

6 March 2013

Dear Shareholder

Annual Meeting of Shareholders and return of capital

On 21 March 2013, TOWER Limited (TOWER) will hold its Annual Shareholders' Meeting.

A notice of Annual Meeting is *enclosed*. In addition to other items of business on the Agenda, shareholders will be asked to consider a return of capital.

On 29 November 2012, TOWER's Board announced that it intended to recommend a return of capital to shareholders of approximately \$120 million via a scheme of arrangement undertaken in accordance with New Zealand law (**Arrangement**), subject to Court and shareholder approval. TOWER has obtained initial orders from the High Court of New Zealand which require, amongst other things, that TOWER hold a meeting of its shareholders to consider a special resolution to approve the return of capital.

The enclosed notice of Annual Meeting contains a detailed explanation of the return of capital proposed and I recommend that shareholders read it carefully.

Key aspects of the return of capital are as follows:

1 Why the return of capital?

Last year, following completion of a strategic review, TOWER announced that it was considering proposals for delivering value to shareholders. As a part of that review, TOWER sold TOWER Medical Insurance Limited for approximately \$103 million. Having weighed up various options, the Board considers that this \$103 million, together with the \$17 million surplus from the proceeds of TOWER's renounceable rights issue in 2009, should be returned to shareholders.

2 Why is the return of capital being carried out through the Arrangement?

After careful consideration, TOWER's Board decided a return of capital via a scheme of arrangement was the method that best met TOWER's objectives as well as being fair to all shareholders as it achieves a return of capital to shareholders on a pro rata basis. This means that, apart from minor adjustments caused by the rounding up or down of fractional shares, the return of capital does not alter each ordinary shareholder's proportion of TOWER's voting and distribution rights.

3 How will shareholders be affected by the Arrangement?

The Arrangement involves 3 in every 13 ordinary TOWER shares registered in the name of each TOWER ordinary shareholder on the relevant record date being cancelled. TOWER shall pay to each ordinary shareholder NZ\$1.92 for each cancelled share registered in the name of that shareholder, being the volume weighted average price for the five trading days prior to 29 November 2012, being the date on which the return of capital was announced by TOWER. Shareholders with an address on the register in Australia will be paid in Australian dollars at the conversion rate applicable on the record date.

4 What do shareholders need to do?

Before the return of capital can be made, a resolution approving the Arrangement must be passed by a majority of seventy five percent or more votes of those shareholders entitled to vote and voting on the resolution at the Annual Meeting. If shareholders do not approve the Arrangement, it will not proceed and TOWER's application to the High Court of New Zealand will be discontinued. The Board encourages all shareholders to attend the Annual Meeting or alternatively to vote by way of proxy.

5 If shareholders approve the Arrangement, when will the return of capital occur?

If approved, TOWER will seek a final order from the High Court approving the Arrangement. This is expected to be made by 26 March 2013. TOWER would then set the record date (the date when TOWER will close its share register to determine shareholders' entitlements to the return of capital). The cash payment to shareholders for cancellation of shares under the Arrangement would be made shortly after that date.

Shareholders are encouraged to send any questions that they have about the Arrangement to TOWER prior to the Annual Meeting. We have included a question form with the notice of Annual Meeting to assist with this.

If you are a holder of TOWER Capital Limited Bonds and have received this letter in that capacity (ie, you are not also a TOWER shareholder), you are not entitled to attend and vote at the Annual Meeting, and it is for your information only. The relevance of the return of capital to Bondholders is set out at clauses 29 to 32 of the notice of Annual Meeting.

TOWER's Board unanimously recommends that you vote in favour of all the resolutions proposed at the Annual Meeting, including the resolution to approve the return of capital. TOWER's Directors intend to vote their own shares in favour of the resolution to approve the return of capital.



Stephen J Smith
(Interim Chairman)



Notice of Annual Meeting TOWER Limited

Notice is hereby given that the Annual Meeting of Shareholders of TOWER Limited (TOWER or the Company) will be held in the Hobson Room, Rydges Auckland, 59 Federal Street, Cnr Kingston Street, Auckland, New Zealand on Thursday 21 March 2013 at 10.00am (New Zealand time).

Agenda

Item 1 – Chairman's review

Introduction and review by the Chairman in relation to the financial year ended 30 September 2012.
(See Explanatory Note re items 1 and 2)

Item 2 – Group Managing Director's review

Review by the Group Managing Director in relation to the financial year ended 30 September 2012.
(See Explanatory Note re items 1 and 2)

Item 3 – Appointment and remuneration of auditor

To record the reappointment of PricewaterhouseCoopers as auditor of the Company and to authorise by ordinary resolution the Directors to fix the auditor's remuneration for the coming year. (See Explanatory Note re item 3)

Item 4 – Re-election and election of Directors

John Spencer and Susannah Staley retire by rotation. John Spencer, being eligible, offers himself for re-election.

David Hancock, Stephen Smith, Michael Stiassny and Graham Stuart retire, having been appointed as directors by the Directors and, being eligible, offer themselves for election.

Accordingly, each by way of separate ordinary resolution:

- To re-elect John Spencer as a director;
- To elect David Hancock as a director;
- To elect Stephen Smith as a director;
- To elect Michael Stiassny as a director; and
- To elect Graham Stuart as a director.

(See Explanatory Note re item 4 for biographical details.)

Item 5 – Return of Capital

To consider and, if thought fit, pass the following special resolution:

That the arrangement relating to the return of capital to shareholders pursuant to which:

- (a) 3 ordinary shares in every 13 ordinary TOWER shares on issue on the relevant record date shall be cancelled; and
- (b) TOWER shall pay to each holder of ordinary TOWER shares \$1.92 for each ordinary share registered in the name of that shareholder which is cancelled, subject to the Arrangement being sanctioned by the High Court of New Zealand,

be approved. (See Explanatory Note re item 5)

Item 6 – General Business

To consider any other business that may be properly brought before the meeting.

Refreshments will be served following the meeting.



Bronwyn Walsh
Company Secretary
6 March 2013

PROXIES

A Proxy Form is included with this Notice of Annual Meeting. A shareholder entitled to vote at the meeting but who cannot attend may appoint a Proxy to attend the Annual Meeting and vote on his or her behalf. A Proxy need not be a TOWER shareholder.

To be valid, a completed Proxy Form (and any power of attorney under which it is signed) must be deposited with TOWER no later than 10:00am (New Zealand time) on Tuesday 19 March 2013.

A completed Proxy Form may be deposited by posting in New Zealand to TOWER's Share Registry, Computershare Investor Services Limited, Private Bag 92119, Auckland 1142, New Zealand, or in Australia to TOWER's Share Registry, Computershare Investor Services Pty Limited, GPO Box 3329, Melbourne, VIC 3001, Australia. A Proxy Form may also be deposited by faxing it to +64 9 488 8787.

If you appoint the Chairman or any Director as your proxy and either tick the 'Proxy Discretion' box or do not mark a box, you acknowledge that they may exercise your proxy even if they have an interest in the outcome of that resolution (subject to the NZSX Listing Rules). The Chairman and Directors intend to vote all discretionary proxies in favour of the resolutions in items 3 to 5.

ELIGIBILITY TO VOTE

Any shareholder whose name is recorded in the TOWER Share Register at the close of business on Friday 15 March 2013 is entitled to attend the Annual Meeting and vote either in person or by Proxy (subject to the time limits for returning Proxy Forms).

ORDINARY RESOLUTIONS OF SHAREHOLDERS

An ordinary resolution is a resolution approved by a majority of 50% or more of votes of those shareholders entitled to vote and voting on the resolution.

SPECIAL RESOLUTION OF SHAREHOLDERS

A special resolution is a resolution approved by a majority of 75% or more of votes of those shareholders entitled to vote and voting on the resolution.

RSVP AND QUESTIONS IN ADVANCE OF THE MEETING

Please fill out and return the RSVP form by using the enclosed pre paid envelope if you are planning to attend the Annual Meeting. To assist TOWER's Board to provide answers to questions from shareholders, TOWER is offering a facility for shareholders to submit questions in advance of the Annual Meeting. Questions should relate to matters that are relevant to the Annual Meeting, including the proposed return of capital, matters arising from the financial reports and any general questions regarding the performance of TOWER. Individual responses to questions will not be provided, but the Chair will, at the meeting, endeavour to address commonly raised questions. If you would like to ask a question, please use the enclosed form, and return it to TOWER following the instructions on the form, or email it to investor.relations@tower.co.nz

WEBCAST

An audio broadcast of the Annual Meeting will be carried live on the TOWER website: www.tower.co.nz. It will also be available on the TOWER website for replay on demand shortly after the meeting.

Explanatory Notes

These notes form part of the Notice of Annual Meeting.

Explanatory Note re items 1 and 2: Chairman's and Group Managing Director's reviews

The Chairman and Group Managing Director will each give a presentation in respect of the financial year ended 30 September 2012. Events occurring after 30 September 2012 will also be discussed.

Shareholders can access a copy of the annual report for the year ended 30 September 2012 on TOWER's website, www.tower.co.nz.

Highlights for the financial year ended 30 September 2012* include:

- \$55.8m net profit after tax, up 67% on 2011
- Annual dividend of 11 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

Trends since separation of the New Zealand business from Australia at the end of 2006 are set out below (for the year ended 30 September):

	2007	2008	2009	2010	2011	2012
NPAT	34.6m	40.5m	50.1m	58.1m	33.4m	55.8
Total Equity	261.9m	294.2m	404.4m	441.3m	455.5m	498.8
EPS	16.39	21.12	24.31	22.33	12.57	20.75
Dividend	6cps	8cps	9cps	10cps	6cps	11cps
NAB/S	\$1.38	\$1.53	\$1.59	\$1.69	\$1.72	\$1.85

* Information taken from TOWER's annual report for the financial year ended 30 September 2012

Explanatory Note re item 3: Appointment and remuneration of auditor

Section 200 of the Companies Act 1993 provides that a company's auditor is automatically re-appointed unless there is a resolution or other reason for the auditor not to be re-appointed. TOWER wishes PricewaterhouseCoopers to continue as the Company's auditor, and PricewaterhouseCoopers has indicated its willingness to do so.

Section 197(a) of the Companies Act 1993 provides that the fees and expenses of PricewaterhouseCoopers are to be fixed in such a manner as the Company determines at the Annual Meeting. TOWER's Board proposes that, consistent with past practice, the auditor's fees be fixed by the Directors.

Explanatory Note re item 4: Re-election and election of directors

NZSX Listing Rule 3.3.11 and ASX Listing Rule 14.4 require that at least one third of the Directors or, if their number is not a multiple of three, then the number nearest to one third, shall retire from office at the annual meeting each year, but shall be eligible for re-election at that meeting. The Directors to retire are those who have been longest in office since their last election.

Two Directors are required to retire at this meeting. John Spencer and Susannah Staley are the directors longest in office. John Spencer, being eligible, offers himself for re-election. Susannah Staley will not be offering herself for re-election.

NZSX Listing Rule 3.3.6 and ASX Listing Rule 14.4 also require that any person appointed as a director by the Directors to fill a casual vacancy must retire at the next annual meeting. Accordingly, David Hancock, Stephen Smith, Michael Stiasny and Graham Stuart retire and, being eligible, offer themselves for election.

Background details of Directors offering themselves for re-election, or election, at this Annual Meeting are set out below.

David Hancock BBus, GAICD NON-EXECUTIVE DIRECTOR

David has over 25 years of broad experience in financial services. This experience includes being a former Executive General Manager at the Commonwealth Bank of Australia, with a variety of roles including capital markets, fixed income and equities. He held several board positions at the bank including Commonwealth Securities (Comsec), as well as external professional board positions. Prior to that he served in roles at JPMorgan where he was a Managing Director with responsibilities in New Zealand, Australia and Asia across various operations. More recently, David was the Interim Chief Executive Officer at Firstfolio Limited, an Australian listed financial services company.

TOWER's Board has determined that Mr Hancock is an independent director of the Company.

David resides in New South Wales, Australia.

Stephen Smith BCom, CA, Dip Bus (Finance), AMInstD CHAIRMAN / NON-EXECUTIVE DIRECTOR

Steve is a professional director with over 30 years business experience, including 19 years in investment banking and financial advisory roles. His career has also included being a partner at a leading New Zealand accountancy firm. He has a Bachelor of Commerce and Diploma in Business from the University of Auckland and is a member of the New Zealand Institute of Chartered Accountants, and an accredited member of the Institute of Directors in New Zealand.

TOWER's Board has determined that Mr Smith is an independent director of the Company.

Steve resides in Auckland, New Zealand.

John Spencer CNZM BCom, FCA NON-EXECUTIVE DIRECTOR

John joined the Board in October 2003 and brings to the Board significant financial and commercial expertise gained over many years from senior management positions with a number of major companies in New Zealand and overseas. Prior to the formation of Fonterra, John was the Chief Executive Officer of New Zealand Dairy Group.

TOWER's Board has determined that Mr Spencer is an independent director of the Company.

John resides in Wellington, New Zealand.

Michael Stiassny LLB, BCom, CA, FInstD
NON-EXECUTIVE DIRECTOR

Michael is a chartered accountant and senior partner of KordaMentha, based in Auckland, which specialises in financial consulting work. He has both a Commerce and Law degree from the University of Auckland.

He is currently Chairman of Vector Limited, as well as a director of a number of public and private companies. Michael is a Fellow of Institute of Directors (FinstD) and Council Member of Institute of Directors in New Zealand Inc.

TOWER's Board has determined that Mr Stiassny is an independent director of the Company.

Michael resides in Auckland, New Zealand.

Graham Stuart BCom (Hons), MSc, CA
NON-EXECUTIVE DIRECTOR

Graham is currently the Chief Executive of the Sealord Group. With over 25 years management experience, he has held several diverse leadership roles with major corporates.

Graham has a Bachelor of Commerce (First Class Hons) from the University of Otago and a Master of Science from Massachusetts Institute of Technology and is a member of the New Zealand Institute of Chartered Accountants. Graham has served on the Food & Beverage Taskforce and is currently a member of the Maori Economic Development Panel.

TOWER's Board has determined that Mr Stuart is an independent director of the Company.

Graham resides in Auckland, New Zealand.

Explanatory Note re item 5 – Return of capital

Background to Arrangement

1. Following a capital raising of \$81.3 million through a renounceable rights issue in 2009, TOWER was well placed to expand its operations through acquisition. Despite a thorough and diligent process to analyse and pursue acquisition opportunities, no acquisitions have occurred, and the Board does not believe that any suitable opportunities exist at present or are likely in the short to medium term. The funds from the rights issue have been or are intended to be applied as follows:
 - a. \$44.3 million – general working capital.
 - b. \$20 million – recapitalisation of TOWER Insurance Limited.
 - c. \$17 million – surplus.
2. In September 2012, TOWER completed a strategic review and announced that it was considering proposals for delivering value to shareholders. As a part of that review, TOWER has sold TOWER Medical Insurance Limited for approximately \$103 million. The Board considers that this \$103 million, together with the \$17 million identified as surplus from the proceeds of the renounceable rights issue in 2009, should be returned to shareholders.
3. TOWER's Board has determined that this pro rata return of capital should be effected by way of a Court approved scheme of arrangement under Part 15 of the Companies Act 1993 (**Arrangement**).
4. The Arrangement is subject to the approval of shareholders by special resolution.

The amount of the return

5. In determining the amount of capital to be returned to shareholders, TOWER considered a number of factors, including:
 - a. any potential need for capital expenditure over the next 2–3 years;
 - b. TOWER's ability to comfortably meet all of its liabilities;
 - c. TOWER Group's credit ratings;
 - d. likely future revenues and liabilities; and
 - e. the solvency position of TOWER's subsidiaries.

Details of the Arrangement

6. Under the Arrangement:
 - a. 3 shares in every 13 ordinary TOWER shares (**Shares**) registered in the name of each TOWER ordinary shareholder on the relevant record date will be cancelled. Where the number of Shares held by an ordinary shareholder is not divisible by 13 then fractions of a Share will be rounded up or down to the nearest whole Share; and
 - b. TOWER shall pay to each ordinary shareholder \$1.92 for each cancelled Share registered in the name of that shareholder, being the volume weighted average price for the five trading days prior to 29 November 2012, being the date on which the return of capital was announced by TOWER.
 - c. The capital to be returned to ordinary shareholders under the Arrangement will be approximately \$120 million.

Reasons for choosing the Arrangement as the best option

7. In determining the preferred form of capital return, TOWER sought advice from its external legal advisers, its auditors, and tax advisers. All options were considered, including the payment of a dividend, both on-market and off-market share buy-back transactions, and the proposed Arrangement. After careful consideration by TOWER's Board, the preferred method adopted was the Arrangement.
8. In reviewing the options for the return of capital, TOWER's objectives included:
 - a. certainty that the return of capital would proceed (with a low level of execution risk);
 - b. ensuring that the payment made to shareholders is appropriately treated as a return of capital for New Zealand tax purposes (see further information below under the heading 'Tax');
 - c. that the return of capital should be made in a timely manner, so that TOWER shareholders receive cash in the near term, rather than leaving that cash with TOWER (as the return generated by the cash held on deposit is below the rate of return required by TOWER from its investments); and
 - d. that the method adopted should ensure that all ordinary shareholders are treated on the same basis and that the return of capital does not alter each ordinary shareholder's proportion of TOWER's voting and distribution rights.
9. TOWER considers that the proposed Arrangement is fair to all shareholders as it achieves a return of capital to shareholders on a pro rata basis, meaning that, apart from minor adjustments caused by the rounding up or down of fractional Shares on cancellation of Shares under the Arrangement, the return of capital does not alter each ordinary shareholder's proportion of TOWER's voting and distribution rights. Similar arrangements have been effected by (amongst others) Auckland International Airport Limited and NZX Limited.

Process for carrying out the Arrangement

10. TOWER has obtained initial orders from the High Court of New Zealand in relation to the Arrangement. One of the orders of the High Court requires TOWER to put the Arrangement to shareholders for approval by special resolution (which is a resolution approved by a majority of seventy five percent (75%) or more of votes of those shareholders entitled to vote and voting on the resolution at the meeting). If the resolution is passed, TOWER will seek a final order from the High Court approving the return of capital.
11. If the Arrangement is approved by shareholders, the final order from the High Court approving the Arrangement is expected to be made by 26 March 2013. TOWER would then set the record date (the date when TOWER will close its share register to determine shareholders' entitlements to the return of capital). The cash payment to shareholders for cancellation of Shares under the Arrangement would be made shortly after that date. Shareholders with an address on the register in Australia will be paid in Australian dollars at the conversion rate applicable on the record date.

An indicative timeline to implement the Arrangement (depending upon shareholder and Court approvals) is:

Date	Action
1 February 2013	Payment of dividend
21 March 2013	Annual shareholders' meeting TOWER announces results of shareholders' meeting
26 March 2013*	High Court approves the Arrangement Announcement to market of Court approval.
26 March 2013	TOWER informs ASX of its intention to lodge final High Court Order approving the Arrangement with the New Zealand Companies Office
27 March 2013	Final High Court Order approving the Arrangement lodged with New Zealand Companies Office
28 March 2013	Trading in ordinary shares on an 'ex-return of capital' basis on ASX
3 April 2013	Trading in ordinary shares on an 'ex-return of capital' basis on NZX
5pm (NZT), 5 April 2013	Record Date for capital return
8 April 2013	Trading resumes on NZX on a normal settlement basis
12 April 2013	New shareholder notices sent to shareholders
12 April 2013	Payment date for return of capital
15 April 2013	Trading resumes on ASX on a normal settlement basis

* The dates above are indicative only, as final Court orders may not have been made by 26 March 2013.

12. If shareholders do not approve the Arrangement, it will not proceed and TOWER's application to the High Court of New Zealand will be discontinued. TOWER's Board's decision to return capital is also conditional, in that it has reserved the right not to proceed with a return of capital if TOWER's circumstances materially change between now and the Annual Meeting. Circumstances which could lead to the Board deciding not to proceed with a return of capital may include a material financial market disruption, or a material insurance event that affects TOWER.
13. Payment to shareholders will be made by cheque or, in the case of those shareholders who have previously provided bank account details to TOWER, by direct credit. Cheques will be posted, or direct credits made, within 15 business days after the Record Date. At the same time, each shareholder will be issued with a new shareholding statement showing the number of shares held following the cancellation of shares under the Arrangement.

Tax

14. Shareholders should obtain independent advice about the effect of the Arrangement on their individual tax positions. The following are a summary of taxation issues that may be applicable to shareholders. It may not be an exhaustive list.

New Zealand

15. TOWER has received notification from the Commissioner of Inland Revenue that she is satisfied that the Arrangement does not constitute a dividend for New Zealand tax purposes.

16. No withholding tax will be deducted from the payment and New Zealand resident shareholders who hold Shares on capital account will not be subject to New Zealand tax on the amount received under the Arrangement. New Zealand resident shareholders who hold their Shares on revenue account will be taxed on the amount received, with a deduction for the cost of the Shares cancelled.

Australia

17. A class ruling is being sought from the Australian Tax Office by TOWER's Australian tax advisors. This ruling will tell TOWER's Australian resident shareholders:

- a. what amount each such shareholder should treat as having been received for each cancelled Share for Australian tax purposes; and
- b. whether any portion of the amount so calculated should be treated for Australian tax purposes as a dividend, and if so, how much.

18. TOWER will announce the details of the notification and/or ruling if they are received before the Annual Meeting.

Financial impact of return of capital

19. The following pro-forma balance sheets show the financial position of TOWER and of TOWER and its subsidiaries (**TOWER Group**) both before (as at 30 September 2012) and after the proposed Arrangement. Please note that the column titled 'Adjusted to show effect of return of capital' is after payment of both the final 2012 dividend of \$16 million (being 6cps paid on 1 February 2013) and the return of capital of approximately \$120 million:

TOWER Limited – As at 30 September 2012	Actual (\$000)	Adjusted to show effect of return of capital (\$000)
TOTAL ASSETS	\$311,688	\$278,542
Including:		
Cash & cash equivalents	\$72,928	\$39,782
Other current assets	\$3,523	\$3,523
Non-current assets	\$235,237	\$235,237
Financed by:		
TOTAL LIABILITIES	\$190,154	\$114,700
Including:		
Current liabilities	\$1,554	\$1,554
Non-current liabilities	\$188,600	\$113,146
NET ASSETS	\$121,534	\$163,842
TOWER Group – As at 30 September 2012	Actual (\$000)	Adjusted to show effect of return of capital (\$000)
TOTAL ASSETS	\$1,965,594	\$1,830,722
Including:		
Cash & Cash Equivalents	\$186,477	\$50,332
Other current assets	\$1,683,176	\$1,684,449
Non-current assets	\$95,941	\$95,941
Financed by:		
TOTAL LIABILITIES	\$1,466,805	\$1,468,079
Including:		
Current liabilities	\$570,162	\$571,669
Non-current liabilities	\$896,643	\$896,410
NET ASSETS	\$498,789	\$362,643

Notes: The proforma adjusted amounts (showing the effect of the return of capital) are unaudited and subject to change.

- 20.** Under the Insurance (Prudential Supervision) Act 2010 (**IPSA**), insurers are required to have an approved financial strength rating. The TOWER Group currently holds the following ratings from A.M. Best Company:

TOWER Limited	Issuer credit rating bbb- (Good) effective 27 July 2012
TOWER Health & Life Limited	Financial strength rating A- (Excellent) effective 27 July 2012
TOWER Insurance Limited	Financial strength rating A- (Excellent) effective 27 July 2012
TOWER Life (NZ) Limited	Financial strength rating A- (Excellent) effective 27 July 2012

- 21.** Following announcement of the proposed return of capital to shareholders, A.M. Best Company has advised that its issuer credit rating for TOWER Limited of bbb- will not be affected by implementation of the Arrangement. A.M. Best Company has also advised that its financial strength ratings of A- for TOWER Health & Life Limited, TOWER Insurance Limited and TOWER Life (NZ) Limited will not be affected by implementation of the Arrangement.
- 22.** Each of TOWER Group’s insurers is separately licensed and regulated under IPSA independently of TOWER. TOWER considers that the solvency requirements under IPSA of all TOWER Group insurers will not be adversely affected by the Arrangement. Cash moving from TOWER Health & Life Limited to TOWER, and then from TOWER to shareholders through the return of capital should not impact on TOWER Group’s insurers. To provide assurance, TOWER Group’s appointed actuary has prepared a report on the solvency and capital position of each of TOWER Group’s insurers, including any foreseeable need they may have for additional capital.
- 23.** That report confirms that the Arrangement does not adversely impact on TOWER Group’s insurers.

Effect on shareholders

- 24.** The Arrangement involves TOWER’s shareholders having cancelled 3 in every 13 Shares on issue, and receiving a cash sum of \$1.92 for each Share cancelled, being the volume weighted average price for the five trading days prior to 29 November 2012, being the date on which the return of capital was announced by TOWER. Shareholders with an address on the register in Australia will be paid in Australian dollars at the conversion rate applicable on the record date. Fractions of a Share will be rounded up or down to the nearest whole number (with half a Share being rounded up).
- 25.** An example of the effect for a shareholder holding 1,000 Shares is set out below:

	Before cancellation of Shares and capital return	After cancellation of Shares and capital return
Shares held	1,000	769
Share value	\$1,920	\$1,476
Plus cash received		\$444

- 26.** Shareholders should be in the same financial position before and after the return of capital. The financial position of a shareholder before the cancellation of Shares and return of capital will be the value of the Shares, while, the financial position of a shareholder after the cancellation of the Shares and return of capital will be the sum of their remaining Shares plus the cash received from the return of capital.
- 27.** Following the cancellation, each shareholder will, apart from minor adjustments caused by the rounding up or down of fractional Shares on cancellation, hold the same proportion of TOWER’s voting and distribution rights as they held before the cancellation of Shares under the Arrangement .

Directors' holdings

28. TOWER's Directors and associated persons of Directors who beneficially own Shares in TOWER will participate in the return of capital in the same way as all other shareholders. The number of Shares in which Directors and/or their associated persons have relevant interests as at 28 February 2013, and the dollar amounts they will receive (if their holdings do not change before the record date), are shown below

Name	Nature of holding	Number of Shares held	Approximate NZ\$ received through return of capital
Mike Allen	Associated Person*	90,499,166	\$40,098,090
Rob Flannagan	Beneficial	802	\$355
Mike Jefferies	Beneficial	3,599	\$1,595
Mike Jefferies	Associated Person*	90,499,166	\$40,098,090
Steve Smith	Beneficial	15,000	\$6,646
John Spencer	Beneficial	22,421	\$9,934
Susie Staley	Beneficial	8,925	\$3,954
Graham Stuart	Beneficial	10,000	\$4,431
Michael Stiasny	Beneficial	3,795	\$1,681

*Guinness Peat Group plc (GPG), through its nominee Ithaca (Custodians) Limited, holds 90, 499,166 Shares. Mike Jefferies and Mike Allen are associated persons of GPG as a result of their appointment to the Board by GPG.

TOWER Capital Bondholders

29. TOWER is a guarantor in respect of the obligations of TOWER Capital Limited which issued \$81.7 million of Fixed Rate Senior Bonds in 2009.
30. The Bonds are issued under a trust deed, and The New Zealand Guardian Trust Company Limited is the independent Trustee. The maturity date of the Bonds is 15 April 2014, unless TOWER Capital Limited elects to repay them earlier. TOWER has covenanted that, while any Bonds remain outstanding, the following apply:
- net assets of the TOWER Group shall not be less than \$200 million;
 - net debt of the TOWER Group shall not exceed 40% of net assets of the TOWER Group; and
 - secured debt of the TOWER Group shall not exceed 10% of net assets of the TOWER Group.
31. The repayment of capital proposed under the Arrangement will not cause any of these financial covenants to be breached and will not cause any event of default under the trust deed.
32. TOWER has kept, and will continue to keep, the Trustee for bondholders informed as the proposed Arrangement is progressed and, if approved, implemented. This notice of Annual Meeting has also been sent to bondholders to keep those parties informed about the Arrangement.

TOWER Senior Executive Option Scheme

33. It is not expected that the Arrangement will materially affect the terms of issue of options under the TOWER Senior Executive Option Scheme. In the event that there was a material change to the price at which Shares trade as a result of the Arrangement, TOWER's Board has a discretion to direct that adjustments are made to the terms of issue of the options.

Further information

34. Shareholders who have any questions about the effect of the Arrangement on their investment should consult their usual financial advisers.
35. Copies of the Court documents filed in relation to the Arrangement are available on the website: www.tower.co.nz. Printed copies of the Court documents are also available to shareholders on request to TOWER by emailing investor.relations@tower.co.nz.
36. TOWER is required to apply for final Court approval of the Arrangement by 10am on Monday 25 March 2013. TOWER's application for final orders will be heard by the Court on Tuesday, 26 March 2013. Any shareholder who opposes the application for final orders approving the Arrangement has the right to participate in the Court proceeding by filing a notice and any affidavits in opposition in the Wellington Registry of the High Court of New Zealand and serving that notice on TOWER's solicitors, DLA Phillips Fox (marked to the attention of C M Stevens and A L Holloway), at the address for service set out in the originating application (included among the Court documents). No timeframe for doing so has been set by the Court, but in practice shareholders would need to do so before 10am on Monday 25 March.

Approval of Notice of Annual Meeting

NZX Limited has reviewed and approved this Notice of Annual Meeting under NZSX Listing Rule 6.1.1. NZX takes no responsibility for any statement in this Notice of Annual Meeting.

Board Recommendation

TOWER's Board unanimously recommends that shareholders vote in favour of the Arrangement.

Directions to Rydges Auckland and parking details



Car parking

Parking is available in the SkyCity car park located directly opposite the hotel (Access from Federal Street). The cost of parking here is normally \$22 per exit however all attendees are eligible for complimentary parking. Please collect your exit ticket from the Rydges reception desk before you leave.

Registrar

Computershare Investor Services Limited
Freephone within New Zealand: 0800 222 065
Telephone New Zealand: +64 9 488 8777
Freephone within Australia: 1800 501 366
Telephone Australia: +61 3 9415 5000
Email: enquiry@computershare.co.nz
Website: www.investorcentre.com/nz

**TOWER Limited & TOWER Capital Limited
Investor Relations**

Telephone: +64 9 369 2000
Facsimile: +64 9 369 2160
Email: investor.relations@tower.co.nz
Website: www.tower.co.nz



Lodge your vote



By Mail

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142
New Zealand

or Computershare Investor Services Pty Limited
GPO Box 3329
Melbourne VIC 3001
Australia



By Fax

+64 9 488 8787

or +61 3 9473 2500

For all enquiries contact



+64 9 488 8777

or 1800 501 366



enquiry@computershare.co.nz

For your vote to be effective it must be received by 10:00 am Tuesday 19 March 2013

Proxy/Voting Form

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting of your holding

Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose. If you mark more than one box on an item your vote will be invalid on that item.

Appointing the Chairman or a Director as your proxy

If you appoint the Chairman or any Director as your proxy and either tick the 'Proxy Discretion' box or do not mark a box, you acknowledge that they may exercise your proxy even if they have an interest in the outcome of that resolution (subject to the NZSX Listing Rules). The Chairman and Directors intend to vote all discretionary proxies in favour of the resolutions in items 3 to 5.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission.

Signing Instructions for Postal Forms

Individual

Where the holding is in one name, the securityholder must sign.

Joint Holding

Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney

If this Proxy Form has been signed under a power of attorney, a copy of the power of attorney (unless already deposited with the Company) and a signed certificate of non-revocation of the power of attorney must be produced to the Company with this Proxy Form.

Companies

This form must be signed by a Director jointly with either another Director or a Company Secretary, or a Sole Director can also sign alone. Please sign in the appropriate place and indicate the office held.

Comments & Questions

If you have any comments or questions for the Company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form to vote

Proxy/Corporate Representative Form

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of TOWER Limited

hereby appoint _____ of _____

or failing him/her _____ of _____

as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, the proxy will vote as he/she sees fit) at the **Annual Meeting of TOWER Limited to be held in the Hobson Room, Rydges Auckland, 59 Federal Street, Cnr Kingston Street, Auckland, New Zealand on Thursday 21 March 2013 at 10.00am** and at any adjournment of that meeting. If you wish, you may appoint as your proxy 'The Chairman of the Meeting'.

STEP 2 Items of Business - Voting Instructions/Ballot Paper (if a Poll is called)

Please note: If you mark **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

Resolutions	For	Against	Proxy Discretion	Abstain
Item 3 Appointment and remuneration of the auditor To record the reappointment of PricewaterhouseCoopers as auditor of the company and to authorise by ordinary resolution the Directors to fix the auditor's remuneration for the coming year. (See Explanatory Note re item 3)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 4 Re-election and election of Directors (by separate resolutions): <ul style="list-style-type: none"> ■ To re-elect John Spencer as a director ■ To elect David Hancock as a director ■ To elect Stephen Smith as a director ■ To elect Michael Stiassny as a director ■ To elect Graham Stuart as a director 	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Item 5 To approve the arrangement relating to the return of capital to shareholders as set out in the Notice of Annual Meeting	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SIGN Signature of Securityholder(s) This section must be completed.

Securityholder 1 <input style="width: 90%; height: 20px;" type="text"/>	Securityholder 2 <input style="width: 90%; height: 20px;" type="text"/>	Securityholder 3 <input style="width: 90%; height: 20px;" type="text"/>
or Sole Director and Sole Company Secretary	or Director	or Director/Company Secretary

Contact Name _____ Contact Daytime Telephone _____ Date _____

ATTENDANCE SLIP



Annual Meeting of TOWER Limited to be held in the Hobson Room, Rydges Auckland, 59 Federal Street, Cnr Kingston Street, Auckland, New Zealand on Thursday 21 March 2013 at 10.00am

