18 January 2005

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 document:

- TOWER Limited Annual Report 2004
- TOWER Limited Financial Statements for the year ended 30 September 2004

Yours faithfully

P. e. Ellis

Philippa Ellis
General Manager, Investor Relations & Corporate Services
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

IS DELIVERING

GROWTH IN VALUE.

STRONG PROFIT RECOVERY IN THE PAST YEAR. CORE BUSINESSES NOW IN STRONGER SHAPE FOR THE FUTURE.

TOWER

ANNUAL REPORT

2004

TOWER IS A LEADING INSURANCE AND FINANCIAL GROUP IN NEW ZEALAND AND AUSTRALIA. TOWER BUSINESSES PROVIDE: LIFE AND HEALTH RISK INSURANCE FIRE AND GENERAL RISK INSURANCE RETAIL WEALTH MANAGEMENT WHOLESALE ASSET MANAGEMENT INSURANCE-RELATED INVESTMENT PRODUCTS INVESTMENT ADMINISTRATION SERVICES. TOWER IS LISTED ON NZX AND ASX.

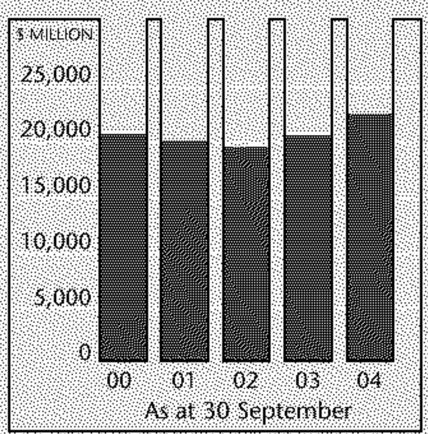
2003-04 TOWER GROUP HIGHLIGHTS

Major turnaround in full-year performance – net profit after tax for 2003-04 of $54.6 million ($148.9 million loss in previous year) | Strong profit recovery in TOWER Australia – $23.2 million net profit on improved sales, business retention and cost management | Solid earnings growth in TOWER New Zealand's life and health insurance operations | Good profitability maintained in TOWER New Zealand's general insurance business despite heavy storm claims in 2004 | Australian Wealth Management net profit up 47% during 2003-04 – the business well prepared for spin-off from TOWER | Superior investment returns for 2003-04 – TOWER named FundSource Fund Manager of the Year | Total funds under management up 9% to $22.6 billion | Group financing costs halved through balance sheet restructuring | Successful $75 million Capital Notes issue – repayment of all remaining bank debt | Strong growth in appraisal values on TOWER businesses – conservative upward adjustment in carrying values.

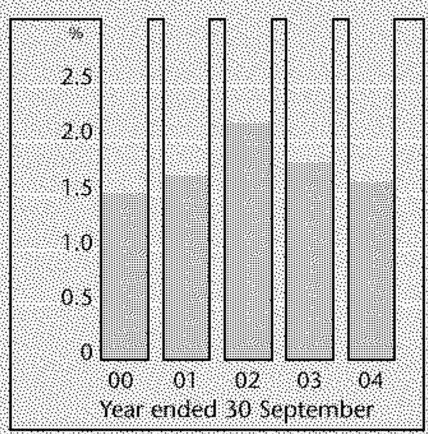
KEY FINANCIAL HIGHLIGHTS FOR 2004

All $ figures in this Annual Report are in New Zealand dollars, unless otherwise stated.

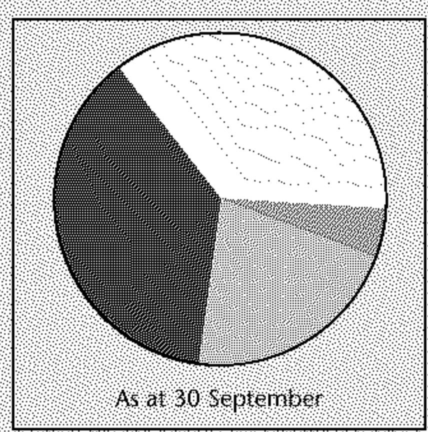
GROUP ASSETS UNDER MANAGEMENT



GROUP EXPENSES RATIO: EXPENSES/ TOTAL FUNDS UNDER MANAGEMENT

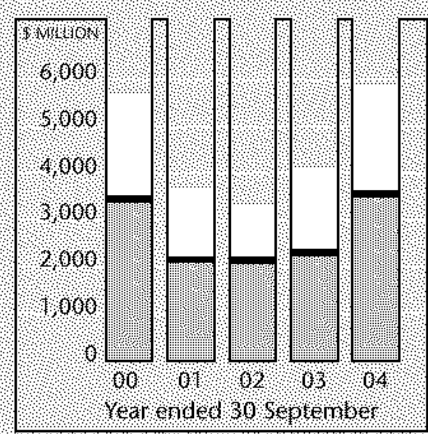


TOTAL GROUP FUNDS UNDER MANAGEMENT BY BUSINESS TYPE



- Life Insurance and Superannuation Funds
- Unit Trust and Group Investment Funds
- Trustee Administered Funds
- Managed Investment Funds

TOTAL GROUP INFLOWS BY BUSINESS SECTOR



- Life, Superannuation and Health Revenue
- Fire and General Revenue
- Unit Trust and Trustee Revenue
- Other Revenue

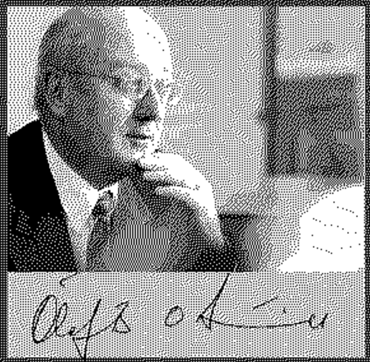
For further detailed analysis, TOWER Limited's Investor Report is available on www.towerlimited.com

TOWER GROUP

TOWER Australia
TOWER Australia

TOWER New Zealand
TOWER Managed Funds
TOWER Asset Management
TOWER Portfolio Administration Services
TOWER Insurance
TOWER Health & Life
TOWER Life (N.Z.)

Australian Wealth Management
Bridges Financial Services Group
TOWER Trust



DEAR SHAREHOLDERS

OLAF O'DUILL – 2004
CHAIRMAN'S LETTER
TO SHAREHOLDERS

I am pleased to report a substantial turnaround in the operating and financial performance of TOWER during 2003-04. There is still work to be done but the Group is well on its way to full recovery from the losses of previous years.

The net profit after tax of $54.6 million for the year ended 30 September 2004 represents a $203.5 million improvement on the loss in 2002-03. That is a worthwhile outcome to the latest year even though we acknowledge TOWER must lift its performance further yet. It is, perhaps, most pleasing to note that the turnaround directly reflects the success of strategies that we embarked on in Australia and New Zealand 20 months ago.

In the period since, TOWER has reviewed and simplified its product ranges, concentrated on delivering excellent service to customers, and restructured its activities for greater efficiency and more effective expense control. The pace and manner of progress now achieved are a tribute to the knowledge, skill and dedication of TOWER managers and staff on both sides of the Tasman.

During 2003-04, the implementation of our strategies resulted in sales growth, gains in the retention of existing business and reduced operating costs. In many areas of the Group, the improvement of operating and financial performance gained momentum in the second half of the year – and this is an excellent sign for future periods.

Over the past 20 months, the Board and management have put an emphasis on simplifying TOWER in every respect. This has meant shedding unnecessarily complex governance and operating structures, and making products easier for clients and intermediaries to understand and to access. We have placed emphasis on those lines of business that are profitable and redesigned or exited the rest. Throughout the Group, we have set out to simplify what we do and what we offer, and also how we report to clients and to Shareholders.

The Board strongly believes that simplification will lead to better performance by enabling all of us to do more of what TOWER does best – the specialist provision of risk insurance and related investment products. This is the context in which we are proposing to separate Australian Wealth Management Limited (AWM) from the rest of TOWER under the spin-off plan recently outlined for Shareholders.

Subject to your approval and to regulatory consents, AWM will become a listed public company outside TOWER ownership by the end of February 2005. I encourage Shareholders to study the Scheme Book (which contains an Australian Prospectus and a New Zealand Investment Statement) and recognise the merits of the spin-off.

The fact is that AWM, with its advice-based investment and administration services, is significantly different from the other TOWER businesses. We have found little synergy with TOWER Australia and, at a Group level, it makes increasingly little sense to have different businesses compete for capital resources.

The spin-off will also enable the value of AWM to be more fully recognised in capital markets. We do not believe Bridges Financial Services and TOWER Trust Australia, the businesses within AWM, have been properly reflected in the market capitalisation of TOWER over recent years despite their improving fundamentals – and indeed, this has been another unfortunate outcome of the Group's complexity. Investors will, in future, more easily examine and see the value of both AWM and TOWER.

This year, we have seen a substantial lift in the appraised values assigned to TOWER businesses. These independent appraisals – an annual statutory requirement in the life industry – reflect changes in the value of our businesses due to changes in their financial performance, asset quality and other fundamentals. During 2003-04, TOWER Australia achieved a particularly impressive turnaround in results and with this there has been a $73.0 million gain in the company's appraised value between September 2003 and September 2004. In the life businesses of TOWER New Zealand, the appraised value gain has been $20 million.

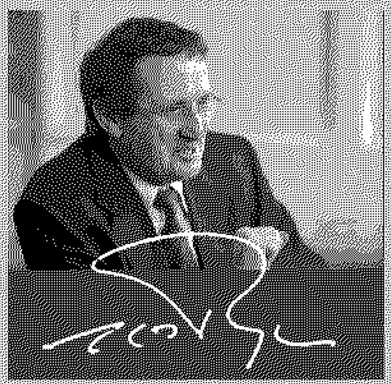
The Board has taken a conservative view on the extent to which valuation gains should be reflected in the latest year's financial result. Indeed, TOWER's net profit after tax of $54.6 million includes only $13.4 million for net revaluations in the carrying value of our businesses on both sides of the Tasman. This is a portion only of the uplift in appraised values – and substantially less than the carrying value write-downs prudently undertaken during the previous two years.

The Board's approach to this issue reflects our contention that there is much more progress to be made in TOWER. Operating and financial performances have improved but not yet to our full satisfaction. Consistent with this view, we have decided that it would be premature to resume dividends at this stage. I assure Shareholders that the dividend question will be kept under review in the context of the half and full year financial results during 2004-05.

The Board is very clear and unified over the course that TOWER must continue to follow through the spin-off of AWM and beyond. The Group is very fortunate to have talented and dedicated senior management who, with the support and hard work of staff in both New Zealand and Australia, are demonstrating the success of current strategies. On this basis, we are confident of continued gains in performance and of the longer-term future for TOWER.

Olaf B O'Duill
Chairman
TOWER Limited

"The Group is very fortunate to have talented and dedicated senior management who, with the support and hard work of staff in both New Zealand and Australia, are demonstrating the success of current strategies."



TOWER IS GETTING IN SHAPE

KEITH TAYLOR – 2004 GROUP MANAGING DIRECTOR'S REVIEW

It has taken 20 months of hard work to restructure and refocus TOWER businesses for improved profitability...

but that hard work by managers and staff throughout the Group is now delivering results. Net profit after tax of $54.6 million for 2003-04 indicates progress to date and creates solid confidence about TOWER's performance into the future.

Our broad strategy for getting in shape is straight-forward. We have put far more focus on those market segments in New Zealand and Australia where TOWER businesses have established relationships and service capabilities – and we have strengthened those relationships and capabilities.

We have rigorously reviewed our risk and investment products in each market. We are exiting products that are non-core or unprofitable. Business processes and structures have been simplified and consolidated to support our strategy, to bring down operating expenses and to raise consistency of service.

The strategy drove operating results up in most businesses during 2003-04 and led to the major turnaround in profitability for the Group and will bring further benefits in coming financial years.

Results

Results for the latest year reflect five key achievements within TOWER. First, there was a substantial turnaround in the performance of TOWER Australia, with this business delivering a $23.2 million net profit after tax for 2003-04. Its operating earnings were up 156% from the previous year with growth in sales, improved retention of in-force premium income and reduction in expenses. The result also reflected significant growth in investment returns attributable to this business.

Second, the TOWER New Zealand Insurance businesses achieved strong growth in sales and earnings on life and health risk products. The growth reflected success with strategy implementation in these important markets. The general insurance business in New Zealand delivered a reasonable profit despite high claims after successive storms and floods during 2004. It was a year that really showed the strength of TOWER's reinsurance strategy, without which the impact on earnings would have been far greater.

Third, Australian Wealth Management moved ahead strongly with both Bridges Financial Services and TOWER Trust Australia achieving growth in sales, funds under management and profit. These businesses have been restructured and refocused, and their future looks positive.

Fourth, TOWER further strengthened its balance sheet and achieved a major reduction in financing costs for the year through a programme of debt restructuring. This included a successful $75 million Capital Notes issue in July 2004 with proceeds used for early repayment of all the Group's senior debt. Financing costs for 2003-04 were reduced 52% to $9.9 million.

Finally, the Group secured excellent investment returns for the year after astute funds management in equity, debt and property markets. In New Zealand, our strength was recognised when FundSource declared TOWER Asset Management to be FundSource Fund Manager of the Year. Group net profit for 2003-04 included an after-tax gain of $23.2 million from investment activities, up 117% from the previous year.

Overall, TOWER achieved solid growth in operating earnings in 2003-04, continuing a growth trend now evident over four half yearly periods. Underlying earnings in the Group (before the addition of investment market returns) were $44.3 million for the year ended 30 September 2004. This represents sustained improvement from comparable earnings of $16.9 million and a loss of $3.6 million in the corresponding periods of 2003 and 2002 respectively.

Carrying Values

As the Chairman notes, improved profitability in 2003-04 and positive prospects for the future have lifted appraisal values on TOWER businesses. At 30 September 2004, the total appraisal value on companies in the Group was $1,230 million, an increase of $121 million from 12 months earlier, excluding the impact of foreign exchange rate movements.

Each year, appraisal values must be reflected in appropriate adjustment to the carrying values of TOWER subsidiary companies. For 2003-04, we took a net revaluation gain of $13.4 million into the Group result – a small gain relative to the increase in appraisal value and a partial reversal of the reduction in carrying values incurred in the last two years.

Strategy

Results for 2003-04 are pleasing but, of course, TOWER has yet to make a full profit recovery on a comparison with the years before 2001-02. We have definitely turned the corner in remediation of past problems, but hard work is still required for TOWER to deliver on the earnings potential immediately before us.

Our strategy for 2004-05 and beyond is to continue enhancing the value and profitability of TOWER product offerings, and to broaden and strengthen distribution channels to market. In this way, we aim to sustain growth in sales and in-force premiums, and to achieve further improvement in business retention rates. At the same time, we will maintain expense reduction gains made over the past two years and implement further cost-efficiencies. We are looking for continuation of the current positive trends throughout our businesses.

TOWER is a strong brand and we can leverage greater value from this through improved operational linkages between Group businesses. In New Zealand, we have brought the Insurance and Investments businesses together under one divisional management team. This continues the simplification in structures and business processes that drove our move to four operating divisions in 2003. A "one TOWER" approach in New Zealand should consolidate all our activities here under one strong identity and make us easier to do business with.

With this change in structure, we have created the new role of Chief Executive TOWER New Zealand. This role has leadership responsibilities for all Insurance and Investment businesses in New Zealand. Paul Hunt and Paul Bevin, the Chief Executives of the former Insurance and Investment business divisions, respectively, have decided to leave TOWER at this time. Both have been successful leaders of TOWER businesses over the long term, and I take this opportunity to acknowledge their substantial contribution to the Group.

As the Chairman has said, TOWER is a specialist provider of life and health insurance and related investment products. In recent months, we have refined our strategy around this market position, with the proposed spin-off of AWM an obvious outcome of that refinement. The processes of restructuring and refocusing within Bridges and TOWER Trust over the past 18 months have effectively prepared these businesses to become the core of a stand-alone listed entity. The detail of the spin-off is set out in separate documentation (the Scheme Book) for Shareholders which is intended to be sent in early January.

From now on, TOWER will concentrate more of its energy and resources on developing and growing its core businesses in risk insurance and related investment products. Capital of $130 million freed by the AWM spin-off will make a significant contribution in this regard.

TOWER Summary of Results

Year ended 30 September

NZ$ million	2004	2003
Operating earnings	$27.9	($9.7)
Investment returns	$23.2	$10.7
Finance costs	($9.9)	($20.7)
Amortisation, revaluations	$13.4	($129.2)
Net profit/(loss)	**$54.6**	**($148.9)**

Underlying Operating Earnings

NZ$ million	2004		2003		2002	
Half Yearly Periods	H1	H2	H1	H2	H1	H2
	$21.1	$23.2	$12.1	$16.9	$26.4	$-3.6

Outlook

We plan for further growth in earnings in 2004-05, building on the progress made in the past year. With the AWM spin-off, TOWER will have two operating divisions, each of which has a clear direction. TOWER Australia will pursue further sales growth, in part by expanding and strengthening its channels to market. Operational excellence will continue to have top priority, with a focus on regulatory compliance and on higher retention of existing business.

TOWER New Zealand will seek cost reductions through the further integration of business functions across one division. The Insurance businesses will pursue growth in profitable product lines, and we expect to leverage more value from TOWER Asset Management through retail investment product offerings.

We expect the hard work done on TOWER's recovery to date will continue to deliver results this year. Moreover, the Group is now well positioned to take the next steps for its development and growth. These may include new strategic partnerships and carefully selected business acquisitions. We recognise a critical need for TOWER to raise return on capital, and we are confident this can be done through continuation of current programmes and tightly focused new initiatives.

Keith B Taylor
Group Managing Director
TOWER Limited

William Giesbers CA, ACIS, ANZIM
Group Chief Financial Officer

William Giesbers was appointed Group Chief Financial Officer in April 2003. He brings an extensive background of corporate and public company financial management and expertise to this role, also being widely experienced in business integration, technology development and implementation, and internal control and risk analysis.

Mr Giesbers started his career with the ANZ Banking Group NZ Ltd and was previously Chief Manager Finance, Technology and Operations, Institutional Banking (and Treasury) with Westpac, and Finance Director and Chief Information Officer with Contact Energy.

INVESTMENT MARKET REVIEW & OUTLOOK

The financial year ended September 2004 was a great period to be invested in New Zealand and Australian shares and property. Both sharemarkets rose by over 20%, while listed property stocks produced impressive returns.

The Australian and New Zealand economies benefited from robust global growth over the year and from the rise in commodity prices. While the general trajectory of the two economies was similar, growth in Australia showed some signs of tailing off as interest rate increases from the Reserve Bank of Australia (RBA) began having an impact. The state of the housing market was an issue for the RBA as it sought to slow this overheated sector of the Australian economy. By late in the year, rate hikes looked to have had the desired impact with the housing market showing signs of slowing.

The dominant New Zealand investment theme of 2003-04 was expectation of economic slowdown, signs of which were barely apparent during the period. Stronger than anticipated growth helped corporate profitability and gave the NZ sharemarket a boost. Strong growth and growing wage pressures prompted the Reserve Bank of New Zealand (RBNZ) to raise interest rates during the year. Rate rises were not slowing growth markedly as the end of 2004 approached, although the rate of growth probably did peak in the middle months of the year. Australasian sharemarkets out-performed global sharemarkets by a wide margin over the year ended in September. Measured in their own currency terms, global sharemarkets rose by just under 15%, with most of this rise occurring in the last few months of 2003, as investors anticipated the strong economic growth and profit growth that eventuated in 2004. Unfortunately for local investors, strong Australian and New Zealand dollar movements largely offset the strong performance of global sharemarkets. The strength of the Australasian economies, rising commodity prices and a large gap between their cash rates and those in the rest of the world all contributed to the rise of the two local currencies. While cash rates of 5.0-6.0% may not seem high, they compared favourably with cash rates of around 2% in the United States and 0% in Japan.

Global market conditions

The global economy has been in transition. Four years ago the tech bubble burst. At that time there was a risk that the global economy would sink into recession. Central banks aggressively cut cash rates to ensure this did not happen. Cash rates were cut further following the terrorist attacks in 2001. The US Federal Reserve lowered short-term interest rates in the US to their lowest level in 40 years – and indeed, they were negative in real terms. US fiscal policy was also loosened.

The impact of the ultra low cash rates was definitely felt during the past year. Tax cuts and low cash rates encouraged people to spend and firms to invest with a resulting boost to economic growth. Growth rates were strong and corporate profits expanded significantly.

As the year progressed it became apparent that ultra low global cash rates could not be justified. The US Federal Reserve embarked on what was expected to be a measured monetary policy tightening cycle. It is now widely anticipated that US cash rates will grind higher until they reach more neutral levels, although it is not clear where these will be. In fact, the Federal Reserve has said that it will only know where neutral is when this level has been reached.

Outlook

Rising cash rates have dampened global growth. Looking forward, global growth is widely expected to moderate further in 2005, reducing the tailwind that has helped boost the Australasian economies. We expect moderate growth in the two economies over the coming year. Typically, slowing growth is associated with falling bond yields. However, the balance of risks over the coming year is tilted towards a rise in bond yields, in part because these have been pulled down so far by ultra low cash rates.

Rising bond yields would be negative for bonds and shares alike, with a risk that share prices have been extrapolating recent strong earnings growth too far into the future. Consolidation in the financial services industry is likely to continue, with increasing interest in new "boutique" managers and specialised investment vehicles in, for example, fixed interest markets.

TOWER AUSTRALIA LIMITED

TOWER Australia Limited

TOWER Australia provides life risk insurance and related investment products, mainly sold through financial advisers. Life risk insurance includes term life products, and cover for health crises, disability and loss of income. TOWER Australia also provides master fund services for superannuation and other forms of long-term personal investment.

Performance

For the year ended 30 September

A$ million	2004	2003	2002
Risk product sales	$58.1	$45.5	$39.7
Investment income/(loss)	$262.4	$139.7	($25.2)
Total expenses	$86.0	$116.8	$154.7
Net profit/(loss) after tax	$20.5	($6.3)	($30.8)
Surplus assets over minimum solvency	$100.7	$101.0	$37.0

TOWER Australia achieved net profit after tax for 2003-04 of A$20.5 million – a strong reversal from the previous year's A$6.3 million net loss. The turnaround reflected improved retention of existing business, higher investment returns and reduction in expenses, while growth in risk product sales was another significant feature of the year.

Risk product sales in 2003-04 grew by 28% to A$58.1 million, on the back of major initiatives to improve products, raise service standards and strengthen relationships with key financial advisers. These initiatives helped earn TOWER Australia runner-up in the Personal Investor Life Insurance Company of the Year Awards, along with a Gold Award for its critical illness, or trauma risk, product. Other recognition came in June 2004 when TOWER Australia's risk product suite gained fourth overall in the annual Plan for Life ranking of industry offerings, with the products now attracting higher recommendation to clients from advisers.

Sales growth gained momentum through 2003-04 with the second half up 31.5% on the previous year's corresponding period – a growth rate far ahead of the overall market for term life and critical illness insurance. TOWER Australia relaunched its key risk products and completed the rationalisation of its product range, which including decisions to cease writing annuities, bonds and pooled trusts.

Progress was also made on improving service to advisers and customers, mainly through better information flows. As part of moves to strengthen the offering of investment products, it acquired 100% of Beacon, a specialist provider of product support platforms. TOWER Australia put a strong focus on building its visibility among, and support for, advisers in targeted dealer and partner groups. The distribution strategy is now firmly centred around a limited number of groups that generate higher-value business.

TOWER Australia improved retention in both risk and investment business in 2003/04 through various initiatives. This included a programme to follow up each policy lapse or surrender directly with customers and, where necessary, with the advisers concerned. The annualised lapse rate on risk products was down to 15%, from 18% in the previous year. Investment product lapses were down from 17% to 14% despite the impact of withdrawing from some lines. These rates remain above industry averages and further retention improvement is a priority.

With sales growth and improved retention, TOWER Australia achieved 10% growth in the level of in-force risk premiums during the 12 months ended 30 September 2004 (A$219.3 million). Total in-force investment business at balance date was A$2,385.8 million, 2% higher than September 2003 despite product rationalisation and redemptions. A 15% return on invested funds was made for the year, reflecting in particular a high return on Australian equities.

Total claims declined in 2003-04 by 12% to A$47.0 million with the biggest decline in claims coming in the trauma and individual risk disability areas. Mortality claims experience increased slightly.

There was a continued emphasis during the year on developing a compliance culture in TOWER Australia and on improving processes to support this. A number of historical product errors were found in the past two years, requiring further hard remedial work during 2003-04. However, management believes a strong compliance culture is now emerging within the company.

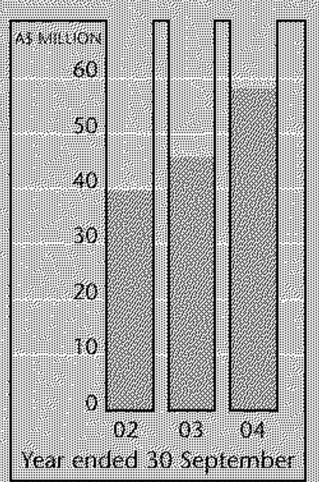
TOWER Australia's net profit for 2003-04 included substantial growth in the net investment return on capital, to A$13.5 million (after tax) and also benefited from a 26.4% reduction in total management expenses, the bulk of this reduction achieved in recurring-type expenses. Of most significance, the level of recurring life expenses fell to A$75.0 million, which was down 14.5% from the previous year.

The result included a reduction to A$5.9 million in one-off expenses on restructuring and recovery programmes. However costs associated with customer compensation and backdating issues were up slightly to A$5.6 million, reflecting the need for continued focus on regulatory compliance within TOWER Australia.

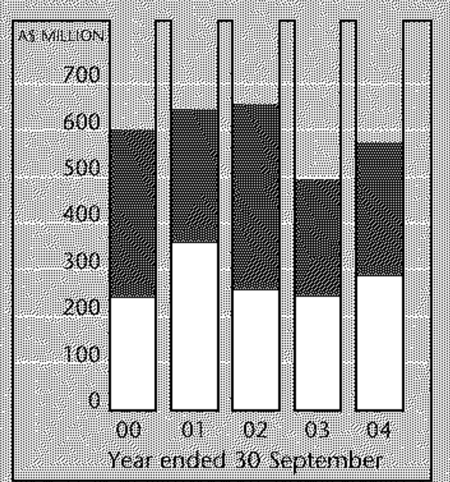
Strategies

- Capture the potential for rapid growth in both risk and investment business through TOWER Australia's established distribution channels.
- Further reduce lapse and surrender rates through a range of initiatives, some of these involving direct contact with customers and advisers.
- Continue to develop innovative new risk products designed to meet the needs of current and future customers.
- Develop new opportunities for growth through additional distribution alliances and partnerships that provide access to high-growth market segments.
- Strengthen TOWER Australia's operations in key areas of performance – service delivery to advisers and customers, regulatory compliance and control of management expenses.

TOWER AUSTRALIA
RISK PRODUCT SALES



TOWER AUSTRALIA
PREMIUM INCOME



Note: Single premiums (SP) include all premiums paid in respect of open investment products and premiums received in excess of regular premiums for closed investment business. No risk premiums are categorised as single. Regular premiums (RP) include premiums for superannuation and other investment-style products as well as risk premiums.

Jim Minto CA
Chief Executive
TOWER Australia

Mr Minto was appointed to the role in December 2002. Mr Minto joined the TOWER Group in 1988 as Managing Director of TOWER Trust New Zealand. Subsequently, he also led TOWER Health & Life and TOWER Managed Funds and was the Chief Executive of TOWER New Zealand through 2002.

He has been a keen participant in insurance industry organisations, and his other involvements have included various community and charitable activities.

TOWER NEW ZEALAND

TOWER New Zealand includes life and health risk and general insurance businesses, and investment businesses that provide a range of wholesale investment management services and personal investment products. The business units are:

TOWER Managed Funds

TOWER Managed Funds (TMF) provides a range of personal investment products, predominantly unit trusts, and superannuation plans for individuals and corporate customers. The products are distributed principally through financial advisers or insurance brokers, either aligned with TOWER or operating in other networks. TMF has two master fund structures that give advisers and superannuation scheme trustees choice and flexibility in how clients' or members' funds are invested.

TOWER Asset Management

TOWER Asset Management (TAM) provides wholesale investment management services for New Zealand institutional investors and charitable trusts. Funds from these clients represent almost half of total funds under management by TAM, with the balance accumulated at the retail level through the investment products of TOWER Managed Funds and from funds in TOWER's New Zealand Insurance Businesses. TAM manages all types of investment assets in New Zealand and uses selected international managers in international markets.

TOWER Portfolio Administration Services

TOWER Portfolio Administration Services provides a specialised investment, custodial and administration service designed to make personal investing into a wide range of investment options easier and more cost-effective.

TOWER Insurance

TOWER Insurance provides a broad range of personal general insurance products including cover for houses, contents, vehicles, farm assets and travel. These products are distributed both directly by TOWER Insurance and through alliance partners, principally banks. The business is New Zealand's third largest provider of personal general insurance with a market share of 9.4%.

TOWER Health & Life

TOWER Health & Life provides a range of medical, income protection, trauma and term life products for individuals and medical products for employee group schemes. These products are sold principally through intermediaries including independent financial advisers and brokers. The business is New Zealand's second largest health insurance provider, with an 11% market share (as measured by premium). It is a specialist in major medical cover.

TOWER Life (N.Z.)

TOWER Life has a closed book of traditional life insurance business. The book is substantial in size although in decline as this business runs down. It also underwrites a range of group life and disability products for employee group schemes.

Performance

TOWER New Zealand businesses achieved a total net profit after tax for 2003-04 of $20.1 million. This included strong earnings growth in life and health risk, offset by major storm claims in the general insurance business during the year and of an abnormal write-down on information technology assets. Due principally to these factors, the total New Zealand result was down 11% from the previous year.

New Zealand Investment Businesses

Funds under Management

As at 30 September $ million	2004	2003	2002
TOWER Managed Funds	$2,075	$2,048	$2,514
TOWER Asset Management (direct)	$2,040	$1,904	$1,715
TOWER New Zealand Insurance businesses	$962	$975	$1,058
Total funds under management	$5,077	$4,927	$5,287
Total funds under administration	$549	$464	$467

Net Profit after Tax

For year ended 30 September $ million	2004	2003	2002
TOWER Asset Management	$2.8	$2.2	$2.6
TOWER Managed Funds	($0.9)	($1.4)	$0.8

The New Zealand Investment businesses delivered a sound overall performance in 2003-04 as they continued to adjust to industry-wide pressures. TOWER Asset Management maintained a strong position in the wholesale asset management market, outperforming most of its investment targets and providing clients with competitive returns. However, TOWER Managed Funds experienced further net funds outflow and reduction in its profit margins.

The managed funds industry has been under pressure for several years from the loss of investors' savings to direct investment alternatives, including real estate, bank deposits and fixed interest securities. Superannuation funds have been particularly hard hit. In response, TOWER has vigorously sought to reduce costs and make its products and services highly competitive. Following a recent policy review, the Government is likely to remove tax disadvantages on investment in managed funds and encourage a return to workplace savings schemes – changes that could significantly improve the operating environment for managed funds and superannuation in the future.

TOWER Asset Management (TAM) increased net profit after tax 27% to $2.8 million, reflecting a shift in funds under management into New Zealand assets which generally outperformed international alternatives during 2003-04. For TAM, margins are higher on domestic assets. The value of wholesale funds under management rose 7% during the year to $2,040 million, despite a substantial net outflow. TAM retained a 17% share of the total wholesale market, and contained growth in costs while achieving a 14% increase in revenue.

TOWER Managed Funds (TMF) saw a 3% decline in its revenue during 2003-04. The result was a slight improvement on the previous year's loss. The value of retail funds under management increased 1% during the year to $2,075 million, with growth in investment values largely offset by continued net outflow of funds, notably in personal superannuation which was traditionally an area of strength for TOWER. This situation reflected the aging of the client base, the shift to direct investment activity and the general effects of volatility in managed fund returns over recent years. However, there was a marked slowdown in withdrawals during 2003-04 with the level of net outflow from all TOWER retail funds only 21% of the previous year.

The New Zealand Investment businesses made significant progress during 2003-04, including recognition of TOWER as FundSource Fund Manager of the Year, and winner of category awards for two diversified funds and a global equity fund. It was a year of solid investment performances, especially in New Zealand asset classes. TAM out-performed its client benchmarks in 77% of portfolios managed during 2003-04 and 84% in the past three years.

Progress in these businesses also included the restructuring of funds to increase their market appeal, integration of TOWER's wholesale and retail product and marketing teams and marketing of TOWER Portfolio Administration Services. Across the businesses, expenses rose only 1%, reflecting modest increases in commissions paid to advisers and the overall effect of growth in total funds under management. Recurring management expenses were held steady with the previous year at $46.3 million.

TOWER Asset Management Investment Performance

Excess Returns Over Benchmark September Quarter 2004

Product	1 Year Excess Returns %	3 Years Excess Returns %
ILS Balanced Fund	0.27	1.80
International Equities (unhedged)	(0.63)	2.23
NZ Equities	2.77	2.23
NZ Property	0.44	2.33
Global Bonds	0.53	0.74
NZ Fixed Interest	0.38	(0.02)

Profitability continued to be an issue in TOWER Portfolio Administration Services and TOWER Employee Benefits (part of TOWER Managed Funds). Both units had growth in funds under administration or management during 2003-04 but this growth was not sufficient to offset continued pressure on their operating margins. TOWER is pursuing further growth in funds and leaner cost structures to sustain these business lines.

Strategies

- Develop and promote a more relevant and competitive range of retail products and services that leverage TOWER's capabilities in wholesale asset management.
- In particular, launch new retail products for property and fixed interest investment, and further rationalise the existing range of equity and diversified investment products.
- Deliver higher levels of service and support to financial advisers and other market intermediaries, and develop selected new partnerships for extending TOWER's retail market presence.
- Maximise scope for retaining and rebuilding TOWER's legacy business in personal superannuation.
- Further improve operating efficiency with remedial steps in unprofitable areas of activity.

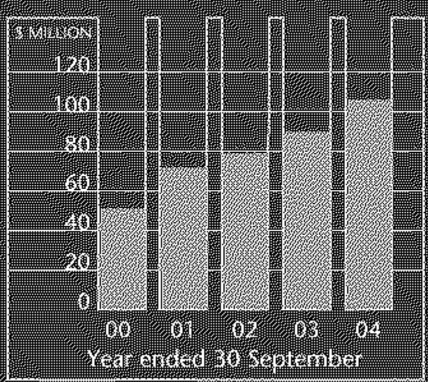
Information Ratio Rankings

September Quarter 2004

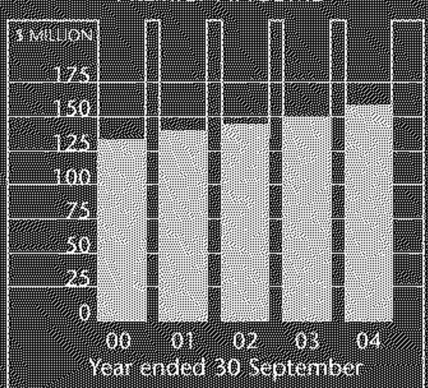
	3 Years	5 Years
ILS Fund*	4/11	1/11
International Equities (unhedged)	5/23	7/22
NZ Equities	4/16	1/14
NZ Property	1/5	2/5
Global Bonds	1/7	1/7
NZ Fixed Interest	6/7	6/7

** Reward for Risk (Sharpe) Ratio*

TOWER HEALTH & LIFE
PREMIUM INCOME



TOWER INSURANCE
PREMIUM INCOME

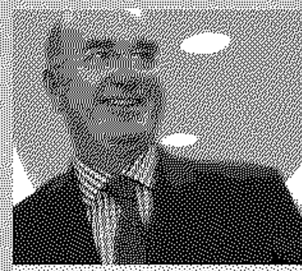


New Zealand Insurance Businesses

Performance

For year ended 30 September

NZ$ million	2004	2003	2002
TOWER Health & Life			
Premium income	$102.8	$90.3	$79.4
Net profit after tax	$10.0	$8.0	$5.8
TOWER Life (NZ)			
Premium income	$26.1	$24.2	$28.8
Net profit after tax	$5.2	$2.1	$4.4
TOWER Insurance			
Premium income	$159.2	$149.9	$143.8
Net profit after tax	$7.9	$16.4	$10.3
TOWER Life Limited			
Premium income	$3.1	$1.8	N/A
Net profit after tax	$1.0	$0.0	N/A
Elimination	($5.9)	($4.7)	--
New Zealand Insurance Business			
Net profit after tax	$18.2	$21.8	$20.5



Paul Hunt

Paul Bevin

During 2003-04, Paul Hunt was Chief Executive of the New Zealand Insurance Businesses and Paul Bevin was Chief Executive of the New Zealand Investment Businesses.

The New Zealand Insurance businesses achieved growth in sales across all market sectors during 2003-04. This reflected various initiatives to make TOWER products more attractive and to strengthen distribution relationships with financial advisers and alliance partners.

Sales of individual life risk products were up 24% from the previous year, while group life and health risk sales increased by 36%. Individual health risk sales grew 15% after successful rationalisation of TOWER's product offering in this market during the early months of 2003-04.

Rates of policy discontinuance remained relatively stable through 2003-04 – a positive outcome given premium increases in some areas. Lapse rates on individual life risk and health risk products during the year were 13% and 14% respectively, while the value of in-force premiums grew at very favourable rates of 16% and 17%. There was a similar outcome in group life and health risk where the value of in-force premiums climbed 33% in 2003-04 on the back of high growth in sales.

Total expenses in the New Zealand Insurance businesses were up 17% for the year. Recurring management expenses climbed 14% to $74.0 million, due principally to business volume growth while non-recurring costs included $6.5 million in IT write-downs on top of normal depreciation expense.

Overall, the New Zealand Insurance businesses achieved net profit after tax of $18.2 million for 2003-04. The result included $5.2 million in net investment returns on funds within each of the Insurance businesses.

Overall earnings on life and other insurance operations (before inclusion of investment returns) were $13.0 million (after tax) – down 15% from the previous year due to high claims arising from storms and floods in various parts of New Zealand from February to September. The scale of damage led to the TOWER Group's first claim against its catastrophe reinsurance treaties for many years, and this reinsurance significantly eased the storms' impact on earnings for the year. However, TOWER Insurance received over 3,000 claims from customers and its underwriting profit was subsequently reduced by $4.6 million.

Elsewhere in the New Zealand Insurance businesses, the level of individual and group life risk claims declined during 2003-04 in response to careful claims management. Health risk claims were up substantially in line with growth in sales and the level of in-force premiums.

Strategies

- Sales growth based on continued development of new risk products, especially in the markets for general insurance and health cover.
- Growth in market share, especially in the life risks market where TOWER New Zealand has a relatively small but growing presence.
- Continued expansion of alliances with banks and others for distribution of risk products, and further moves to strengthen existing relationships.
- Proactive management of health claim costs, drawing on medical expertise within TOWER New Zealand and close collaboration with health care providers.
- Further integration of administration and sales activities across New Zealand businesses where this will support operating efficiency and ongoing management of costs.
- Consolidation of operations in the Auckland region from seven sites to one central city location.
- New initiatives to strengthen quality of service to intermediaries and customers based on research into market experience and expectations.
- Development of a strong customer-service culture through a programme to support and motivate all TOWER New Zealand employees.

AUSTRALIAN WEALTH MANAGEMENT

Australian Wealth Management Limited (AWM) includes two businesses, Bridges Financial Services and TOWER Trust Australia.

Bridges Financial Services

Bridges is a financial planning, master trust, asset management, research and stock broking business. Services are delivered through a network of Bridges financial planners throughout Australia.

TOWER Trust

TOWER Trust provides trustee, superannuation, investment administration and financial planning services through retail and wholesale distribution channels across Australia. The business has a particular strength in the management of small superannuation funds and holds 69% share of the Small APRA (Australian Prudential Regulation Authority) Fund market.

Performance

For the year ended 30 September

A$ million	2004	2003
AWM		
Fee income	$91.3	$86.8
Management & sales expenses	$72.9	$74.1
Net profit after tax	*$15.0	$10.2
Bridges Financial Services		
Net funds inflow	$157.7	$109.0
Funds under management at year end	$3,940.0	$3,350.0
Net profit after tax	$12.0	$9.7
TOWER Trust Australia		
Net funds inflow/ (outflow)	($10.8)	$16.9
Funds under management at year end	$4,780.0	$4,130.0
Net profit after tax	$4.0	$3.3

* Division net profit of $15.0 million includes a profit of $0.4 million from TOWER Asset Management Australia and a loss of $1.4 million from ToCUA.

The Australian Wealth Management businesses achieved a 2003-04 net profit after tax of A$15.0 million, up 47% on the previous year. The increased result was due to solid growth in Bridges Financial Services and progress in restructuring TOWER Trust for increased profitability.

Bridges delivered a significantly improved net profit after tax of A$12.0 million, reflecting growth in funds under its management and cost-efficiencies in the developing relationship with credit unions. Funds under management increased 18% to A$3,940 million during the year, on the back of strong inflows and relatively high investment returns. Inflows were boosted by business referrals from the credit unions and from an expanding network of Bridges-affiliated financial planners. The number of planners was up to 140 at 30 September 2004.

Around half of Bridges' client referrals come from the credit unions. This relationship was strengthened during 2003-04 with the successful integration of ToCUA, the former structure for TOWER's credit union alliance, into Bridges. This relationship continues to be supported through Bridges. The ToCUA unit recorded an A$1.4 million net loss for the year before integration with Bridges.

Most of Bridges' funds under management are in its master trust, The Portfolio Service (TPS), which is Australia's ninth largest discretionary master trust with a 2.7% share of that market. The TPS net inflow was 47% higher in 2003-04 than in the previous year. The number of planners that support TPS grew to 161 by 30 September 2004.

TOWER Trust increased net profit after tax for the year by 21% to $4.0 million, despite inclusion of some one-off restructuring costs.

TOWER Trust made progress with its core fee-generating services including superannuation, financial planning and administration, trustee services and estate planning. Moves during the year included acquisition of a large part of Australian Superannuation Nominees' client base and the unbundling of TOWER Trust's superannuation and related trustee services. Estate planning services were another area of particular focus, with a new offering to be launched soon through Bridges' financial planners.

TOWER Trust achieved inflow growth in all core business lines during 2003-04, although there was a net business outflow of A$10.8 million for the year. This was largely as a consequence of exiting unprofitable business. Total funds under management or administration were A$4,780 million at 30 September 2004, up 16% over the year on the back of stronger investment markets.

The business benefited from further improvement in its operating systems and from the centralisation in Adelaide of its interstate branch network.

AWM consolidated many support functions for Bridges and TOWER Trust resulting in cost savings for both business units. Management and sales expenses across AWM were down 2% during 2003-04 to A$72.9 million, on total fee income for the division of A$91.3 million.

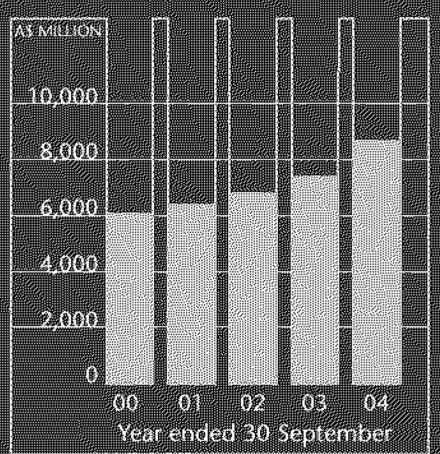
The year saw the successful transition of its businesses into the new Financial Services Regulatory Authority regime, and the withdrawal of TOWER Asset Management Australia (TAMA) from the division. TAMA's core operations were transferred to external funds managers and remaining functions backed into TOWER Australia. Prior to this, TAMA contributed an A$400,000 net profit after tax to the AWM result for 2003-04.

Strategies

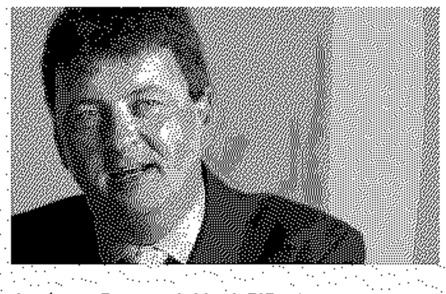
Key strategies for AWM for 2004-05 include:

- expanding the Bridges financial planner network through inclusion of more experienced and skilled planners;
- developing and growing the business referrals to Bridges from both credit unions and other non-bank financial institutions;
- launching AWM's highly competitive new estate planning services, provided by TOWER Trust and delivered through the Bridges network, and in time through other financial advisers;
- growing TOWER Trust's superannuation fund business by leveraging its proven expertise in the rapidly expanding small fund market segment;
- enhancing the margins on TOWER Trust's core offering of fee-earning services by ensuring these are well designed and presented in target markets; and
- securing cost-efficiencies within TOWER Trust as well as greater consistency of service provision through centralisation of the branch network during 2004-05.

AUSTRALIAN WEALTH MANAGEMENT
FUNDS UNDER MANAGEMENT



Note: Funds under management include funds managed or administered by Bridges, TOWER Trust Australia and TOWER Asset Management Australia.



Andrew Barnes MA, ACIB
Chief Executive
Australian Wealth Management

Andrew Barnes was appointed Chief Executive in December 2003. He has led the successful development and restructuring of Australian Wealth Management.

Mr Barnes joined TOWER from Citibank Australia and has previously held senior executive positions with Macquarie Bank and CountyNatwest in Australia and the UK.

TOWER'S PEOPLE – SUPPORT AND TRAINING

Motivated and skilled people are essential to TOWER's continued improvement in performance. Progress in 2003-04 reflected the substantial contribution of employees throughout the New Zealand and Australian businesses during the year. TOWER has stepped up its commitment to supporting and training its people, and additional programmes will be rolled out in 2004-05.

There is a broad focus on ensuring that TOWER people have the incentives, skills and knowledge to drive the implementation of business strategies every day. In particular, staff must be able to deliver excellent service to customers who are left genuinely impressed with what TOWER can, and will, do for them.

Across the Group, performance management processes are being strengthened with more training for managers, and a renewed emphasis on effective goal-setting and performance measurement for each employee. This programme is supported by a new Group-wide Annual Incentive Plan, introduced to link performance directly with reward for people working at all levels.

Good leadership and recognition of a core set of values are extremely important to developing a strong TOWER culture within all businesses. Much of the increased training activity on both sides of the Tasman during 2003-04 and the current year is intended to develop leadership skills among managers and team leaders. The Group's core values are: integrity, teamwork, leadership excellence and service.

Change remained a dominant feature in TOWER's Australian businesses during the past year. Restructuring was successfully completed in some areas, at times requiring managers and staff to take on new roles and to re-skill. Change processes in Australia have been accompanied by extensive training in new systems and new TOWER products, in requirements for regulatory compliance, and in sales and service skills.

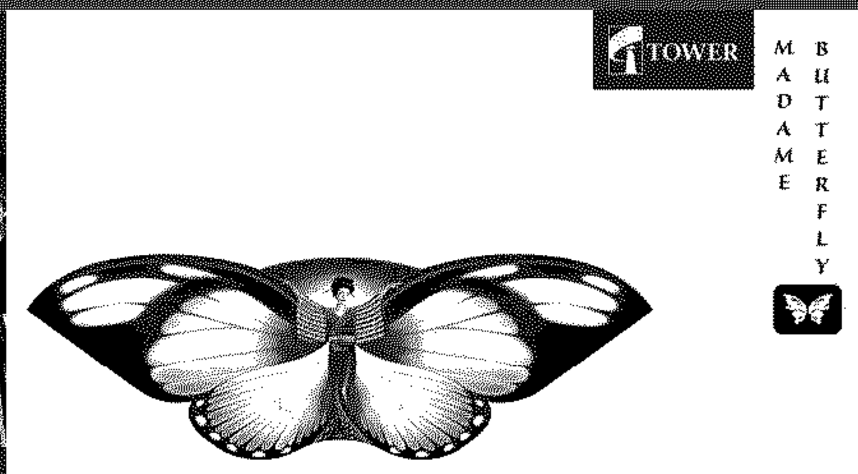
Other Australian initiatives include a new "Stepping up to Manage" programme for middle managers and new entrants to management. It provides training in skills ranging from financial management, to coaching staff on performance issues, to running effective meetings. Other recent developments include the launch of a programme promoting "work-life balance" among staff and the relocation of people in Sydney from four sites to one, the TOWER building at Milsons Point. Overall, TOWER Australia and Australian Wealth Management reduced employee numbers during 2003-04 (to 944 full-time equivalents at 30 September).

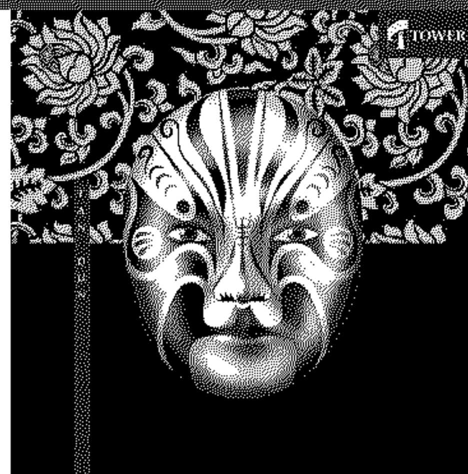
In New Zealand, TOWER businesses saw a small increase in employee numbers (to 716 at 30 September). Fewer organisational and role changes were required in New Zealand during the year, although there are continuing moves to bring more TOWER people together on key sites, especially in Auckland.

New Zealand training programmes include a "Leader" series of workshops for developing middle and lower level managers, and a new "Impress" customer service training process. Other initiatives have included the roll-out of an advanced human resources and payroll system that will greatly improve reporting on the management and development of TOWER people.

"Our people - our performance"

TOWER'S COMMUNITY COMMITMENT





TOWER has an absolute commitment to the communities in which it does business. The Group has carefully and strategically selected partnerships that deliver quality opportunities and events, enriching and enhancing the places in which we work, live and relax.

In New Zealand TOWER was again a finalist and award winner in the NBR Business Sponsorship of the Arts Awards. Winner of the inaugural award in 1998, the Group continues the unique honour of being a finalist, and receiving a special merit citation, every year since. The 2004 award recognised TOWER's sponsorship of the TOWER New Zealand Youth Choir and its sister choir, TOWER Voices New Zealand.

The Arts remain a special focus of TOWER's community commitment. Our partnerships are enduring ones – and continue to give TOWER's clients and the public memorable and remarkable experiences.

TOWER's principal sponsorship of the world award-winning TOWER New Zealand Youth Choir and TOWER Voices New Zealand thrived in 2004. The TOWER New Zealand Youth Choir again conquered the world, with Dr Karen Grylls at the helm, sweeping all before them at the world contest in Italy.

The TOWER Season of "Madame Butterfly" performed by The Royal New Zealand Ballet continued TOWER's partnership with this highly respected Arts organisation – and we will again partner the Ballet in 2005. The TOWER Gallery is the stand-out exhibition space at the Museum of New Zealand Te Papa Tongarewa, and again the events scheduled there were world class in the past year. Another Te Papa highlight was the Group's sponsorship of "Kiri's Dresses: a Glimpse into a Diva's Wardrobe", which was opened by Dame Kiri Te Kanawa herself. This exhibition, proudly sponsored by TOWER, ran for a year with free admission.

TOWER has also been a Gold Sponsor of the New Zealand International Festival of the Arts since its inception 20 years ago. In 2004, the Opening and Closing Festivals were part of the TOWER International Series, with Tan Dun (of Oscar-winning fame) and the New Zealand Symphony Orchestra leaving the capacity audience breathless!

In 2000, TOWER established the TOWER Visiting Fellow programme with Victoria University of Wellington to focus on the crucial area of ageing issues. The fourth Fellow, Dr Tom Kirkwood, came to New Zealand during the year, meeting interest and community organisations, government agencies and Ministers. A parallel public seminar series sponsored by TOWER supported this initiative. At the other end of the life spectrum, over 40 talented young students are being assisted financially through the TOWER Undergraduate Scholarships.

TOWER Group companies also support a number of activities and organisations. For example, TOWER New Zealand was again a major sponsor of both the Financial Planner of the Year Awards – annual awards designed to recognise excellence in financial planning – and the 2004 Community Trusts Conference. TOWER and Bowls New Zealand announced plans to continue its 14-year award-winning association that has already seen over $3.5 million passed on to the sport. TOWER was Lead Sponsor of Philanthropy New Zealand for the second year running (now into its third year) and our staff are involved in numerous community initiatives that support Riding for the Disabled, United Way, Run to Heal and many others.

In addition to its Sponsorship portfolio, TOWER also proudly provides support for a diverse range of community organisations, making a number of charitable donations each year. In the 2004 financial year, TOWER's donations totalled $37,661.

CORPORATE GOVERNANCE

Overview

The TOWER Limited Board recognises and supports the increased emphasis on corporate governance occurring in New Zealand and Australia. In particular, TOWER supports and adheres to ASX Corporate Governance Council Principles of Good Corporate Governance and Best Practice Recommendations, NZX Corporate Governance Best Practice Code and the New Zealand Securities Commission Corporate Governance Principles and Guidelines.

The Board is committed to the highest standards of oversight, accountability and management for the Group. During 2003 the Board carried out a comprehensive review of TOWER's Corporate Governance Practices and the Group Structure. The Board endorsed initiatives to bring Group Corporate Governance Practices up to date with the latest developments and standards, where necessary, and to maximise opportunities to enhance Shareholder value without compromising oversight and accountability. These initiatives were outlined in TOWER's 2003 Annual Report.

During 2004 the Board has continued to build upon these initiatives and improve the Group Governance Practices generally. In particular the Board:

- adopted an updated Group Code of Ethics to protect TOWER's values by promoting ethical and responsible conduct by Directors, executives and employees in all their TOWER business dealings;
- adopted an Internal Audit Charter which sets out the principal functions and objectives of TOWER's New Zealand and Australian internal auditors, their scope of work, duties and responsibilities, and reporting relationships, and ensures their independence and objectivity;
- adopted a Reporting and Investigation of Fraud, Corruption and Misconduct Policy which sets out the manner in which suspicions/allegations of fraud, corruption and/or misconduct are reported and how TOWER will deal with such incidents;
- adopted a Fit and Proper Policy which formalises the framework and guidelines for the appointment of Directors and officers of TOWER, with appropriate skills, knowledge, experience and integrity to perform the role appointed;
- established a Group Investment Committee (as a Standing Committee of the Board). This Committee is responsible for reviewing investment policy, reviewing risk management policy and statements in respect of investment management, and overseeing the management of TOWER's investments;
- updated the www.towerlimited.com corporate website to include details of TOWER's approach to Corporate Governance including information about the Board, Board Committees, Corporate Governance Policies and Management Governance;
- reviewed the Group Risk Profile – the Risk Profile describes the material financial and non-financial risks for the Group, how they are managed, the roles of employees, the internal audit function and the Board, and related matters; and
- reviewed various other Group Governance Policies and updated them where required.

The Board intends to adopt a Compliance Charter in early 2005 which will describe TOWER's approach to compliance, including the key compliance responsibilities of its Directors, executives and employees.

The Board will continue to regularly review TOWER's Corporate Governance Policies and adherence to these policies and Corporate Governance Best Practice generally, and make amendments where necessary.

How TOWER's business practices reflect Corporate Governance Best Practice

This section outlines how TOWER's business practices reflect corporate governance best practice. The following information is structured on the basis of the Ten Essential Corporate Governance Principles of the ASX Corporate Governance Council. Reference is also made to the New Zealand Securities Commission Corporate Governance Principles and Guidelines, where appropriate.

PRINCIPLE 1 LAY SOLID FOUNDATIONS FOR MANAGEMENT AND OVERSIGHT

Securities Commission Corporate Governance Principle 2:

There should be a balance of independence, skills, knowledge, experience and perspectives among Directors so that the Board works effectively.

The Board's primary role is to effectively represent and promote the interests of Shareholders with a view to enhancing growth and returns and adding long-term value to the company's Shares. In practice, this is achieved in part through delegation to the three Board Standing Committees (Audit and Compliance, Remuneration and Appointments, and Investment), and through delegation to the Group Managing Director of the day-to-day leadership and management of the Group.

TOWER's corporate governance documents have been designed to:

- enable the Board to provide strategic guidance for TOWER and effective oversight of management; and
- clarify the respective roles and responsibilities of Directors and senior executives in order to facilitate Board and management accountability to both TOWER and its stakeholders, and to ensure a balance of authority so that no single individual has unfettered powers.

The Board Charter reserves a number of roles and responsibilities to the Board. These include:

- determining the Group's strategic objectives, and approving the annual operating plans, financial targets and capital expenditure plans;
- assessing and monitoring performance, including management's performance, against the strategic objectives, operating plans and financial targets;
- approving all changes to the Group's corporate structure where these are of strategic importance;
- determining Group financial and treasury strategies and policies, including approving all dividend policies and distributions to Shareholders, and lending and borrowing, tax, investment and Foreign Exchange policies;
- determining the Group risk management policies and framework and the Group information technology strategies and policies;
- approving capital expenditure, operating expenditure, asset acquisitions and divestments, and settlement of legal proceedings, in all cases where outside the normal course of business and above delegated limits;
- approving all transactions relating to major business and company acquisitions, mergers and divestments; and
- approving the Group Managing Director's appointment and remuneration.

In practice, nearly all the matters that the Board has reserved to itself are developed and formulated by management and presented to the Board for its deliberation. To facilitate this, the Group Managing Director is a member of the Board and attends all Board meetings where such matters are discussed. In addition, the Group Chief Financial Officer and the Chief Executive Officers of the Group's business divisions regularly attend Board meetings.

At each monthly meeting, the Board considers a variety of reports, including reports on overall Group and division operations, financial performance, and Group investments and investment returns.

The Chairman's role is to lead and manage the Board so that it operates effectively, and to facilitate interaction between the Board and the Group Managing Director and Divisional Chief Executives.

The Group Managing Director is responsible for the day-to-day leadership and management of the Group and is the primary representative of management to the Board. TOWER has established a formal delegation of authority to the Group Managing Director which sets out specific authority to manage the day-to-day business, and the restrictions and limitations that apply, including limits on expenditure. Formal delegations of authority to the Group Chief Financial Officer and the divisional Chief Executive Officers have also been established which set out each officer's specific authority to manage the day-to-day business within each officer's area of responsibility. The officers have no power to do anything which the Group Managing Director cannot do pursuant to his delegations.

PRINCIPLE 2 STRUCTURE THE BOARD TO ADD VALUE

Securities Commission Corporate Governance Principle 2:

There should be a balance of independence, skills, knowledge, experience and perspectives among Directors so that the Board works effectively.

The Board Charter, Board Protocols and the Fit and Proper Policy are intended to provide a structure to ensure Directors:

- have a proper understanding of, and competence to deal with, current and emerging issues for TOWER; and
- can effectively review and challenge the performance of management, and exercise independent judgment.

Board composition

TOWER's Constitution requires a minimum of six Directors and a maximum of nine. Subject to these constraints, the Board can fix the number of Directors holding office.

At least two Directors must ordinarily reside in New Zealand. At all times throughout the 2003-04 financial year, at least five Directors were New Zealand residents.

At each Annual Meeting, at least one-third of the total number of Directors must retire from office by rotation. One executive Director is exempt from the retirement obligation, being the Group Managing Director. The Directors who must retire are those who have been in office longest since last elected. If two Directors have held office for equal terms and cannot agree who will retire, it is determined by lot.

In addition, all Directors appointed to the Board since the last Annual Meeting must also stand for election.

The Board has an induction process for new Board appointees, including a formal letter of appointment for Directors.

The Board Protocols require that a majority of the Board are independent Directors. The Board Protocols define "independent Director" as a non-executive Director who does not have any direct or indirect interest or relationship that could, or could reasonably be perceived to:

a) reasonably influence, in a material way, his/her decisions relating to TOWER; or

b) materially interfere with his/her ability to act in TOWER's best interests.

Examples of relationships that remove independence are relationships with a material TOWER customer, supplier, professional adviser or substantial Shareholder.

The Chairman must be an independent Director, and must not be the Group Managing Director. The roles of Chairman and Group Managing Director are and have always been separate at TOWER.

The Board has a policy of maintaining a relative balance of New Zealand and Australian resident Directors with recognised experience and skills that enhance the Board's effectiveness.

Under the Constitution, where a Director has any interest in a transaction being considered by the Board or a Board Committee, the Director may attend the meeting where the transaction is being considered but may not vote in respect of the transaction.

TOWER is committed to ensuring its Directors have the knowledge and information necessary to discharge their responsibilities effectively.

In accordance with the Board Protocols, a Director may obtain independent professional advice relating to the affairs of TOWER or his/her responsibilities as a Director or Board Committee member. Where the Director has the approval of the Board Chairman or Committee Chairman to obtain independent professional advice, TOWER will meet the reasonable costs of the advice.

All Directors have access to the Company Secretary and to additional information which they consider necessary for informed decision-making. Monthly legislative and regulatory updates are provided to the Board at each Board meeting in order to keep Directors informed of important and relevant issues.

PRINCIPLE 2 STRUCTURE THE BOARD TO ADD VALUE – CONTINUED

Board Committees

Securities Commission Corporate Governance Principle 3:

The Board should use committees where this would enhance its effectiveness in key areas while retaining Board responsibility.

The Board has three Standing Committees: the Group Audit and Compliance Committee, the Group Remuneration and Appointments Committee, and the Group Investment Committee (which was established during the financial year). Other committees are established from time to time as necessary.

Committees allow detailed examination and Director expertise to be brought to issues, and facilitate efficient decision-making. Committees make recommendations to the whole Board. They have no decision-making ability except where expressly provided by the Board.

Further information on the Group Audit and Compliance Committee is included under Principle 4 on page 12.

The Group Remuneration and Appointments' Committee advises the Board in respect of a number of matters, including:

- appointment and succession of Board Directors, and Director remuneration; and
- Group Managing Director and senior executive appointment, termination, performance appraisal and remuneration.

The Terms of Reference for the Committee require that it comprise the Group Managing Director, and a minimum of three suitably qualified non-executive Directors. The Board appoints the Chairman of the Committee who must be a Non-Executive Director. The Committee members are currently Olaf O'Duill (Chairman), Susannah Staley, Anthony Gibbs and Keith Taylor. Mr Taylor does not take part in deliberations and decisions as to the Group Managing Director's replacement, performance and remuneration. The Committee met three times during the year.

The Group Investments' Committee has the following duties and responsibilities:

- reviewing investment policy for TOWER Shareholder funds and policyholder funds;
- reviewing risk management policy and statements in respect of investment management, including derivative policy;
- considering the establishment, adjustment or deletion of limits and counter-party approvals, and the scope of financial instruments to be used in the management of TOWER's investments;
- reviewing the appointment of external investment managers;
- monitoring investment and fund manager performance; and
- monitoring compliance with investment policies and client mandates.

The Terms of Reference for the Committee require that it comprise the Group Managing Director and a minimum of two suitably qualified non-executive Directors. The Board appoints the Chairman of the Committee who must be a non-executive Director. The Committee members are currently Maurice Loomes (Chairman), Dr Gary Weiss and Keith Taylor. The Committee was established near the end of the financial year and as a result did not meet during the year.

TOWER DIRECTOR PROFILES

OLAF O'DUILL | DR KEITH BARTON | WILLIAM FALCONER | ANTHONY GIBBS | MAURICE LOOMES | JOHN SPENCER | SUSANNAH STALEY | KEITH TAYLOR | DR GARY WEISS

Olaf O'Duill

BComm (Hons), FAICD, FAIBF

Independent Chairman of Directors, Chairman Group Remuneration and Appointments' Committee

Mr O'Duill joined TOWER's Board in August 2000 and was appointed Chairman in February 2003. He has an extensive background in corporate advisory and business recovery, corporate and international banking and treasury. He has wide experience as a current Director of several organisations including Sunraysia Television Limited, Envestra Limited and JM Financial Group Limited. Mr O'Duill has previously been Chairman of a number of companies including National Electricity Market Management Company Limited and Southern Healthcare Network. He is a former Director of Amrad Corporation Limited, McPhersons Limited, Sigma Company Limited and other companies. Mr O'Duill was also the USA-based Director seeking international investment for US multinationals for the Industrial Development Authority of Ireland. He is resident in Melbourne, Australia.

Dr Keith Barton

BSc (Hons, Class 1), PhD (University of NSW)

Independent Non-Executive Director, Member Group Audit and Compliance Committee

Dr Barton joined TOWER's Board in late 2001 and served as Chairman of the Group Audit and Compliance Committee for most of 2003. He has served on public company boards since 1990 and is a Director of Amcor Limited, Citect Limited and Coles Myer Limited and is also a Board member of RBS.RVIB.VAF Limited (formed from the merger of the Royal Blind Society of NSW, the Royal Victoria Institute for the Blind and Vision Australia Limited. Dr Barton was a Director of the Royal Blind Society of NSW). Dr Barton was previously Chairman of Goodman Fielder Limited, non-Executive Director of Colonial Limited, Keycorp Limited and F.H. Faulding Limited, and Executive Director of James Hardie Industries Limited and CSR Limited. Prior to retiring from full-time employment in 1999, he had a long career in a variety of manufacturing industries (BHP, GD Searle, CSR, James Hardie) in Australia and overseas. For the last seven years before retirement he was Chief Executive Officer and Managing Director of James Hardie Industries. He is resident in Sydney, Australia.

William Falconer

LLB, CNZM

Independent Non-Executive Director, Member Group Audit and Compliance Committee

Mr Falconer is the most recent addition to TOWER's Board, joining it in December 2003. He has had a successful career as a public servant, lawyer and company Director. He is currently the Chairman of Hellaby Holdings Limited, Kiwifruit International Limited, Oyster Bay Marlborough Vineyards Limited and Restaurant Brands New Zealand Limited, and a Director of Westfield Trust (NZ) Limited. He is also on the Board of the New Zealand Symphony Orchestra and is Chairman of the Meat Industry Association. He is resident in Cambridge, New Zealand.

Anthony (Tony) Gibbs

Non-Executive Director, Member Group Remuneration and Appointments' Committee

Mr Gibbs was elected to TOWER's Board in 2003 and brings to the board a 25-year history of a diverse range of management and directorship experience covering mergers, acquisitions, divestments and restructuring. He is the Chairman of Turners & Growers Limited, Staveley Inc, and Tenon Limited, and a Director of Coats Holdings plc (UK) Coats Limited, Guinness Peat Group plc, Guinness Peat Group New Zealand Limited, GPG Forests Limited, Guinness Peat Group Shares Limited, Turners & Growers Fresh Limited, Staveley Industries plc, Ithaca (Custodians) Limited, Rubicon Limited, Ezypeel Mandarins Limited, Aeneid Seventeen Limited and Vector Limited. Mr Gibbs was previously Chairman of a number of companies including AGB McNair Limited, Tyndall Life NZ Limited, Deputy Chairman of The New Zealand Guardian Trust Co Limited and a Director of a number of companies including ENZA Limited, Turners Auctions Limited, The Colonial Motor Company Limited, Tyndall Australia Limited and Wrightson Limited. He is resident in Auckland, New Zealand.

Maurice Loomes

BCom (Econs Hons)

Non-Executive Director, Chairman Group Investments' Committee

Mr Loomes was appointed to TOWER's Board in October 2003 and has extensive experience in investment research, funds management as an operative, and directorial work in the insurance industry. He is currently Chairman of Canberra Investment Corporation Limited and a Director of Reinsurance Australia Corporation Limited and Ariadne Australia Limited. Previous Directorships in the past 10 years include Guinness Peat Group plc, The Colonial Motor Company Limited, Wrightson Limited, Medicare Limited, Turners Auctions Limited, OAMPS Limited, Turners & Growers Limited, ASC Limited, Fulcrum Capital Limited, Tyndall Australia Limited, Mid East Minerals Limited and Metals Exploration Limited. He is resident in Sydney, Australia.

John Spencer

BCom, FCA

Independent Non-Executive Director, Chairman/ Member Group Audit and Compliance Committee

Mr Spencer was appointed to TOWER's Board in October 2003 and was appointed Chairman of the Group Audit and Compliance Committee on 1 December 2003. He brings to the Board significant financial and commercial expertise gained over many years from senior management positions he has held with a number of major companies in New Zealand and overseas. Prior to the formation of Fonterra, he was the Chief Executive Officer of New Zealand Dairy Group. Mr Spencer is Chairman of Tainui Group Holdings Limited and Unidata Pty Limited, Deputy Chairman of the National Institute for Water and Atmospheric Research (NIWA) and a Director of Triage Capital Limited and Workbase Education Trust. He is also the Deputy Chairman of the Accounting Standards Review Board. He is a past Director of the Institute of Chartered Accountants, receiving the "Valued Contribution to the Profession" award in 2002. Mr Spencer is resident in Wellington, New Zealand.

Susannah (Susie) Staley

LLB (Otago), FNZIM

Independent Non-Executive Director, Member Group Remuneration and Appointments' Committee

Ms Staley was elected to TOWER's Board in 1996 and is a Councillor and the Otago Branch President of the Institute of Directors. She has served on several due diligence committees for the Group and was Chairman of the capital raising programme in 2003. A property and business lawyer, Susie Staley has an extensive background in strategic management and brings a wide range of business and corporate experience to the Board. She is currently the Chairman of the Maritime Safety Authority, and a Director of Pyne Gould Guinness Limited (and Chairman of the Pyne Gould Guinness Audit Committee), Dunedin International Airport Limited and Global Technologies (NZ) Limited. She was previously Chairman and Director of TOWER Trust Limited (New Zealand) and President of the Otago Chamber of Commerce. She is resident in Dunedin, New Zealand.

Keith Taylor

BSc, BCA, FIA, FIAA

Group Managing Director of TOWER, Member Group Remuneration and Appointments' Committee, Member Group Investments' Committee

Mr Taylor is the Group Managing Director of TOWER, being appointed to that position by the Board in 2003. He has been with the TOWER Group for 25 years, and is a qualified actuary. Mr Taylor joined Government Life and headed the Corporate Superannuation Division for some years, was Chief Actuary and then moved into the finance area, serving as Group Chief Financial Officer from 1990 to 2002. Mr Taylor has led all of TOWER's acquisition projects since 1988 and was responsible for the successful management of the complex demutualisation and listing process. Mr Taylor is resident in Wellington, New Zealand.

Dr Gary Weiss

LLB (Hons), LLM (Distinction), JSD (Cornell University, New York)

Non-Executive Director, Member Group Investments Committee

Dr Weiss was elected to TOWER's Board in 2003. He has considerable international business experience and is a highly respected commercial lawyer in Australia and New Zealand. Presently an Executive Director of Guinness Peat Group plc, he is Chairman of Ariadne Australia Limited, MEM Group Limited and Coats plc (UK), and is a Director of Canberra Investment Corporation Limited, Capral Aluminium Limited, Premier Investments Limited, Tag Pacific Limited, Westfield Management Limited, Westfield Holdings Limited and Westfield America Management Limited. He is resident in Sydney, Australia.

Michael Jefferies

BCom, CA

Alternate Non-Executive Director for Anthony Gibbs and Dr Gary Weiss

Mr Jefferies is a chartered accountant with extensive experience in finance and investment. In recent years he has been Managing Director of MEM Group Limited and has previously acted as Managing Director for Aurora Gold Limited and Otter Gold Mines Limited. He is currently Chairman of TAFMO Limited, a non-Executive Director of Metals Exploration Limited, and a senior executive of GPG. He is resident in Perth, Australia.

2003-04 TOWER Limited Directors' Attendance

	TOWER Limited Board	Remuneration and Appointments' Committee	Audit and Compliance Committee
Dr Keith Barton	16/18	-	7/7
Alan Eyes[1]	4/4	-	2/2
William Falconer[2]	12/13	-	-
Anthony Gibbs	10/18[4]	3/3	-
Michael Jefferies[3]	3/3	-	-
Maurice Loomes[2]	17/18	-	6/7
Olaf O'Duill	18/18	3/3	-
John Spencer[2]	18/18	-	7/7
Susannah Staley	15/18	3/3	-
Keith Taylor	18/18	3/3	-
Dr Gary Weiss	10/18[4]	-	-

1 Retired during the year
2 Appointed during the year
3 Michael Jefferies attended three meetings as an alternate Director for either Anthony Gibbs or Dr Gary Weiss.
4 Anthony Gibbs and Dr Gary Weiss did not attend a meeting due to a conflict of interest relating to their involvement with Guinness Peat Group plc.

NOTE: Five meetings were conducted by teleconference, in some cases at short notice.
The Group Investments' Committee was established near the end of the financial year and did meet during the year.

PRINCIPLE 3 PROMOTE ETHICAL AND RESPONSIBLE DECISION-MAKING

Securities Commission Corporate Governance Principle 1:

Directors should observe and foster high ethical standards.

The Group Code of Ethics, the Board Charter, Board Protocols and other documents referred to in this Corporate Governance section collectively and individually promote ethical and responsible decision-making in the Group.

The Group Code of Ethics provides policy and guidance to executives and employees in situations where their or TOWER's integrity could be compromised, including conflicts of interest, use of non-public information and company assets, relationships with employees, customers and other stakeholders, reporting of unethical and dishonest behaviour, and related matters. The Group Code of Ethics has been publicised within the Group.

The Reporting and Investigation of Fraud, Corruption and Misconduct Policy provides a procedure to be followed by Directors, executives and employees of the TOWER Group when reporting an incident (or alleged incident) of fraud, corruption and/or misconduct.

TOWER has written Rules and Guidelines that govern trading in TOWER's securities so as to minimise the risk of insider trading.

The Rules apply to TOWER Limited Directors, senior executives, and all staff of TOWER Asset Management Limited and TOWER's head office. The Rules follow the Insider Trading (Approved Procedure for Company Officers) Notice 1996 (NZ). Persons subject to the Rules may only trade TOWER Shares in certain defined windows around the announcement of half year and full year results, and only if not holding "inside information".

Permission to trade must be obtained from the Chairman of the Board in respect of Directors, and the Group Managing Director or the Group Chief Financial Officer in respect of certain designated employees, prior to trading. Permission can only be granted if the Chairman, Group Managing Director or Group Chief Financial Officer is satisfied as to certain matters, including that the person trading is not doing so on the basis of inside information.

Directors and Officers are required to disclose their trading in TOWER Shares to the Board and the market. Details of share trading by Directors during the last financial year are included in this Annual Report on page 14.

TOWER also has Guidelines relating to insider trading that apply generally to all Group employees.

PRINCIPLE 4 SAFEGUARD INTEGRITY IN FINANCIAL REPORTING

Securities Commission Corporate Governance Principle 4:

The Board should demand integrity both in financial reporting and in the timeliness and balance of disclosures on the entity's affairs.

TOWER has a structure to independently verify and safeguard the integrity of the Group's financial reporting. The principal components of this are the Group Audit and Compliance Committee, the external and internal auditors, and the certifications provided to the Board by the Group Managing Director and the Group Chief Financial Officer.

The Terms of Reference for the Group Audit and Compliance Committee require that the Committee comprise a minimum of three suitably qualified non-executive Directors. The Board appoints the Chairman of the Committee, who cannot also be Chairman of the Board. The Committee members are currently John Spencer (Chairman), Bill Falconer and Dr Keith Barton. The Group Managing Director cannot be a member of the Committee. The Committee met seven times during the year.

The Committee's Terms of Reference include the following duties and responsibilities:

- To independently and objectively review the financial information presented by management to the Board, the external auditors and the public.
- To review draft half year and annual financial statements and supporting narrative, and the external auditor's report, and make recommendations to the Board as to their adoption.
- To oversee the performance of the external auditor and to be satisfied as to its independence.
- To review the effectiveness and efficiency of management processes, Group risk management and internal financial controls and control systems.
- To monitor and review compliance with regulatory and statutory requirements and obligations.
- To supervise the internal audit function and to receive regular reports from the internal auditors on risks, exposures and statutory compliance.
- To maintain open and direct lines of communication with the external and internal auditors.
- To make recommendations to the Board as to the appointment and discharge of the external auditor.

External Auditor

Securities Commission Corporate Governance Principle 7:

The Board should ensure the quality and independence of the external audit process.

TOWER reviewed the appointment of its external auditor in 2002. As a result, a new auditor, PricewaterhouseCoopers (PWC) was selected and was confirmed by shareholders at the Annual Meeting in March 2003. PWC was reappointed by Shareholders at the Annual Meeting in February 2004.

A formal engagement letter with PWC sets out the respective obligations and responsibilities of PWC and the Directors in relation to preparation and audit of financial statements, and the integrity of the Group's financial systems. The Board has a formal policy on the provision of non-audit services by the external auditor that specifies services the external auditor may not provide TOWER. The policy is overseen by the Group Audit and Compliance Committee. In particular, the external auditor may not provide:

- book keeping services;
- valuations that would be subject to their audit review;
- advice on the design and implementation of information systems;
- executive recruitment or senior management secondments;
- tax planning and strategy services;
- advice on the structuring or pricing of any deal; and
- internal audit services, except in support of TOWER's own internal audit team.

Non-audit services provided by the external auditor to the TOWER Group during the accounting period did not, in TOWER's opinion, affect auditor independence. The non-audit services related to issues which had the potential to impact on TOWER's accounting and tax treatment and were, therefore, appropriate for the external auditor to provide.

The fees paid to PWC during the financial year are as follows:

2003-04 Auditor Fees

Audit of Financial Statements		$2,175,689
Audit of Trust Accounts		$373,109
Other		
- Review of offer documentation for TOWER Finance Limited Capital Notes	$28,000	
- Attendance at Annual Meeting of Shareholders, 12 February 2004	$6,000	
- TOWER Finance Limited Trustee reporting	$6,000	
- Tax assistance to the Papua New Guinea subsidiaries	$12,000	
- Advice on Executive Share Option Plan	$5,000	
- Misc advice (accounting and taxation) relating to Group restructuring	$100,425	$157,425
Total		**$2,706,223**

TOWER encourages full and frank disclosure and discussions between the Board, TOWER's internal auditors, management and PWC.

TOWER's external auditor applies the standards contained in the Code of Ethics: Independence issued by the Institute of Chartered Accountants of New Zealand. The Code establishes restrictions on the external auditor in such areas as the holding of securities or other financial interests in TOWER, permitted business and personal relationships with TOWER, and the provision of certain non-audit services.

PRINCIPLE 5 MAKE TIMELY AND BALANCED DISCLOSURE

Securities Commission Corporate Governance Principle 4:

The Board should demand integrity both in financial reporting and in the timeliness and balance of disclosures on entity affairs.

TOWER has policies and procedures in place designed to ensure that:

- all investors have equal and timely access to material information concerning the company;
- company announcements are factual and presented in a clear and balanced way; and
- TOWER complies with the continuous disclosure requirements of ASX and NZX.

TOWER Corporate Disclosure Policy aims to prevent unauthorised or selective disclosure of information that could have a material effect on TOWER's share price. The Disclosure Officer is responsible for ensuring compliance with the Policy. The Group Audit and Compliance Committee reviews all releases of financial information to the market prior to their release.

In addition to the annual and half year reports to Shareholders, TOWER publishes an Investor Report every half and full year that provides detailed analysis of its latest financial performance.

PRINCIPLE 6 RESPECT THE RIGHTS OF SHAREHOLDERS

Securities Commission Corporate Governance Principle 8:

The Board should foster constructive relationships with Shareholders that encourage them to engage with the entity.

The Board is committed to empowering Shareholders by:

- communicating effectively with them;
- giving them ready access to accurate and understandable information about TOWER's strategies and performance; and
- facilitating participation at Shareholder meetings.

TOWER's corporate website (www.towerlimited.com) provides information to Shareholders about the TOWER Group. The website has recently been upgraded and includes the following information:

- annual reports/half year reports;
- market disclosures;
- investor reports;
- press releases, including all NZX and ASX announcements;
- company profile, including a description of TOWER's business and structure and commentary on goals, strategies and performance;
- copies or summaries of its corporate governance documents, such as the Board Charter, Board Protocols, Code of Ethics and Terms of Reference of the Board Committees; and
- company contact details.

The website also provides webcasts of Shareholder meetings, and market briefings of the Group's financial results.

TOWER has established an email register on its website so Shareholders who wish to receive information electronically from TOWER can register to do so. TOWER's Share Registry has also established an email register to provide electronic copies of documents, eg the Annual Report, to Shareholders.

Representatives of TOWER's external auditor are present at the Annual Meeting and Shareholders can question the representatives at the meeting.

PRINCIPLE 7 RECOGNISE AND MANAGE RISK

Securities Commission Corporate Governance Principle 6:

The Board should regularly verify that the entity has appropriate processes that identify and manage potential and relevant risks.

The Group Audit and Compliance Committee is responsible for monitoring Group risks and exposures, and compliance with statutory obligations. It approves the Internal Audit Charter that governs the internal audit function across the Group. TOWER's two regional chief internal auditors report directly to the Chairman of the Committee.

TOWER has comprehensive systems in place to identify, assess, monitor and manage risk. At the forefront of these are the internal audit and compliance processes, and the comprehensive risk management process for each operating company. The Group Risk Management Charter establishes the framework to ensure a formal and consistent process of risk identification, assessment, mitigation, management and acceptance, and a regular review of risk is carried out across the Group. This charter is currently under review. The Risk Profile describes the material financial and non-financial risks for the Group and how they are managed. Each company has documented its key risks and action plans to mitigate them. These processes are incorporated into the regular strategic review process. The executive management team regularly reports to the Group Audit and Compliance Committee on risk management.

The Compliance Charter will be an additional tool to ensure compliance with statutory and regulatory obligations and industry standards.

PRINCIPLE 8 ENCOURAGE ENHANCED PERFORMANCE

Securities Commission Corporate Governance Principle 2:

There should be a balance of independence, skills, knowledge, experience and perspectives among Directors so that the Board works effectively.

TOWER is committed to ensuring its Directors and key executives have the knowledge and information necessary to effectively discharge their responsibilities. Regular reviews are carried out of individual and collective performance.

The Board recognises that the performance of Directors and the Group Managing Director is crucial to the success of the company and to the interests of Shareholders. The Board reviews its own composition and performance and that of the Board Committees. The last external review of the Board took place in January 2003 and resulted in a number of Director changes. The Board also undertook a self-review during 2004. It is proposed the next external Board review will take place early in 2005. The Group Audit and Compliance Committee and the Group Remuneration and Appointments' Committee undertook self-reviews during 2004.

The Board also receives and considers a report from the Group Remuneration and Appointments' Committee on the Group Managing Director's performance (in particular with respect to achievement of strategic objectives and targets) and remuneration, and senior executives' performance and remuneration. A review of the Group Managing Director's performance and remuneration took place during 2004.

PRINCIPLE 9 REMUNERATE FAIRLY AND RESPONSIBLY

Securities Commission Corporate Governance Principle 5:

The remuneration of Directors and executives should be transparent, fair and reasonable.

The company's remuneration policies aim to attract and retain talented and motivated Directors and employees who will contribute to enhanced Group performance.

Non-Executive Director remuneration

The Board's policy is to remunerate Directors at a similar level to comparable Australasian companies, but with a small premium to reflect the complexity of the insurance/financial services sector. At the Annual Meeting in February 2004 Shareholders approved an increase in non-executive Director remuneration to a maximum of $900,000 per annum. Currently, TOWER Limited's Chairman is paid $85,000 per annum for chairing the TOWER Limited Board and $45,000 per annum for chairing the Australian Joint Board, and non-executive Directors $50,000 per annum for sitting on TOWER Limited's Board and $28,570 per annum for sitting on the Australian Joint Board. Directors are paid additional fees for sitting on Board Standing Committees. The Chairman of the Group Audit and Compliance Committee is paid $15,000 per annum and non-Executive Directors are each paid $9,000 per annum for sitting on the Committee. The Chairman of the Group Remuneration and Appointments' Committee is paid $7,500 per annum and Non-Executive Directors are each paid $5,000 per annum for sitting on the Committee. The Chairman of the Group Investment Committee is paid $7,500 per annum and non-executive Directors are each paid $5,000 per annum for sitting on the Committee. Additional fees are paid in respect of other Directorships held by TOWER Limited non-executive Directors on the Boards of other TOWER companies (currently only Dr Keith Barton is paid an additional fee for sitting on a subsidiary Board). Additional fees may be paid to non-executive Directors for one-off tasks and/or additional appointments where required, for example sitting on a Due Diligence Committee.

In return for Shareholders approving an increase to Director remuneration, the Board agreed that retirement allowances for Board Directors would cease to accrue from 1 October 2003. All Director retirement allowances accrued in respect of service to 30 September 2003 have been fixed for the relevant Directors and will be paid on retirement. A resolution to amend TOWER's Constitution in respect of the cessation of retirement allowances will be proposed to Shareholders at the next Annual Meeting in 2005.

Details of the remuneration paid to TOWER Limited Directors in the last financial year are disclosed in the table below.

2003-04 TOWER Directors' Remuneration And Benefits

TOWER LIMITED BOARD	2004 Directors' Fees	2004 Other	2003 Directors' Fees	2003 Other
Dr Keith Barton	***129,818	-	***124,114	10,474
Colin Beyer[1]	-	-	***71,593	**325,592
Lance Cottam[1]	-	-	***36,895	**204,507
Lindsay Cuming AM[1]	-	-	***44,676	**316,790
Alan Eyes[1]	33,041	**58,883	40,000	-
William Falconer	59,991	-	-	-
Anthony Gibbs	83,570	-	20,000	-
Maurice Loomes	88,117	-	-	-
Sir Colin Maiden[1]	-	-	***39,000	**238,149
Olaf O'Duill	138,558	-	***137,992	5,433
Susannah Staley	101,213	*70,857	***92,555	-
John Spencer	95,897	-	-	-
Keith Taylor[2]	-	1,100,493	-	716,923
Dr Gary Weiss	78,987	-	20,000	-
	809,192	**1,230,233**	**626,825**	**1,817,868**

1 Ceased to be a TOWER Limited Director during 2003.
2 Executive Director, is not paid Director fees.
* Includes retirement payment for service on a TOWER subsidiary Board.
** Includes retirement payment for service on the TOWER Limited Board.
*** Includes fees as a subsidiary company Director.

All Directors are required to hold TOWER Shares. The number of Shares held by each is disclosed in this report on page 14.

Executive Director and key executive remuneration

The Board's policy for remunerating the Group Managing Director and other key executives is to provide market-based remuneration packages comprising a blend of fixed and incentive-based remuneration with clear links between individual and company performance, and reward. The Group Remuneration and Appointments' Committee reviews the Group Managing Director's and other key executives' remuneration packages at least annually.

The TOWER Board has adopted a new Executive Option Scheme and has issued options to approximately 40 senior managers across the TOWER Group. These options have an exercise price of $1.53 per option, with a vesting date of 1 April 2007 and a lapse date of 31 March 2010. The options may only be exercised if a hurdle of a 10% per annum compounding increase in the TOWER Share price less any distributions is achieved.

The sole executive Director is Keith Taylor, the Group Managing Director. The Board set Mr Taylor's remuneration package in 2003 and his remuneration package has not changed. Mr Taylor's base annual remuneration is $750,000, with a target bonus of 60% of base annual remuneration based on the attainment of quantitative and qualitative targets. On termination of Mr Taylor's employment for any reason (other than for cause), he will receive six months' notice plus 18 months' base remuneration.

The Board considers it crucial that Mr Taylor has an effective equity-based incentive and reward component to his remuneration package. At the Annual Meeting in February 2004, Shareholders gave their approval to issue Mr Taylor 1.5 million options to purchase that number of ordinary TOWER Shares, at an exercise price of $1.39 per option, with a vesting date of 30 September 2005 and a lapse date of 29 September 2006.

Mr Taylor does not receive Director fees from any TOWER company. His remuneration package compensates him for those Directorships.

During the financial year, the top executives of the TOWER Group were paid the following remuneration:

2003-04 REMUNERATION OF TOP EXECUTIVES

Name and Position	Base Salary	Bonus	Other	Total
Keith Taylor – Group Managing Director	748,671	nil	*351,822	1,100,493
James Minto – Chief Executive TOWER Australia	498,176	45,091	**82,033	625,300
William Giesbers – Group Chief Financial Officer	425,000	nil	nil	425,000
Andrew Barnes – Chief Executive Australian Wealth Management	450,193	nil	nil	450,193

* One-off payment made to executives who held shares under the Executive Share Scheme established 1999. See further details contained in the table "Employee Remuneration for TOWER Limited and Subsidiaries" on page 15.
** Includes superannuation contribution and fringe benefits.

PRINCIPLE 10 RECOGNISE THE LEGITIMATE INTERESTS OF STAKEHOLDERS

Securities Commission Corporate Governance Principle 9:

The Board should respect the interests of Stakeholders within the context of the entity's ownership type and its fundamental purpose.

TOWER is committed to meeting its legal and other obligations to stakeholders, including Shareholders, employees, customers, policyholders and the wider community.

Maintaining TOWER's reputation for honesty and fairness is crucial to its success as a financial services business. The Code of Ethics is an important tool for achieving these aims as it sets out the minimum standards of conduct and behaviour TOWER expects of its Directors, executives and employees, and requires them to adhere to these standards.

TOWER recognises that public confidence in TOWER's integrity is based on continuous, full and open disclosure of information about its activities to the market and relevant stakeholders. TOWER's Corporate Disclosure Policy provides for a planned, pro-active communication programme with Shareholders and the wider investment community. TOWER believes this communication programme assists in creating a fully informed market and enhances Shareholder value.

TOWER LIMITED DISCLOSURES

Interests Register

Each company in the TOWER Group is required to maintain an Interests Register in which the particulars of certain transactions and matters involving the Directors must be recorded. The Interests Register for TOWER Limited is available for inspection on request.

Details of all matters that have been entered in the TOWER Limited Interests Register by individual Directors during the accounting period are outlined in the Director disclosures following. An "interested" Director may not vote on a matter in which he or she is interested unless the Director is required to sign a certificate in relation to that vote pursuant to the Companies Act 1993, or the matter relates to Director remuneration or benefits under section 161, or to a grant of an indemnity pursuant to section 162 of the Companies Act 1993.

Particulars entered in the TOWER Limited Interests Register

During the financial year, particulars of the following transactions were entered in the Interests Register pursuant to sections 161 and 162 of the Companies Act 1993.

- The agreements relating to the indemnities given by TOWER to Directors John Spencer, Maurice Loomes and William Falconer. By way of explanation, TOWER's Constitution includes an indemnity to all Group Directors and employees. These agreements deal with practical matters should the indemnity be called upon, such as safeguarding and access to documents, appointment of counsel and payments of amounts due.
- Remuneration packages of TOWER Limited Directors (including for service on Board Committees), in accordance with the increase to Directors' remuneration approved by Shareholders at the Annual Meeting in February 2004.
- The renewal of the Group Directors' and Officers' Liability Insurance, Professional Indemnity Insurance, Stockbrokers Professional Indemnity and Superannuation Trustees Liability Insurance cover for the benefit of Group Directors and employees.
- The payment of a retirement allowance to Alan Eyes for service as a Director of TOWER Limited.

Use of company information by Directors

No member of the Board of TOWER Limited, nor of any subsidiary, issued a notice requesting to use information received in his or her capacity as a Director which would not have otherwise been available to that Director.

Disclosures of Interests by TOWER Limited Directors

During the financial year, Directors disclosed interests, or a cessation of interest, in the following entities pursuant to section 140 of the Companies Act 1993.

Olaf O'Duill	JM Financial Group Limited	Appointed as Director
	McPhersons Limited	Resigned as Director
	Amrad Corporation Limited	Resigned as Chairman
Dr Keith Barton	RBS.RVIB.VAF Limited	Appointed as Director
William Falconer*	Hellaby Holdings Limited	Chairman
	Kiwifruit International Limited	Chairman
	Oyster Bay Marlborough Vineyards Limited	Chairman
	Restaurant Brands NZ Limited	Chairman
	Westfield Trust (NZ) Limited	Appointed as Director
	New Zealand Symphony Orchestra	Appointed as Director
	Evergreen Forests Limited	Resigned as Director
	Westgate Transport Limited	Resigned as Director
Anthony Gibbs	Guinness Peat Group Shares Limited	Appointed as Director
	Coats Holdings plc	Appointed as Director
	Tenon Limited	Appointed as Chairman
Maurice Loomes*	Canberra Investment Corporation Limited	Chairman
	Reinsurance Australia Corporation Limited	Director
	Ariadne Australia Limited	Appointed as Director
John Spencer*	Tainui Group Holdings Limited	Chairman
	National Institute for Water and Atmospheric Research	Director
	Unidata Pty Limited	Appointed as Chairman
	Triage Capital Limited	Appointed as Director
	Workbase Education Trust	Appointed as Director
Dr Gary Weiss	Capral Aluminium Limited	Appointed as Director
	Westfield Holdings Limited	Appointed as Director
	Westfield America Management Limited	Appointed as Director
	Coats plc (UK)	Appointed as Chairman
	Rubicon Limited	Resigned as Director
	Major Events Board, Premiers' Dept (NSW)	Resigned as Director
	Coats Holdings Limited	Resigned as Director

* Appointed a Director of TOWER Limited during the 2003-04 financial year.

Directors' interests and trading in TOWER securities

TOWER Limited Directors disclosed the following acquisitions and disposals of relevant interests in TOWER securities during the financial year, pursuant to section 148 of the Companies Act 1993.

Disclosure of Trading in TOWER Securities

Director	No. of Shares Acquired	No. of Shares Disposed	No. of TOWER Finance Limited Capital Notes Acquired	No. of TOWER Finance Limited Capital Notes Disposed	Consideration Paid/Received per Security ($NZ)	Date of Acquisition/ Disposition
John Spencer			30,000		$30,000	13/7/04
Keith Taylor			25,000		$25,000	6/7/04
Anthony Gibbs		6,750,166[1]			$8,910,219	5/2/04
	6,750,166[1]				$8,910,219	5/2/04
	9,530,613[1]				$12,580,409	10/2/04
	688,920[1]				$913,530	11/2/04
	1,800,000[1]				$3,132,000	19/7/04
Dr Gary Weiss		6,750,166[1]			$8,910,219	5/2/04
	6,750,166[1]				$8,910,219	5/2/04
	9,530,613[1]				$12,580,409	10/2/04
	688,920[1]				$913,530	11/2/04
	1,800,000[1]				$3,132,000	18/7/04

1 Acquired/disposed by an associated person.
No Director has an interest in any TOWER Finance Limited Capital Bonds.

The table below sets out the relevant interests in TOWER securities of Directors and Associated Persons of Directors at 30 September 2004 for the purposes of NZX Listing Rule 10.5.3.

TOWER Limited Directors' Holdings of TOWER Securities at 30 September 2004

Director	Ordinary Shares Beneficial	Ordinary Shares Jointly Held	Ordinary Shares Associated Persons	Executive Option Scheme Options (Issue 1)**	Executive Option Scheme Options (Issue 5)**	TOWER Finance Limited Capital Notes
Dr Keith Barton			70,000			
Olaf O'Duill			35,000			
William Falconer	2,155					
Anthony Gibbs	1,283		82,105,119			
Michael Jefferies[1]	4,667		82,105,119			
Maurice Loomes	5,000					
John Spencer	8,000					30,000
Susannah Staley	11,279	688	9,044			
Keith Taylor	5,567			*487,390	1,500,000	25,000
Dr Gary Weiss	1,167		82,105,119			

1 Michael Jefferies is an alternate Director for Dr Gary Weiss and Anthony Gibbs.
* These options lapsed on 31 January 2004.
** Refer Page 15.
No Director has an interest in any TOWER Finance Limited Capital Bonds.

OTHER MATTERS

Waivers granted to TOWER by NZX during the financial year

NZX requires listed companies to disclose waivers granted to them by NZX as at their balance date. TOWER Managed Funds Investments Limited (TMFI) (a subsidary of TOWER) was granted the following waivers by NZX during the financial year:

- In respect of the Australia 20 Leaders Index Fund (otherwise known as the TORTIS-OZZY Fund), a passive index group investment fund managed by TOWER Managed Funds Investments Limited.
  - from Listing Rules 3.3.1(c) to 3.3.1C in respect of the requirement for TMFI (as the manager of a listed fund) to have a minimum number of independent Directors on its Board and related requirements. These waivers were granted on the condition that an Audit Committee be established in respect of the fund.
  - from Listing Rules 3.6.2(a) (which requires an Issuer's Audit Committee to compromise solely Directors of the issuer) and 3.6.2 (c) (which requires an Audit Committee to comprise a majority of independent Directors). The waiver was granted to the extent that the TMFI Audit Committee comprise independent Directors of TOWER Limited and a Director of TOWER Managed Funds Limited (who is actively involved in the management of the TORTIS-OZZY Fund).

Limits on acquisition of securities under New Zealand law

TOWER undertook to ASX, at the time it granted TOWER a full listing (July 2002), to include the following information in its Annual Report. Except for the limitations detailed as follows, TOWER securities are freely transferable under New Zealand law.

The New Zealand Takeovers Code imposes a general rule by which an acquisition of more than 20% of the voting rights in TOWER or an increase of an existing holding to 20% or more can only occur in certain permitted ways. These include a full or a partial takeover offer in accordance with the Takeovers Code, an acquisition or an allotment approved by an ordinary resolution of Shareholders, a creeping acquisition (in defined circumstances) and compulsory acquisition once a Shareholder owns or controls 90% or more of the voting rights in TOWER.

The New Zealand Overseas Investment Act and related regulations determine certain investments in New Zealand by overseas persons. Generally, the Overseas Investment Commission's consent is required if an "overseas person" acquires TOWER Shares, or an interest in TOWER Shares, of more than 25% of total shares on issue or, if the overseas person already holds 25% or more, an increase in shareholding above that threshold. The New Zealand Government has announced that it is reviewing this area of policy.

The New Zealand Commerce Act is likely to prevent a person from acquiring TOWER Shares if the acquisition would, or would be likely to, substantially lessen competition in a market.

Corporations Act 2001 (Australia)

TOWER is not subject to Chapters 6, 6A, 6B or 6C of the Corporations Act 2001 (Australia) dealing with the acquisition of shares (such as substantial holdings and takeovers).

Rating

TOWER Limited has a Standard and Poor's rating of BB+ and an AM Best rating of BBB-.

Employee Remuneration and Share Options

Remuneration

The number of employees whose remuneration during the accounting period exceeded $100,000 (within the specified bands) is as follows:

Employee Remuneration for TOWER Limited and Subsidiaries

	2003 / 2004			2002 / 2003		
	NZ	Aust	Total	NZ	Aust	Total
1,100,000-1,109,999	1+	0	1	0	0	0
970,000-979,999	0	0	0	0	1(1)	1
910,000-919,999	1+	0	1	0	0	0
810,000-819,999	0	0	0	0	1(1)	1
800,000-809,999	1+	0	1	0	0	0
720,000-729,999	0	1(1)	1	0	0	0
710,000-719,999	0	0	0	1	0	1
680,000-689,999	0	1(1)	1	0	1(1)	1
670,000-679,999	1+	0	1	0	0	0
640,000-649,999	0	0	0	0	1(1)	1
620,000-629,999	0	1	1	0	0	0
610,000-619,999	0	0	0	0	1(1)	1
600,000-609,999	0	0	0	1	0	1
590,000-599,999	0	1	1	0	3(2)	3
580,000-589,999	0	0	0	0	1(1)	1
570,000-579,999	0	0	0	1	0	1
550,000-559,999	0	0	0	1	0	1
530,000-539,999	0	1(1)	1	0	0	0
520,000-529,999	1(1)+	0	1	0	0	0

	2003 / 2004			2002 / 2003		
	NZ	Aust	Total	NZ	Aust	Total
510,000-519,999	0	0	0	0	0	0
490,000-499,999	0	1(1)	1	0	0	0
480,000-489,999	0	0	0	0	1(1)	1
450,000-459,999	0	0	0	1	0	1
440,000-449,999	1+	0	1	0	1(1)	1
430,000-439,999	0	0	0	0	1	1
420,000-429,999	2(1)+	1	3	0	0	0
410,000-419,999	1+	2	3	0	0	0
400,000-409,999	2(1)+	0	2	0	0	0
390,000-399,999	1+	0	1	0	2(1)	2
370,000-379,999	0	0	0	0	2(2)	2
360,000-369,999	1+	1	2	1	0	1
340,000-349,999	1+	0	1	1	0	1
330,000-339,999	0	0	0	0	1(1)	1
320,000-329,999	0	0	0	1(1)	0	1
310,000-319,999	0	2(1)	2	2(1)	2(1)	4
300,000-309,999	2+	0	2	0	1(1)	1
290,000-299,999	0	0	0	2	0	2
280,000-289,999	1(1)	1	2	0	2(2)	2

	2003 / 2004			2002 / 2003		
	NZ	Aust	Total	NZ	Aust	Total
270,000-279,999	3(2)+	2	5	1	5(4)	6
260,000-269,999	3+	1	4	0	1(1)	1
250,000-259,999	4+	4	8	1	2(1)	3
240,000-249,999	2	1	3	1	3(2)	4
230,000-239,999	1	2(1)	3	1	1	2
220,000-229,999	3+	3	6	1	0	1
210,000-219,999	2+	3(1)	5	1	3(1)	4
200,000-209,999	2+	4(1)	6	3	1(1)	4
190,000-199,999	4(1)+	10(2)	14	2(1)	11(8)	13
180,000-189,999	6(2)+	4(1)	10	3	6(2)	9
170,000-179,999	6+	5(1)	11	6	10(2)	16
160,000-169,999	1(1)	10(2)	11	3	11(3)	14
150,000-159,999	4(2)	11(1)	15	5	13(3)	18
140,000-149,999	2(1)+	10(5)	12	7	21(5)	28
130,000-139,999	7+	11(1)	18	12(1)	13	25
120,000-129,999	15(1)+	15	30	10(1)	24(7)	34
110,000-119,999	20+	23(1)	43	11	25(4)	36
100,000-109,999	17(2)+	18(1)	35	16	38(7)	54
TOTAL:	**119**	**149**	**269**	**96**	**209**	**305**

\+ During the year some New Zealand Group companies made a one-off payment to their executives who held shares under the Executive Share Scheme established in 1999. The executives had a loan from TOWER to pay for TOWER Shares held under the Scheme. When the Scheme was terminated, the proceeds from the sale of the Scheme Shares were insufficient to repay the loan. The executives used the one-off payment to pay TOWER the outstanding loan balance. These one-off payments were treated as remuneration and are included in the table above. As a result the remuneration figures for New Zealand are inflated and are not directly comparable with those for last year. Fifty-two executives identified above were paid this one-off payment.

( ) Number in brackets indicates the number of employees whose remuneration includes retirement/termination payments.

Note: The remuneration bands are expressed in NZ dollars with the columns for Australia converted at the closing exchange rate of 0.8871 (30/09/04: 0.9348). Therefore remuneration paid to Australian employees above A$88,710 (30/09/03: A$93,480) is included in the table.

Share Options

The Board established a new Executive Share Option Plan during the year to replace the previous plan established in 1999. Under the terms of the new Plan, the Board can grant options to acquire TOWER Shares to eligible executives up to certain annual limits. The options cannot be exercised by the executives until at least three years after they are granted and until the performance hurdle (relating to TOWER's Share price performance) set by the Board is met. As at 1 December, 40 executives (excluding the Group Managing Director) have been granted a total of 11.4 million options by the Board. These options cannot be exercised until 1 April 2007 and then only if the performance hurdle has been achieved.

In accordance with Shareholder approval granted at the Annual Meeting in February 2004, the Board granted Keith Taylor 1.5 million options to acquire that number of TOWER Shares. These options cannot be exercised by Mr Taylor until 30 September 2005.

Terms of issue:	Executive Option Scheme (1999)					Executive Share Option Plan (2004)	
	Issue 1	Issue 2	Issue 3	Issue 4	Issue 5[1]	Issue 1	
Date of issue	1/10/99	24/7/00	6/12/00	20/8/02	27/2/04	6/4/04	
Expiry date	1/10/08	24/7/09	6/12/09	1/10/04	29/9/05	31/3/10	
Issue price	NZ$5.65	NZ$5.21	NZ$5.05	NZ$4.05	NZ$1.39	NZ$1.53	
Outstanding options at 30 September 2003	**2,285,535**	**47,985**	**2,128,672**	**200,000**	**-**	**-**	
Options issued	-	-	-	-	1,500,000	11,400,000	
Options exercised	-	-	-	-	-	-	
Options lapsed*	(2,285,535)	(47,985)	(2,089,069)	(200,000)	-	(100,000)	
Outstanding options at 30 September 2004	**0**	**0**	**39,603**	**0**	**1,500,000**	**11,300,000**	**12,839,603**
Number of executives granted options	24	1	43	1	1	41	

* The Board resolved to advance the expiry date for options issued under the Executive Option Scheme (1999) to 31 January 2004 where an option holder consented.

1 Options issued to Keith Taylor pursuant to Shareholder approval given at the Annual Meeting in February 2004.

Shareholder Analysis

TOWER's Shares are quoted on ASX and NZX. As at 30 November 2004 44,448 TOWER Shareholders held fewer than A$500 of TOWER Shares.

Capital Bond Holders

The total number of holders of Capital Bonds as at 30 November 2004 was 4,883.

Capital Note Holders

The total number of holders of Capital Notes as at 30 November 2004 was 2,718.

TOWER Securities

Voting rights attached to each class of TOWER equity security are: ordinary shares = one vote each; Capital Bonds = no vote; Capital Notes = no vote; options to acquire ordinary Shares = no vote.

Substantial Security Holders

As at 30 November 2004, the following security holder had given notice pursuant to section 26 of the Securities Markets Act 1988 that it is a substantial holder in TOWER and holds a "relevant interest" in the number of securities noted:

Guinness Peat Group plc (Ithaca (Custodians) Limited) and Guinness Peat Group Shares Limited 82,105,119 ordinary shares: 19.91%;

Principal Shareholders

The names and holdings of the 20 largest registered TOWER Shareholders are shown in the table below.

2003-04 Shareholders Statistics

Domicile	No. of Holders	Percentage	No. of Shares	Percentage
New Zealand	78,929	67.85	260,490,763	63.15
Australia	36,164	31.10	148,902,780	36.12
Other countries	1,205	1.05	3,024,665	0.73
Total	**116,298**	**100.00**	**412,418,208**	**100.00**
Size of Holdings	No. of Holders	Percentage	No. of Shares	Percentage
1 - 1,000	83,145	71.49	25,924,232	6.29
1,001 - 5,000	25,819	22.20	53,115,858	12.88
5,001 - 10,000	3,729	3.21	24,612,627	5.97
10,001 - 100,000	3,357	2.89	72,356,853	17.54
100,001 and over	248	0.21	236,408,638	57.32
Total	**116,298**	**100.00**	**412,418,208**	**100.00**

Principal Shareholders

	Ordinary Shares	% of Issued Capital
Ithaca (Custodians) Limited	75,354,953	18.27
National Nominees Limited	20,133,007	4.88
J P Morgan Nominees Australian Limited	17,232,503	4.18
National Nominees New Zealand Limited	11,767,923	2.85
Citibank Nominees (New Zealand) Limited	8,403,075	2.04
Guinness Peat Group Shares Limited	6,750,166	1.64
IAG Nominees Pty Limited	6,660,115	1.62
Westpac Banking Corporation	6,574,863	1.59
Citicorp Nominees Pty Limited	2,647,044	0.64
ANZ Nominees Limited – Australia	2,630,029	0.64
Perpetual Trustee Company Limited	2,500,000	0.61
ANZ Nominees Limited – New Zealand	2,346,105	0.57
Cogent Nominees Pty Limited	2,107,882	0.51
AMP Superannuation Tracker Fund	2,007,613	0.49
Tricom Nominees Pty Limited	1,847,726	0.45
Asteron Life Limited	1,563,500	0.38
Custodial Services Limited	1,549,012	0.38
Leveraged Equities Custodians Limited	1,400,147	0.34
TOWER Trust Limited	1,358,222	0.33
Pan Australian Nominees Pty Limited	1,334,152	0.32

TOWER Subsidiary Company Director Disclosures

The following persons held office as Directors of TOWER subsidiaries at 30 September 2004. (R) denotes a Director who retired during the accounting period. (A) denotes an Alternate Director.

TOWER Financial Services Group Ltd – Dr Keith Barton, Olaf O'Duill, Susannah Staley, Keith Taylor, Dr Gary Weiss, Anthony Gibbs, Maurice Loomes, John Spencer, William Falconer, Alan Eyes (R)

TOWER Corporation Holdings Ltd – Dr Keith Barton, Olaf O'Duill, Susannah Staley, Keith Taylor, Dr Gary Weiss, Anthony Gibbs, Maurice Loomes, John Spencer, William Falconer, Alan Eyes (R)

TOWER Finance Ltd – Dr Keith Barton, Olaf O'Duill, Susannah Staley, Keith Taylor, Dr Gary Weiss, Anthony Gibbs, Maurice Loomes, John Spencer, William Falconer, Alan Eyes (R)

TOWER Life Ltd – Dr Keith Barton, Olaf O'Duill, Susannah Staley, Keith Taylor, Dr Gary Weiss, Anthony Gibbs, Maurice Loomes, John Spencer, William Falconer, Paul Hunt (R), William Giesbers (R), Paul Bevin (R), Alan Eyes (R)

TOWER Insurance Group Ltd – Keith Taylor, Philippa Ellis, William Giesbers

TOWER Marketing Ltd – Keith Taylor, Philippa Ellis, William Giesbers

National Pacific Corporation Ltd – Keith Taylor, Philippa Ellis, William Giesbers

Financial Telephone Services Ltd – Keith Taylor, Philippa Ellis, William Giesbers

TOWER New Zealand Ltd – Keith Taylor, Philippa Ellis, William Giesbers

Castle No. 1 Ltd – Keith Taylor, Philippa Ellis, William Giesbers

TOWER Finance (Capital Bonds) Ltd – Keith Taylor, Philippa Ellis, William Giesbers

TOWER Group Network Ltd – Keith Taylor, Philippa Ellis, William Giesbers, Edwin Saul (R), Geoffrey Herborn (R)

Climax Group Ltd – Keith Taylor, Philippa Ellis, William Giesbers

Massey North Developments Ltd – Keith Taylor, Philippa Ellis, William Giesbers

TOWER Bourke Street Ltd – Keith Taylor, Philippa Ellis, William Giesbers

Latvian Finance Ltd – Keith Taylor, Philippa Ellis, William Giesbers

Bayfair Developments Ltd – Keith Taylor, William Giesbers, Paul Bevin, Philippa Ellis (R)

TOWER Insurance (China) Ltd – Keith Taylor, Philippa Ellis, William Giesbers, Geoffrey Herborn (R)

Millison Holdings Ltd – Keith Taylor, Philippa Ellis, William Giesbers

TOWER Asset Management Ltd – Paul Bevin, Keith Taylor, William Giesbers, Barry Glover (R), Olaf O'Duill (R)

TOWER Managed Funds Investments Ltd – William Giesbers, Paul Bevin, Anthony Hildyard, Simon Brodie, Richard Baker (R), Paul Hunt (R), Keith Taylor (R), Philippa Ellis (R)

TOWER Managed Funds Ltd – William Giesbers, Paul Bevin, Simon Brodie, Anthony Hildyard, Richard Baker (R), Keith Taylor (R), Paul Hunt (R), Philippa Ellis (R)

TOWER Employee Benefits Ltd – William Giesbers, Paul Bevin, Simon Brodie, Anthony Hildyard, Paul Hunt (R), Keith Taylor (R), Richard Baker (R), Philippa Ellis (R)

TOWER Life (N.Z.) Ltd – William Giesbers, Paul Hunt, Keith Taylor, John Smeed, Richard Baker (R)

TOWER Health & Life Ltd – Paul Hunt, Keith Taylor, William Giesbers, John Smeed

TOWER Medical Insurance Ltd – Paul Hunt, John Smeed, William Giesbers, Keith Taylor (R)

National Insurance Life & Health Ltd – William Giesbers, John Smeed, Paul Hunt

Portfolio Administration Services Ltd – Paul Bevin, Kerry McNae, William Giesbers, Paul Hunt, Fiona Neems (R)

TOWER Finance and Investments Ltd – Keith Taylor, William Giesbers, Philippa Ellis

TOWER Option Scheme Ltd – William Giesbers, Philippa Ellis

TOWER Insurance Ltd – Paul Hunt, Keith Taylor, William Giesbers, John Smeed

The National Insurance Company of New Zealand Ltd – Keith Ingram, Paul Hunt, John Smeed, Roger Warburton, Paul Hunt, Colin Taylor (R)

Southern Cross Marine Insurance Ltd – Paul Hunt, Roger Warburton, Keith Ingram, Wayne Beilby, Terry Coleman (R), Colin Taylor (R)

TOWER Insurance (PNG) Ltd – Paul Hunt, Roger Warburton, Keith Ingram, Wayne Beilby, Garth McIlwain, Colin Taylor (R), Fr. Barry Hanson (R)

Natinsur (PNG) Pty Ltd – Paul Hunt, Roger Warburton, Keith Ingram, Wayne Beilby, Terry Coleman (R), Colin Taylor (R)

GPG Insurance Ltd – Paul Hunt, Roger Warburton, Keith Ingram, Wayne Beilby, Terry Coleman (R), Colin Taylor (R)

TOWER Insurance (Cook Islands) Ltd – Paul Hunt, Roger Warburton, Keith Ingram, Colin Taylor (R)

National Insurance Holdings Ltd – Paul Hunt, Roger Warburton, Keith Ingram, Paul Absell, Colin Taylor (R)

TOWER Insurance (Fiji) Ltd – Paul Hunt, Roger Warburton, Keith Ingram, Paul Absell, Colin Taylor (R)

Southern Pacific Insurance Company (Fiji) Ltd – Paul Hunt, Roger Warburton, Keith Ingram, Paul Absell, Colin Taylor (R)

TOWER Holdings (Australia) Pty Ltd – Dr Keith Barton, Olaf O'Duill, Susannah Staley, Keith Taylor, Dr Gary Weiss, Anthony Gibbs, Maurice Loomes, John Spencer, William Falconer, Neal Smylie (R), Geoffrey Herborn (R)

TOWER Group (Australia) Pty Ltd – Dr Keith Barton, Olaf O'Duill, Susannah Staley, Keith Taylor, Dr Gary Weiss, Anthony Gibbs, Maurice Loomes, John Spencer, William Falconer, Neal Smylie (R), Geoffrey Herborn (R)

TOWER Australia Ltd – Dr Keith Barton, Olaf O'Duill, Susannah Staley, Keith Taylor, Dr Gary Weiss, Anthony Gibbs, Maurice Loomes, John Spencer, William Falconer, James Minto (R), Barry Glover (R)

TOWER Adelaide Pty Ltd – Keith Taylor, William Giesbers, Andrew Barnes, Neal Smylie, Geoffrey Herborn (R)

TOWER Risk & Investment Management Ltd – Keith Taylor, John de Zwart, John Stanbridge, James Minto, William Giesbers, Geoffrey Herborn (R)

TOWER Asset Management Ltd – Paul Bevin, Neal Smylie, William Giesbers, Andrew Barnes, Geoffrey Herborn (R), Keith Taylor (R)

TOWER Managed Funds Ltd – John de Zwart, John Stanbridge, James Minto, Lee Sullivan

TOWER Adviser Services Ltd – Lee Sullivan, John de Zwart, James Minto, Stephen Robertson (R)

Pivotal Financial Advisers Ltd – James Minto, John de Zwart, John Stanbridge, Stephen Murray, Stephen Robertson (R), Kenneth Brewer (R)

Andric Pty Ltd – James Minto, William Giesbers, Keith Taylor, Lee Sullivan, Geoffrey Herborn (R)

Lymquoir Pty Ltd – Lee Sullivan, Neal Smylie, William Giesbers, Philippa Ellis (R), Geoffrey Herborn (R), Keith Taylor (R)

TOWER Financial Consultants Pty Ltd – John de Zwart, James Minto, Lee Sullivan

TOWER Life Properties Pty Ltd – James Minto, Lee Sullivan, John de Zwart

TOWER Victoria Ltd – Neal Smylie, William Giesbers, Andrew Barnes, Keith Taylor (R), Geoffrey Herborn (R)

TOWER Direct Pty Ltd – James Minto, Lee Sullivan, John de Zwart

AdviserBLUE Pty Ltd – James Minto, Lee Sullivan, William Giesbers, Geoffrey Herborn (R)

TOWER eCommerce Pty Ltd – James Minto, William Giesbers, Geoffrey Herborn (R)

TOWER Group Network (Australia) Pty Ltd – James Minto, William Giesbers, Lee Sullivan, Geoffrey Herborn (R), Stephen Pitt (R)

TOWER Distribution Management Ltd – Lee Sullivan, John de Zwart, James Minto, Keith Taylor (R), Geoffrey Herborn (R)

TOWER CU Alliance Pty Ltd – Keith Taylor, Reginald Fowler (Christopher Wren (A)), Andrew Barnes, David Bleakley (R), John O'Shaughnessy (R), James Minto (R)

TOWER CU Financial Services Pty Ltd – Keith Taylor, Christopher Wren, Reginald Fowler, Andrew Barnes, David Bleakley (R), John O'Shaughnessy (R), James Minto (R)

Lighthouse (Australia) Ltd – James Minto, David Callander, John de Zwart, Stephen Netting (R)

TOWER Staff Superannuation Ltd – James Minto, Simon Harris, David Morrow, Anne O'Keefe, Carolyn Field (R), Barry Glover (R), Kok Boon (R)

TOWER Superannuation Pty Ltd – James Minto, Mark Sheldon, David Callander, John de Zwart, John Stanbridge

TOWER Australian Superannuation Ltd – Mark Sheldon, David Callander, John de Zwart, John Stanbridge, James Minto

FAI Life Ltd – William Giesbers, James Minto, Keith Taylor, John de Zwart, Lee Sullivan, Geoffrey Herborn (R)

TOWER Rollover Services Pty Ltd – James Minto, John de Zwart, Lee Sullivan, Keith Taylor (R), Geoffrey Herborn (R)

Bridges Financial Services Group Pty Ltd – Andrew Barnes, Reginald Fowler (Christopher Wren (A)), John Prescott, Peter Timmins, Keith Taylor, Dr Keith Barton, David Bleakley (R), Graham Buckeridge (R), Geoffrey Herborn (R)

Bridges Financial Services Pty Ltd – Andrew Barnes, Christopher Wren, Keith Taylor, Alexander Hutchison, David Bleakley (R), Graham Buckeridge (R)

Bridges Service Co Pty Ltd – Andrew Barnes, Christopher Wren, Keith Taylor, David Bleakley (R)

Questor Financial Services Ltd – Andrew Barnes, Christopher Wren, Neal Smylie, Keith Taylor, David Bleakley (R)

Bridges Nominee Pty Ltd – Keith Taylor, Andrew Barnes, Christopher Wren, David Bleakley (R)

Cigar Nominee Pty Ltd – Andrew Barnes, Keith Taylor, David Bleakley (R)

Australian Equitable Insurance Company Pty Ltd – Neal Smylie, William Giesbers, Andrew Barnes, Keith Taylor (R), Geoffrey Herborn (R)

Southern Pacific Insurance Company Pty Ltd – Neal Smylie, William Giesbers, Andrew Barnes, Keith Taylor (R), Geoffrey Herborn (R)

Pacific Developments Pty Ltd – William Giesbers, Andrew Barnes, Neal Smylie, Keith Taylor (R), Geoffrey Herborn (R)

Oris Funds Management Ltd – Lee Sullivan, James Minto, John de Zwart

Financial Services Partners Pty Ltd – James Minto, John de Zwart

TOWER Trust Ltd – Andrew Barnes, Paul Teisseire, Keith Taylor (William Giesbers (A)), Peter Lewinsky, Neal Smylie (R), Richard England (R)

Executor Trustee Australia Ltd – Andrew Barnes, Peter Lewinsky, Paul Teisseire, Keith Taylor (William Giesbers (A)), Richard England (R), Neal Smylie (R)

TOWER Trust (SA) Ltd – Andrew Barnes, Peter Lewinsky, Paul Teisseire, Keith Taylor (William Giesbers (A)), Richard England (R), Neal Smylie (R)

TOWER Trust (NSW) Ltd – Andrew Barnes, Robert Tobias, John Strahl, Geoffrey Herborn (R)

TOWER Trust (Canberra) Ltd – Paul Teisseire, Keith Taylor (William Giesbers (A)), Andrew Barnes, Peter Lewinsky, Richard England (R), Neal Smylie (R)

Bagot's Executor and Trustee Company Ltd – Paul Teisseire, Keith Taylor (William Giesbers (A)), Andrew Barnes, Peter Lewinsky, Richard England (R), Neal Smylie (R)

Bagots Nominees Pty Ltd – Andrew Barnes, Paul Teisseire, Keith Taylor (William Giesbers (A)), Peter Lewinsky, Richard England (R), Neal Smylie (R)

Beacon Investment Management Services Ltd – James Minto, John de Zwart, Kevin Wyld

TOWER Austrust Building Pty Ltd – Andrew Barnes, Keith Taylor (William Giesbers (A)), Geoffrey Herborn (R)

Australian Wealth Management Ltd – Keith Taylor, William Giesbers, James Minto, Andrew Barnes

Disclosure of interest by TOWER subsidiary company Directors

During the financial year, subsidiary company Directors disclosed interests in the following entities pursuant to section 140 of the Compaines Act 1993.

PJ Lewinsky

Director – Redflex Holdings Ltd, Western Health, Vital Capital Ltd, Dalsey Pty Ltd.

TOWER Subsidiary Company Directors' Remuneration and Benefits

	2004 Directors' Fees	2004 Other Fees	2003 Directors'	2003 Other
Graeme Buckeridge	19,593	-	45,344	13,415
Richard England	10,059	*144,430	64,841	5,836
Reginald Fowler	73,272	**157,818	63,365	234,768
Garth McIlwain	1,500	-	-	-
Alex Hutchison	-	**310,177	-	-
Peter Lewinsky	40,755	-	-	-
Fr. Barry Hanson	1,500	-	-	-
John Prescott	57,773	-	43,868	6,093
John Strahl	1,675	-	-	-
Robert Tobias	1,675	-	-	-
Paul Teisseire	62,260	-	44,718	4,025
Peter Timmins	68,341	-	43,868	15,232
	338,403	**612,425**	**306,004**	**279,369**

* includes retirement payment
** Includes fees paid as a consultant/contractor

Donations

During the financial year, the TOWER Group paid NZ$37,661 in donations to various charities and organisations.

Annual Meeting of TOWER Limited Shareholders

TOWER Limited's Annual Meeting of Shareholders will be held at Ellerslie Convention Centre, Auckland, New Zealand on Thursday 10 February 2005.

The Board is committed to the highest standards of oversight, accountability and management for the Group

2004 TOWER DIRECTORY

TOWER Limited
(incorporated in Wellington, New Zealand)

Directors
(refer page 11)

Registered Office
Level 5, 50-64 Customhouse Quay,
PO Box 352, Wellington,
New Zealand
Telephone: +64 4 472 6059
Facsimile: +64 4 498 7903
Website: www.towerlimited.com

Registered Office – Australia
80 Alfred Street, PO Box 142,
Milsons Point, Sydney, NSW 2061,
Australia
Telephone: +61 2 9448 9000
Facsimile: +61 2 9448 9100

Group Managing Director
KB (Keith) Taylor BSc, BCA, FIA, FIAA

Group Chief Financial Officer
WL (William) Giesbers CA, ACIS, ANZIM

General Manager Investor Relations and Corporate Services
PC (Philippa) Ellis BSc, BCom

Auditor
PricewaterhouseCoopers

Bankers
Bank of New Zealand

Solicitors
Phillips Fox

Share Registry
Computershare Investor Services Limited
New Zealand
Telephone: +64 9 488 8777
Australia
Telephone: +61 3 9615 5970

TOWER Australia Limited

Head Office
80 Alfred Street, PO Box 142,
Milsons Point, Sydney, NSW 2061,
Australia
Telephone: +61 2 9448 9000
Facsimile: +61 2 9448 9100

TOWER New Zealand

TOWER Managed Funds Limited
Head Office
Level 5, 50-64 Customhouse Quay,
PO Box 590, Wellington, New Zealand
Telephone: +64 4 439 4300
Freephone: 0800 4 TOWER
(0800 486 937)
Facsimile: +64 4 498 7919
Website: www.tower.co.nz

TOWER Asset Management Limited
Head Office
Level 5, 50-64 Customhouse Quay,
PO Box 590, Wellington, New Zealand
Telephone: +64 4 439 4399
Facsimile: +64 4 498 7917

TOWER Insurance Limited
Head Office
Level 1, 67-73 Hurstmere Road,
PO Box 33144, Takapuna,
Auckland, New Zealand
Telephone: +64 9 486 9340
Freephone: 0800 808 808
Facsimile: +64 9 486 9368
Website: www.tower.co.nz

TOWER Health & Life Limited
Head Office
Level 4, 46 Parnell Road,
PO Box 5048, Wellesley Street,
Auckland, New Zealand
Telephone: +64 9 306 6800
Freephone: 0800 GOT TOWER
(0800 754 754)
Facsimile: +64 9 306 6801
Website: www.tower.co.nz

Australian Wealth Management

Bridges Financial Services Group Pty Limited
Head Office
80 Alfred Street,
Milsons Point, Sydney,
NSW 2061,
Locked Bag 800,
Milsons Point, NSW 1565, Australia
Telephone: +61 2 9028 1000
Facsimile: +61 2 9028 1028

TOWER Trust Limited
Head Office
44 Pirie Street, Adelaide,
South Australia, Australia
Telephone: +61 8 8218 4911
Freecall: 1800 882 218
Facsimile: +61 8 8218 4999
Website: www.towertrust.com.au

TOWER

FINANCIAL STATEMENTS

2004

FOR THE YEAR ENDED 30 SEPTEMBER 2004

TOWER LIMITED

PricewaterhouseCoopers
113 – 119 The Terrace
PO Box 243
Wellington, New Zealand
Telephone +64 4 462 7000
Facsimile +64 4 462 7001
www.pwc.com/nz

Auditors' Report to the shareholders of TOWER Limited

We have audited the financial statements on pages 1 to 36. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 September 2004 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 5 to 11.

Directors' Responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements which give a true and fair view of the financial position of the Company and Group as at 30 September 2004 and their financial performance and cash flows for the year ended on that date.

Auditors' Responsibilities

We are responsible for expressing an independent opinion on the 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 financial statements.
It also includes assessing:

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

(b) whether the accounting policies are appropriate to the circumstances of the Company and 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 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 financial statements.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacities as auditors, tax advisors and providers of other 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 financial statements on pages 1 to 36:

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

  (ii) give a true and fair view of the financial position of the Company and Group as at 30 September 2004 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 16 November 2004 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants

Wellington

CONSOLIDATED STATEMENTS OF FINANCIAL PERFORMANCE

FOR THE YEAR ENDED 30 SEPTEMBER 2004

	Note	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Net premium income	1	478,591	447,286	-	-
Investment income	2	393,452	223,764	7,347	(219,824)
Fee and other income	3	175,139	167,082	-	-
Total operating revenue		**1,047,182**	**838,132**	**7,347**	**(219,824)**
Payments to policyholders	4	282,026	293,347	-	-
Change in policyholder liabilities	5	177,266	26,136	-	-
Management and sales expenses	6	450,077	460,171	3,225	3,132
Amortisation of goodwill and intangibles	10	6,749	148,562	-	-
Investment expenses		9,611	11,503	-	-
Total operating expenses		**925,729**	**939,719**	**3,225**	**3,132**
Operating surplus/(deficit) before financing costs		**121,453**	**(101,587)**	**4,122**	**(222,956)**
Financing costs	6	(16,244)	(31,025)	-	-
Surplus/(deficit) before taxation		**105,209**	**(132,612)**	**4,122**	**(222,956)**
Taxation expense/(credit)	7	50,473	16,234	(868)	1,174
Net surplus/(deficit)		**54,736**	**(148,846)**	**4,990**	**(224,130)**
Net surplus attributable to minority interests	18	(143)	(11)	-	-
Net surplus/(deficit) attributable to Shareholders		**54,593**	**(148,857)**	**4,990**	**(224,130)**

		NZ cents	**NZ cents**
Earnings per Share	31	13.37	(74.48)

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

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

AS AT 30 SEPTEMBER 2004

	Note	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Cash		37,523	34,186	107	2
Accounts receivable	8	245,685	210,965	403,759	378,120
Fixed interest securities	9	2,166,625	2,272,251	-	-
Equity securities	9	1,451,824	1,447,345	-	-
Property investments	9	333,730	259,053	-	-
Other investments	9	467,347	448,416	441,717	441,717
Taxation receivable		60,471	90,401	1,182	17,263
Other current assets		12,116	6,468	-	-
Property, plant and equipment	13	88,599	110,057	-	-
Deferred tax benefit	7	11,769	42,029	-	-
Goodwill and intangibles	10	72,539	83,211	-	-
Total assets		**4,948,228**	**5,004,382**	**846,765**	**837,102**
Accounts payable	14	391,550	361,005	1,186	913
Bank overdraft and senior debt	15	10,610	86,155	-	-
Insurance provisions	16	237,448	222,125	-	-
Other liabilities	17	29,281	29,442	-	-
Policyholder liabilities	5	3,282,940	3,420,987	-	-
Capital Bonds/Notes	15	200,000	125,000	-	-
Total liabilities		**4,151,829**	**4,244,714**	**1,186**	**913**
NET ASSETS		**796,399**	**759,668**	**845,579**	**836,189**
Represented by:					
Equity share capital	18	1,040,340	981,186	1,040,340	1,035,940
Retained earnings	18	(157,322)	(173,169)	(194,761)	(199,751)
Reserves	18	(94,274)	(48,386)	-	-
Minority interests	18	7,655	37	-	-
SHAREHOLDERS' EQUITY		**796,399**	**759,668**	**845,579**	**836,189**

	NZ $	**NZ $**
Net asset backing per Share.	1.93	1.90
Gearing[1]	20.91%	21.75%

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

The financial statements were approved for issue by the Board on 16 November 2004.

Chairman

Director

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

CONSOLIDATED STATEMENTS OF MOVEMENTS IN EQUITY

FOR THE YEAR ENDED 30 SEPTEMBER 2004

		Group		Company	
	Note	2004 NZ$000	2003 NZ$000	2004 NZ$000	2003 NZ$000
Net surplus/(deficit) for the year, comprising:					
Parent Shareholders' interest		54,593	(148,857)	4,990	(224,130)
Minority interests	18	143	11	-	-
		54,736	**(148,846)**	**4,990**	**(224,130)**
Other recognised revenue and expenses					
Movement in foreign currency translation reserve		(45,888)	(6,015)	-	-
Total recognised revenue and expenses		**8,848**	**(154,861)**	**4,990**	**(224,130)**
Sale of treasury stock		16,008	-	-	-
Shares issued	18	4,400	199,968	4,400	199,968
Sale of rights issued on holdings in TOWER Limited Shares	18	-	2,722	-	-
Reclassification of holdings in TOWER Limited Shares	18	-	(54,754)	-	-
Minority interests	18	7,475	-	-	-
Movements in equity for the year		**36,731**	**(6,925)**	**9,390**	**(24,162)**
Opening equity					
Parent Shareholders' interest		759,631	766,567	836,189	860,351
Minority interests		37	26	-	-
		759,668	**766,593**	**836,189**	**860,351**
Equity at end of year, comprising:					
Parent Shareholders' interest		788,744	759,631	845,579	836,189
Minority interests		7,655	37	-	-
		796,399	**759,668**	**845,579**	**836,189**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 SEPTEMBER 2004

	Note	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from/(applied to):					
Premiums received		962,240	806,314	-	-
Interest received		121,012	135,870	556	2,309
Dividends received		52,765	40,182	-	-
Investment income		53,388	24,025	-	-
Non-life company operating income		166,565	157,367	-	-
Payments to policyholders		(923,951)	(824,467)	-	-
Payments to suppliers and employees		(468,917)	(414,958)	(2,952)	(3,251)
Interest paid		(13,130)	(25,801)	-	-
Income taxation received/(paid)		12,684	(23,819)	868	(4,444)
Net cash flow from operating activities	21	**(37,344)**	**(125,287)**	**(1,528)**	**(5,386)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from/(applied to):					
Sale of investments[1]					
Fixed interest		37,196	15,610	-	-
Property		(53,503)	236	-	-
Equities		60,071	132,992	-	-
Disposal of subsidiary		-	24,334	-	-
(Purchase)/sale of property, plant and equipment		(5,173)	(15,747)	-	-
Net cash flow from investing activities		**38,591**	**157,425**	-	-
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from/(applied to):					
Issue of equity share capital		-	202,690	-	202,690
Issue of Capital Notes	15	75,000	-	-	-
Borrowings (repaid)		(78,729)	(305,977)	-	-
Borrowings received		-	79,189	-	-
Sale of treasury stock		12,031	-	-	-
Net advances to subsidiaries		-	-	1,633	(198,727)
Net cash flow from financing activities		**8,302**	**(24,098)**	**1,633**	**3,963**
Net increase/(decrease) in cash held		**9,549**	**8,040**	**105**	**(1,423)**
Cash at beginning of year		27,220	19,330	2	1,425
Effect of exchange rate change on foreign currency balance		(1,306)	(150)	-	-
Cash at end of year		**35,463**	**27,220**	**107**	**2**
Comprising:					
Cash at bank		37,523	34,186	107	2
Bank overdraft	15	(2,060)	(6,966)	-	-
Cash at end of year		**35,463**	**27,220**	**107**	**2**

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 the sales are immaterial.

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

REPORTING ENTITY

The financial statements for the 'Company' are for TOWER Limited as a separate legal entity. The consolidated financial statements for the 'Group' are for the economic entity comprising TOWER Limited and it's subsidiaries.

BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with the New Zealand Companies Act 1993 and the Financial Reporting Act 1993.
The financial statements are based on the general principles of historical cost accounting, modified by the revaluation of certain assets and liabilities as stated in the specific accounting policies below.

SPECIFIC ACCOUNTING POLICIES

Basis of Consolidation

The Group financial statements include the financial statements of TOWER and all of its subsidiary companies which have been consolidated using the purchase method. The results of any subsidiaries acquired during the year are consolidated from the effective dates of acquisition.
Subsidiaries of the life insurance companies have been consolidated in accordance with Financial Reporting Standard 34 "Life Insurance Business". The difference between the net assets of those subsidiaries and their fair value is recorded in the Group Statement of Financial Position as "Excess of Directors' valuation over net tangible assets".
Where the holding company ceases to be a life insurer, the difference between the subsidiary's net assets and the subsidiary's fair value as at that date is analysed between goodwill and intangible assets, and these amounts are amortised over the following periods:

- Intangible assets 12 - 15 years
- Goodwill 3 - 20 years

The principal trading subsidiary companies are detailed in Note 11 Subsidiary Companies.
All intercompany transactions and balances are eliminated on consolidation.

Investments in Subsidiaries

Life company subsidiaries are recorded at net market value. The net market value of investments in subsidiaries is determined on a Company by Company basis according to the method assessed by the Directors to be the most appropriate to the underlying business of the subsidiary and having regard to its individual circumstances.
Companies that are not subsidiaries of life companies are carried at amortised cost.

Valuation of Investments

Investment assets included in the financial statements are recorded at net market value as determined by the financial markets where such values are readily ascertainable. For some asset categories, where market values cannot be so determined, specific valuation procedures have been adopted as detailed below. All valuations are at the reporting date.
Properties owned by the life companies are shown at net market value, supported by an independent valuation. The properties are valued six monthly.

Investment Income

Dividends, property income, interest, realised gains/losses and unrealised gains/losses on investment assets are brought to account in the Statement of Financial Performance as follows:

Dividends

Dividends are recorded as income at the date the shares become "ex-dividend".

Property Income

Property income is recognised on an accrual basis.

Interest Income

Interest income is recognised on an accrual basis.

Realised Gains/Losses on Investment Assets

Realised gains/losses on investment assets represent the difference between the carrying amount and the sale price which are brought to account through the Statement of Financial Performance.

Unrealised Gains/Losses on Investment Assets

Unrealised gains/losses on investment assets are brought to account through the Statement of Financial Performance.
For those investments purchased in the current financial year, unrealised gains/losses on investment assets represent the difference between the purchase price and the market value at the end of the year. For those investments purchased in previous years, unrealised gains/losses are the difference between market value at the beginning and end of the current financial year.

Premium Income

Premiums on life insurance business are separated into their revenue and deposit components. Only those amounts earned by providing services and bearing risks are treated as revenue. Other premium amounts received are similar to deposits and are recognised as an increase in policy liabilities. Where it is not practicable to split out the two components all premiums have been recognised as revenue. Where policies provide for the payment of amounts of premiums on specific due dates, such premiums are recognised as revenue when due. Unpaid premiums are recognised as revenue only during the days of grace or where secured by the surrender values of the policies concerned. Other premiums are recognised as revenue on a cash received basis.

Unearned premiums on general insurance business represent the portion of premiums on policies written in the current year, relating to cover provided in a subsequent period. For inward treaty reinsurances accepted, the amount has been calculated in accordance with the terms of each contract.

Claims Expense

Claims are separated into their expense and withdrawal components when a valid claim is received. Claims paid on risk business are treated as an expense. Other claim amounts are similar to withdrawals and as such do not relate to the provision of services or the bearing of risk. Accordingly, they are recognised as a decrease in policy liabilities. Claims in respect of investment account and investment linked business are recognised when the policies concerned cease to participate, in whole or part, in the earnings of the relevant fund. Where it is not practicable to split out the two components all claims have been recognised as an expense.

Provision has been made for the estimated cost of all claims notified but not settled at reporting date. TOWER Insurance, and TOWER Health & Life in respect of its health business, have made additional provision for the estimated cost of claims incurred but not reported at reporting date.

Provision has been made for the estimate of claim recoveries from third parties in respect of general insurance business.

Deferred Acquisition Costs

Superannuation and Medical Products:

The initial planned costs of establishing contracts for certain superannuation and medical products are deferred. These costs are disclosed in Note 9 Investment Assets and Note 12 Deferred Acquisition Costs. These costs are amortised over the period of expected future benefit. A comparison to recoverable value is carried out annually, with any variance below carrying value taken to the Statement of Financial Performance in that year.

General Insurance Products:

A portion of acquisition costs relating to unearned premium are deferred and recognised as an asset, in recognition that it represents a future benefit. Deferred acquisition costs are measured at the lower of cost and recoverable amount and are amortised over the financial years expected to benefit from the expenditure.

Taxation

Income taxation expense is accounted for on the comprehensive basis, using the liability method. A debit balance in the deferred taxation account is only carried forward to the extent that there is virtual certainty of its recovery.

Income taxation benefits arising from income tax losses are recognised only to the extent of accumulated net credits from timing differences in the deferred taxation account unless there is virtual certainty of their realisation.

Accounts Receivable

Accounts receivable are shown after making due allowance for amounts considered doubtful.

Reinsurance and Other Recoveries Receivables

Reinsurance and other recoveries receivable on paid claims, reported claims not yet paid and claims incurred but not reported are recognised as revenue. Recoveries receivable on reported claims not yet paid and claims incurred but not reported are assessed in a manner similar to the assessment of outstanding claims. For the general insurance business, recoveries receivable in relation to long-tail classes are measured as the present value of the expected future receipts, calculated on the same basis as the liability for outstanding claims.

Outwards Reinsurance

Premiums ceded to reinsurers are recognised as an expense in accordance with the pattern of reinsurance service received. Accordingly, a portion of outwards reinsurance premium is treated at balance date as a prepayment.

Property, Plant and Equipment and Depreciation

Properties owned and occupied by TOWER are recorded at net market value. All other property, plant and equipment is shown at cost and is depreciated at the following rates:

Office furniture and equipment	5% – 25% straight line
Computer hardware and software	20% – 33% straight line
Refurbishment costs (owned buildings)	10% straight line
Motor vehicles less an allowance for residual value	20% straight line
Leasehold property improvements	Over the term of the lease

All items of property, plant and equipment are subject to an annual impairment review. Any adjustments are taken to the Statement of Financial Performance.

No depreciation is charged on properties owned and occupied by TOWER.

Leased Assets

Leases that are not finance leases are classified as operating leases. Operating lease payments are recognised as an expense in the periods the amounts are payable.

Foreign Currency Transactions

Transactions denominated in foreign currencies are translated into the reporting currency using the exchange rate in effect at the transaction date. Monetary items receivable or payable in a foreign currency, including forward exchange contracts, are translated at reporting date at the closing exchange rate.

Exchange differences on foreign currency balances are recognised in the Statement of Financial Performance, with the exception of exchange differences relating to items hedging investments in foreign subsidiaries which are taken directly to the foreign currency translation reserve.

Derivative Financial Instruments

In the normal course of business, transactions are entered into involving derivative financial instruments in order to manage TOWER's exposure to risk. These include foreign exchange contracts, swaps, financial futures and options. Instruments not taken up as hedging transactions are valued at market rates ruling at the reporting date. The resulting gains or losses are recognised in the Statement of Financial Performance as other investment income. Derivative financial instruments taken up as hedges are accounted for on the same basis as related exposures.

Collateral is provided where necessary to cover the risk of the derivative financial instrument. Collateral will include cash, mortgages, debentures, equities and financial covenants.

Translation of Financial Statements of Foreign Operations

Assets and liabilities of independent foreign operations are translated at the closing rate. At balance date the exchange rate used to translate TOWER's Australian subsidiaries was NZ$1.00 = A$0.9348 (2003 A$0.8735). Revenue and expense items are translated at a weighted average of exchange rates over the period, as a surrogate for the spot rates at transaction dates. The rate used to translate the results of TOWER's Australian operations was NZ $1.00 = A$.8871 (2003 A$ 0.8945). Exchange differences are taken to the foreign currency translation reserve and recognised in the Statement of Movements in Equity.

The financial statements of integrated foreign operations are translated in the same way as if the underlying transactions had been entered into by the reporting entity itself.

Exchange differences on monetary liabilities designated as a hedge against investments in independent foreign operations are taken to the foreign currency translation reserve and recognised in the Statement of Movements in Equity to the extent that they are offset by the exchange differences on the net investments.

Statement of Cash Flows

The following are the definitions of the terms used in the statement of cash flows:

(a) Operating activities include all transactions and other events that are not investing or financing activities.

(b) Investing activities are those activities relating to the acquisition, holding or disposing of property, plant and equipment and of investments. Investments can include securities not falling within the definition of cash.

(c) Financing activities are those activities that result in changes in the size or composition of the capital structure. This includes both equity and debt not falling within the definition of cash. Dividends paid in relation to the capital structure are included in financing activities.

(d) Cash is considered to be cash on hand and current accounts in banks, net of bank overdrafts.

SUMMARY OF SIGNIFICANT ACTUARIAL METHODS AND ASSUMPTIONS – LIFE INSURANCE BUSINESS

Policyholder Liabilities

Policyholder liabilities for life insurance business have been determined in accordance with Actuarial Standard 1.03 issued by the Life Insurance Actuarial Standards Board for TOWER Australia and Professional Standard No.3 "Determination of Life Insurance Policy Liabilities" issued by the New Zealand Society of Actuaries for TOWER Life, TOWER Life (N.Z.) and TOWER Health & Life. The standards require that the policyholder liabilities be calculated on the basis of best estimate assumptions and in a way that allows for the release of planned margins essentially as services are provided to policyholders.

The policyholder liability is the amount which, together with future premiums and investment earnings, is expected to:

(i) meet the payment of future benefits and expenses; and

(ii) provide for future profits.

Actuarial reports on policyholder liabilities and prudential reserves are prepared for each period at the respective balance dates. The Chief Actuary, Herwig Raubal, FIAA, FNZSA has calculated policyholder liabilities in New Zealand for TOWER Life, TOWER Life (NZ) and TOWER Health & Life, and the Appointed Actuary, Megan Beer, FIAA has calculated policyholder liabilities for TOWER Australia. The actuaries are satisfied as to the accuracy of the data from which the policyholder liabilities have been determined.

Valuation Approach

The profit carriers used for the major product groups in order to achieve the systematic release of planned margins were as follows:

Major Product Groups	*Method*	*Profit Carriers*
Both Australia and New Zealand		
Traditional participating	Projection	Cost of supportable bonuses
Traditional non-participating, renewal and level term and mortgage repayment insurance	Projection	Expected death claims
Annuities	Projection	Expected annuity payments
Individual lump sum life insurance risk (life, temporary and permanent disability and trauma) and disability income protection insurance	Projection	Expected claims
New Zealand		
Non-participating investment account	Accumulation	
Investment linked	Accumulation	
Group risk insurances and renewable insurances	Cash flow	
Australia		
Participating investment account	Projection	Cost of supportable dividends
Non-participating investment account	Projection	Investment income
Investment linked - Stat Fund 2	Accumulation	
Investment linked - Stat Fund 3	Accumulation	
Group risk insurances and renewable insurances	Cash flow	
Group salary continuance – open claims	Projection	

Disclosure of Assumptions

The following table summarises the key assumptions used in the calculation of policyholder liabilities, together with notes on any significant changes in the assumptions:

Required Assumption	*Basis of Assumption*	*Significant Changes*
Discount rates	The discount rates assumed in calculating policyholder liabilities were derived from the expected long term average rates of return for the relevant asset pools based on a neutral asset mix for each pool. Discount rates assumed are net of taxation and investment expenses.	The discount rates used are as follows: New Zealand / Australia September 2004: 3.5% to 5.6% / 2.9% to 7.4% September 2003: 3.7% to 5.8% / 3.0% to 7.2%
Inflation	A specific allowance for each country reviewed annually. Benefit indexation is before allowance for the proportion of policyholders who take up indexation.	New Zealand / Australia September 2004: 2.0% / 2.5% September 2003: 2.0% / 2.5% Benefit Indexation September 2004: 2.0% / 2.7% September 2003: 2.0% / 2.3%
Future expenses	Future maintenance expenses have been set based on experience analyses conducted by the various companies as well as the actuaries' expectations of future expense levels. Future investment expenses have been assumed to be at the same percentage of assets under management as currently applies.	None
Rates of taxation	Rates of taxation have been assumed to remain at current levels.	None
Mortality – risk products	Standard mortality tables, primarily NZ95 and NZ97 in New Zealand and IA90-92 in Australia. These are adjusted for company experience.	The standard mortality table used for TOWER Health & Life was updated to NZ97. The overall change in mortality assumed was a minor reduction. Mortality rates for Funeral Plan business sold through TOWER Australia were increased by approximately 12% to reflect recent years' experience.
Mortality – annuities	Standard mortality tables, primarily PML80C10 in New Zealand and IM/IF80 in Australia. These are adjusted for company experience.	None
Disability – lump sum	Based on past reinsurer experience and adjusted for differing product definitions. Some wholesale schemes use specific company experience.	None
Disability income	CIDA tables used in New Zealand and IAD89-93 tables in Australia. These are adjusted for company experience. Specific company experience is used for certain wholesale schemes.	For TOWER Australia, incidence rates were reduced, while termination rates were increased at shorter claim durations and reduced at longer claim durations.
Discontinuances	Discontinuance rates have been assumed to be consistent with the experience of recent years (before the demutualisation announcement in the case of TOWER Life (N.Z.)). Assumed discontinuance rates vary by sub-grouping within a class and vary according to the length of time tranches of business have been in-force.	Discontinuance rates on level term and most disability contracts within TOWER Health & Life were reduced by 25% in line with recent years' experience. Discontinuance rates on the current disability product were, however, increased by 20%. Discontinuance rates on whole of life and endowment contracts within TOWER Life (N.Z.) were reduced by 5%.
Surrender values	Surrender values are based on the current practice of the various companies.	None
Rates of growth for unit linked business	Australian unit linked business is valued using gross rates depending on market conditions. New Zealand and Australian non-super unit linked business is valued on an accumulation basis.	The gross rates of growth used are as follows: New Zealand / Australia September 2004: 6.1% to 8.2% / 4.5% to 8.2% September 2003: 6.4% to 8.4% / 4.5% to 8.0%

Required Assumption	*Basis of Assumption*	*Significant Changes*
Rates of future supportable participating benefits	Assumed future supportable bonus rates included in policyholder liabilities were set such that the present value of policyholder liabilities, allowing for the shareholders' right to participate in distributions, equals the value of assets supporting the business. Distributions are split between policyholders and shareholders with the valuation allowing for shareholders to share in distributions. The rate of shareholder participation assumed is generally at the maximum allowable of 25% of the value of bonuses distributed to participating policyholders subject to policy conditions. Additional policy bonuses will emerge from the assets representing policyholders' unvested benefits.	None

Policy Acquisition Costs

Policy acquisition costs comprise the fixed and variable costs of acquiring new business, including commission, advertising, policy issue and underwriting costs, agency expenses and other sales costs. Acquisition costs are recorded in the Statement of Financial Performance.

The actuary, in determining the policyholder liabilities, takes account of the deferral and future recovery of acquisition costs, resulting in policyholder liabilities being lower than otherwise and those costs being amortised over the period in which they will be recoverable.

Basis of Expense Apportionment

The apportionment process adopted varies across the life insurance companies. This section provides a general indication only of the methods applied:

(i) Expenses that can be directly identifiable and attributable to a particular class of business are not apportioned. Expenses directly attributable to the ordinary and superannuation participating and non–participating classes of business are apportioned based on appropriate cost drivers.

(ii) Commission expenses that cannot be allocated to a class of business, for example volume bonuses, are apportioned on the basis of new business and renewal commissions of each class, allowing for limits implied by the bases of adviser remuneration.

(iii) Investment expenses are apportioned to the classes of business on the mean balance of assets under management.

(iv) Other expenses that cannot be allocated to a particular class of business are apportioned to the classes of business based on appropriate cost drivers, including number of new policies issued and related premiums, number of new units in-force, mean balances of assets under management, average number of policies in-force and time and activity based allocations.

Solvency Requirements

These are amounts required to meet actuarial standards to provide protection against the impact of fluctuations and unexpected adverse circumstances on the life insurance companies.

The methodology and bases for determining solvency requirements are in accordance with the requirements of AS2.03 "Solvency Standard" issued by the Life Insurance Actuarial Standards Board of Australia for TOWER Australia. For New Zealand companies Guidance Note 5 "Life Insurance Company Prudential Reserving" issued by the New Zealand Society of Actuaries is adopted.

COMPARATIVE INFORMATION

Certain comparative information has been restated so as to provide consistency with the current year disclosures.

CHANGES IN ACCOUNTING POLICY

There were no changes in accounting policy during the year ended 30 September 2004. However in the previous financial year there were some significant changes in policy. These are detailed below:

Consolidation of Subsidiaries of Non Life Companies

Previously the difference between the net assets of the subsidiary and the Directors' valuation at the date the holding company ceased to be a life insurer 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:

1) 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.
2) 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 benefit is expected to be:
   (i) Value of in-force business 12-15 years
   (ii) Goodwill 3-20 years.

This change in accounting policy was applied in the 2003 year with the effect being an increase in amortisation expense and a reduction in net surplus and shareholders' funds of $148.4 million in the twelve months ended 30 September 2003. This amortisation expense included $122.2 million relating to years prior to 2003. There was no effect on cash flows.

Accounting for Investments in TOWER Limited

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

In the 2003 year this change in policy had the effect of reducing the after tax losses by $32.3 million and reducing share capital by $54.8 million for the year ended 30 September 2003. The reduction in after tax loss included an amount of $14.1 million relating to years prior to 2003.

In the current reporting period, these Shares were sold. The accounting entries required to recognise this transaction resulted in a $54.8 million increase in share capital and a $38.7 million adjustment to retained earnings. The net impact of $16.1 million reflects the proceeds from the sale.

NOTE 01 PREMIUM INCOME

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Life insurance premiums	804,879	644,484	-	-
Less: Deposits recognised as an increase in policy liabilities	(478,861)	(337,077)	-	-
Life insurance premiums recognised as revenue	**326,018**	**307,407**	-	-
General insurance premiums (refer Note 30)	174,134	163,091	-	-
Health insurance premiums (refer Note 30)	75,479	63,464	-	-
	575,631	**533,962**	-	-
Less reinsurance ceded	(97,040)	(86,676)	-	-
Total net premium income	**478,591**	**447,286**	-	-

NOTE 02 INVESTMENT INCOME

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Fixed interest				
Interest	121,132	135,959	556	2,311
Realised (losses)/gains	(2,463)	36,558	-	-
Unrealised (losses)/gains	(2,440)	(60,873)	-	-
Total investment income from fixed interest	**116,229**	**111,644**	**556**	**2,311**
Equities				
Dividend income	54,704	39,901	-	-
Realised gains/(losses)	3,143	(76,726)	-	-
Unrealised gains/(losses)	109,779	95,517	-	-
Total investment income from equities	**167,626**	**58,692**	-	-
Property				
Rents, interest and recoveries	17,623	19,630	-	-
Realised gains/(losses)	4,504	8,612	-	-
Unrealised gains/(losses)	33,526	1,218	-	-
Total investment income from property	**55,653**	**29,460**	-	-
Change in excess of Directors' valuation over net tangible assets of subsidiaries owned by life insurance companies	**22,920**	**(7,079)**	-	-
Other (including foreign exchange)				
Realised gains/(losses)	30,581	35,951	6,781	-
Unrealised gains/(losses)	443	(4,904)	10	(5,402)
Unrealised write down of subsidiaries	-	-	-	(216,733)
Total other investment income	**31,024**	**31,047**	**6,791**	**(222,135)**
Total investment income	**393,452**	**223,764**	**7,347**	**(219,824)**

NOTE 03 FEE AND OTHER INCOME

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Investment and management fees	114,415	97,321	-	-
Trustee services	52,722	62,050	-	-
Fund management fees	7,938	7,564	-	-
Other revenue	64	147	-	-
Total fee and other income	**175,139**	**167,082**	-	-

NOTE 04 PAYMENTS TO POLICYHOLDERS

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Life insurance claims	811,098	741,453	-	-
Less: Withdrawals recognised as a decrease in policy liabilities	(623,539)	(519,924)	-	-
Life insurance claims recognised as expense	**187,559**	**221,529**	-	-
General insurance claims (refer Note 30)	120,222	96,126	-	-
Health insurance claims (refer Note 30)	51,481	38,135	-	-
	359,262	**355,790**	-	-
Less reinsurance proceeds received	(77,236)	(62,443)	-	-
Total payments to policyholders	**282,026**	**293,347**	-	-

NOTE 05 POLICYHOLDER LIABILITIES AND LIFE INSURANCE BUSINESS

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
(a) Policyholder liabilities represent:				
Value of policy liabilities – Projection Method				
Future policy benefits	2,332,611	2,241,439	-	-
Future bonuses	197,930	216,587	-	-
Future expenses	615,636	545,809	-	-
Reinsurance	8,249	45,362	-	-
Future profit margins	313,661	252,006	-	-
Future premiums	(2,258,993)	(1,985,550)	-	-
	1,209,094	1,315,653	-	-
Value of policy liabilities – Accumulation Method				
Future policy benefits	2,192,349	2,229,593	-	-
Future charges for acquisition expenses	(205,498)	(214,713)	-	-
	1,986,851	2,014,880	-	-
	3,195,945	**3,330,533**	-	-
Unvested policyholder benefits	86,995	90,454	-	-
Total policyholder liabilities	**3,282,940**	**3,420,987**	-	-

The movement in policyholder liabilities in the Statement of Financial Position does not equal the movement in policyholder liabilities in the Statement of Financial Performance. A reconciliation is as follows:

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Reconciliation of movements in policyholder liabilities				
Opening balance	3,420,987	3,613,071	-	-
Movement in Statement of Financial Performance	177,266	26,136	-	-
Deposits recognised as an increase in policy liabilities (refer note 1)	478,861	337,077	-	-
Withdrawals recognised as a decrease in policy liabilities (refer note 4)	(623,539)	(519,924)	-	-
Other adjustments including foreign exchange	(170,635)	(35,373)	-	-
Closing balance	**3,282,940**	**3,420,987**	-	-
(b) Analysis of life insurance results				
Planned profit margins	35,550	35,251	-	-
Experience profits/(losses)	(11,405)	(39,190)	-	-
Capitalised loss/(recognition) and reversal	(25)	(7,782)	-	-
Investment earnings on assets in excess of policy liabilities of life companies	12,059	(5,000)	-	-
Operating profit /(deficit) after tax attributable to shareholders arising from the life insurance funds	**36,179**	**(16,721)**	-	-
(c) Policy acquisition expenses - life insurance business:				
Commission	40,752	38,532	-	-
Other acquisition expenses	34,783	44,083	-	-
(d) Policy maintenance expenses - life insurance business:				
Policy maintenance expense	125,808	131,782	-	-

NOTE 05 POLICYHOLDER LIABILITIES AND LIFE INSURANCE BUSINESS CONTINUED

(e) Solvency requirements of life funds

The minimum equity required to be retained to meet solvency requirements over and above the policy liabilities for each of the life insurance companies in the Group is shown below. The Shareholder equity retained in each of the life insurance companies exceeds these minimum requirements.

		TOWER Life (N.Z.) 2004 NZ$000	TOWER Life (N.Z.) 2003 NZ$000	TOWER Life 2004 NZ$000	TOWER Life 2003 NZ$000	TOWER Australia 2004 NZ$000	TOWER Australia 2003 NZ$000	TOWER Health & Life 2004 NZ$000	TOWER Health & Life 2003 NZ$000
Solvency requirement	A	842,990	848,589	472,768	383,747	2,711,717	2,848,936	70,144	57,443
Represented by:									
Policyholder liabilities		803,661	815,465	2,991	1,801	2,531,081	2,627,535	3,364	11,446
Other liabilities		33,244	27,556	2,184	2,488	84,128	92,949	9,538	4,534
Solvency reserve	B	6,085	5,568	467,593	379,458	96,508	128,452	57,242	41,463
Solvency requirement		**842,990**	**848,589**	**472,768**	**383,747**	**2,711,717**	**2,848,936**	**70,144**	**57,443**
Assets available to meet solvency reserve:	C	57,398	57,235	516,984	462,859	204,240	243,891	63,647	53,690
Solvency reserve	B	6,085	5,568	467,593	379,458	96,508	128,452	57,243	41,463
Excess assets above required		**51,313**	**51,667**	**49,391**	**83,401**	**107,732**	**115,439**	**6,404**	**12,227**
Required solvency reserve	(B/(A-B))x100	0.7%	0.7%	9036.0%	8847.2%	3.7%	4.7%	443.7%	259.5%
Coverage of required solvency reserve	C/B	9.4	10.3	1.1	1.2	2.1	1.9	1.1	1.3

NOTE 06 EXPENSES AND PROFIT FROM OPERATIONS

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Included in total management and sales expenses are the following:				
Amortisation of deferred acquisition costs	10,117	7,570	-	-
Bad debts written off	40	10	-	-
Change in provision for doubtful debts	(253)	(181)	-	-
Depreciation:				
Office equipment and furniture	2,492	3,089	-	-
Motor vehicles	248	208	-	-
Computer hardware and software	12,630	14,166	-	-
Directors' fees	809	816	769	474
Donations	38	35	-	-
Fees paid to auditors[1]:				
Audit of financial statements	2,176	2,984	90	90
Audit of trust accounts	373	465		
Other assurance related services	158	1,252	-	-
Non-recurring or unusual items:				
Impairment - Computer hardware and software	6,932	14,781	-	-
Restructuring costs	5,708	13,027	-	-
(1) In the previous year PricewaterhouseCoopers was appointed auditors, replacing Deloitte Touche Tohmatsu. The fees paid to auditors in the previous year include the payments to both firms.				
Included in financing costs are the following:				
Interest	14,021	27,964	-	-

NOTE 07 TAXATION

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Profit before taxation	**105,209**	**(132,612)**	**4,122**	**(222,956)**
Income tax at the current rate of 33 cents	34,719	(43,762)	1,360	(73,576)
Taxation effect of permanent differences:				
Life insurance companies permanent differences	18,613	23,351	-	-
Australian non life insurance companies tax rate adjustment	(524)	4,175	-	-
Write down of subsidiaries	-	-	-	71,521
Non life insurance companies permanent differences	(2,335)	32,470	(2,228)	3,228
Taxation expense	**50,473**	**16,234**	**(868)**	**1,174**

The Group taxation expense includes both tax on Shareholder profits and on returns attributed to policyholders. The rates of taxation applicable to significant classes of business are as follows:

	Group 2004 %	Group 2003 %
New Zealand	33	33
Australia		
Ordinary life insurance business	30	30
Shareholders' funds	30	30
Superannuation business		
(via establishment of a Virtual Pooled Superannuation Trust)	15	15
Immediate annuity and current pension business		
(via segregation as Segregated Exempt Assets)	Nil	Nil

Other Regions

Pursuant to New Zealand tax law, tax at 33% is applied against the taxable income of all non-Australian TOWER controlled foreign entities and foreign branches except for the Solomon Islands (35%).

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Analysis of taxation				
Current taxation	20,213	(3,762)	(868)	1,174
Deferred taxation	30,260	19,996	-	-
	50,473	**16,234**	**(868)**	**1,174**
Movements in deferred taxation asset				
Opening balance	42,029	62,025	-	-
Market value adjustments	(10,464)	(18,129)	-	-
Other adjustments	(19,796)	(1,867)	-	-
Closing balance	**11,769**	**42,029**	-	-

The potential income tax effect of all outstanding timing differences in respect of the current and prior periods not recognised is $11.7 million (2003: $11.7 million). Any subsequent recognition of this tax asset will be substantially offset by an increase in policyholder liabilities. The income tax effect of realised Australian capital losses net of realised and unrealised capital gains of AUD$16.7 million (2003: $Nil) is also not recognised in the accounts.

NOTE 07 TAXATION CONTINUED

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Imputation Credit Account				
Opening balance	1,000	1,566	-	1,554
Transfer from Policyholder Credit Account	-	2,707	-	2,707
Attached to dividends received	42,008	5,387	-	-
Taxation paid	315	17,876	-	2,162
Attached to dividends paid	-	(29)	-	-
Other including transfers to Policyholder Credit Account	(40,985)	(26,507)	-	(6,423)
Closing balance	**2,338**	**1,000**	-	-

The Group Imputation Credit Account reflects the imputation credits held by the Parent as the representative member.

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Policyholder Credit Account				
Opening balance	27,911	17,204	-	-
Previous year's policyholder tax liability	(24,805)	(13,093)	-	-
Transfer to Imputation Credit Account	-	(2,707)	-	-
Transfer from Imputation Credit Account	10,894	26,507	-	-
Closing balance	**14,000**	**27,911**	-	-

The Group Policyholder Credit Account enables TOWER Life (N.Z.) to satisfy the income tax liability on the Policyholder income for the year. The company does this by electing to transfer imputation credits from the Imputation Credit Account to the Policyholder Credit Account subject to a number of tax rules.

The Policyholder tax liability is based on actuarial calculations which are finalised after year end. The balance in the Policyholder Credit Account is available to meet any Policyholder tax liability.

TOWER Limited may elect to attach Australian franking credits on a pro rata basis to any dividends paid after 1 October 2003. The credits arise from payment of Australian tax by the TOWER Limited Group. These franking credits may potentially be used by Australian resident Shareholders as credits against their Australian tax liability. As at 30 September 2004 the TOWER Limited Group has available Australian franking credits totalling AUD$27,408,595 (2003: AUD$22,942,608).

NOTE 08 ACCOUNTS RECEIVABLE

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Reinsurance debtors	26,341	39,386	-	-
Premium debtors and trade receivables	172,472	158,179	-	-
Subsidiaries	-	-	403,759	377,860
Other receivables	46,872	13,400	-	260
Total accounts receivable	**245,685**	**210,965**	**403,759**	**378,120**

NOTE 09 INVESTMENT ASSETS

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Fixed interest securities				
Government securities	562,450	588,898	-	-
Local authority securities	199,597	246,414	-	-
Loans on mortgages	1,553	3,758	-	-
Loans on policies	35,579	37,409	-	-
Short term deposits	550,843	515,714	-	-
Other fixed interest securities	672,694	577,126	-	-
Multi currency unit trusts	143,909	302,932	-	-
Total fixed interest securities	**2,166,625**	**2,272,251**	-	-
Equity securities				
Investments in equities	850,086	607,918	-	-
Multi currency unit trusts	601,738	839,427	-	-
Total equity securities	**1,451,824**	**1,447,345**	-	-
Property	**333,730**	**259,053**	-	-
Other investments				
Excess of Directors' valuation over net tangible assets of subsidiaries	397,727	380,374	-	-
Deferred acquisition costs (Note 12)	69,620	68,042	-	-
Investment in subsidiaries	-	-	441,717	441,717
Total other investments	**467,347**	**448,416**	**441,717**	**441,717**

Excess of Directors' valuation over net tangible assets of subsidiaries comprises:

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Life company subsidiaries:				
TOWER Australia Limited	142,919	134,306	-	-
TOWER Life (N.Z.) Limited	19,131	16,553	-	-
TOWER Managed Funds Limited	-	(1,801)	-	-
TOWER Health & Life Limited	80,896	76,895	-	-
Bridges Financial Services Group Pty Limited	140,271	139,340	-	-
TOWER Medical Insurance Limited	14,510	15,081	-	-
	397,727	**380,374**	-	-

In the previous financial year TOWER changed its accounting policy in respect to investments where the holding company ceases to be a life insurer. The impact was to reclassify excess of Directors' valuation over net tangible assets for non-life company subsidiaries to goodwill and intangibles. Goodwill and intangibles are amortised over the expected useful life. (Refer to change in accounting policies).

On 30 September 2003 TOWER New Zealand Limited the parent company for TOWER Managed Funds Limited, TOWER Health & Life Limited, TOWER Medical Insurance Limited and TOWER Australia Limited was renamed TOWER Life Limited and commenced business as a life insurer. Under Financial Reporting Standard 34 "Life Insurance Business" TOWER Life Limited is required to carry investments in subsidiaries at market value.

In the Group Statement of Financial Position the excess is classified as "Excess of Director's valuation over net tangible assets". This resulted in a reclassification of some goodwill and the remaining balance of intangibles back to "Excess of Director's valuation over net tangible assets".

NOTE 09 INVESTMENT ASSETS CONTINUED

Reconciliation of movement in Excess of Directors valuation over net tangible assets of subsidiaries comprises:

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Opening balance	380,374	634,317	-	-
Transfer to goodwill and intangibles	-	(459,129)	-	-
Transfer from goodwill and intangibles	-	214,415	-	-
Revaluations of subsidiaries	22,920	(7,079)	-	-
Other movements	13,154	-	-	-
Impact from movement in foreign exchange	(18,721)	(2,150)	-	-
	397,727	**380,374**	-	-

NOTE 10 GOODWILL & INTANGIBLES

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Intangibles				
Opening balance	-	-	-	-
Transfer from Excess of Directors' valuation over net tangible assets (refer note 9)	-	229,224	-	-
Current year amortisation	-	(59,404)	-	-
Impact from movement in foreign exchange	-	(3,223)	-	-
Transfer to Excess of Directors' valuation over net tangible assets (refer note 9)	-	(166,597)	-	-
	-	-	-	-
Goodwill				
Goodwill (gross) at beginning of year	175,563	3,995	-	-
Accumulated amortisation and impact of foreign exchange at beginning of year	(92,352)	(454)	-	-
	83,211	**3,541**	-	-
Transfer from Excess of Directors' valuation over net tangible assets (refer note 9)	-	229,905	-	-
Disposal of TOWER Trust (N.Z.)	-	(10,519)	-	-
Transfer to Excess of Directors' valuation over net tangible assets (refer note 9)	-	(47,818)	-	-
Current year amortisation	(6,749)	(89,158)	-	-
Impact from movement in foreign exchange	(3,923)	(2,740)	-	-
Unamortised balance at year end	**72,539**	**83,211**	-	-
Comprising:				
Goodwill (gross)	175,563	175,563	-	-
Accumulated amortisation and impact of foreign exchange	(103,024)	(92,352)	-	-
	72,539	**83,211**	-	-

Goodwill and intangibles are amortised over the period of expected future benefit.

NOTE 11 SUBSIDIARY COMPANIES

TOWER Limited holds its subsidiary companies under a holding company, TOWER Financial Services Group Limited. All subsidiary companies have a balance sheet date of 30 September 2004. Principal trading subsidiary companies at 30 September 2004 are as follows:

Name of Company	*Holdings*		*Nature of Business*
	2004	*2003*	
Incorporated in New Zealand			
TOWER Asset Management Limited (NZ)	100%	100%	Investment management services
TOWER Corporation Holdings Limited	100%	100%	Management services
TOWER Employee Benefits Limited	100%	100%	Superannuation management
TOWER Finance Limited	100%	100%	Issue of capital notes and bonds
TOWER Health & Life Limited	100%	100%	Term, disability and medical insurance
TOWER Insurance Limited	100%	100%	Fire and general insurance
TOWER Life Limited	100%	100%	Life insurance
TOWER Life (N.Z.) Limited	100%	100%	Life insurance and superannuation management
TOWER Managed Funds Limited	100%	100%	Life insurance administration and personal superannuation management
TOWER Managed Funds Investments Limited	100%	100%	Unit trust management
TOWER Medical Insurance Limited	100%	100%	Medical insurance
Incorporated in Australia			
Beacon Investment Management Services Limited	100%	30%	Investment management services
Bridges Financial Services Group Pty Limited	100%	100%	Master trust and financial planning
Financial Services Partners Pty Limited	60%	60%	Distribution company
TOWER Asset Management Limited (Australia)	100%	100%	Investment management services
TOWER Australia Limited	100%	100%	Life insurance and superannuation management
TOWER Trust Limited (Australia)	100%	100%	Trustee services

During the year TOWER Limited disposed of its interest in Goldridge Limited. The disposal gave rise to a profit in the Group of $0.5 million which was reported through the Statement of Financial Performance. The overall impact of disposing this company was not material to the net assets of the Group.

In 2003 TOWER Limited disposed of TOWER Trust (N.Z.) Limited which gave rise to a profit in the Group of $3.921 million which was reported through the Statement of Financial Performance.

Summary of TOWER Trust (N.Z.) Limited Disposal

	Group		*Company*	
	2004 NZ$000	*2003 NZ$000*	*2004 NZ$000*	*2003 NZ$000*
Investments	-	17,770	-	-
Current assets	-	2,579	-	-
Other assets	-	912	-	-
Current liabilities	-	(533)	-	-
Net assets disposed of	-	20,728	-	-
Gain on sale	-	3,921	-	-
Cash received	-	24,649	-	-
Cash disposed of	-	(315)	-	-
Net cash impact of disposal	-	**24,334**	-	-

NOTE 12 DEFERRED ACQUISITION COSTS

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Opening balance	68,042	66,087	-	-
Costs deferred during the period	11,695	9,525	-	-
Current period amortisation	(10,117)	(7,570)	-	-
Closing balance	**69,620**	**68,042**	-	-

NOTE 13 PROPERTY, PLANT AND EQUIPMENT

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Cost				
Properties (at valuation)[1]	59,998	63,614		
Office equipment and furniture	35,905	40,444	-	-
Motor vehicles	1,237	1,195	-	-
Computer hardware and software	120,067	135,971	-	-
	217,207	**241,224**	-	-
Less accumulated depreciation				
Office equipment and furniture	29,343	30,530	-	-
Motor vehicles	901	849	-	-
Computer hardware and software	98,364	99,788	-	-
	128,608	**131,167**	-	-
Net book value	**88,599**	**110,057**	-	-
Split by Class:				
Properties[1]	59,998	63,614		
Office equipment and furniture	6,562	9,914	-	-
Motor vehicles	336	346	-	-
Computer hardware and software	21,703	36,183	-	-
Net book value	**88,599**	**110,057**	-	-

Note: (1) The properties are valued six monthly. As at 30 September 2004 the valuations were undertaken by CB Richard Ellis Limited for New Zealand properties and Colliers International Consultancy and Valuation Pty Limited for Australian properties.

NOTE 14 ACCOUNTS PAYABLE

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Trade payables	134,089	145,999	1,186	913
Holiday pay	9,734	10,605	-	-
Provisions (other than insurance provisions)	2,079	6,112	-	-
Accrued investment purchases	218,049	169,315	-	-
Other payables	27,599	28,974	-	-
Total accounts payable	**391,550**	**361,005**	**1,186**	**913**

As at 30 September 2004 accrued investment purchases include a contracted forward settlement for $158.2 million of Government stock (30 September 2003 $161.0 million). The asset is recognised under Government securities within note 9.

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Restructuring provision				
Opening balance	3,541	3,639	-	-
Additions	876	3,351	-	-
Amount used	(3,551)	(3,449)	-	-
Closing balance	**866**	**3,541**	-	-

This provision primarily relates to the cost of redundancies. These amounts are expected to be settled within one year.

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Excess lease provision				
Opening balance	2,571	1,241	-	-
Additions	-	1,337	-	-
Amount used	(1,358)	(7)	-	-
Closing balance	**1,213**	**2,571**	-	-

As a result of Group rationalisation certain office accommodation leased by the Group companies is no longer required. The amount recognised as a provision reflects the net present value of the future obligation of the Group in respect of these leases. These amounts are expected to be settled within five years.

NOTE 15 BORROWING

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
(i) Senior Ranking Borrowing				
Overdraft	2,060	6,966	-	-
Other borrowing	8,550	79,189	-	-
	10,610	**86,155**	-	-

Overdrafts are secured by guarantees provided by TOWER's principal holding companies.

Other borrowings as at 30 September 2004 comprise a long term loan facility within Financial Services Partners Pty Limited that is partially drawn down. At 30 September 2003 Other Borrowing comprised a revolving cash advance facility of NZ$28.3 million and a A$45.0 million Bank Accepted Bill Facility. These were fully repaid in August 2004.

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
(ii) Capital Bonds/Notes				
Capital Bonds	125,000	125,000	-	-
Capital Notes	75,000	-	-	-
	200,000	**125,000**	-	-

Capital Bonds

On 19 March 2002 TOWER Finance Limited, a subsidiary of TOWER Limited, issued a prospectus offering $125 million of unsecured, subordinated Capital Bonds (the Bonds). The issue was fully subscribed. The Bonds are non-cumulative debt securities of TOWER Finance Limited, and are convertible into TOWER Limited Shares in certain circumstances. TOWER Limited provides a subordinated guarantee for these Bonds.

On the first election date of 15 October 2007 a Bondholder may elect to:

1) retain some or all of the Bonds at the new interest rate and/or
2) request the company to sell some or all of the Bonds at the issue price on the election date using the resale facility established by the company for that purpose.

The Bonds had an issue price of $1.00 and interest will be paid quarterly in arrears at a fixed rate of 8.75% until the first election date of 15 October 2007. Interest on the Bonds will be paid in priority to dividends paid on TOWER Limited ordinary Shares.

In certain circumstances, Bondholders may require that some or all of their Bonds be converted into TOWER Limited Shares:

1) on any election date but only in respect of any Bonds which the Bondholder requested TOWER Finance Limited sell but which were not sold through the resale facility at the issue price; or
2) if a Takeover (as defined in the Capital Bonds Trust Deed) of TOWER Limited occurs.

TOWER Finance Limited may also convert all Bonds on issue into TOWER Limited Shares:

1) on any election date
2) where the TOWER Finance Limited Board resolves that a change in law or the application or interpretation of any law risks exposing TOWER Limited to more than a negligible increase in costs (including for example tax) or impose unacceptable additional requirements in respect of the Bonds; or
3) where the aggregate issue price of Bonds on issue is less than $30 million.

Funds raised from the Bond issue were used to repay senior ranking borrowing.

NOTE 15 BORROWING CONTINUED

Capital Notes

On 18 June 2004 TOWER Finance Limited, a subsidiary of TOWER Limited, issued a prospectus offering $60 million of unsecured, subordinated Capital Notes (the Notes) with an additional $20 million over subscription permitted. $75 million was subscribed. The Notes are non-cumulative debt securities of TOWER Finance Limited, and are convertible into TOWER Limited Shares in certain circumstances. TOWER Limited provides a subordinated guarantee for these Notes.

The Notes had an issue price of $1.00 and interest will be paid quarterly in arrears at a fixed rate of 8.65% until the first election date of 15 October 2009. Interest on the Notes will be paid in priority to dividends paid on TOWER Limited ordinary Shares.

On the first election date of 15 October 2009 a Noteholder may elect to either:

1) retain some or all of the Notes on the new conditions; or
2) convert some or all of their Notes to TOWER Shares (dependant on the approval of Shareholders).

Despite a Noteholder's election, on the election date the company may elect to redeem or purchase for cash some or all of the Notes at their issue price together with interest due. If it wishes to only redeem or purchase part of the Notes, it must do so on a pro-rata basis.

If Noteholders are unable to convert Notes to TOWER Shares, the company will elect whether to compulsorily redeem or purchase Notes, or deem the Notes rolled over for a further period of not more than two years at the market rate.

At the end of that period, Noteholders may:

1) require the company to redeem or purchase some of their Notes; or
2) accept new conditions to apply to some or all of their Notes.

Funds raised from the Notes issue were used to fully repay senior bank debt (refer note 15 (i)).

Maturity Analysis

	Group			
	Effective Interest rate	*2004 NZ$000*	*Effective Interest rate*	*2003 NZ$000*
Maturing within 12 months	8.00%	2,060	5.30 - 7.80%	6,966
Maturing 12 to 24 months	-	-	-	-
Maturing 24 to 36 months	-	-	6.40 - 6.60%	79,189
Maturing over 36 months	8.25-8.75%	208,550	8.75%	125,000
		210,610		**211,155**

NOTE 16 INSURANCE PROVISIONS

	Group		Company	
	2004 NZ$000	*2003 NZ$000*	*2004 NZ$000*	*2003 NZ$000*
Unearned premiums – fire and general	83,616	75,144	-	-
Unearned premiums – health and disability	12,202	10,457	-	-
Outstanding claims – fire and general	63,402	57,195	-	-
Outstanding claims – life, health and other	78,228	79,329	-	-
Total insurance provisions	**237,448**	**222,125**	-	-

NOTE 17 OTHER LIABILITIES

	Group		Company	
	2004 NZ$000	*2003 NZ$000*	*2004 NZ$000*	*2003 NZ$000*
FuturePlan Debenture	17,404	16,627	-	-
Other	11,877	12,815	-	-
Total other liabilities	**29,281**	**29,442**	-	-

TOWER Life (N.Z.) Limited has issued a debenture to the TOWER FuturePlan. The debenture is maintained as a separate fund within TOWER Life (N.Z.) Limited. Interest on the debenture is directly linked to the investment earnings of this fund. The debenture has no fixed repayment term.

NOTE 18 SHAREHOLDERS' EQUITY

Equity share capital – ordinary shares

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Opening balance	981,186	835,972	1,035,940	835,972
Shares issued during the year	4,400	199,968	4,400	199,968
Reclassification of holdings in TOWER Limited Shares	54,754	(54,754)	-	-
Closing balance	**1,040,340**	**981,186**	**1,040,340**	**1,035,940**

Represented by:

	Number of shares on issue		Number of shares on issue	
Fully paid Shares				
Opening balance	400,051,740	175,636,080	409,819,692	175,636,080
New issues	2,598,516	234,183,612	2,598,516	234,183,612
Reclassification of holdings in TOWER Limited Shares	9,767,952	(9,767,952)	-	-
	412,418,208	**400,051,740**	**412,418,208**	**409,819,692**

In December 2003 all TOWER Companies holding Shares in TOWER Limited, sold these investments. This resulted in a $54.8 million increase in share capital (refer Changes in Accounting Policy).

In July 2004 TOWER issued 2.6 million Shares to Credit Union Services Corporation (Australia) Limited (CUSCAL), as additional consideration for the purchase of Bridges Financial Services Pty Limited in 2000. Under the sale and purchase agreement there was an obligation on TOWER to issue shares if the Funds under Management exceeded a certain growth trigger.

In the previous year, TOWER Limited raised a net $200 million through a rights issue of 234.2 million Shares. The rights issue was a renounceable, tradeable issue of four new Shares for every three Shares held, at an issue price of NZ$0.90 each. The rights issue was fully underwritten by Guinness Peat Group plc.

All Shares rank equally with one vote attached to each share.

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Reserves				
Foreign currency translation reserve	**(94,274)**	**(48,386)**	-	-
Retained Earnings				
Opening balance	(173,169)	(27,034)	(199,751)	24,379
Net surplus/(deficit) after taxation	54,593	(148,857)	4,990	(224,130)
Sale of rights issued on holdings in TOWER Limited Shares	-	2,722	-	-
Treasury stock adjustment	(38,746)	-	-	-
Closing balance	**(157,322)**	**(173,169)**	**(194,761)**	**(199,751)**
Minority Interests				
Opening balance	37	26	-	-
Financial Services Partners Pty Limited	5,131	-	-	-
National Pacific Insurance Limited (Samoa)	2,387	-	-	-
Other including impact of foreign exchange	(6)	-	-	-
Share of surpluses in subsidiaries	143	11	-	-
Sale of Goldridge	(37)	-	-	-
Closing balance	**7,655**	**37**	-	-

The Investments made in Financial Services Partners Pty Limited and National Pacific Insurance Limited are not material to the overall net assets of the Group.

NOTE 19 FINANCIAL INSTRUMENTS

Maturity Analysis of Monetary Assets and Liabilities – Group

2004	*Effective Interest Rate*	*0-12 months NZ$000*	*12-24 months NZ$000*	*24-60 months NZ$000*	*Over 60 months NZ$000*	*Total NZ$000*
Government securities	5.48%	25,344	4,542	51,544	481,020	562,450
Local authority	6.69%	18,392	20,503	76,482	84,220	199,597
Loans on mortgages	8.75%	423	127	549	454	1,553
Loans on policies	10.00%	34,494	4	4	1,077	35,579
Short term deposits	5.32%	550,476	-	213	154	550,843
Other fixed interest securities	6.30%	132,180	61,869	302,609	176,036	672,694
Multi currency unit trusts	4.71%	105,508	-	-	38,401	143,909
Total assets		**866,817**	**87,045**	**431,401**	**781,362**	**2,166,625**
Capital Bonds	8.75%	-	-	-	125,000	125,000
Capital Notes	8.65%	-	-	-	75,000	75,000
Other borrowings	8.0%-8.3%	2,060	-	-	8,550	10,610
Total liabilities		**2,060**	-	-	**208,550**	**210,610**

2003	*Effective Interest Rate*	*0-12 months NZ$000*	*12-24 months NZ$000*	*24-60 months NZ$000*	*Over 60 months NZ$000*	*Total NZ$000*
Government securities	6.02%	34,865	48,640	73,164	432,229	588,898
Local authority	5.92%	2,445	32,941	104,914	106,114	246,414
Loans on mortgages	4.00%	1,591	564	605	998	3,758
Loans on policies	10.00%	24,690	3,861	3,861	4,997	37,409
Short term deposits	5.24%	511,485	2,751	1,146	332	515,714
Other fixed interest securities	5.83%	55,488	146,717	252,729	122,192	577,126
Multi currency unit trusts	4.00%	145,506	8,844	31,839	116,743	302,932
Total assets		**776,070**	**244,318**	**468,258**	**783,605**	**2,272,251**
Capital Bonds	8.75%	-	-	-	125,000	125,000
Other borrowing	5.3%-7.8%	6,966	-	79,189	-	86,155
Total liabilities		**6,966**	-	**79,189**	**125,000**	**211,155**

All other interest insensitive monetary assets and liabilities are due or payable in 0 - 12 months.

Fair Value of Financial Instruments

The fair value of the $125 million Capital Bonds as at 30 September 2004 was $125.8 million (2003: $119.1 million). The fair value of the $75 million Capital Notes that were issued during the year, as at 30 September 2004 was $75.8 million.

All other financial assets (other than investments in subsidiaries) and liabilities are recorded at values which approximate fair value.

NOTE 19 FINANCIAL INSTRUMENTS CONTINUED

Foreign Currency Denominated Asset and Liabilities

Assets and liabilities not hedged	*Group*		
As at 30 September 2004	*Assets NZ$000*	*Liabilities NZ$000*	*Net Exposure NZ$000*
Exposure to Australian dollars	3,394,934	2,674,602	720,332
Exposure to other currencies	65,635	49,057	16,578

As at 30 September 2003	*Assets NZ$000*	*Liabilities NZ$000*	*Net Exposure NZ$000*
Exposure to Australian dollars	3,465,416	2,814,571	650,845
Exposure to other currencies	75,024	63,710	11,314

Concentration of Credit Risk

Concentrations of credit risk arise where TOWER is exposed to the risk that a party may fail to discharge an obligation. The only significant concentrations of credit risk are outlined below.

	Group		*Company*	
	2004 Carrying value NZ$000	*2003 Carrying value NZ$000*	*2004 Carrying value NZ$000*	*2003 Carrying value NZ$000*
Australian government	230,052	244,041	-	-
New Zealand government	332,452	344,857	-	-
Subsidiaries	-	-	403,759	378,120

Additionally, TOWER has normal clearing house exposures associated with dealings through recognised exchanges and financial intermediaries.

MANAGEMENT POLICIES

Interest Risk

TOWER manages interest risk arising from external borrowings in accordance with the Board approved treasury policy. This policy allows for the use of interest rate swaps. As at 30 September 2004 and 30 September 2003 there were no interest rate swaps in place.

TOWER manages interest risk arising from its interest bearing investments in accordance with Board approved policies based on international asset management practice.

Credit Risk

All activities which result in credit exposure for TOWER are subject to credit risk guidelines. These guidelines have been prepared on the basis of prudent international asset management practice. Regular reviews are conducted to ensure adherence to these policies.

Currency Risk

TOWER's Board sets limits for the management of currency risk arising from its investments based on prudent international asset management practice. Regular reviews are conducted to ensure that these limits are adhered to. In accordance with this policy, TOWER does not hedge the currency risk arising from translation of the financial statements of foreign operations.

NOTE 20 OPERATING LEASES

	Group		*Company*	
	2004 NZ$000	*2003 NZ$000*	*2004 NZ$000*	*2003 NZ$000*
Rent paid under non-cancellable operating leases during the year	10,946	14,136	-	-
Rent payable under non-cancellable operating leases to the end of the lease terms are:				
– Not later than one year	9,809	10,764	-	-
– Later than one year and not later than two years	7,438	6,361	-	-
– Later than two years and not later than five years	15,443	11,083	-	-
– Later than five years	2,698	2,273	-	-
	35,388	**30,481**	-	-

NOTE 21 RECONCILIATION OF NET SURPLUS/(DEFICIT) WITH NET CASH FLOW FROM OPERATING ACTIVITIES

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Net surplus/(deficit)	**54,593**	**(148,857)**	**4,990**	**(224,130)**
Add/(less) non cash items				
Depreciation	15,370	17,463	-	-
Write-off capitalised expenditure	6,932	14,781	-	-
Amortisation of goodwill and intangibles	6,749	148,562	-	-
Movement in deferred acquisition costs	(1,578)	(1,955)	-	-
Change in policyholder liabilities	(6,288)	(163,158)	-	-
Unrealised (gain)/loss on fixed interest	3,334	60,873	-	-
Unrealised (gain)/loss on equities	(109,779)	(95,517)	-	-
Unrealised (gain)/loss on property	(33,526)	(1,218)	-	-
Unrealised (gain)/loss on other	(23,023)	14,141	(6,781)	5,400
Unrealised (gain)/loss on subsidiaries	-	-	-	216,733
Increase/(decrease) in deferred taxation	34,126	19,996	-	-
	(53,090)	(134,889)	(1,791)	(1,997)
Add/(less) movements in working capital relating to operating activities				
(Increase)/decrease in accounts receivable	(9,457)	4,161	(10)	(7,751)
Increase/(decrease) in accounts payable	(3,828)	33,022	273	(119)
(Increase)/decrease in taxation	29,031	(27,581)	-	4,481
	15,746	9,602	263	(3,389)
Net cash (outflows)/inflows from operating activities	**(37,344)**	**(125,287)**	**(1,528)**	**(5,386)**

NOTE 22 CONTINGENT LIABILITIES

Guarantees have been given in respect of the Capital Guaranteed Fund of the TOWER FuturePlan and the capital of the TOWER Mortgage Income Trust. Additionally, TOWER guarantees certain funds managed by TOWER Australia and TOWER Life (N.Z.), as referred to in Note 28 Guaranteed Returns on Funds Invested – Life Insurance Companies.

The company has guaranteed the revolving cash advance facility (bank overdraft) held within subsidiary holding companies. (Refer Note 15).

NOTE 23 CAPITAL COMMITMENTS

Commitments for capital expenditure not otherwise provided for in the Financial Statements:

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
Computer, software and support services	900	1,084	-	-

NOTE 24 TRANSACTIONS WITH RELATED PARTIES

The majority of TOWER's related party transactions result solely from normal dealings of entities in their capacity as a financial services provider, trustee or asset manager and are therefore not recorded in this note. Shares and other financial securities have been traded between TOWER, its subsidiaries, unit trusts and superannuation funds where TOWER or its subsidiaries have an interest. Trade amounts owing between related parties are payable under normal commercial terms.

Subsidiaries and associates

During the year there have been transactions between TOWER Limited, its subsidiaries and associates which have been conducted on a commercial basis. The transactions from the Parent's perspective comprise:

	2004 NZ$000	2003 NZ$000	2004 NZ$000	2003 NZ$000
Operating costs	-	-	3,144	3,028

For balances outstanding at year end refer to Note 8. These balances are non-interest bearing.

Employee Incentive Schemes

In previous years, TOWER Limited had three Employee Incentive Schemes (as approved by Shareholders on demutualisation).
The three schemes were a Group Staff Share Purchase Scheme, a Group Executive Share Purchase Scheme and a Senior Executive Share Option Scheme. The Group Staff Share Purchase Scheme and the Group Executive Share Purchase Scheme were wound up during the year.

TOWER Share Options

Group Managing Director - In the current year, options have been issued to the Group Managing Director under the Senior Executive Share Option Scheme referred to above. The exercise period commences 30 September 2005 and expires 29 September 2006.
Other Senior Executives - During the year options have been issued to a number of senior executives within the company under a new option scheme. The exercise period begins on 1 April 2007 and expires 31 March 2010. An option cannot be exercised unless the average weighted sale price of one TOWER Ordinary Share on NZX in NZ$ for the five trading days following either: 1) the date that the Exercise Period begins or; 2) the date of the announcement of TOWER's annual or half year results during the Exercise period, is equal or greater than that sum calculated by taking the Exercise Price of one option increased by 10% per annum for each whole year and for each part year on a proportionate basis, compounded annually from the Date of Grant less any distributions (including dividends) made by TOWER compounded from when paid as though reinvested in Ordinary Shares to the relevant date of calculation.
Total options held by the Group Managing Director at 30 September 2004 are 1.5 million and options held by other Senior Executives at 30 September 2004 are 11.3 million.

Transactions with Directors

Directors hold various policies and accounts with TOWER Group companies. These are operated in the normal course of business on normal customer terms.

Guinness Peat Group plc

Guinness Peat Group plc (GPG) which is the largest holder of TOWER Limited Shares and has two elected Directors on the TOWER Limited Board provided a full underwrite of the rights issue in the previous year. The fees paid to GPG were based on market rates and totalled $6.3 million. The fees comprised an underwriting fee of 2.5% of the total number of rights being issued, multiplied by the issue price of $0.90 as well as a management fee of 0.5% of the total subscription monies payable in respect of all new Shares.
TOWER also paid GPG a break fee of $0.5 million on the cancellation of their earlier underwriting agreement which the Board chose not to proceed with.

NOTE 25 SEGMENTAL REPORTING

Business Segments	Savings & Investment NZ$000	Risk Insurance NZ$000	Asset Management NZ$000	Trustee Services NZ$000	Other[1] NZ$000	Total NZ$000
2004						
Operating margins including revaluation of life insurance subsidiaries	18,148	8,167	2,780	4,232	8,009	41,336
Investment return on Shareholder capital	16,079	3,789	222	116	2,935	23,141
Financing costs	-	-	-	-	(9,884)	(9,884)
Net (deficit)/surplus after taxation	**34,227**	**11,956**	**3,002**	**4,348**	**1,060**	**54,593**
Total revenue	703,952	273,169	24,361	53,683	(7,983)	1,047,182
Total assets	4,192,024	394,576	8,818	38,243	314,567	4,948,228
Assets under management	11,022,169	394,576	2,048,434	8,819,707	314,567	22,599,453
2003						
Operating margins including revaluation of life insurance subsidiaries	(36,509)	8,743	2,249	4,225	(117,644)	(138,936)
Investment return on Shareholder capital	8,267	9,940	259	605	(8,332)	10,739
Financing costs	-	-	-	-	(20,660)	(20,660)
Net (deficit)/surplus after taxation	**(28,242)**	**18,683**	**2,508**	**4,830**	**(146,636)**	**(148,857)**
Total revenue	479,436	255,231	16,729	65,112	21,624	838,132
Total assets	4,327,794	357,633	8,245	33,400	277,310	5,004,382
Assets under management	10,670,186	357,633	1,911,813	7,563,035	277,310	20,779,977

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

Geographical Segments	Total Revenue NZ$000	Revaluations and amortisations NZ$000	Adjusted Profit after tax[1] NZ$000	Net (deficit) / surplus after Tax NZ$000	Total Assets NZ$000	Assets Under Management NZ$000
2004						
New Zealand	376,088	6,035	11,764	19,606	1,487,659	6,142,614
Australia	643,886	6,465	36,411	31,139	3,394,934	16,391,204
Other	27,208	-	3,848	3,848	65,635	65,635
Total	**1,047,182**	**12,500**	**52,023**	**54,593**	**4,948,228**	**22,599,453**
2003						
New Zealand[2]	372,210	(2,181)	33,538	39,909	1,463,942	5,873,000
Australia	440,265	(153,460)	(7,340)	(191,843)	3,465,416	14,831,953
Other	25,657	-	3,077	3,077	75,024	75,024
Total	**838,132**	**(155,641)**	**29,275**	**(148,857)**	**5,004,382**	**20,779,977**

Note: (1) Excludes financing costs, revaluations and amortisations

Note: (2) The net (deficit)/surplus after tax includes $32.3m relating to the reclassification of life companies shares in TOWER Limited as treasury stock.

There are no significant inter-segment revenues.

Amortisation relates to the amortisation of in-force business and goodwill.

Revaluations relate to the change in the net market value of subsidiaries of the life insurance companies.

Description of segments

Savings and Investment includes life insurance and retail wealth management services.

Risk Insurance includes fire and general insurance and health and income protection services.

Asset Management includes the management of wholesale assets for external clients.

Trustee services includes estate planning, administration of deceased estates and trustee administration and agent services.

NOTE 26 DISTRIBUTIONS TO SHAREHOLDERS

No dividends were paid during the years ended 30 September 2004 or 30 September 2003.

NOTE 27 DISCLOSURES ON ASSET RESTRICTIONS, MANAGED ASSETS AND TRUSTEE ACTIVITIES

Restrictions on Assets

Investments and other assets held in each of the life insurance companies can only be used to meet the liabilities and expenses of that company, to acquire investments to further the business of the company or as distributions to Shareholders. Distributions may be made to Shareholders only when solvency requirements are met and sufficient equity remains for the ongoing operation of the business.

Managed Assets

TOWER conducts investment and other fiduciary activities that result in the holding or placing of assets on behalf of individuals, managed funds, trusts, retirement benefit plans and other institutions. These assets are not the property of TOWER and accordingly are not included in these financial statements.

The value of assets subject to funds management and other fiduciary activities were as follows:

	Group 2004 NZ$000	Group 2003 NZ$000
Superannuation funds	3,308,413	3,103,366
Unit trust and group investment funds	1,069,764	1,096,450
Trustee administered funds	4,845,338	3,823,760
Managed investment funds	8,427,710	7,752,019
	17,651,225	**15,775,595**
Assets on Statement of Financial Position	4,948,228	5,004,382
Total Assets Under Management	**22,599,453**	**20,779,977**

Arrangements are in place to ensure that the asset management activities of these funds continue to be managed separately from TOWER's financial services and life insurance operations.

Trustee Activities

TOWER subsidiaries act as trustees in relation to superannuation policies issued or managed by both TOWER Group Companies and other companies. Arrangements are in place to ensure that the activities of the trustee companies are managed separately.

NOTE 28 GUARANTEED RETURNS ON FUNDS INVESTED – LIFE INSURANCE COMPANIES

TOWER or its subsidiaries guarantee capital contributed by policyholders together with any declared dividends for the following funds.
At balance date the net assets of these funds were:

	2004 NZ$000	2003 NZ$000
TOWER Life (N.Z.)		
Capital Preservation Fund	71,053	74,157
Capital Protected Plan	14,425	16,592
Personal Retirement Fund	-	239
VITAL	3,674	3,911
Total	**89,152**	**94,899**
TOWER Australia		
Statutory Fund 1	176,920	178,813
Statutory Fund 2	3,266	4,040
Statutory Fund 3	86,265	179,814
Total	**266,451**	**362,667**

NOTE 29 INVESTMENT-LINKED AND NON-INVESTMENT LINKED BUSINESS OF LIFE INSURANCE COMPANIES

	Group		Group	
	Investment linked 2004 NZ$000	Non-investment linked 2004 NZ$000	Investment linked 2003 NZ$000	Non-investment linked 2003 NZ$000
Investment assets	1,872,856	2,309,240	1,822,486	2,034,270
Other assets	27,164	110,041	117,033	194,384
Policyholder liabilities	(1,848,348)	(1,347,597)	(1,866,902)	(1,463,634)
Other liabilities	(10,797)	(192,097)	(4,122)	(251,656)
Net assets	**40,875**	**879,587**	**68,495**	**513,364**
Retained earnings	**(19,763)**	**233,349**	**4,222**	**167,015**
Net premium income	19,780	224,191	14,410	283,068
Investment income	230,254	118,845	110,979	76,757
Claims expense	-	(125,734)	-	(200,261)
Other operating expenses	(53,383)	(151,579)	(61,913)	(190,574)
	196,651	**65,723**	**63,476**	**(31,010)**
Change in policyholder liabilities	(185,761)	8,495	(63,408)	37,272
Operating surplus/(deficit) before taxation	**10,890**	**74,218**	**68**	**6,262**
Taxation expense/(credit)	17,823	31,106	9,892	13,159
Operating surplus/(deficit) after taxation	**(6,933)**	**43,112**	**(9,824)**	**(6,897)**

NOTE 30 GENERAL INSURANCE BUSINESS

	Group		Company	
	2004 NZ$000	2003 NZ$000	2004 NZ$000	2003 NZ$000
(a) Analysis of general insurance operating result				
Premium revenue	249,613	226,555	-	-
Outward reinsurance expense	(14,843)	(13,185)	-	-
Net premium income	**234,770**	**213,370**	-	-
Claims expense	171,703	134,261	-	-
Reinsurance recoveries	(15,299)	(3,039)	-	-
Net claims incurred	**156,404**	**131,222**	-	-
Acquisition costs	43,662	41,621	-	-
Other underwriting expenses	42,307	33,332	-	-
Underwriting result	**(7,603)**	**7,195**	-	-
Investment income from general insurance business:				
Investment revenue	18,660	18,335	-	-
Investment expenses	(221)	(402)	-	-
Investment income	**18,439**	**17,933**	-	-
Operating surplus before income tax	**10,836**	**25,128**	-	-

NOTE 30 GENERAL INSURANCE BUSINESS CONTINUED

	Group 2004 NZ$000	Group 2003 NZ$000	Company 2004 NZ$000	Company 2003 NZ$000
(b) Analysis of expense claims:				
Gross claims incurred were in respect of events occurring during:				
Current financial year	171,189	135,500	-	-
Previous financial years	514	(1,239)	-	-
Total gross claims	**171,703**	**134,261**	-	-
Claims incurred net of reinsurance recoveries were in respect of events occurring during:				
Current financial year	155,833	132,215	-	-
Previous financial years	571	(993)	-	-
Total net claims	**156,404**	**131,222**	-	-
(c) Outstanding claims				
Gross outstanding claims provision including prudential margins and claims settlement costs	102,631	90,196	-	-
Discount to present value	3,509	3,970	-	-
Total outstanding claims	**99,122**	**86,226**	-	-
Reinsurance recoveries on outstanding claims	23,724	22,132	-	-
Discount to present value	3,204	3,640	-	-
	20,520	**18,492**	-	-
Outstanding claims net of reinsurance recoveries:				
Current	69,955	55,979	-	-
Non-current	8,647	11,755	-	-
	78,602	**67,734**	-	-

(d) Assumptions adopted in calculation of general insurance provisions

The long tail claims provisions have been assessed having regard to external actuarial assessments. The actuary used was:

New Zealand and the Pacific Islands – P. Davies, B.Bus.Sc, FIA, FNZSA, AIA, AIAA.

The external actuarial assessments are in accordance with the standards of the Societies of Actuaries in New Zealand and Australia. The Actuary was satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liabilities. The key assumptions used were:

	2004	2003
- Inflation rates varied from	1.5% to 6.5%	1.5% to 15.5%
- Discount rates varied from	4.0% to 9.0%	4.0% to 19.0%

The weighted average expected term to settlement of outstanding claims from balance date is estimated to be:

- Short tail claims	within 1 year	within 1 year
- Long tail claims in the Pacific Islands	2.1 to 3 years	2.1 to 3.1 years
- All Australian long tail claims are fully reinsured		
- Inwards reinsurance	in excess of 10 years	in excess of 10 years

(e) Insurer financial strength rating

TOWER Insurance Limited has an insurer financial strength rating of "A-" (Excellent) issued by AM Best Company Limited.

TOWER Medical Insurance Limited has not obtained a credit rating.

(f) Reinsurance programme

Reinsurance programmes are structured to adequately protect the general insurance companies' solvency and capital positions. They cover per risk and event losses in each country, including a major Wellington earthquake, assessed as the worst possible scenario. Large global companies and major Lloyds syndicates account for the majority of the programme and are all of high quality. Reinsurers' security is regularly reviewed.

NOTE 31 EARNINGS PER SHARE

	Group 2004	Group 2003
Earnings per Share has been calculated as follows:		
Net surplus/(deficit) after taxation (NZ$000)	**54,593**	**(148,857)**
Weighted average fully paid equivalent shares	408,401,954	209,640,824
Number of Shares held on behalf of policyholders[1]	-	(9,767,952)
Net weighted average Shares held on issue	408,401,954	199,872,872
Basic earnings per Share (cents per Share)	13.37	(74.48)

(1) During the 2003 financial year TOWER reclassified TOWER Shares held by subsidiary companies to meet policyholders' liabilities as treasury stock. The treasury stock was sold in December 2003.

NOTE 32 SIGNIFICANT EVENTS

Spin-off of Australian Wealth Management (AWM) businesses and AWM capital raising

TOWER Limited ("TOWER") announced on 15 November 2004 that it had determined to separate and list on Australian Stock Exchange ("ASX") its Australian Wealth Management businesses, subject to Shareholder and Court approval.

Key features of the proposal:

- TOWER will transfer its Australian Wealth Management businesses, comprising Bridges and TOWER Trust, into a new company, AWM Limited ("AWM"), in exchange for approximately 120 million A$1.00 shares in AWM and a cash payment of A$130 million.
- These 120 million shares in AWM will then be transferred to existing TOWER Shareholders and, in consideration, an approximately equivalent value of TOWER Shares held by existing TOWER Shareholders will be acquired and cancelled via a New Zealand Court approved Scheme of Arrangement, requiring Shareholder approval.
- AWM will be listed on the Australian Stock Exchange.
- AWM will undertake a capital raising of approximately A$130 million, by way of an entitlements offer of additional shares in AWM to make the cash payment to TOWER.
- The entitlements offer will be renounceable, allowing shareholders to sell their entitlements in the event they do not wish to subscribe for additional shares in AWM.
- The entitlements offer will be fully underwritten by GPG on terms to be approved by Shareholders.

Following the Scheme and completion of the capital raising, TOWER will have no equity or any other interest in AWM.

TOWER will use the A$130 million proceeds received from AWM to provide additional capital flexibility and in pursuing its strategies for growth and new business development.

The estimated financial effect on TOWER will be :

1) a reduction in issued capital of approximately A$120 million
2) a gain on disposal of approximately A$30 million
3) a reduction in net assets of approximately A$90 million.

Expected timing:

- Detailed information regarding the Scheme and capital raising will be provided to Shareholders in early December 2004.
- A Shareholders' meeting to approve the Scheme will be held in late January 2005.
- It is expected that the listing of AWM on ASX and entitlements trading will occur in February 2005.

TOWER expects to lodge the Scheme documents with regulatory bodies in early December 2004 and accordingly it will be in a position to provide further details regarding the proposal at that time.

Under the Proposal, TOWER and AWM Limited (AWM) are considering making the offers of securities referred to in this announcement.

No money is currently being sought and applications will not be accepted nor money received until Shareholders have received a Prospectus/ Investment Statement.

NOTE 33 INTERNATIONAL FINANCIAL REPORTING STANDARDS

In December 2002 the Accounting Standards Review Board determined that all New Zealand reporting entities will be required to adopt International Financial Reporting Standards (IFRS) for accounting periods beginning on or after 1 January 2007 with the option of early adoption for periods beginning on or after 2005.

TOWER is currently assessing the impact that compliance with IFRS will have on its financial statements and when is the most appropriate time to adopt IFRS.

TOWER has commenced work to convert to IFRS and is on schedule to complete the adoption of IFRS within the required timeframe.

There are a number of areas that have been identified where accounting policy changes will be required. These areas are still subject to ongoing interpretation and review by both TOWER and the industry and TOWER is currently unable to reliably quantify all the impacts at this time.

An overview of the most significant differences in accounting policies that are expected to impact TOWER on the adoption of IFRS follows:

Accounting for life insurance companies

Under current accounting standards all transactions carried out by, and assets and liabilities of a life insurance business including those of the shareholders funds are accounted for under FRS34 Life Insurance Business. In the event of a conflict between FRS34 and any other standard, the requirements of FRS34 prevail.

Under IFRS there is no specific accounting standard for life insurance businesses. There is a standard for insurance contracts but for all other transactions and balances, other standards will apply. The insurance standard will only apply for contracts that meet the definition of insurance contracts and as a result it is expected a significant portion of TOWER contracts will be classified and accounted for as investment contracts. Investment contracts will be accounted for under the financial instruments standard that requires recognition at either amortised cost or, with appropriate designation at inception, at fair value with any movements recognised in the statement of financial performance.

Accounting for insurance contracts under IFRS is being introduced under a two phase plan. The first phase which will apply on initial adoption of IFRS will see current practice continue largely unchanged although policy liabilities will potentially be discounted at a lower rates as a risk fee rate will be applied rather than the market rate of the investment assets that support policy liabilities. Phase II will introduce a new standard, yet to be developed, on the recognition and measurement of insurance contracts.

Deferred Acquisition costs

Under current accounting standards acquisition costs incurred in acquiring business of a life insurance entity are deferred and recognised over the life of the contracts.

Under IFRS this treatment will continue for life insurance contracts until the, yet to be developed, insurance contracts standard on recognition and measurement is in force. But the ability to defer acquisition costs related to investment contracts will be significantly reduced.

The level of acquisition costs that can be deferred for investment business will only be those incremental costs directly attributable to securing the contract. As a result it is expected that a significant amount of currently deferred acquisition costs will be written off on adoption of IFRS. The change in the carrying value of deferred acquisition costs on the adoption of IFRS will be restated through opening retained earning as required on the first time adoption of IFRS.

Excess of market value over net tangible assets (EMVONTA)

Under current accounting standards the subsidiaries of life insurance companies are required to be carried at market value with the excess of market value over net tangible assets recorded in the statement of financial position as EMVONTA. EMVONTA includes both acquired and internally generated goodwill. Any change in EMVONTA arising from revaluations is reported through the statement of financial performance. Revaluing subsidiaries to market value and recognising internally generated goodwill is a treatment only applicable to life companies under FRS34 Life Insurance Business, which overrules all other standards.

Under IFRS life companies will apply the same standards as all other companies and as such will not revalue subsidiaries nor recognise internally generated goodwill. On initial adoption of IFRS EMVONTA will be restated to only include goodwill on acquisition less amortisation and impairment with the restatement being made through opening retained earnings.

The restatement of EMVONTA will also include an assessment of the make up of goodwill on acquisition to determine if there were any intangible assets that need to be recognised under IFRS. Any intangibles recognised, that have a less than infinite life, will be amortised over the useful life.

NOTE 33 INTERNATIONAL FINANCIAL REPORTING STANDARDS CONTINUED

Goodwill

Under current accounting standards any goodwill, being the excess of purchase price over the net tangible assets of the acquired entity is recognised as an asset and must be amortised over the period of expected benefit, up to a maximum of twenty years. The goodwill asset is also subject to an impairment test.

Under IFRS goodwill is not amortised but the carrying value is still subject to regular and strict impairment testing with any impairment being reported through the statement of financial performance.

As with the restatement of EMVONTA, goodwill is to be assessed to determine if there are any previously unrecognised intangibles that need to be recognised under IFRS.

Share based payments

TOWER currently operates an executive option scheme. Under current accounting standards options issued to employees under performance incentive schemes are not recognised as an expense in the statement of financial performance.

Under IFRS the cost of option schemes entered into with employees will be recognised through the statement of financial performance as an expense over the periods the equity instruments vest. The expense will be based on the value of the options at the grant date and the number of options that ultimately vest.

TOWER

TOWER LIMITED