachs, Value Act Capital and Parthenon Capital entered into an agreement to acquire ADESA for approximately US$2.5 billion. ADESA provides wholesale vehicle auctions and financing services in North America. At the time of the transaction, ADESA's operations comprised 54 used vehicle auction sites, 42 impact salvage auction sites and 85 loan production offices. ADESA was subsequently merged with IAAI in 2009 before the combined businesses undertook an IPO as KAR Auction Services.

Insurance Auto Auctions, Inc. /Private Equity Consortium

In February 2005, a consortium of private equity investors comprising Kelso & Company and Parthenon Capital, and the management team of IAAI announced that they had reached an agreement to acquire the company for approximately US$360 million. IAAI provides on-site and on-line vehicle auction services in North America. IAAI was subsequently merged with ADESA in 2009 before the combined businesses undertook an IPO as KAR Auction Services.

Transactions involving Australasian Automotive Parts Businesses:

Burson Group Limited / Initial Public Offering

In March 2014, Burson Group Limited (**Burson**) announced plans to undertake an IPO, raising approximately A$220 million, with proceeds used to reduce Quadrant Private Equity's shareholding in the company to 19.99%. In May 2014, shares commenced trading on the Australian Stock Exchange at an offer price of A$1.82 per share. Burson is an automotive parts distributor in Australia with a network of approximately 120 stores and 1,200 employees.

Exego Group Limited / Genuine Parts Company

In March 2013, Genuine Parts Company (**Genuine Parts**) agreed to acquire the remaining 70% shareholding in Exego Group Limited (**Exego Group**) from Unitas Capital for approximately US$810 million. Exego Group supplies automotive products through a network of stores in Australia and New Zealand under the Repco brand name. Genuine Parts distributes automotive and industrial replacement parts, office products and electronic products primarily in North America and Central America.

Burson Group Limited / Quadrant Private Equity

In September 2011, Quadrant Private Equity (**Quadrant**) agreed to acquire a 75% shareholding in Burson from the founder of the business, Gary Johnson, for approximately A$150 million. It was reported that Quadrant paid an enterprise multiple equivalent to approximately 7.0 times Burson's historical EBITDA. Burson, an automotive parts distributor in Australia, had approximately 92 stores at the time of the acquisition. Burson later undertook an IPO in May 2014, at which time the company's store network had grown to 120 stores.

Repco Corporation Limited / CCMP Capital Asia

In December 2006, private equity fund, CCMP Capital Asia (now known as Unitas Capital), made a tender offer to acquire Repco Corporation Limited (**Repco**) for approximately A$340 million in cash. Repco supplies automotive products through a network of stores in Australia and New Zealand under the Repco brand name. Repco was subsequently sold to Genuine Parts Company in 2013 as part of the Exego Group.

Transactions involving Australasian Automotive Dealerships:

The Bradstreet Motor Group / Automotive Holdings Group Limited

In March 2014, Automotive Holdings Group Limited (**AHG**) agreed to acquire the assets of the Bradstreet Motor Group (**Bradstreet**) for A$68 million in cash. Bradstreet operates as an automotive dealer in Australia. For the financial year ending 31 December 2013, Bradstreet generated EBITDA and EBIT of A$16.5 million and A$15.7 million respectively. The transaction price implied multiples of historical EBITDA and EBIT of 4.1 and 4.3 times respectively.

Automotive Holdings Group Limited / AP Eagers Limited

In July 2012, AP Eagers Limited (**AP Eagers**) acquired a 16.38% stake in AHG for approximately A$130 million. AHG is engaged in automotive retail and logistics businesses in Australia and New Zealand, with approximately 151 dealership franchise sites. AP Eagers owns and operates vehicle dealerships in Australia. Both AHG and AP Eagers are listed on the Australian Stock Exchange.

Adtrans Group Limited / AP Eagers Limited

In August 2010, AP Eagers acquired the remaining 72.1% stake in Adtrans Group Limited (**Adtrans**) for A$72.8 million in cash and shares. Adtrans operates franchised vehicle dealerships in Australia. AP Eagers also operates vehicle dealerships in Australia.

Transactions involving Other Australasian Automotive Businesses:

MotorWeb Services / Trade ME Group Limited

In December 2013, Trade Me Group Limited (**Trade ME**) entered into an agreement to acquire MotorWeb Services Limited (**MotorWeb**) for NZ$19.5 million in cash. MotorWeb provides online vehicle history checks to the motor industry and general public in New Zealand. MotorWeb recorded EBITDA of NZ$3.7 million for the year ended 31 March 2013.

Autobase Limited / Trade ME Group Limited

In April 2012, Trade ME acquired the remaining 74.6% stake in Autobase Limited (**Autobase**) for NZ$11.4 million. Autobase offers online services to motor vehicle dealers and classified dealers listings in New Zealand. For the period ending 31 March 2012, Autobase reported EBIT of NZ$3.2 million.

Appendix C - Comparable Listed Companies - Fleet & Auction

A brief description of each of the automotive companies listed in Section 4 is outlined below:

Automotive Auctioneers (Global):

Copart, Inc.

Copart, Inc. (**Copart**) provides online auctions and vehicle remarketing services in North America, the United Kingdom and Europe. The company offers a range of services for processing and selling vehicles over the Internet. Its customers are primarily financial institutions (banks and insurance companies), charities, car dealerships, fleet operators, and vehicle rental companies. The company sells its products to licensed vehicle dismantlers, rebuilders, repair licensees, used vehicle dealers, and exporters, as well as to general public. For the 12 months ending 31 July 2013, Copart generated revenue of approximately US$1.05 billion and generated EBITDA of approximately US$335 million.

KAR Auction Services, Inc.

KAR Auction Services, Inc. (**KAR**) provides vehicle auction services in North America. It operates in three segments: ADESA Auctions, IAA, and AFC. The ADESA Auctions segment offers whole car auctions and related services to the vehicle remarketing industry through online auctions and auction facilities. This segment also provides value-added services, such as transportation, reconditioning, inspection, title and repossession administration and remarketing, and analytical services. The IAA segment offers salvage vehicle auctions and related services that facilitate the remarketing of damaged vehicles. This segment also provides inbound transportation logistics, inspection, evaluation, salvage recovery, and settlement administrative services. The AFC segment offers short-term secured financing to independent used vehicle dealers. As of December 31, 2013, the company had a network of 65 auction locations and 164 salvage auction locations, as well as serviced auctions through 105 locations.

Ritchie Bros. Auctioneers Incorporated

Ritchie Bros. Auctioneers Incorporated (**Ritchie Bros**.) sells industrial equipment and other assets for the construction, agricultural, transportation, energy, mining, forestry, material handling, marine and real estate industries through its unreserved auctions and online marketplaces. The company operates two segments, ‘Core Auction’ and ‘EquipmentOne’. The Core Auction segment operates a network of auction locations that conduct live and unreserved auctions with both on-site and online bidding. The EquipmentOne segment operates a secure online marketplace that facilitates private equipment transactions. It operates from approximately 110 locations in 25 countries, including 44 auction sites.

Australasian Automotive Businesses:

AMA Group Limited

AMA Group Limited (**AMA Group**) is a wholesaler of automotive aftercare products and accessories in Australia. The company manufactures and distributes motor vehicle protective bars; repairs motor vehicle panels, distributes motor vehicle electrical and cable accessories, and remanufactures and repairs motor vehicle components, such as brake and clutch parts, as well as provides motor vehicle transmission repair services. It is also involved in the provision of vehicle frontal protection systems, including bullbars and nudge bars. AMA Group employs approximately 400 people.

AP Eagers Limited

A.P. Eagers Limited (**AP Eagers**) is an Australian automotive retail group. The company has a diversified portfolio of automotive brands, including Australia’s 12 top selling car brands and eight of Australia’s top nine luxury car brands. In total AP Eagers represents 27 car brands and 10 truck (and bus) brands. The company’s core business consists of the ownership and operation of motor vehicle dealerships. To complement its dealerships, AP Eagers also operates a motor vehicle auction business, Brisbane Motor Auctions. Operations are generally provided through strategically clustered dealerships, 65% of which are situated on properties owned by AP Eagers, with the balance being leased. The Company employs 3,100 people and generates revenue of approximately A$2.7 billion p.a.

Automotive Holdings Group Limited

Automotive Holdings Group Limited (**Automotive Holdings**) is a diversified automotive retailing and logistics group with operations in Australia and New Zealand. Automotive Holdings has more than 150 car and truck dealerships throughout Australia under the '*Zupps*' brand name, and the company represents 12 of the 13 most popular passenger vehicle brands in Australia. The company also sells new and used vehicles, replacement parts, and provides vehicle services, as well as finance and insurance products. The company is also engaged in the warehousing and wholesale distribution of automotive parts, the import and distribution of motorcycles, and the distribution of industrial and mining parts and accessories. In addition, it provides refrigerated transport and cold storage services, vehicle storage and engineering services, and body building services to the truck industry. The Group employs approximately 5,000 people and generates revenue of approximately A$4.7 billion p.a.

Burson Group Limited

Burson Group Limited (**Burson Group**) distributes automotive aftermarket parts for passenger and light commercial vehicles in Australia. It provides oil and air filters, brake pads, oils and lubricants, fan belts, water pumps, electrical parts and accessories, and engine parts. The company primarily services workshops, which include independent and chain mechanic workshops and other automotive specialists. As at September 2014, Burson Group had a network of 120 stores throughout Australia.

The Colonial Motor Company Limited

The Colonial Motor Company Limited (**Colonial Motors**) owns and operates franchised motor vehicle dealerships in New Zealand. The company is involved in the distribution and retail of heavy-duty trucks, as well as the retail of tractors and equipment. As at September 2014, Colonial Motors has 13 vehicle dealerships throughout New Zealand, employing approximately 760 people.

Appendix D - Comparable Listed Companies - Finance

A brief description of each of the finance companies listed in Section 4 is outlined below:

Australia & New Zealand Banking Group Limited

Australia & New Zealand Banking Group Limited (**ANZ**) provides various banking and financial products and services to retail, small business, corporate, and institutional customers across 32 countries primarily Australia, New Zealand, and the Asia Pacific region. Its retail products include housing finance, consumer credit cards, motor vehicle and equipment finance, personal loans, overdrafts, transaction banking and savings products. The company also offers investment products, commercial banking services, and various insurance products.

Bank of Queensland Limited

Bank of Queensland Limited (**Bank of Queensland**) provides banking, finance, and insurance services in Australia. The company offers savings and investment accounts, credit cards, personal loans, home loans, insurance products, business loans, and equipment finance. As of 10 September 2014, Bank of Queensland operates more than 250 branches across Australia.

Bendigo and Adelaide Bank Limited

Bendigo and Adelaide Bank Limited (**Bendigo and Adelaide Bank**) provides various banking and financial services in Australia. It offers personal banking services, home and personal loans, credit cards, consumer car lease, funds management products, financial planning, insurance products, business banking products and services, and equipment finance. Bendigo and Adelaide Bank operates through approximately 500 company owned and community bank branches, 105 customer service agencies and 2,600 ATM's.

Commonwealth Bank of Australia

Commonwealth Bank of Australia provides various banking and financial products and services in Australia, New Zealand, the Asia Pacific, the United Kingdom, and the United States. It offers a range of personal banking products and services, credit cards, personal and home loans, financial planning services, insurance products, business banking products, and equipment, car, technology, and medical equipment finance. CBA operates approximately 1,100 branches and 3,700 Australia Post agencies.

FlexiGroup Limited

FlexiGroup Limited (**FlexiGroup**) provides lease and rental financing services for office, technology, and related equipment in Australia, New Zealand, and Ireland. It offers interest-free loans and cheque guarantee services, consumer and commercial leases and loans, mobile broadband products and plans, vendor leasing programs, payment processing services, and credit card and interest free financing services. It serves a range of industries, including home improvement, solar energy, fitness, IT, electrical appliance, navigation systems, trade equipment, and point of sale systems. The company operates a network of 12,000 merchant, vendor, and retail partners.

Heartland New Zealand Limited

Heartland New Zealand Limited (**Heartland**) provides financial services to small-to-medium sized businesses, farmers, and individuals. It offers term deposits, asset finance products (including term loans, revolving credit, finance lease, operating lease), importing letters of credit, business overdraft, and invoice finance. The company also provides capital and trading livestock, and working capital and seasonal finance, home and vehicle loans, and insurance products. Heartland operates a network of approximately 40 branches and offices in New Zealand.

MyState Limited

MyState Limited (**MyState**) provides a range of banking, trustee, and wealth management products and services primarily in Tasmania and Queensland, Australia. It offers lending products, such as home loans, term deposits, overdrafts, lines of credit, commercial products, and insurance. In addition, MyState offers trustee services consisting of estate planning, estate and trust administration, power of attorney, corporate and custodial trustee services, and wealth management solutions.

National Australia Bank Limited

National Australia Bank Limited (**National Australia Bank**) provides various banking and financial products and services. Its products include savings products, home loans, personal loans, car loans, debt consolidation loans, personal overdrafts, as well as business overdrafts, invoice finance, debtor finance, import and export finance, domestic trade finance, asset finance, agribusiness finance, and business loans. National Australia Bank also provides insurance products, online trading, financial advisory, and credit cards. It operates approximately 1,750 branches and service centres. The company has operations primarily in Australia, New Zealand, Asia, the United Kingdom, and the United States.

Westpac Banking Corporation

Westpac Banking Corporation (**Westpac**) provides various banking and financial services such as overdrafts, home loans, credit cards, leasing receivables, bill financing, term deposits, insurance, money market services, trade finance, automotive and equipment finance, property finance, agribusiness finance, transaction banking, and treasury services. It also offers investment, superannuation, and retirement products, investment platforms, financial planning services and insurance. Westpac operates approximately 1,500 branches primarily in Australia, New Zealand, and the Pacific Islands.

Wide Bay Australia Limited

Wide Bay Australia Limited (**Wide Bay**) provides various banking and financial services in Queensland, New South Wales, Victoria, and South Australia in Australia. The company primarily engages in raising funds and providing finance for housing. It provides loans, savings and investments, insurance, foreign exchange, and banking services. The company offers various personal and business products and services including home loans, lines of credit, car loans, credit cards, term deposits, savings and investment products, financial planning services, insurance, and foreign exchange services. Wide Bay provides its services through a network of 40 branches and agencies located in Queensland, as well as interstate branches in Sydney and Melbourne, and a lending outlet in Adelaide.

Appendix E – Valuation Methodology Descriptions

1. Capitalisation of Earnings

Capitalisation of earnings or cash flows is most appropriate for businesses with a substantial operating history and a consistent earnings trend that is sufficiently stable to be indicative of ongoing earnings potential. This methodology is not particularly suitable for start-up businesses, businesses with an erratic earnings pattern or businesses that have unusual expenditure requirements. This methodology involves capitalising the earnings or cash flows of a business at a multiple that reflects the risks of the business and the stream of income that it generates. These multiples can be applied to a number of different earnings or cash flow measures including EBITDA, EBITA, EBIT or net profit after tax. These are referred to respectively as EBITDA multiples, EBITA multiples, EBIT multiples and price earnings multiples. Price earnings multiples are commonly used in the context of the share market. EBITDA, EBITA and EBIT multiples are more commonly used in valuing whole businesses for acquisition purposes where gearing is in the control of the acquirer.

Where an ongoing business with relatively stable and predictable earnings is being valued Grant Samuel uses capitalised earnings or operating cash flows as a primary reference point. Application of this valuation methodology involves:

- estimation of earnings or cash flow levels that a purchaser would utilise for valuation purposes having regard to historical and forecast operating results, non-recurring items of income and expenditure and known factors likely to impact on operating performance; and
- consideration of an appropriate capitalisation multiple having regard to the market rating of comparable businesses, the extent and nature of competition, the time period of earnings used, the quality of earnings, growth prospects and relative business risk.

The choice between the parameters is usually not critical and should give a similar result. All are commonly used in the valuation of industrial businesses. EBITDA can be preferable if depreciation or non-cash charges distort earnings or make comparisons between companies difficult but care needs to be exercised to ensure that proper account is taken of factors such as the level of capital expenditure needed for the business and whether or not any amortisation costs also relate to ongoing cash costs. EBITA avoids the distortions of goodwill amortisation. EBIT can better adjust for differences in relative capital intensity.

Determination of the appropriate earnings multiple is usually the most judgemental element of a valuation. Definitive or even indicative offers for a particular asset or business can provide the most reliable support for selection of an appropriate earnings multiple. In the absence of meaningful offers, it is necessary to infer the appropriate multiple from other evidence.

The usual approach is to determine the multiple that other buyers have been prepared to pay for similar businesses in the recent past. However, each transaction will be the product of a unique combination of factors. A pattern may emerge from transactions involving similar businesses with sales typically taking place at prices corresponding to earnings multiples within a particular range. This range will generally reflect the growth prospects and risks of those businesses. Mature, low growth businesses will, in the absence of other factors, attract lower multiples than those businesses with potential for significant growth in earnings.

An alternative approach used in valuing businesses is to review the multiples at which shares in listed companies in the same industry sector trade on the share market. This gives an indication of the price levels at which portfolio investors are prepared to invest in these businesses. Share prices reflect trades in small parcels of shares (portfolio interests) rather than whole companies and it is necessary to adjust for this factor.

The analysis of comparable transactions and share market prices for comparable companies will not always lead to an obvious conclusion as to which multiple or range of multiples will apply. There will often be a wide spread of multiples and the application of judgement becomes critical. Moreover, it is necessary to consider the particular attributes of the business being valued and decide whether it warrants a higher or lower multiple than the comparable companies. This assessment is essentially a judgement.

2. Discounted Cash Flow

Discounting of projected cash flows has a strong theoretical basis. It is the most commonly used method for valuation in a number of industries, and for the valuation of start-up projects where earnings during the first few years can be negative. DCF valuations involve calculating the net present value of projected cash flows. This methodology is able to explicitly capture the effect of a turnaround in the business, the ramp up to maturity or significant changes expected in capital expenditure patterns. The cash flows are discounted using a discount rate, which reflects the risk associated with the cash flow stream. Considerable judgement is required in estimating future cash flows and it is generally necessary to place great reliance on medium to long-term projections prepared by management. The discount rate is also not an observable number and must be inferred from other data (usually only historical). None of this data is particularly reliable so estimates of the discount rate by necessity involve a substantial element of judgment. In addition, even where cash flow forecasts are available the terminal or continuing value is usually a high proportion of value. Accordingly, the multiple used in assessing this terminal value becomes the critical determinant in the valuation (i.e. it is a "de facto" cash flow capitalisation valuation). The net present value is typically extremely sensitive to relatively small changes in underlying assumptions, few of which are capable of being predicted with accuracy, particularly beyond the first two or three years. The arbitrary assumptions that need to be made and the width of any value range mean the results are often not meaningful or reliable. Notwithstanding these limitations, DCF valuations are commonly used and can at least play a role in providing a check on alternative methodologies, not least because explicit and relatively detailed assumptions need to be made as to the expected future performance of the business operations.

3. Realisation of Assets

Valuations based on an estimate of the aggregate proceeds from an orderly realisation of assets are commonly applied to businesses that are not going concerns. They effectively reflect liquidation values and typically attribute no value to any goodwill associated with ongoing trading. Such an approach is not appropriate in Turners' case.

4. Industry Rules of Thumb

Industry rules of thumb are commonly used in some industries. These are generally used by a valuer as a "cross check" of the result determined by a capitalised earnings valuation or by discounting cash flows, but in some industries rules of thumb can be the primary basis on which buyers determine prices. Grant Samuel is not aware of any commonly used rules of thumb that would be appropriate to value Turners. In any event, it should be recognised that rules of thumb are usually relatively crude and prone to misinterpretation.

Appendix F – Interpretation of Multiples

Earnings multiples are normally benchmarked against two primary sets of reference points:

- the multiples implied by the share prices of listed peer group companies; and
- the multiples implied by the prices paid in acquisitions of other companies in the same industry.

In interpreting and evaluating such data it is necessary to recognise that:

- multiples based on listed company share prices do not include a premium for control and are therefore often (but not always) less than multiples that would apply to acquisitions of controlling interests in similar companies. However, while the premium paid to obtain control in takeovers is observable (typically in the range 20-35%) it is inappropriate to simply add a premium to listed multiples. The premium for control is an outcome of the valuation process, not a determinant of value. Premiums are paid for reasons that vary from case to case and may be substantial due to synergy or other benefits available to the acquirer. In other situations premiums may be minimal or even zero. There are transactions where no corporate buyer is prepared to pay a price in excess of the prices paid by share market investors;
- acquisition multiples from comparable transactions are therefore usually seen as a better guide when valuing 100% of a business but the data tends to be less transparent and information on forecast earnings is often unavailable;
- the analysis will give a range of outcomes from which averages or medians can be determined but it is not appropriate to simply apply such measures to the company being valued. The most important part of valuation is to evaluate the attributes of the specific company being valued and to distinguish it from its peers so as to form a judgement as to where on the spectrum it belongs;
- acquisition multiples are a product of the economic and other circumstances at the time of the transaction. However, each transaction will be the product of a unique combination of factors, including:
  - economic factors (e.g. economic growth, inflation, interest rates) affecting the markets in which the company operates;
  - strategic attractions of the business – its particular strengths and weaknesses, market position of the business, strength of competition and barriers to entry;
  - the company's own performance and growth trajectory;
  - rationalisation or synergy benefits available to the acquirer;
  - the structural and regulatory framework;
  - investment and share market conditions at the time, and
  - the number of competing buyers for a business;
- acquisitions and listed companies in different countries can be analysed for comparative purposes, but it is necessary to give consideration to differences in overall share market levels and rating between countries, economic factors (economic growth, inflation, interest rates), market structure (competition etc) and the regulatory framework. It is not appropriate to adjust multiples in a mechanistic way for differences in interest rates or share market levels;
- acquisition multiples are based on the target's earnings but the price paid normally reflects the fact that there were cost reduction opportunities or synergies available to the acquirer (at least if the acquirer is a "trade buyer" with existing businesses in the same or a related industry). If the target's earnings were adjusted for these cost reductions and/or synergies the effective multiple paid by the acquirer would be lower than that calculated on the target's earnings;
- while EBITDA multiples are commonly used benchmarks they are an incomplete measure of cash flow. The appropriate multiple is affected by, among other things, the level of capital expenditure (and working capital investment) relative to EBITDA. In this respect:

- EBIT multiples can in some circumstances be a better guide because (assuming depreciation is a reasonable proxy for capital expenditure) they effectively adjust for relative capital intensity and present a better approximation of free cash flow. However, capital expenditure is lumpy and depreciation expense may not be a reliable guide. In addition, there can be differences between companies in the basis of calculation of depreciation; and
- businesses that generate higher EBITDA margins than their peer group companies will, all other things being equal, warrant higher EBITDA multiples because free cash flow will, in relative terms, be higher (as capital expenditure is a smaller proportion of earnings).

Appendix G – Qualifications, Declarations and Consents

1. Qualifications

The Grant Samuel group of companies provides corporate advisory services in relation to mergers and acquisitions, capital raisings, corporate restructuring and financial matters generally. One of the primary activities of Grant Samuel is the preparation of corporate and business valuations and the provision of independent advice and expert's reports in connection with mergers and acquisitions, takeovers and capital reconstructions. Since inception in 1988, Grant Samuel and its related companies have prepared more than 400 public expert and appraisal reports.

The persons responsible for preparing this report on behalf of Grant Samuel are Michael Lorimer, BCA, Simon Cotter, BCom, MAppFin, F Fin, Christopher Smith, BCom, PGDipFin, MAppFin, and Jake Sheehan, BCom (Hons). Each has a significant number of years of experience in relevant corporate advisory matters.

2. Limitations and Reliance on Information

Grant Samuel's opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time. The report is based upon financial and other information provided by the directors, management and advisers of Turners. Grant Samuel has considered and relied upon this information. Grant Samuel believes that the information provided was reliable, complete and not misleading and has no reason to believe that any material facts have been withheld.

The information provided has been evaluated through analysis, enquiry, and review for the purposes of forming an opinion as to the underlying value of Turners. However in such assignments time is limited and Grant Samuel does not warrant that these inquiries have identified or verified all of the matters which an audit, extensive examination or "due diligence" investigation might disclose.

The time constraints imposed by the Takeovers Code are tight. This timeframe restricts the ability to undertake a detailed investigation of Turners. In any event, an analysis of the merits of the offer is in the nature of an overall opinion rather than an audit or detailed investigation. Grant Samuel has not undertaken a due diligence investigation of Turners. In addition, preparation of this report does not imply that Grant Samuel has audited in any way the management accounts or other records of Turners. It is understood that, where appropriate, the accounting information provided to Grant Samuel was prepared in accordance with generally accepted accounting practice and in a manner consistent with methods of accounting used in previous years.

An important part of the information base used in forming an opinion of the kind expressed in this report is the opinions and judgement of the management of the relevant enterprise. That information was also evaluated through analysis, enquiry and review to the extent practicable. However, it must be recognised that such information is not always capable of external verification or validation.

The information provided to Grant Samuel included projections of future revenues, expenditures, profits and cash flows of Turners prepared by the management of Turners. Grant Samuel has used these projections for the purpose of its analysis. Grant Samuel has assumed that these projections were prepared accurately, fairly and honestly based on information available to management at the time and within the practical constraints and limitations of such projections. It is assumed that the projections do not reflect any material bias, either positive or negative. Grant Samuel has no reason to believe otherwise.

However, Grant Samuel in no way guarantees or otherwise warrants the achievability of the projections of future profits and cash flows for Turners. Projections are inherently uncertain. Projections are predictions of future events that cannot be assured and are necessarily based on assumptions, many of which are beyond the control of management. The actual future results may be significantly more or less favourable.

To the extent that there are legal issues relating to assets, properties, or business interests or issues relating to compliance with applicable laws, regulations, and policies, Grant Samuel assumes no responsibility and offers no legal opinion or interpretation on any issue. In forming its opinion, Grant Samuel has assumed, except as specifically advised to it, that:

- the title to all such assets, properties, or business interests purportedly owned by Turners is good and marketable in all material respects, and there are no material adverse interests, encumbrances, engineering, environmental, zoning, planning or related issues associated with these interests, and that the subject assets, properties, or business interests are free and clear of any and all material liens, encumbrances or encroachments;
- there is compliance in all material respects with all applicable national and local regulations and laws, as well as the policies of all applicable regulators other than as publicly disclosed, and that all required licences, rights, consents, or legislative or administrative authorities from any government, private entity, regulatory agency or organisation have been or can be obtained or renewed for the operation of the business of Turners, other than as publicly disclosed;
- various contracts in place and their respective contractual terms will continue and will not be materially and adversely influenced by potential changes in control; and
- there are no material legal proceedings regarding the business, assets or affairs of Turners, other than as publicly disclosed.

3. Disclaimers

It is not intended that this report should be used or relied upon for any purpose other than as an expression of Grant Samuel's opinion as to the merits of the Dorchester Offer. Grant Samuel expressly disclaims any liability to any Turners security holder who relies or purports to rely on the report for any other purpose and to any other party who relies or purports to rely on the report for any purpose whatsoever.

This report has been prepared by Grant Samuel with care and diligence and the statements and opinions given by Grant Samuel in this report are given in good faith and in the belief on reasonable grounds that such statements and opinions are correct and not misleading. However, no responsibility is accepted by Grant Samuel or any of its officers or employees for errors or omissions however arising in the preparation of this report, provided that this shall not absolve Grant Samuel from liability arising from an opinion expressed recklessly or in bad faith.

Grant Samuel has had no involvement in the preparation of the Target Company Statement issued by Turners and has not verified or approved any of the contents of the Target Company Statement. Grant Samuel does not accept any responsibility for the contents of the Target Company Statement (except for this report).

4. Independence

Grant Samuel and its related entities do not have any shareholding in or other relationship or conflict of interest with Turners or Dorchester that could affect its ability to provide an unbiased opinion in relation to the Dorchester Offer. Grant Samuel had no part in the formulation of the Dorchester Offer. Its only role has been the preparation of this report. Grant Samuel will receive a fixed fee for the preparation of this report. This fee is not contingent on the outcome of the Dorchester Offer. Grant Samuel will receive no other benefit for the preparation of this report. Grant Samuel considers itself to be independent for the purposes of the Takeovers Code.

5. Information

Grant Samuel has obtained all the information that it believes is desirable for the purposes of preparing this report, including all relevant information which is or should have been known to any Director of Turners and made available to the Directors. Grant Samuel confirms that in its opinion the information provided by Turners and contained within this report is sufficient to enable Turners' security holders to understand all relevant factors and make an informed decision in respect of the Dorchester Offer. The following information was used and relied upon in preparing this report:

5.1 Publicly Available Information

- Turners Annual Reports for the years ended 31 December 2009 – 2013;
- Dorchester Annual Reports for the years ended 31 March 2010 – 2014;
- Turners and Dorchester company announcements relating to the takeover offer;
- Turners market presentations for the years ended 31 December 2009 – 2013;
- Various brokers reports on automotive and specialist retail businesses;
- NZTA New Zealand Motor Vehicle Statistics 2013;
- Market commentary and New Zealand Regulations relating to the motor vehicle industry;
- S&P Capital IQ; and
- NZX Company Research.

5.2 Non Public Information

- Turners' forecast for the year ending 31 December 2014;
- Dorchester's budget for the year ending 31 March 2015;
- Turners' FY14 Business Plan Update dated December 2013;
- Turners' FY15 and FY16 financial projections;
- Interviews and meetings with Turners' management and directors; and
- Turners' Board Papers from the past 12 months.

6. Declarations

Turners has agreed that it will indemnify Grant Samuel and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of the report. This indemnity will not apply in respect of the proportion of any liability found by a Court to be primarily caused by any conduct involving gross negligence or wilful misconduct by Grant Samuel. Turners has also agreed to indemnify Grant Samuel and its employees and officers for time spent and reasonable legal costs and expenses incurred in relation to any inquiry or proceeding initiated by any person. Where Grant Samuel or its employees and officers are found to have been grossly negligent or engaged in wilful misconduct Grant Samuel shall bear the proportion of such costs caused by its action. Any claims by Turners are limited to an amount equal to the fees paid to Grant Samuel.

Advance drafts of this report were provided to the directors and executive management of Turners. Certain changes were made to the drafting of the report as a result of the circulation of the draft report. There was no alteration to the methodology, evaluation or conclusions as a result of issuing the drafts.

7. Consents

Grant Samuel consents to the issuing of this report in the form and context in which it is to be included in the Target Company Statement to be sent to security holders of Turners. Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Grant Samuel as to the form and context in which it appears.