

22 November 2012

COMPANY ANNOUNCEMENT

Dorchester Trading Ahead at Half Year

Acquisition Signals Momentum in Business Turnaround

Dorchester Pacific Limited (DPC) today posted its unaudited interim results for the 6 month period to 30 September 2012 reporting a Net Loss after Tax of \$87,000 (2011 \$993,000 loss).

The result includes a profit on the buyback of the 2013 Notes of \$1.14 million and a full write-off of the Fair Value Adjustment amount of \$1.17 million remaining on the balance sheet at 31 March 2012.

Both finance and insurance subsidiaries traded ahead of forecast for the 6 months to 30 September 2012.

CEO and Executive director Paul Byrnes commented:

“This is a very pleasing result and represents a marked improvement and turnaround from our \$993,000 loss in the corresponding period last year. We have now achieved what we set out to do so far this year including exceeding month-on-month breakeven trading over the last 4 months and the repayment of the 2013 Notes in September.

Dorchester Finance exceeded new lending and interest rate targets. Arrears on the new lending book and bad debts recovered on the legacy Senate book have also remained on or better than forecast. We have refined our credit and lending policy and are investing further in IT. The focus for Dorchester Finance remains on building a quality book.

In the recently renamed insurance business, DPL Insurance, the run out savings business and RAM book have continued to perform ahead of forecast and have contributed strongly to profit. Sales and risk income from the legacy insurance products including ‘EasyLife’, Personal Accidental Death and Funeral Plan, are well ahead of both budget and the corresponding period last year.

Distribution of consumer insurance products launched in April under the 'Mainstream' brand are also progressing positively with sales in line with forecast. The focus for the insurance business is on managing risk, ensuring good processes and IT, and building a sustainable, profitable business.

Legacy overheads and operating costs for the group have now been 'right sized' for the current level of activity with lease costs being the last of these legacy costs to be reduced".

The purchase of EC Credit Control, a leading supplier of credit management and debt recovery services to the corporate and SME sectors in New Zealand and Australia, was settled on 12 November 2012 following approval at the special meeting of shareholders held on 7 November 2012.

Dorchester will pay a total consideration of approximately \$18.5 million for the business with around 60% of the purchase consideration in cash and 40% in Dorchester shares. Approximately \$8 million of the \$18.5 million will be determined in an earnout arrangement over two years with a final payout based on EC Credit Control earnings achieved over that period.

Paul Byrnes said: "The EC Credit business will deliver an immediate contribution to profit for the second half and we anticipate achieving a profit after tax for the Dorchester Group of at least \$1 million for the full year to 31 March 2013. Earnings from the acquisition together with continued improved trading performance of the Dorchester Finance and Insurance businesses puts Dorchester in a very much stronger position. We are forecasting net profit after tax of \$4 million - \$5 million for the next full financial year ending 31 March 2014".

"The acquisition of EC Credit Control is a strategic fit building on Dorchester's end-to-end financial services" said Dorchester's Chairman Grant Baker.

"It represents the latest significant milestone in the business and profit turnaround. In the last 6 months we have secured \$15 million in bank funding, repaid the June 2013 Notes and announced the acquisition of EC Credit Control. The recent lift in share price augers well for a significant increase in shareholders' funds that will arise in June 2013 with the 150 million options currently on issue exercisable at 12.5 cents at that time.

We are looking to continue the growth momentum and we intend to evaluate further consolidation, merger and acquisition opportunities. The major shareholders have indicated their support for seeking additional opportunities for further sustained growth of the Dorchester financial services business".

About EC Credit Control

EC Credit control was established in 1989 and has partnered with major trading banks and corporates to become the largest privately owned debt recovery business operating throughout Australasia. The Company also provides credit management, credit reporting and terms of trade documentation to small to medium enterprise customers in both New Zealand and Australia. Headquartered in Napier and employing around 150 staff and contractors, the company has a growing footprint in Australia with offices in Sydney, Melbourne, Brisbane and Perth providing local sales and support.

The business was previously owned by interests associated with its Managing Director, Matthew Harrison, who will stay on as its chief executive officer and will in due course be invited to join the Board of Dorchester Pacific Limited.

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