



27 May 2014

Market Information
NZX Limited
Level 2, NZX Centre
11 Cable Street
PO Box 2959
Wellington
NEW ZEALAND

TOWER Limited Half Year results to 31 March 2014

Attached are the following documents in relation to TOWER Limited's preliminary announcement for the six months ended 31 March 2014:

1. Media release
2. NZX Appendix 1
3. ASX Appendix 4D
4. NZX Appendix 7
5. Director Declaration
6. Financial Statements (including Independent Accountants' Report)

This information should be read in conjunction with TOWER Limited's 2013 Annual Report.

TOWER's Chairman, Michael Stiasny, Chief Executive Officer, David Hancock, and Chief Financial Officer, Michael Boggs, will discuss the half year results at 10:00am New Zealand time today.

This announcement will also be released to the ASX. Supplementary documentation related to this results announcement will follow.

Michael Boggs
Chief Financial Officer
TOWER Limited
ARBN 088 481 234 Incorporated in New Zealand

For further information, please contact:
Tracey Palmer
Head of Corporate Communications
Mobile: +64 21 837 860
Email: tracey.palmer@tower.co.nz



27 May 2014

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

Company Announcements Office
Australian Stock Exchange Limited
Exchange Centre
Level 6, 20 Bridge Street
Sydney NSW 2000
Australia

TOWER posts solid half-year result of \$13.1 million

TOWER has today reported a net profit after tax (NPAT) of \$13.1 million for the six months ended 31 March 2014.

This compares to NPAT of \$44.2 million in the previous corresponding period, which included significant abnormal profit and earnings from businesses that have been divested.

TOWER Chairman Michael Stiasny said the result was solid and an indication of the underlying strength of the general insurance business, which had been impacted during the period by a number of severe weather events.

“TOWER has made good progress against its key metrics and strategic priorities, and is well advanced in the execution of its core strategy to deliver growth and sustainable shareholder returns,” he said.

TOWER Chief Executive Officer David Hancock said over the past six months the organisation had been deeply engaged in executing its refreshed general insurance strategy to provide both an improved experience for customers and continued strong returns for shareholders.

“We’re an old company with a lot of new ideas about how to better deliver to our customers, and we’re encouraged by the number of green shoots that are already visible. Customer retention, brand recognition and net promoter score have all improved over the first six months of the year,” he said.

“Significant work has also been undertaken to take advantage of technology shifts to improve our direct business, launch new products and services such as our innovative SmartDriver app and provide better value to our customers.”

Gross written premium increased 5% on the previous corresponding period, supported by premium growth to reflect earlier rises in reinsurance costs. Net earned premium increased 7.7% to \$115.6 million.

Mr Hancock said TOWER’s result for the first six months of the year was particularly pleasing given the abnormal weather patterns that continued to impact the local insurance industry.

Large claim events in New Zealand and the Pacific cost \$4.8 million before tax compared to \$3.3 million in the previous corresponding period. Significant New Zealand events in the first half of the year included floods in the South Island and the impact of Cyclone Lusi.

In the Pacific, despite a cyclone in Tonga and suspected arson activity in the Cook Islands, normalised NPAT recovered to \$2.7 million in 1H14.

Mr Hancock said management would continue to focus on the reduction of cost within the business.

Life insurance business TOWER Life (N.Z.) Limited reported NPAT of \$3.7 million, well above the full year plan of \$2.8 million due to one-off earnings improvement. The business has a closed book in run-



off with no new business being written. TOWER continues to receive approaches about its Life business and will continue to evaluate these.

Mr Hancock said TOWER continued to work hard to deliver value to shareholders.

In January, TOWER returned \$52.6 million to shareholders through a voluntary share buy back, taking total capital returned to shareholders in the last 13 months to \$171.8 million. In April, TOWER repaid \$81.8 million in bonds to become debt free.

TOWER has responded to shareholder requests for a cost-effective solution to dispose of small parcels of shares in the company and has announced a share cancellation programme offering shareholders with fewer than 200 shares the opportunity to have TOWER cancel them free of any brokerage charges.

Mr Hancock said TOWER remained a very well capitalised business and was carrying \$43 million in capital above solvency requirements at the business level and an additional \$35 million at the corporate level.

The regulatory environment is expected to allow the release of this capital for growth or shareholder returns in the medium-term.

Over the next 6-12 months Mr Hancock said TOWER's focus would be to:

- Drive growth and efficiency through staff engagement;
- Unlock significant brand potential through customer service;
- Maintain a leading position in attractive Pacific markets;
- Deliver financial performance;
- Efficiently manage risk and capital for better returns; and
- Capitalise on the opportunities presented by industry consolidation.

Mr Stiasny said TOWER remained an attractive yield stock with a dividend ratio at 90%-100% of NPAT. The Board had determined that a half year dividend of 6.5 cents per share (unimputed) appropriately reflected the company's performance and would be paid for the six months ended 31 March 2014.

ENDS

David Hancock
Chief Executive Officer
TOWER Limited
ARBN 088 481 234 Incorporated in New Zealand

For further information, please contact:
Tracey Palmer
Head of Corporate Communications
Mobile: +64 21 837 860
Email: tracey.palmer@tower.co.nz

HALF YEAR PRELIMINARY ANNOUNCEMENTS AND HALF YEAR RESULTS

RESULTS FOR ANNOUNCEMENT TO THE MARKET

TOWER LIMITED	
Reporting Period	6 months to 31 March 2014
Previous Reporting Period	6 months to 31 March 2013

	Amounts (000s)	Percentage change
Revenue from ordinary activities	NZ\$ 148,391	5.6% increase
Profit from ordinary activities after tax attributable to shareholders	NZ\$ 10,025	206.3% increase
Net profit attributable to shareholders	NZ\$ 13,138	70.3% decrease

Interim Dividend	Amount per security	Imputed amount per security
	NZ 6.5 cents	Nil
Record Date	Friday, 13 June 2014	
Dividend Payment Date	Monday, 30 June 2014	

Comments	<p>For the half year to 31 March 2014, TOWER Limited's profit from ordinary activities after tax was \$10.0 million. This is up 206% from the prior comparable period, when a loss of \$9.4 million was recorded (due in part to increased earthquake provisioning in early 2013). Net profit after tax for the six month period to 31 March 2014 was \$13.1 million (including minority interests of \$0.2 million). This is down 70% from 2013, which included over \$51.3 million of profits from the sale of subsidiaries.</p>
----------	--

Additional Information	TOWER's dividend reinvestment plan will not apply for the interim dividend.
------------------------	---

Refer attached 31 March 2014 unaudited Financial Statements for TOWER Limited and its subsidiaries and Presentation for more detailed analysis and explanation.

TOWER LIMITED PRELIMINARY INTERIM REPORT

Current Reporting Period 6 months ended 31 March 2014

Previous Reporting Period 6 months ended 31 March 2013
--

RESULTS FOR ANNOUNCEMENT TO THE MARKET

	Half year 31 March 2014 000's	Movement
Total revenue from ordinary activities	NZ\$ 148,391	5.6%
Profit from ordinary activities after tax attributed to shareholders	NZ\$ 10,025	206.3%
Net profit attributed to shareholders	NZ\$ 13,138	(70.3%)

INTERIM DIVIDEND

An interim dividend of NZ 6.5 cents per share has been declared. The Record Date is 13 June 2014. The dividend will have no imputation credits attached and will be paid net of withholding tax (where applicable) on 30 June 2014. No franking credits apply. Participation in TOWER's dividend reinvestment plan will not apply for the interim dividend.

ADDITIONAL COMMENTS

For the half year to 31 March 2014, TOWER Limited's profit from ordinary activities after tax was \$10.0 million. This is up 206% from the prior comparable period, when a loss of \$9.4 million was recorded (due in part to increased earthquake provisioning in early 2013). Net profit after tax for the six month period to 31 March 2014 was \$13.1 million (including minority interests of \$0.2 million). This is down 70% from 2013, which included over \$51.3 million of profits from the sale of subsidiaries.

Refer attached 31 March 2014 unaudited Financial Statements for TOWER Limited and its subsidiaries and Presentation for more detailed analysis and explanation.

EMAIL: announce@nzx.com

Notice of event affecting securities

NZSX Listing Rule 7.12.2. For rights, NZSX Listing Rules 7.10.9 and 7.10.10. For change to allotment, NZSX Listing Rule 7.12.1, a separate advice is required.

Number of pages including this one (Please provide any other relevant details on additional pages)

Full name of issuer **TOWER Limited**

Name of officer authorised to make this notice **Michael Boggs** Authority for event, e.g. Directors' resolution **Directors' resolution**

Contact phone number **09 369 2172** Contact fax number **09 369 2160** Date **26 / 5 / 2014**

Nature of event Tick as appropriate
 Bonus Issue If ticked, state whether: Taxable / Non Taxable Conversion Interest Rights Issue Renounceable
 Rights Issue non-renounceable Capital change Call Dividend If ticked, state whether: Interim Full Year Special DRP Applies

EXISTING securities affected by this *If more than one security is affected by the event, use a separate form.*

Description of the class of securities **Ordinary shares** ISIN **NZTWRE0011S2**
If unknown, contact NZX

Details of securities issued pursuant to this event *If more than one class of security is to be issued, use a separate form for each class.*

Description of the class of securities ISIN
If unknown, contact NZX

Number of Securities to be issued following event Minimum Entitlement Ratio, e.g. 1 for 2 for

Conversion, Maturity, Call Payable or Exercise Date Treatment of Fractions

Strike price per security for any issue in lieu or date Strike Price available. Tick if *pari passu* OR provide an explanation of the ranking

Monies Associated with Event *Dividend payable, Call payable, Exercise price, Conversion price, Redemption price, Application money.*

<i>In dollars and cents</i>		Source of Payment	Retained profits
Amount per security (does not include any excluded income)	\$0.065		
Excluded income per security (only applicable to listed PIEs)	\$0.000		
Currency	NZD	Supplementary dividend details - NZSX Listing Rule 7.12.7	Amount per security in dollars and cents \$0.000000
Total monies	\$11,579,433.00		Date Payable n/a

Taxation *Amount per Security in Dollars and cents to six decimal places*

In the case of a taxable bonus issue state strike price	\$ <input type="text"/>	Resident Withholding Tax	\$0.021450	Imputation Credits (Give details)	\$0.000000
		Foreign Withholding Tax	\$ <input type="text"/>	FDP Credits (Give details)	n/a

Timing (Refer Appendix 8 in the NZSX Listing Rules)

Record Date 5pm For calculation of entitlements - **13 June, 2014**

Application Date Also, Call Payable, Dividend / Interest Payable, Exercise Date, Conversion Date. In the case of applications this must be the last business day of the week. **30 June, 2014**

Notice Date Entitlement letters, call notices, conversion notices mailed

Allotment Date For the issue of new securities. Must be within 5 business days of application closing date.

OFFICE USE ONLY

Ex Date:
 Commence Quoting Rights:
 Cease Quoting Rights 5pm:
 Commence Quoting New Securities:
 Cease Quoting Old Security 5pm:

Security Code:
 Security Code:





TOWER Limited
("the Company")

Directors' Declaration in respect of TOWER Limited Financial Statements
for the half-year ended 31 March 2014

27 May 2014

TOWER provides the following a directors' declaration in respect of the financial statements for the Company for the half year ended 31 March 2014 (which is equivalent to that which would be prepared by an Australian incorporated company under the Australian *Corporations Act 2001* (Cth)).

Declaration

The Directors of the Company hereby declare that in the Directors' opinion:

- there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable; and
- the TOWER financial statements for the half year ended 31 March 2014 and the notes to those financial statements:
 - comply with the accounting standards issued by the New Zealand External Reporting Board and applicable to the Company as a New Zealand incorporated company; and
 - give a true and fair view of the financial position and performance of the Company.

This declaration is made in accordance with a resolution of the Directors dated 26 May 2014 and is signed for and on behalf of the Board of Directors by a Director of the Company.

Signed

A handwritten signature in black ink, appearing to read "Michael Stiassny".

Michael Stiassny
Director



TOWER LIMITED

INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED

31 MARCH 2014

**TOWER LIMITED
INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2014**

Table of Contents

CONSOLIDATED INCOME STATEMENT	3
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	4
CONSOLIDATED BALANCE SHEET	5
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6
CONSOLIDATED STATEMENT OF CASH FLOWS	7
NOTES TO THE INTERIM FINANCIAL STATEMENTS	8
1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES	8
2. IMPACT OF AMENDMENTS TO NZ IFRS	9
3. PREMIUM REVENUE	9
4. INVESTMENT REVENUE	9
5. PROVISIONS	10
6. SEGMENTAL REPORTING	11
7. INTEREST BEARING LIABILITIES	12
8. NET ASSETS PER SHARE	12
9. FAIR VALUES OF ASSETS AND LIABILITIES	12
10. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS	15
11. DISTRIBUTIONS TO SHAREHOLDERS	15
12. SOLVENCY REQUIREMENTS	16
13. IMPACT OF CHRISTCHURCH EARTHQUAKES	16
14. SUBSEQUENT EVENTS	16
15. DISCONTINUED OPERATIONS/DISPOSAL GROUPS HELD FOR SALE	17

**TOWER LIMITED
CONSOLIDATED INCOME STATEMENT
FOR THE HALF YEAR ENDED 31 MARCH 2014**

	Note	Half year ended	
		31 March 2014	31 March 2013
		Unaudited \$000	Unaudited \$000
Revenue			
Premium revenue from insurance contracts	3	139,153	130,809
Less : Outwards reinsurance expense	3	(23,533)	(23,543)
Net premium revenue		115,620	107,266
Investment revenue	4	7,939	8,673
Fee and other revenue		1,299	998
Net operating revenue		124,858	116,937
Expenses			
Claims expense		98,209	133,057
Less : Reinsurance recoveries revenue		(29,135)	(48,496)
Net claims expense		69,074	84,561
Management and sales expenses		36,608	35,942
Net claims and operating expenses		105,682	120,503
Financing costs		3,894	3,974
Total expenses		109,576	124,477
Profit/(loss) attributed to shareholders before taxation		15,282	(7,540)
Tax expense attributed to shareholders' profits		(5,257)	(1,891)
Profit/(loss) for the half year from continuing operations		10,025	(9,431)
Profit for the half year from discontinued operations	15	2,519	2,279
Profit from disposal of subsidiaries	15	594	51,352
Profit for the half year		13,138	44,200
Profit/(loss) attributed to:			
Shareholders		12,930	44,213
Minority interests		208	(13)
		13,138	44,200
Basic and diluted earnings per share for continuing operations (cents)		4.96	(3.50)
Basic and diluted earnings per share for discontinued operations (cents)		1.57	19.93

The consolidated income statement should be read in conjunction with the accompanying notes.

TOWER LIMITED
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE HALF YEAR ENDED 31 MARCH 2014

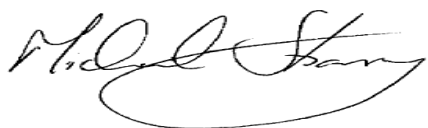
	Note	Half year ended	
		31 March 2014	31 March 2013
		Unaudited \$000	Unaudited \$000
Profit for the half year		13,138	44,200
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Gain on asset revaluation		-	123
Deferred income tax relating to asset revaluation		-	(18)
Currency translation differences		(1,455)	(2,403)
Other comprehensive income net of taxation		(1,455)	(2,298)
Total comprehensive income for the half year		11,683	41,902
Total comprehensive income/(loss) attributed to:			
Shareholders		11,698	41,962
Minority interests		(15)	(60)
		11,683	41,902
Total comprehensive income attributed to equity shareholders arises from:			
Continuing operations		8,570	(11,729)
Discontinued operations/disposal groups held for sale	15	3,113	53,631
		11,683	41,902

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

**TOWER LIMITED
CONSOLIDATED BALANCE SHEET
AS AT 31 MARCH 2014**

		31 March 2014 Unaudited \$000	30 September 2013 Audited \$000
Assets			
Cash and cash equivalents		277,962	341,624
Receivables		322,396	380,957
Financial assets at fair value through profit or loss	9	133,379	147,437
Derivative financial assets	9	-	122
Property, plant and equipment		4,685	4,879
Current tax assets		12,781	10,713
Deferred acquisition costs		18,444	18,211
Deferred tax assets		13,868	23,652
Intangible assets		32,213	30,174
		815,728	957,769
Assets of disposal groups classified as held for sale	15	729,581	738,801
Total Assets		1,545,309	1,696,570
Liabilities			
Payables		37,057	45,036
Current tax liabilities		822	1,654
Provisions	5	7,990	12,213
Interest bearing liabilities	7	83,209	82,791
Insurance liabilities		397,897	451,905
Deferred tax liabilities		286	5,464
		527,261	599,063
Liabilities of disposal groups classified as held for sale	15	690,453	716,430
Total Liabilities		1,217,714	1,315,493
Net Assets		327,595	381,077
Equity			
Contributed equity		401,358	453,935
Accumulated profit		43,515	42,983
Reserves		(118,379)	(117,103)
Total equity attributed to shareholders		326,494	379,815
Minority interests		1,101	1,262
Total Equity		327,595	381,077

The interim financial statements were approved for issue by the Board on 26 May 2014.



Michael P Stiasny
Chairman



Graham R Stuart
Director

The consolidated balance sheet should be read in conjunction with the accompanying notes.

TOWER LIMITED
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF YEAR ENDED 31 MARCH 2014

	Attributed to shareholders (unaudited)					
	Contributed equity	Accumulated profit/(loss)	Reserves	Total	Minority interests	Total equity
	\$000	\$000	\$000	\$000	\$000	\$000
Half year ended 31 March 2014						
At the beginning of the half year	453,935	42,983	(117,103)	379,815	1,262	381,077
Comprehensive income for the period						
Profit/(loss) for the half year	-	12,930	-	12,930	208	13,138
Other comprehensive income						
Gain on asset revaluation	-	-	-	-	-	-
Deferred income tax relating to asset revaluation	-	-	-	-	-	-
Currency translation differences	-	-	(1,232)	(1,232)	(223)	(1,455)
Total comprehensive income/(loss) for the period	-	12,930	(1,232)	11,698	(15)	11,683
Transactions with shareholders						
Capital repayment plan	(52,577)	-	-	(52,577)	-	(52,577)
Shares issued under employee share options scheme	-	-	-	-	-	-
Movement in share based payment reserve	-	44	(44)	-	-	-
Dividends paid	-	(12,432)	-	(12,432)	-	(12,432)
Minority interest dividend paid	-	-	-	-	(146)	(146)
Other	-	(10)	-	(10)	-	(10)
Total transactions with shareholders	(52,577)	(12,398)	(44)	(65,019)	(146)	(65,165)
At the end of the half year	401,358	43,515	(118,379)	326,494	1,101	327,595
Half year ended 31 March 2013						
At the beginning of the half year	572,805	33,546	(109,005)	497,346	1,443	498,789
Comprehensive income for the period						
Profit for the half year	-	44,213	-	44,213	(13)	44,200
Other comprehensive income						
Gains on asset revaluation	-	-	123	123	-	123
Deferred income tax relating to asset revaluation	-	-	(18)	(18)	-	(18)
Currency translation differences	-	-	(2,356)	(2,356)	(47)	(2,403)
Total comprehensive income/(loss) for the period	-	44,213	(2,251)	41,962	(60)	41,902
Transactions with shareholders						
Shares issued under dividend reinvestment plan	-	-	-	-	-	-
Shares issued under employee share options scheme	-	-	-	-	-	-
Movement in share based payment reserve	-	1,455	(1,423)	32	-	32
Dividends paid	-	(16,148)	-	(16,148)	-	(16,148)
Minority interest dividend paid	-	-	-	-	(304)	(304)
Other	-	-	1	1	-	1
Total transactions with shareholders	-	(14,693)	(1,422)	(16,115)	(304)	(16,419)
At the end of the half year	572,805	63,066	(112,678)	523,193	1,079	524,272

The consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

TOWER LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE HALF YEAR ENDED 31 MARCH 2014

	Note	Half year ended	
		31 March 2014 Unaudited \$000	31 March 2013 Unaudited \$000
Cash flows from operating activities			
Premiums received		146,591	201,662
Interest received		19,520	20,256
Dividends received		734	1,449
Investment income		10,618	10,190
Non-life company fee income		1,306	15,917
Reinsurance received		85,838	72,035
Reinsurance paid		(28,863)	(41,229)
Claims expenses		(180,432)	(194,348)
Payments to suppliers and employees		(39,401)	(87,999)
Interest paid		(3,475)	(3,594)
Income tax paid		(2,221)	(2,405)
Net cash inflow/(outflow) from operating activities	10	10,215	(8,066)
Cash flows from investing activities			
Net receipts from financial assets		10,810	43,629
Net payments for purchase of property, plant and equipment and intangible assets		(3,130)	(6,003)
Cash disposed with sale of subsidiaries		-	(57,557)
Proceeds from sale of subsidiaries		(15,078)	102,346
Net cash (outflow)/inflow from investing activities		(7,398)	82,415
Cash flows from financing activities			
Capital repayment		(52,577)	-
Dividends paid		(12,441)	(16,148)
Payment of minority interest dividends		(146)	(304)
Net cash (outflow) from financing activities		(65,164)	(16,452)
Net (decrease)/increase in cash and cash equivalents		(62,347)	57,897
Foreign exchange movement in cash		(1,058)	(2,426)
Cash and cash equivalents at beginning of half year		341,624	186,477
Cash classified as held for sale at beginning of half year		8,399	13,257
Cash classified as held for sale at the end of half year	15	(8,656)	-
Cash and cash equivalents at end of half year		277,962	255,205

The consolidated statement of cash flows should be read in conjunction with the accompanying notes.

TOWER LIMITED

NOTES TO THE INTERIM FINANCIAL STATEMENTS

FOR THE HALF YEAR ENDED 31 MARCH 2014

1. Summary of significant accounting policies

Entities reporting

The interim 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 Generally Accepted Accounting Practice (NZ GAAP), as appropriate for profit oriented entities, International Accounting Standard 34, and New Zealand Equivalent to International Accounting Standard 34, Interim Financial Reporting.

The interim financial statements should be read in conjunction with the annual financial statements for the year ended 30 September 2013, which have been prepared in accordance with International Financial Reporting Standards, and New Zealand Equivalents to International Financial Reporting Standards.

The interim financial statements for the six months ended 31 March 2014 are unaudited.

Accounting policies

The principal accounting policies adopted in the preparation of these interim financial statements are consistent with those of the audited annual financial statements for the year ended 30 September 2013.

Cash flows

The consolidated statement of cash flows presents the net changes in cash flow for financial assets, property, plant and equipment and intangible assets. 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 flow 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 the value of the sales are immaterial.

Discontinued operations and disposal groups

Assets and liabilities of a disposal group are classified as held for sale if their carrying amount will be recovered or settled principally through a sale transaction rather than through continuing use. A disposal group is defined as a group of assets to be disposed of, by sale or otherwise, together as a group in a single transaction. The group includes goodwill acquired in a business combination if the group is a cash-generating unit to which goodwill has been allocated. This condition is regarded as being met only when the sale is highly probable and the assets or businesses are available for immediate sale in their present condition or is a subsidiary acquired exclusively with a view to resale.

Assets and liabilities of a disposal group are measured at the lower of carrying amount and fair value less costs to sell and disclosed on the balance sheet. Items in the Income Statements and Statements of Comprehensive Income relating to the discontinued operations are shown separately on the face of the statements.

Cash flows associated with discontinued operations are disclosed in note 15.

On 30 November 2012, TOWER Limited sold its health insurance business, TOWER Medical Insurance Limited. The sale of TOWER Medical Insurance Limited has resulted in the health insurance business segment being treated as a discontinued operation, which was disclosed as a disposal group held for sale at 31 March 2013. The sale is disclosed in more detail in note 15(A).

On 26 February 2013, TOWER Limited announced the sale of its investment business comprising, TOWER Managed Funds Limited, TOWER Managed Funds Investments Limited, TOWER Employee Benefits Limited, TOWER Asset Management Limited and TOWER Investments Limited. The sale was completed on 2 April 2013 and resulted in the investment business segment being treated as a discontinued operation in these financial statements. The sale is disclosed in more detail in note 15(B).

On 10 May 2013, TOWER Limited announced the sale of most of its non-participating life insurance business and the resulted in the non-participating life business segment being treated as a disposal group held for sale in 31 March 2013 interim financial statements. The sale was completed on 1 August 2013. The sale is disclosed in more detail in note 15(C).

On 28 November 2013, TOWER Limited announced the approval by the Federal Court of Australia for the portfolio transfer of the runoff business underwritten by the Company's Australian branch. The transfer included disposing of all policies written or assumed by the branch and all the associated assets and liabilities under those policies. The sale completed on 5 December. The Australian branch runoff business was disclosed as a disposal group held for sale in the 31 March 2013 financial statements. The sale is disclosed in more detail in note 15(D).

On 3 January 2014, TOWER Limited advised that it was to retain the TOWER Life (N.Z.) Limited business comprising participating and non-participating life insurance policies, annuities and unit linked insurance policies. Since announcing this in January, TOWER has continued to receive interest from prospective purchasers. The Directors are satisfied that current levels of interest from prospective purchasers are sufficient to warrant the continued disclosure of TOWER Life (N.Z.) Limited as a discontinued operation held for sale. The Directors have reached this decision having regard to classification criteria described in NZ IFRS 5 *Non-current assets held for sale and discontinued operations*. As a result, this business remains disclosed as a discontinued operation held for sale in these 31 March 2014 interim financial statements. The proposed sale is disclosed in more detail in note 15(E).

TOWER LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2014

2. Impact of amendments to NZ IFRS

The Company has adopted the following new and amended IFRS as of 1 October 2013:
- NZ IFRS 13 'Fair value measurement' (effective from 1 January 2013). The standard replaces the guidance on fair value measurement in existing IFRS literature with a single standard. The standard has had no material impact on the financial statements.

3. Premium revenue

	Half year ended	
	31 March 2014 Unaudited \$000	31 March 2013 Unaudited \$000
General insurance premiums	139,153	130,809
	139,153	130,809
Less : Outwards reinsurance expense	(23,533)	(23,543)
Total net premium revenue	115,620	107,266

4. Investment revenue

	Half year ended	
	31 March 2014 Unaudited \$000	31 March 2013 Unaudited \$000
Fixed interest securities ⁽¹⁾		
Interest income	8,829	8,390
Net realised (loss)/gain	(1,830)	2,831
Net unrealised gain/(loss)	919	(3,739)
	7,918	7,482
Equity securities ⁽¹⁾		
Dividend income	14	77
Net realised gain	-	461
Net unrealised gain	-	196
	14	734
Property securities ⁽¹⁾		
Property income	4	82
Net realised gain	412	1,761
Net unrealised (loss)	(401)	(1,420)
	15	423
Other ⁽²⁾		
Other investment revenue	-	-
Net realised gain/(loss)	114	(32)
Net unrealised (loss)/gain	(122)	66
	(8)	34
Total investment revenue		
Total investment revenue	8,847	8,549
Total realised (loss)/gain	(1,304)	5,021
Total unrealised gain/(loss)	396	(4,897)
	7,939	8,673

⁽¹⁾ The gains and losses in these categories have been generated by financial assets designated on initial recognition at fair value through profit or loss.

⁽²⁾ Other investment gains and losses have been generated by derivative financial assets and financial liabilities classified as held for trading at fair value through profit or loss.

TOWER LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2014

5. Provisions

	31 March 2014 Unaudited \$000	30 September 2013 Audited \$000
Business separation	4,620	9,257
Employee benefits	3,370	2,956
Total provisions	7,990	12,213

Analysed as:

Current	7,971	12,075
Non current	19	138
	7,990	12,213

Business separation

Opening balance at 1 October	9,257	2
Additions	620	21,115
Amount utilised in the period	(3,237)	(11,860)
Reversal of unused amount	(2,020)	-
Closing balance at end of period	4,620	9,257

Health business

The balance of separation costs of \$372,000 on 30 September 2013 related directly to the sale of the health business. \$224,000 of the provision has been utilised for legal, consultancy and IT related costs. \$137,000 of the provision has been released. The remaining balance is expected to be fully utilised by April 2014.

Investments business

The balance of separation costs of \$1,444,000 on 30 September 2013 related directly to the sale of the investments business. \$1,026,000 of the provision has been utilised for legal, consultancy and IT related separation costs. \$285,000 of the provision has been released. The remaining balance is expected to be fully utilised by April 2014.

Non-participating life business

The balance of separation costs of \$4,561,000 on 30 September 2013 related directly to the sale of the non-participating life business. The provision increased by \$620,000 related to restructuring and utilised \$1,867,000 for legal, consultancy and IT related separation costs. \$1,316,000 of the provision has been released. The remaining balance is expected to be fully utilised by June 2015.

Remaining Life business

Separation costs of \$2,880,000 relating directly to the sale of the remaining life business were provided for at 30 September 2013. \$120,000 of the provision has been utilised for legal, consultancy and IT related separation costs. \$282,000 of the provision has been released. The remaining balance is expected to be fully utilised by September 2014.

Further details of the discontinued operations to which these provisions relate are disclosed in note 15.

Employee benefits

Employee benefits include provisions for holiday pay and long service leave.

TOWER LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2014

6. Segmental reporting

The results from operations and related gains or losses on sales of the health, investment, non-participating life businesses, remaining life business and the Australian liabilities have been excluded from the disclosure below as the results, gains or losses on sales and assets of these segments are contained within note 15.

	New Zealand General Insurance Unaudited \$000	Pacific General Insurance Unaudited \$000	Holding companies and eliminations Unaudited \$000	Total Unaudited \$000
Half year ended 31 March 2014				
Revenue				
Revenue - external	104,192	18,725	1,941	124,858
Revenue - internal	-	-	-	-
Net operating revenue	104,192	18,725	1,941	124,858
Profit/(loss) before income tax				
	14,098	5,150	(3,966)	15,282
Income tax (expense)/credit	(3,835)	(2,437)	1,015	(5,257)
Profit/(loss) for the half year from continuing operations	10,263	2,713	(2,951)	10,025
Half year ended 31 March 2013				
Revenue				
Revenue - external	91,865	20,820	4,252	116,937
Revenue - internal	3	-	(3)	-
Net operating revenue	91,868	20,820	4,249	116,937
Profit/(loss) before income tax				
	(10,248)	3,848	(1,140)	(7,540)
Income tax (expense)/credit	2,028	(4,460)	541	(1,891)
Profit/(loss) for the half year from continuing operations	(8,220)	(612)	(599)	(9,431)
Segment assets				
31 March 2014 (Unaudited)	610,911	69,899	136,615	817,425
30 September 2013 (Audited)	707,623	67,503	182,643	957,769
Segment liabilities				
31 March 2014 (Unaudited)	394,866	46,688	87,404	528,958
30 September 2013 (Audited)	471,045	45,282	82,736	599,063

Note:

⁽¹⁾ Comparatives are restated to show results from continuing operations only. Refer note 15 for discontinued operations.

Description of segments

Operating segments are based on assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other operating segments.

Management has identified the operating segments consistent with internal reporting reviewed by the Board of Directors (Chief Operating Decision Maker) for the purpose of making decisions on resource allocation and assessing performance.

New Zealand general insurance includes all fire and general insurance business written in New Zealand. Pacific general insurance includes all fire and general insurance business with customers in the Pacific Islands written by TOWER insurance subsidiaries and branch operations. Other includes head office expenses, financing costs and eliminations. The health, investments and life businesses have been excluded from the above disclosure as the results of these segments are contained within note 15.

TOWER Group operates predominantly in two geographical segments, New Zealand and the Pacific region. The general insurance business in run-off relating to the United Kingdom and the United States does not represent a significant part of the Group's operations or hold material non-current assets.

TOWER LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2014

7. Interest bearing liabilities

	31 March 2014	30 September 2013
	Unaudited	Audited
	\$000	\$000
Fixed rate senior unsecured bonds	83,209	83,219
Unamortised capitalised costs	-	(428)
	83,209	82,791

Fixed rate senior unsecured bonds

On 24 March 2009, the Group issued \$81,759,000 of fixed rate senior unsecured bonds, bearing a fixed interest rate of 8.5% per annum. The bonds are carried at amortised cost using the effective interest method. The bonds matured on 15 April 2014.

The above total of \$83,209,000 includes \$1,450,000 of accrued interest (30 September 2013: \$1,460,000). The Group capitalised \$3,499,000 of costs associated with the issuance of the bonds. These costs are amortised over the five year term of the bonds using the effective interest rate method. The amortised costs during the period to 31 March 2014 were \$428,500 (30 September 2013: \$800,500).

The fair value of fixed rate senior unsecured bonds as at 31 March 2014 is \$83,496,379 (30 September 2013: \$83,692,000), this has been estimated by reference to the average quoted market price of the underlying debt securities at the end of the period.

Refer to note 14 for further details on the redemption of the bonds which occurred in accordance with the Trust Deed on 15 April 2014.

8. Net assets per share

	31 March 2014	30 September 2013
	Unaudited	Audited
	\$	\$
Net assets per share	1.84	1.84
Net tangible assets per share	1.58	1.53

Net assets per share represent the value of the Group's total net assets divided by the number of ordinary shares on issue at the balance date.

Net tangible assets per share represent the net assets per share adjusted for the effect of intangible assets and deferred tax balances.

Assets from the disposal group are included in the calculation.

9. Fair values of assets and liabilities

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Refer below for details of valuation methods used for each category of assets and liabilities.

The following methods and assumptions were used by TOWER in estimating the fair values of assets and liabilities.

(i) Cash and cash equivalents

The carrying amount of cash and cash equivalents reasonably approximates its fair value.

TOWER LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2014

9. Fair values of assets and liabilities (continued)

(ii) Financial assets at fair value through profit or loss and held for trading

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current mid price. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on TOWER specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. At 31 March 2014, the level 3 category includes an investment in equity securities of \$1,496,000 (September 2013: \$1,685,000). Previously these investments were included in level 2 and were immaterial. This investment is unlisted and its fair value is calculated based on the net assets of the investment as per its most recently available financial information.

(iii) Loans and receivables and other financial liabilities held at amortised cost

Carrying values of loans and receivables, adjusted for impairment values, and carrying values of other financial liabilities held at amortised cost reasonably approximate their fair values.

(iv) Derivative financial liabilities

The fair value of derivative financial liabilities is determined by reference to the quoted market price of the underlying equity securities.

(v) Interest bearing liabilities

The fair value of senior unsecured bonds is determined by reference to the quoted market price of the underlying debt securities.

Assets and liabilities that are measured in the balance sheet at fair value (excluding short term amounts held at a reasonable approximation of fair value), are categorised by the following fair value measurement hierarchy levels:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
- Level 3 - Inputs for that asset or liability that are not based on observable market data (i.e. unobservable inputs)

The following tables present the Group's assets and liabilities carried at fair value categorised by fair value measurement hierarchy levels.

Group	Total	Level 1	Level 2	Level 3
	\$000	\$000	\$000	\$000
As at 31 March 2014				
Assets				
Investment in equity securities	1,496	-	-	1,496
Investments in fixed Interest securities	131,849	-	131,849	-
Investments in property securities	34	-	34	-
Total financial assets	133,379	-	131,883	1,496
As at 30 September 2013				
Assets				
Derivative financial assets	122	-	122	-
Investment in equity securities	1,685	-	-	1,685
Investments in fixed Interest securities	144,897	-	144,897	-
Investments in property securities	855	-	855	-
Total financial assets	147,559	-	145,874	1,685

TOWER LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2014

9. Fair values of assets and liabilities (continued)

The following table represents the changes in Level 3 instruments for the period ended 31 March 2014.

	Investment in equity securities	
	31 March 2014 Unaudited \$000	30 September 2013 Audited \$000
Opening balance	1,685	3,251
Total gains and losses recognised in profit and loss	-	(1,050)
Foreign currency movement	(189)	(516)
Closing balance	1,496	1,685

The following table shows the sensitivity of Level 3 measurements to reasonably possible favourable or unfavourable changes in assumptions used to determine the fair value of the financial asset. If the market value of the investment in equity securities were to change by +/- 10% the impact is outlined below:

	Amount	Changes of 10%	Changes of (10%)
As at 31 March 2014			
Investment in equity securities	1,496	150	(150)
As at 30 September 2013			
Investment in equity securities	1,685	169	(169)

Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.

Other techniques, such as discounted cash flow analysis, are used to determine fair value for remaining financial instruments.

TOWER LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2014

10. Note to consolidated statement of cash flows

	Half year ended	
	31 March 2014	31 March 2013
	Unaudited \$000	Unaudited \$000

Reconciliation of profit for the half year to net cash flows from operating activities

Net profit after tax for the half year	13,138	44,200
Add/(less) non-cash items		
Depreciation of property, plant and equipment	734	926
Amortisation of intangible assets	493	2,825
Change in insurance and life investment contract liabilities	(12,042)	(2,581)
Unrealised loss on financial assets	1,509	2,242
Share based payments expense	-	32
Accrued interest on borrowings	(10)	(9)
Increase/(decrease) in deferred tax	8,555	(220)
Intangible asset impairment net of tax	-	24,840
Gross gain on sale of subsidiaries	(674)	(96,814)
	<u>(1,435)</u>	<u>(68,759)</u>
Add/(less) movements in working capital (excluding the effects of exchange differences on consolidation)		
Decrease in receivables	65,177	11,071
(Decrease)/increase in payables	(64,223)	11,279
(Increase)in taxation	(2,870)	(6,246)
	<u>(1,916)</u>	<u>16,104</u>
Add other items classified as investing or financing activities		
Decrease in capitalised costs	428	389
Net cash inflows/(outflows) from operating activities	<u>10,215</u>	<u>(8,066)</u>

11. Distributions to shareholders

DIVIDEND DECLARED

On 26 November 2013 the Directors declared a final dividend for the 2013 financial year of 6 cents per share. The dividend was paid on 3 February 2014. The total amount payable was \$12,431,606. There were no imputation credits attached to the dividend and TOWER did not offer its Dividend Reinvestment Plan for this dividend.

RETURN OF CAPITAL

On 25 November 2013 TOWER announced the acquisition of shares under a voluntary buyback offer for TOWER shares listed on the ASX and NZX exchanges and registered in the name of each TOWER ordinary shareholder. On 31 January 2014, this resulted in the acquisition for \$1.81 per share and subsequent cancellation of 29,048,308 shares for a total consideration of NZ\$52,577,437. This left 178,145,130 shares on issue immediately following the buy back. Australian shareholders received approximately AUD\$1.64 per acquired share (based on a NZD/AUD exchange rate of 0.9050 as at the record date).

TOWER LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2014

12. Solvency requirements

The minimum solvency capital required to be retained to meet solvency requirements under the Insurance (Prudential Supervision) Act 2010 are shown below. The actual solvency capital exceeds the minimum requirements for TOWER Insurance Limited general insurance group by \$123.3 million (September 2013: 117.2 million), and TOWER Life (N.Z.) Limited by \$22.4 million (September 2013: 23.7 million).

	TOWER Insurance	TOWER Life (NZ)
As at 31 March 2014	<u>\$000</u>	<u>\$000</u>
Actual Solvency Capital	189,259	30,491
Minimum Solvency Capital	65,949	8,074
Solvency Margin	<u>123,310</u>	<u>22,417</u>
As at 30 September 2013	<u>\$000</u>	<u>\$000</u>
Actual Solvency Capital	195,993	29,779
Minimum Solvency Capital	78,805	6,053
Solvency Margin	<u>117,188</u>	<u>23,726</u>

On 27 August 2013 the Reserve Bank of New Zealand imposed a condition of license requirement for TOWER Insurance Limited and TOWER Life (N.Z.) Limited to maintain a minimum solvency margin of \$80.0 million and \$15.0 million respectively. The methodology and bases for determining the Solvency Margin are in accordance with the requirements of the Solvency Standard for Non-life Insurance Business and Life Insurance Business published by the Reserve Bank of New Zealand.

13. Impact of Christchurch earthquakes

For the period ended 31 March 2014 there is no net impact on the income statement as a result of the Canterbury earthquakes claims. Included in the period ended 31 March 2013 were pre tax net claims expenses of \$0.6 million and \$19.7 million for the 23 December 2011 and February 2011 earthquakes respectively.

The claims provisions for the four main events combined have increased by \$22.1 million during the six months to 31 March 2014. These claims are all covered by reinsurance. This compares to a gross increase in provisions of \$72.2 million for the year ended 30 September 2013, which had a pre tax net impact of \$20.4 million after reinsurance recoveries.

14. Subsequent events

Bond redemption

In accordance with the Trust Deed for TOWER Fixed Rate Senior Unsecured Bonds dated 12 February 2009 (the 'Trust Deed'), the Group redeemed for cash on 15 April 2014 all of the bonds held by bondholders on the register at 5pm on the record date of 4 April 2014. Payment of the issue price of \$1.00 per bond plus accrued interest amounted to a return of \$83,496,379 to bondholders. Following repayment of bond principal and accrued interest, TOWER Capital Limited requested to be delisted from the NZX Debt Market and has requested discharge from the Trust Deed.

Declaration of dividend

On 26 May 2014 the Directors declared an interim dividend of 6.5 cents per share. There will be no imputation credits attached to the dividend. The dividend will be paid on 30 June 2014 (Payment Date) to all shareholders on the register as at 5pm on Friday, 13 June 2014 (Record Date). The estimated dividend payable is \$11,579,433. TOWER will not be operating the Dividend Reinvestment Plan for the interim dividend. TOWER will withhold resident and non-resident withholding tax where applicable.

Small shareholder reduction

On 26 May 2014 the Directors approved a scheme for TOWER to sell shares of holders with less than the 200 shares. The proposed scheme will be off market and provide shareholders the ability to retain their holdings should they wish. Shareholders will receive the volume weighted average price of the five trading days prior to announcement. Should all applicable shareholders choose to participate in the scheme, the maximum amount of capital returned would equate to approximately \$4.4 million.

There have been no subsequent events to 31 March 2014 other than those listed above.

TOWER LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2014

15. Discontinued operations/disposal groups held for sale

Consolidated results of discontinued operations/disposal groups are as follows:

	Half year ended	
	31 March 2014 Unaudited \$000	31 March 2013 Unaudited \$000
Profit for the half year from discontinued operations/disposal groups		
(Loss)/profit for the half year from discontinued operations:		
Health business ^(A)	-	940
Investments business ^(B)	-	4,007
Non-participating life business ^(C)	-	1,730
Australian liabilities ^(D)	(1,168)	(6,011)
Participating life business ^(E)	3,687	1,613
(Loss)/profit from discontinued operations	2,519	2,279
Profit from disposal of subsidiaries		
Health business ^(A)	99	18,845
Investments business ^(B)	279	66,781
Non-participating life business ^(C)	13	(9,434)
Participating life business attributable costs ^(E)	203	-
Impairment of intangible assets ⁽¹⁾	-	(24,840)
	594	51,352
(Loss)/Profit from discontinued operations/disposal groups	3,113	53,631
	31 March 2014 Unaudited \$000	30 September 2013 Audited \$000
Net assets/(liabilities) held for sale:		
Australian liabilities ^(D)	-	(17,068)
Participating life business ^(E)	39,128	39,439
Total net assets held for sale	39,128	22,371
Liabilities transferred on disposal of Australian operation	(16,628)	-

Note:

- (1) At 31 March 2013 management reviewed the carrying value of intangible assets in light of business disposals. Following this review, an impairment of \$34.5 million (\$24.8 million net of tax) was recorded against the carrying value of Intangible assets – software. This impairment was expensed in the 31 March 2013 results reducing the Profit from discontinued operations/disposal groups.
- (2) Profits from disposal of subsidiaries in the table above result from releases of provision (net of tax) for the Health, Investments and participating life businesses.

TOWER LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2014

15. Discontinued operations and disposal groups held for sale (continued)

(A) SALE OF TOWER MEDICAL INSURANCE LIMITED

On 30 November 2012, TOWER Limited sold its health insurance business, TOWER Medical Insurance Limited to Australian health insurer, nib holdings limited for approximately \$102 million. The sale followed a strategic review of TOWER Group's businesses announced earlier in 2012. The sale of TOWER Medical Insurance Limited has resulted in the health insurance business segment being treated as a discontinued operation of the Group.

Operating results for the two months prior to sale of TOWER Medical Insurance Limited have been removed from individual lines in the financial statements and notes, as required by accounting standards, and have been presented as a discontinued operation. A more detailed breakdown of the financial performance, position and cash flows of TOWER Medical Insurance Limited is presented below.

The results of the health business were as follows:

	Half year ended	
	31 March 2014 \$000 Unaudited	31 March 2013 \$000 Unaudited
Premium revenue from insurance contracts	-	24,812
Investment revenue	-	1,047
Net operating revenue	-	25,859
Claims expense	-	18,718
Net claims expense	-	18,718
Decrease in policy liabilities	-	(667)
Management and sales expenses	-	6,503
Net claims and operating expenses	-	24,554
Profit before taxation	-	1,305
Income tax expense	-	(365)
Profit after tax from discontinued operations	-	940
Cash flows of the health business:		
Operating cash inflow	-	3,068
Investing cash inflow	-	41,230
Total cash inflow	-	44,298

Profit on disposal

	As reported		
	31 March 2014 Unaudited \$000	30 September 2013 Audited \$000	31 March 2013 Unaudited \$000
Cash consideration received	-	102,346	102,346
Net assets at 30 September 2012	-	76,955	76,955
Profit after tax to 30 November 2012	-	940	940
Net assets at 30 November 2012	-	77,895	77,895
Gross profit on disposal	-	24,451	24,451
Less directly attributable costs of sale	137	(7,235)	(6,285)
Tax directly attributable to costs of sale	(38)	337	679
	99	(6,898)	(5,606)
Profit on disposal	99	17,553	18,845

TOWER LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2014

15. Discontinued operations and disposal groups held for sale (continued)

(B) SALE OF TOWER INVESTMENTS BUSINESS

On 26 February 2013, TOWER Limited announced the sale of its investments business comprising, TOWER Managed Funds Limited, TOWER Managed Funds Investments Limited, TOWER Employee Benefits Limited, TOWER Asset Management Limited and TOWER Investments Limited, to Fisher Funds Management Limited for approximately \$79 million. The sale followed a strategic review of TOWER Group's businesses announced in 2012. The sale has resulted in the investments business segment being treated as a discontinued operation of the Group. Completion of the sale occurred on 2 April 2013.

The operating results of the investments business have been removed from individual lines in the financial statements and notes, as required by accounting standards, and have been presented as a discontinued operation. A more detailed breakdown of the financial performance, position and cash flows of the investments business is presented below.

The results of the investments business were as follows:

	Half year ended	
	31 March 2014 Unaudited \$000	31 March 2013 Unaudited \$000
Investment revenue	-	123
Fee and other revenue	-	17,996
Net operating revenue	-	18,119
Management and sales expenses	-	12,517
Net claims and operating expenses	-	12,517
Profit before taxation	-	5,602
Income tax expense	-	(1,595)
Profit after tax from discontinued operations	-	4,007

Cash flows of disposal group held for sale:

Operating cash inflow	-	246
Investing cash outflow	-	(63)
Financing cash outflow	-	(236)
Total cash outflow	-	(53)

Profit on disposal

	As reported		
	31 March 2014 \$000 Unaudited	30 September 2013 \$000 Audited	31 March 2013 \$000 Unaudited
Cash consideration receivable	-	79,708	79,000
Net assets at 1 April	-	6,714	7,023
Completion adjustments	-	-	(386)
Net assets on disposal	-	6,714	6,637
Gross profit on disposal	-	72,994	72,363
Less directly attributable costs of sale	279	(6,877)	(6,409)
Tax directly attributable to costs of sale	-	509	827
	279	(6,368)	(5,582)
Profit on disposal	279	66,626	66,781

TOWER LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2014

15. Discontinued operations and disposal groups held for sale (continued)

(C) SALE OF NON-PARTICIPATING LIFE BUSINESS

On 10 May 2013, TOWER Limited announced the sale of most of its non-participating life insurance business to Fidelity Life Assurance Company Limited for the aggregate value to TOWER, including cash consideration and release of capital, of \$189 million. The sale followed a strategic review of TOWER Group's businesses announced in 2012. The sale has resulted in the non-participating life business segment being treated as a discontinued operation of the Group. Completion of the sale occurred on 1 August 2013.

As part of the sale of the non-participating life business, an amount was offset against the payment made by Fidelity Life Assurance Company Limited to TOWER for transfer of certain net insurance liabilities, which had not previously been deducted for tax purposes. TOWER is currently seeking a binding ruling from Inland Revenue on deductibility of this amount. With regard to the recognition criteria contained in NZ IA 12 income taxes the Company has not included any benefit that may arise from this tax deduction in our financial statements.

The operating results and financial position of the non-participating life business have been removed from individual lines in the financial statements and notes, as required by accounting standards, and have been presented as a discontinued operation and disposal group held for sale. A more detailed breakdown of the financial performance, position and cash flows of the non-participating life business is presented below.

The results of the non-participating life business were as follows:

	Half year ended	
	31 March	31 March
	2014	2013
	Unaudited	Unaudited
	\$000	\$000
Premium revenue from insurance contracts	-	41,967
Less: Outwards reinsurance expense	-	(11,493)
Net operating revenue	-	30,474
Claims expense	-	18,259
Less: reinsurance recoveries revenue	-	(5,887)
Net claims expense	-	12,372
Decrease in policy liabilities	-	(1,429)
Management and sales expenses	-	20,223
Net claims and operating expenses	-	31,166
(Loss)/profit before taxation	-	(692)
Income tax credit	-	2,422
Profit after tax from discontinued operations	-	1,730

Cash flows of the health business:

Operating cash outflow	-	(4,762)
Total cash outflow	-	(4,762)

	As reported		
	31 March	30 September	31 March
	2014	2013	2013
	Unaudited	Audited	Unaudited
	\$000	\$000	\$000
Cash consideration received	1,550	71,841	-
Net assets as at 1 August 2013	-	73,230	-
Final adjustment to net assets	876	-	-
Tax on gain on disposal	5	-	-
Net assets on disposal	881	73,230	-
Gross loss on disposal	669	(1,389)	-
Less directly attributable costs of sale held in holding company	(795)	(12,696)	(11,322)
Tax directly attributable to costs of sale	139	1,602	1,888
	(656)	(11,094)	(9,434)
Profit on disposal	13	(12,483)	(9,434)

TOWER LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2014

15. Discontinued operations and disposal groups held for sale (continued)

(D) DISPOSAL OF AUSTRALIAN LIABILITIES

On 28 November 2013, TOWER Limited announced the approval by the Federal Court of Australia for the portfolio transfer of the runoff business underwritten by the TOWER Insurance Limited's Australian branch. The transfer included disposing of all policies written or assumed by the branch and all the associated assets and liabilities under those policies. The sale completed on 5 December and resulted in the release of approximately \$20 million surplus capital to TOWER Insurance Limited. The Australian branch runoff business was disclosed as a disposal group held for sale in the 31 March 2013 financial statements.

Operating results and financial position of the Australian branch runoff business have been removed from individual lines in the financial statements and notes, as required by accounting standards, and have been presented as a discontinued operation and disposal group held for sale. A more detailed breakdown of the financial performance, position and cash flows of the Australian branch runoff business is presented below.

The results associated with the Australian liabilities were as follows:

	Half year ended	
	31 March 2014 Unaudited \$000	31 March 2013 Unaudited \$000
Claims expense	68	6,031
Net claims expense	68	6,031
Management and sales expenses	1,948	(20)
Net claims and operating expenses	2,016	6,011
Loss before taxation	(2,016)	(6,011)
Income tax expense	848	-
Loss after tax from discontinued operations	(1,168)	(6,011)

Cash flows of Australian liabilities:

Operating cash outflow	-	(568)
Total cash outflow	-	(568)

	31 March 2014 Unaudited \$000	30 September 2013 Audited \$000
Assets		
Reinsurance receivables	-	622
Total assets	-	622
Liabilities		
Insurance liabilities	-	17,690
Total liabilities	-	17,690
Net liabilities	-	(17,068)

Movements on disposal of branch operations

	5 December 2013 Unaudited \$000
Liabilities transferred on disposal	(16,628)
Currency movement on closure of branch operations	(1,912)
Net claim and management expenses prior to transfer of liabilities	(104)
Tax	848
Branch operations closure costs	(1,168)

Following the transfer of Australian branch insurance liabilities in run-off on 5 December 2013, the company was able to release approximately \$20 million of regulatory capital previously held in Australia. This contributed to an improved solvency position in the general insurance business in New Zealand.

TOWER LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2014

15. Discontinued operations and disposal groups held for sale (continued)

(E) TOWER LIFE (N.Z.) LIMITED HELD FOR SALE

On 3 January 2014, TOWER Limited advised that it was to retain the TOWER Life (N.Z.) Limited business comprising participating and non-participating life insurance policies, annuities and unit linked insurance policies. Since announcing this in January, TOWER has continued to receive interest from prospective purchasers. The Directors are satisfied that current levels of interest from prospective purchasers are sufficient to warrant the continued disclosure of TOWER Life (N.Z.) Limited as a discontinued operation held for sale. The Directors have reached this decision having regard to classification criteria described in NZ IFRS 5 *Non-current assets held for sale and discontinued operations*. As a result, this business remains disclosed as a discontinued operation held for sale in these 31 March 2014 interim financial statements.

The operating results and financial position of the life business have been removed from individual lines in the financial statements and notes, as required by accounting standards, and have been presented as a discontinued operation and disposal group held for sale. A more detailed breakdown of the financial performance, position and cash flows of the non-participating life business is presented below.

The results of the remaining life business were as follows:

	Half year ended	
	31 March	31 March
	2014	2013
	Unaudited	Unaudited
	\$000	\$000
Premium revenue from insurance contracts	4,580	4,791
Less: Outwards reinsurance expense	6	16
Net premium revenue	4,586	4,807
Investment revenue	21,381	19,574
Management fees	7	7
Net operating revenue	25,974	24,388
Claims expense	23,033	18,388
Less: reinsurance recoveries revenue	38	-
Net claims expense	23,071	18,388
Decrease in policy liabilities	(7,573)	(210)
Management and sales expenses	2,843	2,681
Net claims and operating expenses	18,341	20,859
Profit before taxation	7,633	3,529
Income tax expense	(3,946)	(1,916)
(Loss)/profit after tax from discontinued operations	3,687	1,613
Cash flows of the health business:		
Operating cash inflow	25	(22,008)
Investing cash inflow/(outflow)	(3,210)	8,831
Financing cash (outflow)	2,494	14,091
Total cash inflow	(691)	914

TOWER LIMITED
NOTES TO THE INTERIM FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 31 MARCH 2014

15. Discontinued operations and disposal groups held for sale (continued)

The financial position of the remaining life business was as follows:

	31 March 2014	30 September 2013
	Unaudited	Audited
	\$000	\$000
Assets		
Cash and cash equivalents	8,656	8,399
Receivables	29,129	36,452
Financial assets at fair value through profit or loss	632,341	625,663
Derivative financial assets	43,910	48,082
Current tax asset	3,464	3,479
Deferred tax asset	12,081	16,104
Total assets	729,581	738,179
Liabilities		
Payables	5,112	1,971
Provisions	64	57
Insurance liabilities	6,613	7,008
Derivative financial liability	6,172	5,086
Deferred tax liabilities	-	84
Life insurance contract liabilities	652,289	660,945
Life investment contract liabilities	20,203	23,589
Total liabilities	690,453	698,740
Net assets	39,128	39,439

Costs of sale:

	31 March 2014	30 September 2013
	Unaudited	Audited
	\$000	\$000
Directly attributable costs of sale	282	(2,880)
Tax directly attributable to costs of sale	(79)	449
	203	(2,431)



Independent Review Report

To the shareholders of TOWER Limited

Report on the Interim Financial Statements

We have reviewed the interim condensed financial statements (“financial statements”) of TOWER Limited on pages 3 to 23, which comprise the balance sheet as at 31 March 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, and the notes to the financial statements that include a summary of significant accounting policies and other explanatory information for the Group. The Group comprises the Company and entities it controlled at 31 March 2014 or from time to time during the period.

Directors’ Responsibility for the Interim Financial Statements

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 2014, and its financial performance and cash flows for the period ended on that date.

Our Responsibility

We are responsible for reviewing the financial statements presented by the Directors in order to report to you 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.

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 2014 in accordance with the Review Engagement Standards issued in New Zealand.

We have no relationship with, or interests in, the Group other than in our capacities as auditors conducting this review and providers of other assurance (including audit), advisory and taxation services. These services have not impaired our independence as auditors of the Group.

Opinion

Based on our review, nothing has come to our attention that causes us to believe that the financial statements which have been prepared in accordance with International Accounting Standard 34 and New Zealand Equivalent to International Accounting Standard 34: Interim Financial Reporting do not present fairly the financial position of the Group as at 31 March 2014 and its financial performance and cash flows for the period ended on that date.



Independent Review Report

TOWER Limited

Restriction on Use of our Report

This report is made solely to the Company's shareholders, as a body. Our review work has been undertaken so that we might state to the Company's shareholders those matters which we are required to state to them in a review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our review procedures, for this report or for the opinions we have formed.

A handwritten signature in blue ink that reads 'PricewaterhouseCoopers'.

Chartered Accountants
26 May 2014

Auckland