12 June 2008

Market Information
New Zealand Exchange Limited
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NEW ZEALAND

Company Announcements Office
Australian Stock Exchange Limited
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Sydney NSW 2000
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ARBN 088 481 234 Incorporated in New Zealand

Half Year Report 2008

We enclose TOWER's financial report for the half year ended 31 March 2008. This was included within the Target Company Statement released on 3 June, and is now issued separately for ease of reference.

For further information please contact:

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Company Secretary
TOWER Limited
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TOWER HALF YEAR REPORT

SIX MONTHS ENDED 31 MARCH 2008

Contents

TOWER Group

Health & Life Insurance

General Insurance

Investments

KiwiSaver

This Half Year Report is dated 21 May 2008.
All amounts in this Annual Report, unless stated otherwise, are in New Zealand dollars.

Highlights

GROUP PROFIT FROM CONTINUING OPERATIONS UP 28.6% TO $20.2m

HEALTH & LIFE OPERATING EARNINGS UP BY $3.2m

GENERAL INSURANCE OPERATING EARNINGS UP BY $3.8m

FIRST DIVIDEND SINCE 2002 WITH 6cps PAID TO SHAREHOLDERS

Consolidated Income Statement

For the half year ended 31 March 2008

	Note	Consolidated Half Year ended 31 March 2008 Unaudited NZ$000	31 March 2007 Unaudited NZ$000
Continuing operations			
Premium revenue from insurance contracts	2	200,627	189,567
Less: Outwards reinsurance expense	2	(15,476)	(13,875)
Net premium revenue		185,151	175,692
Investment (loss) / revenue	3	(1,213)	39,843
Fee and other revenue	4	20,966	25,026
Net operating revenue		**204,904**	**240,561**
Claims expense		128,743	124,538
Less: Reinsurance recoveries		(7,868)	(11,075)
Net claims expense		**120,875**	**113,463**
Change in health and life insurance contract liabilities		(29,454)	(3,113)
Change in life investment contract liabilities		(2,443)	2,246
Amortisation expense		458	572
Management and sales expenses		91,773	94,365
Net claims and operating expenses		**181,209**	**207,533**
Financing costs		3,755	2,218
Profit before taxation		**19,940**	**30,810**
Income tax (credit) / expense	8	(251)	15,114
Profit from continuing operations		**20,191**	**15,696**
(Loss) / profit from discontinued operations		(332)	198,804
Profit for the half year		**19,859**	**214,500**
Profit attributable to: Shareholders of TOWER Limited		19,735	214,333
Minority Interest		124	167
		19,859	**214,500**

	Cents	Cents
Basic Earnings per share (1)	10.44	91.79
Basic Earnings per share continued operations (1)	10.61	6.72
Basic Earnings per share discontinued operations (1)	(0.18)	85.07
Diluted Earnings per share continued operations (2)	**10.59**	**8.33**
Diluted Earnings per share discontinued operations (2)	(0.18)	85.07

Notes

(1) Basic Earnings per share for 31 March 2008 and 31 March 2007 are based on the weighted average number of ordinary shares outstanding during the period.

(2) Diluted Earnings per share for 31 March 2008 and 31 March 2007 are based on the diluted weighted average number of shares outstanding during the period.

The Consolidated Income Statement should be read in conjunction with the accompanying notes

Consolidated Balance Sheet

As at 31 March 2008

	Consolidated		
	31 March 2008	30 September 2007	31 March 2007
	Unaudited NZ$000	Audited NZ$000	Unaudited NZ$000
Assets			
Cash and cash equivalents	60,642	64,237	54,179
Receivables	142,557	136,413	131,007
Financial assets at fair value through profit or loss	1,086,919	1,130,081	1,318,435
Assets of disposal group classified as held for sale	2,674	3,148	-
Investment property	2,200	2,158	10,527
Deferred acquisition costs	50,140	51,567	52,136
Property, plant and equipment	4,567	5,375	4,510
Assets arising from reinsurance contracts	23,515	21,886	17,755
Non current tax asset	51,871	50,274	50,163
Deferred tax asset	43,347	47,340	1,213
Intangible assets	33,531	33,714	33,692
Total Assets	**1,501,963**	**1,546,193**	**1,673,617**
Liabilities			
Payables	65,922	68,127	262,512
Current tax liabilities	13,064	10,634	618
Liabilities of disposal group classified as held for sale	660	342	-
Provisions	5,122	8,092	4,794
Interest bearing liabilities	87,254	87,151	86,964
Insurance liabilities	241,386	243,602	235,108
Deferred tax liabilities	59,409	69,725	31,847
Other liabilities	22,307	21,128	21,222
Life insurance contract liabilities	697,166	730,400	741,343
Life investment contract liabilities	39,569	45,095	47,054
Total Liabilities	**1,231,859**	**1,284,296**	**1,431,462**
Net Assets	**270,104**	**261,897**	**242,155**
Equity			
Contributed equity	465,193	460,595	459,368
Reserves	(111,863)	(110,735)	(111,763)
Retained profits / (accumulated loss)	(86,082)	(91,680)	(108,707)
Total equity attributed to: Shareholders of TOWER Limited	267,248	258,180	238,898
Minority interests	2,856	3,717	3,257
Total Equity	**270,104**	**261,897**	**242,155**

The financial statements were approved for issue by the Board on 21 May 2008.

Tony Gibbs
Chairman

John Spencer
Director

The Consolidated Balance Sheet should be read in conjunction with the accompanying notes

Consolidated Statement of Changes in Equity

For the half year ended 31 March 2008

	Consolidated Half Year ended	
	31 March 2008	**31 March 2007**
	Unaudited NZ$000	**Unaudited NZ$000**
Total equity at the beginning of the half year	**261,897**	**629,373**
Profit for the half year	19,859	214,500
Movements in retained profits:		
Post-acquisition retained earnings of disposed subsidiaries	-	26,508
Other	582	-
Dividend paid	(14,844)	-
Total movements in retained profits	**(14,262)**	**26,508**
Movements in reserves:		
Movement in exchange differences on translation of foreign operations	(1,556)	(2,502)
Separation reserve on demerger of TOWER Australia	-	(113,000)
Movement in share options reserve	429	(526)
Realisation of FCTR on disposed subsidiaries	-	(57,538)
Total movements in reserves	**(1,127)**	**(173,566)**
Total recognised income and expense for the half year	**4,470**	**67,442**
Transactions with equity holders in their capacity as equity holders:		
Shares issued	4,598	-
Shares cancelled on demerger of TOWER Australia	-	(454,000)
Change in minority interest	(861)	(660)
Movements in equity for the half year	**8,207**	**(387,218)**
Total equity at the end of the half year	**270,104**	**242,155**

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying notes

Consolidated Statement of Cash Flows

For the half year ended 31 March 2008

	Note	*Consolidated Half Year ended* 31 March 2008 Unaudited NZ$000	31 March 2007 Unaudited NZ$000
Cash flows from operating activities			
Premiums received		200,217	192,494
Interest received		23,732	16,249
Dividends received		13,974	1,381
Investment income		81,329	10,559
Non-life company fee income		14,083	16,261
Reinsurance received		4,507	7,639
Reinsurance paid		(14,603)	(13,875)
Claims expense		(133,412)	(162,546)
Payments to suppliers and employees		(97,606)	(86,091)
Interest paid		(2,860)	(2,218)
Income tax paid		(5,254)	(9,762)
Net cash inflow / (outflow) from operating activities	6	**84,107**	**(29,909)**
Cash flows from investing activities			
Net (payments) / receipts for financial assets[1]		(77,515)	(59,713)
Proceeds from disposal of business		-	203,364
Payments for purchase of property, plant and equipment		(505)	(948)
Net cash (outflow) / inflow from investing activities		**(78,019)**	**142,703**
Cash flows from financing activities			
Proceeds from issue of equity share capital		951	-
Borrowings received		-	86,335
Borrowings repaid		-	(197,806)
Dividend paid		(10,607)	-
Net cash (outflow) from financing activities		**(9,656)**	**(111,471)**
Net (decrease) / increase in cash and cash equivalents		**(3,568)**	**1,323**
Cash and cash equivalents at beginning of half year		64,210	52,856
Cash and cash equivalents at end of half year		**60,642**	**54,179**
Comprising:			
Cash at bank		60,642	54,179
		60,642	**54,179**

Notes

(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 Consolidated Statement of Cash Flows should be read in conjunction with the accompanying notes

Notes to the Financial Statements

For the half year ended 31 March 2008

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entities reporting

The financial statements presented are those of TOWER Limited (the Company) and its subsidiaries (the Group).

Statutory base

TOWER Limited is a company domiciled in New Zealand, registered under the Companies Act 1993 and listed on the New Zealand and Australian Stock Exchanges. The Company is an issuer under the Financial Reporting Act 1993.

Basis of preparation

These interim financial statements have been prepared in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS), Companies Act 1993 and the Financial Reporting Act 1993.

Compliance with International Financial Reporting Standards (IFRS)

Compliance with NZ IFRS ensures that the consolidated financial statements and notes of TOWER Limited comply with IFRS.

These interim financial statements comply with International Accounting Standard (IAS) 34 and NZ IAS 34 – Interim Financial Reporting.

The financial statements have been prepared on a fair value basis with any exceptions noted in the accounting policies below and should be read in conjunction with the annual report for the year ended 30 September 2007.

The financial statements were approved by the Board of Directors on 21 May 2008.

Principles of consolidation

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of TOWER Limited as at 31 March 2008 and the results of all subsidiaries for the period then ended. TOWER Limited and its subsidiaries together are referred to in this financial report as the Group or the consolidated entity.

Subsidiaries are all those entities over which the consolidated entity has control, being the power to govern the financial and operating policies, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

The results of any subsidiaries acquired during the year are consolidated from the date on which control is transferred to the consolidated entity and the results of any subsidiaries disposed of during the year are consolidated up to the date control ceases.

The acquisition of controlled entities is accounted for using the purchase method of accounting.

The share of net assets of controlled entities attributable to minority interests is disclosed separately in the balance sheet and income statement.

Intercompany transactions and balances between Group entities are eliminated on consolidation.

Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with the current period.

Changes in Accounting Policies

The principal accounting policies adopted in the preparation of the financial statements are unchanged from the audited annual report as at 30 September 2007 with the exception of the reclassification of deferred tax on policy liabilities as noted below.

Deferred Tax on Policy Liabilities

The Group has changed the classification of the deferred tax on policy liability during this interim financial reporting period. Taxable temporary differences embedded within policy liabilities, which can be reliably measured, have been recognised and disclosed separately from the underlying policy liabilities. These represent a reclassification between life insurance policy liabilities and deferred tax liabilities with no impact on underlying net profit, total assets or total liabilities of the Group.

Notes to the Financial Statements

For the half year ended 31 March 2008

2. PREMIUM REVENUE	*Consolidated Half Year ended* 31 March 2008 Unaudited NZ$000	31 March 2007 Unaudited NZ$000
Life insurance premiums	39,875	35,639
Life investment premiums	350	388
Total premiums	40,225	36,027
Less: Deposits recognised as an increase in policy liabilities	(3,747)	(3,482)
Life insurance contract premiums recognised as revenue	**36,478**	**32,545**
General insurance premiums	101,670	99,733
Health insurance premiums	62,479	57,289
	200,627	**189,567**
Less: Reinsurance ceded	(15,476)	(13,875)
Total net premium revenue	**185,151**	**175,692**

3. INVESTMENT REVENUE		
Fixed interest		
Interest	23,732	16,249
Realised gains / (losses)	531	(3,101)
Unrealised gains / (losses)	391	(6,337)
Total investment revenue from fixed interest	**24,654**	**6,811**
Equities		
Dividend income	13,974	1,381
Realised gains / (losses)	26,864	(6,969)
Unrealised (losses) / gains	(76,391)	6,545
Total investment revenue from equities	**(35,553)**	**957**
Property		
Rents, interest and recoveries	1,357	1,501
Realised gains / (losses)	21,913	(1)
Unrealised (losses) / gains	(18,821)	6,306
Total investment revenue from property	**4,449**	**7,806**
Other investment revenue		
Realised gains	30,664	19,796
Unrealised (losses) / gains	(25,427)	4,473
Total other investment revenue	**5,237**	**24,269**
Total investment (loss) / revenue	**(1,213)**	**39,843**

4. FEE AND OTHER REVENUE		
Investment and management fees	20,868	25,02
Other revenue	98	-
Total fee and other revenue from continuing operations	**20,966**	**25,026**

Notes to the Financial Statements

For the half year ended 31 March 2008

5. SEGMENTAL REPORTING	TOWER Health & Life NZ$000	TOWER General Insurance NZ$000	TOWER Investments NZ$000	Other (Holding companies & Australia) NZ$000	Total NZ$000
2008					
Profits from operations					
Profits / (losses) from continued operations	15,078	7,716	2,267	(4,870)	20,191
(Losses) from discontinued operations	-	-	-	(332)	(332)
Profits including discontinued operations	**15,078**	**7,716**	**2,267**	**(5,202)**	**19,859**
Revenue					
Segment revenues	77,058	97,811	28,633	1,402	204,904
Revenue from continuing operations	**77,058**	**97,811**	**28,633**	**1,402**	**204,904**
2007					
Profits from operations					
Profits / (losses) from continued operations	11,831	3,961	3,625	(3,721)	15,696
Profits from discontinued operations	-	-	-	198,804	198,804
Profits including discontinued operations	**11,831**	**3,961**	**3,625**	**195,083**	**214,500**
Revenue					
Segment revenues	108,990	97,513	32,821	1,237	240,561
Revenue from continuing operations	**108,990**	**97,513**	**32,821**	**1,237**	**240,561**
Revenue from discontinued operations	-	-	-	216,568	216,568
Total revenue including discontinued operations	**108,990**	**97,513**	**32,821**	**217,805**	**457,129**

Description of segments
TOWER Health & Life includes all health and life insurance services in New Zealand
TOWER Investments includes all wealth management services in New Zealand
TOWER General Insurance includes all general insurance services in New Zealand and the Pacific Islands
Other includes head office expenses, financing costs and eliminations and, in the prior period, TOWER Australia

6. NOTE TO THE CONSOLIDATED STATEMENT OF CASHFLOWS	31 March 2008 Unaudited NZ$000	31 March 2007 Unaudited NZ$000
Reconciliation of operating cash flows to profit		
Net profit from continued operations for the half year after tax	**20,191**	**15,696**
Add non-cash items:		
Unrealised loss / (gain) on financial assets	120,248	(10,986)
Depreciation and amortisation	1,497	1,322
Net policy liabilities and reinsurance	(40,390)	(32,902)
Changes in net assets and liabilities, net of effects from acquisition / disposal of businesses:		
Receivables	(5,817)	(6,059)
Share based payments	429	-
Tax provisions	833	5,330
Deferred tax	(6,323)	210
Creditors and provisions	(5,095)	(2,520)
Accrued interest	89	-
FX Movements	(1,555)	-
Net operating cash flows	**84,107**	**(29,909)**

Notes to the Financial Statements

For the half year ended 31 March 2008

7. CONTINGENT LIABILITIES

Taxation - over paid tax

In February 2004, the Inland Revenue Department (IRD) refunded TOWER $30 million in respect of over paid tax. The IRD now believes it ought not to have paid this refund and have written to TOWER disputing TOWER's entitlement to this refund. The IRD has not issued demand for payment. TOWER has received strong legal advice that it is fully entitled to the refund.

TOWER has commenced IRD's formal dispute resolution process in relation to the refund paid plus potential use of money interest and penalty amounts. The IRD has agreed that no tax in respect of this matter will be payable until this process is complete which is expected to take up to two years. In the unlikely event that TOWER is unsuccessful, the $30 million could be repaid to the IRD. Such a payment would represent an increase in the prepaid tax balance available to offset future tax liabilities.

Taxation - use of money interest

The IRD has advised TOWER it is considering TOWER's entitlement to use of money interest paid to TOWER for the income tax years 1996 to 2005 in respect of some prepaid assets at that time. The amount of interest involved is NZ$12m. TOWER has received independent advice supporting the position taken by TOWER and will defend its position if the matter is formally challenged by the IRD.

8. CURRENT TAXATION

The Group produced a tax credit for the six months to 31 March 2008. This result has arisen from TOWER Health & Life. Under New Zealand law, life insurers pay tax on behalf of shareholders and policyholders. As a result of investment market movements over the period, policyholders have recorded an investment loss which has caused the overall tax credit. But for this investment loss attributable to the policyholders, the profit before tax for the period would have been higher.

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Accountants' Report

To the Shareholders of TOWER Limited

We have reviewed the financial statements on pages 2 to 9. The financial statements provide information about the past financial performance and cash flows of the Company and its controlled entities (the Group) for the period ended 31 March 2008 and its financial position as at that date. This information is stated in accordance with the accounting policies of the Company as referred to on page 6.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 31 March 2008 and its financial performance and cash flows for the period ended on that date.

Accountants' responsibilities

We are responsible for reviewing the financial statements presented by the Directors in order to report whether, in our opinion and on the basis of the procedures performed by us, anything has come to our attention that would indicate that the financial statements do not present fairly the matters to which they relate.

Basis of opinion

A review is limited primarily to enquiries of company personnel and analytical review procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit on the financial statements and, accordingly, we do not express an audit opinion.

We have reviewed the financial statements of the Group for the period ended 31 March 2008 in accordance with the Review Engagement Standards issued by the Institute of Chartered Accountants of New Zealand.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacity as accountants conducting this review.

Review opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fairly the financial position of the Group as at 31 March 2008 and its financial performance and cash flows for the period ended on that date.

Our review was completed on 21 May 2008 and our review opinion is expressed as at that date.

PricewaterhouseCoopers

Chartered Accountants

TOWER Directory

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Incorporated in New Zealand

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DIRECTORS

Tony Gibbs (Chairman)

Bill Falconer

Rob Flannagan (Managing Director)

Michael Jefferies

John Spencer

Susie Staley

Denis Wood

AUDITOR

PricewaterhouseCoopers

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SHAREHOLDER ENQUIRIES

Shareholders with enquires regarding share transactions and change of address should contact the TOWER Share registry:

COMPUTERSHARE INVESTOR SERVICES LIMITED

New Zealand

Telephone: +64 9 488 8777

Australia

Telephone: +61 3 9415 5000

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

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