TOWER

13 June 2003

Market Information
New Zealand Exchange Limited
ASB Bank Tower
Level 9, 2 Hunter Street
Wellington
NEW ZEALAND

Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
Level 6, 20 Bridge Street
Sydney NSW 2000
AUSTRALIA
ARBN 088 481 234 Incorporated in New Zealand

Dear Sir/Madam

TOWER Limited – Company Announcement

In accordance with Listing Rules, please find attached the following:

- **TOWER HALF YEAR REPORT 2003**

Yours faithfully

Mark Ngan Kee
GROUP COMPANY SECRETARY
TOWER Limited

TOWER Limited Level 5 50-64 Customhouse Quay
PO Box 352 Wellington New Zealand Tel (+64) 4 472 6059 Fax (+64) 4 498 7903

TOWER

HALF YEAR REPORT 2003

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The TOWER Limited Half Year Report and TOWER Limited Investor Report for the six months to 31 March 2003 are available on the TOWER website: www.towerlimited.com

CONTACT DETAILS

TOWER Limited
ARBN 088 481 234
Incorporated in New Zealand

Registered Office
Level 5
50-64 Customhouse Quay
PO Box 352
Wellington
New Zealand

Mark Ngan Kee – Group Company Secretary

SHAREHOLDER INQUIRIES

Shareholders with inquiries regarding share transactions, changes of address or dividend payments should contact the TOWER Share Registry:

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland
Private Bag 92119
Auckland 1020
New Zealand

Shareholder inquiries regarding TOWER's operating and financial performance should be addressed to:

Investor Relations Manager
TOWER Limited
PO Box 352
Wellington
New Zealand

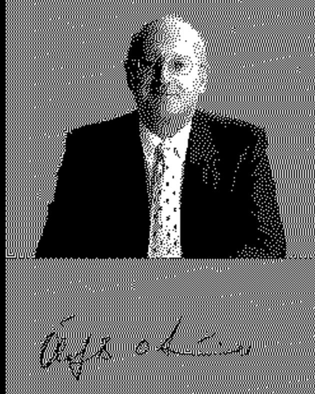
or e-mailed to: investor-relations@towerlimited.com

All figures, unless otherwise stated, are in New Zealand dollars

TOWER Limited Review

OLAF O'DUILL, CHAIRMAN AND KEITH TAYLOR, GROUP MANAGING DIRECTOR

THE 2002 YEAR WAS AN EXTREMELY CHALLENGING YEAR FOR TOWER LIMITED, AND THE CONDITIONS AND EVENTS IN THE SIX MONTHS FROM 1 OCTOBER 2002 – 31 MARCH 2003 CONTINUED TO BE TESTING FOR TOWER.



OLAF O'DUILL
Chairman

During the first half, TOWER has dealt with issues such as the negative market and business impacts of the loss for the 2002 financial year, significant restructuring and reorganisation of its businesses, as well as the resolution of regulatory capital and solvency matters. However, the Group has also taken steps to implement key strategic and operational initiatives aimed at refocusing its businesses and creating the framework for a turnaround in performance.

In conjunction with external corporate finance advisers, TOWER carried out a comprehensive review of its capital structure – assessing the appropriateness of the equity and debt structure of TOWER Limited, the basis on which Group subsidiary companies are carried in the financial statements and the carrying values of other assets.

TOWER reported an audited net loss after tax of $154.4 million for the six months to 31 March 2003, compared with a net profit of $40.7 million for the corresponding period in 2002. The result was significantly affected by accounting adjustments, which reduced the carrying values of Group subsidiary companies by $134.4 million. Adjustments to the values of other assets and a number of material one-off items also contributed to the loss.

A late accounting adjustment in respect of TOWER Limited shares held by TOWER life insurance funds resulted in a one-off abnormal gain that reduced the net loss by $27.4 million. This adjustment had a net reduction on shareholders' funds of $27.3 million.

TOWER's net profit after tax (excluding one-off items) of $7.6 million was adversely affected by poor investment markets, net outflows of funds and capitalised losses but benefited from good expense control. The result is a significant turnaround compared to the net loss after tax (excluding one-off items) of $16.7 million for the six months ended 30 September 2002.

Assets under management of $19.4 billion decreased by 6% compared with the level at 30 September 2002 and 11% compared with 31 March 2002. The 6% appreciation in the New Zealand dollar against the Australian dollar, poor investment income and lower fund flows all contributed to this decrease.

There is still a long way to go both in the remedial process and to seeing some recovery in the TOWER share price. However, a sharper focus and strong commitment to TOWER's three-year "Focus, Grow and Deliver" strategy is already producing results.

In the first three months to 31 December 2002, market sentiment towards the financial services/insurance sector was negative. We said earlier this year that this was not likely to change until investment markets became more positive, insurance companies delivered solid profit results with satisfactory levels of sustainable growth and uncertainty was removed over issues such as capital position. Since that time investor sentiment has been tested globally by the war in Iraq and economic worries caused by oil prices touching $US40 a barrel.

A further test, in the form of the Severe Acute Respiratory Syndrome (SARS) virus, also rocked the markets. Worse, data from the world's economic powerhouses – the United States, Germany and Japan – has been mixed to the downside and the US dollar has weakened.

Against this background, investors' nerves have been frayed by the financial services sector over the past few months – company splits, capital realignments and industry consolidation contributing to this.

MAJOR CHANGE

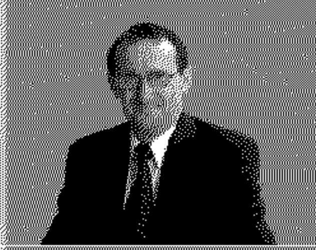
Since the Group's $74.9 million loss announced in December last year, there have been major changes at TOWER. Olaf O'Duill was appointed Chairman in February 2003 and three long-serving Directors, former Chairman Colin Beyer, Deputy Chairman Lindsay Cuming AM and Sir Colin Maiden, retired at the Annual Meeting in March 2003. Another long-serving Director Lance Cottam will retire at the end of June 2003. At the Annual Meeting, two new Directors associated with TOWER's major shareholder Guinness Peat Group, Tony Gibbs and Gary Weiss, were elected to the Board and PricewaterhouseCoopers was appointed new auditor of TOWER Limited.

After a nine-month search process, the TOWER Board appointed Keith Taylor as TOWER's Group Managing Director and William Giesbers as Group Chief Financial Officer. TOWER's senior management team has been significantly reduced from 12 to seven, with operations streamlined under a clear accountability, focus-on-expenses, style of management.

Jim Minto, one of TOWER's most experienced senior executives, was appointed Chief Executive of TOWER Australia in November 2002. An immediate strategy to refocus the business, reduce expenses and drive sales was implemented. After a full operational review of the company, the management cost base in Australia has been cut from $A102 million to $A85 million in the first stage. A new sales management structure has been established and staff numbers have been reduced by 120 – this is an unfortunate necessity in the current environment. TOWER Australia has redefined its strategy with a narrower but deeper focus, discontinuing non-core business lines and launching a revised risk products' range and multi manager superannuation mastertrust. Compliance systems have also been reinforced.

Whilst always in excess of regulatory solvency levels, a A$30 million capital restructuring was completed on 31 March 2003, strengthening TOWER Australia's capital position to levels in excess of its internal target surplus. This was funded by internal Group funds in the second quarter.

A comprehensive strategic and operational review of TOWER's wealth management operations in Australia began in February 2003. The objective of the review is to assess the Australian wealth management market trends and directions, and the positioning and prospects of TOWER's existing businesses in this sector.



KEITH TAYLOR

Group Managing Director

TOWER Trust Australia holds the dominant market position in the small APRA funds market segment of the self-managed superannuation market and is also the dominant player in the estate administration market in South Australia. The company's growth and performance in this half year has been significantly impacted by the retraction of investment markets, but highly refined sales planning and a revised organisational structure with a strong cost containment focus has ensured that TOWER Trust maintains a competitive market position.

Bridges Financial Services has over 50,000 clients serviced from 40 offices throughout Australia and its mastertrust "The Portfolio Service" is one of the top 10 discretionary mastertrusts in the country. Bridges has a formalised referral relationship with the Credit Union movement and, with a solid reduction in expenses, delivered a A$4.6 million net profit after tax, against a backdrop of poor and fluctuating investment markets and negative investor sentiment.

While TOWER Australia may have been responsible for the bulk of the 2002 loss ($44 million for the Australian business and a write-down of $35.8 million for Bridges Financial Services), it is important to acknowledge that TOWER's move into Australia has been successful. The Australian operations now generate about 70% of TOWER's revenue and nearly half of that has been achieved from organic growth.

We still have a lot of work to do in Australia, but progress in this half has been sound, and the turnaround is already well underway. The challenge in Australia is to develop relevance while being of modest size. Non-bank alignment and links with Credit Unions are attractive features for TOWER in that market place. Significant changes taking place in the Australian market also present a slimmer and more sharply focused TOWER with growth opportunities.

TOWER New Zealand has a well known brand, large client base and significant market positions in its key markets. It remains one of the country's largest retail fund managers, ranked Number 2 with $1.6 billion of funds under management. It is also the second largest health insurer and its general insurance business is the fifth largest, and is growing at a steady rate. FundSource, the independent sector research organisation, also found TOWER hedge funds had the second-highest inflow of all funds for calendar year 2002 and TOWER was the top-performing fund in the international equity fund category for the same period.

TOWER Asset Management (TAM) maintained its leading investment performance in New Zealand, being ahead of benchmark for the 12 months ended 31 March 2003 in almost all asset classes. Against its peers, TAM ranks in the top quartile for New Zealand equities, property, international fixed interest and its flagship balanced fund. TOWER Health & Life's sales have been 60% ahead of target this year and increased margins and sales have seen growth in the fire and general business for TOWER Insurance, which has recorded its sixth consecutive year of underwriting profits. TOWER Trust also delivered higher than anticipated earnings for the half year, despite the uncertainties surrounding the company with the sale process that was conducted in the first part of the period.

We can and we will continue to drive our New Zealand business hard.

Going forward, TOWER's strategy is simple:

In Australia efforts will be directed towards:

- Focus on simplifying business structures, developing operating teams and further product rationalisation, restructuring and development to ensure products meet customer needs
- Reinvigorating sales efforts through focused initiatives to drive sales
- Implementing strategies to improve retention
- Reviewing expenses and implementing further cost reductions
- Implementing a redefined wealth management strategy
- First class customer service

In New Zealand, the focus will be:

- Improved alignment and integration of businesses to drive operational efficiency and effectiveness
- Enhancement of the retail funds management model
- Acceleration of life and health risk business growth
- Reviewing expenses and implementing further cost reductions

The Board regrets not being able to declare a dividend. Clearly the financial result does not warrant this, however, the Board does intend to resume paying dividends, albeit at reduced levels, as soon as the profitability and capital position of TOWER return to an appropriate level.

We will refocus TOWER's resources towards delivering a multi-niche risk and wealth management strategy in both Australia and New Zealand and continue also to review the ownership of TOWER's businesses and their fit with TOWER's strategy for the future.

The first half of the financial year has seen TOWER's Board and management take appropriate steps to reinvigorate the company. Issues have been addressed and hard decisions have been taken.

We will continue to make the decisions that need to be made in order to restore TOWER's competitive position to reflect its real and substantial value for the benefit of shareholders. TOWER thanks you for your continued support during this challenging six months.

TOWER's Board and management are committed to strengthening TOWER Limited's capital base through a significant equity capital raising and consequent reduction in debt. Shareholders have received a Notice of Meeting, Proxy Form and Independent Expert's Report with this Half Year Report. The $200 million capital raising will be undertaken subject to shareholder approval at a meeting set down for 4 July 2003. The capital raising comprises a placement to Guinness Peat Group (GPG) of 50 million shares at $1.35 per share and a pro-rata renounceable rights' issue of $135 million with an exercise price of $1.00. The rights' issue will be fully underwritten by GPG and the record date for calculation of the rights' entitlements will be 4 July 2003. Directors are also recommending that the 10% shareholding cap be removed.

The priorities of the Board and management are to capitalise TOWER appropriately, and to focus and reinvigorate the business. The proceeds of the capital raising will be applied to debt reduction and will place TOWER in a strong capital position for future growth and profitability. The Board seeks your support for this project.

Olaf O'Duill	Keith Taylor
Chairman	Group Managing Director

PRICEWATERHOUSECOOPERS

PricewaterhouseCoopers
113-119 The Terrace
PO Box 243
Wellington, New Zealand
Telephone +64 4 462 7000
Facsimile +64 4 462 7001

Auditors' Report
to the shareholders of TOWER Limited

We have audited the interim financial statements on pages 6 to 13. The interim financial statements provide information about the past financial performance and cash flows of the Group for the period ended 31 March 2003 and the financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 10 to 11.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the interim financial statements, prepared in accordance with FRS-24 *Interim Financial Statements*, which give a true and fair view of the financial position of the Group as at 31 March 2003 and the financial performance and cash flows for the period ended on that date.°

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the interim financial statements presented by the Directors and reporting our opinion to you.

Basis of Opinion

An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the interim financial statements. It also includes assessing:

(a) the significant estimates and judgements made by the Directors in the preparation of the interim financial statements; and

(b) whether the accounting policies are appropriate to the circumstances of the Group, consistently applied and adequately disclosed.

We conducted our audit in accordance with generally accepted auditing standards in New Zealand. We planned and performed our audit so as to obtain all the information and explanations which we considered necessary to provide us with sufficient evidence to give reasonable assurance that the interim financial statements are free from material misstatements, whether caused by fraud or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the interim financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacities as tax advisors and providers of assurance services.

Unqualified Opinion

We have obtained all the information and explanations we have required.

In our opinion:

(a) proper accounting records have been kept by the Company as far as appears from our examination of those records; and

(b) the interim financial statements on pages 6 to 13:

  (i) comply with generally accepted accounting practice in New Zealand; and

  (ii) give a true and fair view of the financial position of the Group as at 31 March 2003 and the financial performance and cash flows for the period ended on that date.

Our audit was completed on 27 May 2003 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants Wellington

CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE

	Note	*Audited Six months ended 31 March 2003 NZ$000*	*Unaudited Six months ended 31 March 2002 NZ$000*	*Audited Year ended 30 September 2002 NZ$000*
Net premium income		213,060	223,864	458,788
Investment income	3	4,917	206,404	(53,233)
Fee and other income		79,584	86,120	175,092
Total operating revenue		**297,561**	**516,388**	**580,647**
Payments to policyholders		137,771	128,928	286,359
Change in policyholder liabilities		(67,762)	63,308	(194,192)
Management and sales expenses	1	364,294	230,089	545,943
Investment expenses		4,558	5,620	10,084
		438,861	**427,945**	**648,194**
Operating (deficit)/surplus before financing costs		**(141,300)**	**88,443**	**(67,547)**
Financing costs	3	(15,742)	(15,765)	(32,907)
(Deficit)/surplus before taxation		**(157,042)**	**72,678**	**(100,454)**
Taxation (credit)/expense		(2,678)	32,012	(25,519)
Net (deficit)/surplus after taxation		**(154,364)**	**40,666**	**(74,935)**
Net surplus attributable to minority interests		(6)	–	(16)
Net (deficit)/surplus attributable to shareholders		**(154,370)**	**40,666**	**(74,951)**
		NZ cents	NZ cents	NZ cents
Earnings per share[1]		(93.07)	22.69	(41.97)

Note: (1) Earnings per share is based on the weighted average of 165.9 million (31 March 2002: 179.3 million, 30 September 2002: 178.6 million) fully paid equivalent shares on issue.

The Notes to the Financial Statements form part of and are to be read in conjunction with these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Note	*Audited As at 31 March 2003 NZ$000*	*Unaudited As at 31 March 2002 NZ$000*	*Audited As at 30 September 2002 NZ$000*
Cash		24,904	34,449	29,314
Accounts receivable		219,116	228,456	224,976
Investments		3,890,590	5,260,384	4,735,862
Taxation receivable		32,609	22,371	63,465
Other current assets		5,066	27,596	11,471
Property, plant and equipment		107,361	159,689	122,857
Deferred tax		87,634	23,231	62,025
Intangibles	1	167,450	–	–
Goodwill	1	142,739	3,802	3,541
Total assets		**4,677,469**	**5,759,978**	**5,253,511**
Accounts payable		190,193	162,247	194,975
Senior debt	6	302,732	454,910	318,202
Insurance provisions		210,572	203,704	210,064
Other liabilities		25,508	22,741	25,606
Policyholder liabilities		3,292,676	3,983,447	3,613,071
Capital bonds		125,000	8,696	125,000
Total liabilities		**4,146,681**	**4,835,745**	**4,486,918**
Net assets		**530,788**	**924,233**	**766,593**
Represented by:				
Equity share capital		781,218	829,711	835,972
Retained earnings		(181,404)	108,199	(27,034)
Reserves		(69,058)	(13,695)	(42,371)
Minority interests		32	18	26
Shareholders' equity		**530,788**	**924,233**	**766,593**
Net asset backing per share.		NZ$3.20	NZ$5.13	NZ$4.36
Gearing(1)		44.62%	32.98%	36.63%

Note: (1) Gearing is defined as total debt to total debt plus equity.

The Notes to the Financial Statements form part of and are to be read in conjunction with these Financial Statements.

Olaf B. O'Duill
Chairman

Lance D. Cottam
Director

27 May 2003

CONSOLIDATED STATEMENT OF MOVEMENTS IN EQUITY

	Note	*Audited Six months ended 31 March 2003 NZ$000*	*Unaudited Six months ended 31 March 2002 NZ$000*	*Audited Year ended 30 September 2002 NZ$000*
Opening equity		**766,593**	**903,477**	**903,477**
Net (deficit)/surplus after taxation		(154,370)	40,666	(74,951)
Distribution from TOWER Safe Trust		–	–	5,054
Movement in foreign currency translation reserve		(26,687)	(999)	(29,675)
Total recognised revenues and expenses		**(181,057)**	**39,667**	**(99,572)**
Distribution to shareholders		–	(25,313)	12,645
Shares issued in current period		–	6,402	(49,983)
Reclassification of holding of TOWER Limited shares	1	(54,754)	–	–
Movement in minority interests		6	–	26
Equity at end of period		**530,788**	**924,233**	**766,593**

The Notes to the Financial Statements form part of and are to be read in conjunction with these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Note	*Audited* *Six months ended* *31 March 2003* *NZ$000*	*Unaudited* *Six months ended* *31 March 2002* *NZ$000*	*Audited* *Year ended* *30 September 2002* *NZ$000*
OPERATING ACTIVITIES				
Cash was provided from/(applied to)				
Premiums received		380,730	408,152	933,135
Interest received		53,213	59,562	144,782
Dividends received		18,020	16,702	38,176
Investment income		32,450	13,923	42,685
Non-life company operating income		73,821	86,452	174,743
Payments to policyholders		(393,521)	(409,715)	(820,403)
Payments to suppliers and employees		(221,547)	(235,947)	(484,190)
Interest paid		(14,345)	(15,044)	(31,734)
Income taxation paid		(921)	(52,318)	(92,348)
Net cash outflows from operating activities	**2**	**(72,100)**	**(128,233)**	**(95,154)**
INVESTING ACTIVITIES				
Cash was provided from/(applied to)				
(Purchase)/sale of investments[1]		72,926	153,371	153,411
(Purchase)/sale of property, plant and equipment[1]		(5,787)	(21,923)	(42,724)
Net cash inflows from investing activities		**67,139**	**131,448**	**110,687**
FINANCING ACTIVITIES				
Cash was provided from/(applied to)				
Partly paid shares instalment		–	67,957	67,957
Distribution from TOWER Safe Trust		–	–	5,054
Issue of Capital Bonds		–	8,696	125,000
Borrowings received/(repaid)[1]		3,108	(53,330)	(171,287)
Dividend paid		–	(18,911)	(37,338)
Net cash inflows/(outflows) from financing activities		**3,108**	**4,412**	**(10,614)**
Net (decrease)/increase in cash held		**(1,853)**	**7,627**	**4,919**
Cash at beginning of period		19,330	14,886	14,886
Effect of exchange rate change on foreign currency balance		(802)	(39)	(475)
Cash at end of period		**16,675**	**22,474**	**19,330**
Comprising:				
Cash		24,904	34,449	29,314
Bank overdraft		(8,229)	(11,975)	(9,984)
Cash at end of period		**16,675**	**22,474**	**19,330**

Note: (1) TOWER considers that knowledge of gross receipts and payments is not essential to understanding certain activities of TOWER and it is considered acceptable to report only the net changes in cash flows for these items. This is based on the fact that either, the turnover of these items is quick, the amounts are large and the maturities are short or, in the case of property, plant and equipment, the value of sales is immaterial.

The Notes to the Financial Statements form part of and are to be read in conjunction with these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1 ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements for TOWER Limited have been prepared in accordance with Financial Reporting Standard FRS 24 "Interim Financial Statements" and should be read in conjunction with the Statement of Accounting Policies and Notes to the Financial Statements contained in TOWER's 2002 Annual Report.

The accounting policies used are consistent with those used in the previously published interim financial statements and previous annual report, except as disclosed in the changes in accounting policy.

Changes in accounting policy

Investments in subsidiaries of non-life companies

The company has changed its accounting policy in respect to investments in subsidiaries where the holding company ceases to be a life insurer. Previously, subsidiaries of non-life companies in the Group that were acquired prior to demutualisation were recorded in the financial statements at Directors' valuation at the date of demutualisation plus the increase in net tangible assets since that date. The difference between the net assets of the subsidiary and the Directors' valuation at the date of demutualisation was included in the consolidated Statement of Financial Position as "Excess of Directors' valuation over net tangible assets". The balance was subjected to an annual impairment review with any decreases taken to the Statement of Financial Performance. No recognition was made for any increase in value.

Investments in subsidiaries where the holding company ceases to be a life insurer are now accounted for as follows in the consolidated financial statements:

- The excess of Directors' valuation over the subsidiaries' net tangible assets recognised as at the date the holding company ceases to be a life insurer is analysed into its components, being principally value of in-force business and goodwill.
- The value of in-force business and goodwill are amortised over their period of expected benefit, with effect from the date that the holding company ceases to be a life insurer. The period of expected benefit is:
  - Value of in-force business — twelve to fifteen years
  - Goodwill — three to twenty years

In the absence of any specific accounting standards applicable to the excess of Directors' valuation over net tangible assets the company considers it appropriate to adopt this new accounting policy to align the accounting treatment with the accounting principles applicable to intangible assets and goodwill.

This change in accounting policy has been applied in the current period with the effect being an increase in amortisation expense included within management expenses and a reduction in net surplus and shareholders' funds of $134.4 million in the six months ended 31 March 2003. There was no effect on cash flows.

The amortisation during the current period includes recognition of amortisation for the full period since subsidiaries ceased to be held by life insurers and can be split over the financial reporting periods as follows:

Period	*Impact NZ$000*
30 September 2000 - 12 months	40,721
30 September 2001 - 12 months	40,721
30 September 2002 - 12 months	40,721
31 March 2003 - 6 months	12,239
	134,402

Accounting for investments in TOWER Limited

The company has changed its accounting policy in respect to investments in TOWER Limited shares. Previously, investments in TOWER Limited shares, held to support policyholder liabilities, were accounted for as investments. The company now accounts for these investments as a deduction from share capital.

In the absence of any specific accounting standards applicable to ownership of parent company shares held in a life company to support policyholder liabilities the company considers it appropriate to adopt this new accounting policy to show the net assets available to external shareholders.

This change in accounting policy has been applied in the current period with the effect being a reversal of the unrealised after tax loss of $27.5 million on the shares and a reduction in share capital of $54.8 million in the six months ended 31 March 2003. There was no effect on cash flows.

The reversal of the unrealised after tax loss of $27.5 million during the current period includes the recognition of the unrealised after tax losses for the full period since the investments were acquired and can be split over the financial reporting periods as follows:

Period	*Impact NZ$000*
30 September 2000 – 12 months	4,183
30 September 2001 – 12 months	3,346
30 September 2002 – 12 months	6,541
31 March 2003 – 6 months	13,386
	27,456

2 RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE WITH NET CASH OUTFLOWS FROM OPERATING ACTIVITIES

	Audited Six months ended 31 March 2003 NZ$000	*Unaudited Six months ended 31 March 2002 NZ$000*	*Audited Year ended 30 September 2002 NZ$000*
Net (deficit)/surplus after taxation	**(154,370)**	**40,666**	**(74,951)**
Add/(less) non cash items			
Depreciation	8,518	11,456	22,280
Write-off capitalised expenditure	11,050	–	44,631
Amortisation of goodwill	134,496	104	204
Movement in capitalised acquisition costs	159	(3,485)	3,743
Change in policyholder liabilities	(165,904)	(25,685)	(267,630)
Unrealised loss/(gain) on investments	93,807	(112,243)	273,921
(Increase)/decrease in deferred taxation	(25,609)	855	(57,260)
	(97,853)	**(88,332)**	**(55,062)**
Impact of changes in working capital items			
Accounts receivable	13,302	(1,657)	6,975
Accounts payable	(14,959)	(17,083)	13,540
Taxation	27,410	(21,161)	(60,607)
	25,753	(39,901)	(40,092)
Net cash outflows from operating activities	**(72,100)**	**(128,233)**	**(95,154)**

NOTES TO THE FINANCIAL STATEMENTS

3 INTEREST

	Audited Six months ended 31 March 2003 NZ$000	*Unaudited Six months ended 31 March 2002 NZ$000*	*Audited Year ended 30 September 2002 NZ$000*
Included in Investment income are the following:			
Interest Revenue	53,083	59,865	144,961
Included in Financing costs are the following:			
Interest Expense	15,012	15,267	31,574

4 SEGMENTAL REPORTING

Business Segments	*Savings and Investment NZ$000*	*Risk Insurance NZ$000*	*Asset Management NZ$000*	*Trustee Services NZ$000*	*Other[1] NZ$000*	*Total NZ$000*
31 March 2003						
Operating margins including revaluation of life insurance subsidiaries	(25,706)	7,324	1,959	2,204	(123,404)	(137,623)
Investment return on shareholder capital	2,682	1,562	159	270	(10,457)	(5,784)
Financing costs	–	–	–	–	(10,963)	(10,963)
Net (deficit)/surplus	**(23,024)**	**8,886**	**2,118**	**2,474**	**(144,824)**	**(154,370)**
Total revenue	129,182	120,078	8,534	31,759	8,008	297,561
Total assets	4,018,814	343,681	5,972	50,088	258,914	4,677,469
Assets under management	9,868,917	343,681	1,798,733	7,097,212	258,914	19,367,457
31 March 2002						
Operating margins including revaluation of life insurance subsidiaries	24,707	6,519	1,868	4,585	(5,324)	32,355
Investment return on shareholder capital	15,255	3,242	253	300	268	19,318
Financing costs	–	–	–	–	(11,007)	(11,007)
Net (deficit)/surplus	**39,962**	**9,761**	**2,121**	**4,885**	**(16,063)**	**40,666**
Total revenue	357,828	117,778	9,337	37,122	(5,677)	516,388
Total assets	4,659,749	348,243	11,510	58,559	681,917	5,759,978
Assets under management	10,812,578	348,243	1,672,383	8,344,201	681,917	21,859,322
30 September 2002						
Operating margins including revaluation of life insurance subsidiaries	(65,364)	9,044	3,750	5,996	(23,622)	(70,196)
Investment return on shareholder capital	8,984	7,061	349	629	919	17,942
Financing costs	–	–	–	–	(22,697)	(22,697)
Net (deficit)/surplus	**(56,380)**	**16,105**	**4,099**	**6,625**	**(45,400)**	**(74,951)**
Total revenue	271,190	236,120	19,267	73,752	(19,682)	580,647
Total assets	4,194,172	356,031	7,960	58,736	636,612	5,253,511
Assets under management	9,939,300	356,031	1,765,820	7,977,558	636,612	20,675,321

Note: (1) Other includes parent company assets, head office expenses, financing costs and eliminations.