29 November 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 – Full Year Results to 30 September 2005

In accordance with the Listing Rules and further to the announcement and documents submitted on 24 November 2005, relating to the TOWER Limited Financial Results for the year ended 30 September 2005, please find attached the following documents:

- Signed TOWER Limited Financial Statements for the year ended 30 September 2005
- PricewaterhouseCoopers' Audit Opinion
- Directors' Declaration

Yours faithfully

P. e. Ellis

Philippa Ellis
General Manager, Investor Relations & Corporate Services
TOWER Limited

TOWER LIMITED

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 SEPTEMBER 2005

TOWER LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL PERFORMANCE
For the year ended 30 September 2005

		Group		Company	
		2005	2004	2005	2004
	Note	NZ$000	NZ$000	NZ$000	NZ$000
Net premium income	1	515,685	478,591	-	-
Investment income	2	517,079	393,452	111,154	7,347
Fee and other income	3	98,602	175,139	-	-
Total operating revenue		1,131,366	1,047,182	111,154	7,347
Claims expense	4	311,793	282,026	-	-
Change in policyholder liabilities	5	269,051	177,266	-	-
Management and sales expenses	6	392,290	450,077	9,131	3,225
Amortisation of goodwill and intangibles	10	3,441	6,749	-	-
Investment expenses		11,163	9,611	-	-
Total operating expenses		987,738	925,729	9,131	3,225
Financing costs	6	(17,511)	(16,244)	(6,081)	-
Gain on disposal	32	23,045	-	-	-
Surplus before taxation		**149,162**	**105,209**	**95,942**	**4,122**
Taxation expense/(credit)	7	49,649	50,473	(6,308)	(868)
Net surplus after taxation		**99,513**	**54,736**	**102,250**	**4,990**
Net surplus attributable to minority interests	18	(1,685)	(143)	-	-
Net surplus attributable to Shareholders		**97,828**	**54,593**	**102,250**	**4,990**
Net surplus comprises:					
Net surplus from continuing activities(4)		69,171	54,593	108,342	4,990
Net surplus from discontinued activities	32	28,657	-	(6,092)	-
		97,828	**54,593**	**102,250**	**4,990**

	NZ cents	NZ cents
Basic earnings per share (1) & (2)	25.88	13.37
Basic earnings per share on continuing activities (1) & (3)	18.30	13.37

Note: (1) Earnings per share is based on the weighted average of 378.0 million (30 September 2004 408.4 million) fully paid equivalent shares on issue.

(2) Basic earnings per share in the year to 30 September 2005 includes $23.0 million (6.10 cents per share) from the gain on disposal of Australian Wealth Management.

(3) Basic earnings per share on continuing activities in the period to 30 September 2005 excludes profits from Australian Wealth Management and the gain on disposal.

(4) Included within Net Surplus from continuing activities of $54.6 million is a net surplus of $16.6 million attributable to Australian Wealth Management which was disposed of during 2005.

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.

TOWER LIMITED

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
As at 30 September 2005

		Group		Company	
		2005	2004	2005	2004
	Note	NZ$000	NZ$000	NZ$000	NZ$000
Cash		15,724	37,523	135	107
Accounts receivable	8	207,842	245,685	326,924	403,759
Fixed interest securities	9	2,577,516	2,166,625	-	-
Equity securities	9	1,584,356	1,451,824	-	-
Property investments	9	355,458	393,728	-	-
Other investments	9	360,235	467,347	552,953	441,717
Taxation receivable		27,115	60,471	7,637	1,182
Other current assets		5,530	12,116	-	-
Property, plant and equipment	13	14,873	28,601	-	-
Deferred tax benefit	7	-	11,769	-	-
Goodwill and intangibles	10	15,970	72,539	-	-
Total assets		**5,164,619**	**4,948,228**	**887,649**	**846,765**
Accounts payable	14	412,739	391,550	68,388	1,186
Bank Overdraft and Senior debt	15	2,893	10,610	-	-
Insurance provisions	16	242,837	237,448	-	-
Deferred tax liability	7	4,858	-	-	-
Other liabilities	17	26,491	29,281	-	-
Policyholder liabilities	5	3,494,061	3,282,940	-	-
Capital Bonds/Notes	15	200,000	200,000	-	-
Total liabilities		**4,383,879**	**4,151,829**	**68,388**	**1,186**
NET ASSETS		**780,740**	**796,399**	**819,261**	**845,579**
Represented by:					
Equity share capital	18	911,772	1,040,340	911,772	1,040,340
Retained earnings	18	(84,134)	(157,322)	(92,511)	(194,761)
Reserves	18	(50,063)	(94,274)	-	-
Minority interests	18	3,165	7,655	-	-
SHAREHOLDERS' EQUITY		**780,740**	**796,399**	**819,261**	**845,579**

	NZ $	NZ $
Net asset backing per share.	2.18	1.93
Gearing[1]	20.63%	20.91%

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

The financial statements were approved for issue by the Board on 23 November 2005.

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.

TOWER LIMITED

CONSOLIDATED STATEMENTS OF MOVEMENTS IN EQUITY
For the year ended 30 September 2005

	Note	Group 2005 NZ$000	Group 2004 NZ$000	Company 2005 NZ$000	Company 2004 NZ$000
Net surplus/(deficit) for the year, comprising					
Parent shareholders' interest		97,828	54,593	102,250	4,990
Minority interests	18	1,685	143	-	-
		99,513	**54,736**	**102,250**	**4,990**
Other recognised revenue and expenses					
Movement in foreign currency translation reserve		19,571	(45,888)	-	-
Total recognised revenue and expenses		**119,084**	**8,848**	**102,250**	**4,990**
Sale of treasury stock		-	16,008	-	-
Shares issued	18	2,422	4,400	2,422	4,400
Distribution of Australian Wealth Management shares [1]	18	(130,990)	-	(130,990)	-
Minority interest	18	(6,175)	7,475	-	-
Movements in equity for the year		**(15,659)**	**36,731**	**(26,318)**	**9,390**
Opening Equity					
Parent Shareholders' Interest		788,744	759,631	845,579	836,189
Minority interest		7,655	37	-	-
		796,399	**759,668**	**845,579**	**836,189**
Equity at end of year, comprising					
Parent Shareholders' Interest		777,575	788,744	819,261	845,579
Minority interest		3,165	7,655	-	-
		780,740	**796,399**	**819,261**	**845,579**

Note: [1] Shares in the newly listed Australian Wealth Management company were transferred to existing TOWER shareholders and 55.7 million TOWER Limited shares were cancelled as part of this separation of the Australian Wealth Management business in February 2005.

TOWER LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS
For the year ended 30 September 2005

	Note	Group 2005 NZ$000	Group 2004 NZ$000	Company 2005 NZ$000	Company 2004 NZ$000
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash was provided from/(applied to)					
Premiums received		748,448	962,240	-	-
Interest received		113,119	121,012	(82)	556
Dividends received		57,202	52,765	-	-
Investment income		111,258	53,388	-	-
Non-life company fee income		117,326	166,565	-	-
Claims expenses		(679,674)	(923,951)	-	-
Payments to suppliers and employees		(379,862)	(468,917)	(9,131)	(2,952)
Interest paid		(15,336)	(13,130)	(6,081)	-
Income taxation received/(paid)		(407)	12,684	(147)	868
Net cash flow from operating activities	21	**72,074**	**(37,344)**	**(15,441)**	**(1,528)**
CASH FLOWS FROM INVESTING ACTIVITIES					
Cash was provided from/(applied to)					
Sale/(purchase) of investments[1]					
Fixed interest		(454,927)	37,196	-	-
Property		232,629	(53,503)	-	-
Equities		40,252	60,071	-	-
Disposal of subsidiary		97,089	-	-	-
Sale/(purchase) of property, plant and equipment		(3,771)	(5,173)	-	-
Net cash flow from investing activities		**(88,728)**	**38,591**	**-**	**-**
CASH FLOWS FROM FINANCING ACTIVITIES					
Cash was provided from/(applied to)					
Issue of equity share capital	18	2,422	-	2,422	-
Issue of Capital Notes	15	-	75,000	-	-
Borrowings (repaid)		(8,550)	(78,729)	-	-
Sale of treasury stock		-	12,031	-	-
Net advances to subsidiaries		-	-	13,047	1,633
Net cash flow from financing activities		**(6,128)**	**8,302**	**15,469**	**1,633**
Net increase/(decrease) in cash held		**(22,782)**	**9,549**	**28**	**105**
Cash at beginning of year		35,463	27,220	107	2
Effect of exchange rate change on foreign currency balance		150	(1,306)	-	-
Cash at end of year		**12,831**	**35,463**	**135**	**107**
Comprising:					
Cash at bank		15,724	37,523	135	107
Bank overdraft	15	(2,893)	(2,060)	-	-
Cash at end of year		**12,831**	**35,463**	**135**	**107**

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.

TOWER LIMITED

STATEMENT OF ACCOUNTING POLICIES
For the year ended 30 September 2005

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 its 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 asessed 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 the lower of cost and impaired value.

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.

TOWER LIMITED

STATEMENT OF ACCOUNTING POLICIES
For the year ended 30 September 2005

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.

STATEMENT OF ACCOUNTING POLICIES
For the year ended 30 September 2005

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
All 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.

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.

STATEMENT OF ACCOUNTING POLICIES
For the year ended 30 September 2005

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 for 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$0.9080 (2004 A$0.9348). 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$0.9180 (2004 A$0.8871). 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.

STATEMENT OF ACCOUNTING POLICIES
For the year ended 30 September 2005

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 (NZ) 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 Ltd, TOWER Life (NZ) Ltd and TOWER Health & LifeLtd, and the Appointed Actuary, Tony Cook, FIAA has calculated policyholder liabilities for TOWER Australia Ltd. 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	

STATEMENT OF ACCOUNTING POLICIES
For the year ended 30 September 2005

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:

<table>
<tr><th>REQUIRED ASSUMPTION</th><th>BASIS OF ASSUMPTION</th><th>SIGNIFICANT CHANGES</th></tr>
<tr><td>Discount rates</td><td>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.</td><td>The discount rates used are as follows:<table><tr><th></th><th>New Zealand</th><th>Australia</th></tr><tr><td>September 2005</td><td>3.6% to 5.7%</td><td>2.9% to 7.5%</td></tr><tr><td>September 2004</td><td>3.5% to 5.6%</td><td>2.9% to 7.4%</td></tr></table></td></tr>
<tr><td>Inflation</td><td>A specific allowance for each country reviewed annually.

Benefit indexation is before allowance for the proportion of policyholders who take up indexation.</td><td><table><tr><th></th><th>New Zealand</th><th>Australia</th></tr><tr><td>September 2005</td><td>2.0%</td><td>2.5%</td></tr><tr><td>September 2004</td><td>2.0%</td><td>2.5%</td></tr><tr><td>Benefit Indexation</td><td></td><td></td></tr><tr><td>September 2005</td><td>2.0%</td><td>2.8%</td></tr><tr><td>September 2004</td><td>2.0%</td><td>2.7%</td></tr></table></td></tr>
<tr><td>Future expenses</td><td>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.</td><td>No significant changes in aggregate but changes in splits between acquisition and maintenance expenses and between policy types.</td></tr>
<tr><td>Rates of taxation</td><td>Rates of taxation have been assumed to remain at current levels.</td><td>None</td></tr>
<tr><td>Mortality – risk products</td><td>Standard mortality tables, primarily NZ97 in New Zealand and IA90-92 in Australia. These are adjusted for company experience.</td><td>Mortality rates for TOWER Life (NZ) were reduced by between 5% to 10%. TOWER Health and Life reduced its mortality assumption by between 10% to 20% for most products. Mortality rates for Funeral Plan business sold through TOWER Australia were unchanged</td></tr>
<tr><td>Mortality – annuities</td><td>Standard mortality tables, primarily PML80C10 in New Zealand and IM/IF80 in Australia adjusted for company experience.</td><td>Mortality improvements on annuities for TOWER Life (NZ) were increased for ages below 80 by between .75% and 2%.</td></tr>
<tr><td>Disability – lump sum</td><td>Based on past reinsurer experience and adjusted for differing product definitions. Some wholesale schemes use specific company experience.</td><td>None</td></tr>
<tr><td>Disability income</td><td>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.</td><td>For TOWER Australia, incidence rates were unchanged, while termination rates were increased at medium to longer claim durations.</td></tr>
</table>

STATEMENT OF ACCOUNTING POLICIES
For the year ended 30 September 2005

REQUIRED ASSUMPTION	BASIS OF ASSUMPTION	SIGNIFICANT CHANGES
Discontinuances	Discontinuance rates have been assumed to be consistent with the experience of recent years. 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.	TOWER Health and Life reduced lapse rates on premium payback policies slightly, but increased assumed lapses on Funeral Plan by 30% in NZ.
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-superannuation unit linked business is valued on an accumulation basis.	The gross rates of growth used are as follows: **New Zealand** / **Australia** September 2005: 6.1% to 8.2% / 4.3% to 8.2% September 2004: 6.1% to 8.2% / 4.5% to 8.2%
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.	None
	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.	None
	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 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 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.

STATEMENT OF ACCOUNTING POLICIES
For the year ended 30 September 2005

(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 2005.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

	Group 2005 NZ$000	Group 2004 NZ$000	Company 2005 NZ$000	Company 2004 NZ$000
1. Premium income				
Life insurance premiums	576,062	804,879	-	-
Less: Deposits recognised as an increase in policy liabilities	(229,873)	(478,861)	-	-
Life insurance premiums recognised as revenue	**346,189**	**326,018**	-	-
General insurance premiums	186,134	174,134	-	-
Health insurance premiums	89,919	75,479	-	-
	622,242	**575,631**	-	-
Less Reinsurance ceded	(106,557)	(97,040)	-	-
Total net premium income	**515,685**	**478,591**	-	-
2. Investment income				
Fixed interest				
Interest	113,718	121,132	1,086	556
Realised (losses)/gains	(4,146)	(2,463)	-	-
Unrealised (losses)/gains	33,390	(2,440)	-	-
Total investment income from fixed interest	**142,962**	**116,229**	**1,086**	**556**
Equities				
Dividend income	56,072	54,704	-	-
Realised gains/(losses)	70,808	3,143	-	-
Unrealised gains/(losses)	142,444	109,779	-	-
Total investment income from equities	**269,324**	**167,626**	-	-
Property				
Rents, interest and recoveries	21,422	17,623	-	-
Realised gains/(losses)	11,385	4,504	-	-
Unrealised gains/(losses)	23,269	33,526	-	-
Total investment income from property	**56,076**	**55,653**	-	-
Change in excess of Directors' valuation over net tangible assets of subsidiaries owned by life insurance companies	**29,853**	**22,920**		-
Recovery of previous unrealised writedown of subsidiaries			111,236	
Realised gains/(losses)	16,279	30,581	-	6,781
Unrealised gains/(losses)	2,585	443	(1,168)	10
Total other investment income	**18,864**	**31,024**	**(1,168)**	**6,791**
Total investment income	**517,079**	**393,452**	**111,154**	**7,347**
3. Fee and other income				
Continuing activities				
Investment and management fees	48,987	106,477	-	-
Trustee services	-	52,722	-	-
Fund management fees	16,359	15,876	-	-
Other revenue	141	64	-	-
Total continuing activities	**65,487**	**175,139**	-	-
Discontinued activities				
Investment and management fees	15,563	-	-	-
Trustee services	17,552	-	-	-
Total discontinuing activities	**33,115**	-	-	-
Total fee and other income	**98,602**	**175,139**	-	-

Note (1) The 2004 Investment and Management fees and Trustee Services includes an amount of $52.1million and $52.7million, respectively, relating to Australian Wealth Management which was disposed of during 2005.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

	Group		Company	
	2005	2004	2005	2004
4. Claims expense	**NZ$000**	**NZ$000**	**NZ$000**	**NZ$000**
Life insurance claims	561,429	811,098	-	-
Less: Withdrawals recognised as a decrease in policy liabilities	(362,369)	(623,539)	-	-
Life insurance claims recognised as expense	**199,060**	**187,559**	-	-
General insurance claims (refer Note 30)	115,877	120,222	-	-
Health insurance claims (refer Note 30)	60,704	51,481	-	-
	375,641	**359,262**	-	-
Less reinsurance proceeds received	(63,848)	(77,236)	-	-
Total claims expense	**311,793**	**282,026**	-	-

5. Policyholder liabilities and life insurance business

(a) Policyholder liabilities represent:				
Value of policy liabilities – Projection Method				
Future policy benefits	2,545,376	2,332,611	-	-
Future bonuses	222,245	197,930	-	-
Future expenses	657,406	615,636	-	-
Reinsurance	53,418	8,249	-	-
Future profit margins	377,829	313,661	-	-
Future premiums	(2,672,849)	(2,258,993)	-	-
	1,183,425	1,209,094	-	-
Value of policy liabilities – Accumulation Method				
Future policy benefits	2,430,454	2,192,349	-	-
Future charges for acquisition expenses	(215,531)	(205,498)	-	-
	2,214,923	1,986,851	-	-
	3,398,348	**3,195,945**	-	-
Unvested policyholder benefits	95,713	86,995	-	-
Total policyholder liabilities	**3,494,061**	**3,282,940**	-	-
Reconciliation of movements in policyholder liabilities				
Opening balance	3,282,940	3,420,987	-	-
Movement in Statement of Financial Performance	269,051	177,266	-	-
Deposits recognised as an increase in policy liabilities (refer note 1)	229,873	478,861	-	-
Withdrawals recognised as a decrease in policy liabilities (refer note 4)	(362,369)	(623,539)	-	-
Other adjustments including foreign exchange	74,566	(170,635)	-	-
Closing balance	**3,494,061**	**3,282,940**	-	-
(b) Analysis of life insurance results				
Planned profit margins	35,728	35,550	-	-
Experience profits/(losses)	(3,038)	(11,405)	-	-
Capitalised loss/(recognition) and reversal	(2,620)	(25)	-	-
Investment earnings on assets in excess of policy liabilities of life companies	20,873	12,059	-	-
Operating profit /(deficit) after tax attributable to shareholders arising from the life insurance funds	**50,943**	**36,179**	-	-
(c) Policy acquisition expenses - life insurance business:				
Commission	56,703	40,752	-	-
Other acquisition expenses	45,800	34,783	-	-
(d) Policy maintenance expenses - life insurance business:				
Policy maintenance expense	141,107	125,808	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

5. 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 (NZ)		TOWER Life		TOWER Australia		TOWER Health & Life	
		2005 NZ$000	2004 NZ$000	2005 NZ$000	2004 NZ$000	2005 NZ$000	2004 NZ$000	2005 NZ$000	2004 NZ$000
Solvency requirement	A	863,402	842,990	575,055	472,768	2,894,052	2,711,717	72,808	70,144
Represented by:									
Policyholder liabilities		811,933	803,661	5,678	2,991	2,732,046	2,531,081	(2,431)	3,364
Other liabilities		38,916	33,244	1,487	2,184	76,380	84,128	9,773	9,538
Solvency reserve	B	12,552	6,085	567,890	467,593	85,626	96,508	65,467	57,242
Solvency requirement		863,401	842,990	575,055	472,768	2,894,052	2,711,717	72,809	70,144
Assets available to meet solvency reserve:	C	61,521	57,398	642,355	516,984	248,129	204,240	70,541	63,647
Solvency reserve	B	12,552	6,085	567,890	467,593	85,626	96,508	65,467	57,242
Excess assets above required		48,969	51,313	74,465	49,391	162,503	107,732	5,074	6,405
Required solvency reserve	(B/(A-B))x100	1.5%	0.7%	7925.9%	9036.0%	3.0%	3.7%	891.8%	443.7%
Coverage of required solvency reserve	C/B	4.9	9.4	1.1	1.1	2.9	2.1	1.1	1.1

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

	Group 2005 NZ$000	Group 2004 NZ$000	Company 2005 NZ$000	Company 2004 NZ$000
6. Expenses and profit from operations				
Included in total management and sales expenses are the following:				
Amortisation of deferred acquisition costs	10,753	10,117	-	-
Bad debts written off	-	40	-	-
Change in provision for doubtful debts	(114)	(253)	-	-
Depreciation:				
Office equipment and furniture	2,748	2,492	-	-
Motor vehicles	521	248	-	-
Computer hardware and software	6,486	12,630	-	-
Directors' fees	798	809	748	769
Donations	43	38	-	-
Fees paid to auditors				
Audit of financial statements	2,642	2,176	90	90
Audit of trust accounts	-	373		
Other assurance related services	304	158	-	-
Non-recurring or unusual items:				
Impairment - Computer hardware and software	-	6,932	-	-
Restructuring costs	3,117	5,708	-	-
Included in financing costs are the following:				
Interest expense	16,131	14,663	6,081	-
7. Taxation				
Profit before taxation	**149,162**	**105,209**	**95,942**	**4,122**
Income tax at the current rate of 33 cents	49,223	34,719	31,661	1,360
Taxation effect of permanent differences:				
Life insurance companies permanent differences	17,925	18,613	-	-
Australian non life insurance companies tax rate adjustment	2	(524)	-	-
Write down of subsidiaries	-	-	(36,708)	-
Non life insurance companies permanent differences	(17,501)	(2,335)	(1,261)	(2,228)
Taxation expense	**49,649**	**50,473**	**(6,308)**	**(868)**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

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	
	2005 %	**2004** %
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		Company	
	2005 NZ$000	**2004 NZ$000**	**2005 NZ$000**	**2004 NZ$000**
Analysis of taxation				
Current taxation	33,022	20,213	(6,308)	(868)
Deferred taxation	16,627	30,260	-	-
	49,649	**50,473**	**(6,308)**	**(868)**
Movements in deferred taxation asset				
Opening balance	11,769	42,029	-	-
Market value adjustments	617	(10,464)	-	-
Other adjustments	(17,244)	(19,796)	-	-
Closing balance	**(4,858)**	**11,769**	-	-

The potential impact of all outstanding timing differences in respect of the current and prior periods not recognised is $18.7 million, tax effect of $6.2 million (2004: $35.5 million, tax effect of $11.7 million). Any subsequent recognition of this tax asset will be substantially offset by an increase in policyholder liabilities. Australian capital tax losses not recognised is AUD$57.1 million, net tax effect of AUD$17.1 million (2004: AUD$55.7 million, net tax effect of AUD$16.7 million).

Imputation Credit Account		
Opening balance	2,338	1,000
Transfer from Policyholder Credit Account	-	-
Attached to dividends received	12,865	42,008
Taxation paid	8,014	315
Attached to dividends paid	-	-
Other including transfers to Policyholder Credit Account	(22,631)	(40,985)
Closing balance	**586**	**2,338**

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

	Group 2005 NZ$000	Group 2004 NZ$000
Policyholder Credit Account		
Opening balance	14,000	27,911
Previous year's policyholder tax liability	(12,176)	(24,805)
Transfer to Imputation Credit Account	-	-
Transfer from Imputation Credit Account	22,176	10,894
Closing balance	**24,000**	**14,000**

The Policyholder Credit Account enables TOWER Life (NZ) to satisfy the income tax liability on 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 2005 the TOWER Limited Group has available Australian franking credits totalling AUD$27,542,725 (2004: AUD$27,408,595).

	Group 2005 NZ$000	Group 2004 NZ$000	Company 2005 NZ$000	Company 2004 NZ$000
8. Accounts receivable				
Reinsurance debtors	31,898	26,341	-	-
Premium debtors and trade receivables	130,590	172,472	-	-
Subsidiaries	-	-	326,924	403,759
Other receivables	45,354	46,872	-	-
Total accounts receivable	**207,842**	**245,685**	**326,924**	**403,759**
9. Investment assets				
Fixed interest securities				
Government securities	304,922	562,450	-	-
Local authority securities	243,621	199,597	-	-
Loans on mortgages	1,112	1,553	-	-
Loans on policies	33,966	35,579	-	-
Short term deposits	688,252	550,843	-	-
Other fixed interest securities	1,126,443	672,694	-	-
Multi currency unit trusts	179,200	143,909	-	-
Total fixed interest securities	**2,577,516**	**2,166,625**	-	-
Equity securities				
Investments in equities(1)	906,939	850,086	-	-
Multi currency unit trusts	677,417	601,738	-	-
Total equity securities	**1,584,356**	**1,451,824**	-	-
Property(1)	**355,458**	**393,728**	-	-

Note (1) The majority of these investments are held in unit trusts.

	Group		Company	
	2005 NZ$000	2004 NZ$000	2005 NZ$000	2004 NZ$000
9. Investment assets (continued)				
Other investments				
Excess of Directors' valuation over net tangible assets of subsidiaries	289,892	397,727	-	-
Deferred acquisition costs (Note 12)	70,343	69,620	-	-
Investment in subsidiaries	-	-	552,953	441,717
Total other investments	360,235	467,347	552,953	441,717
Excess of Directors' valuation over net tangible assets of subsidiaries comprises:				
Life company subsidiaries:				
TOWER Australia Limited	178,730	142,919	-	-
TOWER Life (NZ)	20,291	19,131	-	-
TOWER Managed Funds Limited	-	-	-	-
TOWER Health & Life Limited	70,915	80,896	-	-
Bridges Financial Services Group Pty Limited	-	140,271	-	-
TOWER Medical Insurance Limited	19,956	14,510	-	-
	289,892	397,727	-	-
Reconciliation of movement in 'Excess of Directors' valuation over net tangible assets of subsidiaries comprises:				
Opening balance	397,727	380,374	-	-
Transfer to intangibles and goodwill	-	-	-	-
Transfer from intangibles and goodwill	-	-	-	-
Revaluations of subsidiaries	29,853	22,920	-	-
AWM Spin-off (see note 32)	(140,546)	-		
Other movements	(2,014)	13,154	-	-
Impact from movement in foreign exchange	4,872	(18,721)	-	-
	289,892	397,727	-	-
10. Goodwill & Intangibles				
Goodwill				
Goodwill (gross) at beginning of year	175,563	175,563	-	-
Accumulated amortisation at beginning of year	(103,024)	(92,352)	-	-
	72,539	83,211	-	-
Current year Amortisation	(3,441)	(6,749)	-	-
AWM Spin-off (see note 32)	(56,845)	-		
Impact of Foreign Exchange	3,717	(3,923)	-	-
Unamortised balance at year end	15,970	72,539	-	-
Comprising:				
Goodwill (gross)	75,634	175,563	-	-
Accumulated amortisation and impact of foreign exchange	(59,664)	(103,024)	-	-
	15,970	72,539	-	-

Goodwill is amortised over the period of expected future benefit. Included in the above is goodwill on TOWER Asset Management (NZ) Limited which is fully amortised and goodwill on TOWER Insurance Limited.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

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 2005. Principal trading subsidiary companies at 30 September 2005 are as follows:

Name of Company	Holdings 2005	Holdings 2004	Nature of Business
Incorporated in New Zealand			
TOWER Asset Management Limited	100%	100%	Investment management services
TOWER Corporation Holdings Limited	100%	100%	Management services
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
TOWER Managed Funds Limited	100%	100%	Life insurance administration and personal superannuation management
TOWER Medical Insurance Limited	100%	100%	Medical insurance
Incorporated in Australia			
Beacon Investment Management Services Limited	100%	100%	Investment management services
Bridges Financial Services Group Pty Limited[1]	-	100%	Master trust and financial planning
Financial Services Partners Pty Limited[2]	10%	60%	Distribution company
TOWER Asset Management Limited (Australia)	100%	100%	Investment management services
TOWER Australia Limited	100%	100%	Life insurance and superannuation
TOWER Trust Limited (Australia)[1]	-	100%	Trustee services

Note (1) During the year TOWER Limited disposed of its interest in the Australian Wealth Management companies (Bridges Financial Services Limited and TOWER Trust Limited (Australia)). The spin off gave rise to a $23.0m profit in the Group which was reported through the Statement of Financial Performance. The overall impact of this disposal was material to the Group (refer Note 32 for the impact on Net Assets).

Note (2) During the year TOWER Limited sold the majority of its interest in Financial Services Partners Pty Limited reducing its holdings to 10%. This gave rise to a gain on sale of $0.5m which was reported through the Statement of Financial Performance.

	Group 2005 NZ$000	Group 2004 NZ$000	Company 2005 NZ$000	Company 2004 NZ$000
12. Deferred acquisition costs for non-life companies				
Opening balance	69,620	68,042	-	-
Costs deferred during the period	11,476	11,695	-	-
Current period amortisation	(10,753)	(10,117)	-	-
Closing balance	**70,343**	**69,620**	-	-
13. Property, plant and equipment				
Cost				
Office equipment and furniture	30,144	35,905	-	-
Motor vehicles	836	1,237	-	-
Computer hardware and software	89,473	120,067	-	-
	120,453	**157,209**	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

	Group		Company	
	2005	2004	2005	2004
	NZ$000	NZ$000	NZ$000	NZ$000
13. Property, plant and equipment (continued)				
Less accumulated depreciation				
Office equipment and furniture	23,737	29,343	-	-
Motor vehicles	703	901	-	-
Computer hardware and software	81,140	98,364	-	-
	105,580	128,608	-	-
Net book value	14,873	28,601	-	-
Split by Class:				
Office equipment and furniture	6,407	6,562	-	-
Motor vehicles	133	336	-	-
Computer hardware and software	8,333	21,703	-	-
Net book value	14,873	28,601	-	-
14. Accounts payable				
Trade payables	111,773	134,089	1,184	1,186
Holiday pay	6,725	9,734	-	-
Provisions (other than insurance provisions)	1,695	2,079	-	-
Accrued investment purchases	274,041	218,049	-	-
Other payables	18,505	27,599	-	-
Subsidiaries	-	-	67,204	-
Total accounts payable	412,739	391,550	68,388	1,186

As at 30 September 2005 accrued investment purchases include a contracted forward settlement for $163.3 million of Government stock (30 September 2004 $158.2 million). The asset is recognised under Government securities within note 9.

Restructuring provision				
Opening balance	866	3,541	-	-
Additions	733	876	-	-
Amount used	(866)	(3,551)	-	-
Closing balance	733	866	-	-

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

Excess lease provision				
Opening balance	1,213	2,571	-	-
Additions	38	38	-	-
Amount used	(289)	(1,396)	-	-
Closing balance	962	1,213	-	-

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.

Total Provisions	1,695	2,079	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

	Group		Company	
	2005	2004	2005	2004
	NZ$000	NZ$000	NZ$000	NZ$000
15. Borrowing				
(i) Senior Ranking Borrowing				
Overdraft	2,893	2,060	-	-
Other borrowing	-	8,550	-	-
	2,893	10,610	-	-

Other borrowings as at 30 September 2004 comprised a long term loan facility within Financial Services Partners Pty Limited that was partially drawn down. The holding in Financial Services Partners Pty Limited has been reduced to 10% and as such the entity is no longer consolidated.

	Group 2005	Group 2004	Company 2005	Company 2004
(ii) Capital Bonds/Notes				
Capital Bonds	125,000	125,000	-	-
Capital Notes	75,000	75,000	-	-
	200,000	200,000	-	-

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

Capital Notes
On 18 June 2004 TOWER Finance Limited, a subsidiary of TOWER Limited, issued a prospectus offering $65 million of unsecured, subordinated Capital Notes (the Notes) with an additional $15 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;
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 Note issue were used to fully repay senior bank debt.

Maturity Analysis

	Effective Interest rate	2005 NZ$000	Effective Interest rate	2004 NZ$000
Maturing within 12 months	8.00%	2,893	8.00%	2,060
Maturing 12 to 24 months	-	-	-	-
Maturing 24 to 36 months	8.75%	125,000	-	-
Maturing over 36 months	8.65%	75,000	8.25-8.75%	208,550
		202,893		210,610

	Group 2005 NZ$000	Group 2004 NZ$000	Company 2005 NZ$000	Company 2004 NZ$000
16. Insurance provisions				
Unearned premiums – fire and general	86,796	83,616	-	-
Unearned premiums – health and disability	14,054	12,202	-	-
Outstanding claims – fire and general	66,306	63,402	-	-
Outstanding claims – life, health and other	75,681	78,228	-	-
	242,837	237,448	-	-
17. Other liabilities				
FuturePlan Debenture	18,413	17,404	-	-
Other	8,078	11,877	-	-
	26,491	29,281	-	-

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

	Group 2005 NZ$000	Group 2004 NZ$000	Company 2005 NZ$000	Company 2004 NZ$000
18. Shareholders' equity				
Equity share capital – ordinary shares				
Opening balance	1,040,340	981,186	1,040,340	1,035,940
Shares issued during the year	2,422	4,400	2,422	4,400
Sale of TOWER Limited shares held by subsidiaries[1]	-	54,754	-	-
Cancellation of TOWER shares (for issue of equivalent Australian Wealth Management Limited shares)	(130,990)	-	(130,990)	-
Closing balance	**911,772**	**1,040,340**	**911,772**	**1,040,340**
Represented by:				
	Number of shares on issue		Number of shares on issue	
Fully paid Shares				
Opening balance	412,418,208	400,051,740	412,418,208	409,819,692
New issues	1,730,000	2,598,516	1,730,000	2,598,516
Cancelled on issue of Australian Wealth Management Limited shares	(55,680,099)	-	(55,680,099)	-
Sale of TOWER Limited shares held by subsidiaries[1]	-	9,767,952	-	-
	358,468,109	**412,418,208**	**358,468,109**	**412,418,208**

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

Note (1) 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.

	Group 2005 NZ$000	Group 2004 NZ$000	Company 2005 NZ$000	Company 2004 NZ$000
Reserves				
Foreign currency translation reserve	(50,063)	(94,274)	-	-
Retained Earnings				
Opening balance	(157,322)	(173,169)	(194,761)	(199,751)
Net surplus/(deficit) after taxation	97,828	54,593	102,250	4,990
Reclassification of Foreign Currency Translation Reserve relating to the sale of Australian Wealth Management Limited	(14,800)	-	-	-
Reclassification of Foreign Currency Translation Reserve relating to the repayment of Transtasman Inter-company loan	(9,840)	-	-	-
Treasury stock adjustment	-	(38,746)	-	-
Closing balance	**(84,134)**	**(157,322)**	**(92,511)**	**(194,761)**
Minority Interests				
Opening balance	7,655	37	-	-
Financial Services Partners Pty Limited	-	5,131	-	-
National Pacific Insurance Limited (Samoa)	-	2,387	-	-
Other including impact of foreign exchange	119	(6)	-	-
Share of surpluses in subsidiaries	1,685	143	-	-
Sale of Goldridge	-	(37)	-	-
Sale of Financial Services Partners Pty Limited	(6,294)	-	-	-
Closing balance	**3,165**	**7,655**	-	-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

19. Financial instruments
Maturity Analysis of Monetary Assets and Liabilities – Group

2005	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	6.18%	8,695	4,545	6,976	284,705	304,921
Local authority	5.40%	4,546	4,152	52,410	182,514	243,622
Loans on mortgages	7.30%	184	90	410	428	1,112
Loans on policies	10.00%	22,497	3,527	3,527	4,414	33,965
Short term deposits	5.39%	687,402	850	-	-	688,252
Other fixed interest securities	5.58%	200,198	186,148	380,428	378,640	1,145,414
Multi currency unit trusts		160,230	-	-	-	160,230
Total assets		**1,083,752**	**199,312**	**443,751**	**850,701**	**2,577,516**
Capital Bonds	8.75%	-	-	125,000	-	125,000
Capital Notes	8.65%	-	-	75,000	-	75,000
Other borrowings	8.00%	2,893	-	-	-	2,893
Total liabilities		**2,893**	**-**	**200,000**	**-**	**202,893**

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		143,909	-	-	-	143,909
Total assets		**905,218**	**87,045**	**431,401**	**742,961**	**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**	**-**	**125,000**	**83,550**	**210,610**

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

Fair Value of Financial Instruments

Capital Bonds are carried on the balance sheet as at 30 September 2005 at the historical cost of $125 million. This compares to the fair value of $126.7million (2004: $125.8 million). Capital Notes are carried on the balance sheet as at 30 September 2005 at the historical cost of $75 million. This compares to the fair value of $76.7million (2004: $75.8 million).

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

19. Financial instruments (continued)

Foreign Currency Denominated Asset and Liabilities

Assets and liabilities not hedged	Group		
As at 30 September 2005	**Assets NZ$000**	**Liabilities NZ$000**	**Net Exposure NZ$000**
Exposure to Australian dollars	3,572,538	2,885,466	687,072
Exposure to other currencies	73,765	52,881	20,884
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

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	
	2005 Carrying value NZ$000	**2004 Carrying value NZ$000**	**2005 Carrying value NZ$000**	**2004 Carrying value NZ$000**
Australian government	17,524	230,052	-	-
New Zealand government	287,398	332,452	-	-
Subsidiaries	-	-	326,924	403,759

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 2005 and 30 September 2004 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

	Group		Company	
	2005	2004	2005	2004
	NZ$000	NZ$000	NZ$000	NZ$000
20. Operating leases				
Rent paid under non-cancellable operating leases during the year	6,497	9,795	-	-
Rent payable under non-cancellable operating leases to the end of the lease terms are:				
– Not later than one year	7,919	9,809	-	-
– Later than one year and not later than two years	6,658	7,438	-	-
– Later than two years and not later than five years	14,327	15,443	-	-
– Later than five years	9,500	2,698	-	-
	38,404	35,388	-	-

21. Reconciliation of net surplus/(deficit) with net cash flow from operating activities

	Group 2005	Group 2004	Company 2005	Company 2004
Net surplus/(deficit)	**97,828**	**54,593**	**102,250**	**4,990**
Add/(less) non cash items				
Depreciation	9,755	15,370	-	-
Write-off capitalised expenditure	-	6,932	-	-
Amortisation of Goodwill and intangibles	3,441	6,749	-	-
Movement in deferred acquisition costs	(1,611)	(1,578)	-	-
Change in policyholder liabilities	136,309	(6,288)	-	-
Unrealised (gain)/loss on fixed interest	(31,705)	3,334	-	-
Unrealised (gain)/loss on equities	(149,752)	(109,779)	-	-
Unrealised (gain)/loss on property	(23,269)	(33,526)	-	-
Unrealised (gain)/loss on other	(29,853)	(23,023)	(111,236)	(6,781)
Realised (gain)/loss on subsidiaries	(23,045)	-	-	-
Increase/(decrease) in deferred taxation	16,627	34,126	-	-
	4,725	(53,090)	(8,986)	(1,791)
Add/(less) movements in working capital relating to operating activities				
(Increase)/decrease in accounts receivable	16,822	(9,457)	-	(10)
Increase/(decrease) in accounts payable	17,912	(3,828)	-	273
(Increase)/decrease in taxation	32,615	29,031	(6,455)	-
	67,349	15,746	(6,455)	263
Net cash inflows/(outflows) from operating activities	**72,074**	**(37,344)**	**(15,441)**	**(1,528)**

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 (NZ), as referred to in Note 28 Guaranteed Returns on Funds Invested – Life Insurance Companies.

The company has guaranteed external debt issued by a subsidiary company totalling $200 million.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

23. Capital commitments

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

	Group		Company	
	2005	**2004**	**2005**	**2004**
	NZ$000	**NZ$000**	**NZ$000**	**NZ$000**
Computer, software and support services	-	900	-	-

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:

	2005	**2004**	**2005**	**2004**
	NZ$000	**NZ$000**	**NZ$000**	**NZ$000**
Operating costs	-	-	2,985	3,144

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

TOWER Share Options

AWM separation – Due to the separation of Australian Wealth Management Limited from TOWER Limited in February 2005, the number of options on issue at the time of the separation and their exercise price were adjusted in accordance with the terms of the option scheme and ASX and NZX Listing Rules. This required that benefits conferred on option holders by the grant of options remained, as far as practicable, the same after the capital restructure as before it. With the ensuing reduction in options, the exercise price per option was reduced from NZ$1.53 to NZ$1.40 for options issued last year under the TOWER Executive Share Option Plan.

The exercise date and exercise period of the options remains unchanged for those executives who were not AWM executives (the exercise period begins on 1 April 2007 and expires 31 March 2010).
TOWER's Board considered a new exercise period for AWM executives was appropriate as the AWM executives had no choice but to leave the TOWER Group. They were granted a new exercise period commencing on the day AWM listed on ASX, expiring 90 days later. During the exercise period, 1,730,000 options previously granted to AWM executives were either exercised or lapsed.

Retired Group Managing Director - Ex Group Managing Director Keith Taylor had previously been granted options under the Senior Executives Share Option Scheme. Following the AWM separation, the exercise price of his options were adjusted from NZ$1.39 to NZ$1.23, with the number of options dropping from 1,500,000 to 1,297,500. The options vested when Mr Taylor's ceased employment with TOWER and could be exercised during the 90 day period starting on 30 September 2005.

New Issue of options - During the year 4,871,500 options have been issued to senior executives under the existing TOWER Executive Share Option Plan. The exercise price is NZ$2.13, with the options granted in two tranches with two exercise periods to encourage improved performance over time. For the first tranche, the exercise period begins on 9 August 2008, while for the second tranche the exercise period begins on 9 August 2009.
Total options on issue at 30 September 2005 (including to Keith Taylor) were 11,306,757 (2004: 12,839,603).

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

25. SEGMENTAL REPORTING

Business Segments	Savings & Investment	Risk Insurance	Asset Management	Trustee Services	Other(1)	Total
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
2005						
Operating margins including revaluation of life insurance subsidiaries	29,085	9,299	1,783	1,305	41,674	83,146
Investment return on Shareholder capital	17,504	4,720	260	123	1,371	23,978
Financing costs	-	-	-	-	(9,296)	(9,296)
Net (deficit)/surplus after taxation	**46,589**	**14,019**	**2,043**	**1,428**	**33,749**	**97,828**
Total revenue	762,931	305,729	24,303	17,881	20,521	1,131,365
Total assets	4,412,183	443,066	8,438	-	300,932	5,164,619
Assets under management/advice(2)	7,672,344	443,066	2,112,438	-	300,932	10,528,780
2004						
Operating margins including revaluation of life insurance	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/advice	11,866,169	394,576	2,048,434	8,819,707	314,567	23,443,453

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

(2) The reduction in assets under management/advice is due to the disposal of Australian Wealth Management, which had assets under management/advice of $14,149.1 million as at 31 January 2005.

(3) Total Revenue for Savings & Investment and Trustee Services includes an amount of $69.6 million and $53.7 million, respectively, relating to Australian Wealth Management which was disposed of during 2005

(4) Total Assets for Savings & Investment and Trustee Services includes an amount of $180.0 million and $38.2 million, respectively, relating to Australian Wealth Management which was disposed of during 2005

(5) Assets under management/advice for Savings & Investment and Trustee Services includes an amount of $4,394.8 million and $8,819.7 million, respectively, relating to Australian Wealth Management which was disposed of during 2005

Geographical Segments	Total Revenue	Revaluations and amortisations	Adjusted Profit after tax (1)	Net surplus after Tax	Total Assets	Assets Under Management
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
2005						
New Zealand	405,920	(5,150)	11,194	241	1,518,316	6,250,318
Australia	689,413	31,876	39,631	91,059	3,572,538	4,204,697
Other	36,032	-	6,528	6,528	73,765	73,765
Total	**1,131,365**	**26,726**	**57,353**	**97,828**	**5,164,619**	**10,528,780**

Geographical Segments	Total Revenue	Revaluations and amortisations	Adjusted Profit after tax (1)	Net surplus after Tax	Total Assets	Assets Under Management
	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000	NZ$000
2004						
New Zealand	376,088	6,035	11,764	19,606	1,487,659	6,142,614

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

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**

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

25. SEGMENTAL REPORTING (Continued)

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.

26. DISTRIBUTIONS TO SHAREHOLDERS

No dividends were paid during the year ended 30 September 2005 or 30 September 2004.

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For the year ended 30 September 2005

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	
	2005	**2004**
	NZ$000	**NZ$000**
Superannuation funds	1,042,493	3,308,413
Unit trust and group investment funds	961,049	1,069,764
Trustee administered funds	-	4,845,338
Managed investment funds	3,360,619	9,271,710
	5,364,161	**18,495,225**
Assets on Statement of Financial Position	5,164,619	4,948,228
Total Assets Under Management/Advice	**10,528,780**	**23,443,453**

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

The reduction in assets under management/advice is due to the disposal of Australian Wealth Management, which had assets under management/advice of $14,149.1 million

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:

	2005	**2004**
	NZ$000	**NZ$000**
TOWER Life (NZ)		
Capital Preservation Fund	66,450	71,053
Capital Protected Plan	12,525	14,425
VITAL	3,507	3,674
Total	**82,482**	**89,152**
TOWER Australia		
Statutory Fund 1	157,940	176,920
Statutory Fund 2	2,802	3,266
Statutory Fund 3	79,661	86,265
Total	**240,403**	**266,451**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

29. Investment linked and Non-investment linked Business of Life Insurance Companies

	Group		Group	
	Investment linked	Non-investment linked	Investment linked	Non-investment linked
	2005 NZ$000	2005 NZ$000	2004 NZ$000	2004 NZ$000
Investment assets	2,147,445	2,414,267	1,872,856	2,369,238
Other assets	780	111,739	27,164	50,043
Policyholder liabilities	(2,074,204)	(1,324,143)	(1,848,348)	(1,347,597)
Other liabilities	(30,724)	(218,424)	(10,797)	(192,097)
Net assets	**43,297**	**983,439**	**40,875**	**879,587**
Retained earnings	(20,346)	281,791	(19,763)	233,349
Net premium income	13,952	247,227	19,780	224,191
Investment income	294,156	177,303	230,254	118,845
Claims expense	-	(140,510)	-	(125,734)
Other operating expenses	(48,479)	(174,130)	(53,383)	(151,579)
	259,629	109,890	196,651	65,723
Change in policyholder liabilities	(238,013)	(31,034)	(185,761)	8,495
Operating surplus/(deficit) before taxation	**21,616**	**78,856**	**10,890**	**74,218**
Taxation expense/(credit)	20,077	29,452	17,823	31,106
Operating surplus/(deficit) after taxation	**1,539**	**49,404**	**(6,933)**	**43,112**

	Group		Company	
	2005 NZ$000	2004 NZ$000	2005 NZ$000	2004 NZ$000
30. General and health insurance business				
(a) Analysis of general and health insurance operating result				
Premium revenue	276,053	249,613	-	-
Outward reinsurance expense	(17,634)	(14,843)	-	-
Net premium income	**258,419**	**234,770**	-	-
Claims expense	176,581	171,703	-	-
Reinsurance recoveries	(5,209)	(15,299)	-	-
Net claims incurred	**171,372**	**156,404**	-	-
Acquisition costs	45,009	43,662	-	-
Other underwriting expenses	50,377	42,307	-	-
Underwriting result	**(8,339)**	**(7,603)**	-	-
Investment income from general insurance				
Investment revenue	22,137	18,660	-	-
Investment expenses	(596)	(221)	-	-
Investment income	**21,541**	**18,439**	-	-
Operating surplus before income tax	13,202	**10,836**	-	-
(b) Analysis of expense claims:				
Gross claims incurred were in respect of events occurring during:				
Current financial year	175,923	171,189	-	-
Previous financial years	658	514	-	-
Total Gross Claims	**176,581**	**171,703**	-	-

30. General and health insurance business (Continued)

	Group 2005 NZ$000	Group 2004 NZ$000	Company 2005 NZ$000	Company 2004 NZ$000
Claims incurred net of reinsurance recoveries were in respect of events occurring during:				
Current financial year	170,599	155,833	-	-
Previous financial years	772	571	-	-
Total Net Claims	**171,371**	**156,404**	-	-

	Group 2005 NZ$000	Group 2004 NZ$000	Company 2005 NZ$000	Company 2004 NZ$000
(c) Outstanding claims				
Gross outstanding claims provision including prudential margins and claims settlement costs	122,153	115,369	-	-
Discount to present value	14,209	16,247	-	-
Total outstanding claims	107,944	99,122	-	-
Reinsurance recoveries on outstanding claims	7,885	32,998	-	-
Discount to present value	542	12,478	-	-
	7,343	20,520	-	-
Outstanding claims net of reinsurance recoveries:				
Current	92,755	69,955	-	-
Non-current	7,846	8,647	-	-
	100,601	78,602	-	-

(d) Assumptions adopted in calculation of general insurance provisions

The long tail claims provisions have been assessed having regard to external actuarial assessments.

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.

	2005	2004
- Inflation rates varied from	1.5% to 8.0%	1.5% to 6.5%
- Discount rates varied from	4.0% to 7.0%	4.0% to 9.0%

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	1.6 to 2.6 years	2.1 to 3 years
-Australian long tail claims	6.0 to 7.6 years	fully reinsured
- Inwards reinsurance	in excess of 10 yes	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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

31. Earnings per Share

	Group	
	2005	**2004**
Earnings per Share has been calculated as follows:		
Net surplus/(deficit) after taxation (NZ$000)	**97,828**	**54,593**
Weighted average fully paid equivalent shares	378,018,429	408,401,954
Basic earnings per Share (cents per Share)	25.88	13.37
Basic earnings per share on continuing activities	18.30	13.37

32. Significant Events

Spin-off of Australian Wealth Management (AWM) businesses

During the year, TOWER Limited (TOWER) separated and listed on the Australian Stock Exchange (ASX), its Australian Wealth Management business.

Key transactions were as follows:

- AWM purchased Bridges and TOWER Trust for A$250 million, in exchange for 120 million A$1 shares and a cash payment of A$130 million.

- These 120 million shares in AWM were transferred to existing TOWER shareholders and, in consideration, an equivalent value of TOWER shares held by existing TOWER shareholders was acquired and cancelled.

- AWM was listed on the Australian Stock Exchange.

- AWM undertook a capital raising of approximately A$130 million, by way of an entitlements offer of additional shares in AWM, to fund the cash payment to TOWER.

- Following the scheme and completion of the capital raising, TOWER has no equity or any other interest in AWM.

The financial impact on TOWER is shown in the table below:

	Financial Performance A$m	Net Assets A$m
Sale Proceeds	250.0	
Less Carrying Value	(223.3)	
Less costs of separation	(5.6)	
Gain recognised on distribution of shares		
- A$m	21.1	21.1
- NZ$m	**23.0**	
Distribution of Australian Wealth Management shares [1]		(120.0)
Impact on Net Assets		
-A$m		(98.9)
-NZ$m		(107.3)

[1] The A$120.0 million distribution of shares converted to NZ $130.99 million using the exchange rate at the date of the transaction.

A $14.8 million reclassification of the foreign currency translation reserve to retained earnings was made.
The net surplus from discontinued activities per the Statement of Financial Performance includes a gain on disposal of $23.0 million plus profit for the period to 31 January 2005 of $5.6 million.

32. Significant Events (Continued)

Effect of disposal

	NZ$000
Investments	24,732
Current Assets	71,753
Other assets	140,546
Goodwill	56,845
Current liabilities	(50,117)
Net assets disposed of	243,759
Shares Issued	(130,990)
Gain on Sale	23,045
Net cash received (after expenses)	135,814
Cash disposed of	(38,725)
Net Cash impact of disposal	97,089

Proceeds from the disposal of Australian Wealth Management were invested in fixed interest securities.

33. International Financial Reporting Standards

International Financial Reporting Standards (IFRS) are currently being adopted in many countries around the world and are replacing the local accounting standards of the respective countries adopting IFRS. The worldwide push to adopt a common set of financial reporting standards is driven by the globalisation of capital markets and the desire for comparable and consistent information across the world to enable appropriate and efficient global capital allocation.

The replacement of current NZ Financial Reporting Standards (NZ FRS) with a new reporting regime will result in:
- some new assets/liabilities being recognised on balance sheet and, conversely, some existing assets/liabilities no longer being recognised.
- some assets/liabilities being recorded at different values to that currently shown under NZ FRS

The above changes will result in a different level of net assets and profit patterns, when compared to current NZ FRS, reported in future periods. As these changes only affect the preparation of financial statements, there is no direct effect on the cashflows of the business.

Management of transition

On the 24 November 2004 the Accounting Standards Review Board (ASRB) approved the New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS).

All reporting entities in New Zealand must comply with NZ IFRS for reporting periods beginning on or after 1 January 2007, however entities may early adopt from 1 January 2005.

TOWER has resolved to adopt IFRS in its financial statements commencing 1 October 2005, and therefore the first IFRS financial statements will be for the half-year ending 31 March 2006 and year ending 30 September 2006.

Entities complying with NZ IFRS for the first time will be required to restate their comparative financial statements to amounts reflecting the application of NZ IFRS to that comparative period. Most adjustments required on transition to NZ IFRS will be made, retrospectively, against opening retained earnings on 1 October 2004.

TOWER has established a project team to manage the transition to NZ IFRS, including training of staff and system and internal control changes necessary to gather all the required financial information. The project team is chaired by the Group Chief Financial Officer and reports quarterly to the Group Audit and Compliance Committee. The project team has prepared a detailed timetable for managing the transition and is currently on schedule.

The project team has analysed all of the NZ IFRS and has identified the accounting policy changes that will be required. In some cases choices of accounting policies are available, including elective exemptions under NZ IFRS 1 First-Time Adoption of New Zealand Equivalents to International Financial Reporting Standards. These choices have been analysed to determine the most appropriate accounting policy for TOWER.

Key accounting impacts
The known or reliably estimable impacts on the financial report for the year ended 30 September 2005 had it been prepared using NZ IFRS are set out below. The expected financial effect on the statement of financial performance and statement of financial position are shown along with a description of the differences. No material impacts are expected in relation to the statement of cash flows.

Although the adjustments disclosed in this note are based on management's best knowledge of expected standards and interpretations, and current facts and circumstances, these may change. For example, amended or additional standards or interpretations may be approved by the ASRB and the International Accounting Standards Board that may necessitate further changes to the financial report. Therefore, until TOWER prepares its first full NZ IFRS financial statements, the possibility cannot be excluded that the accompanying disclosures may have to be adjusted.

Except for explicit changes to tax accounting policy, all amounts are stated on an 'after-tax' basis.

Life insurance contracts

NZ IFRS 4 Insurance Contracts applies to life insurance contracts and financial instruments with discretionary participation features. A contract governed by the Life Insurance Act, that does not meet the definition of a life insurance contract in this Standard, is a life investment contract and is treated under NZ IAS 39 Financial Instruments: Recognition and Measurement and NZ IAS 18 Revenue.

Changes to actuarial assumptions – discount rate

All key actuarial assumptions for life insurance contracts to be used under IFRS are consistent with current assumptions detailed in the Summary of Significant Actuarial Methods and Assumptions with the exception of the discount rate to be applied.

To the extent that the benefits under life insurance contracts are not contractually linked to the performance of the assets held, the life insurance liabilities shall be discounted for the time value of money using risk-free discount rates. This contrasts with current NZ FRS which requires the use of discount rates based on market returns on the investments supporting the policy liabilities.

The impact of applying a risk-free discount rate would have been a $8m reduction to net assets on 30 September 2005 and $2m increase in profit for the 2005 financial year.

Life investment contracts

NZ IFRS 4 requires life investment contract policy liabilities to be accounted for as a financial liability using the fair value option under NZ IAS 39 adjusted for the value of any associated investment services contract (under NZ IAS 18).

The existing life investment contract policy liability reported on the balance sheet under NZ FRS will be separated into three components upon adoption of NZ IFRS, comprising: 1) a financial liability representing the present value of future surrender and maturity benefits plus the value of any embedded derivatives or guarantees; 2) a deferred income liability in respect of entry fees or exit penalties 3) an asset representing deferred acquisition costs (DAC). Investment contract policy liabilities are computed using discounting and other fair value techniques. This ensures that the calculations allow for product features including the impact of regular premiums, timing of surrender penalties and surrender value minimal. The computations are made with regard to relevant actuarial principles to ensure the liability best represents its fair value. Any change in fair value will be recognised in the statement of financial performance.

Annual fee income for the investment services contract is recognised as revenue on receipt and entry fees are deferred to be recognised as service is provided.

Entirely variable acquisition costs (i.e. transaction costs including initial commissions) are deferred and amortised over the life of the contract. The DAC asset is subject to an impairment test.

The key actuarial assumptions used under NZ IFRS are consistent with current assumptions detailed in the Summary of Significant Actuarial Methods and Assumptions with the exception of investment earnings and the discount rate. These rates are to be consistent with each other and at the risk free rate. Under NZ FRS they were also consistent but at a rate based on the estimated return on the underlying investment (including a significant equity component).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 September 2005

The application of IFRS to regular premium contracts is an industry issue that has just been clarified. The change in valuation methodology for life investment contracts is estimated to reduce net assets in the range of \$50m to \$70m as at 30 September 2005 with an increase to profit for the 2005 financial year in the range of nil to \$3m.

Investment contracts - non life business

Entirely variable acquisition costs (i.e. transaction costs including initial commissions and volume bonuses) are deferred and amortised over the life of the contracts. The DAC asset is subject to an impairment test.

The removal of non commission costs from DAC is estimated to reduce net assets by \$14m as at 30 September 2005 with an increase to profit for the 2005 financial year of \$2m.

Assets backing policy liabilities in the life company

NZ IFRS 4 requires life insurance liabilities to be measured using an expected present value calculation, and life investment contract liabilities to be measured at fair value through the profit and loss account under NZ IAS 39. To ensure consistency, NZ IFRS 4 requires insurers to measure assets backing life insurance liabilities or life investment contract liabilities at fair value with changes in fair value recognised in the income statement wherever this option is available in the applicable NZ IFRS. TOWER has elected to designate all assets of the life company as backing policy liabilities.

As a result, the life company will be required to use the fair value option for measuring its investment assets under NZ IAS 39. This contrasts with the use of net market value under NZ FRS.

This fair value restriction also impacts the accounting for owner-occupied property and is discussed later.

Under NZ IFRS, fair values must be determined using bid price, as compared to the use of last sale price under NZ FRS. In addition selling costs will no longer be allowed for under NZ IFRS. These changes would have resulted in a \$1m increase in net assets reported at 30 September 2005 and an immaterial change in profit for the period.

Excess of market value over net assets

Under NZ FRS, life insurance entities and their parents, must carry investments in subsidiaries at market value and recognise the excess over the value of net assets as "Excess of Market Value Over Net Assets (EMVONA)". EMVONA includes both acquired and internally generated goodwill.

Under NZ IAS 38 Intangible Assets the EMVONA asset cannot be recognised to the extent that it represents internally generated goodwill. NZ IAS 38 only allows the recognition of acquired goodwill. In addition, under NZ IAS 27 Consolidated and Separate Financial Statements the consolidation process does not allow for recognition of the EMVONA asset.

On adoption of NZ IFRS, EMVONA will be reclassified as goodwill and restated to the value of acquired goodwill less any amortisation and impairment recognised under current NZ FRS.

In accordance with NZ IFRS 3 Business Combinations, amortisation of goodwill will be prohibited and will be replaced by annual impairment testing to ensure that the carrying value of goodwill is no greater than the recoverable amount.

The impact of reclassifying and restating EMVONA and no longer amortising goodwill would have been a \$145m reduction to net assets as at 30 September 2005 and \$22m increase to profit for the 2005 financial year. The impact on profit primarily results from the lower carrying value of AWM and therefore the larger gain on sale resulting.

Accounting for tax

Under NZ IAS 12 Income Taxes, deferred tax must be recognised on temporary differences, whereas under NZ FRS deferred tax is recognised on timing differences. The definition of temporary differences is broader than timing differences, and therefore IAS 12 could, in some circumstances, result in recognition of more deferred tax assets/liabilities. TOWER is currently assessing how the principles underpinning the calculation of temporary differences should be applied to its New Zealand policyholder business, and at this stage cannot reliably estimate the financial effect, if any, from this business. TOWER has performed an assessment of the temporary differences in other parts of TOWER's business and the estimated financial effect on net assets as at 30 September 2005 and profit for the 2005 financial year is not material.

Under NZ IAS 12, the discounting of tax assets and liabilities required by NZ FRS is prohibited. The reversal of the discounting would have resulted in a $4m reduction to net assets as at 30 September 2005 and a $2m reduction to profit for the 2005 financial year.

General Insurance

All general insurance contracts issued by TOWER meet the definition of insurance contracts as defined by NZ IFRS 4 and as a result there will be minimal change to the accounting treatment of this business under NZ IFRS. NZ IFRS 4 essentially allows for the current accounting treatment to continue until the new IFRS insurance contracts standard is developed and issued.

The only notable changes from the adoption of IFRS are the liability adequacy test that must be performed to support the adequacy of the unearned premium liability and the measurement of outstanding claims liabilities that must include a risk premium.

The liability adequacy test is to be performed at the reporting entity level by portfolios of contracts that are subject to broadly similar risks and are managed together as a single portfolio. The test must include a risk margin to reflect the inherent uncertainty in a central estimate. If the unearned premium liability is shown to be deficient, the deficiency must be recognised through profit and loss.

The liability adequacy test has been performed on the unearned premium liability held in respect of the general insurance business and it has shown that the level of reserves held at 30 September 2005 under current NZ FRS will also meet the reserves required under NZ IFRS.

The outstanding claims liability shall be measured as the central estimate of the present value of the expected future payments for claims incurred with an additional risk margin to allow for the inherent uncertainty in the central estimate.

The impact of applying the outstanding claims liability measurement requirements of NZ IFRS as at 30 September 2005 would have been to reduce net assets by less than $1 million and would have had no material impact on profit for the period.

Owner occupied properties

The accounting treatment for investment property that is deemed owner occupied property will fall under NZ IAS 16 Property, Plant and Equipment. NZ IFRS 4 requires such properties held in life companies and deemed to back policyliabilites to be accounted for under the revaluation model in NZ IAS16.

The revaluation model differs from the current NZ FRS requirement for the asset to be held at net market value which requires an allowance for selling costs to be included in the value of the asset.

The requirement to treat these owner occupied property investments as property, plant and equipment rather than investment property also means that any revaluations under NZ IFRS will be recognised in a reserve in equity, except where the revaluation results in a debit reserve balance in which case that balance, and any subsequent revaluation reversal of that amount, is recognised in profit and loss. Under NZ FRS all revaluations are recognised through profit and loss. As these properties are held by participating funds this will cause a mismatch in the profit in loss. While the increase in policyholder liabilities will be reported through profit and loss the matching revaluation will go direct to equity.

During the year the material owner occupied property held within the Group was either sold or is currently being marketed. As a result there is only $3m of owner occupied property retained at 30 September 2005. The impact of NZ IFRS on the treatment of owner occupied property would have been immaterial to profit and net assets for 30 September 2005.

Share based payments

TOWER currently operates executive share option schemes. Under NZ FRS options issued to employees under performance incentive schemes are not recognised as an expense in the statement of financial performance.

Under NZ IFRS 2 Share based payments 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. There will be an equal and opposite adjustment made through the share based payments reserve reported in equity.

The expense recognised over the vesting period will be based on the fair value of the options at the grant date and the number of options that ultimately vest which is subject to performance conditions being met.

NOTES TO THE FINANCIAL STATEMENTS
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The impact of applying NZ IFRS 2 retrospectively would have been to reduce profit for the 2005 financial year by $1.0m. There would have been no change to net assets due to the recognition of an expense as the reduction in net assets would have been offset by an increase in the share based payments reserve reported in equity.
There would however have been an increase in net assets due to the tax asset recognised for the expense that will be deductible for tax purposes.

Capital guaranteed provision
TOWER provides capital guarantees to certain funds. Some funds are included on the TOWER consolidated balance sheet and some are held off balance sheet.

Under NZ FRS TOWER discloses these guarantees as contingent liabilities but does not recognise a provision for these capital guarantees as it is assessed that it is not probable that the liability will materialise. TOWER has assessed that, in accordance with the principles of NZ IFRS, certain guarantees are embedded derivatives and therefore a provision should be raised to recognise the value of these embedded liabilities.

The impact from adopting this approach under NZ IFRS is to reduce net assets by $1m as at 30 September 2005 with a less than $1m increase in full year profit.

Prudential capital requirement
Solvency and capital adequacy requirements as set out by the prudential regulators are currently being reviewed to reflect the changes to financial reports due to the adoption of IFRS. TOWER is waiting on the detailed solvency and capital adequacy requirements before finalising the financial impacts.

Net impact on shareholder equity
Based on the information available to date, the cumulative effect of the key NZ IFRS differences identified above (other than the accounting for tax on policyholder liabilities), is a reduction in net assets at 30 September 2005 in the range of $222m to $242m.

PRICEWATERHOUSECOOPERS

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Auditors' Report
to the shareholders of TOWER Limited

We have audited the financial statements on pages 2 to 41. The financial statements provide information about the past financial performance and cash flows of the Company and Group for the year ended 30 September 2005 and their financial position as at that date. This information is stated in accordance with the accounting policies set out on pages 6 to 13.

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 2005 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.

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Auditors' Report
TOWER Limited

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 2 to 41:

  (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 2005 and their financial performance and cash flows for the year ended on that date.

Our audit was completed on 23 November 2005 and our unqualified opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants Wellington

TOWER LIMITED
("the Company")

Directors' Declaration in respect of the TOWER Limited Financial Statements
For the year ended 30 September 2005

Introduction

It is a requirement of the Australian Stock Exchange Listing Rules that a declaration be given by the Directors of the Company in respect of the financial statements for the company and its subsidiaries for the year ended 30 September 2005. This declaration must be filed with the Australian Stock Exchange.

Declaration

The Directors of the Company hereby declare:

1. The TOWER Limited Financial Statements for the year ended 30 September 2005 and the notes to those Financial Statements comply with the accounting standards issued by the Institute of Chartered Accountants of New Zealand; and

2. The TOWER Limited Financial Statements for the year ended 30 September 2005 and the notes to those Financial Statements give a true and fair view of the financial position and performance of TOWER Limited; and

3. In the Directors' opinion there are reasonable grounds to believe that TOWER Limited will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Directors dated 23 November 2005 and is signed for and on behalf of the Board of Directors by the Chairman.

Signed

Olaf B. O'Duill
CHAIRMAN