

29 November 2012

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**Information pack - TOWER Limited preliminary results for the year ended 30 September 2012**

Further to the announcement today of TOWER's preliminary results for the year ended 30 September 2012, attached is a results information pack.

Bronwyn Walsh  
Company Secretary  
**TOWER Limited**  
ARBN 088 481 234 Incorporated in New Zealand



TOWER LIMITED

# Results Information

Full Year Ended 30 September 2012



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## 2012 Financial Year

Message from Rob Flannagan,  
Group Managing Director

Despite what continues to be a difficult economic operating environment, the TOWER Group is profitable, maintains a strong balance sheet and is well positioned for organic growth.

As a result, the TOWER Board has declared an unimputed dividend of 6 cents, which will be paid on 1 February 2013. This brings the annual dividend to 11 cents per share (unimputed).

Key financial highlights for the year ended 30 September 2012:

- \$55.8m net profit after tax, up 67% on 2011
- Unimputed final dividend of 6 cents per share
- 10% increase in total equity
- Gearing improved to 14.1%
- Net asset backing increased to \$1.85 per share
- Capital return of \$120.0m planned, subject to court and shareholder approval

Excluding the positive impact of the discount rate movement, TOWER net profit after tax for the year ended 30 September 2012 was \$46.8m, even after taking into account continued impacts of Canterbury.

We continue to make industry-leading progress with settling customers' claims following the Canterbury earthquakes. To date, we have closed almost 60% of claims and have made payments exceeding \$200 million, with over \$3 million being paid out every week.

Management and staff have worked hard over the past 12 months to better anticipate and deliver to customer needs, while taking a disciplined approach to cost management.

As a result, each of TOWER's business units – General Insurance, Life, Investments and Health – improved performance over the previous year.

We have been very focused over the past year on improving our engagement with staff, customers and the adviser community, and are seeing this approach translate into solid returns for our shareholders.

Along with enhancing and simplifying our product range, we have introduced a case management approach in our General Insurance business, resulting in a 28% reduction in the time it takes to settle claims, and taken a much more proactive approach to customer retention.

We have also put a great deal of effort into ensuring we have the right people in the right roles, and delivering leadership and development programmes to support them.

The past financial year had been a very busy period for TOWER, with a comprehensive strategic review undertaken to identify opportunities that would deliver long-term benefits to shareholders.

This involved a comprehensive evaluation of aspects of the TOWER Group including capital structure, its existing four business units and strategic acquisition and divestment opportunities.

In November 2012, as a direct outcome of the review, we announced the sale of our Health business.

TOWER is planning to repay capital to shareholders of \$120 million, subject to court and shareholder approval.

With the return of capital planned, the company's dividend reinvestment plan will not operate for this dividend payment and all shareholders will receive the cash dividend payment.

We are clearly focused on a range of goals for the financial year ending 30 September 2013. Activities will focus on six key initiatives – customer retention, distribution, interaction with advisers, KiwiSaver, product simplification and pricing.

# 1 Financial Overview

\$ MILLIONS (UNLESS STATED OTHERWISE)	HALF YEAR ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
<b>PREMIUM AND FUNDS</b>						
Group gross premium	498.3	471.0	445.8	429.0	425.3	416.0
Funds under management / advice	4,224.8	4,116.1	3,969.0	3,977.5	3,906.8	3,748.5
<b>PROFIT</b>						
Net profit after tax	32.2	23.6	20.4	13.0	30.0	28.1
Profit excluding the impact of discount rate <sup>1</sup>	24.0	22.8	14.0	17.0	26.1	27.7
<b>EQUITY</b>						
Net assets	498.8	476.6	455.5	447.2	441.3	416.4
Shares on issue (millions)	269.1	266.4	265.2	263.6	260.6	258.7
<b>DIVIDEND</b>						
Cents per share	6.0	5.0	2.0	4.0	6.0	4.0
Dividend to earnings per share	50%	57%	26%	82%	52%	37%
<b>EARNINGS RATIOS</b>						
<b>Earnings per share (cents per share)</b>						
Profit attributed to shareholders	11.95	8.80	7.65	4.89	11.45	10.88
<b>Return on equity (annualised)<sup>2</sup></b>						
Profit attributed to shareholders	13.1%	10.1%	9.1%	5.9%	13.9%	13.7%
Profit excluding the impact of discount rate <sup>1</sup>	9.7%	9.9%	6.2%	7.7%	12.1%	13.5%
<b>CAPITAL STRENGTH</b>						
Gearing gross	14.1%	14.6%	15.1%	15.3%	15.4%	16.2%
Interest cover (times) <sup>1</sup>	13.4	9.4	8.3	4.1	14.1	12.0
Financial strength rating - Health <sup>3</sup>	A-	A-	A-	A-	A-	A-
Financial strength rating - Life	A-	A-	A-	A-	A-	A-
Financial strength rating - General Insurance	A-	A-	A-	A-	A-	A-
<b>INSURANCE PROFIT RATIOS</b>						
Insurance profit/(loss) to net earned premium ratio - Health <sup>3</sup>	10.7%	12.0%	5.3%	10.3%	1.9%	12.4%
Insurance profit/(loss) to net earned premium ratio - Life <sup>1</sup>	48.3%	40.0%	26.4%	10.9%	37.1%	46.9%
Insurance profit/(loss) to net earned premium ratio - General Insurance <sup>1</sup>	6.9%	8.1%	(4.8%)	7.1%	12.5%	16.6%

<sup>1</sup> Calculation includes impact of catastrophe events in all periods.

<sup>2</sup> Return on Equity is half year profits and half year average equity annualised

<sup>3</sup> Classified as discontinued operations in the Group financials in accordance with accounting standards.

## 2 Results Summary



\$ MILLIONS	HALF YEAR ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
Health <sup>1</sup>	9.0	9.4	4.7	9.1	1.6	9.6
Life	24.7	19.5	18.7	5.2	34.8	20.0
General Insurance	10.6	9.2	(0.3)	7.7	14.6	17.5
Investments	4.7	5.0	5.5	4.4	1.0	2.9
Finance & corporate expenses	(7.0)	(7.2)	(5.0)	(4.8)	(4.9)	(4.5)
<b>Profit before tax</b>	<b>42.0</b>	<b>35.9</b>	<b>23.6</b>	<b>21.6</b>	<b>47.1</b>	<b>45.5</b>
Income tax (expense)/credit	(18.0)	(13.1)	(9.6)	(4.6)	(21.0)	(17.8)
<b>Profit excluding the impact of discount rate</b>	<b>24.0</b>	<b>22.8</b>	<b>14.0</b>	<b>17.0</b>	<b>26.1</b>	<b>27.7</b>
Discount rate effect	8.3	0.7	6.4	(4.0)	3.9	0.4
<b>Profit from continuing operations</b>	<b>32.2</b>	<b>23.6</b>	<b>20.4</b>	<b>13.0</b>	<b>30.0</b>	<b>28.1</b>

RESULTS FOR 12 MONTHS TO 30 SEPTEMBER 2012 \$ MILLIONS	HEALTH INSURANCE	LIFE SHAREHOLDER	GENERAL INSURANCE	INVESTMENTS	CORPORATE	GROUP SHAREHOLDER	LIFE POLICYHOLDER	GROUP TOTAL
Insurance profit and operating earnings	16.5	15.2	14.8	9.7		56.3	17.5	73.8
Investment income on shareholders' funds	1.9	11.4	5.0		3.4	21.7		21.7
Corporate expenses					(9.7)	(9.7)		(9.7)
Financing costs					(7.9)	(7.9)		(7.9)
<b>Profit/(loss) before tax</b>	<b>18.4</b>	<b>26.6</b>	<b>19.8</b>	<b>9.7</b>	<b>(14.2)</b>	<b>60.4</b>	<b>17.5</b>	<b>78.0</b>
Tax (expense)/credit	(5.1)	(2.9)	(6.6)	(2.7)	3.8	(13.6)	(17.5)	(31.1)
<b>Profit excluding the impact of discount rate</b>	<b>13.3</b>	<b>23.7</b>	<b>13.2</b>	<b>7.0</b>	<b>(10.4)</b>	<b>46.8</b>	<b>0.0</b>	<b>46.8</b>
Discount rate effect		9.0				9.0		9.0
<b>Profit/(loss) after tax</b>	<b>13.3</b>	<b>32.7</b>	<b>13.2</b>	<b>7.0</b>	<b>(10.4)</b>	<b>55.8</b>	<b>0.0</b>	<b>55.8</b>

### RESULTS FOR 12 MONTHS TO 30 SEPTEMBER 2011

Insurance profit and operating earnings <sup>2</sup>	10.9	6.4	2.6	9.9		29.8	4.8	34.6
Investment income on shareholders' funds	2.9	12.9	4.8		5.3	25.9		25.9
Corporate expenses					(7.3)	(7.3)		(7.3)
Financing costs					(7.8)	(7.8)		(7.8)
<b>Profit/(loss) before tax<sup>2</sup></b>	<b>13.8</b>	<b>19.3</b>	<b>7.4</b>	<b>9.9</b>	<b>(9.8)</b>	<b>40.6</b>	<b>4.8</b>	<b>45.4</b>
Tax (expense)/credit	(4.1)	(0.5)	(4.9)	(3.1)	3.0	(9.6)	(4.8)	(14.4)
<b>Profit excluding the impact of discount rate<sup>2</sup></b>	<b>9.7</b>	<b>18.8</b>	<b>2.5</b>	<b>6.8</b>	<b>(6.8)</b>	<b>31.0</b>	<b>0.0</b>	<b>31.0</b>
Discount rate effect		2.4				2.4		2.4
<b>Profit/(loss) after tax</b>	<b>9.7</b>	<b>21.2</b>	<b>2.5</b>	<b>6.8</b>	<b>(6.8)</b>	<b>33.4</b>	<b>0.0</b>	<b>33.4</b>

<sup>1</sup> Classified as discontinued operations in the Group financials in accordance with accounting standards.

<sup>2</sup> Includes all Canterbury earthquake expenses. These were separated in September 2011 results information pack.

# 3 Balance Sheet Summary

SEPTEMBER 2012

\$ MILLIONS	HEALTH <sup>1</sup>	LIFE	GENERAL INSURANCE	INVESTMENTS	HEAD OFFICE & ELIMINATIONS	GROUP SEP-12	GROUP SEP-11
Cash & call deposits <sup>2</sup>	13.3	21.3	87.6	0.6	76.9	199.7	152.9
Total investment assets	92.2	789.8	154.7	0.0	0.0	1,036.7	1,029.8
Deferred acquisition costs	22.4	0.0	17.1	6.3		45.8	42.4
Intangible assets	0.0	13.1	17.7		51.1	81.9	72.7
Other operational assets/(liabilities)	26.6	71.8	487.9	22.8	(7.8)	601.3	678.7
<b>Total assets</b>	<b>154.5</b>	<b>896.0</b>	<b>765.0</b>	<b>29.7</b>	<b>120.2</b>	<b>1,965.4</b>	<b>1,976.5</b>
Policy liabilities & insurance provisions	(79.6)	(628.0)	(554.7)			(1,262.3)	(1,326.3)
External debt					(82.0)	(82.0)	(81.3)
Other operational (liabilities)/assets	(11.0)	(48.3)	(48.7)	(4.5)	(9.8)	(122.3)	(113.4)
<b>Total liabilities</b>	<b>(90.6)</b>	<b>(676.3)</b>	<b>(603.4)</b>	<b>(4.6)</b>	<b>(91.8)</b>	<b>(1,466.6)</b>	<b>(1,521.0)</b>
<b>Total equity</b>	<b>63.9<sup>3</sup></b>	<b>219.7</b>	<b>161.6</b>	<b>25.2</b>	<b>28.4</b>	<b>498.8</b>	<b>455.5</b>

## Investment assets breakdown

Cash in transit <sup>2</sup>						0.0
Fixed interest securities (NZ)	88.9	552.8	75.5		0.0	717.2
Fixed interest securities (AUS)		0.0	37.5			37.5
Fixed interest securities (International)		5.2	29.7			34.9
<b>Total fixed interest securities</b>	<b>88.9</b>	<b>558.0</b>	<b>142.7</b>		<b>0.0</b>	<b>789.6</b>
Equity securities (NZ)		45.1				45.1
Equity securities (AUS)		0.0			0.0	0.0
Equity securities (International)		48.1	4.4			52.5
<b>Total equities securities</b>	<b>0.0</b>	<b>93.2</b>	<b>4.4</b>		<b>0.0</b>	<b>97.6</b>
Property securities		47.6	7.6	0.0		55.2
Derivative financial instruments	3.3	91.0	0.0			94.3
<b>Total investment assets</b>	<b>92.2</b>	<b>789.8</b>	<b>154.7</b>	<b>0.0</b>	<b>0.0</b>	<b>1,036.7</b>

## Credit ratings for investment assets

SEP-12

Investment assets subject to credit rating	
AAA	361.9
AA	662.7
A	22.7
BBB or below	15.6
Unrated investments	20.6
	<b>1,083.5</b>
Investment assets not subject to credit rating	
Fixed interest securities	0.0
Equity securities	97.6
Property securities	55.3
	<b>152.9</b>
<b>Total cash and investment assets</b>	<b>1,236.4</b>
Cash and call deposits	199.7
Investment assets	1,036.7
<b>Total cash and investment assets</b>	<b>1,236.4</b>

<sup>1</sup> Classified as discontinued operations in the Group financials in accordance with accounting standards.

<sup>2</sup> Cash in transit has been included in the call deposits portfolio.

<sup>3</sup> Excludes goodwill relating to the Health business of \$13.1m, included with Life.

SEPTEMBER 2011

\$ MILLIONS	HEALTH <sup>1</sup>	LIFE	GENERAL INS	INVESTMENTS	HEAD OFFICE & ELIMINATIONS	GROUP SEP-11	GROUP SEP-10
Cash & call deposits	11.6	6.5	36.6	2.3	95.9	152.9	138.5
Total investment assets	76.5	784.8	168.4	0.1		1,029.8	1,094.3
Deferred acquisition costs	20.7	0.0	14.7	7.0		42.4	43.6
Intangible assets	0.0	13.1	17.7		41.9	72.7	55.0
Other operational assets/(liabilities)	43.7	61.0	557.3	24.7	(8.0)	678.7	286.2
<b>Total assets</b>	<b>152.5</b>	<b>865.4</b>	<b>794.7</b>	<b>34.1</b>	<b>129.8</b>	<b>1,976.5</b>	<b>1,617.6</b>
Policy liabilities & insurance provisions	(80.9)	(625.6)	(619.8)			(1,326.3)	(980.4)
External debt					(81.3)	(81.3)	(80.6)
Other operational (liabilities)/assets	(13.9)	(46.4)	(46.2)	(9.4)	2.5	(113.4)	(115.3)
<b>Total liabilities</b>	<b>(94.8)</b>	<b>(672.0)</b>	<b>(666.0)</b>	<b>(9.4)</b>	<b>(78.8)</b>	<b>(1,521.0)</b>	<b>(1,176.3)</b>
<b>Total equity</b>	<b>57.7</b>	<b>193.4</b>	<b>128.7</b>	<b>24.7</b>	<b>51.0</b>	<b>455.5</b>	<b>441.3</b>

#### Investment assets breakdown

Cash in transit	16.6	29.0	25.6			71.2
Fixed interest securities (NZ)	70.5	410.9	59.6			541.0
Fixed interest securities (AUS)			43.5			43.5
Fixed interest securities (International)		2.9	27.3			30.2
<b>Total fixed interest securities</b>	<b>87.1</b>	<b>442.8</b>	<b>156.0</b>			<b>685.9</b>
Equity securities (NZ)		48.0				48.0
Equity securities (AUS)						0.0
Equity securities (International)		129.2	3.1			132.3
<b>Total equities securities</b>	<b>0.0</b>	<b>177.2</b>	<b>3.1</b>			<b>180.3</b>
Property securities		79.1	9.3	0.1		88.5
Derivative financial instruments	6.0	69.1				75.1
<b>Total investment assets</b>	<b>93.1</b>	<b>768.2</b>	<b>168.4</b>	<b>0.1</b>		<b>1,029.8</b>

#### Credit ratings for investment assets

SEP-11

Investment assets subject to credit rating	
AAA	216.0
AA	566.8
A	37.1
BBB or below	5.4
Unrated investments	77.4
	<b>902.7</b>
Investment assets not subject to credit rating	
Fixed interest securities	11.2
Equity securities	180.3
Property securities	88.5
	<b>280.0</b>
Total cash and investment assets	<b>1,182.7</b>
Cash and call deposits	152.9
Investment assets	1,029.8
Total cash and investment assets	<b>1,182.7</b>

<sup>1</sup> Classified as discontinued operations in the Group financials in accordance with accounting standards.

## 4 Business Unit Performance

### Health Insurance<sup>1</sup> - Analysis of profit

\$ MILLIONS	HALF YEAR ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
Net premium	73.6	72.6	70.9	69.7	68.2	67.7
Incurred claims	(41.3)	(37.3)	(39.9)	(37.1)	(44.7)	(37.3)
Premium payback payments	(9.6)	(9.0)	(10.2)	(9.9)	(7.3)	(6.0)
Management and sales expenses	(19.2)	(19.0)	(18.6)	(17.8)	(18.1)	(17.5)
Movement in policy liabilities	2.0	0.2	(2.2)	3.2	(3.5)	(0.1)
Investment income on assets backing policy liabilities	2.3	1.2	3.7	(0.9)	6.7	1.6
<b>Insurance profit/(loss)</b>	<b>7.8</b>	<b>8.7</b>	<b>3.7</b>	<b>7.2</b>	<b>1.3</b>	<b>8.4</b>
Investment income on shareholders' funds	1.2	0.7	1.0	1.9	0.3	1.2
<b>Profit before tax</b>	<b>9.0</b>	<b>9.4</b>	<b>4.7</b>	<b>9.1</b>	<b>1.6</b>	<b>9.6</b>
Income tax expense	(2.5)	(2.6)	(1.5)	(2.6)	(0.8)	(2.9)
<b>Profit after tax</b>	<b>6.5</b>	<b>6.8</b>	<b>3.2</b>	<b>6.5</b>	<b>0.8</b>	<b>6.7</b>

### Health Insurance<sup>1</sup> - Profit summary

\$ MILLIONS	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
<b>Health insurance operating earnings<sup>1</sup></b>						
Planned profits	3.7	6.2	5.0	7.0	5.3	6.9
Experience (loss)/profit	1.9	0.1	(2.5)	(1.8)	(4.7)	(1.1)
<b>Insurance profit net of tax</b>	<b>5.6</b>	<b>6.3</b>	<b>2.5</b>	<b>5.2</b>	<b>0.6</b>	<b>5.8</b>
Investment income on shareholders' funds (net of tax)	0.9	0.5	0.7	1.3	0.2	0.9
<b>Profit after tax</b>	<b>6.5</b>	<b>6.8</b>	<b>3.2</b>	<b>6.5</b>	<b>0.8</b>	<b>6.7</b>

#### Comments

Health Insurance profit has reduced from the March 2012 half year mainly due to seasonal effects. Underlying profit is strong due to increased premiums and lower management expenses. Net profit is \$3.3m higher than the corresponding period last year.

<sup>1</sup> Classified as discontinued operations in the Group financials in accordance with accounting standards.

## Life - Analysis of profit

\$ MILLIONS	HALF YEAR ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
Net premiums	38.0	36.0	34.5	34.0	32.7	31.7
Policyholder maturities	(20.5)	(21.7)	(24.0)	(30.4)	(25.5)	(20.3)
Life claims	(15.0)	(13.5)	(13.4)	(12.4)	(11.5)	(12.0)
Life claims catastrophe	0.0	0.0	1.1	(2.3)		
Management and sales expenses	(20.7)	(19.2)	(20.8)	(20.2)	(21.9)	(19.7)
Movement in policy liabilities	(18.2)	0.5	17.0	19.5	(9.4)	(11.0)
Investment income/(loss) on assets backing policy liabilities	54.8	32.3	14.7	15.5	47.7	46.2
<b>Insurance profit/(loss)</b>	<b>18.4</b>	<b>14.4</b>	<b>9.1</b>	<b>3.7</b>	<b>12.1</b>	<b>14.9</b>
Investment income on shareholders' funds	6.3	5.1	9.6	1.5	22.7	5.1
<b>Profit/(loss) before tax</b>	<b>24.7</b>	<b>19.5</b>	<b>18.7</b>	<b>5.2</b>	<b>34.8</b>	<b>20.0</b>
Income tax (expense)/credit	(13.4)	(7.1)	(6.2)	1.1	(17.6)	(9.8)
<b>Profit excluding the impact of discount rate</b>	<b>11.3</b>	<b>12.4</b>	<b>12.5</b>	<b>6.3</b>	<b>17.2</b>	<b>10.2</b>
Discount rate effect	8.3	0.7	6.4	(4.0)	3.9	0.4
<b>Profit after tax</b>	<b>19.6</b>	<b>13.1</b>	<b>18.9</b>	<b>2.3</b>	<b>21.1</b>	<b>10.6</b>

## Life - Profit summary

\$ MILLIONS	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
Life insurance operating earnings						
Planned profits	8.8	8.2	8.9	8.7	7.7	7.1
Experience (loss)/profit	(3.1)	0.5	(3.2)	(3.3)	(3.7)	0.7
<b>Insurance profit net of tax</b>	<b>5.7</b>	<b>8.7</b>	<b>5.7</b>	<b>5.4</b>	<b>4.0</b>	<b>7.8</b>
Investment income on shareholders' funds (net of tax)	5.6	3.7	6.8	0.9	13.2	2.4
<b>Underlying profit</b>	<b>11.3</b>	<b>12.4</b>	<b>12.5</b>	<b>6.3</b>	<b>17.2</b>	<b>10.2</b>
Discount rate changes	8.3	0.7	6.4	(4.0)	3.9	0.4
<b>Profit after tax</b>	<b>19.6</b>	<b>13.1</b>	<b>18.9</b>	<b>2.3</b>	<b>21.1</b>	<b>10.6</b>

### Comments

Strong underlying claims experience, was more than offset by unfavourable lapse experience.

Investment income on assets backing policyholder liabilities was high as a result of gains on fixed interest investments. Policyholder liabilities also increased due to the same effect.

There was also a significant discount rate effect which boosted profit after tax by \$8.3m during the second half.

## Life Insurance - Change in embedded value

\$ MILLIONS	TOWER LIFE	TOWER HEALTH & LIFE
<b>Embedded value as at 30 September 2011</b>	<b>52.7</b>	<b>187.8</b>
Expected increase in value of in-force	3.8	19.1
Experience:		
Investment earnings	(0.2)	1.5
Other	0.6	9.4
Changes in assumptions:		
Investment earnings	(15.6)	(5.0)
Other	2.0	5.8
Value from new business	0.6	0.9
Miscellaneous:		
Dividend Received / (Paid)	(6.5)	0.0
Other	0.0	0.1
<b>Embedded value as at 30 September 2012</b>	<b>37.4</b>	<b>219.6</b>

### Comments

The primary contributors to the change in embedded value have been:

- A reduction in embedded value for TOWER Life New Zealand, mainly due to a reduction in assumed future investment earnings and dividends. The reduction in investment earnings is a result of a change in mix in investment strategy from 65/35 ratio of fixed interest to growth assets to a 80/20 ratio.
- The value of TOWER Health & Life has increased as premium increases and imputation credits associated with the new tax basis have now been recognised. Also the risk discount rate has reduced from 11% to 10% partially reflecting the reduction in the risk-free discount rate over the last 2-3 years.

## Life Insurance - Change in value of one year's new business

\$ MILLIONS	TOWER LIFE	TOWER HEALTH & LIFE
<b>Value of one year's new business as at 30 September 2011</b>	<b>0.9</b>	<b>6.3</b>
Change in one year's volumes and mix of business	0.0	(0.1)
Changes in assumptions:	(0.9)	(1.0)
Other	0.0	0.5
<b>Value of one year's new business as at 30 September 2012</b>	<b>0.0</b>	<b>5.7</b>

### Comments

The value of future new business has reduced to nil for TOWER Life NZ because there is currently an expense overrun associated with Group Risk business.

The value of new business for TOWER Health and Life has been reviewed to take into account the recent changes to life insurance taxation and also the change in discount rate. The level of profitability is marginally lower than March.

## Life Insurance - Embedded value and value of one year's new business

\$ MILLIONS	SEP-12		MAR-12		SEP-11		MAR-11	
	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE
Net worth	15.4	35.8	17.4	43.1	18.1	32.3	19.3	31.3
Value of in-force business	22.0	183.8	32.0	159.5	34.6	155.4	41.9	152.0
<b>Embedded value</b>	<b>37.4</b>	<b>219.6</b>	<b>49.4</b>	<b>202.6</b>	<b>52.7</b>	<b>187.8</b>	<b>61.2</b>	<b>183.3</b>
<b>Value of one year's new business</b>	<b>0.0</b>	<b>5.7</b>	<b>0.9</b>	<b>5.8</b>	<b>0.9</b>	<b>6.3</b>	<b>1.0</b>	<b>5.6</b>

## Life Insurance - Assumptions and sensitivity analysis

### Assumptions

	SEP-12		MAR-12		SEP-11		MAR-11	
	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE
Inflation								
Discount rate	10.0%	10.0%	11.0%	11.0%	11.0%	11.0%	11.0%	11.0%
Earnings assumption (net of tax) ranges	2.4% to 2.7%	2.5%	2.9% to 4.5%	3.1%	3.0% to 4.8%	3.1%	3.5% to 6.0%	3.8%
Expenses inflation	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%

### Sensitivity analysis

\$ MILLIONS	SEP-12		MAR-12		SEP-11		MAR-11	
	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE	TOWER LIFE	TOWER HEALTH & LIFE
Base appraisal value	37.4	242.5	53.3	225.5	56.5	212.8	65.2	205.7
Appraisal value assuming:								
Discount rate 1% higher	35.4	225.8	50.7	211.6	53.7	198.4	62.0	192.5
Investment returns 1% higher	44.9	247.5	60.7	227.1	62.8	213.8	72.4	207.2
Discontinuance rate 10% higher	37.5	222.9	52.8	208.0	55.7	195.5	64.3	189.7
Renewal expenses 10% higher	35.7	233.9	52.4	220.0	55.3	207.8	63.8	201.3

## Health & Life - In-force premium

\$ MILLIONS	PERIOD ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
Individual & Group Health <sup>1</sup>	149.3	146.3	145.0	140.4	139.8	137.9
Individual Life	69.1	66.8	64.5	60.9	59.1	54.8
Group Life	20.0	19.9	19.4	18.5	17.9	18.2
<b>Total in-force premium</b>	<b>238.4</b>	<b>233.0</b>	<b>228.9</b>	<b>219.8</b>	<b>216.8</b>	<b>210.9</b>

## Health & Life - Premium from new business

\$ MILLIONS	HALF YEAR ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
Individual & Group Health <sup>1</sup>	3.9	2.6	3.0	3.3	3.5	3.0
Individual Life	5.0	4.3	4.5	4.2	4.3	4.3
Group Life	0.4	0.8	0.9	0.5	1.2	0.5
<b>Total new business</b>	<b>9.3</b>	<b>7.7</b>	<b>8.4</b>	<b>8.0</b>	<b>9.0</b>	<b>7.8</b>

## Health & Life - Lapses

%	HALF YEAR ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
Individual & Group Health lapse <sup>1</sup>	11.1%	10.6%	11.6%	13.2%	10.8%	10.6%
Individual Life lapse	15.3%	12.1%	13.9%	10.9%	11.8%	11.1%

## Health & Life - Claims ratio

%	HALF YEAR ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
Individual & Group Health <sup>1</sup>	60.2%	56.2%	62.2%	58.9%	65.6%	55.0%
Individual Life	28.8%	28.2%	38.9%	36.2%	27.4%	33.1%
Group Life	54.6%	42.0%	50.1%	84.6%	45.3%	46.8%
<b>All claims</b>	<b>52.0%</b>	<b>48.6%</b>	<b>55.9%</b>	<b>54.3%</b>	<b>55.4%</b>	<b>49.6%</b>
<b>Total Life</b>	<b>33.5%</b>	<b>30.3%</b>	<b>40.7%</b>	<b>42.3%</b>	<b>32.3%</b>	<b>35.8%</b>

## Health & Life - Management and sales expenses

\$ MILLIONS	HALF YEAR ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
Management expenses	20.1	19.3	17.9	18.7	19.5	18.5
Commissions	19.9	18.8	21.4	19.3	20.5	18.7
<b>Total expenses</b>	<b>39.9</b>	<b>38.1</b>	<b>39.3</b>	<b>38.0</b>	<b>40.0</b>	<b>37.2</b>

<sup>1</sup> Classified as discontinued operations in the Group financials in accordance with accounting standards.

## General Insurance - Analysis of profit

\$ MILLIONS	HALF YEAR ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
Net premiums	103.9	93.9	78.1	89.2	92.5	90.8
- Gross earned premiums	125.0	113.9	106.2	102.1	104.8	101.5
- Reinsurance	(21.1)	(20.0)	(13.2)	(10.2)	(10.9)	(10.7)
- Catastrophe reinsurance reinstatement	0.0	0.0	(14.9)	(2.7)	(1.4)	
Claims	(46.4)	(44.9)	(41.8)	(44.6)	(48.3)	(46.0)
Claims catastrophe <sup>1</sup>	(14.7)	(5.5)	(9.1)	(5.0)	(5.0)	
Management and sales expenses	(40.1)	(38.8)	(35.0)	(35.9)	(32.3)	(33.6)
<b>Underwriting profit/(loss)</b>	<b>2.7</b>	<b>4.7</b>	<b>(7.8)</b>	<b>3.7</b>	<b>6.9</b>	<b>11.2</b>
Investment income on assets backing technical reserves	4.5	2.9	4.1	2.6	4.7	3.9
<b>Insurance profit</b>	<b>7.2</b>	<b>7.6</b>	<b>(3.7)</b>	<b>6.3</b>	<b>11.6</b>	<b>15.1</b>
Investment income on shareholders' funds	3.4	1.6	3.4	1.4	3.0	2.4
<b>Profit before tax</b>	<b>10.6</b>	<b>9.2</b>	<b>(0.3)</b>	<b>7.7</b>	<b>14.6</b>	<b>17.5</b>
Income tax expense	(2.8)	(3.8)	(1.8)	(3.1)	(4.6)	(5.6)
<b>Profit/(loss) after tax</b>	<b>7.8</b>	<b>5.4</b>	<b>(2.1)</b>	<b>4.6</b>	<b>10.0</b>	<b>11.9</b>

<sup>1</sup> Events >\$1m. Includes \$9.4m after tax provision in relation to the February 2011 event

## General Insurance - Gross written premiums (Rolling 12) and lapses

\$ MILLIONS	HALF YEAR ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
New Zealand	206.5	190.1	171.8	164.7	163.1	159.1
Pacific Islands	53.4	47.9	45.0	44.5	45.4	46.0
<b>Total gross written premiums</b>	<b>259.9</b>	<b>238.0</b>	<b>216.8</b>	<b>209.2</b>	<b>208.5</b>	<b>205.1</b>
Lapse rate	13.7%	13.3%	12.7%	13.5%	14.4%	15.5%

## General Insurance - Net premiums and claims

\$ MILLIONS	HALF YEAR ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
Net premiums	103.9	93.9	78.1	89.2	92.5	90.8
Claims	61.1	50.4	50.9	49.6	53.3	46.0
Claims ratio <sup>1</sup>	58.8%	53.7%	65.2%	55.6%	57.6%	50.7%

## General Insurance - Underwriting profits

\$ MILLIONS	HALF YEAR ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
<b>Underwriting profit/(loss)</b>	<b>2.7</b>	<b>4.7</b>	<b>(7.8)</b>	<b>3.7</b>	<b>6.9</b>	<b>11.2</b>
Combined ratio <sup>2</sup>	97.4%	95.0%	109.9%	96.0%	92.5%	87.7%

## General Insurance - Management and sales expenses

\$ MILLIONS	HALF YEAR ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
Management expenses	32.2	30.8	27.6	29.1	27.4	25.3
Commissions	7.9	8.0	7.4	6.8	4.9	8.3
<b>Total expenses</b>	<b>40.1</b>	<b>38.8</b>	<b>35.0</b>	<b>35.9</b>	<b>32.3</b>	<b>33.6</b>

<sup>1</sup> Includes catastrophe events

<sup>2</sup> Claims and costs to net premium ratio

## Investments - Analysis of profits

\$ MILLIONS	HALF YEAR ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
Total income	16.3	18.9	19.3	19.0	19.9	18.2
Management and sales expenses	(11.6)	(13.9)	(13.8)	(14.6)	(18.9)	(15.3)
<b>Profit before tax</b>	<b>4.7</b>	<b>5.0</b>	<b>5.5</b>	<b>4.4</b>	<b>1.0</b>	<b>2.9</b>
Income tax expense	(1.3)	(1.4)	(1.8)	(1.3)	(0.2)	(0.9)
<b>Profit after tax</b>	<b>3.4</b>	<b>3.6</b>	<b>3.7</b>	<b>3.1</b>	<b>0.8</b>	<b>2.0</b>

## Investments - Funds under management and advice<sup>1</sup>

\$ MILLIONS	HALF YEAR ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
Total funds under management and advice	4,225	4,116	3,969	3,977	3,907	3,749
Total income	16.3	18.9	19.3	19.0	19.9	18.2

## Investments - KiwiSaver

\$ MILLIONS	HALF YEAR ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
Funds under management	862.8	764.1	673.6	579.2	505.3	402.4
Number of members	105,363	103,010	99,105	93,231	87,675	82,143
Average funds per member	8,189	7,418	6,796	6,212	5,763	4,899

## Investments - Management and sales expenses

\$ MILLIONS	HALF YEAR ENDED					
	SEP-12	MAR-12	SEP-11	MAR-11	SEP-10	MAR-10
Management expenses	10.1	11.7	12.6	12.6	16.3	13.2
Other expenses	0.0	0.0	0.0	0.0	0.0	0.1
Sales expenses	1.5	2.2	1.2	2.0	2.6	2.0
<b>Total expenses</b>	<b>11.6</b>	<b>13.9</b>	<b>13.8</b>	<b>14.6</b>	<b>18.9</b>	<b>15.3</b>

<sup>1</sup> Total funds under management includes funds from Kiwisaver.

## 5 Group appraisal value

\$ MILLIONS	HEALTH <sup>1</sup>	LIFE	GENERAL INSURANCE	INVESTMENTS	HOLDINGS COMPANIES	GROUP SEP-12	GROUP MAR-12	GROUP SEP-11
Net worth	0.0	51.2				51.2	60.5	50.4
Value of In-force business	0.0	205.8				205.8	191.4	190.0
<b>Embedded value<sup>2</sup></b>	<b>0.0</b>	<b>257.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>257.0</b>	<b>251.9</b>	<b>240.5</b>
Value of 1 years new business	0.0	5.7				5.7	6.7	7.2
Value of Future new business	0.0	22.9				22.9	26.9	28.8
<b>Appraisal value (enterprise value)<sup>2</sup></b>	<b>0.0</b>	<b>279.9</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>279.9</b>	<b>278.8</b>	<b>269.3</b>
Fair value of net assets			242.2	25.2	28.4	295.8	244.9	241.9
<b>Appraisal value<sup>2</sup></b>	<b>0.0</b>	<b>279.9</b>	<b>242.2</b>	<b>25.2</b>	<b>28.4</b>	<b>575.7</b>	<b>523.7</b>	<b>511.2</b>
Health appraisal value Mar-12 and Sep-11 <sup>1</sup>							121.1	118.2
<b>Total appraisal value<sup>3</sup></b>							<b>644.8</b>	<b>629.4</b>

### Comments

- The life companies' embedded values (excluding Health) increased by a combined \$5.1m over the 6 months or 2%, whilst the appraisal values increased by \$1.1m.
- The value of TOWER Insurance and other companies increased by \$50.9m, a return of 20.8%.

<sup>1</sup> Classified as discontinued operations in the Group financials in accordance with accounting standards.

<sup>2</sup> Excludes Health

<sup>3</sup> Sep-12 excludes Health. Mar-12 and Sep-11 includes Health

# 6 Group Carrying Value / Appraisal Value



\$ MILLIONS	SEP-12		MAR-12		SEP-11		MAR-11	
	CARRYING VALUE OF NET ASSETS	APPRAISAL VALUE	CARRYING VALUE OF NET ASSETS	APPRAISAL VALUE	CARRYING VALUE OF NET ASSETS	APPRAISAL VALUE	CARRYING VALUE OF NET ASSETS	APPRAISAL VALUE
Health & Life								
TOWER Health & Life	179.7	242.5	166.3	225.5	151.4	212.8	135.4	205.6
TOWER Life (NZ)	26.9	37.4	27.1	53.3	28.9	56.5	26.0	65.2
	<b>206.6</b>	<b>279.9</b>	<b>193.4</b>	<b>278.8</b>	<b>180.4</b>	<b>269.3</b>	<b>161.4</b>	<b>270.8</b>
General Insurance								
TOWER Insurance	161.6	242.2	134.7	173.9	128.7	166.2	134.8	165.5
	<b>161.6</b>	<b>242.2</b>	<b>134.7</b>	<b>173.9</b>	<b>128.7</b>	<b>166.2</b>	<b>134.8</b>	<b>165.5</b>
Investment Business								
TOWER Asset Management	10.7	10.7	9.2	9.2	10.6	10.6	8.1	8.1
TOWER Managed Funds	14.5	14.5	12.7	12.7	14.1	14.1	12.8	12.8
	<b>25.2</b>	<b>25.2</b>	<b>21.9</b>	<b>21.9</b>	<b>24.7</b>	<b>24.7</b>	<b>20.9</b>	<b>20.9</b>
Other								
TOWER Group head office	110.4	110.4	130.7	130.7	132.3	132.3	143.4	143.4
External debt	(82.0)	(82.0)	(81.6)	(81.6)	(81.3)	(81.3)	(80.9)	(80.9)
<b>Total capital employed</b>	<b>421.8</b>	<b>575.7</b>	<b>399.1</b>	<b>523.7</b>	<b>384.8</b>	<b>511.2</b>	<b>379.6</b>	<b>519.7</b>
TOWER Medical <sup>1</sup>	77.0		77.5	121.1	70.7	118.2	67.6	117.4
<b>Total capital employed</b>	<b>498.8</b>		<b>476.6</b>	<b>644.8</b>	<b>455.5</b>	<b>629.4</b>	<b>447.2</b>	<b>637.1</b>

## Comments

- The appraisal value of total capital employed of TOWER Group is well in excess of the carrying value of its net assets.

<sup>1</sup> Classified as discontinued operations in the Group financials in accordance with accounting standards.

<sup>2</sup> Ratio is Life only at Sept 12

