

19 September 2014

The Directors
Turners Group NZ Limited
1st Floor, Turners Auctions Building
Cnr Penrose & Leonard Roads
Penrose
Auckland

Dorchester

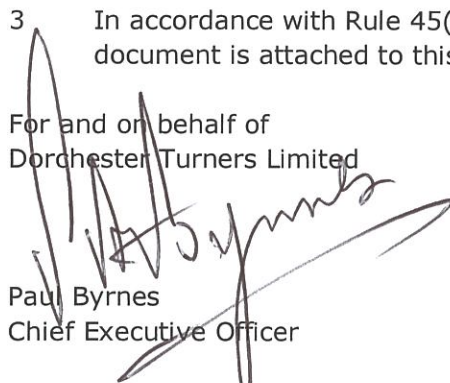
Loans | Insurance | Debt Recovery

Level 8, 34 Shortland Street, Auckland
PO Box 1232, Auckland 1140
New Zealand
Ph: +64 9 300 4800
Fax: +64 9 300 4801
E-mail: info@dorchester.co.nz
www.dorchester.co.nz

NOTICE OF DESPATCH OF OFFER DOCUMENT

- 1 On 26 August 2014, Dorchester Turners Limited (the *Offeror*) gave Turners Group NZ Limited (the *Target Company*) notice pursuant to Rule 41 of the Takeovers Code of a takeover offer in relation to the Target Company (the *Offer*).
- 2 The Offeror hereby gives notice pursuant to Rule 45(1)(a)(i) of the Takeovers Code that the offer document has been sent to all persons shown as the holders of securities in the Target Company as at 15 September 2014.
- 3 In accordance with Rule 45(1)(a)(ii) of the Takeovers Code, a copy of the offer document is attached to this notice.

For and on behalf of
Dorchester Turners Limited



Paul Byrnes
Chief Executive Officer

cc: The Takeovers Panel
Level 3, Solnet House
70 The Terrace
Wellington 6011
By email: takeovers.panel@takeovers.govt.nz

cc: NZX Limited
Level 1, NZX Centre
11 Cable Street
Wellington 6011
By email: announce@nzx.com

cc: Companies Office
Level 18, ASB Bank Centre
135 Albert Street
Auckland

FULL TAKEOVER OFFER

BY DORCHESTER TURNERS LIMITED

(a wholly-owned subsidiary of Dorchester Pacific Limited)

TO PURCHASE ALL THE ORDINARY SHARES
IN TURNERS GROUP NZ LIMITED

IMPORTANT

If you are in any doubt as to any aspect of this offer, you should consult your financial or legal adviser.

If you have sold all your shares in Turners Group NZ Limited to which this offer applies, you should immediately hand this offer document and the accompanying acceptance form to the purchaser or to the agent (e.g. the broker) through whom the sale was made, to be passed to the purchaser.

Turners Group NZ Limited's target company statement, together with an independent adviser's report on the merits of this offer, either accompanies this offer or will be sent to you within 14 days and should be read in conjunction with this offer.

In addition to the \$3.00 per share Turners shareholders will be entitled to receive:

- an interim dividend of 7.5 cents per share fully imputed payable 25 September 2014
- a special dividend of 15 cents per share with imputation credits attached (to the extent available), before the offer becomes unconditional.

This offer opens on 18 September 2014 and closes on 17 October 2014

Dorchester
Finance

DPL
Insurance

Mainstream
INSURANCE

EC Credit Control
TERMS OF TRADE - DEBT RECOVERY - CREDIT MANAGEMENT

Oxford
FINANCE

FULL TAKEOVER OFFER

BY

DORCHESTER TURNERS LIMITED

(a wholly-owned subsidiary of DORCHESTER PACIFIC LIMITED)

TO PURCHASE ALL THE ORDINARY SHARES IN

TURNERS GROUP NZ LIMITED

AT THREE DOLLARS (\$3.00) PER SHARE

MADE PURSUANT TO THE TAKEOVERS CODE

In addition, Turners shareholders will be entitled to receive:

- an **interim dividend of 7.5 cents per share** fully imputed payable 25 September 2014
- a **special dividend of 15 cents per share** with imputation credits attached (to the extent available), before the offer becomes unconditional.

Offer opens: 18 September 2014

Offer closes: 17 October 2014

IMPORTANT

If you are in any doubt as to any aspect of this offer, you should consult your financial or legal adviser.

If you have sold all your shares in Turners Group NZ Limited to which this offer applies, you should immediately hand this offer document and the accompanying acceptance form to the purchaser or to the agent (e.g. the broker) through whom the sale was made, to be passed to the purchaser.

Turners Group NZ Limited's target company statement, together with an independent adviser's report on the merits of this offer, either accompanies this offer or will be sent to you within 14 days and should be read in conjunction with this offer.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION

Dated 18 September 2014

SUMMARY OF THE OFFER

Dorchester Turners Limited (the *Offeror*) is offering to acquire all the ordinary shares (the *Shares*) in Turners Group NZ Limited (*Turners*) that it does not already own.

The key terms of this Offer are:

Offer Price for Shares

The consideration offered for each Share is \$3.00. At the option of each Turners' shareholder they may elect to receive:

(a) cash consideration of \$3.00 per Turners share;

or

(b) 2 year convertible bonds (*Bonds*) issued by Dorchester Pacific Limited (*Dorchester*), on the terms set out in the accompanying registered Simplified Disclosure Prospectus in relation to the Bonds (the *Prospectus*);

or

(c) Dorchester ordinary shares (*Dorchester Shares*). The issue price of the Dorchester Shares will be \$0.25 per Dorchester Share. Turners shareholders are guaranteed an allocation of Dorchester Shares of up to 60% of the consideration due to accepting shareholders, and pro rata thereafter subject to the aggregate 60% cap on the maximum number of Dorchester Shares available to be issued to Turners Shareholders. If the cap is exceeded, the excess will be paid in cash;

or

(d) any combination of cash and/or Dorchester Shares and/or Bonds, subject to the limitations described above. The default consideration is cash.

Interim Dividend of 7.5 cents per share remains with Turners shareholders

The Shares will be acquired excluding all rights to the interim dividend of 7.5 cents per Share declared by Turners on 15 August 2014 and payable on 25 September 2014 (the *Interim Dividend*).

Special Dividend of 15 cents per share

This Offer is subject to a condition that Turners declares and pays to all shareholders a special dividend of 15 cents per Share with imputation credits attached (to the extent imputation credits are available) within five business days following the Closing Date (the *Special Dividend*). Turners shareholders who accept the Offer may direct Turners and its share registrar that all of the Special Dividend to be paid to them be applied to subscribing for Dorchester Shares at an issue price of \$0.25 per Dorchester Share, subject to an aggregate cap on the Dorchester Shares issued under a share placement (together with allotments under the Offer) of \$30 million.

Full Offer

The Offer is for 100% of the Shares that the Offeror does not already own, being 21,942,183 Shares as at the date of this Offer.

Offer Period

The Offer is dated 18 September 2014 (the *Offer Date*) and closes at 11:59pm on 17 October 2014, or such later date to which the Offer may be extended by the Offeror or the Takeovers Panel in accordance with the Takeovers Code (the *Closing Date*).

Conditions

This Offer is conditional on the conditions set out in paragraphs 5 and 6.1 of the terms and conditions of the Offer. The key conditions are that:

- (a) Turners declares and pays the Special Dividend of 15 cents per Share to all shareholders within five business days following the Closing Date as set out above; and
- (b) the Offeror receives irrevocable acceptances in respect of the Shares which, on registration of the transfer of those Shares (when taken together with any other Shares already held or controlled by the Offeror) will result in the Offeror holding or controlling more than 50% of the voting rights in Turners.

Lock-up Agreement

Dorchester Pacific Limited has entered into a lock-up agreement with Bartel Holdings Limited (*Bartel*), whereby Bartel has agreed to accept the Offer with respect to the Shares held by it, which constitute 20.82% of the total number of Shares on issue. Details of the lock-up agreement are set out in paragraph 6 of Schedule A. As part of the lock-up agreement, Bartel has agreed to accept as payment for its shares in Turners a mix of 60% in Dorchester Shares and 40% in Bonds.

Payment Date

If you accept the Offer you will be paid the consideration for your Shares no later than seven (7) calendar days after the later of:

- the date on which your acceptance form is received by the Offeror;
- the date on which this Offer becomes unconditional; and
- the initial Closing Date.

Brokerage Costs

You will not pay any brokerage costs if you accept the Offer.

THE ABOVE IS A SUMMARY OF THE OFFER ONLY.

THE DETAILED TERMS AND CONDITIONS OF THE OFFER ARE SET OUT ON PAGES 9 TO 18. YOU SHOULD READ THOSE TERMS AND CONDITIONS CAREFULLY.

1. OPTIONS AVAILABLE TO TURNERS SHAREHOLDERS UNDER THE TAKEOVER; CASH, DORCHESTER SHARES AND CONVERTIBLE BONDS

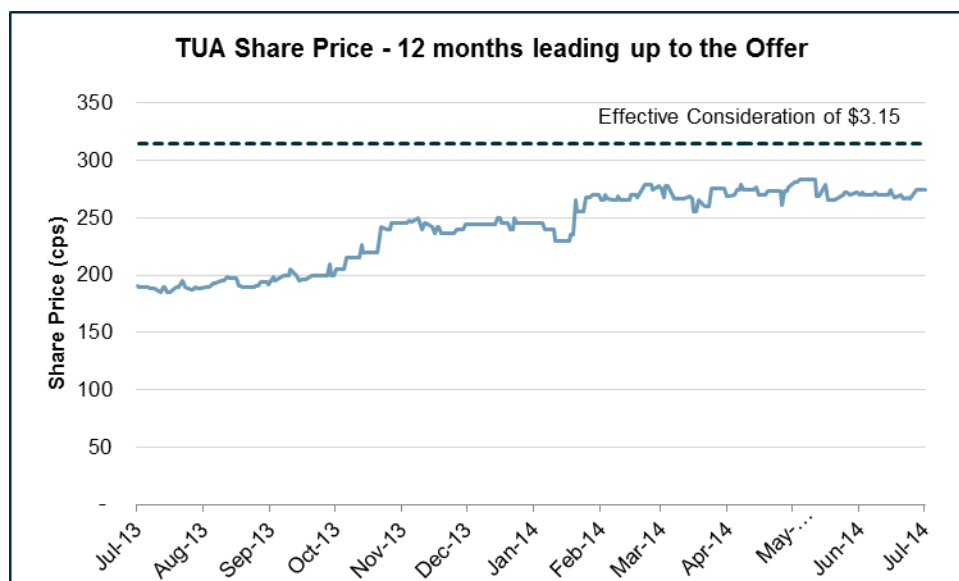
The Offer provides options for each Turners shareholder to receive a mix of cash, 9% interest bearing Convertible Bonds, and Dorchester ordinary shares.

Overview

The effective takeover consideration of \$3.15 (including the \$0.15 Turners special dividend as described below) represents a:

- 15.8% premium to the volume weighted average share price (VWAP) in the three months prior to announcement of the Offer; and
- 34% premium to the VWAP in the year prior to announcement of the Offer.

The price of shares was \$1.80 when Dorchester first became a shareholder in Turners.



Turners shares have not exceeded the \$3.00 takeover price (prior to the takeover announcement) in the last 8 years.

Turners shareholders will receive the interim dividend of 7.5 cents per share and the special dividend of 15 cents per share (on which the Offer is conditional) in addition to the \$3.00 takeover price.

Aspects that Turners shareholders might consider for each consideration option include the following:

Cash

The cash option provides certainty of return on the current investment in Turners shares. If you accept the Offer, you will not incur any brokerage costs in relation to the sale of your Turners shares. If you sell your Turners shares on the NZX Main Board through a share broker, you may be charged brokerage.

Dorchester Shares

The alternative of Dorchester Shares offers the opportunity to participate in a significantly larger Dorchester Group business with interests in finance, insurance and debt recovery together with a greater interest in Turners existing auction, fleet and finance businesses.

Strategic rationale

Dorchester's strategic rationale for the takeover of Turners is underpinned by:

- Confidence of continued growth of Turners' profit from current operations going forward; and
- Expected synergies arising to both its finance and insurance activities (as listed below).

Finance activities

Turners' current financier provides vehicle finance to Turners' customers that meet its specified loan acceptance criteria. There are opportunities for Dorchester's business 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; and
- Offer finance facilities to Turners' dealer clients for vehicles sold outside Turners' auction or sale processes.

Further, Dorchester 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.

Insurance activities

Turners currently distributes mechanical breakdown insurance policies, payment waiver insurance policies and private motor vehicle insurance policies, with a distributor commission paid to Turners. The opportunities for Dorchester therefore include:

- Replacing Turners' current underwriter with Dorchester Insurance group (which provide similar products) and offer more tailored insurance products;
- Leveraging Turners' database to distribute other Dorchester Insurance group products and motor vehicle related insurance policies to past clients of Turners; and
- Increasing the penetration rate of motor vehicles sold with an insurance package attached (leveraging Dorchester Insurance group expertise).

The Offer is conditional only on Dorchester obtaining majority control. In the event that Dorchester achieves majority control, but holds or controls less than 90% of Turners Shares, then it has no present intention to make any major change to the business activities, material assets or capital structure of the Turners group.

If the Offer becomes unconditional, Dorchester intends to invite the current chairman of Turners to become a director of Dorchester.

If Dorchester becomes entitled to invoke the compulsory acquisition provisions of the Takeovers Code, it intends to compulsorily acquire any outstanding shares. Dorchester would also look to change the company name of Dorchester to reflect the expanded group.

Profit guidance and dividends

Dorchester is forecasting significant growth in profitability over the next two years. Current profit before tax guidance is \$11.5 million for the year to 31 March 2015 and \$15.0 million for the year to 31 March 2016. These profit forecasts do not include any contribution from any increased investment in Turners beyond the current 19.85% shareholding. Additional synergies, particularly in finance and insurance, are expected to be realised from achievement of a controlling stake in Turners. If the takeover proceeds, Dorchester Group profit before tax in the 2016 year is expected to be in the \$20 million - \$25 million range, depending on Dorchester's ultimate shareholding in Turners.

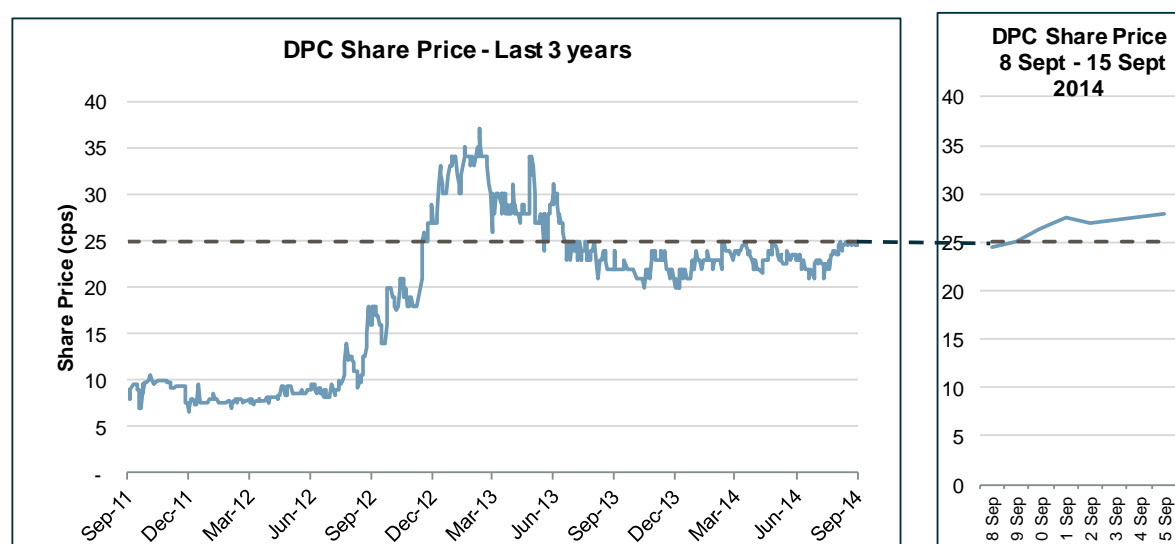
Dorchester has consistently met or exceeded its profit guidance forecast over the last two years.

Dorchester's current dividend policy is to pay out 40% of underlying tax paid trading profit with an expectation that the pay-out percentage will increase over time, subject always to directors' discretion.

Trading performance of Dorchester Shares

Dorchester Pacific Limited ordinary shares are listed on the main board equity security market operated by NZX Limited. Dorchester Shares have, historically, been more liquid than Turners Shares, and this will likely improve with Dorchester Shares being issued as takeover consideration. Following completion of the Offer, if Turners remains listed (e.g. if 90% control under the Offer is not achieved), then Turners Shares could become very illiquid.

Dorchester shares have traded in a narrow range recently, and have performed well over the past three years. More recently, in the week ended 12 September 2014, Dorchester Shares traded above \$0.25 per share. To the extent Dorchester shares are valued by the market at greater than \$0.25 per share, Turners shareholders electing shares as Offer consideration may be able to receive consideration with market value greater than the cash consideration alternative.



Dorchester Bonds

The interest bearing secured convertible bonds ("Bonds") are issued on terms as set out in the Simplified Disclosure Prospectus dated 21 August 2014. The issue price is \$1.00 per Bond.

The Bonds will pay a rate of interest of 9% per annum (paid quarterly in arrears) until the maturity date of 30 September 2016.

The Bonds will rank in priority to the ordinary shares in Dorchester Pacific Limited. Shareholder Funds of Dorchester Pacific Limited at 31 March 2014 were \$74 million. The Bonds will rank behind bank borrowings. Prior ranking securities including bank borrowings as at 31 March 2014 were \$13.8 million.

Bondholders will have the option, at the maturity date, to have their Bonds repaid in cash or to convert their Bonds into Dorchester Pacific ordinary shares. Further information on the conversion process is included in the Simplified Disclosure Prospectus dated 21 August 2014. Bondholders have no right to require redemption or conversion of the Bonds prior to the maturity date.

The Bonds have not been approved for trading on the NZX Debt Market or any other established securities market so it is unlikely a secondary market will develop. Dorchester may, in its sole discretion, consider applying to NZX for approval to quote the Bonds, but there is no certainty that Dorchester will do this or that NZX will approve the application.

2. WORKED EXAMPLES OF 4 POSSIBLE COMBINATIONS OF CASH, DORCHESTER SHARES AND BONDS

In order to assist Turners shareholders with their consideration of the options under the takeover offer we provide four examples of possible combinations for a holding of 10,000 shares in Turners Group NZ Limited as follows:

Example A 100% Cash

Example B 50% Cash, 50% Dorchester Shares

Example C 50% Cash, 50% Bonds

Example D 50% Cash, 30% Dorchester Shares and 20% Bonds

Example A: 10,000 Turners Shares for 100% Cash

(i) Settlement Consideration

Cash received on acceptance for 100% cash: 10,000 x \$3.00	=	\$30,000
--	---	----------

In addition a shareholder with 10,000 shares is entitled to:

The interim dividend of 7.5 cents per share	=	\$750
---	---	-------

The special dividend of 15.0 cents per share	=	\$1,500
--	---	---------

Example B: 10,000 Turners Shares for 50% Cash and 50% Dorchester Shares

(i) Settlement Consideration

Cash received on acceptance for 50% cash: 10,000 x \$3.00 x 50%	=	\$15,000
---	---	----------

Dorchester shares accepted for 50%: \$15,000 @ \$0.25 per share	=	60,000 shares
---	---	---------------

In addition a shareholder with 10,000 shares is entitled to:

The interim dividend of 7.5 cents per share	=	\$750
---	---	-------

The special dividend of 15.0 cents per share	=	\$1,500
--	---	---------

(ii) Annual Return

Dividend, as declared by directors, on 60,000 shares	=	annual dividend
--	---	-----------------

Example C: 10,000 Turners Shares for 50% Cash and 50% Bonds

(i) Settlement Consideration

Cash received on acceptance for 50% cash: 10,000 x \$3.00 x 50%	=	\$15,000
---	---	----------

Bonds accepted for 50%:	=	15,000 bonds
-------------------------	---	--------------

In addition a shareholder with 10,000 shares is entitled to:

The interim dividend of 7.5 cents per share	=	\$750
---	---	-------

The special dividend of 15.0 cents per share	=	\$1,500
--	---	---------

(ii) Annual Return

9% p.a. on 15,000 Bonds	=	\$1,350 pre tax
-------------------------	---	-----------------

Example D: 10,000 Turners Shares for 50% Cash, 30% Dorchester Shares, 20% Bonds

(i) Settlement Consideration

Cash received on acceptance for 50% cash: 10,000 x \$3.00 x 50%	=	\$15,000
Dorchester shares accepted for 30%: \$9,000 @ \$0.25	=	36,000 shares
Bonds accepted for 20%:	=	6,000 bonds

In addition a shareholder with 10,000 shares is entitled to:

The interim dividend of 7.5 cents per share	=	\$750
The special dividend of 15.0 cents per share	=	\$1,500

(ii) Annual Return

Dividend, as declared by directors, on 36,000 Dorchester shares	=	annual dividend
9% p.a. on 6,000 Bonds	=	\$540 pre tax

If you are in any doubt on the options available or on any other aspect of this offer, you should consult your financial or legal advisor.

Closing Date

This Offer closes at 11:59pm on 17 October 2014, or such later date to which the Offer may be extended by the Offeror or the Takeovers Panel in accordance with the Takeovers Code.

If you wish to **ACCEPT** the Offer, you must ensure that your acceptance is sent **AS SOON AS POSSIBLE**, but in any event so that it is received by the Offeror on or before 11:59pm on the Closing Date.

HOW TO ACCEPT THE OFFER

Complete the enclosed Acceptance and Transfer form (*Acceptance Form*) in accordance with the instructions set out on that form.

Deliver, mail, fax or email the form to:

Delivery:

Dorchester Turners Limited
C/- Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622
New Zealand

Mail:

Dorchester Turners Limited
C/- Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
New Zealand

Facsimile: +64 9 488 8787

Email: corporateactions@computershare.co.nz (Please put "Turners takeover acceptance" in the subject line for easy reference)

A reply-paid envelope is enclosed.

If you have sold all your Shares

Please hand this Offer document and the accompanying Acceptance Form to:

- the purchaser(s) of your Shares; or
- the agent (e.g., the broker) through whom the sale was made requesting that this Offer document and the accompanying Acceptance Form be passed to the purchaser(s).

If you have sold some of your Shares

Please alter the total holding on the Acceptance Form to the number of Shares which you have retained, initial the change and deliver, mail, fax or email the amended Acceptance Form to the Offeror as per the instructions above.

On receipt of the amended Acceptance Form, the Offeror will recalculate the consideration to which you are entitled to reflect the number of Shares sold by you.

Please also advise the purchaser(s) of your Shares, or request the agent (e.g., the broker) through whom you made the sale to advise the purchaser(s) of your Shares, of this Offer. Please also advise them that a copy of this Offer is available from Computershare Investor Services Limited. You should also advise Computershare Investor Services Limited of the number of Shares sold and the agent (e.g., the broker) involved.

If you have lost your Acceptance Form

Please contact Computershare Investor Services Limited on +64 9 488 8700 or email corporateactions@computershare.co.nz (and they will provide you with a new form).

TERMS AND CONDITIONS OF THE OFFER

The Offeror offers to purchase all of Turners' ordinary shares (the *Shares*) that it does not already own for \$3.00 per Share, on the terms and conditions contained in this offer document (the *Offer*).

1 THIS OFFER

- 1.1 The Offeror offers to acquire the Shares, including all rights, benefits, and entitlements attached thereto on, after, or by reference to, the date on which the Offeror gave Turners notice of its intention to make this Offer being 26 August 2014 (the *Notice Date*), but excluding all rights to the Interim Dividend and the Special Dividend.
- 1.2 This Offer will remain open for acceptance until 11:59pm on 17 October 2014, or such later date to which the Offer may be extended by the Offeror or the Takeovers Panel in accordance with the Takeovers Code (the *Closing Date*).
- 1.3 This Offer is dated 18 September 2014.

2 CONSIDERATION

- 2.1 The consideration offered by the Offeror for each Share is \$3.00 (subject to any further adjustment in accordance with paragraph 7). Each holder of Shares who accepts this Offer (each an *Acceptor*) may elect to receive:
 - (a) cash consideration of \$3.00 per Turners share;
 - or**
 - (b) 2 year convertible bonds (*Bonds*) issued by Dorchester Pacific Limited (*Dorchester*), on the terms set out in the accompanying registered Simplified Disclosure Prospectus in relation to the Bonds (the *Prospectus*);
 - or**
 - (c) Dorchester ordinary shares (*Dorchester Shares*). The issue price of the Dorchester Shares will be \$0.25 per Dorchester Share. Turners shareholders are guaranteed an allocation of Dorchester Shares of up to 60% of the consideration due to accepting shareholders, and pro rata thereafter subject to the aggregate 60% cap on the maximum number of Dorchester Shares available to be issued to Turners Shareholders. If the cap is exceeded the excess will be paid in cash;
 - or**
 - (d) any combination of cash and/or Dorchester Shares and/or Bonds, subject to the limitations described above. The default consideration is cash.
- 2.2 Pursuant to the Takeovers Code (Dorchester Turners Limited) Exemption Notice 2014, the Turners shareholders with an address outside New Zealand will not be able to hold the Dorchester Shares and/or Bonds offered pursuant to the consideration options set out in paragraph 2.1 above. Dorchester will appoint a nominee to sell any securities which are not allotted to Turners shareholders with an

address outside New Zealand and the proceeds, net of any applicable brokerage costs and taxes will be sent to the relevant Turners shareholder.

2.3 If the consideration accepted or deemed to be accepted for the Offer:

- (a) is cash, it will be paid by cheque sent by ordinary mail or paid by electronic transfer at the election of the Acceptor;
- (b) is Bonds, the Bonds will be allotted and advice of the allotment will be sent by ordinary mail to the Acceptor; and
- (c) is Dorchester Shares, the Dorchester Shares will be allotted and advice of the allotment will be sent by ordinary mail to the Acceptor,

no later than seven (7) calendar days after the later of:

- (d) the date on which that Acceptor's acceptance is received by the Offeror; and
- (e) the date on which this Offer becomes unconditional; and
- (f) 11:59pm on 17 October 2014.

2.4 Without prejudice to any other rights that an Acceptor may have, if the consideration payable to an Acceptor is not sent to that Acceptor within the period specified in paragraph 2.3, that Acceptor may withdraw their acceptance of this Offer by notice in writing to the Offeror, but only:

- (a) after the expiration of seven (7) calendar days' written notice to the Offeror of that Acceptor's intention to do so; and
- (b) if that Acceptor does not receive the consideration to which they are entitled during the seven (7) calendar day period referred to in paragraph 2.4(a).

3 **TERMS OF THE OFFER**

- 3.1 Unless the Offer is withdrawn in its entirety with the consent of the Takeovers Panel in accordance with the Takeovers Code or unless this Offer lapses in accordance with its terms, this Offer remains open for acceptance until and including the Closing Date.
- 3.2 The latest date on which the Offeror can declare this Offer unconditional (*Condition Date*) is not later than 14 days after the Closing Date. As at the date of this Offer, the date by which the Offer is to become unconditional is the 3rd day of November 2014 but this date may change if the Closing Date specified in paragraph 1.2 is extended as permitted by the Takeovers Code
- 3.3 If this Offer is not declared unconditional, or the outstanding conditions to it are not waived by the Offeror (to the extent waivable), by the Condition Date, then this Offer will lapse and the Offeror and every Acceptor will be released from their obligations under this Offer (and any contract arising from their acceptance of it).
- 3.4 This Offer is open for acceptance by any person who holds Shares, whether acquired before, on or after the date of this Offer, upon production of satisfactory evidence of such person's entitlement to those Shares. A holder of Shares may accept this Offer in respect of all or any of their Shares. Each acceptance must be free of all conditions of acceptance of any nature whatsoever.

3.5 Each Acceptor represents and warrants that:

- (a) it is the sole legal and beneficial owner of the Shares in respect of which it accepts this Offer, or it is the legal owner and has the necessary capacity and authority to accept the offer in respect of those Shares; and
- (b) legal and beneficial title to all those Shares in respect of which it accepts this Offer will pass to the Offeror free of all liens, charges, mortgages, encumbrances and other adverse interests or claims of any nature whatsoever, but together with all rights, benefits and entitlements attaching to them, including the right to all dividends (other than the Interim Dividend and the Special Dividend), bonuses and other payments and distributions of any nature attaching to such Shares arising on, after, or by reference to, the Notice Date, on payment of the purchase price pursuant to paragraph 2.

4 **BROKER HANDLING FEE**

4.1 During the Offer Period, the Offeror may choose to engage the services of one or more Primary Market Participants (in terms of the NZX Participant Rules) or other financial advisory firms (together, *Brokers*) to contact Turners' shareholders and receive Acceptance Forms. If the Offeror chooses to do this, the key terms of the engagement will be as follows:

- (a) For each completed and valid Acceptance Form procured by a Broker, the Offeror will, subject to the terms set out in this section 4, pay that Broker in cash a handling or procurement fee in respect of the Shares the subject of that Acceptance Form (*Handling Fee*). The amount of the Handling Fee will be 1.00% of the amount of consideration to be paid or satisfied by the Offeror under the Offer to the relevant Acceptor in respect of the Acceptance Form received.
- (b) The Broker will be paid, and receive, the Handling Fee solely in connection with its services to the Offeror and must not, directly or indirectly, pass any or all of the Handling Fee on to any Acceptor, or share the Handling Fee with any Acceptor.
- (c) The payment of a Handling Fee to a Broker in respect of an Acceptance Form procured by that Broker is in all respects conditional on:
 - (i) the Offer being declared unconditional by the Offeror;
 - (ii) the Shares which are the subject of that Acceptance Form being validly transferred to the Offeror; and
 - (iii) the Acceptance Form being delivered in accordance with paragraph 8.1 and being stamped by the Broker (and only that Broker).
- (d) The conditions referred to in paragraph 4.1(c) are for the sole benefit of the Offeror and, accordingly, each such condition may be waived, in whole or part and in respect of all Acceptance Forms procured by Brokers or in respect of any one or more particular Acceptance Form(s) only, by the Offeror, on such terms as it decides, in its sole discretion.
- (e) The Offeror may, in determining the Handling Fee payable to a Broker, aggregate and/or disregard any acceptance of the Offer procured by that Broker if the Offeror believes that a party has structured holdings of Shares

for the purpose or with the effect of enabling parties to take advantage of the arrangements described in this paragraph 4.1.

- (f) The Offeror will determine, in its sole discretion, any disputes relating to the payment of a Handling Fee. The determination of the Offeror will be final and binding on all parties.
- (g) No Handling Fees are payable in respect of any Shares that are held or controlled by a party or parties to, or are otherwise subject to, the lock-up agreements referred to in paragraph 6 of Schedule A.

5 KEY CONDITIONS

- 5.1 This Offer is conditional on the conditions set out in this paragraph 5 and in paragraph 6.1 of the terms and conditions of the Offer.
- 5.2 This Offer and any contract arising from acceptance of it is subject to the condition that the Offeror receives irrevocable acceptances in respect of the Shares which, on registration of the transfer of those Shares (when taken together with any other Shares already held or controlled by the Offeror) will result in the Offeror holding or controlling more than 50% of the voting rights in Turners. This condition cannot be waived by the Offeror.
- 5.3 This Offer and any contract arising from acceptance of it is subject to the condition that Turners declares and pays a Special Dividend of 15 cents per Share which to the extent available has imputation credits attached to it within five business days following the Closing Date. Turners shareholders who accept the Offer may direct Turners and its share registrar that all of the Special Dividend to be paid to them be applied to subscribing for Dorchester Shares in a share placement at an issue price of \$0.25 per Dorchester Share subject to an aggregate cap on the Dorchester Shares issued under the share placement (together with allotments under the Offer) of \$30 million. To the extent that the cap is exceeded, such applications will be scaled on a consistent basis and Dorchester will refund the balance in cash.
- 5.4 If for any reason the Offeror receives all or any part of the dividend contemplated by paragraph 5.3 in respect of Shares held (or which were held prior to transfer of those Shares to the Offeror in accordance with this Offer) by a shareholder or shareholders who accept the Offer, the Offeror must hold that amount on trust for the relevant shareholder(s) and promptly pay that amount and pass on any attached imputation credits to the relevant shareholder(s) without deduction, set-off or withholding.

6 FURTHER CONDITIONS OF THIS OFFER

- 6.1 This Offer, and any contract arising from acceptance of it, are subject to the conditions that, during the period from the Notice Date until the Condition Date:
 - (a) no dividends, bonuses or other payments or distributions (within the meaning of the Companies Act 1993) of any nature whatsoever (including, for the avoidance of doubt, by way of share buyback, redemption or cancellation or any other form of capital reduction) are authorised, declared, paid or made upon or in respect of any of the Shares, other than the Interim Dividend or the Special Dividend;
 - (b) no shares, convertible securities or other equity securities of any nature (including options, rights or interests in any ordinary shares) of Turners or

any of its subsidiaries or joint venture entities (together the *Turners Group*), are issued, agreed to be issued or made the subject of any option or right to subscribe except pursuant to a transaction between Turners and wholly owned subsidiaries of Turners, or between wholly owned subsidiaries of Turners (an *Intra-Group Transaction*);

- (c) the businesses of each member of the Turners Group are carried on, in all material respects, in the normal and ordinary course;
- (d) no liquidator, receiver, receiver and manager, statutory manager or similar official is appointed in respect of any member of the Turners Group or any of their respective assets;
- (e) no board resolution or shareholders' resolution of any member of the Turners Group is passed to do or authorise the doing of any act or matter referred to in any of subparagraphs (a) to (d) (inclusive);
- (f) no other event occurs that has, or could reasonably be expected to have, a material adverse effect on the financial position, trading operations or assets or liabilities of the Turners Group as a whole; and
- (g) nothing occurring or failing to occur that would entitle the Offeror's bankers, under certain facilities entered into with the Offeror for the purposes of providing funding to the Offeror in respect of this Offer, not to make any or all of that funding available to the Offeror (other than where the occurrence or failure is a result of an act or omission in the power, or under the control, of the Offeror or an associate of the Offeror).

6.2 The following actions by any member of the Turners Group shall be deemed to be material and not to be normal or in the ordinary course for the purposes of paragraph 6.1:

- (a) the making of (or agreeing to make) unusual or abnormal payments, or the incurring of (or agreeing to incur) unusual or abnormal commitments or liabilities (including contingent liabilities), in each case with a value exceeding \$1,000,000 and except pursuant to an Intra-Group Transaction;
- (b) the making of any unusual payment of income tax, including taxation in advance, of an amount exceeding \$1,000,000;
- (c) the committing to any capital expenditure or divestment (other than in the ordinary course of business (and other than pursuant to an Intra-Group Transaction)) of an amount exceeding \$1,000,000 (in aggregate);
- (d) the entry into, or material variation of, onerous, long-term or material contracts, commitments or arrangements (except in the normal and ordinary course of business); or
- (e) the making of an announcement by any member of the Turners Group that it is legally bound to do any of the actions set out in paragraphs 6.2(a) to 6.2(d) above.

6.3 To the extent required by the Takeovers Code, where any condition requires a determination as to whether a matter is or could reasonably be expected to be material or not, is adverse or not, is normal or not, is onerous or not, is in the ordinary course of business or not, or is of a formal or technical (and not

substantive) nature or not, before the condition may be invoked, such determination must be made by a suitably qualified expert nominated by the Offeror who is independent of, and not an associate of, the Offeror.

- 6.4 The conditions in paragraphs 5 and 6.1 are for the sole benefit of the Offeror and, accordingly, each such condition may be waived, in whole or in part, by the Offeror, and on such terms as it decides, in its sole discretion, other than the condition in paragraph 5.2 which cannot be waived (in whole or in part). The conditions in clauses 6.1(f) and (g) will not be waived prior to payment of the Special Dividend. Any waiver or consent given by the Offeror in respect of any matter or thing shall apply only in accordance with its terms and shall not constitute a consent or waiver in respect of any similar matter or thing.
- 6.5 Each condition set out in paragraphs 5 and 6.1 is a separate condition subsequent, and acceptance of the Offer by each Acceptor shall constitute a contract between that Acceptor and the Offeror subject to those conditions. The Offer will only proceed if all conditions in paragraphs 5 and 6.1 are satisfied or, to the extent permissible, waived.
- 6.6 The Offeror may not invoke a condition in paragraph 6.1 or otherwise cancel or withdraw this Offer to the extent that any event, matter, circumstance, condition or information was publicly announced by Turners, or otherwise was generally in the public arena, including being available on public register held by the following: New Zealand Companies Office, New Zealand Personal Property Register, Land Information New Zealand and the New Zealand High Court, prior to the Notice Date.
- 6.7 Immediately following all the conditions in paragraph 5 being satisfied in accordance with the terms of this Offer, then the Offeror will, subject to the conditions in paragraph 6.1 not having been invoked by the Offeror by that time:
- (a) declare the Offer unconditional in all respects; and
 - (b) provide written notice that the Offer is unconditional to Turners and the Takeovers Panel,

such declaration to be made, and notice given, no later than 10:00am on the day following the day on which all the conditions in paragraph 5 are satisfied in accordance with the terms of this Offer.

- 6.8 The Offeror may not allow the Offer to lapse:
- (a) in unreasonable reliance on a condition of the Offer; or
 - (b) in reliance on a condition of the Offer that restricts Turners' activities in the ordinary course of Turners' business during the period beginning on the Notice Date and ending on the Condition Date.

7 CHANGE IN CIRCUMSTANCES

- 7.1 If, on or after the Notice Date, Turners authorises, declares, makes, or pays any dividend or any distribution (within the meaning of the Companies Act 1993) of any nature whatsoever (including, for the avoidance of doubt, by way of share buyback, redemption or cancellation or any other form of capital reduction), other than the Interim Dividend or the Special Dividend, and
- (a) the condition in paragraph 6.1(a) is waived by the Offeror;

- (b) this Offer is unconditional; or
- (c) this Offer becomes unconditional,

then, at the election of the Offeror (and subject to the terms of any waiver referred to in paragraph (a) above), each Acceptor will be bound to pay to the Offeror on demand the Distribution Amount, or the consideration which would otherwise have been paid to each Acceptor for their Shares shall be reduced by the Distribution Amount. For the purposes of this paragraph 7.1, *Distribution Amount* means the amount of any dividend or the value of any other distribution on shares transferred to the Offeror pursuant to this Offer (for the avoidance of doubt grossed up to include the amount of any withholding taxes deducted, if applicable) that is received by, or properly payable to, the Acceptor.

- 7.2 If, on or after the Notice Date, Turners authorises, declares, or makes any issue of shares, convertible securities or other securities of any nature (including options, rights or interests in its ordinary shares), by way of bonus issue and:

- (a) the condition in paragraph 6.1(b) is waived by the Offeror;
- (b) this Offer is unconditional; or
- (c) this Offer becomes unconditional,

then each Acceptor will, subject to the terms of any waiver referred to in paragraph (a) above, be bound to transfer any such shares, convertible securities, other securities or options, rights and interests issued in respect of those Shares for which they have accepted this Offer to the Offeror, without any additional consideration.

- 7.3 If, on or after the Notice Date, Turners makes any issue of ordinary shares to any person other than by way of bonus issue and:

- (a) the condition in paragraph 6.1(b) is waived by the Offeror;
- (b) this Offer is unconditional; or
- (c) this Offer becomes unconditional,

then this Offer will be deemed to be extended to and include such ordinary shares and the consideration payable for them will be as provided in paragraph 2.1.

- 7.4 If, on or after the Notice Date, all or any of the Shares are subdivided or consolidated by Turners, or the number of Shares is reduced other than by way of subdivision or consolidation by Turners, then:

- (a) this Offer will be interpreted to take into account that subdivision, consolidation or reduction and will be deemed to be for the Shares resulting from that subdivision, consolidation or reduction;
- (b) to the extent it has not already been adjusted under paragraph 7.1, the consideration per Share offered under this Offer will be increased or reduced, as the case may require, in proportion to that subdivision, consolidation or reduction; and

- (c) each Acceptor will be bound to transfer those Shares, as subdivided, consolidated or reduced, to the Offeror on the basis of the consideration so increased or reduced.

8 HOW TO ACCEPT THIS OFFER

8.1 To accept this Offer, you need only:

- (a) complete the relevant Acceptance Form in respect of Shares enclosed with this Offer in accordance with the instructions on the Acceptance Form; and
- (b) return the completed Acceptance Form by hand delivery, mail (in the reply-paid envelope provided), fax or email **AS SOON AS POSSIBLE** after receipt of this Offer, but in any event so that it is received by the Offeror no later than 11:59pm on the Closing Date, to:

Delivery:

Dorchester Turners Limited
C/- Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622
New Zealand

Mail:

Dorchester Turners Limited
C/- Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
New Zealand

Facsimile: +64 9 488 8787

Email: corporateactions@computershare.co.nz (Please put "Turners takeover acceptance" in the subject line for easy reference)

- (c) No acknowledgement of receipt of acceptances of this Offer will be issued. Any acceptance received by New Zealand Post, correctly stamped and addressed shall be deemed to be received by the Offeror.

8.2 The Offeror may, in its discretion, treat any Acceptance Form as valid notwithstanding that it is not accompanied by any relevant CSN/Holder Number, or that it does not otherwise comply with paragraph 8.1, or any instructions on the Acceptance Form, and may, in its discretion, rectify any errors in, or omissions from, any Acceptance Form to enable that form to constitute a valid acceptance of the Offer and to facilitate registration of the transfer of the relevant Shares. The Offeror may, in its discretion, allow for acceptance in any other manner it wishes.

8.3 Acceptance of this Offer by each Acceptor constitutes a contract between that Acceptor and the Offeror on the terms and subject to the conditions of this Offer and the Takeovers Code. Other than in the circumstances set out in paragraph 2.4, an Acceptor may not withdraw their acceptance, whether or not there has been any variation of this Offer. The Offeror and every Acceptor shall be released from their obligations under this Offer, and arising from acceptance of this Offer, if this Offer:

- (a) is withdrawn with the consent of the Takeovers Panel; or

- (b) lapses as a result of any condition in paragraph 5 or 6.1 not being satisfied or waived by the Condition Date, or if the Closing Date has been extended then the Condition Date in respect of the extended Closing Date.

9 **METHOD OF SETTLEMENT**

If:

- (a) this Offer is declared unconditional; and
- (b) an Acceptor's Acceptance Form is in order and is accompanied by the relevant CSN (or any error or omission from the Acceptance Form is rectified by the Offeror or the Offer is otherwise accepted by the Offeror under paragraph 8.2),

then either a cheque will be sent (by ordinary mail) or an electronic transfer will be made (at the election of the Acceptor) by the Offeror for the aggregate amount payable (calculated based on the consideration offered per Share as set out in paragraph 2.1) to the Acceptor, by the date specified in paragraph 2.4. If an Acceptor does not select a method of payment, or the details that it provides are not sufficient to effect an electronic transfer, then that Acceptor will be paid by cheque or by direct credit to the Acceptor's existing nominated account already held with Computershare Investor Services Limited.

10 **NOTICES**

10.1 Notices given to Turners and the Takeovers Panel:

- (a) declaring this Offer unconditional; or
- (b) advising that this Offer is withdrawn in accordance with the Takeovers Code; or
- (c) advising that a term or condition of this offer has been waived; or
- (d) advising that this Offer has lapsed in accordance with its terms or the Takeovers Code,

will, in each case, be deemed to be notice to all Turners' shareholders when so given.

10.2 Notice of any variation of this Offer will be sent to Turners and the Takeovers Panel and except where not required in accordance with the Takeovers Code, to each Turners shareholder under this Offer.

11 **FURTHER INFORMATION AND MISCELLANEOUS**

11.1 Further information relating to this Offer, as required by Schedule 1 to the Takeovers Code, is set out in Schedule A to this Offer and forms part of this Offer document.

11.2 In this Offer document:

- (a) any reference to the Takeovers Code means the New Zealand Takeovers Code in force at the relevant time;

- (b) except if expressly defined in this Offer document, or where the context requires otherwise, terms defined in the Takeovers Code have the same meaning in this Offer document;
- (c) references to dollars and \$ are references to New Zealand dollars and all amounts payable under this agreement are payable in New Zealand dollars;
- (d) headings are for ease of reference only and will not affect the interpretation of this Offer document or any Acceptance Form;
- (e) references to any statutory provision are to statutory provisions in force in New Zealand and include any statutory provision which amends or replaces it, and any by-law, regulation, order, statutory instrument, determination or subordinate legislation made under it;
- (f) the singular includes the plural and vice versa; and
- (g) unless otherwise specified, material and materiality will have their respective ordinary and customary meanings.

11.3 This Offer may be varied by the Offeror in accordance with Rule 27 of the Takeovers Code.

11.4 This Offer and any contract arising from it shall be governed by and construed in accordance with the laws of New Zealand, and the parties to any such contract submit to the non-exclusive jurisdiction of the Courts of New Zealand.

11.5 The provisions set out in the Acceptance Form are part of the terms of this Offer.

11.6 If there is an inconsistency between the terms and conditions of this Offer and the provisions of the Takeovers Act 1993 or the Takeovers Code, the provisions of the Takeovers Act 1993 or the Takeovers Code (as the case may be) will prevail.

SCHEDULE A: TAKEOVERS CODE INFORMATION

The information required by Schedule 1 to the Takeovers Code, and not stated elsewhere in this Offer document, is set out below. Where any information required by Schedule 1 is not applicable, no statement is made regarding that information. All of the following matters are stated as at the Offer Date.

1 DATE

This Offer is dated 18 September 2014.

2 THE OFFEROR AND ITS DIRECTORS

2.1 The name and address of the Offeror is:

Dorchester Turners Limited
Level 8
34 Shortland Street
Auckland 1010
New Zealand

2.2 The directors of the Offeror are:

- Paul Anthony Byrnes; and
- John James Gosney.

3 TARGET COMPANY

The target company is Turners Group NZ Limited, company number 73426.

4 OWNERSHIP OF EQUITY SECURITIES OF TURNERS

4.1 The table below sets out the number, designation and percentage of shares held or controlled by:

- the Offeror; and
- any related company of the Offeror; and
- any person acting jointly or in concert with the Offeror; and
- any director of any of the persons described above; and
- any other person holding or controlling more than 5% of the class, if within the knowledge of the Offeror.

Name	Description	Number of Shares held or controlled	Percentage of Shares
The Offeror	Legal holder and beneficial owner	5,433,088	19.847%
Dorchester Pacific Limited	As a person acting jointly or in concert with the Offeror, and as controller of the Offeror	11,133,759	40.671%
Bartel Holdings Limited	As a person acting jointly or in concert with the Offeror	5,700,671	20.824%
Michael Robert Dossor	Michael Robert Dossor is a director of Turners and has filed a substantial security holder notice stating that he has a relevant interest in 5% or more of the shares in Turners in his capacity as director of Bartel Holdings Limited	5,700,671	20.824%

Notes:

- (i) Dorchester Pacific Limited and Bartel Holdings Limited are parties to the lock-up agreement referred to in paragraph 6.1.
- (ii) Apart from the persons named in the table above, none of the other persons referred to in paragraph 4.1(a) to (d) hold or control equity securities in Turners.

5 TRADING IN TURNERS' EQUITY SECURITIES

During the 6 month period before the Offer Date the Offeror acquired 5,433,088 ordinary shares in Turners, by way of agreement with Dorchester Pacific Limited on 20 August 2014 for consideration of \$3.00 per ordinary share.

6 AGREEMENTS TO ACCEPT OFFER

- 6.1 The following shareholder has entered into an agreement under which the shareholder has agreed to accept the Offer in respect of its holding of Shares.

Name	Number of Shares, as of the date of the Agreement	Date of Agreement
Bartel Holdings Limited	5,700,671 (representing 20.824% of the Shares on issue)	28 July 2014

- 6.2 The material terms of the agreement referred to above are:

- the Offeror has agreed, subject to the satisfaction of certain conditions, to make the Offer;
- Bartel Holdings Limited (the *Lock-up Party*) has agreed to accept the Offer in respect of its entire holding of Shares on or before the later of the date that is two business days after the date of despatch of the Offer;
- the Lock-up Party may not sell or otherwise dispose of their shares, except so as to accept the Offer, unless the Offer terminates or lapses;
- the Lock-up Party retains the right to exercise and/or control the exercise of all voting rights attached to their Shares until payment for the Shares has been recovered; and
- the Lock-up Party has agreed to accept as payment for its shares in Turners a mix of 60% in Dorchester Shares and 40% in Bonds.

- 6.3 Except as set out above, there are no persons who have agreed conditionally or unconditionally to accept the Offer.

7 ARRANGEMENTS TO PAY CONSIDERATION

- 7.1 The Offeror confirms that resources will be available to it sufficient to meet the consideration to be provided on full acceptance of this Offer and to pay any debts incurred in connection with the Offer (including the debts arising under Rule 49 of the Takeovers Code).
- 7.2 A statement setting out the rights of each Offeree under Rule 34 of the Takeovers Code, to withdraw acceptance for non-payment by the Offeror of the consideration, is set out in paragraph 2.4 of the terms and conditions of the Offer.

8 ARRANGEMENTS BETWEEN THE OFFEROR AND TURNERS

There is no agreement or arrangement (whether legally enforceable or not) made, or proposed to be made, between the Offeror or any associates of the Offeror, and Turners or any related company of Turners, in connection with, in anticipation of, or in response to, this Offer.

9 **ARRANGEMENTS BETWEEN THE OFFEROR AND DIRECTORS AND OFFICERS OF TURNERS**

There is no agreement or arrangement (whether legally enforceable or not) made, or proposed to be made, between the Offeror or any associates of the Offeror, and any of the directors or senior officers of Turners or of any related company of Turners in connection with, in anticipation of, or in response to, this Offer.

If the offer becomes unconditional, Dorchester intends to invite the current chairman of Turners to become a director of Dorchester.

10 **FINANCIAL ASSISTANCE**

No agreement or arrangement has been made, or is proposed to be made, under which Turners or any related company of Turners will give (directly or indirectly) financial assistance for the purpose of, or in connection with, this Offer. It is, however, a condition of the Offer that Turners declares and pays the Special Dividend.

11 **LIKELIHOOD OF CHANGES IN TURNERS**

Strategic rationale

Dorchester's strategic rationale for the takeover of Turners is underpinned by:

- Confidence of continued growth of Turners' profit from current operations going forward; and
- Expected synergies arising to both its finance and insurance activities (as listed below).

Finance activities

Turners' current financier provides vehicle finance to Turners' customers that meet its specified loan acceptance criteria. There are opportunities for Dorchester's business 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; and
- Offer finance facilities to Turners' dealer clients for vehicles sold outside Turners' auction or sale processes.

Further, Dorchester 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.

Insurance activities

Turners currently distributes mechanical breakdown insurance policies, payment waiver insurance policies and private motor vehicle insurance policies, with a distributor commission paid to Turners. The opportunities for Dorchester therefore include:

- Replacing Turners' current underwriter with Dorchester Insurance group (which provide similar products) and offer more tailored insurance products;
- Leveraging Turners' database to distribute other Dorchester Insurance group products and motor vehicle related insurance policies to past clients of Turners; and
- Increasing the penetration rate of motor vehicles sold with an insurance package attached (leveraging Dorchester Insurance group expertise).

The Offer is conditional only on the Offeror obtaining majority control. In the event that the Offeror achieves majority control, but holds or controls less than 90% of Turners Shares, then it has no present intention to make any major change to the business activities, material assets or capital structure of the Turners group.

If the Offer becomes unconditional, Dorchester intends to invite the current chairman of Turners to become a director of Dorchester.

If the Offeror holds or controls 90% or more of Turners shares, and becomes entitled to invoke the compulsory acquisition provisions of the Takeovers Code, it intends to compulsorily acquire any outstanding shares. Dorchester would also look to change the company name of Dorchester to reflect the expanded group.

The statements made under this clause are consistent with any information that has been given by the Offeror to any regulatory body (in New Zealand or in an overseas jurisdiction) in relation to the Offer.

12 **PRE-EMPTION CLAUSES IN TURNERS' CONSTITUTION**

As at the Offer Date, there are no restrictions on the right to transfer equity securities to which the Offer relates that:

- are contained in the constitution of Turners; and
- have the effect of requiring any shareholder to offer the securities for purchase to other Turners shareholders or to any other person before transferring the securities.

13 **ESCALATION CLAUSES**

As at the Offer Date, there are no agreements or arrangements (whether legally enforceable or not) under which:

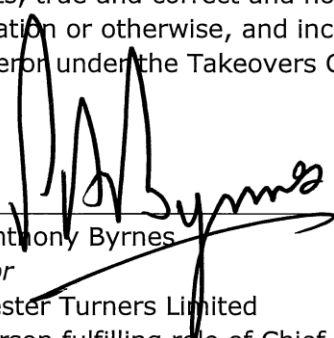
- any existing holder of equity securities in Turners will or may receive in relation to, or as a consequence of, this Offer any additional consideration or other benefit over and above the consideration set out in this Offer; or
- any prior holder of equity securities in Turners will or may receive any consideration or other benefit as a consequence of this Offer.

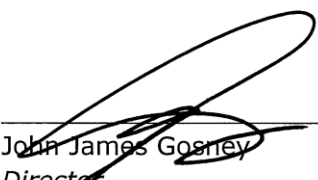
14 **CLASSES OF SECURITIES**

No report is required under Rule 22 of the Takeovers Code (which, if the offer is for more than 1 class of securities, requires a report by an independent adviser on the fairness and reasonableness of the consideration and terms of the offer as between different classes of securities).

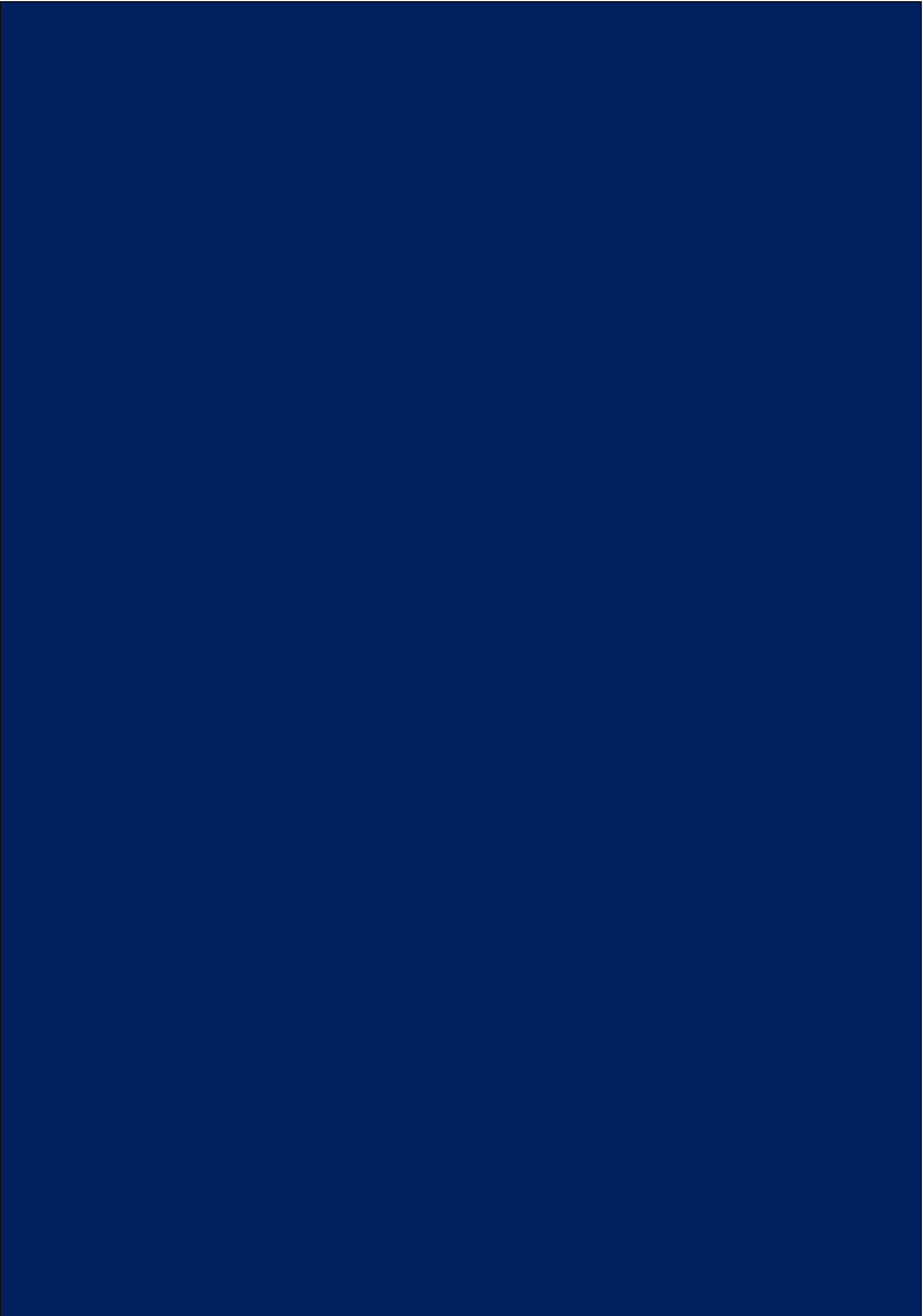
15 **CERTIFICATE**

To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying the offer document is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by the offeror under the Takeovers Code.



Paul Anthony Byrnes
Director
Dorchester Turners Limited
and person fulfilling role of Chief Executive
Officer and Chief Financial Officer of Offeror

John James Gosney
Director
Dorchester Turners Limited



ACCEPTANCE AND TRANSFER FORM

**BROKER
STAMP**

Adviser code

CSN / Holder Number:

**Number of Turners
Shares held:**

(as at 15 September 2014)

Total consideration:

(at \$3.00 per Turners Share):

(the *Transferor*)

ACCEPTANCE OF OFFER

By signing this form you hereby:

- (a) irrevocably accept the offer dated 18 September 2014 (*the Offer*) by Dorchester Turners Limited (*the Offeror*) for the aggregate number of fully paid ordinary shares in Turners Group NZ Limited (*Turners*) held by you as set out in the box below (*Turners Shares*), subject to the terms of the Offer, and transfer title to the Turners Shares to the Offeror;
- (b) represent and warrant as set out in paragraph 3.5 of the Offer document;
- (c) if choosing Dorchester Pacific Limited secured interest bearing convertible bonds, acknowledge that these are issued in accordance with the terms set out in the Simplified Disclosure Prospectus; and
- (d) grant a power of attorney in favour of the Offeror as set out on the reverse of this form.

You hereby authorise the Offeror to use the Transferor's CSN / Holder Number to transfer the Turners Shares to the Offeror and you authorise the Offeror to instruct Turners and its share registrar to refuse, during the Offer period, to register any transfer of the Turners Shares to any person other than the Offeror.

Note:

- 1 You may accept the Offer in respect of all or any Turners Shares held by you.
- 2 If you do not state the number of Turners Shares in respect of which you wish to accept the Offer, you will be deemed to have accepted the Offer in respect of all the Turners Shares held by you and to have stated that number below.

Number of Turners Shares you wish to sell:

PAYMENT OPTION – HOW YOU WANT THE CONSIDERATION PAID

Options	Number of Turners Shares you wish to sell pursuant to each option	Further information
Option 1: Cash	BOX 1: _____	You will receive \$3.00 per Turners Share entered in Box 1 Please complete the further payment details below
Option 2: Bonds	BOX 2: _____ +	You will receive THREE secured interest bearing convertible bonds issued by Dorchester Pacific Limited per Turners Share entered in Box 2
Option 3: Shares	BOX 3: _____ +	You will receive TWELVE ordinary shares issued by Dorchester Pacific Limited per Turners Share entered in Box 3
Total	BOX 4: _____	Box 4 must equal Box 1 + Box 2 + Box 3

HOW YOU WANT THE SPECIAL DIVIDEND PAID

Options	Mark ONE with a ✓
Option 1: Cash	
Option 2: Dorchester Shares (subject to clause 5.3 of the Offer)	

FURTHER PAYMENT DETAILS (FOR CASH OPTION)

Payment will be made by either electronic transfer directly into your bank account or by cheque. Please select a Method of Payment by ticking the appropriate box below. All payments will be made in New Zealand dollars.

Method of Payment (please tick one):

CHEQUE

☐

ELECTRONIC TRANSFER

☐

Electronic Transfer Details: Please complete the boxes below if you wish to be paid by electronic transfer:

Account Name:

Account Number:

Bank/Branch				Account Number								Suffix					
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	-	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	-	<input type="text"/>	<input type="text"/>	<input type="text"/>

Bank Name:

Branch and Address:

EXECUTION

FOR AN INDIVIDUAL OR HOLDER OF POWER OF ATTORNEY	FOR A COMPANY
<i>Signed by the Transferor(s):</i>	<i>Signed by the Transferor by:</i>
	<i>Director/Authorised signatories</i>

Dated and signed the

day of

2014

NOTES AND INSTRUCTIONS FOR COMPLETION

- 1 **TO ACCEPT THE OFFER:** Insert the number of Turners Shares in respect of which you wish to accept the Offer in the space provided. Individuals and attorneys should sign and date this form where marked. Companies must sign in accordance with the Companies Act 1993 and their constitution (if any). If you do not complete the number of Turners Shares sold, you will be deemed to have accepted the Offer in respect of all the Turners Shares held by you.
- 2 **PAYMENT OPTION:** You should select a Method of Payment in respect of each of the Turners Shares sold by completing **Box 1**, **Box 2** or **Box 3** (or any combination of the payment options).

If you do not fill out **Box 1**, **Box 2** or **Box 3** in respect of all of the Turners Shares you held, then in respect of each Turners Share that you have elected to sell, but for which you have not made an election as to the payment option, you will be deemed to have elected to receive cash. If the total of **Box 1**, **Box 2** and **Box 3** exceeds the total number of Turners Shares, you will be deemed to have accepted the offer for all of your Turners Shares and the options in **Box 2** or **Box 3** (in that order) will be reduced accordingly.
- 3 **HOW YOU WANT THE SPECIAL DIVIDEND PAID:** If you do not select a method of payment for your special dividend or you tick both boxes then you will be paid cash.
- 4 **FURTHER PAYMENT DETAILS:** If you do not select a Method of Payment, or do not complete the electronic transfer details, you will be paid using your existing bank account details held by Computershare Investor Services Limited. If Computershare Investor Services Limited does not hold your bank account details, or you select electronic transfer as your Method of Payment and partially or incorrectly complete the electronic transfer details, you will be paid by cheque.
- 5 **JOINT HOLDERS:** If the Turners Shares are registered in the names of joint holders, all holders should sign this form.
- 6 **POWER OF ATTORNEY:** If the form is signed under a power of attorney, the relevant power of attorney must be submitted with this form for noting and return, and the certificate of non-revocation of power of attorney printed overleaf must be completed.
- 7 **ON COMPLETION:** Return the signed form by hand delivery, mail (in the reply-paid envelope provided), fax or email **AS SOON AS POSSIBLE**, but in any event so as to be received not later than 11:59pm on the closing date for the Offer, to:

Delivery:

Dorchester Turners Limited
C/- Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622
New Zealand

Mail:

Dorchester Turners Limited
C/- Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
New Zealand

Facsimile: +64 9 488 8787

Email: corporateactions@computershare.co.nz (Please put "Turners takeover acceptance" in the subject line for easy reference)

- 8 **PREVIOUS SALE:** If you have sold all of your Turners Shares, please immediately pass this form together with the Offer Document to the purchaser of such Turners Shares or the broker through whom the sale was made. If you have sold part of your shareholding, record that fact on this form by amending the number of Turners Shares noted as being held by you on the face of this form. Please also refer to the more detailed instructions contained in the Offer Document.
- 9 **INTERPRETATION:** In this form, references to you in the singular shall include the plural, and terms used but not defined herein have the meanings given to them in the Offer Document.

**IF YOU ARE IN ANY DOUBT ABOUT THE PROCEDURE FOR ACCEPTANCES, PLEASE CALL
COMPUTERSHARE INVESTOR SERVICES LIMITED ON +64 9 488 8777**

POWER OF ATTORNEY

BY THE TRANSFEROR'S EXECUTION ON THE FACE OF THIS FORM, THE TRANSFEROR hereby grants a power of attorney in favour of the Offeror as follows:

As from the date of beneficial ownership, and title, to my/our Turners Shares passing to the Offeror in accordance with the terms of the Offer, I/we hereby irrevocably authorise and appoint the Offeror (with power of substitution by the Offeror in favour of such person(s) as the Offeror may appoint to act on its behalf) as my/our attorney and agent to act for me/us and do all matters of *any* kind or nature whatsoever in respect of or pertaining to the Turners Shares and all rights and benefits attaching to them as the Offeror may think proper and expedient and which I/we could lawfully do or cause to be done if personally acting as a legal or beneficial owner of the applicable Turners Shares.

IF THIS FORM IS SIGNED UNDER POWER OF ATTORNEY, THE ATTORNEY(S) SIGNING MUST SIGN THE FOLLOWING APPLICABLE CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY:

CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY (if attorney is an individual)

I/We, of
(Full name of attorney) (Place and country of residence, and occupation)

certify:

1 That by deed day of / , of
dated the (Full name of person for whom attorney is signing) (Place and country of residence of person for whom attorney is signing)

appointed me/us his/her/its attorney.

2 That I/we have not received any notice of any event revoking the power of attorney.

Signed at this day of 2014

(Signature of attorney)

Simplified Disclosure Prospectus

for an offer of interest bearing secured convertible bonds.

This Prospectus is a Simplified Disclosure Prospectus for an offer of bonds that will rank in priority to the ordinary shares of Dorchester Pacific Limited which are quoted on the NZX Main Board.

Dorchester is subject to a continuous disclosure obligation that requires it to notify certain material information to NZX for the purpose of that information being made available to participants in the NZX Main Board operated by NZX.

Dorchester does **not** intend to apply to the NZX to quote the interest bearing secured convertible bonds on the NZX Debt Market.

TABLE OF CONTENTS

Important Information	1
Important Dates	2
Key Terms of the Bonds.....	3
Terms of the Offer.....	9
The Takeover Offer.....	10
Ownership and Financing Structure.....	13
Business Overview	14
Risks	17
Financial Information.....	22
Trustee's Statement.....	24
Statutory Information.....	25
Glossary	45
How to Apply.....	49
Directory	52

IMPORTANT INFORMATION

Prospectus

This Prospectus is a Simplified Disclosure Prospectus prepared in accordance with regulation 10 of, and schedule 12 to, the Securities Regulations.

Capitalised terms are defined in the *Glossary* section or within the relevant section of this Prospectus.

All references to dates and times are to New Zealand dates and times.

This Prospectus is prepared as at, and dated, 21 August 2014. A copy of this Prospectus, signed by or on behalf of the directors of Dorchester, and having endorsed on it or attached to it the documents required by section 41 of the Securities Act, has been delivered to the Registrar of Financial Service Providers for registration under section 42 of the Securities Act. The documents required by section 41 of the Securities Act to be endorsed on or attached to the copy of this Prospectus delivered to the Registrar of Financial Service Providers are:

- A copy of the audited financial statements for the Issuing Group for the financial year ended 31 March 2014;
- Copies of the Disclosed Information;
- the Trustee's statement as set out in the *Trustee's Statement* section on page 24; and
- any relevant authorities where an agent has signed the Prospectus on behalf of a director of Dorchester.

Continuous disclosure

Dorchester is subject to a continuous disclosure obligation that requires it to notify certain material information to NZX for the purpose of that information being made available to participants on the NZX Main Board operated by NZX under the Securities Markets Act and the Listing Rules. Copies of that information are provided on Dorchester's page on NZX's website (<https://www.nzx.com/companies/DPC>).

Selling restrictions

The Bonds are offered in New Zealand to New Zealand resident investors. This Prospectus may not be used for the purposes of, and does not constitute, an offer or invitation in any jurisdiction other than New Zealand. Dorchester reserves the right to reject any application for Bonds under the Offer that it believes comes from a person who is not a New Zealand resident investor.

This Prospectus is intended for use only in connection with the Offer and does not constitute an offer or invitation in any place in which, or to any person to whom, it would not be lawful to make such an offer or invitation. No action has been taken to register this Prospectus or permit an offering of the Bonds to persons in any jurisdiction outside New Zealand.

By applying for Bonds, each investor agrees to indemnify Dorchester and the Trustee and their respective directors, officers, employees and agents in respect of any loss, cost, liability or expense sustained or incurred as a result of the investor breaching the selling restrictions described above.

Forward looking statements

This Prospectus contains certain statements which relate to the future. Such statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Dorchester and which may cause actual results, performance or achievements of Dorchester to differ materially from those expressed or implied by such statements.

Disclaimer

The Trustee has not independently verified the information contained in this Prospectus. In accepting delivery of this Prospectus, the recipient acknowledges that the Trustee does not (nor do its directors, officers, employees and agents) give any warranty or representation of accuracy or reliability. To the maximum extent possible at law the Trustee does not (nor do any of its directors, officers, employees or agents) accept any liability whatsoever for any loss arising from this Prospectus or its contents or otherwise arising in connection with the Offer.

Each recipient of this Prospectus must make his, her, or its own independent investigation and assessment of the financial condition and affairs of Dorchester before deciding whether or not to apply for Bonds.

IMPORTANT DATES

Opening Date	18 September 2014
First Interest Payment Date	31 December 2014
Interest Payment Dates	31 March, 30 June, 30 September and 31 December in each year
Latest date a Conversion Notice may be given	31 August 2016
Maturity Date/Conversion Date	30 September 2016

These dates are indicative only and are subject to change.

Dorchester reserves the right to cancel the Offer and the issue of Bonds in which case all Application Monies received will be refunded (without interest) as soon as practicable.

KEY TERMS OF THE BONDS

The following is a summary of the main terms of the Offer and the Bonds. Investors should also refer to the more detailed information in the other sections of this Prospectus, including the *Statutory Information* section from page 25.

Issuer	<p>Dorchester Pacific Limited.</p> <p>A description of Dorchester is set out in the <i>Business Overview</i> section from page 14.</p>
Guarantors	<p>Dorchester Finance Limited, Dorchester Life Management Limited, Dorchester Life Trustees Limited, Dorchester Hotel Property Trust Management Limited, EC Credit Control (NZ) Limited, Estate Management Services Limited, EC Web Services Limited, Payment Management Services Limited and Dorchester Turners Limited.</p> <p>Dorchester has undertaken to procure Dorchester Oxford Limited to become a Guarantor promptly following the release of the security granted by Dorchester Oxford and Oxford Finance Limited to Electra Limited and Electra Finance Limited. This security secures the finance provided by Electra Finance Limited to Oxford Finance Limited and the final payment payable to Electra Limited in relation to Dorchester's acquisition of Oxford Finance Limited.</p> <p>A more detailed description of the Guarantors is set out in the <i>Statutory Information</i> section under the heading <i>Guarantors</i> on page 32.</p>
Status of Bonds	<p>The Bonds are secured fixed rate convertible debt obligations of Dorchester.</p> <p>The Bonds will rank equally among themselves. The Bonds will be secured by a general security agreement over the assets of Dorchester and each Guarantor. The Bonds will rank behind the Bank Facilities.</p>
Offer amount	<p>Dorchester expects the actual number of Bonds issued to be approximately \$15 million, but technically up to \$55 million worth of Bonds can be issued (being the maximum amount that could be issued if all Turner's shareholders take up the maximum number of Bonds permitted under the Takeover Offer).</p>
Maturity Date	<p>30 September 2016</p>
Conversion	<p>Bondholders will have the option to Convert their Bonds into Shares on the Maturity Date.</p> <p>If a Bondholder elects to Convert all or some of his or her Bonds into Shares, the Bondholder must give notice to Dorchester at least 1 month before the Maturity Date. The Conversion of a Bond will occur on the basis of the following formula:</p> $\text{Number of Shares} = \frac{\text{Principal Amount}}{\text{Conversion Amount}}$ <p>The Conversion Amount for each Bond will be the lesser of:</p> <ul style="list-style-type: none"> (a) \$0.30; and (b) A 5% discount to the average daily volume weighted price of the shares in the 90 days prior to the Maturity Date as determined by an independent adviser appointed by Dorchester. <p>Further information on the Conversion process is set out in the <i>Statutory Information</i> under the heading <i>Conversion</i> on page 29.</p>
Interest Rate	<p>The Bonds will pay a fixed rate of interest of 9% per annum from the Issue Date of the relevant Bonds until the Maturity Date.</p>

Interest payments	<p>Interest will be paid quarterly in arrears in equal amounts on each Interest Payment Date (31 March, 30 June, 30 September and 31 December of each year).</p> <p>If a Bank Default has occurred or will occur as a result of the making of the payment, Dorchester will not be able to pay interest. Interest will continue to accrue and will be paid when that Bank Default is remedied or when the Bank Default will not occur as a result of the making of the payment.</p>						
First interest payment	The first interest payment will be made on 31 December 2014.						
Security	<p>The Bonds will be secured by a general security agreement over the assets of Dorchester and each Guarantor granted in favour of the Trustee. Any Shares issued following Conversion will not have the benefit of the security.</p> <p>This security is subordinated to the Bank Security pursuant to the Deed of Subordination. The key terms of this are:</p> <ul style="list-style-type: none"> • Interest may only be paid if no Bank Default exists under either Bank Facility and no Bank Default will occur as a result of the interest payment. In these circumstances, interest will continue to accrue but will 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 Bank Default exists under either Bank Facility 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 Deed of Subordination will be an event of default under the Bank Facilities entitling the Bank to enforce the Bank Security. <p>Further detail on the Deed of Subordination is set out in the <i>Statutory Information</i> section under the heading <i>Deed of Subordination</i> on page 39.</p>						
Financial Covenants	<p>The Financial Covenants will be those agreed between Dorchester and the Bank from time to time.</p> <p>The Financial Covenants are expected to initially be:</p> <ul style="list-style-type: none"> • Interest Cover Ratio (being the ratio of EBITDA to Total Interest) on each Test Date to be greater or equal to: <table border="1"> <thead> <tr> <th>Period</th><th>Ratio</th></tr> </thead> <tbody> <tr> <td>Issue Date to 31 December 2015</td><td>3.00 times</td></tr> <tr> <td>1 January 2015 to the Maturity Date</td><td>3.5 times.</td></tr> </tbody> </table>	Period	Ratio	Issue Date to 31 December 2015	3.00 times	1 January 2015 to the Maturity Date	3.5 times.
Period	Ratio						
Issue Date to 31 December 2015	3.00 times						
1 January 2015 to the Maturity Date	3.5 times.						

- Leverage Ratio (being the ratio of Gross Debt to EBITDA) on each Test Date to be less than or equal to:

Period	Ratio – 100% shareholding	Ratio – 90% shareholding	Ratio – 85% shareholding	Ratio – 80% shareholding	Ratio – less than 80% shareholding
Initial Issue Date to 31 December 2014	3.75 times	3.25 times	3.00 times	2.50 times	2.00 times
1 January 2015 to 31 March 2015	3.50 times	2.75 times	2.75 times	2.25 times	2.00 times
1 April 2015 to 30 June 2015	3.00 times	2.25 times	2.25 times	2.00 times	2.00 times
1 July 2015 to 30 September 2015	2.75 times	2.00 times	2.00 times	2.00 times	2.00 times
1 October 2015 to 31 March 2016	2.50 times	2.00 times	2.00 times	2.00 times	2.00 times
1 April 2016 to 30 June 2016	2.25 times	2.00 times	2.00 times	2.00 times	2.00 times
1 July 2016 to the Maturity Date	2.00 times	2.00 times	2.00 times	2.00 times	2.00 times

These are indicative levels only. The exact levels of the Leverage Ratio will not be set until Dorchester knows what percentage of the shares in Turners it will acquire.

- Debt Service Cover Ratio (being the ratio of Cash Flow Available for Debt Service to Total Debt Service Costs) on each Test Date to be greater than 1.10 times; and
- Capital Expenditure in each year to be no more than 110% of the base case as set out in the model approved by the Bank each year.

These will be tested on the Covenant Group only (being Dorchester Pacific Limited, Dorchester Life Management Limited, Dorchester Life Trustees Limited, Dorchester Hotel Property Trust Management Limited, DPL Insurance Limited, EC Credit Control (NZ) Limited, EC Credit Control (Aust) Pty Limited and Dorchester Turners Limited) so does not include Dorchester Finance, Dorchester RAMS Limited and their subsidiaries.

Bondholders will not have any control over the levels agreed for the Leverage Ratio. All the covenants may be amended with the consent of the Bank at any time.

Further detail on the Financial Covenants is set out in the *Statutory Information* section under the heading *Financial Covenants* on page 33.

These will not apply following Conversion.

Other indebtedness	The Bonds will rank behind the indebtedness owing by Dorchester to the Bank. As at the date of this Prospectus, Dorchester has facilities of up to \$29m and Dorchester Finance has a facility of \$40m from the Bank. Dorchester may, without the consent of Bondholders incur further indebtedness to the Bank from time to time which will rank in priority to, the Bonds. Other liabilities preferred by law will also rank ahead of the Bonds.		
	Shares issued on Conversion will rank equally with all other Shares.		
	Illustration of ranking of Bonds on the liquidation or winding up of Dorchester		
	<div>Higher</div> <div>↑</div> <div>↓</div> <div>Lower</div>	Creditors preferred by law	Liabilities preferred by law (including some employee entitlements)
		Senior secured obligations	Bank facilities
		Bonds	
Unsecured debt		Trade and general creditors	
	Ordinary shares	Shares (including any Shares issued following Conversion)	

Permitted Security	<p>Dorchester and the Guarantors may grant security to other parties in certain circumstances including the following:</p> <ul style="list-style-type: none">• security granted in favour of the Bank;• security which the Bank has consented to;• purchase money security interests;• liens arising by operation of law; and• netting and set off arrangements.
	<p>These securities may rank ahead of or behind the security granted in relation to the Bonds. The consent of Bondholders is not required to any of these and the Bank is not required to consult with the Trustee before consenting to a security.</p> <p>Dorchester has undertaken to procure Dorchester Oxford Limited and Oxford Finance Limited not to grant security to any party other than the above permitted securities or the security currently in place in favour of Electra Limited and Electra Finance Limited.</p> <p>A full description is set out in the <i>Statutory Information</i> section under the heading <i>Other Restrictions</i> on page 39. These will not apply following Conversion.</p>

Risks	<p>Investment in the Bonds is subject to risks. The principal risks for you, as a Bondholder, are:</p> <ul style="list-style-type: none"> • Dorchester may become insolvent and be unable to pay the Principal Amount and/or interest due on the Bonds; • as a result of a Bank Default, Dorchester may be unable to pay the Principal Amount and/or interest on the Bonds when due; and/or • an Event of Default may occur and the Trustee may be prevented from taking any enforcement action as a result of the terms of the Deed of Subordination; and • the Bank may take enforcement action under the Bank Security and following that enforcement there may not be sufficient funds available to repay Bondholders. <p>The key factors that could cause those events are briefly summarised below. More detail on the risks is set in the <i>Risks</i> section from page 17.</p> <p>Factors that may trigger the above:</p> <ul style="list-style-type: none"> • Risks specific to Dorchester's core business activities: As examples, Dorchester's finance activities is exposed to credit, liquidity and interest margin risk, its Insurance activities exposed to variations in claim levels (vs. expectations) and its debt collection and credit management activities exposed to contract risk given a significant portion of EC Credit's business are with five major banks <p>Risks associated with Dorchester increasing its shareholding in Turners: Following the takeover, Dorchester will have greater exposure to Turners' financial performance. Until Dorchester acquires 100% of Turners' shares, Dorchester is not entitled to directly access the cash flows and will be entitled only to its share of distributions from Turners (which include dividends). Turners has historically maintained a high dividend payout ratio and therefore the Bond Charging Group's earnings are exposed to the prospect of a reduction in the dividend payout ratio. Further, there is risk the anticipated synergies from the acquisition do not deliver the expected net benefits or take longer than anticipated to execute</p> <p>Risks relating to Dorchester's financing structure and holding bonds generally: The Bank is the principal lender to Dorchester's group and holds first ranking security over the Issuer and a number of its subsidiaries (including the Guarantors) which have jointly and severally guaranteed the obligations of Dorchester and each other. The risk for Bondholders is if Dorchester or any of its guaranteeing subsidiaries over which the Bank holds a first ranking charge default, the Bank may elect to enforce the Bank Security and seek to recover its indebtedness from all or some of those entities, including entities in the Bond Charging Group</p> <p>Risk relating to the Bondholder having visibility of the Bond Charging Group's financial position: Going forward, while Bondholders will have access to financial disclosure on Dorchester Pacific Group and the Covenant Group, Bondholders will not have access to ongoing financial disclosure on the consolidated Bond Charging Group of entities</p> <ul style="list-style-type: none"> • Risks relating to Acquisition Bank Debt covenants: The Leverage Ratio covenant will be finalised once the percentage shareholding and amount of Acquisition Bank Debt drawn become certain therefore the covenant level may be set at a level Bondholders are not comfortable with.
-------	--

	<ul style="list-style-type: none"> • General economic, business and regulation risks: Dorchester cannot predict or control general economic conditions nor changes in tax law, accounting standards or other relevant regulation which may impact the financial performance or returns to Bondholders. Further, Dorchester is reliant on a significant amount of debt funding and is therefore reliant on being able to refinance existing facilities from time to time and is exposed to changes in interest rates
Use of proceeds	Dorchester intends to use the proceeds from the Bonds to assist in its acquisition of shares in Turners. Further details on this acquisition is set out in the Business Overview section from page 14.
Early redemption	Other than following an Event of Default, and subject to the terms of the Deed of Subordination, Bondholders have no right to require the Issuer to redeem or Convert the Bonds prior to the Maturity Date.
Taxation	A description of the applicable New Zealand taxes is set out in the <i>Statutory Information</i> section under the heading <i>Taxation of returns</i> on from page 30.
Governing law	New Zealand.

TERMS OF THE OFFER

The following is a summary of the main terms of the Offer. Investors should also refer to the more detailed information in the other sections in this Prospectus, including the *Statutory Information* section from page 25.

Offer	Dorchester is offering for subscription up to \$55 million in Principal Amount of Bonds. Bonds may be allotted from time to time at Dorchester's discretion.
Issue Price	\$1.00 per Bond.
Who may apply	The Bonds are offered in New Zealand to investors who are New Zealand residents. Dorchester reserves the right to refuse all or any part of any application for Bonds without giving a reason.
Conditions	The allotment of the Bonds is conditional on Dorchester receiving acceptances under the Takeover Offer which, when combined with the shares in Turners it already owns, results in it holding at least 50.1% of the shares in Turners.
Scaling	If Dorchester receives applications for Bonds in excess of \$15 million it will give preference to, firstly, Turners Shareholders and, secondly, Dorchester Shareholders.
How to apply	Full application instructions are set out in the <i>Statutory Information</i> section under the heading <i>Applications</i> on page 26, in the <i>How to Apply</i> section from page 49 and in the Application Form attached to this Prospectus.
No underwriting	The Offer is not underwritten.
Brokerage	Applicants are not required to pay brokerage or any charges to Dorchester in relation to the Offer.
Sale and transfer	Applicants should not attempt to sell any Bonds until they know whether, and how many, Bonds have been issued to them. Dorchester does not accept any liability should any applicant attempt to sell or otherwise deal with the Bonds before the applicant receives his, her or its holding statement.
Unlisted	The Bonds have not been approved for trading on the NZX Debt Market or any other registered market. Dorchester may, in its sole discretion, subsequently consider applying to NZX for approval to quote the Bonds. There is no certainty Dorchester will do this or that NZX will approve the application.
Registrar and paying agent	Computershare Investor Services Limited.
Trustee	New Zealand Permanent Trustees Limited.

THE TAKEOVER OFFER

Overview

Introduction

The Dorchester group is a financial services group primarily engaged in providing finance, insurance, debt collection and credit management services.

On 4 April 2013, Dorchester acquired an 18.2% strategic stake in Turners, and on 10 June 2013 announced it had increased its stake to 19.85%. Since Dorchester acquired its strategic stake in Turners, Dorchester has been represented on Turners' Board by Paul Anthony Byrnes (Dorchester CEO).

Rationale for the acquisition

Dorchester's strategic rationale for the acquisition of Turners is underpinned by:

- i. Confidence of continued growth of Turners' profit from current operations going forward; and
- ii. Expected synergies arising to both its finance and insurance activities (as listed below).

Finance activities

Turners' current financier provides vehicle finance to Turners' customers that meet its specified loan acceptance criteria. There are opportunities for Dorchester's business 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

Further, Dorchester 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.

Insurance activities

Turners currently distributes mechanical breakdown insurance policies, payment waiver insurance policies and private motor vehicle insurance policies, with a distributor commission paid to Turners. The opportunities for Dorchester, therefore include:

- Replacing Turners' current underwriter with Dorchester Insurance Group (which provide similar products) and offer more tailored insurance products
- Leveraging Turners' database to distribute other Dorchester Insurance Group products and motor vehicle related insurance policies to past clients of Turners
- Increasing the penetration rate of motor vehicles sold with an insurance package attached (leverage Dorchester Insurance Group expertise)

Key Takeover Offer terms

The Takeover Offer will be an offer for 100% of the Turners' equity securities, whether voting or non-voting. The consideration, at the option of each Turners Shareholder, will payable as follows:

- cash consideration of \$3.00 per Share;

or

- the consideration due to a Turners Shareholder may be in Bonds, on the terms set out in this document.

or

- the consideration due to a Turners Shareholder may be satisfied in Dorchester ordinary Shares (the issued price of which will be \$0.25 per Dorchester ordinary Share or such lesser price as is determined by a book build in a share placement that may be undertaken by Dorchester to part fund the Takeover Offer). Turners Shareholders are guaranteed an allocation of Dorchester ordinary Shares of up to 60% of the consideration due to accepting shareholders, and pro rata thereafter subject to a cap on the maximum number of Dorchester ordinary Shares available to be issued to Turners Shareholders as explained further in the Takeover Offer);

or

- any combination of cash and/or Dorchester ordinary Shares and/or Bonds, subject to the limitations described above.

The Takeover Offer will be open for at least 30 days, provided that the offer period may be extended by Dorchester in accordance with the Takeovers Code.

The Takeover Offer will not be subject to any minimum acceptance condition, other than that mandated by Rule 23(1)(a) of the Takeovers Code.

The Takeover Offer will be conditional on Turners declaring a fully-imputed special dividend of \$0.15 per share, prior to loss of continuity.

In addition, the Takeover Offer will be subject to conditions customary for takeover offers in New Zealand, including no material adverse change occurring.

Dorchester has entered into a lock-up agreement with Bartel Holdings Limited ("Bartel"), which as at the date of this Prospectus holds a 20.82% stake in Turners, under which Bartel has agreed to accept the Takeover Offer. As part of the lock-up agreement, Bartel has agreed to accept as payment for its 20.82% of shares in Turners, a mix of 60% in Dorchester Shares and 40% in Bonds. Accordingly, at the date of this Prospectus, Dorchester already holds or controls 40.67% of shares in Turners.

Acquisition funding

Dorchester intends to fund the Takeover Offer through or by a combination of:

- i. **Dorchester Shares:**
 - o Dorchester will offer those Turners' shareholders accepting the Takeover Offer the option of accepting their takeover payment consideration in Dorchester Shares, subject to a limit on the maximum aggregate number of Dorchester Shares available to be issued to accepting Turners' Shareholders. Turners' Shareholders will be guaranteed up to 60% of their takeover payment consideration in Dorchester Shares, with any excess acceptances to be scaled pro-rata.
 - o Where the amount of Dorchester shares subscribed for by Turners' Shareholders accepting the Takeover Offer is less than \$25 million, Dorchester will raise the remaining amount through a Share Placement of Issuer Shares. Turners' shareholders will be able to participate in the Share Placement by electing to direct that the special dividend paid to them by Turners in connection with the Takeover Offer (payment of which will be a condition of the Takeover Offer) be applied to subscribing for Dorchester Shares in the Share Placement. A minimum of \$20 million in new Dorchester Shares is required to be issued under the terms of the Acquisition Bank Debt (below) to allow the Issuer to draw down the Acquisition Bank Debt facility.
- ii. **Bonds:** Dorchester will offer those Turners' shareholders accepting the Takeover Offer the option of accepting their takeover payment consideration in Bonds. The Issuer's shareholders and new investors may also subscribe for Bonds, independently of the Takeover Offer.
- iii. **Acquisition Bank Debt:** Should additional funding be required over and above the proceeds of issue of Shares and Bonds, Dorchester has secured a bank debt facility of a maximum \$39.55 million to fund the balance of the required funding.

The final funding structure is therefore unknown at the date of this Prospectus, and will be determined by:

- i. The number of shares Dorchester ultimately acquires in Turners (and therefore the total consideration required)
- ii. The payment preference of Turners' shareholders accepting the Takeover Offer for cash, Dorchester Shares and Bonds
- iii. The amount of Bonds subscribed for by existing Dorchester Shareholders and new investors
- iv. The resulting Acquisition Bank Debt that is required.

OWNERSHIP AND FINANCING STRUCTURE

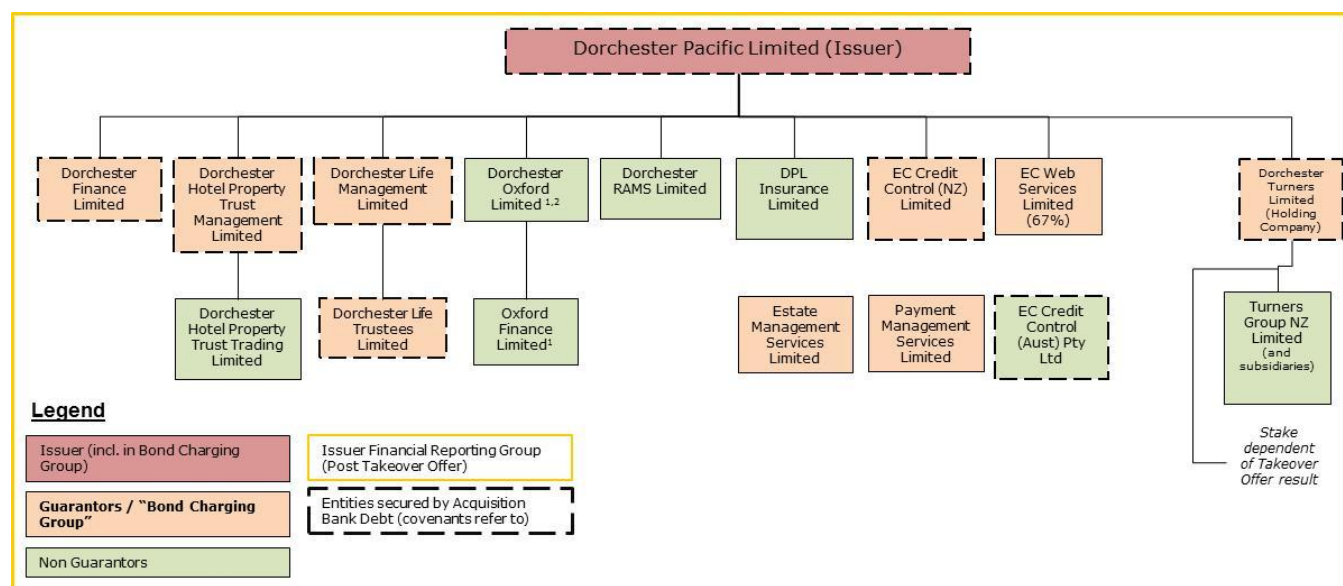
Introduction

This section sets out both the ownership and financing structure of the Dorchester group entities.

The Bank has first ranking security over the Bond Charging Group (see below for definition) as well as over EC Credit Control (Aust) Pty Ltd and indirectly over Dorchester Oxford Limited and Oxford Finance Limited (see note 2 in the illustration below). Bondholders will have second ranking subordinated security over the entities in the Bond Charging Group only.

The definitions (corresponding to the legend below) are as follows:

- i. **Issuer** means Dorchester Pacific Limited. The Bank has first ranking security and the Bondholders have second ranking subordinated security over the Issuer (therefore the Issuer is part of the Bond Charging Group)
- ii. the **Guarantors** represents subsidiaries of the Issuer that Bondholders have second ranking subordinated security over. The Bank has first ranking security over these companies. Note, Dorchester Turners Limited will be the entity to acquire additional shares in Turners under the Takeover Offer as well as any additional shares acquired thereafter.
- iii. **Non Guarantors** are wholly or partially owned by Dorchester but excluded from the Bond Charging Group
- iv. The **Financial Reporting Group** represents the entities that will be reported on in the consolidated financial statements for accounting purposes (after the Takeover Offer is completed)
- v. **Entities secured by Acquisition Bank Debt** refers to entities that the Bank has first ranking security over under the Acquisition Bank Debt agreement which forms part of the Takeover Offer funding.



1. Oxford Finance Limited has funding in place from Electra Finance Limited, being part of the group which previously owned Oxford Finance Limited. Oxford Finance Limited and Dorchester Oxford Limited have granted security to Electra Security Limited to secure this funding and to Electra Limited, the vendor of Oxford Finance Limited, to secure the earn out component of the acquisition purchase price payable by Dorchester. Once the facility is repaid and the earn out is paid both Oxford Finance Limited and Dorchester Oxford Limited are expected to join the Bond Charging Group

2. Dorchester Pacific Limited and Dorchester Oxford Limited have guaranteed the (BNZ funded) loan facilities that Electra has provided to Oxford Finance Limited. In the event that Oxford Finance Limited defaults on loan facilities with Electra, BNZ (as lender to Electra) may access the guarantees provided by Dorchester Pacific Limited and Dorchester Oxford Limited in favour of Electra. As BNZ holds various securities over Dorchester's Bond Charging Group, BNZ may utilise these securities to support Dorchester Pacific Limited and Dorchester Oxford Limited's guarantee obligations to Electra.

Business Overview

Business Overview of Dorchester and Guarantors (included in the Bond Charging Group)

Dorchester Pacific Limited: The listed entity (NZX: DPC) which holds the shares in the entities as set out on the previous page. Dorchester Pacific Limited performs the normal activities of a holding company (employs key executives, incurs overhead charges of the group as examples).

Dorchester Finance Limited: The motor vehicle lending business which makes loans to consumers and businesses. The majority of loans are secured over motor vehicles, equipment or real estate.

Dorchester Hotel Property Trust Management Limited: Manager of the Dorchester Property Trust. There are three properties in this trust, Parkview on Hagley (Christchurch), Goldridge Resort (Queenstown) and Quality Hotel Emerald (Gisborne).

Dorchester Life Management Limited: Incorporated initially to market DPL Insurance investment products. The products have now essentially been absorbed into DPL Insurance Limited, except for the investment in Dorchester Life Trustees Limited.

Dorchester Life Trustees Limited (“DLTL”): Trustee for a number of superannuation funds. As trustee, DLTL is responsible for looking after the interests of Members and ensuring the funds are administered in accordance with their trust deeds and applicable legislation. DLTL has appointed DPL Insurance Limited as the investment manager for the superannuation funds for which it is Trustee.

EC Credit Control (NZ) Limited: The EC Credit group of companies were acquired by Dorchester in October 2012 and undertakes debt collection and credit management services in New Zealand (and in Australia also through its wholly owned subsidiary, EC Credit Control (Aust) Pty Ltd, which is excluded from the Bond Charging Group). EC Credit provides debt collection services for major trading banks and corporates, and also credit management, credit reporting and terms of trade documentation to small and medium sized businesses.

Dorchester Turners Limited: Will acquire additional shares in Turners under the Takeover Offer as well as any further shares acquired after the Takeover Offer.

EC Web Services Limited: Was acquired as part of the EC Credit acquisition and provides web services to third parties. The business is a very small part of the EC Credit business.

Estate Management Services Limited: A non-operating company used by EC Credit Control (NZ) Limited to send estate recovery letters to recipients as instructed by EC Credit Control (NZ) Limited.

Payment Management Services Limited: A non-operating company used by EC Credit Control (NZ) Limited to send credit management letters to recipients as instructed by EC Credit Control (NZ) Limited.

Business Overview of Non Guarantors (excluded from the Bond Charging Group)

The purpose of this section is to briefly describe the entities not included in the Bond Charging Group and provide the reason for their respective exclusion.

Oxford Finance Limited: Oxford Finance Limited loans are originated through a mix of channels, including motor vehicle dealers, finance brokers and strategic partnerships. The majority of loans are for the purposes of financing motor vehicles. Oxford Finance Limited has funding in place from Electra Finance Limited, being part of the group which previously owned Oxford Finance Limited. Oxford Finance Limited and Dorchester Oxford Limited have granted security to Electra Finance Limited to secure this funding and to Electra Limited, the vendor of Oxford Finance Limited, to secure the earn-out component of the acquisition purchase price payable by Dorchester. Once the facility is repaid and the earn-out is paid both Oxford Finance Limited and Dorchester Oxford Limited are expected to join the Bond Charging Group.

Dorchester Oxford Limited: Owns the shares in Oxford Finance Limited which was acquired by Dorchester on 1 April 2014.

Dorchester RAMS Limited: Comprises a separate portfolio of reverse annuity mortgages which are separately secured as part of a back to back financing facility, funded by Kiwibank.

Dorchester Hotel Property Trust Trading Limited: Undertakes the day to day operating, managing and promoting of the hotel businesses operating from the properties held by the unitholders of Dorchester Property Trust. Profits, losses, assets or liabilities of this company belong to the unit holders of Dorchester Hotel Property Trust Management Limited. Dorchester Hotel Property Trust Trading Limited is not considered a subsidiary of the Issuer from an accounting perspective and accordingly excluded from the Issuer's annual financial statements.

DPL Insurance Limited: Underwrites and distributes both life and non-life insurance products within the New Zealand market. DPL Insurance Limited distributes its insurance products through two customer facing brands: Mainstream Insurance and Dorchester Life. DPL Insurance Limited is excluded from the Bond Charging Group because under the Insurance (Prudential Supervision) Act 2010, assets under a fixed or floating charge incur a full capital charge (100% risk weighted).

EC Credit Control (Aust) Pty Ltd: The Australian operations of EC Credit, which was acquired by Dorchester in October 2012. Excluded from the Bond Charging Group as a small operating entity.

Board of Directors

Grant Baker Chairman	Grant Baker is a founding Director of the venture capital firm The Business Bakery and has experience as both an investor and director of public and private New Zealand companies. He has previously served as the CEO of Blue Star Group Limited and Ubix Business Machines and has sat as the Executive Chairman of Netco Ltd, Empower Ltd and 42 Below Ltd. Grant is currently an Executive Director of listed company Trilogy International Limited, Chairman of listed company Moa Group Limited and Chairman of cancer charity GICI (Gastro Intestinal Cancer Institute).
Paul Byrnes Deputy Chairman and CEO	Paul Byrnes is a chartered accountant with 20 years of experience in senior and CEO roles in private and listed companies. He joined Dorchester's Board in 2004, and is also Chairman of electricity generation and lines network company, Top Energy Limited, a director of NZX listed investment company, Hellaby Holdings Limited, and a number of private companies. He was appointed CEO/Executive Director in May 2008 and also represents Dorchester as a board member on Turners.
Kevin Brewer Director	Kevin Brewer is a business consultant with a background in merchant banking, M&A and corporate advisory with Bancorp and KPMG in New Zealand, Australia and the United Kingdom. He has held senior GM and CEO roles for SKYCITY Entertainment Group, including responsibility for the Adelaide business and Wendy's New Zealand. Kevin is a Chartered Accountant and holds a post graduate diploma in marketing from the University of Auckland. He is on the board of YHA New Zealand and The Anglican Trust for Women & Children.
John Gosney Director	John Gosney is a professional company director with extensive management experience and a background in finance and investment. He joined Dorchester's Board in May 2008 and represents the interests of Hugh Green Investments Limited. John is a director of a number of private companies and has interests in commercial and industrial property. John holds a Bachelor of Commerce and Masters of Business Administration from Otago University.
Matthew Harrison Director	Matthew Harrison is Managing Director of EC Credit Control, the debt recovery business acquired in 2012. He joined EC Credit Control in 1998 following senior sales and administration roles in the courier industry. Matthew was appointed to Dorchester's Board in 2012 and is also a director of a number of private companies. Matthew holds a Bachelor of Commerce (Economics) from Otago University.
Gregory Peebles Director	Gregory Peebles was a career banker with over 35 years with Westpac rising to Chief Credit Officer for New Zealand. Gregory, representing Westpac, was a director of TV3 for six years and holds a number of directorships in private companies and trusts including the Hospice South Auckland Charitable Trust.

RISKS

Introduction

Investment in the Bonds is subject to risks. The principal risks for you, as a Bondholder, are:

- Dorchester may become insolvent and be unable to pay the Principal Amount and/or interest due on the Bonds;
- as a result of a Bank Default, Dorchester may be unable to pay the Principal Amount and/or interest on the Bonds when due; and/or
- an Event of Default may occur and the Trustee may be prevented from taking any enforcement action as a result of the terms of the Deed of Subordination; and
- the Bank may take enforcement action under the Bank Security and following that enforcement there may not be sufficient funds available to repay Bondholders.

The key circumstances that could give rise to these risks are: (i) Specific risks to Dorchester's core business activities (ii) Risks associated with Dorchester increasing its shareholding in Turners (iii) Risks relating to Issuer's financing structure and holding bonds generally (iv) Risks relating to financial visibility of the Bond Charging Group (v) Risks relating to Acquisition Bank Debt covenants and (vi) General economic and business risks.

There may be risks in addition to those set out above and below and investors considering an investment in Bonds should consider the risk factors below in conjunction with the other information specified in this Prospectus. There may be additional risk factors that Dorchester is currently unaware of, or that the Issuer currently deems immaterial which may in the future become material risk factors.

The general content of this Prospectus and risks as set out in this section do not take into account the personal circumstances of individual investors, including financial position or investment requirements. Investors should have consideration for the suitability of an investment in the Bonds in light of personal appetite for risk, investment objectives and personal circumstances.

Dorchester's creditworthiness or solvency could be affected by a number of matters, including factors outside of its control. Material matters specific to Dorchester's business and industry are discussed further in this section.

(i) Specific risks of Dorchester's core business activities

Finance activities

Credit risk

Dorchester's primary finance activities include Dorchester Finance Limited and Oxford Finance Limited (collectively the "Finance Companies") which rely on borrowers to repay their loans and make interest payments on due date. The Finance Companies take security over assets to secure most of the loans they make. However if a borrower fails to repay the loan on due date and the value of the secured asset (if the loan is secured) and/or the amount recovered under any guarantee is insufficient to cover the outstanding payments, the relevant Finance Company will make a loss on that loan. If this occurs in relation to a significant number of loans, Dorchester may default with its lenders (including Bondholders).

The Finance Companies both have low customer concentration, with the largest 10 loans for each Dorchester Finance Limited and Oxford Finance Limited (as at 30 June 2014) representing less than 10% of their respective total book value of receivables.

Liquidity risk

Liquidity risk is the risk that Dorchester has insufficient cash and deposits to meet its obligations to Bondholders as they fall due, as a result of its borrowers failing to make payments due to the Finance Companies on due date. This may result in Dorchester defaulting on its payment of principal and/or interest on the Bonds.

Interest margin risk

The profitability of Dorchester is affected by the margin between the cost of funds raised by Dorchester and the revenues that the Finance Companies generate via the interest rates charged on funding facilities made available to borrowers. If market conditions dictate that the interest rates chargeable on funding facilities offered by the Finance Companies must decrease or the interest rates offered by Dorchester to investors in securities must increase, Dorchester's profitability may be materially adversely affected which may impact its ability to meet its obligations to Bondholders.

Insurance activities

Whilst DPL Insurance does not form part of the Bond Charging Group, its activities impact on Dorchester so the material risks of Dorchester's insurance activities are outlined below.

Dorchester's insurance activities involve a number of financial and non-financial risks. The cash flows can be impacted by claim payments, mortality rates, lapses in policies, expenses and earnings on assets backing the liabilities.

An increase in claim levels may result in a change in underlying actuarial assumptions, provisioning policy and therefore future profitability.

Insurance risk may arise through the reassessment of the incidence of claims, the trend of future claims and the effect of unforeseen diseases or epidemics. Insurance risks are controlled through the use of underwriting procedures and adequate premium rates and policy charges.

The SuperLife and SuperBond savings product were closed to new membership in late 2011 and are in run-out. Income from fees are forecast to decline over the next 3 years but some risk exists that funds are withdrawn from the scheme by members in a shorter time frame than forecast.

Debt collection and credit management activities

Key contract risk (with banks)

A significant aspect to EC Credit's business are its five major bank contracts which are generally renewed every two to three years. There is a risk that in the event of poor collection performance by EC Credit, one or more of the major bank contracts are not renewed.

Management of sales agents

A significant portion of EC Credit's sales are from products sold by its sales agents to small and medium sized businesses. A material portion of remuneration of EC Credit's sales agents is commission based. Poor management or a loss of a significant number of sales representatives at any one time may lead to a material deterioration in profitability of EC Credit.

(ii) Risks associated with Dorchester increasing its shareholding in Turners

Impact on Dorchester's share price

If successful, as a result of the Takeover Offer, Dorchester will become subject to greater exposure to Turners' financial performance which may have a greater influence on movements in Dorchester's share price. The increased exposure may impact Bondholders if they elect to convert the Bonds into Shares.

Sustained dividends from Turners

Until Dorchester acquires 100% of Turners' shares, Dorchester is not entitled to directly access the cash flows of Turners and will be entitled only to its share of distributions from Turners (which include dividends).

Turners has historically maintained a high dividend payout policy (approximately 90%) which is in the top quartile when benchmarked against other NZX listed companies. Given Dorchester Turners Limited will represent a meaningful portion of the Bond Charging Group's earnings after the Takeover Offer, an inability for Turners to sustain a high dividend payout going forward may have an adverse impact on the cash flows of the Bond Charging Group.

Integration and synergy risk

There is risk the expected synergies from the acquisition take longer to execute, encounter additional / unexpected costs or encounter issues that result in a failure to deliver the expected net benefits. This may affect the operational and financial performance of the Issuer.

Reliance on information

Dorchester's decision to increase its shareholding in Turners has been formulated on publicly available information and information available to Paul Byrnes as Dorchester's appointed Director on the Turner's Board.

Uncertainty regarding final funding structure

As discussed earlier, the final funding structure of the Takeover Offer will be unknown at the time investors subscribe for Bonds. For the Takeover Offer to be successful, Dorchester will be required to achieve a minimum of 50.1% of Turners shares (including the 19.85% already held). As noted above, Dorchester has an agreement with Bartel to acquire its 20.82% of shares in Turners, and therefore already holds or controls 40.67% of shares in Turners. A minimum of \$20 million in new Dorchester Shares is required to be issued under the terms of the Acquisition Bank Debt. At least \$10.261 million of additional Dorchester Shares will be issued to acceptors of the takeover. Dorchester also intends to undertake a placement of up to \$10 million of new shares (with provision for over subscriptions, but so that the total amount of additional share capital issued does not exceed \$30 million) to existing Dorchester shareholders, institutions, or retail investors. Dorchester is seeking commitments from its largest shareholders to provide up to \$10 million of the new equity, if required, subject to shareholder approval. No Dorchester shareholder or other investor guarantees the Bonds. To give context as to why a Bondholder is impacted by the mix of Dorchester Shares, Bonds and Acquisition Bank Debt used to fund the Takeover Offer, a Bondholder would be in a more favourable position from a risk perspective if there was a greater amount of Dorchester Shares used to fund the Takeover Offer (than Acquisition Bank Debt which ranks in priority to Bonds).

(iii) Risk relating to Dorchester's financing structure and holding Bonds generally

The Issuer is part of an overall borrowing group principally funded by the Bank which holds first ranking security over the Issuer and a number of its subsidiaries (including the Guarantors). Each Guarantor has jointly and severally guaranteed the obligations of Dorchester and each other. Should Dorchester or any of its guaranteeing subsidiaries over which the Bank holds a first ranking charge default on the BNZ facilities, BNZ may elect to enforce the Bank Security and seek to recover its indebtedness from all or some of those entities, including entities in the Bond Covenant Group.

The principal risk for Bondholders here is that they may not receive interest and/or Principal payments when due if a Bank Default occurs or they may be unable to recoup some or all of their original investment amount if the Bank as first ranking charge holder enforces any or all of its securities. The security may not be sufficient to repay the Bank and Bondholders in full.

Additional risks could be:

- i. There is a lack of liquidity and demand for the Bonds so Bondholders are unable to sell their Bonds. As the Bonds will not be listed, there is unlikely to be a market for Bondholders to sell their Bonds
- ii. The price at which Bondholders are able to sell their Bonds is lower than the amount originally paid owing to changes in market interest rates or the perceived credit worthiness of the Bonds
- iii. The market no longer perceives the rate of interest being paid as adequate having consideration for the inherent risk in the investment
- iv. Dorchester's operational and financial performance not meeting the level anticipated by Bondholders, and therefore the level of interest being paid on the Bonds being perceived as inadequate

(iv) Risk relating to the financial visibility of the Bond Charging Group

As set out in the Financials section of this Prospectus, Bondholders will have visibility on the financial performance and financial position of the Bond Charging Group for the past two years. Going forward, Bondholders will have access to:

- i. Semi-annual and annual financial disclosure on Dorchester Pacific Limited given its listing on the NZX; and
- ii. Annual audited financial disclosure on the Covenant Group (see below for definition)

Bondholders will not therefore have access to ongoing financial disclosure on the consolidated Bond Charging Group of entities. The table below sets out the entities included in the Covenant Group and the Bond Charging Group.

Covenant Group	Bond Charging Group
Dorchester Pacific Limited	Dorchester Pacific Limited
	Dorchester Finance Limited
Dorchester Life Management Limited	Dorchester Life Management Limited
Dorchester Life Trustees Limited	Dorchester Life Trustees Limited
Dorchester Hotel Property Trust Management Limited	Dorchester Hotel Property Trust Management Limited
DPL Insurance Limited	
EC Credit Control (NZ) Limited	EC Credit Control (NZ) Limited
EC Credit Control (Aust) Pty Ltd	
Dorchester Turners Limited	Dorchester Turners Limited
	Estate Management Services Limited
	EC Web Services Limited
	Payment Management Services Limited

The lack of information on the Bond Charging Group may impact on the market perception, and therefore the price on any secondary market, of the Bonds.

(v) Risks relating to Acquisition Bank Debt covenants

While the Interest Coverage and Debt Service Coverage Ratio covenants will remain constant irrespective of the level of shareholding that Dorchester acquires, the Leverage Ratio covenant will be finalised once the percentage shareholding and amount of Acquisition Bank Debt drawn become certain. Details of the proposed Leverage Ratio are set out on page 33. Bondholders will not have control of this covenant level so the covenant may be set at a level Bondholders are not comfortable with.

(vi) General economic and business risks

Economic activity

Dorchester is engaged in providing lending, insurance and debt collection / credit management services which are impacted by general economic conditions. The Issuer cannot predict the impact that future economic conditions may have on these activities and therefore its business.

Tax

Changes in tax law may have the potential to impact financial performance or the returns to Bondholders. Changes to tax rates of individuals and companies may impact after tax returns to Bondholders.

Accounting standards

Both Dorchester and Turners' financial statements are prepared in accordance with New Zealand Generally Accepted Accounting Practice.

Changes in accounting standards could necessitate changes in the accounting policies currently adopted by both Dorchester and Turners. Any new or amended accounting standards may impact financial performance and financial position of Dorchester and/or Turners.

Litigation and disputes

Legal and other disputes may arise from time to time in the ordinary course of operations. Such disputes can impact on earnings. There are no outstanding disputes as at the date of this Prospectus for Dorchester. Dorchester is not aware of any outstanding disputes in respect of Turners at the date of this Prospectus.

Funding and interest rates

Dorchester is reliant on a significant amount of debt funding and is required to refinance these existing facilities from time to time. An inability to obtain any necessary funding or a material increase in the cost of funding (via an increase in interest rates, or associated line fees and margins), may have an adverse impact on Dorchester's ability to meet its interest and/or principal payment obligations on the Bonds.

Change in regulation

The finance and insurance services sectors are regulated and are becoming subject to a greater degree of regulation. In the event the Takeover Offer is successful, Dorchester will increase its finance and insurance activities and will be further impacted by any change in regulation.

Dorchester believes it is currently in compliance with applicable laws and regulations. However, no assurance can be given that current laws and regulations or the adoption of new laws and regulations may not have a material impact on the operations, compliance costs, financial performance or prospects of Dorchester.

FINANCIAL INFORMATION

Basis of preparation

The financial information presented below for the Dorchester Group and the operating subsidiaries excluded from the Bond Charging Group has been prepared in accordance with the accounting policies specified in the notes to the Dorchester Pacific Limited annual reports for 2013 and 2014. The information presented below for the Bond Charging Group has been prepared in accordance with the accounting policies as specified in the special purpose financial statements for 2013 and 2014.

As set out earlier, the entities excluded from the Bond Charging Group include Dorchester Oxford Limited, Oxford Finance Limited, Dorchester RAMS Limited, Dorchester Hotel Property Trust Trading Limited, DPL Insurance Limited, Dorchester Staff Share Plan Trustees Limited and EC Credit Control (Aust) Pty Ltd. The reasons for their exclusion are also discussed earlier in this Prospectus.

Those entities which are excluded from Dorchester Pacific Limited's annual accounts therefore are DPL Insurance, Dorchester RAMS Limited and EC Credit Control (Aust) Pty Ltd. Dorchester Oxford Limited and Oxford Finance Limited were acquired on 1 April so are not included in the 2013 and 2014 financial statements. Dorchester Hotel Property Trust Trading Limited is a special purpose entity and under NZ IFRS is not required to be included in Dorchester's annual accounts. Dorchester Staff Share Plan Trustees Limited only holds shares on trust for staff as part of Dorchester's staff share plan and does not have any of its own income or assets.

Dorchester Pacific Group

NZ\$000	FY13	FY14
Total revenue	19,375	32,192
Expenses	(19,406)	(27,207)
Taxation	1,746	3,225
Net profit after tax	1,715	8,210
Total assets	103,955	126,682
Total liabilities	(70,765)	(52,630)
Shareholders' equity	33,190	74,052
Borrowings	(33,981)	(17,613)

Less: DPL Insurance Limited

NZ\$000	FY13	FY14
Total revenue	3,396	3,885
Expenses	(1,669)	(2,732)
Net profit after tax	1,727	1,153
Total assets	27,221	29,461
Total liabilities	(21,472)	(22,558)
Shareholders' equity	5,749	6,903
Borrowings	-	-

Less: EC Credit Control (Aust) Pty Ltd

NZ\$000	FY13	FY14
Total revenue	4,747	8,682
Expenses	(4,594)	(8,361)
Taxation	-	(135)
Net profit after tax	153	186
Total assets	556	986
Total liabilities	(411)	(690)
Shareholders' equity	145	296
Borrowings	-	-

Less: Dorchester RAMS Limited

NZ\$000	FY13	FY14
Total revenue	248	554
Expenses	(188)	(379)
Net profit after tax	60	175
Total assets	6,628	5,430
Total liabilities	(6,569)	(5,196)
Shareholders' equity	59	234
Borrowings	(5,252)	(3,851)

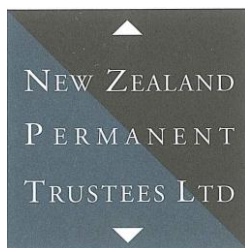
Less: inter-company transactions

NZ\$000	FY13	FY14
Total revenue - dividend & commissions	(8,111)	(2,830)
Expenses - commissions	1,649	2,827
Taxation	-	-
Net profit after tax - dividends and rounding	(6,462)	(3)
Total assets - subsidiary investments, loans and goodwill	(6,999)	(7,571)
Total liabilities - subsidiary loans & rounding	1,692	2,260
Shareholders' equity - pre-acquisition equity & translation reserve	(5,307)	(5,311)
Borrowings	-	-

Equals: Bond Charging Group

NZ\$000	FY13	FY14
Total revenue	19,095	21,901
Expenses	(14,604)	(18,562)
Taxation	1,746	3,360
Net profit after tax	6,237	6,699
Total assets	76,549	98,376
Total liabilities	(44,005)	(26,446)
Shareholders' equity	32,544	71,930
Borrowings	(28,729)	(13,762)

TRUSTEE'S STATEMENT



21 August 2014

TO: THE INVESTORS UNDER THIS PROSPECTUS OF DORCHESTER PACIFIC LIMITED

Dear Investor,

Clause 9(3) of Schedule 12 to the Securities Regulations 2009 requires us to confirm that the offer of bonds (*Bonds*) by Dorchester Pacific Limited (*Dorchester*) set out in the Simplified Disclosure Prospectus dated on or about 21 August (*Prospectus*), complies with any relevant provisions of the Trust Deed between Dorchester and New Zealand Permanent Trustees Limited (*Trustee*) dated 21 August 2014 (the *Trust Deed*).

The relevant provisions of the Trust Deed are those which:

- (a) entitle Dorchester to constitute and issue under the Trust Deed the Bonds offered under this Prospectus; and
- (b) impose any restrictions on the right of Dorchester to offer the Bonds,

and are described in the *Statutory Information* section of the Prospectus, under the heading *Provisions of the Trust Deed and other restrictions on Dorchester*.

The Trustee's statement does not refer to any financial information, or to any material contained in the Prospectus, which does not relate to the Trust Deed.

The Trustee confirms that the offer of Bonds set out in the Prospectus complies with all relevant provisions of the Trust Deed. We have given the above confirmation on the basis:

- (a) set out above; and
- (b) the inclusion of this Trustee's statement in the Prospectus should not be taken to imply that the Trustee has responsibility for the material in the Prospectus other than the Trustee's statement.

The Trustee does not guarantee or provide any assurance as to the repayment of the Bonds offered or the payment of interest thereon or any other aspect of the Bonds.

Signed for and on behalf of the Trustee
New Zealand Permanent Trustees Limited

STATUTORY INFORMATION

The Offer is an offer of debt securities that will rank in priority to the Shares (which are quoted on the NZX Main Board). The information in this section is provided in accordance with Schedule 12 to the Securities Regulations.

Names, addresses and other information

The issuer of the Bonds is Dorchester Pacific Limited, whose registered office is Level 8, 34 Shortland Street, Auckland 1010, New Zealand.

The directors of the Issuer as at the date of this Prospectus are Grant Keith Baker, Kevin Victor Brewer, Paul Anthony Byrnes, John James Gosney, Matthew John Harrison and Gregory Alan Peebles.

There is no promoter in relation to the Offer.

The Trustee in respect of the Bonds is New Zealand Permanent Trustees Limited, whose registered office is Level 35, 48 Shortland Street, Auckland.

The Trustee has been granted a licence by the Financial Markets Authority under section 16(1) of the Securities Trustees and Statutory Supervisors Act 2011 to act as a trustee for a term expiring on 16 January 2018.

Further information on the Trustee's licence and applicable conditions is publicly available on the Financial Markets Authority website at www.fma.govt.nz/help-me-comply/supervisors/licensed-supervisors.

Experts and underwriters

There are no experts named in this Prospectus.

The Offer is not underwritten.

Main terms of Offer

A summary of the key terms of the Offer is set out under the section headed *Key Terms of the Bonds* on page 3.

The Bonds

The Bonds offered under this Prospectus are convertible debt securities. The Bonds are fixed rate, secured bonds of Dorchester. This means that Dorchester will pay you a fixed rate of interest, and that the Bonds are secured by a general security agreement granted by Dorchester and the Guarantors over all of their assets. The Bonds will rank behind amounts owing by Dorchester to the Bank.

The Bonds are guaranteed by Dorchester Finance Limited, Dorchester Life Management Limited, Dorchester Life Trustees Limited, Dorchester Hotel Property Trust Management Limited, EC Credit Control (NZ) Limited, Estate Management Services Limited, EC Web Services Limited, Payment Management Services Limited and Dorchester Turners Limited.

Dorchester has undertaken to procure Dorchester Oxford Limited to become a Guarantor promptly following the release of the security granted by Dorchester Oxford Limited and Oxford Finance Limited to Electra Limited and Electra Finance Limited. This security secures the finance provided by Electra Finance Limited to Oxford Finance Limited and the final payment payable to Electra Limited in relation to Dorchester's acquisition of Oxford Finance Limited.

The Bonds are not Shares and no voting rights will attach to the Bonds (other than the right to attend and vote at meetings of Bondholders). The Bonds will rank equally and without preference among themselves. However, Bondholders have the right to require Dorchester to convert the Bonds into

Shares on the Maturity Date. Following conversion of any Bonds, Holders will have voting rights in relation to the relevant Shares in the same way as all existing Shareholders do.

Any brief description of the Bonds is set out in the *Key Terms of the Bonds* section on page 3. A description of the main terms of the Offer is set out in the *Terms of the Offer* section on page 9. The terms and conditions of the Bonds are contained in the Trust Documents. A summary of the principal provisions of the Trust Documents is set out in this *Statutory Information* section under the heading *Summary of the Bond Trust Documents* on page 32.

Maximum amount of securities being offered

Dorchester expects the actual number of Bonds issued to be approximately \$15 million, but technically up to \$55 million worth of Bonds can be issued (being the maximum amount that could be issued if all Turner's shareholders take up the maximum number of Bonds permitted under the Takeover Offer).

Issue Price

The Issue Price of each Bond is \$1.00, being the Principal Amount of each Bond. The Issue Price must be satisfied in full on application for the Bonds in accordance with the instructions below.

Payments

Applicants must make their application payment pursuant to the Takeover Offer, by direct debit, by a cheque delivered with the Application Form or through any other method acceptable to Dorchester. Further details on how to make your application and payment are set out in the *How to Apply* section from page 49.

Applications

There is no minimum or maximum amount of Bonds you may apply for (other than the maximum amount of the Offer).

The Bonds are offered in New Zealand to New Zealand resident investors. Applications to subscribe for the Bonds must be made on the Application Form contained at the back of this Prospectus in accordance with the instructions set out in the *How to Apply* section from page 49 or through the Takeover Offer.

Dorchester reserves the right to scale applications at its discretion. Preference will be given to, firstly, Turners Shareholders and, secondly, to Dorchester Shareholders.

If you are a Turners Shareholder and elect to receive some or all of your consideration in Bonds for accepting the Takeover Offer, you need not do anything further to apply for Bonds.

Where to send your Application Form and payment

If you are applying for the Bonds other than through the Takeover Offer, you should complete the Application Form in accordance with the application instructions and lodge the Application Form (together with payment) in time for it to be received by the Registrar.

Dorchester reserves the right to refuse all or any part of any application for Bonds without giving a reason including (but without limitation) where an applicant has not provided account details for payments by direct credit. An application cannot be withdrawn or revoked by the applicant once it has been submitted.

Any Application Monies received in respect of an application which are not accepted by Dorchester in whole or in part, will be returned (without interest) to the applicant as soon as reasonably practicable after Dorchester decides not to accept the application.

By signing and submitting a valid Application Form with full payment or a valid Takeover Offer acceptance form, an applicant irrevocably offers to subscribe for and acquire the Principal Amount of Bonds specified in the Application Form (or such lesser number which Dorchester may determine) on the terms set out in this Prospectus, the Trust Documents and the Application Form, despite any changes to the timetable or other dates set out in the *Important Dates* section on page 2.

If you are applying for the Bonds through the Takeover Offer, you should complete the Application Form accompanying the Takeover Offer and return it in accordance with the instructions in that form.

Relationship with listed securities and ranking of securities

Ranking compared to other listed securities

Dorchester's Shares are currently quoted on the NZX Main Board securities market operated by NZX. The Bonds will rank in priority to the Shares on liquidation of Dorchester. Any Shares issued as a result of Conversion of Bonds will rank equally with all other Shares on liquidation of Dorchester.

Prior ranking securities

As at 31 March 2014 (being the date of the latest financial statements referred to in this Prospectus), the Bank had securities that were secured by a mortgage or charge over any of the assets of Dorchester ranking in point of security ahead of the Bonds. The amount secured by those securities at 31 March 2014 was \$13.8 million.

Equal ranking securities

As at the latest statement of financial position referred to in the Prospectus (being 31 March 2014), there were no securities that were secured by a mortgage or charge over any of the assets of Dorchester ranking equally in point of security with the Bonds.

Dorchester may, from time to time, without the consent of the Bondholders issue further bonds, or incur other debts (including bank debt), which rank in priority to or subordinate to, the Bonds (whether as to payment of interest, principal or otherwise). The Financial Covenants will restrict the amount of debt the Covenant Group can incur but otherwise there are no restrictions, as between Dorchester and the Bondholders, on the amount of debt which Dorchester may issue or guarantee.

Additional information in relation to the ranking of the Bonds is set out in this *Statutory Information* section under the heading *Consequences of insolvency* on page 41.

Issue expenses

There are no fees or charges payable by you to Dorchester to invest in the Bonds, other than the Issue Price. You may be required to pay brokerage if you purchase the Bonds through a broker, and you should ask your broker or financial adviser for details of any charges.

Dorchester estimates the issue expenses, including legal, accounting, audit, registry, printing, distribution and promotion expenses, and other fees to be incurred will be approximately NZ\$140 thousand based on an issue size of approximately NZ\$15 million. These are payable by Dorchester.

Returns

Introduction

The information set out below in relation to returns on the Bonds should be read in conjunction with the information set out in the *Risks* section from page 17. Certain events could reduce or eliminate the returns intended to be derived from holding the Bonds.

The returns to Bondholders comprise interest paid on the Bonds and either the Principal Amount payable by Dorchester on the Maturity Date or the price received for any Bonds sold or, if the Bonds are converted, the value of the Shares received (which is likely to be affected by the Board's decisions regarding reserves and retentions).

The Bonds do not benefit directly from any capital growth in Dorchester and Bondholders will not participate in any dividend, bonus issue, rights issue or any other distribution made in respect of the shares in the company.

It is not possible to quantify, as at the date of this Prospectus, the exact amount of returns Bondholders will receive. Therefore, no amount of returns on the Bonds are promised by Dorchester.

Key factors determining returns

The key factors that will determine the returns to Bondholders are:

- the Interest Rate;
- the Issue Date for the relevant Bonds;
- each Bondholder's individual circumstances for tax purposes;
- Dorchester's financial condition, financial performance and financial position to the extent that they affect:
 - Dorchester's ability to pay interest on the Bonds or repay the Principal Amount;
 - the value of Dorchester and the Guarantors' assets;
 - the price of the Bonds on the secondary market (if one develops); or
 - the value of the Shares received if a Bondholder elects to Convert its Bonds into Shares; and
- the other risk factors described in the *Risks* section from page 17.

Interest rate

Dorchester will pay interest on each Bond at the Interest Rate, being 9% per annum from the Issue Date of the relevant Bond.

Interest payments

Interest will be paid quarterly in arrears in equal amounts (other than the interest payment due on 31 December 2014 which will be calculated on a daily basis from the applicable Issue Date to 31 December 2014) on each Interest Payment Date (31 March, 30 June, 30 September and 31 December of each year) until the Maturity Date, and on the Maturity Date. If an Interest Payment Date falls on a weekend or public holiday, payment will be made on the next Business Day without adjustment or further payment as a result thereof. The first Interest Payment Date is 31 December 2014.

Each interest payment will be made to the relevant Bondholder on the Register as at the Record Date, which will be 10 days prior to the relevant Interest Payment Date. Should the Record Date fall on a weekend or public holiday, the relevant interest payment will be made to the Bondholder on the Register on the previous Business Day.

Dorchester's ability to pay interest is subject to the terms of the Deed of Subordination. If a Bank Default has occurred or would occur as a result of the interest payment, Dorchester will not be able to pay interest. Interest will continue to accrue (on the Bonds and any unpaid interest) and will be paid when the Bank Default is remedied or when the Bank Default will not occur as a result of the interest payment. Further detail on this is set out in this *Statutory Information* section under the heading *Deed of Subordination*.

Redemption

Unless a Bondholder requests that its Bonds be Converted, the Principal Amount of the Bonds will be repaid by Dorchester on the Maturity Date. The Maturity Date is 30 September 2016. If any Bonds are Converted, this will satisfy Dorchester's obligation to pay the Principal Amount of those Bonds.

You have no right to require redemption or Conversion of any of the Bonds prior to the Maturity Date, except through the Trustee if an Event of Default occurs. This means that you have no ability to cash in your investment prior to the Maturity Date, except following an Event of Default or by selling your Bonds in the secondary market (if one develops). The Events of Default applicable to the Bonds are

set out in full in the Trust Documents and are summarised in this *Statutory Information* section under the heading *Events of Default*.

Dorchester does not have the ability to redeem or Convert the Bonds early.

Dorchester's ability to redeem the Bonds is subject to the terms of the Deed of Subordination. If a Bank Default has occurred or would result from the redemption, Dorchester will not be able to redeem the Bonds until that Bank Default is remedied. Further detail on this is set out in this *Statutory Information* section under the heading *Deed of Subordination*.

Conversion

A Bondholder may, by giving notice to the Registrar, at least 1 month before the Maturity Date elect that all or some of the Bonds held by that Bondholder be Converted into Shares on the Maturity Date. Each Bond which a Bondholder elects to Convert will be converted on the following basis:

$$\text{Number of Shares} = \frac{\text{Principal Amount}}{\text{Conversion Amount}}$$

The Conversion Amount will be the lesser of:

- (a) \$0.30; and
- (b) 5% discount to the average of the daily volume weighted price of the Shares in the 90 days prior to the Maturity Date as determined by an independent adviser appointed by Dorchester.

The \$0.30 results in Bondholders benefitting from any increase in the Share price above \$0.30 at the Maturity Date. If the discounted approach is used, Bondholders will get \$1.05 of value for every \$1.00 invested.

The following table illustrates the number of Shares to be issued on Conversion and the Conversion value at a range of possible Share prices. This is by way of example only and is not indicative of future performance or in any way prospective financial information as to the Share price.

Example Share price ¹	Conversion Amount ²	Number of Bonds held	Shares received on Conversion	Value of Shares received ³
\$0.20	\$0.19	\$1,000	5,263	\$1,052.63
\$0.25	\$0.24	\$1,000	4,210	\$1,052.63
\$0.30	\$0.29	\$1,000	3,509	\$1,052.63
\$0.35	\$0.30	\$1,000	3,333	\$1,166.67
\$0.40	\$0.30	\$1,000	3,333	\$1,333.20

The Shares issued to a Bondholder upon Conversion shall be in full satisfaction of Dorchester's obligation to pay the Principal Amount of those Bonds on the Maturity Date. Dorchester will pay all accrued interest on the relevant Bonds to the Maturity Date in cash.

The Shares issued will rank equally with all other ordinary Shares issued by Dorchester. Bondholders will only be entitled to distributions on those Shares and to vote as a Shareholder following Conversion.

¹ Example average of the daily volume weighted average price of shares for the 90 days prior to the Maturity Date. The actual Share price on the Maturity Date could be above or below the illustrative range provided.

² The Conversion Amount will be the lower of \$0.30 and a 5% discount to the volume weighted average Share price as described above.

³ The value of Shares received assumes no change between the average price of Shares used in the calculation of the Conversion Amount and the Share price following Conversion and ignores transaction costs and any potential dilution impacts that may occur given the additional Shares created by the Conversion are rounded to the nearest dollar and fractions of Shares on Conversion of Bonds will be disregarded.

If prior to the Maturity Date, Dorchester issues any Shares or other instruments to its Shareholders by way of capitalisation of profits, reserves or otherwise (other than pursuant to a dividend reinvestment plan or share purchase plan) the terms of Conversion will be adjusted to ensure Bondholders are not adversely impacted by any dilution. Dorchester and the Trustee shall agree on the adjustment and if they are unable to agree, the Trustee will appoint an independent adviser, approved by Dorchester, to make the determination.

Payments

All payments in relation to a Bond shall be by direct credit to the bank account nominated in writing (before the relevant Record Date) by the Bondholder unless Dorchester determines otherwise. If any payment falls due on a day that is not a Business Day, that payment will instead be made on the next day that is a Business Day without adjustment or further payment as a result thereof.

Person legally liable to pay returns

Dorchester is legally liable for payment of all returns on the Bonds (other than if you sell your Bonds). Dorchester Finance Limited, Dorchester Life Management Limited, Dorchester Life Trustees Limited, Dorchester Hotel Property Trust Management Limited, EC Credit Control (NZ) Limited, Estate Management Services Limited, EC Web Services Limited, Payment Management Services Limited and Dorchester Turners Limited have guaranteed the payments in relation to the Bonds as described below under the heading *Guarantors* so will be legally liable for any of those amounts Dorchester fails to pay.

If you sell your Bonds, the purchaser of the Bonds will be legally liable to pay the purchase price of those Bonds to you.

Taxation of returns

Introduction

The returns on the Bonds will be affected by taxes. If a law requires Dorchester (which for the purposes of this section of this Prospectus includes the Registrar acting on Dorchester's behalf) or the Trustee to deduct an amount in respect of taxes from a payment to a Bondholder, then Dorchester or the Trustee will deduct the amount for the taxes and pay it to the relevant authority. Neither Dorchester nor the Trustee is obliged to gross-up, indemnify or otherwise compensate or pay any additional amounts to the Bondholder as a consequence of or otherwise in connection with such deduction.

The Bonds are not marketed outside New Zealand so the information set out below relates solely to New Zealand taxation. It does not constitute taxation advice to any Bondholder. The information is believed by Dorchester to be correct as at the date of this Prospectus. Taxation laws are subject to change, and changes may affect your tax position with respect to an investment in the Bonds. You should seek qualified independent financial and taxation advice before deciding to invest. In particular, you should consult your tax adviser in relation to your specific circumstances.

All Bondholders (including those resident outside New Zealand) must give written notice to the Registrar (or, where applicable, to the custodian/nominee registered as the Bondholder in respect of Bonds held on behalf of the beneficial owner) of their country of residence for taxation purposes and, if not a New Zealand tax resident, whether the Bondholder is engaged in business in New Zealand through a branch or other fixed establishment in New Zealand. This requirement for written notice is satisfied for initial Bondholders where the relevant parts of the Application Form are completed by applicants.

Resident withholding tax: Resident Bondholders and New Zealand Branch Bondholders

If you are either a New Zealand resident for tax purposes (*Resident Bondholder*) or are engaged in business in New Zealand through a fixed establishment (as defined in the Tax Act) in New Zealand (*New Zealand Branch Bondholder*), resident withholding tax (*RWT*) will be deducted from the interest (including amounts deemed to be interest) payable to you in accordance with the provisions of the Tax Act. As at the date of this Prospectus, RWT of 33% will be deducted from interest paid to a Resident Bondholder or New Zealand Branch Bondholder that is an individual or trustee, unless the Bondholder supplies their IRD number to the Registrar and elects for RWT to be deducted at a different rate.

The available rates of RWT for individuals and trustees as at the date of this Prospectus are 33%, 30% and 17.5%. In addition, if the Resident Bondholder or New Zealand Branch Bondholder is a trustee of certain testamentary trusts, or an individual (not acting as a trustee) who has a reasonable expectation at the time of the election that their income for the income year (i.e. 1 April 2014 to 31 March 2015) will be \$14,000 or less, and they have supplied their IRD number to the Registrar, they may elect for RWT to be deducted at 10.5%.

The RWT rate for interest paid to a company (other than a Māori authority or trustee) is 28%, as at the date of this Prospectus. However, if a Resident Bondholder or New Zealand Branch Bondholder that is a company (other than a Māori authority or trustee) has not supplied its IRD number to the Registrar, RWT will be deducted at 33%.

RWT will not be deducted where a Resident Bondholder or New Zealand Branch Bondholder provides a copy of a current RWT exemption certificate (as defined in the Tax Act) to the Registrar on or before the Record Date for the relevant payment. Bondholders should promptly notify the Registrar of any changes to their elected RWT rate as a result of changes to their particular circumstances.

Approved issuer levy and non-resident withholding tax: Non-Resident Bondholders

Dorchester will register the Bonds with the IRD for the purposes of the approved issuer levy (AIL) regime. Unless otherwise agreed, Dorchester will, where it is lawfully able, deduct an amount equal to the applicable rate of AIL from payments made or credited to Bondholders who are neither Resident Bondholders nor New Zealand Branch Bondholders (*Non-Resident Bondholders*). The current rates of AIL are 0% and 2% of amounts treated as interest. Unless Dorchester is lawfully able to use the rate of 0% AIL, an amount equal to 2% AIL will be deducted.

Non-Resident Bondholders may request by written notice to the Registrar that AIL not be deducted from interest paid or credited in respect of their Bonds, and that non-resident withholding tax be deducted instead, at the rate required by law (as reduced by any applicable double tax agreement where the Non-Resident Bondholder promptly provides satisfactory evidence to the Registrar of entitlement to such reduced rate).

If the Non-Resident Bondholder derives interest under the Bonds jointly with one or more New Zealand tax residents, tax must be deducted from the interest paid or credited to the Non-Resident Bondholder at the applicable RWT rate.

New Zealand income tax implications

Resident Bondholders and New Zealand Branch Bondholders who are acquiring Bonds will be entering into a financial arrangement which is subject to the 'financial arrangements rules' in the Tax Act. Interest paid to Resident Bondholders and New Zealand Branch Bondholders under the Bonds will be income that is taxable at the Bondholder's relevant tax rate (with a credit for RWT deducted – see above). No additional amount of income should need to be realised by Bondholders under the financial arrangements rules in the event that they convert their Bonds to Shares.

The timing of that income will be governed by the financial arrangements rules. The financial arrangements rules may require that interest income or expenditure be spread over the life of the Bonds. For most individuals (as opposed to corporate Bondholders) this may not be the case, as they should constitute 'cash basis persons' for the purposes of the financial arrangements rules – but this can only be established by actual application of the financial arrangements rules.

The financial arrangements rules may cause both individual and corporate Bondholders to derive income on the transfer of Bonds held by them. For example, if a gain is made on the transfer of Bonds by a Bondholder to whom the financial arrangements rules apply, the 'base price adjustment' performed under the financial arrangements rules will bring the gain to account for New Zealand tax purposes and will cause that gain to be included in their income. Where a Bondholder incurs a loss on the transfer of the Bonds, this loss may be deductible to the Bondholder in limited circumstances.

In addition, in some circumstances a Non-Resident Bondholder may be subject to New Zealand tax on gains on the transfer of the Bonds.

All Bondholders should ascertain whether New Zealand's provisional tax rules apply to their individual situations.

Taxation of shares in event Bondholders elect to Convert Bonds to Shares

New Zealand does not generally tax capital gains. If a Resident Bondholder converts Bonds to Shares and subsequently disposes of their Shares, the Resident Bondholder will only be taxed on the gain on disposal of the Shares if the Bondholder:

- is in the business of dealing in shares;
- Converted their Bonds to Shares:
 - as part of a profit-making undertaking or scheme; or
 - for the purpose of disposing of the Shares.

If Non-resident Bondholders meet these criteria, they may be able to claim relief from this tax under applicable double tax agreements. Specific advice should be sought regarding this.

Guarantors

Dorchester Finance Limited, Dorchester Life Management Limited, Dorchester Life Trustees Limited, Dorchester Hotel Property Trust Management Limited, EC Credit Control (NZ) Limited, Estate Management Services Limited, EC Web Services Limited, Payment Management Services Limited and Dorchester Turners Limited, subsidiaries of Dorchester, guarantee Dorchester's obligations under the Trust Documents pursuant to the Security Agreement. Their obligations are secured by the security granted over all of their assets pursuant to the Security Agreement.

A Guarantor may resign from being a guarantor if approved by an Extraordinary Resolution. A company which ceases to be a Guarantor will no longer be bound by the covenants in the Trust Documents.

Additional companies may become Guarantors from time to time. The Guarantee will not apply to any Shares issued on Conversion.

Dorchester has undertaken to procure Dorchester Oxford Limited to become a Guarantor promptly following the release of the security granted by Dorchester Oxford to Electra Limited and Electra Finance Limited. This security secures the finance provided by Electra Finance Limited to Dorchester Oxford Limited and the final payment payable to Electra Limited in relation to Dorchester's acquisition of Oxford Finance Limited.

Provisions of the Trust Documents and other restrictions on Dorchester

Summary of the Bond Trust Documents

The Bonds will be issued under the Trust Deed to be dated on or about 21 August 2014 between Dorchester and the Trustee. The guarantee from the Guarantors and the security granted by Dorchester and each Guarantor is documented in the Security Agreement. The Trust Documents contain the terms of the Bonds, and are available for inspection at the places indicated in this *Statutory Information* section under the heading *Access to information* on page 43.

Introduction

The following is a summary of the principal provisions of the Trust Documents not set out elsewhere in this Prospectus. Applicants requiring further information should refer to the Trust Documents. Bondholders are bound by, and are deemed to have notice of, the provisions of the Trust Documents.

The Trust Documents and the covenants contained in them will not apply to any Shares issued following Conversion.

The Trustee and the Bondholders

The Trustee is appointed under the Trust Deed to act as trustee for the Bondholders.

The Trustee does not guarantee the payment of interest or the Principal Amount on the Bonds.

Issue and form of the Bonds

The Trust Deed does not create any security over the assets of Dorchester, the Guarantor or any of their subsidiaries or other entities in which Dorchester has an interest. The security is granted separately under the Security Agreement.

The Trust Deed provides that Dorchester may issue the Bonds. Dorchester also has the power to incur other indebtedness under separate documentation. Any such indebtedness may or may not be guaranteed and may rank equally with or subordinate to the Bonds or may be secured by assets over which the Bondholders do not have security.

Covenants

The Trust Documents contain a number of covenants by Dorchester, including to:

- not create or permit to subsist any security interest over, in relation to or otherwise affecting any of its assets other than certain permitted security interests (including those created with the consent of the Bank). Details of these types of permitted security interests are outlined on page 6. This covenant is also given by the Guarantors in the Security Agreement. Dorchester has undertaken to procure Dorchester Oxford Limited not to grant security to any party other than permitted securities or the security currently in place in favour of Electra Limited and Electra Finance Limited;
- not make any distributions to any person if an Event of Default is continuing or the distribution would cause an Event of Default;
- whenever so requested in writing, give to the Trustee such information relating to Dorchester and any of its subsidiaries or their business or financial condition as may reasonably be required for the purposes of the discharge of the duties, trusts and powers vested in the Trustee under the Trust Deed or imposed upon it by law;
- promptly notify the Trustee of the occurrence of any Event of Default;
- do all things necessary to maintain its corporate existence in New Zealand and not to change its place of incorporation or move its principal place of business outside New Zealand. This covenant is also given by the Guarantors;
- maintain in full effect all necessary authorisations required to enable it to perform or comply fully with its material obligations under the Trust Deed;
- comply with the applicable provisions of the FMCA, the Financial Markets Conduct (Phase 1) Regulations 2014, the Securities Act, the Securities Regulations, and any other applicable laws, except where failure to do so would not have a material adverse effect;
- comply in all material respects with its obligations under the Agency Agreement;
- comply in all material respects with its obligations under the Trust Documents; and
- use all reasonable endeavours to cause the Registrar to keep the Register and give notice to the Bondholders of any resignation or removal of the Registrar and the appointment of any replacement Registrar promptly following such event.

Financial Covenants

The Financial Covenants will be those agreed between Dorchester and the Bank from time to time.

The Financial Covenants will initially be:

- Interest Cover Ratio (being the ratio of EBITDA to Total Interest) on each Test Date to be greater or equal to:

Period	Ratio
Issue Date to 31 December 2015	3.00 times
1 January 2015 to the Maturity Date	3.50 times.

- Leverage Ratio (being the ratio of Gross Debt to EBITDA) on each Test Date to be less than or equal to:

Period	Ratio – 100% shareholding ⁴	Ratio – 90% shareholding ⁴	Ratio – 85% shareholding ⁴	Ratio – 80% shareholding ⁴	Ratio – less than 80% shareholding ⁴
Issue Date to 31 December 2014	3.75 times	3.25 times	3.00 times	2.50 times	2.00 times
1 January 2015 to 31 March 2015	3.50 times	2.75 times	2.75 times	2.25 times	2.00 times
1 April 2015 to 30 June 2015	3.00 times	2.25 times	2.25 times	2.00 times	2.00 times
1 July 2015 to 30 September 2015	2.75 times	2.00 times	2.00 times	2.00 times	2.00 times
1 October 2015 to 31 March 2016	2.50 times	2.00 times	2.00 times	2.00 times	2.00 times
1 April 2016 to 30 June 2016	2.25 times	2.00 times	2.00 times	2.00 times	2.00 times
1 July 2016 to the Maturity Date	2.00 times	2.00 times	2.00 times	2.00 times	2.00 times

These are indicative levels only. The levels of the Leverage Ratio will not be set until Dorchester knows what percentage of the shares in Turners it will acquire.

- Debt Service Cover Ratio (being the ratio of Cash Flow Available for Debt Service to Total Debt Service Costs) on each Test Date to be greater than 1.10 times; and
- Capital Expenditure in each year to be no more than 110% of the base case as set out in the model approved by the Bank each year.

⁴ Based on Dorchester's ultimate shareholding in Turners

These will be tested on the Covenant Group only (being Dorchester Pacific Limited, Dorchester Life Management Limited, Dorchester Life Trustees Limited, Dorchester Hotel Property Trust Management Limited, DPL Insurance Limited, EC Credit Control (NZ) Limited, EC Credit Control (Aust) Pty Limited and Dorchester Turners Limited) so does not include Dorchester Finance, Dorchester RAMS Limited and their subsidiaries.

Bondholders will not have any control over the levels agreed for the Leverage Ratio. All Financial Covenants may be amended at any time by consent of the Bank and without consent of Bondholders.

The full definitions for each of these Financial Covenants is set out in the Bank Facility.

Duties and powers of the Bond Trustee

The Trustee is appointed under the Trust Deed to act in the interests of the Bondholders.

The principal duties of the Trustee under the Trust Documents in relation to the Bondholders are summarised as follows:

- upon the occurrence of any Event of Default, the Trustee may at its discretion (and must if directed by an Extraordinary Resolution) exercise the powers of enforcement available to it and apply all monies received in accordance with the provisions of the Trust Deed;
- receive the regular financial and other reports and certificates furnished to it by Dorchester;
- to perform functions relating to the ongoing administration of the Trust Documents including in relation to the meetings of Bondholders, and the exercise of discretions or the giving or withholding of consents (as appropriate) relating to such administration and other matters out of the ordinary, such as making application to the High Court of New Zealand under the Securities Act or the FMCA, and agreeing to modifications of the Trust Documents, all upon the terms set out in the Trust Documents; and
- on being satisfied that all amounts owing in relation to the Bonds and any other monies owing under the Trust Documents have been paid or provided for upon the terms of the Trust Documents, and on being indemnified to its reasonable satisfaction, to execute a deed of release of the Trust Documents.

In addition, the Bond Trustee has a statutory duty under the Securities Act, the Securities Regulations and the FMCA to exercise reasonable diligence to:

- ascertain whether or not there has been any breach of the terms of the Trust Documents or of the terms of the Bonds and to do all it is empowered to do to cause any such breach of those terms to be remedied (except where the Trustee is satisfied that the breach will not materially prejudice the interests of the Bondholders); and
- ascertain whether or not the assets of Dorchester and the Guarantors that are or may be available, are sufficient or likely to be sufficient to discharge the amounts of the Bonds as they become due.

The Trustee receives the benefit of a general indemnity from Dorchester for any expenses or liabilities it reasonably sustains or incurs while acting as Trustee unless the claim arises out of wilful default, fraud, gross negligence or wilful breach of trust by the Trustee. The Trustee is not indemnified against liability for wilful default, fraud, gross negligence or wilful breach of trust where the Trustee has failed to show the degree of care and diligence required of it having regard to the powers, authorities and discretions conferred on it under the Trust Documents and the provisions of the Trust Deed.

Except as otherwise expressly provided in the Trust Documents, the Trustee has absolute and uncontrolled discretion as to the exercise or non-exercise of its powers in relation to the Bonds. Under the Trust Documents, the Trustee may, amongst other things, in relation to the Bonds:

- decline to act or exercise any power, take any action or comply with any request or direction (including direction by an Extraordinary Resolution) unless it has first been indemnified to its

satisfaction against all reasonable expenses, losses and liabilities it may sustain or incur by so doing;

- represent and act on behalf of Bondholders in any matter concerning them generally;
- invest any monies held in its capacity as Trustee, in the name of the Trustee or its nominee, in any investment, with power to vary, deal with or dispose of such investment, and all income arising from all such investments (less any commissions properly payable to the Trustee) will belong to person on behalf of whom such money is held by the Trustee;
- in the performance of its duties, act on, or decline to act on, certificates signed by an authorised officer of Dorchester, the advice or opinion of professional advisers or any certificate or report provided to the Trustee under the Trust Deed; or
- require Dorchester to report to Bondholders on certain matters, convene meetings of Bondholders or otherwise seek directions from the Bondholders or a court of New Zealand.

Reporting

Dorchester undertakes to supply to the Trustee various reports, annual and half-yearly financial statements and other information as to the financial condition of Dorchester and its subsidiaries and as to compliance with the Trust Documents.

This requires two directors of Dorchester, on behalf of the Board, to provide a report to the Trustee, following the end of each financial year and each financial half-year, as to various matters relating to Dorchester and the Bonds, including details of the Bonds which are on issue, compliance by Dorchester with the provisions of the Trust Documents (including the Financial Covenants), and confirmation that all payments in relation to the Bonds which have fallen due for payment have been paid or otherwise satisfied.

Events of Default

The Events of Default are set out in the Trust Documents. A summary of the key Events of Default is set out below:

- Non-payment of any amount in relation to the Bonds on its due date if the default continues for a period of five business days;
- Dorchester or a Guarantor defaults in its obligations under the Trust Documents and the default is not remedied within 10 days after the relevant company becomes aware of the default and the default has or is likely to have a material adverse effect (in the reasonable opinion of the Trustee);
- any representation, warranty or statement made by Dorchester or a Guarantor in the Trust Documents is untrue or incorrect in a material respect and is not remedied within 30 days of the relevant company becoming aware of the misrepresentation;
- any indebtedness for borrowed money of Dorchester or a Guarantor in excess of \$100,000 becomes due and payable as a result of an event of default by that company;
- the Security Agreement is terminated or any of the provisions are amended or waived in a manner materially adverse to the interests of the Bondholders (in the reasonable opinion of the Trustee);
- Dorchester or a Guarantor ceases to carry on all or substantially all of its business or an order is made for their dissolution, except in certain circumstances;
- Dorchester or a Guarantor is unable to pay its debts as they fall due or is insolvent; and

- a receiver, liquidator, statutory manager or other officer is appointed to Dorchester or a Guarantor or a moratorium or other creditor's compromise is entered into by Dorchester or a Guarantor.

No enforcement by Bondholders

Except to the extent permitted by law, Bondholders have no direct enforcement rights and they may not bring proceedings directly against the Dorchester and the Guarantors for the enforcement of any of their rights or remedies under the Trust Documents, unless the Trustee has failed to enforce such rights or remedies after having become bound to do so under the provisions of the Trust Documents.

The Trustee's rights of enforcement will be limited by the terms of the Deed of Subordination. Further detail on this is set out in this *Statutory Information* section under the heading *Deed of Subordination*

Meetings

The Trust Documents contain provisions for meetings of Bondholders and the matters which may be determined by Extraordinary Resolutions.

Dorchester must call a meeting of Bondholders, at the request in writing of the Bondholders holding at least 5% in Principal Amount of the Bonds. Dorchester or the Trustee may also convene a meeting of Bondholders at any time.

Except where an Extraordinary Resolution affects a particular Bondholder, as opposed to the rights of holders generally, an Extraordinary Resolution passed at a meeting of Bondholders is binding on all Bondholders, whether or not they were present at such meeting.

After the occurrence of an Event of Default and while it continues unremedied, Bondholders may by an Extraordinary Resolution direct the Trustee to declare all monies payable in respect of the Bonds, to be immediately due and payable by notice in writing to the Issuer.

Bondholders have the power exercisable by Extraordinary Resolution to assent to, approve, authorise and sanction a range of acts, matters and things in relation to, or in connection with, the Trust Documents, the Bonds and the exercise or performance by the Trustee of its powers, duties and discretions. For example, the Bondholders may, by Extraordinary Resolution:

- release Dorchester or a Guarantor from payment of part of all monies payable on or in relation to the Bonds to the Bondholders;
- postpone the payment of interest on the Bonds and the Maturity Date of the Bonds;
- sanction any alteration, release, modification, waiver, variation or compromise in respect of the rights of the Bondholders or of the terms of the Bonds;
- sanction, assent to, release or waive any breach or default of Dorchester or a Guarantor, or commission or omission of the Trustee; and/or
- remove the Trustee and appoint a new trustee.

An Extraordinary Resolution is a resolution passed at a meeting of Bondholders properly convened at which at least 75% of the Bondholders voting at the meeting or, if a poll is demanded, at least 75% of the votes cast, vote in favour of the resolution. A quorum for the purpose of passing an Extraordinary Resolution is the Bondholders holding or representing (in aggregate) at least 25% in Principal Amount of the Bonds.

Amendment of Trust Documents

The terms of the Trust Documents may be altered with the approval of Bondholders by an Extraordinary Resolution and, in limited circumstances, with the approval only of the Trustee. A description of the requirements for an Extraordinary Resolution is set out in the preceding paragraph of this Prospectus.

In addition, the Trust Documents may be altered, without the consent of Bondholders, in the limited circumstances specified in the Trust Documents. In summary, these circumstances are:

- with the consent of the Trustee in the circumstances set out below;
- with the consent of the Financial Markets Authority pursuant to section 109 of the FMCA (when applicable);
- pursuant to section 22(7) or section 37(6) of the Securities Trustees and Statutory Supervisors Act 2011; or
- pursuant to any other power to amend or replace the Trust Documents under any other enactment.

Notice of the amendment must be given by Dorchester to Bondholders within 30 days of the amendment.

Amendments to which the Trustee can agree to make include those:

- of a minor, formal, administrative or technical nature;
- to correct a manifest error;
- necessary or desirable to comply with the provisions of any applicable law;
- which are appropriate and reasonable in the circumstances insofar as they relate to the deed or Dorchester (for the purpose of complying with any financial markets practice or banking practice or which are convenient or useful for the purpose of any banking or business practice adopted by Dorchester, provided the amendments, in Dorchester's opinion, are not likely to have a material adverse effect on Dorchester or be or become materially prejudicial to the Bondholders;
- in respect of any reporting to the Trustee or in respect of the Trustee's fees or powers; or
- otherwise necessary or desirable in the interests of the Bondholders or any class of them.

The Trustee must not consent to an amendment noted in the paragraph above unless it is satisfied that the amendment does not have a material adverse effect on the Bondholders and the Trustee certifies to that effect and either certifies or obtains a certificate from a solicitor, that the Trust Documents will continue to comply with sections 104 to 106 of the FMCA (when applicable) or the amendment is approved by, or is contingent on approval by, the Bondholders.

Any amendment may be temporary or permanent.

The Trustee may also waive (temporarily or indefinitely) any breach or anticipated breach of the Trust Documents if it is satisfied with interests of Bondholders generally will not be materially prejudiced by the waiver.

Any amendment to the Trust Documents will be binding on all Bondholders and will only be effective if it is in writing and signed by Dorchester and the Trustee.

Security Agreement

The Bonds are guaranteed by the companies that are from time to time party to the Security Agreement. The Guarantors are Dorchester Finance Limited, Dorchester Life Management Limited, Dorchester Life Trustees Limited, Dorchester Hotel Property Trust Management Limited, EC Credit Control (NZ) Limited, Estate Management Services Limited, EC Web Services Limited, Payment Management Services Limited and Dorchester Turners Limited.

The Guarantors each jointly and severally and unconditionally guarantee to the Trustee and the Bondholders, the due and punctual payment of all monies payable on or in relation to the Bonds as

and when the same shall become due and payable in accordance with the terms and conditions of the Bonds or under the Trust Documents. In the event that Dorchester defaults in the due and punctual payment of any monies payable on or in relation to the Bonds, each Guarantor has agreed, immediately upon demand by the Trustee, to pay to the Trustee all amounts then due and unpaid in relation to the Bonds.

A Guarantor may resign from being a guarantor if approved by an Extraordinary Resolution.

Pursuant to the Security Agreement, Dorchester and each Guarantor has granted security in favour of the Trustee over all of their present and after acquired assets. This secures all payments due by Dorchester and the Guarantors in relation to the Bonds. The Trustee may, and will if directed to do so by Extraordinary Resolution, enforce the Security while an Event of Default is continuing.

The guarantee and security will not apply to any Shares issued following Conversion of the Bonds.

Dorchester has undertaken to procure Dorchester Oxford Limited and Oxford Finance Limited to become a Guarantor promptly following the release of the security granted by Dorchester Oxford Limited and Oxford Finance Limited to Electra Limited and Electra Finance Limited. This security secures the finance provided by Electra Finance Limited to Oxford Finance Limited and the final payment payable to Electra Limited in relation to Dorchester's acquisition of Oxford Finance Limited.

Deed of Subordination

The Trustee has entered into a Deed of Subordination with Bank of New Zealand. This subordinates the Bonds and the Security Agreement to the Bank and the Bank Security. The key terms of the Deed of Subordination are:

- Interest may only be paid if no event of default exists under any Bank Facility and no event of default will occur as a result of the interest payment. In these circumstances, interest will continue to accrue but will 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 be repaid on the Maturity Date if no event of default exists under any Bank Facility and no event of default will occur as a result of the repayment.
- If Dorchester fails to repay the Bonds on the Maturity Date or any interest when permitted pursuant to the terms of the Deed of Subordination 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; and
- Any breach by Dorchester of the terms of the Deed of Subordination will be an event of default under the Bank Facilities entitling the Bank to enforce the Bank Security.

Other restrictions

Restrictions on new mortgages or charges or ratio of liabilities to assets

Dorchester and the Guarantors may only grant the following security over their assets:

- a lien which arises by operation of law in the ordinary course of business of and securing obligations which are not overdue and which is discharged within 90 days;
- a purchase money security interest in any goods (which may extend to any proceeds of those goods) that is created in the ordinary course of business on an arm's-length commercial terms, in respect of obligations that are not overdue, and discharged within 90 days;
- a security interest over the assets of a company which becomes a Guarantor after the date of the Security Agreement and such security interest exists at the date that company becomes a Guarantor and is not created in contemplation of that company becoming a Guarantor, subject to certain limitations;

- any security interest over any asset acquired by Dorchester or a Guarantor after the date of the Security Agreement if such security interest exists at the time of acquisition and is not created in contemplation of that acquisition, and the principal amount secured by such security interest has not been increased in contemplation of or since the acquisition of the asset by Dorchester or that Guarantor, subject to certain limitations;
- any security interest in relation to personal property that is created or provided in the ordinary course of business on arm's-length commercial terms by a transfer of an account receivable or chattel paper, a lease for a term of more than 1 year, or a commercial consignment, in each case that does not secure payment or performance of an obligation;
- a netting or setting-off arrangement entered into in the ordinary course of banking arrangements for the purpose of netting debit and credit balances;
- any security interest which the Bank agrees in writing will be a Permitted Security Interest; and
- any security interest created in favour of the Bank.

The consent of Bondholders is not required in these circumstances.

Dorchester has undertaken to procure Dorchester Oxford Limited and Oxford Finance Limited not to grant security to any party other than the above permitted securities or the security currently in place in favour of Electra Limited and Electra Finance Limited.

Borrowing restrictions

The Trust Documents do not contain any express restrictions on the ability of Dorchester to borrow or incur further indebtedness. However, the financial covenants in the Bank Facilities and the restriction on granting security described above will limit its ability to borrow funds which are secured against its assets. The Financial Covenants may restrict the ability of the Covenant Group to borrow funds.

There are no other express restrictions on Dorchester borrowing, being restrictions that result from any undertaking given, or contract or deed entered into, by Dorchester. Nonetheless there are financial covenants in the Bank Facilities which indirectly affect Dorchester's ability to borrow further sums. As at the date of this Prospectus, these are:

- the Interest Cover Ratio is to be greater than 2.0 times;
- the Interest Cover Ratio excluding EC Credit Control (NZ) Limited is to be greater than 2.0 times;
- the Write-off Ratio excluding EC Credit Control (NZ) Limited is to be less than or equal to 3%;
- the Loan Arrears Ratio excluding EC Credit Control (NZ) Limited is to be less than 3%; and
- the Total Asset Equity Ratio shall be greater than or equal to 35% for the period up to 30 September 2015 and 37.5% thereafter;
- the Total Tangible Asset Equity Ratio shall be greater than or equal to 20% for the period up to 30 September 2015 and 25% thereafter;
- the Debt Service Cover Ratio in respect of the DCL Group shall be greater than 1.10 times;
- the Leverage Ratio in respect of the DCL Group shall be greater than 2.0 times; and
- capital expenditure of the DCL Group shall not exceed \$100,000 for any financial year.

The Covenant Group is also subject to covenants equivalent to the Financial Covenants.

Terms used in the paragraph above have the meaning given to them in the Bank Facilities. DCL Group means EC Credit Control (NZ) Limited and its subsidiaries.

As a consequence of the unremedied breach of any of the above covenants, the Bank may demand immediate repayment of all outstanding monies owed by Dorchester to it, and if not repaid the Bank may take enforcement action under the Bank Security.

Bondholders do not have the benefit of these covenants and they may be amended at any time without the consent of the Bondholders.

Miscellaneous

The Trust Documents also contain detailed provisions relating to procedures for holding meetings of Bondholders, transfer and registration of Bonds and various other matters.

Because the Bonds are to be registered (rather than bearer) securities, the Trustee and Dorchester are entitled to rely on the Register as the sole and conclusive record of the Bonds held by a Bondholder, despite any discrepancy between the Register and any certificate issued in respect of any Bonds. A certificate will not constitute a document of title.

Transfers must be effected using a registrable transfer form. A transfer will not take effect until the transferee is registered as the holder of the Bond.

The Trustee and Dorchester are entitled to treat a person recorded in the Register as the absolute owner of the Bonds it is recorded to own, and shall have no liability to any person for doing so.

Bond Trustee's statement

The statement required to be made by the Trustee under clause 9(3) of Schedule 12 to the Securities Regulations is set out in the *Trustee's Statement* section on page 24.

Consequences of insolvency

Bondholders will not be liable to pay any money to Dorchester or any other person in respect of the Bonds as a result of the insolvency of Dorchester. However, in the event of the insolvency of Dorchester, Bondholders could receive none, or only some, of the returns referred to in this *Statutory Information* section under the heading *Returns* from page 27. It is therefore foreseeable in those circumstances that Bondholders would receive less than the amount they paid for their investment in the Bonds.

The Bonds are secured, interest bearing debt obligations of Dorchester. In a liquidation of Dorchester, Bondholders' rights to payment of any amounts owing under the Bonds will rank behind the Bank but ahead of the claims of all unsecured creditors of Dorchester (other than those who are preferred by law). If the Bonds are Converted into Shares, the Shares will rank equally with all other Shares on liquidation of Dorchester.

Creditors preferred by law who will rank ahead of Bondholders include employees (for some entitlements), certain taxes (including the IRD for certain unpaid taxes) and holders of purchase money security interests.

Alteration of securities

The terms of the Bonds can be altered in certain circumstances. Dorchester also reserves the right to vary the dates of the Offer at its sole discretion. The terms of the Offer and the terms and conditions on which investors may apply for and acquire Bonds may be altered by an amendment to this Prospectus and, if required, the Trust Documents. Details of any amendment to this Prospectus or the Trust Documents must be filed with the Registrar of Financial Service Providers.

A summary of how the Trust Documents may be altered is set out in this *Statutory Information* section under the heading *Amendment of Trust Documents* on page 37.

Early termination

There is no right or obligation for Dorchester or any other person to redeem the Bonds prior to the Maturity Date except following the occurrence of an Event of Default.

Right to sell securities

Bondholders are entitled to sell or transfer their Bonds at any time, subject to the terms of the Trust Documents and any applicable securities laws and regulations.

As at the date of this Prospectus, there is no established secondary market for the Bonds. The Bonds have not been approved for trading on the NZX Debt Market or any other registered market so it is unlikely a secondary market will develop. Accordingly, you should only apply for Bonds if you are able to hold them until the Maturity Date.

Applicants should not attempt to sell their Bonds until they know whether, and how many, Bonds have been issued to them. None of Dorchester, the Guarantors, or the Trustee, or any of their respective directors, officers, employees or agents, or any other person, accepts any liability or responsibility should any applicant for Bonds attempt to sell or otherwise deal with any Bonds before receiving from the Registrar a holding statement recording the number of Bonds (if any) issued to them.

If Bondholders transfer any Bonds, the price obtained for them may differ from the amount paid to subscribe for, or purchase, them. Factors which may affect the price at which a Bondholder is able to sell the Bonds are set out in this *Statutory Information* section under the heading *Key factors determining returns* on page 28 and the *Risks* section from page 17. Dorchester will not compensate Bondholders for any loss they incur if they choose to sell their Bonds.

Other terms of the Offer and securities

All of the terms of the Offer and the Bonds being offered are set out in this Prospectus, except for those:

- implied by law; or
- which are set out in a document that has been registered with a public official, is available for public inspection, and is referred to in this Prospectus.

Information available under Dorchester's continuous disclosure obligations

Dorchester, as a listed issuer whose Shares are quoted on the NZX Main Board, is subject to the continuous disclosure obligations of the Listing Rules (which are 'continuous disclosure provisions' for the purposes of section 19D of the Securities Markets Act). As such, Dorchester is required to immediately notify NZX of any information concerning Dorchester of which Dorchester is or becomes aware and which a reasonable person would expect to have a material effect on the price of the Shares, subject to certain exceptions.

Copies of announcements made by Dorchester through NZX are available on NZX's website (at www.nzx.com/companies/DPC). You are encouraged to monitor Dorchester's announcements through this website.

The following information that is material to the Offer has been disclosed by Dorchester through NZX before registration of this Prospectus in accordance with Dorchester's obligations under the Listing Rules (i.e. the Disclosed Information). This is not a list of all announcements made by Dorchester. Copies of all announcements referred to below have been filed with NZX and the Registrar of Financial Service Providers and are available on request.

Disclosed Information

Disclosure date	Description of disclosure
21 August 2014	B+ Financial Strength Rating for DPL Insurance Re-Affirmed
28 July 2014	Dorchester enters Lock Up Agreement ahead of takeover offer
25 June 2014	Annual Report 2014
22 May 2014	Transformed Dorchester posts record year-end profit
17 March 2014	Dorchester acquires Oxford Finance and forecasts profit lift
27 November 2013	Dorchester half year report to September 2013
28 August 2013	Insurance licence issued to Dorchester insurance subsidiary
4 July 2013	B+ Rating for Dorchester insurance subsidiary
4 April 2013	Dorchester acquires strategic stake in Turners Auctions
28 September 2012	Dorchester acquires leading debt recovery business (EC Credit)

Financial statements

The audited financial statements for the Issuing Group for the financial year ended 31 March 2014, prepared and audited in accordance with the Financial Reporting Act 1993 (together with the accompanying audit report), are attached to this Prospectus.

Access to information

Copies of the Issuing Group's audited financial statements for the year ended 31 March 2014 and the Disclosed Information are filed on a public register at the Companies Office of the Ministry of Economic Development and are available for public inspection (including at www.business.govt.nz/companies).

Copies of the Disclosed Information and Dorchester's 2014 Annual Report (and earlier annual reports) may be obtained, free of charge, from Dorchester's website page (at www.dorchester.co.nz/Shareholder-Information).

Alternatively, the Disclosed Information and the Issuing Group's audited financial statements for the year ended 31 March 2014 are available on request and free of charge by writing to Dorchester at the address specified in the *Directory* on page 52.

Other material matters

There are no additional material matters relating to the Offer of the Bonds other than those set out in:

- this Prospectus;
- the Disclosed Information;
- the audited financial statements for Dorchester and the Issuing Group for the year ended 31 March 2014; and
- contracts entered into in the ordinary course of business of Dorchester.

Directors' statement

In the opinion of the directors of Dorchester, after due enquiry by them, Dorchester is in compliance with the requirements of the continuous disclosure provisions that apply to it.

Signatures

This offer document has been signed by each of the directors of Dorchester (or by their authorised agents).

SIGNED by the directors of Dorchester Pacific Limited

Paul Anthony Byrnes

Grant Keith Baker

Kevin Victor Brewer

John James Gosney

Matthew John Harrison

Gregory Alan Peebles

GLOSSARY

The following definitions apply throughout this Prospectus unless the context requires otherwise.

Acquisition Bank Debt	the funding to be provided by the Bank to Dorchester to assist in the acquisition of the Turners' shares pursuant to the facility agreement referred to in part (b) of the definition of Bank Facility
Agency Agreement	the registry agreement entered into between Dorchester and the Registrar for the provision of registry services.
AIL	approved issuer levy.
Application Form	the application form attached to this Prospectus.
Application Monies	money received by Dorchester from applicants who have applied for Bonds under the Offer.
Bank Default	an event of default as described in a Bank Facility or a Bank Security.
Bank Facility	each of: (a) the facility agreement dated 7 September 2012 between Dorchester as borrower, the Guarantors as guarantors and the Bank (as amended from time to time); (b) the facility agreement dated on or about 21 August 2014 between Dorchester as borrower, the Guarantors as guarantors and the Bank; (c) the facility agreement dated on or about 21 August 2014 between Dorchester Finance Limited as borrower, the Guarantors as guarantors and the Bank; and (d) the facility agreement dated 9 November 2012 between, among others, EC Credit Control (NZ) Limited and the Bank, (in each case as amended or replaced from time to time) and <i>Bank Facilities</i> means both of them.
Bank	Bank of New Zealand and/or any replacement or additional bank(s) which provide debt funding to Dorchester from time to time.
Bank Security	all security held by the Bank from time to time in relation to the obligations of Dorchester and the Guarantors to it.
Board	the board of directors of Dorchester.
Bond Charging Group	the Issuer and the Guarantors
Bondholder	a person whose name is recorded on the Register as the holder of a Bond.
Bonds	the bonds offered pursuant to this Prospectus.
Business Day	a day (other than a Saturday, a Sunday or a public holiday) on which registered banks are open for general banking business in Auckland and Wellington.

Conversion	the conversion of Bonds by the issue of fully paid Shares, and <i>Convert</i> and <i>Converted</i> have corresponding meanings.
Conversion Amount	the lesser of: (a) \$0.30; and (b) 5% discount to the average of the daily volume weighted price of the Shares in the 90 days prior to the Maturity Date as determined by an independent adviser appointed by Dorchester.
Conversion Notice	A notice given by a Bondholder to the Registrar pursuant to which the Bondholder elects to Convert some or all of the Bonds held by it into Shares.
Covenant Group	Dorchester Pacific Limited, Dorchester Life Management Limited, Dorchester Life Trustees Limited, Dorchester Hotel Property Trust Management Limited, DPL Insurance Limited, EC Credit Control (NZ) Limited, EC Credit Control (Aust) Pty Limited and Dorchester Turners Limited
CSN	Common Shareholder Number.
Deed of Subordination	the Deed of Subordination dated on or about 21 August 2014 between Dorchester, the Guarantors, the Bank and the Trustee.
Disclosed Information	the information described in the Statutory Information section under the heading <i>Information available under Dorchester's continuous disclosure obligations</i> on page 42.
Dorchester	Dorchester Pacific Limited
Dorchester Insurance Group	DPL Insurance Limited
EC Credit	EC Credit Control (NZ) Limited and EC Credit Control (Aust) Pty Ltd
Event of Default	has the meaning given to that term in the Trust Deed, as summarised in this Prospectus.
Extraordinary Resolution	a resolution passed at a meeting of Bondholders, duly convened at which at least 75% of the persons voting at the meeting upon a show of hands or, if a poll is duly demanded, then at least 75% of the votes given on such a poll voted in favour of the resolution.
Finance Companies	Dorchester Finance Limited and Dorchester Oxford Limited.
Financial Covenants	the financial covenants set out in clause 11.3 of the Trust Deed. The key Events of Default are summarised in this Prospectus.
FMCA	the Financial Markets Conduct Act 2013.

Guarantors	Dorchester Finance Limited, Dorchester Life Management Limited, Dorchester Life Trustees Limited, Dorchester Hotel Property Trust Management Limited, EC Credit Control (NZ) Limited, Estate Management Services Limited, EC Web Services Limited, Payment Management Services Limited and Dorchester Turners Limited and includes any person (other than Dorchester and the Trustee) who becomes a party to the Security Agreement in accordance with its terms from time to time after the date of this Prospectus but excludes any person who is released from the Security Agreement.
Interest Payment Dates	31 March, 30 June, 30 September and 31 December in each year
Interest Rate	9% per annum.
IRD	Inland Revenue Department.
Issue Date	in relation to a Bond, the date on which that Bond is issued to the relevant Holder.
Issue Price	\$1.00 per Bond.
Issuing Group	Dorchester and the Guarantors.
Issuer	Dorchester Pacific Limited.
Leverage Ratio	the ratio of gross debt of the Covenant Group to EBITDA of the Covenant Group, as defined more fully in the facility agreement referred to in part (c) of the definition of Bank Facility.
Listing Rules	the NZX Main Board Listing Rules of NZX.
Maturity Date	30 September 2016
New Zealand Branch Bondholder	a Bondholder that is engaged in business in New Zealand through a fixed establishment (as defined in the Tax Act) in New Zealand.
NZ GAAP	generally accepted accounting practice in New Zealand.
NZX	NZX Limited.
NZX Main Board	the registered market for trading equity securities operated by NZX.
Offer	the offer of Bonds by Dorchester under this Prospectus.
Opening Date	the first date of the offer period for the Bonds, being 18 September 2014, or such other date as Dorchester may determine.
Principal Amount	in relation to a Bond, the amount (other than interest, fees and costs) payable on redemption or repayment of that Bond, being an amount recorded as such in the Register in respect of that Bond.
Prospectus	this registered simplified disclosure prospectus for the Bonds dated 21 August 2014.

Record Date	in relation to a payment due on the Bonds, 5.00pm on the tenth calendar day before the due date for that payment.
Register	the register of bonds maintained by the Registrar in accordance with the provisions of the Trust Deed and the Agency Agreement.
Registrar	Computershare Investor Services Limited.
Resident Bondholder	a Bondholder that is a New Zealand resident for tax purposes.
RWT	Resident Withholding Tax.
Securities Act	Securities Act 1978.
Securities Markets Act	Securities Markets Act 1988.
Securities Regulations	Securities Regulations 2009.
Security Agreement	the security agreement (including a cross guarantee) dated on or about the date of this Prospectus between Dorchester, the Trustee and the Guarantors.
Shareholders	holders of Shares issued by Dorchester.
Shares	the ordinary shares issued by Dorchester.
Share Placement	the placement of Shares to be made by Dorchester pursuant to the Takeover Offer.
Takeover Offer	the offer made by Dorchester to take over all shares in Turners
Tax Act	the Income Tax Act 2007.
Test Date	31 March, 30 June, 30 September and 31 December in each year,
Trust Deed	the Trust Deed dated on or about the date of this Prospectus between Dorchester and the Trustee.
Trust Documents	the Trust Deed and the Security Agreement.
Trustee	New Zealand Permanent Trustees Limited as trustee for the Bondholders or any successor.
Turners	Turners Group NZ Limited.
Turners Shareholders	holders of shares issued by Turners eligible to accept the Takeover Offer.

HOW TO APPLY

You should read this Prospectus carefully before completing the Application Form.

An application will constitute an irrevocable offer by the applicant to subscribe for and acquire the Principal Amount of Bonds specified in the Application Form (or such lesser number which Dorchester may determine) on the terms and conditions set out in this Prospectus, the Trust Deed and the Application Form despite any changes to dates. An Application Form cannot be withdrawn or revoked by the applicant once it has been submitted.

Dorchester's decision on the aggregate Principal Amount of Bonds to be allotted to an applicant and as to whether to accept or reject an Application Form, or to treat it as valid, will be final.

The Application Form

Please complete all relevant sections of the Application Form using BLOCK CAPITAL LETTERS. Dorchester may accept any Application Form not correctly completed as being valid, and may correct errors and omissions, in its sole discretion.

- A. **Full name details:** Enter your FULL NAME. Up to three applicants may apply jointly. Note that ONLY LEGAL ENTITIES are allowed to hold Bonds. Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to Dorchester. At least one full given name and surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described below.

Type of investor

- Individual - use given name in full, not initials.
- Company - use company title, not abbreviations.
- Trusts - do not use the name of the trust, use the trustee(s)' personal names. All trustees must apply as joint applicants.
- Deceased estates - do not use the names of deceased, use the executor(s)' personal names.

- Clubs / Unincorporated bodies - do not use names of clubs etc, use the office bearer(s)' personal names.
- Superannuation Funds - do not use name of fund, use name of trustee.

Applications using the wrong form of name may be rejected.

- B. **Contact details:** Enter your POSTAL ADDRESS for all correspondence. All communications to you from Dorchester (holding statements, periodic reports, correspondence etc) will be mailed to the person(s) at the address as shown. For joint applicants, only one address is to be entered.

Enter your EMAIL ADDRESS if you would like to receive those communications that Dorchester considers appropriate to be sent by electronic means. If you do not provide your email address you will receive the communications by mail. If necessary, the Registrar may contact you at your email address (if one is provided) regarding your application.

Tick the relevant box if you wish to receive communications from Dorchester by electronic means (where possible).

Please enter your TELEPHONE NUMBER(S) and contact name in case we need to contact you in relation to your application.

- C. **Common shareholder number:** If you currently have a Common Shareholder Number (CSN), please enter it in the box provided.
- D. **Dorchester shareholder/shareholders:** If you are a Shareholder in Dorchester or a Turners Shareholder, please tick the relevant box provided.
- E. **Principal Amount of Bonds applied for:** Please enter the TOTAL Principal Amount of Bonds that you wish to apply for. Each Bond has a Principal Amount of \$1.00.
- F. **Interest and Principal Amount payments:** Please complete only one option by ticking the appropriate box to select the method of payment for all

interest and Principal Amount when they become payable.

If you currently receive interest or dividend payments from the Registrar (Computershare Investor Services Limited) by direct credit, and wish payments in respect of the Bonds to be direct credited to the same account, then do not complete section F of the Application Form.

If you wish to be paid by direct credit and the Registrar does not already hold your bank account details or you wish to have your payments credited to another bank account, please tick the box in respect of Option 1 and enter the details of the account.

- G. **IRD number:** Please enter your IRD NUMBER and elect the rate at which you wish resident withholding tax to be deducted by ticking the relevant box. For joint applicants, only one IRD number is required.

Indicate by ticking the relevant box whether you hold a resident withholding tax exemption certificate.

If you hold an exemption certificate, Dorchester will still be obliged to deduct resident withholding tax on interest payments if it has not seen the relevant certificate. A copy of the certificate must be attached to the Application Form.

- H. **Declaration and signature:** Read the declaration and the terms and conditions on the Application Form carefully and SIGN and DATE the Application Form. The Application Form must be signed by, or on behalf of, each applicant. If the applicant is a company or other entity it should be signed by a duly authorised person in accordance with any applicable constitution or by-laws.

If the Application Form is signed by an attorney, a copy of the power of attorney document is required to be lodged unless already held by Computershare Investor Services Limited, but the attorney must complete the certificate of non-revocation of power of attorney on the reverse of the Application Form.

Payment

Payment in full of the aggregate Principal Amount of Bonds applied for must accompany the completed Application Form. Payments

must be made in New Zealand dollars and will only be accepted as follows:

- personal cheque made out to “Dorchester Pacific Limited”, drawn on and payable at any bank in New Zealand;
- bank cheque made out to “Dorchester Pacific Limited”, issued by and payable at any bank in New Zealand;
- bank draft drawn on and payable at any bank in New Zealand; or
- direct debit from an account of any bank in New Zealand to the New Zealand dollar trust account established by Dorchester (details of which are set out in the Application Form). If you chose the direct debit option you must tick the box authorising the Registrar to direct debit the bank account nominated in the Application Form, on the day the application is received by the Registrar, for the Principal Amount of Bonds applied for on the Application Form (or such lesser Principal Amount of Bonds in respect of which your application is accepted). You cannot specify a direct debit date. The bank account must be with a New Zealand registered bank and you must ensure that the bank account details are correct and that the account you nominate is a transactional account eligible for direct debit transactions. By signing the Application Form you confirm that the person(s) giving the direct debit instructions has/have the authority to operate the bank account. If requested, a direct debit authority form and conditions will be provided to you by the Registrar.

Cheques will be banked upon receipt into a New Zealand dollar trust account established by Dorchester pending allotment of Bonds. The banking of Application Monies does not constitute confirmation of allotment of any Bonds or acceptance of an offer to subscribe for Bonds.

Processing of applications under the Offer and the banking of cheques will take place on the day of receipt by the Registrar (or the first Business Day after that day if it is not a Business Day). Application Monies received will be held in trust until the Bonds are issued under the Offer. Receipts for payment will not be issued. Sufficient cleared funds should be held in your account, as cheques returned unpaid are likely to result in your application being rejected or your allotment being

cancelled. In addition, Dorchester may pursue the defaulting applicant for any damages suffered as a result of the payment being dishonoured. Institutional investors must pay in immediately cleared funds.

Delivery

Applicants need to return a completed Application Form (with payment) to the Registrar.

Dorchester may accept or reject any application without giving any reason. Dorchester will refuse to accept applications which are for less than the minimum amount specified above.

Dorchester reserves the right to cancel the Offer of Bonds at any time before allotment of Bonds, in which case all Application Monies received will be refunded (without interest) as soon as possible.

Any Application Monies received in respect of an application which is not accepted by Dorchester in whole or in part, will be returned (without interest) to the applicant as soon as reasonably practicable after Dorchester decides not to accept the application.

Where an applicant's payment for Bonds is dishonoured, Dorchester may cancel the Bonds issued to that applicant, and may pursue the defaulting applicant for damages suffered by Dorchester.

DIRECTORY

The Issuer

Dorchester Pacific Limited

Registered Office of Dorchester
Level 8,
34 Shortland Street
Auckland, 1010
New Zealand

Directors of Dorchester

Grant Keith Baker
Kevin Victor Brewer
Paul Anthony Byrnes
John James Gosney
Matthew John Harrison
Gregory Alan Peebles

Bond Trustee

New Zealand Permanent Trustees Limited

Level 35
48 Shortland Street
Auckland 1010

Registrar

Computershare Investor Services Limited

Level 2, 159 Hurstmere Road
Takapuna
Auckland 0622

Legal advisers to Dorchester

Chapman Tripp

Level 35, ANZ Centre
23-29 Albert Street
Auckland 1010

Legal advisers to the Trustee

Lowndes Associates

Level 5
Lowndes Associates House
18 Shortland Street
Auckland 1010