TOWER

28 April 2006

Market Information
New Zealand Exchange Limited
NZX Centre
Level 2, 11 Cable Street
Wellington
NEW ZEALAND

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

Dear Sir/Madam

TOWER Limited – Company Announcement

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

- **TOWER LIMITED – NZIFRS BRIEFING AND TRADING UPDATE**

Yours faithfully

P. E. Ellis

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

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NZIFRS Briefing and Trading Update

Jim Minto
Group Managing Director

John de Zwart
Group Chief Financial Officer

28 April 2006

Agenda

• **NZIFRS overview**	John de Zwart
• **PrefSure integration**	John de Zwart and Jim Minto
• **1H06 update – New Zealand**	Jim Minto
• **1H06 update – Australia**	Jim Minto
• **Summary**	Jim Minto
• **Appendices**	

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TOWER NZIFRS - Summary

- 1H06 results will be the first reporting period under NZIFRS
- No material differences between NZIFRS and AIFRS
- FY05 NPAT (before revaluations, amortisations and AWM) increased on a ‘normalised’ NZIFRS basis from NZ$42.7m to NZ$45.2m
- Net assets reduced by NZ$234m from NZ$781m to NZ$547m as at 30 September 2005
- No impact on business unit regulatory capital requirements or group surplus liquid assets
- Information contained in this presentation is unaudited and subject to Board approval

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NZIFRS - Key areas impacting Profit

- Limited number of changes impacting profit
  - Investment contracts
  - Insurance contracts
  - EMVONA
  - Share based remuneration payments
  - Financial Instruments
  - Discounting of tax assets
  - Other (Capital Guarantees and General Insurance Provisions)

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NZIFRS – Impact on P&L

FY05 NZ$million	NPAT (excl AWM, Revals & Amortn)	NPAT (excl AWM, Revals & Amortn) Normalised	FY05 NPAT
Pre NZIFRS Profit	**42.7**	**42.7**	**97.8**
Investment contracts	4.0	4.0	4.0
Insurance contracts	(1.8)	-	(1.8)
Share based remuneration payments	(1.5)	(1.5)	(1.5)
Financial Instruments	(0.1)	-	(0.1)
Discounting Tax	(1.7)	-	(1.7)
Other	(0.1)	-	(0.1)
EMVONA	-	-	(26.6)
EMVONA – Realised gain on AWM	-	-	49.2
Sub Total NZIFRS adjustments	**(1.2)**	**2.5**	**21.5**
Profit Post NZIFRS	**41.5**	**45.2**	**119.3**

TOWER NZIFRS – Future Impact on Profit

- Full year NPAT (excluding amortisation) will increase by NZ$2.5m pa
  - Profits from investment businesses to increase by NZ$4m (NZ Investments NZ$2.5m and Aus Investments NZ$1.5m)
  - Employee share options will reduce profit by NZ$1.5m
- Other revaluation and amortisation profit items will change, ie:
  - No revaluation gains to be recognised in respect of subsidiaries
  - Amortisation of intangible assets acquired as part of the PrefSure acquisition estimated at NZ$3m pa
- Expect increased volatility in earnings associated with movement in the risk discount rate applied to life fund policy liabilities under NZIFRS

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NZIFRS – Net Asset Summary

- A NZ$234m reduction in net assets as at 30 September 2005
- No change to appraisal values or embedded values
- No change to regulatory or BU economic capital requirements
- Changes to some financial ratios and performance indicators including ROE, Debt/Equity Ratios
- Investment contracts, deferred acquisition costs and deferred revenue liabilities will be separately disclosed (previously formed part of policy liabilities)

NZIFRS – Impact on Balance Sheet

NZ$million	30 September 2005
Net Assets – pre NZIFRS	**780.7**
Investment contracts	(72.7)
Insurance contracts	(11.1)
EMVONA	(145.8)
Share based remuneration payments	0.5
Financial Instruments	(0.2)
Discounting Tax	(3.8)
Other	(0.7)
Net NZIFRS Impact	**(233.8)**
Net Assets - post NZIFRS	**546.9**

NZIFRS – Solvency Post NZIFRS

FY05 NZ$million	Operational Assets	Assets Available to meet Solvency	Solvency Requirement	Solvency Coverage (times)
Australia	317	285	91	3.1 S&P rating BBB+
New Zealand - Health & Life	101	132	78	1.7 Not rated
New Zealand - General Insurance	53	95	47 [1,2]	2.0 AM Best rating A-
New Zealand - Invest. Businesses	26	13	6	6.1 Not rated
TOTAL - Post NZIFRS [3] **- Group rating** **- Pre NZIFRS**	**497**	**526**	**230**	**2.3** **S&P rating BBB-** **2.3**

Notes:

1. General Insurance has no minimum regulatory requirements. For illustration purposes solvency requirements calculated as 25% of GWP.
2. NZ$42m of capital contributed by TOWER Life NZ Ltd policyholders through TOWER Insurance preference shares.
3. Group surplus liquid assets of NZ$90m and external debt of NZ$200m are excluded.

NZIFRS – Impact on Ratios

For Period ending 30 September 2005	GAAP	NZIFRS
Return on Equity (%)[1]	9.8%	7.9%
Net asset backing (NZ$)	$2.18	$1.53
Gearing (%)	20.6%	26.7%
Interest Cover (times)	5.6	5.6

Note

1. Return on Equity calculated as GAAP NPAT (excl amortisation and AWM) divided by average total net assets multiplied by 100%. NZIFRS Return on Equity calculated as NZIFRS NPAT (excl amortisation and AWM) divided by average total net assets multiplied by 100%

Return on Equity

Return on Equity Calculation $NZm	GAAP	NZIFRS
Reported NPAT	97.8	119.3
Less: Discontinued business and gain on sale of Aust Wealth Management	(28.5)	(77.8)
Add: Amortisation	3.4	-
Continuing NPAT (excl amortisation)	72.7	41.5
Average Net Assets	744	526
Return on Equity (Continuing NPAT excluding amortisation divided by average net assets)	9.8%	7.9%

PrefSure Update

PrefSure Update
31 March 2006

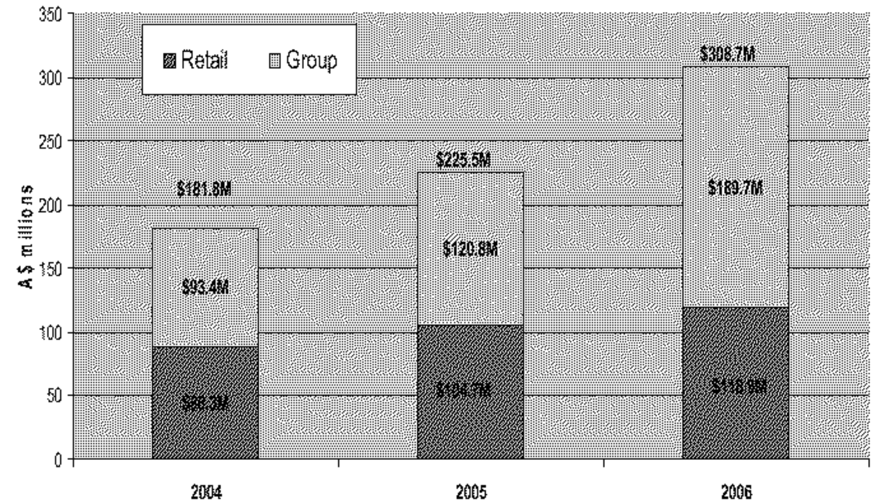
- PrefSure's FY06 [1] underlying core earnings expected to be in excess of FY05 NPAT of A$7m by A$3 to A$5m
- In-force premium of A$309m up 37% on 2005
- Embedded value is expected to be above previously advised estimate of A$130m as at 31 March 2006
- Adjusted acquisition price estimated A$125m
- PrefSure Holdings A$6m bank debt and A$14m Liberty loans retired at 31 March 2006 with funding from TOWER surplus cash

(1) Year ended 31 March

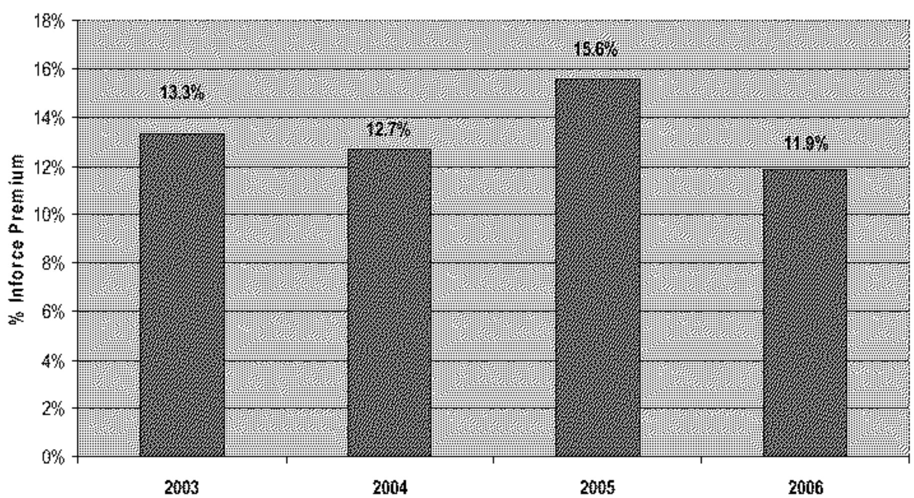
TOWER PrefSure Performance

- PrefSure has shown strong group risk premium growth
- Retail lapse rates peaked in 2004/5 period due to service issues and change in distribution strategy
- Operating expenses increasing much slower than premiums, thereby improving margins

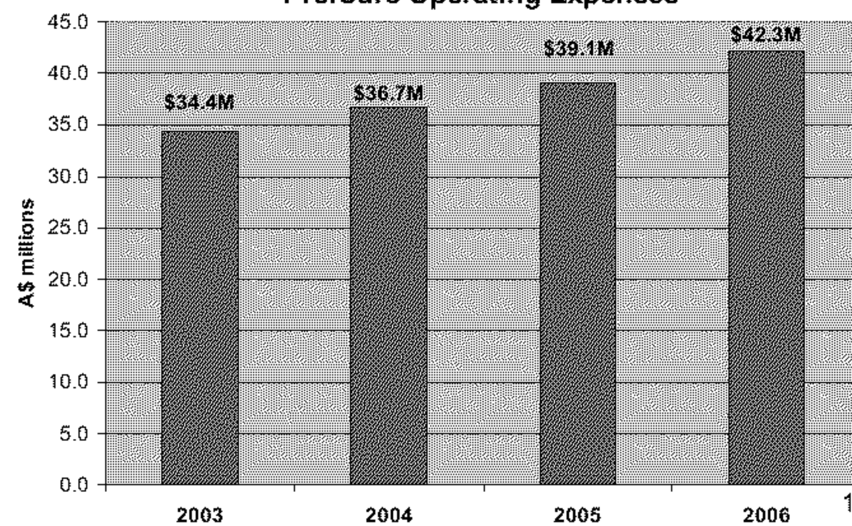
PrefSure Inforce Premium Growth Split by Retail & Group



PrefSure Individual Risk Insurance Lapse Rates



PrefSure Operating Expenses



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PrefSure integration
Update

Announcement Date Objective	Status
Complete transaction on 31 March 2006	Done
Integration plan ready at time of completion. Businesses integrated and operating as business as usual by 31 July	Integration plan completed New management teams in place. Co-location of teams underway Phase 1 TOWER rebranding completed – one single group risk product from 3 April 2006 Group reinsurance review underway due July Part 9 statutory fund merger process underway
Ensure that the customers and distribution partners of both businesses are unaffected by the integration process	Seamless transition for customers and distributors during sale and integration process
Form new management team with executives from both companies	Refer following page
Integration costs of A$7m and synergy benefits of A$6-7m pa	Integration costs $1m and synergy benefits $1.5m achieved to date (benefits include: salaries, actuarial and tax consulting, insurance cover, director expenses)

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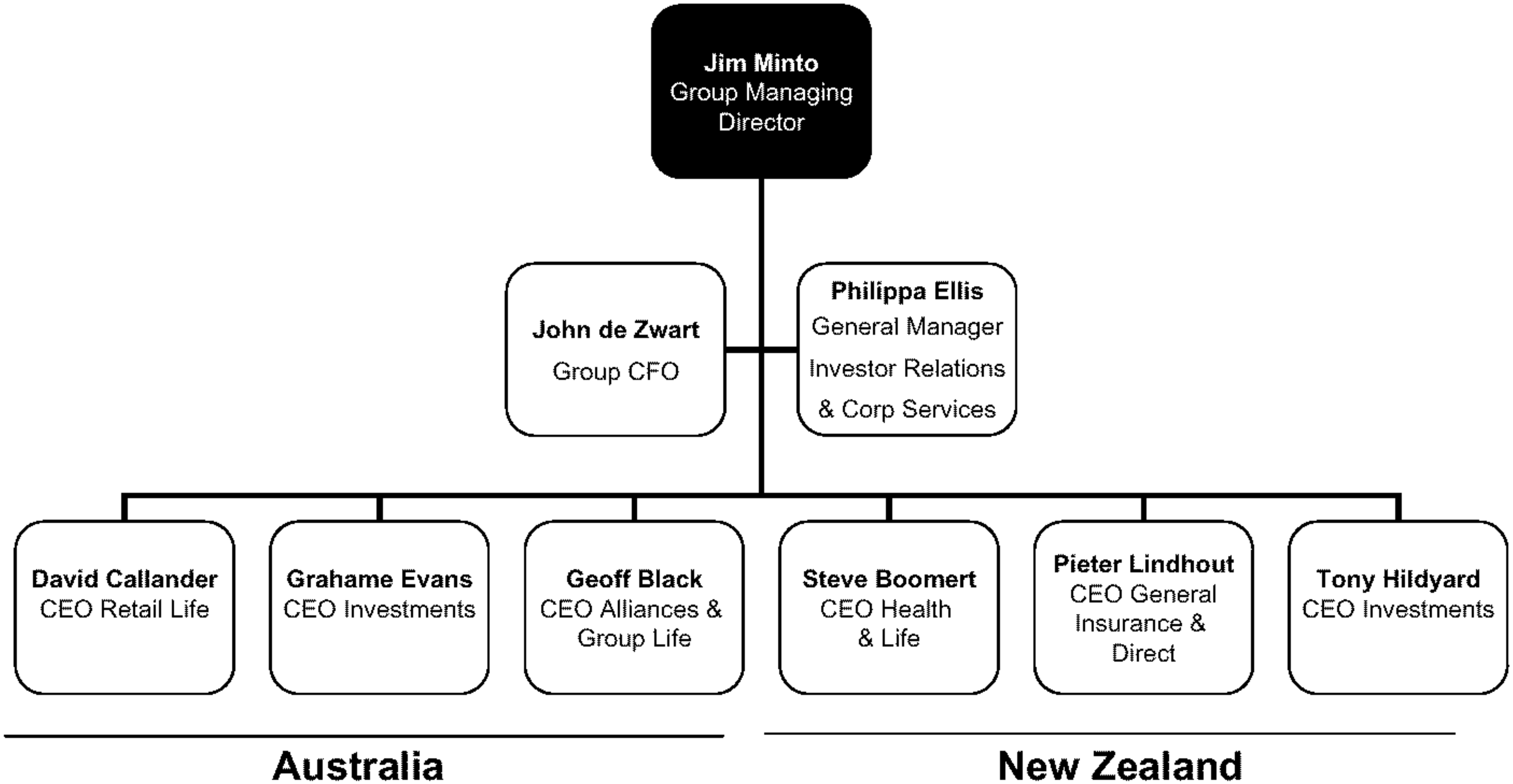
PrefSure Integration
Post Implementation Management Team



Australia and New Zealand Trading Update

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1H06 update – New Zealand

- Focus has been on operational improvement and long term strategic drivers
- Auckland service issues improving
- No major adverse General Insurance claims events for the 1H06
- Continued growth in General Insurance and Health Insurance sales although lower than target levels
- KiwiBank alliance established
- Life business sales are below expectations as a result of previous service issues – new product set launched
- Life and General Insurance lapses higher than target – Health lapses at or better than target
- Core operating margins improving for general insurance and health products
- Staff retention and skill development progressing well
- Managed Funds tax environment is more promising – TOWER supportive of KiwiSaver

1H06 update – Australia

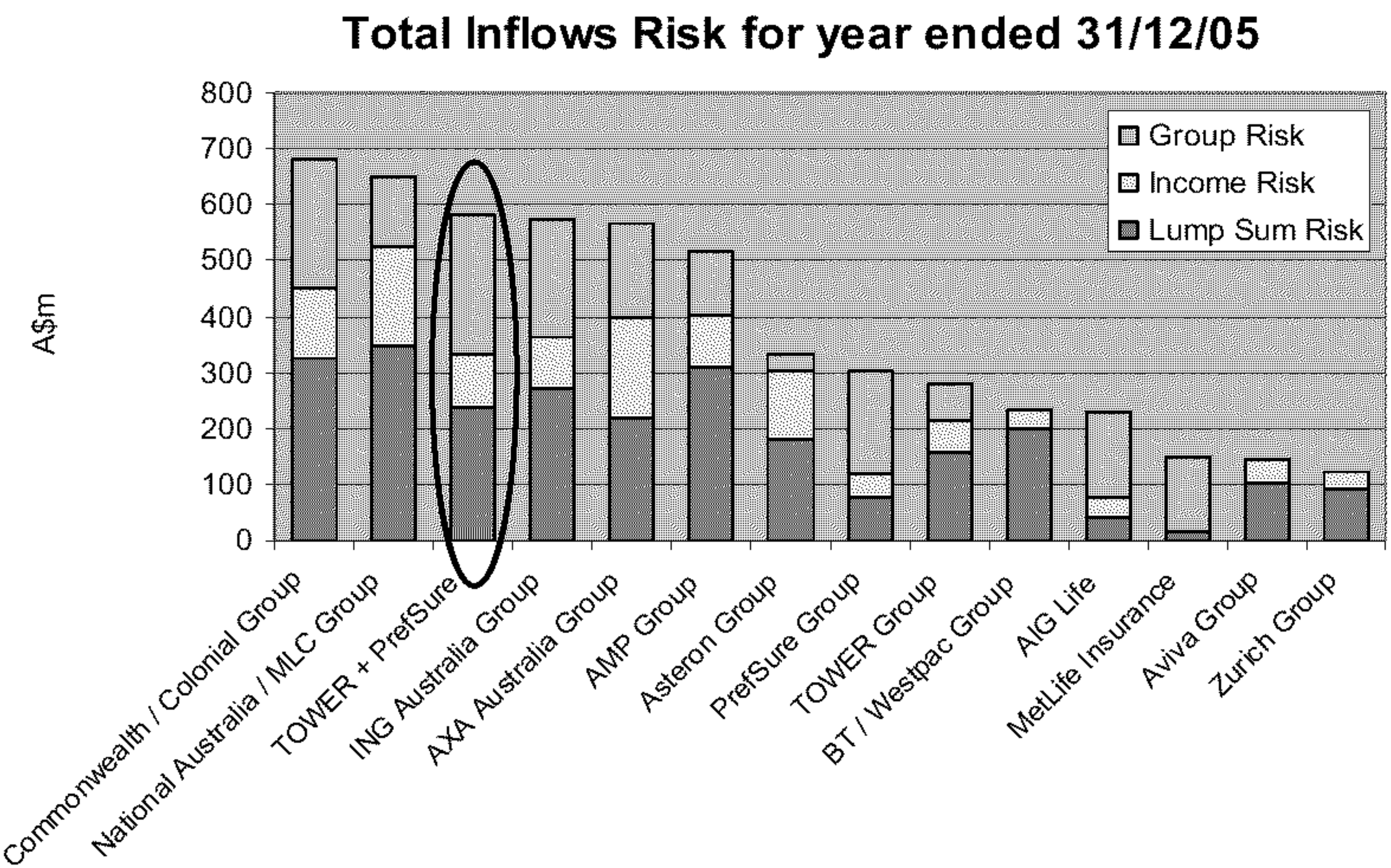
- Growth in inforce risk premium up 21% YOY compared with market growth up 14% as at December 05
- Risk NPAT is growing in line with growth in prior periods in-force premium
- Favourable risk lapse and claims experience
- Overall headline investment lapse rates are continuing to trend down, however mix was adverse FY05 and lapses from high margin low surrender fee investment products are still above plan
- New investment product team established to focus on optimising value of $2bn 'Closed' investment portfolio

TOWER's Australia's Risk Distribution Capability

Distribution Channel	IFAs and Financial Planners	Mastertrusts, Industry and Corporates funds	Banks and Mortgage Brokers	Direct Distribution & Alliances
Market Size Growth rates	$2.4bn 8%	$1.4bn 15%	$0.8bn >15%	$0.2bn >20%
TOWER market share of In-force	10%	17%	2%	24%
Margins (NPAT as % of Premium)	5-10%	2-4%	>7%	2-15%
TOWER's Competitive position	Strong – based on service and relationship	Strong – based on service and price	Emerging – Banks branches dominate. Broker market emerging	Strong – product expertise, flexibility, relationship, independence
Main competitors	ING, Comminsure, Asteron, MLC	AIG, Comminsure, ING, AMP	Comminsure, MLC, ING	Highly fragmented - no single significant player

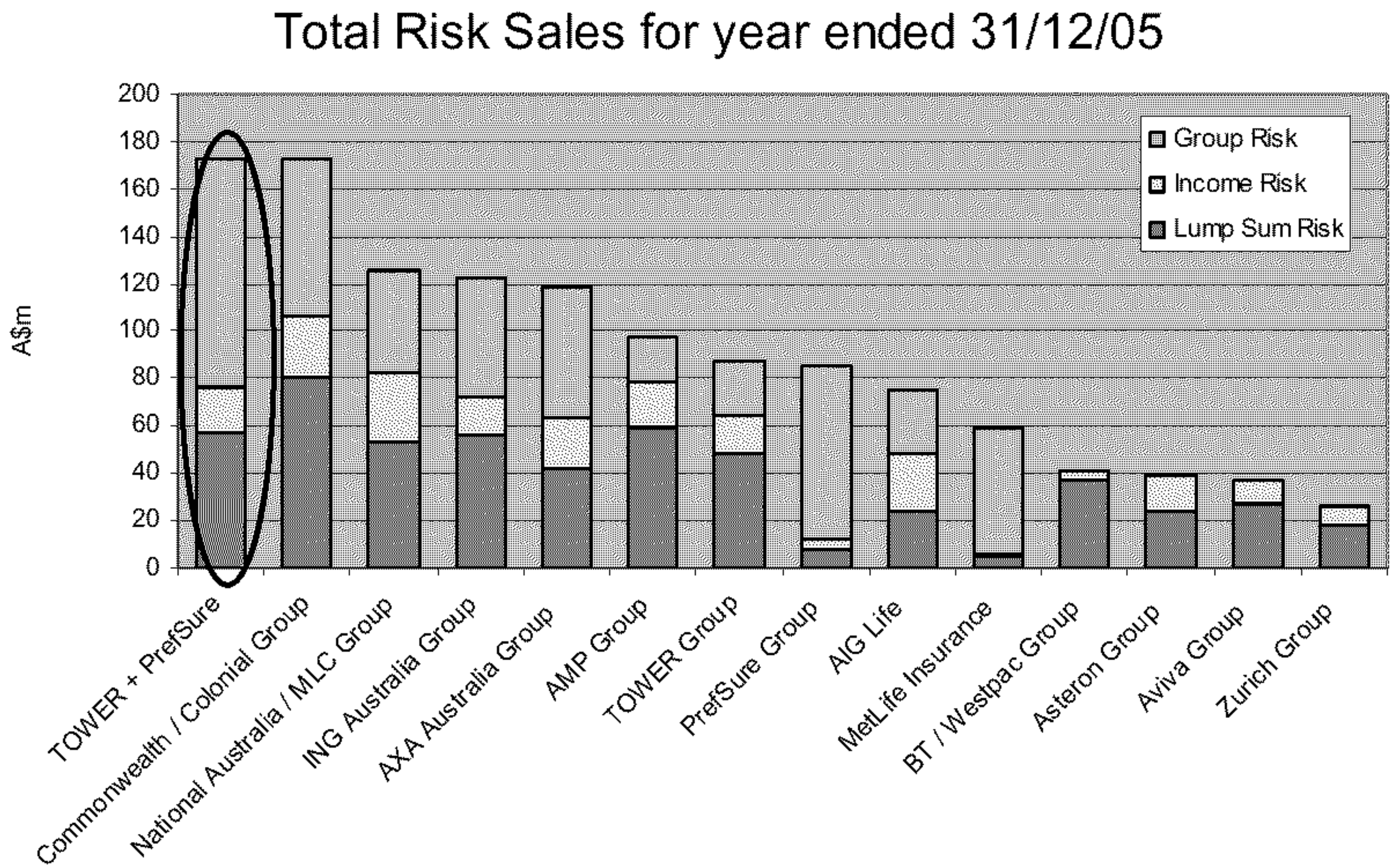
TOWER has the most diversified risk distribution capability in Australia

TOWER holds a strong market position with third largest inforce portfolio



Source: Plan for Life

And leading new sales..



Source: Plan for Life

Summary – Steady Progress

- NZIFRS will increase ongoing FY core earnings by NZ$2.5m pa
- Net assets written down by NZ$234m post NZIFRS as at 30 September 2005
- Expect increased volatility in earnings associated with movement in the risk discount rate applied to life fund policy liabilities under NZIFRS
- 1H06 results will be first results under NZIFRS - Announcement 25 May 2006
- PrefSure FY NPAT result for period ending March 2006 is expected to be in excess of FY05 earnings of NZ$8m by NZ$3 to NZ$6m
- Integration of PrefSure progressing according to plan
- TOWER is comfortable with market consensus 1H06 NPAT (excl amortisation) of NZ$28m – NZ$32m. This compares to 1H05 NPAT (excluding AWM) of NZ$21.5m post NZIFRS
- There are no major one offs in the 1H06 results
- The second half tends to have lower profits due to higher General Insurance and Health claims

Summary – On track to deliver

- TOWER is on track to deliver its 5 key objectives for 2008
  - New business sales growth targeted at 50% greater than market
  - 50% of sales coming from new alliance and business to business channels
  - Lapse rate market shares of all risk lines to be less than market share of in-force books
  - Productivity - maintenance costs improvement at 10% pa versus in-force premium
  - Return on equity of 15% per annum

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Appendices

- Profit and Loss
  - Commentary on IFRS impact on profit
  - IFRS Impact on FY05 Business Unit Earnings
  - IFRS Impact on FY05 Business Unit Normalised Earnings
  - Proforma IFRS FY05 Profit and Loss Statement
  - IFRS Impact on FY05 Investment Income
- Balance Sheet
  - Commentary on IFRS impact on equity
  - Proforma IFRS Balance Sheet as at 30 September 2005
- Accounting for PrefSure acquisition

NZIFRS – Impact on Profit

- **Investment contracts** – non commission or transaction costs are expensed when incurred resulting in higher profit due to lower amortisation charge for inforce business in part offset by an increased charge for new business
- **Insurance contracts** – changes to discount rates will increase volatility as liabilities move differently to assets. For a 0.5% increase in interest rates TOWER Australia's risk profit decreases by NZ$3m and NZ's risk profit decreases by NZ$1.5m
- **EMVONA** – Revaluation gains no longer recognised
- **Intangibles** amortised over useful life. **Goodwill** no longer amortised (subsidiaries carried at cost and subject to impairment)
- **Share based remuneration payments** – imputed cost of options expensed over vesting period
- **Financial Instruments** – movements in bid price rather than mid or last sale price recognised with selling costs recognised only upon sale
- **Tax** – no discounting of non current tax assets or liabilities
- **Other** – Capital guarantees now recognised as a liability; general insurance provisions include a specific allowance for a risk margin

NZIFRS – Impact on FY05 Business Units Earnings

FY05 NZ$million	**Per 30 Sept 2005 Investor Report**	**NZIFRS Impact**	**Restated for NZIFRS**
Australia	17.3	(1.5)	15.9
New Zealand - Health & Life	11.3	(0.5)	10.8
New Zealand - General Insurance	2.8	-	2.8
New Zealand - Invest. Businesses	2.1	2.5	4.6
Business Unit Operating Earnings	**33.5**	**0.6**	**34.1**
Corporate Expenses	(7.8)	(1.5)	(9.3)
Investment Earnings	26.3	(0.3)	26.0
Interest Expenses	(9.3)	-	(9.3)
Operating Earnings before other items	**42.7**	**(1.2)**	**41.5**
Amortisation, Revaluation and Other	26.6	(26.6)	-
Earnings from Discontinued Businesses	28.5	49.3	77.8
Net Profit After Tax	**97.8**	**21.5**	**119.3**

NZIFRS – Impact on 1H05 Business Units Earnings

1H05 NZ$million	Per 31 Mar 2005 Investor Report	NZIFRS Impact	Restated for NZIFRS
Australia	9.6	1.1	10.7
New Zealand – Health & Life	7.5	-	7.5
New Zealand – General Insurance	2.4	-	2.4
New Zealand – Investment Business	0.6	1.2	1.8
Business Unit Operating Earnings	**20.1**	**2.3**	**22.4**
Corporate Expenses	(5.3)	(1.2)	(6.5)
Investment Earnings	10.7	(0.3)	10.4
Interest Expenses	(4.8)	-	(4.8)
Operating Earnings before other items	**20.7**	**0.8**	**21.5**
Amortisation, Revaluation and Other	6.0	(6.0)	-
Earnings from Discontinued Businesses	28.6	49.3	77.9
Net Profit After Tax	**55.3**	**44.1**	**99.4**

NZIFRS – Impact on 2H05 Business Units Earnings

2H05 NZ$million	Per 30 Sept 2005 Investor Report	NZIFRS Impact	Restated for NZIFRS
Australia	7.7	(2.5)	5.2
New Zealand - Health & Life	3.8	(0.5)	3.3
New Zealand - General Insurance	0.4	-	0.4
New Zealand - Invest. Businesses	1.5	1.3	2.8
Business Unit Operating Earnings	**13.4**	**(1.7)**	**11.7**
Corporate Expenses	(2.5)	(0.3)	(2.8)
Investment Earnings	15.5	-	15.5
Interest Expenses	(4.5)	-	(4.5)
Operating Earnings before other items	**22.0**	**(2.0)**	**(20.0)**
Amortisation, Revaluation and Other	20.5	(20.5)	-
Earnings from Discontinued Businesses	-	-	-
Net Profit After Tax	**42.5**	**(22.5)**	**(20.0)**

NZIFRS – Pro forma Profit & Loss

Investor Report Analysis of Profit For the year ended 30 September 2005 NZ$million	FY Investor Report	EMVONA + Goodwill	Investment Contract Revenue components	Other	Restated for NZIFRS
Life insurance operating margins					
Planned profits	35.7		1.5	(3.4)	33.8
Experience profits (losses)	(5.4)				(5.4)
Capitalised loss (recognition) and reversal	(2.6)				(2.6)
Operating margins from life insurance	**27.7**	**-**	**1.5**	**(3.4)**	**25.8**
Non life insurance operating margins					
Operating companies	5.8		2.5		8.3
Holding Company	(7.8)			(1.5)	(9.3)
Total operating margins	**25.7**	**-**	**4.0**	**(4.9)**	**24.8**
Net investment return on shareholders' funds	26.3			(0.3)	26.0
Financing costs	(9.3)				(9.3)
NPAT before revaluations, amortisations & AWM	**42.7**	**-**	**4.0**	**(5.2)**	**41.5**
Revaluation of subsidiaries owned by Life Insurance Companies	30.0	(30.0)			-
Amortisation of goodwill	(3.4)	3.4			-
Discontinued businesses - Australian Wealth Management	28.5	49.3			77.8
Net profit after tax	**97.8**	**22.7**	**4.0**	**(5.2)**	**119.3**

NZIFRS – Impact on Investment Income

FY05 NZ$million	Investment Assets [1]	Investment Income Generating Assets	Investment Income	Average Earnings
Pre NZIFRS				
Australia [2]	401	351	17.8	7.2%
New Zealand - Health & Life	58	58	2.6	6.7%
New Zealand - General Insurance [3]	126	97	4.1	6.3%
New Zealand - Invest. Businesses	-	-	-	-
Corporate surplus liquid assets	93	70 [4]	1.5	3.1% [4]
TOTAL	**678**	**576**	**26.0**	**6.4%**

Notes:

1. Life insurance businesses calculate net investment assets by deducting policy liabilities from total investment assets. For non life businesses, investment assets are the gross amount invested in financial instruments
2. Australia has NZ$50m invested in strategic investments that do not generate regular investment income
3. General insurance treats investment income on NZ$30m of investment assets as operating revenue
4. Adjusted for average investment assets for the period and FX movements

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NZIFRS – Areas impacting Net Assets/ Balance Sheet

- **Investment contracts** – non commission or transaction costs are expensed significantly reducing deferred acquisition costs
- **Insurance contracts** – changes to discount rates will increase policy liabilities
- **EMVONA** – Internally generated goodwill no longer recognised – subsidiaries carried at cost
- **Share based remuneration payments** – minor increase in capital
- **Financial Instruments** – bid rather than mid price used with selling costs recognised upon sale
- **Tax** – no discounting of non current tax assets or liabilities
- **Other** – Capital guarantees now recognised as a liability and general insurance provisions include a specific allowance for a risk margin (however no change to provisions given implicit allowance held under GAAP)

TOWER NZIFRS – Pro forma Balance Sheet

Investor Report assets Backing Shareholder Value as at 30 September 2005 NZ$ million	FY Investor Report	EMVONA + Goodwill	Investment Contract Revenue components	Other	Restated for NZIFRS
Investment Assets:					
Equities	98.1			(1.2)	96.9
Fixed Interest	599.7			(0.2)	599.5
Property	22.8			0.4	23.2
Eliminate TOWER Life (NZ) Investment in TI	(42.2)				(42.2)
Shareholder investment assets in excess of policyholder liabilities	**678.4**	**-**	**-**	**(1.0)**	**677.4**
Net Operational Assets/(liabilities)	14.4		(72.7)	(17.6)	(75.9)
Eliminate TOWER Life (NZ) Investment in NZ Investments	(18.0)				(18.0)
NTA backing shareholders capital	**674.8**	**-**	**(72.7)**	**(18.6)**	**583.4**
Excess of Market Value over NTA	289.9	(145.8)		(144.1)	0.0
Goodwill	16.0			144.1	160.1
External Debt	(200.0)			3.4	(196.6)
Total Equity Attributable to Shareholders	**780.7**	**(145.8)**	**(72.7)**	**(16.8)**	**546.9**

NZIFRS – Impact on Business Units Balance Sheet

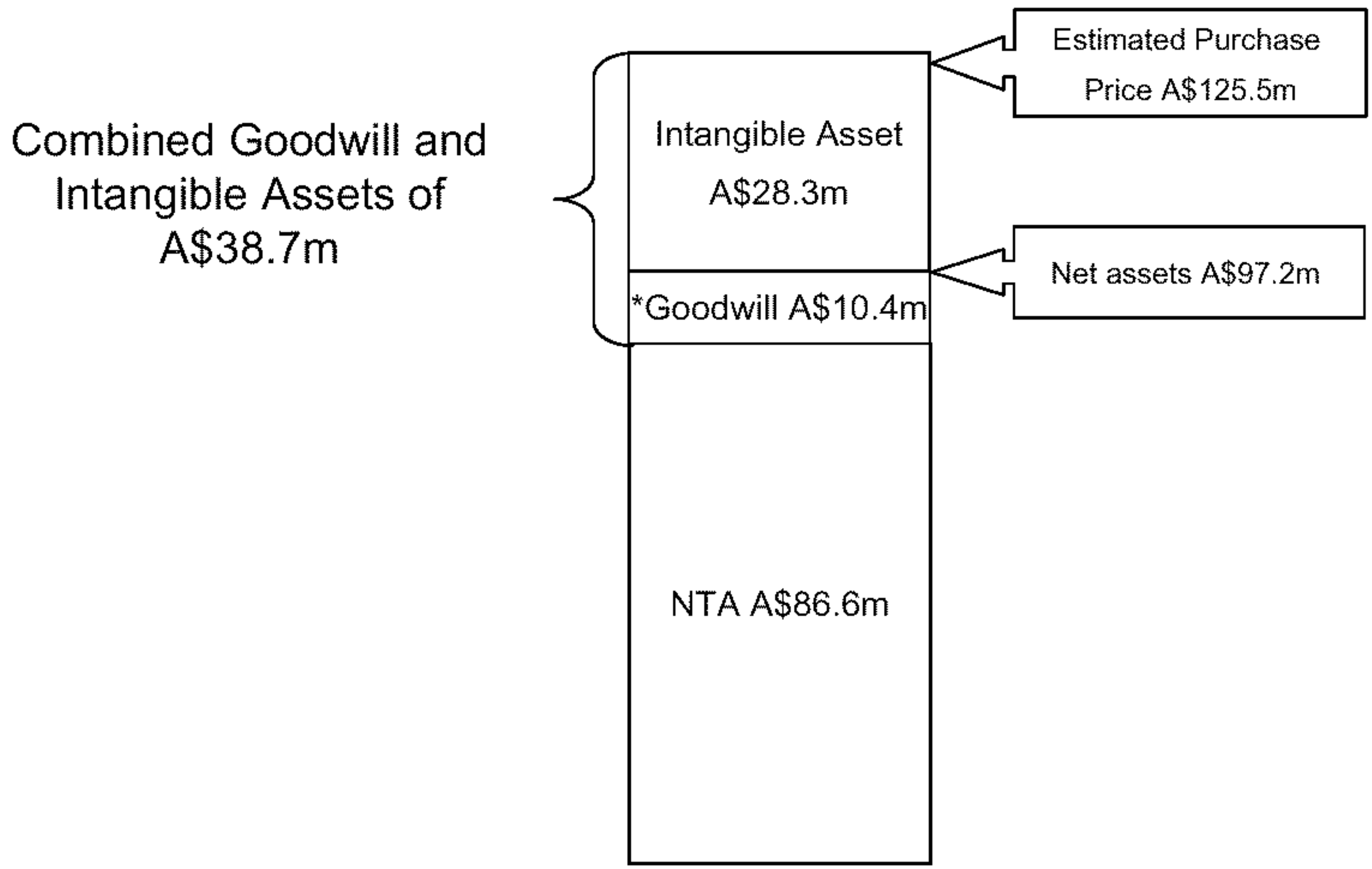
As at 30 September 2005 NZ$million	Per 30 Sep 2005 Investor Report	NZIFRS Impact - EMVONA	NZIFRS Impact – Other	Restated for NZIFRS
Australia	568.7	(49.5)	(72.9)	**446.3**
New Zealand - Health & Life	214.2	(98.1)	(2.4)	**113.7**
New Zealand - General Insurance	69.0	1.8	-	**70.6**
New Zealand – Investment Businesses	39.0	-	(13.0)	**26.0**
Head office & Holding companies	89.8	-	(3.0)	**86.8**
Debt	(200.0)	-	3.4	**(196.6)**
Total Capital Employed	**780.7**	**(145.8)**	**(87.9)**	**546.9**

TOWER Accounting For PrefSure

A$million	31 March 2006
Purchase Price Announced 30 January 2006	145.0
Pre acquisition dividend	(12.5)
Stamp duty	0.8
Consultants	0.9
Net asset settlement (estimate)	(8.7)
Estimated Purchase Price	**125.5**
Paid to date	124.0
Estimated Deferred Settlement	1.5
Working capital injection/ repayment of PrefSure debt	19.8
Total cash outlay and operational funding	**145.3**

Accounting for PrefSure

PrefSure as at 31 March 2006



- PrefSure held A$10.4m of goodwill on balance sheet pre acquisition
- Based on expectation that Embedded Value will exceed estimated acquisition price of A$125.5m
- The Intangible Asset will amortised over the life of the policies acquired