

The Directors
Dorchester Pacific Limited
Level 8
Auckland Club Tower
34 Shortland Street
AUCKLAND

The Debenture Trustee
Perpetual Trust Limited
Level 12
AMP Centre
29 Custom Street West
AUCKLAND

Attn: Chris Lithgow

The Note Trustee
New Zealand Permanent Trustees Limited
Level 35
Vero Centre
48 Shortland Street
AUCKLAND

Attn: Lloyd Wong

27 November 2008

**DORCHESTER FINANCE LIMITED – SUMMARY OF ANALYSIS OF THE FINANCIAL ASPECTS
OF DORCHESTER FINANCE LIMITED (DFL or COMPANY) DEFERRED REPAYMENT PLAN**

Introduction

1. PricewaterhouseCoopers (PwC) has been retained by Dorchester Pacific Limited (DPL) to analyse the financial aspects of its proposed Deferred Repayment Plan with its Debenture Stockholders and Noteholders. The Deferred Repayment Plan Proposal has been finalised and shortly will be issued to Debenture Stockholders and Noteholders.
2. We have been asked by DPL to summarise the key findings of our analysis and to provide a copy of that summary to Debenture Stockholders and Noteholders, with the Explanatory Memorandum to be provided in respect of the proposed meetings.
3. This letter is issued subject to attached Statements regarding our Qualifications, Independence, Disclaimers, Restrictions, Limitations of Liability, and Indemnity.

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Principal Conclusions

- The financial aspects of the Deferred Repayment Plan illustrates that DFL Debenture Stockholders have a prospect of recovering all or a significant part of their principal entitlements, subject to market conditions which we comment on later.
- Noteholders will recover a minimum of 10 percent of their principal entitlement if the Deferred Repayment Plan is approved which is likely to be higher than potential recoveries under either a receivership or liquidation scenario, particularly in the current economic climate.
- The Deferred Repayment Plan Proposal is targeted at allowing time for an orderly and optimised realisation of assets, with the objective of thereby maximising returns to Debenture Stockholders and Noteholders, while at the same time providing for the Company to undertake new lending and a restructuring of its balance sheet and commercial activities to ensure that it is well placed to trade as a going concern.
- The Deferred Repayment Plan fundamentally and permanently changes Debenture Stockholders' and Noteholders' principal and interest entitlements, with the key elements dealt with in the Explanatory Memorandum and Prospectus.
- If DFL Debenture Stockholders do not approve the Deferred Repayment Plan Proposal for the Company, then the only alternative is receivership, and if DFL Noteholders do not approve the Deferred Repayment Plan Proposal for the Company, then the only alternative is liquidation. Either event would likely trigger the other.
- Shareholders may provide additional capital support as part of the Deferred Repayment Plan Proposal, which would not be available under a receivership. We note that this support is uncommitted.
- The Deferred Repayment Plan offers greater flexibility such as the ability to refinance assets and through this an enhanced ability to achieve full payment for DFL Debenture Stockholders and Noteholders.
- The Deferred Repayment Plan is based on assumptions as to recoveries which in current volatile economic conditions are difficult to assess. There is significant uncertainty as to valuations and realisation timeframes and the market will ultimately determine returns on key assets in either the Deferred Repayment Plan Proposal or under alternative scenarios.
- Based on our analysis of the financial aspects of the Deferred Repayment Plan and subject to the matters raised in this letter, we believe on balance, the Deferred Repayment Plan Proposal has merit and for reasons stated in this letter, the Deferred Repayment Plan should be put to Debenture Stockholders and Noteholders.
- We also note that each Debenture Stockholder's and Noteholder's circumstances are different and it is therefore not possible to advise or prescribe what action individual Debenture Stockholders and Noteholders should take in response to the Deferred Repayment Plan Proposal.

4. This letter is being sent to Debenture Stockholders and Noteholders with the Explanatory Memorandum inviting Debenture Stockholders and Noteholders to approve the Deferred Repayment Plan Proposal.

Background

5. On 25 June 2008, DPL announced that, its subsidiary, DFL, intended to withdraw and not renew its prospectus and that it was working on a plan to defer principal payments on its debentures and unsecured notes.
6. DFL's decision to withdraw and not renew its prospectus stemmed from a general deterioration in market conditions, a systemic weakness in the debenture-funded finance sector following a succession of finance company failures, declining property values, and difficulties experienced by the Company's borrowers with securing re-financings, all of which have led to concerns about the deterioration in the profile of the Company's loan portfolio and the liquidity required to meet repayments to the DFL Debenture Stockholders and Noteholders as they fall due.
7. As at 24 June 2008, DFL had \$164 million in debenture stock secured against total assets of \$212 million, including \$18 million in cash. In addition, DFL had \$8 million of unsecured notes on issue.
8. DPL's directors, management, and advisors, have prepared the Deferred Repayment Plan that, inter alia, reschedules principal payments to Debenture Stockholders and Noteholders over approximately three year period ending 30 September 2011 (the Deferred Repayment Period), and introduces new governance, lending and reporting covenants. The Deferred Repayment Plan Proposal is targeted at allowing time for an orderly and optimised realisation of assets, with the objective of thereby maximising returns to Debenture Stockholders and Noteholders, while at the same time providing for the Company to undertake new lending.

Scope of Letter

9. We have been engaged to advise and assist DPL, in relation to the Cash Flow Model which supports the Deferred Repayment Plan Proposal.
10. We have analysed the Cash Flow Model which supports the financial aspects of the Deferred Repayment Plan Proposal. Our work on the Cash Flow Model has included:
 - Analysing the assumptions that form the basis of the Cash Flow Model; and
 - Analysing the outputs from the Cash Flow Model.
11. In performing our work we have relied on the Cash Flow Model and we have not independently audited nor reviewed the completeness or accuracy of the assumption inputs used in this model.
12. In reporting our findings, we expressly draw attention to the fact that the timing of recovery of loan balances is inherently and highly uncertain. This uncertainty is heightened by the market conditions currently prevailing and the specific adverse conditions being experienced by the Company. There are also a number of factors beyond the control of management which will impact on the timing and ultimate level of cash generated from loan recoveries and other asset realisations.
13. Our letter has been prepared in accordance with the terms set out in our engagement letters dated 31 July 2008 and 21 November 2008. This letter is issued subject to attached Statements regarding our Qualifications, Independence, Disclaimers, Restrictions, Limitations of Liability, and Indemnity.

Summary of PwC Analysis of the Financial Aspects of the Deferred Repayment Plan Proposal

14. Confidence in the New Zealand finance company sector has been severely eroded due to a combination of the general deterioration in market conditions, declining property values, the systemic weakness in the debenture funding model following a succession of finance company failures, and the ongoing systemic failure of credit markets worldwide.
15. Following DPL's announcement of 25 June 2008, the Company has assessed its current position and strategy for the future and discussed these at length with the Debenture Trustee and Note Trustee. We see no prospect of the Company being able to resume "business as usual" absent of some form of debt restructuring. Without a debt restructuring involving a rescheduling of principal payments over an extended period and cancellation or suspension of interest, it is almost certain that demand for redemptions would place an intolerable cash drain on the Company. Furthermore a decision to continue to carry on business without a debt restructuring would, in all likelihood, force DFL to take actions designed to realise cash to meet redemption obligations to Debenture Stockholders and Noteholders which would ultimately prejudice those Debenture Stockholders and Noteholders with later maturity dates.
16. Without a restructuring plan whereby DFL can reschedule its principal repayment commitments and cancel or suspend interest and irrespective of whether the Debenture Trustee and Note Trustee would allow DFL to carry on business in such circumstances, in our view there is no realistic prospect of DFL continuing to meet all its principal and interest payment obligations to Debenture Stockholders and Noteholders. Hence we conclude that the only alternative to a deferred repayment plan is receivership for Debenture Stockholders and liquidation for Noteholders. Either event would likely trigger the other.
17. The Deferred Repayment Plan Proposal has been formulated by the Directors of DPL to achieve three main objectives:
 - To provide DFL with certainty regarding its liquidity during the current difficult market circumstances;
 - To allow Debenture Stockholders and Noteholders to maximise the recoveries of the principal amounts of their investments; and
 - To provide DFL with time to undertake a restructuring of its balance sheet and commercial activities to ensure that it is well placed to trade as a going concern over the term of the Deferred Repayment Plan.
18. The Deferred Repayment Plan Proposal therefore reflects a balance of objectives, between on the one hand the desire to maximise returns to Debenture Stockholders and Noteholders at the earliest opportunity and minimise ongoing risk; and on the other hand, the legitimate commercial desire on the part of the shareholders to be able to carry on business and derive a return on their investment in the Company after the Debenture Stockholders and Noteholders have been repaid.
19. The Directors and management expect that, based on their forecast loan recoveries and asset realisations, as expressed in their Cash Flow Model, Debenture Stockholders have a prospect of recovering all or a significant part of their principal entitlements under the Deferred Repayment Plan Proposal. However, due to the current economic climate, there is a risk that Directors' and management's forecast loan recoveries and asset realisations may not occur as assumed. Due to the significant uncertainty as to loan recoveries and asset realisation timeframes, the market will ultimately determine the extent of returns on assets in either the Deferred Repayment Plan or alternative scenarios.

20. Noteholders will recover a minimum of 10 percent of their principal entitlement if the Deferred Repayment Plan is approved which is likely to be higher than potential recoveries under either a receivership or liquidation scenario, particularly in the current economic climate.
21. Based on our discussions with the Directors and management, at the present time we believe that their view of expected loan recoveries could be optimistic given current economic conditions.
22. Several uncertainties remain, including but not limited to, the current state of the NZ economy and volatility in the market which could impact the realisation performance of the loan portfolios. This would further deplete capital. Even without further volatility in the market, the Dorchester Finance Group is undercapitalised.
23. The Cash Flow Model which underpins the Deferred Repayment Plan Proposal is based on a number of key assumptions which includes and is not limited to: the achievement of assumed new lending business volumes; the recoverability of the loan book in accordance with the Directors' and management's views; the realisation of the DorchesterLife business and DPL intercompany advance; and the achievement of other trading and operational assumptions. These assumptions may not materialise. Unanticipated events and circumstances could occur during the Deferred Repayment Period. In this regard we note that the domestic and international capital and debt markets are volatile; the New Zealand finance company sector is under significant liquidity pressure and faces deteriorating asset quality; and the New Zealand economy is showing signs of distress. Furthermore, the non-bank deposit taking industry is subject to on-going regulatory reform which will likely result in additional capital and liquidity measures being introduced. These measures may result in additional costs or operational or capital consequences to DFL. Unanticipated events and circumstances are therefore likely to impact on actual results and produce outcomes which will vary from those which have been assumed, and these variations may be material.
24. In addition, the wholesale funding assumed in the Cash Flow Model to repay Debenture Stockholders and Noteholders at September 2011 and the assumed capital injection from shareholders are uncommitted. These assumptions also may not materialise as assumed.
25. The Deferred Repayment Plan Proposal also offers Debenture Stockholders the prospect of upside should there be a significant recovery in the markets in which the Dorchester Finance Group operates, through DFL's ability to charge and recover interest on its loans. Depending on how much is recovered, this may trigger a profit share payment to Debenture Stockholders of 50% of any increase in the consolidated shareholders' funds of DPL, excluding any increase due to the issue of new equity. This profit share payment would not occur under a receivership scenario.
26. The Deferred Repayment Plan Proposal has been developed by the Directors and management in consultation with the Trustees. The Deferred Repayment Plan Proposal represents an overall package that Debenture Stockholders and Noteholders need to consider in its entirety as presented in the Explanatory Memorandum and the Prospectus. Debenture Stockholders and Noteholders are unable to seek to renegotiate those aspects they find less favourable, other than by way of rejecting the Deferred Repayment Plan Proposal altogether, in which case we believe that DFL will be placed in receivership.
27. Debenture Stockholders and Noteholders would clearly benefit from the provision of more support to the Company from the shareholders, and we note that the proposed shareholder support provided for as part of the Deferred Repayment Plan Proposal is uncommitted. Furthermore, the full repayment of Debenture Stockholders and Noteholders at September 2011 is dependent on DFL arranging wholesale funding at this time. This wholesale funding is currently uncommitted. Nevertheless, any shareholder support and wholesale funding facilities will not be available in a receivership.

28. Approval of the Deferred Repayment Plan Proposal by Debenture Stockholders and Noteholders, together with satisfaction of other conditions such that the Deferred Repayment Plan Proposal takes effect will fundamentally and permanently change the principal and interest entitlements that Debenture Stockholders and Noteholders have in relation to their underlying deposits with DFL.
29. Instead of having an investment that has a particular maturity date and a fixed entitlement to interest, Debenture Stockholders and Noteholders will hold investments that comprise an entitlement to a series of scheduled principal payments over the three year Deferred Repayment Period, and in the case of the Debenture Stockholders, an additional entitlement to receive a possible profit share payment at the end of the Deferred Repayment Period, the amount of which is contingent on the increase in future consolidated shareholders' funds of DPL.
30. The principal risks to Debenture Stockholders and Noteholders under the Deferred Repayment Plan Proposal relates to the failure to receive all the scheduled principal payments (as a result of loan recoveries, asset realisations including intercompany repayments from DPL, new business lending, or the return on assets being lower than forecast, the timing of cash flows not being achieved, or the amount and timing of expenses incurred may vary from that assumed, including the realisation of the deferred taxation asset), the Company, one or more of its charging subsidiaries or DPL being placed into liquidation, statutory management or receivership, or the Company being unable to secure wholesale funding by September 2011 or failure to secure additional shareholder support. A second, and in our view much less significant risk factor by virtue of its inherent uncertainty, is the quantum of any profit share that may be paid to Debenture Stockholders.
31. The Deferred Repayment Plan Proposal submitted to Debenture Stockholders and Noteholders requires the approval from Debenture Stockholders and Noteholders by way of separate Extraordinary Resolutions. In order to be passed not less than 75% of votes cast by those attending the respective Debenture Stockholders and Noteholders meetings in person or by proxy must be in favour, with each Debenture Stockholders and Noteholders having one vote for every dollar of principal outstanding at their respective meetings. If passed, the Extraordinary Resolution and therefore the terms of the Deferred Repayment Plan Proposal will be binding on all Debenture Stockholders and Noteholders once any conditions have been satisfied, irrespective of whether they voted in favour of the Deferred Repayment Plan Proposal.
32. Based on our analysis of the financial aspects of the Deferred Repayment Plan and subject to the matters raised in this letter, we believe on balance, the Deferred Repayment Plan Proposal has merit. It offers Debenture Stockholders the prospect of a full or significant part of their principal entitlements, subject to market conditions. It also offers Noteholders a minimum of 10% of their principal entitlement which in our view is more than would be recovered in a receivership or liquidation scenario given current economic conditions. For those reasons we believe the Deferred Repayment Plan has merit and should be put to Debenture Stockholders and Noteholders.
33. We note that each Debenture Stockholder's and Noteholder's circumstances are different and it is therefore not possible to advise or prescribe what action individual Debenture Stockholders and Noteholders should take in response to the Deferred Repayment Plan Proposal.

Note

34. All monetary amounts in this summary letter are expressed in New Zealand dollars and stated exclusive of GST. Capitalised terms in this letter have the same definitions and meanings as stated in this letter, the Explanatory Memorandum and Notice of Meeting.

Yours faithfully

PricewaterhouseCoopers



CT McCloy
Partner

Statement of Qualifications, Independence, Disclaimer, Restrictions, Limitation of Liability and Indemnity

Qualifications

This Letter has been prepared by the Business Recovery Services division of PricewaterhouseCoopers, which provides advice on corporate restructurings and insolvencies.

The Partner responsible for this letter is Colin McCloy CA who has experience in relation to corporate restructurings and insolvencies.

Independence

PricewaterhouseCoopers considers itself independent of DPL and its related entities in relation to the Deferred Repayment Plan Proposal. We confirm that:

- We have not been responsible for formulation of the Deferred Repayment Plan, although we have provided advice to DPL on various iterations of the plan and provided comments and suggestions to DPL;
- Our fees for preparation of this letter are based on the time required for its completion, and are not contingent on the success or implementation of the Deferred Repayment Plan Proposal; and
- We are not, and do not intend to be, a director, officer, or employee of DPL or any associated entity; however, PwC has been requested to undertake an ongoing monitoring role on behalf of the Trustee if the Deferred Repayment Plan Proposal is approved.

In addition to the provision of this Letter, we have carried out the following work during the last three years for companies in the DPL Group.

- In 2007, PwC provided due diligence and tax services to the Group associated with its investment in St Laurence Limited. This role finished in March 2007
- In 2007, PwC provided various tax consulting assignments for the Group. These roles finished in May 2007.
- In 2006, PwC provided forensic services to the Group. This role finished in December 2006.

In addition, PwC has provided professional services to St Laurence Limited, which is related to the Group through commonality of shareholding.

We believe that the independence of PricewaterhouseCoopers asserted in relation to the conduct of this assignment is not impaired by our other work undertaken for DPL Group.

Consent

We consent to this letter being distributed to DFL Debenture Stockholders and Noteholders.

Disclaimer and restrictions on the scope of our work

The statements and analysis expressed in this Letter are based on information available as at the date of the Letter.

In preparing our Letter, we have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of the DPL Group or any of its related entities. Accordingly, we express no view on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

In forming our analysis, we have relied on forecasts and assumptions prepared by DPL about future events which by their nature are not able to be independently verified. Inevitably, some assumptions may not materialise and unanticipated events and circumstances are likely to occur. Therefore, actual results in the future will vary from the forecasts upon which we have relied. These variations may be material.

The statements and analysis expressed in this letter and our Letter have been made in good faith and on the basis that all relevant information for the purposes of preparing our Letter has been provided by DFL and / or its directors and advisors, and that all such information is true and accurate in all material aspects and not misleading by reason of omission or otherwise. Accordingly, neither PricewaterhouseCoopers nor its partners, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis and statements provided in our Letter resulting directly or indirectly from any such circumstances or from any assumptions upon which our Letter is based proving unjustified.

Our analysis has been arrived at based on economic, market and other conditions prevailing at the date of our Letter. Such conditions may change significantly over relatively short periods of time.

We reserve the right, but will be under no obligation, to review or amend our Letter, if any additional information, which was in existence on the date of our Letter, was not brought to our attention, or subsequently comes to light.

Limitation of Liability

PricewaterhouseCoopers will accept liability to pay damages for losses arising as a direct result of breach of contract or negligence on our part in respect of services provided in connection with, or arising out of, this engagement but, to the extent permitted by law, any liability of PricewaterhouseCoopers, its partners and staff (whether in contract, negligence or otherwise) shall in no circumstances exceed five times the fees paid in aggregate in respect of all such services.

Indemnity

Perpetual Trust Limited, New Zealand Permanent Trustees Limited, DPL and DFL have agreed to indemnify us against claims brought by any third party (which includes but is not limited to DFL and the Debenture Stockholders and Noteholders). The indemnity covers PricewaterhouseCoopers for any loss or liability suffered or incurred as a result of or in connection with the preparation of our Letter. The indemnity will not apply to the extent that it has been determined by a Court that there is negligence or misconduct on our part. The extent of the indemnity from the Trustees is limited to the realisable value of the asset to which the respective Trustees have recourse under the respective Trust Deeds between itself and DFL.