

TOWER Limited
TOWER Capital Limited
Half Year Reports 2010





The TOWER Group has been helping New Zealanders protect and grow the things they value for over 140 years. We provide comprehensive and innovative insurance, KiwiSaver and investment products and services through our businesses in New Zealand and the Pacific Islands.

This document contains the half year reports of both TOWER Limited (TOWER) and TOWER Capital Limited (TOWER Capital) for the half year ended 31 March 2010. The ordinary shares of TOWER are listed on the NZSX and ASX. TOWER Capital is a wholly owned subsidiary of TOWER and the issuer of \$81.8 million of senior unsecured bonds listed on the NZDX. As a member of the TOWER Group, TOWER Capital is dependent on the financial position and performance of TOWER.

The previous corresponding period for TOWER was the half year ended 31 March 2009. As TOWER Capital had not completed the first six months of a financial year, it was not required to prepare a half year report for the period ended 31 March 2009. The net tangible assets per share of TOWER as at 31 March 2010 were \$1.47 (2009: \$1.37). The net tangible assets per bond of TOWER Capital as at 31 March 2010 were \$1.03 (2009: \$1.00).

TOWER Limited TOWER Capital Limited Half Year Reports 2010

Half Year Reports for the half year ended 31 March 2010

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TOWER Group

General Insurance

Health & Life Insurance

Investments

KiwiSaver

If you would like to contact the TOWER Group please visit www.towerco.nz or call TOWER on 0800 808 808.

This document is dated 23 June 2010.

All amounts in this document, unless otherwise stated, are in New Zealand dollars.

Highlights

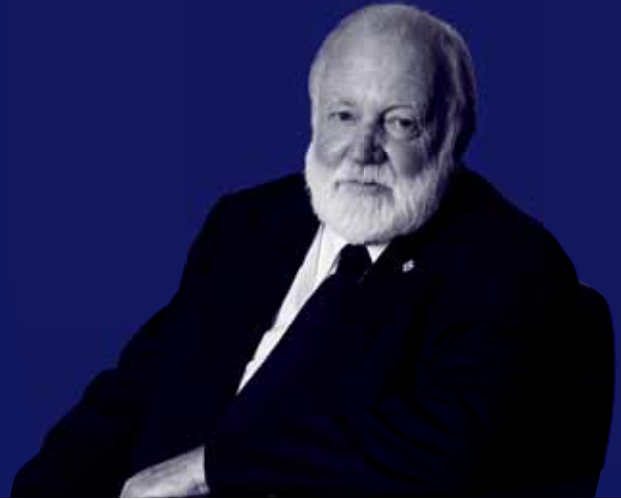
- *Underlying Group profit increased 28.8% to NZ\$27.7 million*

- *Payment of a fully imputed interim dividend of NZ4.0 cents per share*

- *Health & Life underlying profit after tax up 22.5% to NZ\$16.9 million*

- *General Insurance profit after tax up 26.6% to NZ\$11.9 million*

Chairman's Letter



Dear Shareholder

TOWER has delivered a strong half year result to 31 March 2010, a credit to the management team and staff who have worked tirelessly to navigate the company through difficult economic conditions.

Underlying profit was \$NZ27.7 million, a 28.8 % increase over the comparable period last year. Profit after tax, which includes the non-cash effect of movements in the discount rate used to value life insurance liabilities, was \$NZ28.1 million, 5.6% higher than for the same period last year.

“ Recognising this performance, the Board has decided to pay a fully imputed interim dividend of NZ4.0 cents per share... ”

Recognising this performance, the Board has decided to pay a fully imputed interim dividend of NZ4.0 cents per share which will be the first interim dividend since July 2002.

While the markets in which TOWER operates have not been conducive to revenue growth in recent periods, the Group has continued to focus on improved management of claims costs and expenses.

The pleasing result in the latest half year period reflects good performances by all three of TOWER's businesses: Health & Life, General Insurance and Investments. In uncertain times, this is encouraging. TOWER's solid financial position provides a ready platform for growth.

The company delivered an annualised 13.7% return on shareholders' funds and will continue its focus on cost reduction, profitability and delivery of good returns to its shareholders.

On behalf of the Board, I wish to thank you for your ongoing support of TOWER.

A I (Tony) Gibbs
Chairman

Business Review



I am pleased to report that TOWER has delivered another strong result for the first half of its financial year, amid the continuing volatility in the market.

It reflects TOWER's continuing positive progress against the backdrop of a difficult economy. Throughout the past year, we have aggressively focused on achieving cost efficiencies and improving customer services in the Health & Life and General Insurance businesses, and on proactively managing assets in the Investment business. This emphasis on getting the basics right enables TOWER to reinforce its position as a market leader providing products and services in insurance, superannuation, savings and asset management.

Health & Life delivered an underlying profit after tax of \$NZ16.9 million, 22.5% ahead of the March 2009 half year. Net premiums have continued to grow and for the latest half-year are up by \$3.5m (around 4%) on the same period last year. Health & Life is maintaining its market position while management expense reductions are leading to increased profitability.

General Insurance reported a profit after tax of \$NZ11.9 million for the half year, up 26.6% on the comparable period. There was a significant reduction in claims costs attributable to a combination of improved cost management and relatively benign weather related events. Both NZ and Pacific operations showed improvement.

In a difficult environment for the funds management industry the Investments business continues to adjust to current economic conditions. Total income from fees in the last half year has decreased from \$18.8m a year ago to \$18.2m, reflecting overall product rationalisation and growth in the lower margin KiwiSaver and wholesale businesses. Costs were well controlled with a reduction to \$15.3 million.

The Group's good results have been achieved by a very focused and dedicated TOWER management team and staff.

Market conditions will present many challenges and also opportunities over the next six to twelve months. As a New Zealand controlled and managed company we are well positioned to quickly and positively deal with these. We continue to rationalise our products across all businesses, widen our distribution channels and develop direct sales. With a strong balance sheet we are well positioned for continuing the growth of the business to enhance shareholder value.

The financial services industry will go through significant changes over the next few years. New life tax legislation will come into effect on 1 July 2010, and prudential regulation of insurers and new legislation for financial advisors will also be introduced, complementing our expertise in this area. We are ready to benefit from these higher industry standards.

The implementation of our new computer system is continuing to progress well and it will be fully operational within the next 12 months. This is being well managed and is currently within budget.

Pursuing sustainable and profitable growth in our chosen markets remains the primary focus of TOWER management.

Rob Flannagan
Group Managing Director

“ With a strong balance sheet we are well positioned for continuing the growth of the business to enhance shareholder value. ”

TOWER Limited
Financial Statements & Accountants' Report
for the half year ended 31 March 2010



TOWER Limited Financial Statements

For the half year ended 31 March 2010

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TOWER Limited

Consolidated Income Statement

For the half year ended 31 March 2010

	Note	Half year ended	
		31 March 2010 Unaudited \$000	31 March 2009 Unaudited \$000
Revenue			
Premium revenue from insurance contracts	3	209,808	213,319
Less : Outwards reinsurance expense	3	(19,622)	(17,796)
Net premium revenue		190,186	195,523
Investment revenue/(loss)	4	62,820	(9,087)
Fee and other revenue	5	16,306	17,353
Net operating revenue		269,312	203,789
Expenses			
Claims expense		127,612	131,989
Less : Reinsurance recoveries revenue		(5,979)	(7,252)
Net claims expense		121,633	124,737
Increase/(decrease) in policy liabilities	6	8,133	(49,083)
Management and sales expenses		89,920	95,945
Net claims and operating expenses		219,686	171,599
Financing costs		3,758	3,515
Total expenses		223,444	175,114
Profit before taxation		45,868	28,675
Tax (expense)/credit attributed to policyholders' returns		(9,498)	1,952
Profit attributed to shareholders before taxation		36,370	30,627
Tax expense attributed to shareholders' profits		(8,268)	(4,003)
Profit for the half year	2	28,102	26,624
Profit attributed to:			
Shareholders		27,859	26,310
Minority Interests		243	314
		28,102	26,624
Basic and diluted earnings per share for profit attributed to shareholders (cents)		10.88	12.98

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 2010

	Note	Half year ended	
		31 March 2010 Unaudited \$000	31 March 2009 Unaudited \$000
Profit for the half year	2	28,102	26,624
Other comprehensive income:			
Currency translation differences		1,097	2,195
Other comprehensive income net of taxation		1,097	2,195
Total comprehensive income for the half year		29,199	28,819
Total comprehensive income attributed to:			
Shareholders		29,164	28,981
Minority Interests		35	(162)
		29,199	28,819

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

TOWER Limited Consolidated Balance Sheet

As at 31 March 2010

	Note	31 March 2010 Unaudited \$000	30 September 2009 Audited \$000	31 March 2009 Unaudited \$000
Assets				
Cash and cash equivalents		150,562	146,381	152,697
Receivables		137,167	141,253	129,641
Financial assets at fair value through profit or loss		1,075,129	1,076,595	1,024,257
Derivative financial assets		50,557	53,410	65,850
Liabilities ceded under reinsurance	7	16,631	14,450	13,562
Property, plant and equipment		6,222	6,030	7,839
Prepaid tax assets		36,230	34,732	42,737
Current tax assets		-	1,164	-
Deferred acquisition costs		43,851	45,096	47,885
Deferred tax assets		25,443	32,650	34,669
Intangible assets		46,894	39,178	36,081
Total Assets		1,588,686	1,590,939	1,555,218
Liabilities				
Payables		57,539	62,123	58,242
Current tax liabilities		13,796	-	12,769
Other liabilities		22,745	22,745	21,874
Provisions		5,822	7,594	6,328
Derivative financial liabilities		15,090	21,305	19,256
Interest bearing liabilities	9	80,284	80,002	165,243
Insurance liabilities		259,638	279,700	267,877
Deferred tax liabilities		35,772	38,619	29,680
Life insurance and investment contract liabilities	7	681,644	674,403	666,526
Total Liabilities		1,172,330	1,186,491	1,247,795
Net Assets		416,356	404,448	307,423
Equity				
Contributed equity		555,282	547,680	468,633
Accumulated losses		(32,112)	(35,128)	(59,610)
Reserves		(109,540)	(110,795)	(104,458)
Total equity attributed to shareholders		413,630	401,757	304,565
Minority interests		2,726	2,691	2,858
Total Equity		416,356	404,448	307,423

The financial statements were approved for issue by the Board on 27 May 2010.



Al (Tony) Gibbs
Chairman



John Spencer
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 2010

	Attributed to shareholders				Minority interest Unaudited \$000	Total equity Unaudited \$000
	Share capital	Accumulated losses	Reserves	Total		
	Unaudited \$000	Unaudited \$000	Unaudited \$000	Unaudited \$000		
Half year ended 31 March 2010						
At the beginning of the half year	547,680	(35,128)	(110,795)	401,757	2,691	404,448
Comprehensive income for the period						
Profit for the half year	-	27,859	-	27,859	243	28,102
Currency translation differences	-	-	1,305	1,305	(208)	1,097
Total comprehensive income for the period	-	27,859	1,305	29,164	35	29,199
Transactions with shareholders						
Shares issued under dividend reinvestment plan	7,046	-	-	7,046	-	7,046
Shares issued under employee share options scheme	556	-	-	556	-	556
Movement in share based payment reserve	-	228	(50)	178	-	178
Dividends paid	-	(25,043)	-	(25,043)	-	(25,043)
Other	-	(28)	-	(28)	-	(28)
Total transactions with shareholders	7,602	(24,843)	(50)	(17,291)	-	(17,291)
At the end of the half year	555,282	(32,112)	(109,540)	413,630	2,726	416,356
Half year ended 31 March 2009						
At the beginning of the half year	465,323	(66,453)	(107,670)	291,200	3,020	294,220
Comprehensive income for the period						
Profit for the half year	-	26,310	-	26,310	314	26,624
Currency translation differences	-	-	2,671	2,671	(476)	2,195
Total comprehensive income for the period	-	26,310	2,671	28,981	(162)	28,819
Transactions with shareholders						
Shares issued under dividend reinvestment plan	3,310	-	-	3,310	-	3,310
Movement in share based payment reserve	-	-	541	541	-	541
Dividends paid	-	(19,467)	-	(19,467)	-	(19,467)
Total transactions with shareholders	3,310	(19,467)	541	(15,616)	-	(15,616)
At the end of the half year	468,633	(59,610)	(104,458)	304,565	2,858	307,423

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 2010

	Note	Half year ended	
		31 March 2010 Unaudited \$000	31 March 2009 Unaudited \$000
Cash flows from operating activities			
Premiums received		208,433	212,712
Interest received		18,418	25,480
Dividends received		1,195	1,544
Investment income		17,239	2,456
Non-life company fee income		15,972	18,222
Reinsurance received		14,912	6,170
Reinsurance paid		(28,125)	(20,765)
Claims expenses		(148,804)	(138,952)
Payments to suppliers and employees		(88,147)	(95,756)
Interest paid		(3,476)	(3,857)
Income tax paid		(539)	(2,633)
Net cash inflow from operating activities	10	7,078	4,621
Cash flows from investing activities			
Net receipts for financial assets		25,020	26,377
Net payments for purchase of property, plant and equipment and intangible assets		(10,505)	(912)
Net cash inflow from investing activities		14,515	25,465
Cash flows from financing activities			
Proceeds from issue of share capital		585	-
Proceeds from issue of fixed rate senior unsecured bonds		-	81,759
Payment for issue costs of senior unsecured bonds		-	(979)
Repayment of short term borrowings		-	(304)
Dividend paid		(17,997)	(16,157)
Net cash (outflow)/inflow from financing activities		(17,412)	64,319
Net increase in cash and cash equivalents		4,181	94,405
Cash and cash equivalents at beginning of half year		146,381	58,292
Cash and cash equivalents at end of half year		150,562	152,697

Note:

The consolidated statement of cash flows presents the net changes in cash flow for financial assets, property, plant, 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.

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

TOWER Limited

Notes to the Financial Statements

For the half year ended 31 March 2010

I. 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 2009, which have been prepared in accordance with International Financial Reporting Standards, and New Zealand equivalents to International Financial Reporting Standards.

The interim financial statements were approved by the Board of Directors on 27 May 2010.

The interim financial statements for the six months ended 31 March 2010 are unaudited.

Accounting policies

The principal accounting policies adopted in the preparation of the interim financial statements are consistent with those of the audited annual financial statements as at 30 September 2009.

Comparatives

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

2. UNDERLYING PROFIT AFTER TAX

Underlying profit after tax is presented to provide a more meaningful comparison of the Group's profit for the reported financial periods. The movement in the discount rate during the March 2010 and 2009 half years impacted the individual life risk policy liabilities and increased Group profit after tax.

The discount rate applied to value individual life risk policy liabilities (included within life insurance contract liabilities in Note 7) is based on the current risk-free interest rates. The decline in the risk-free interest rates lead to a change in the value of individual life risk policy liabilities, generating a net gain of \$376,000 in the period (2009: \$5,078,000).

	Half year ended	
	31 March 2010	31 March 2009
	Unaudited	Unaudited
	\$000	\$000
Underlying profit after tax	27,726	21,546
Add:		
Discount rate effect before tax	402	5,057
Income tax on discount rate effect	(26)	21
Discount rate effect after tax	376	5,078
Profit for the half year	28,102	26,624

3. PREMIUM REVENUE

Life insurance premiums	42,422	45,510
Life investment premiums	250	295
Total life premiums	42,672	45,805
Less: Deposits recognised as an increase in policy liabilities	(2,114)	(8,256)
Life insurance contract premiums recognised as revenue	40,558	37,549
General insurance premiums	101,541	110,350
Health insurance premiums	67,709	65,420
	209,808	213,319
Less: Reinsurance ceded	(19,622)	(17,796)
Total net premium revenue	190,186	195,523

TOWER Limited

Notes to the Financial Statements

For the half year ended 31 March 2010

	Half year ended	
	31 March 2010	31 March 2009
	Unaudited \$000	Unaudited \$000
4. INVESTMENT REVENUE		
Fixed interest securities ⁽¹⁾		
Interest income	18,836	25,480
Net realised gain/(loss)	2,282	(118)
Net unrealised loss	(534)	(120)
	20,584	25,242
Equity securities ⁽¹⁾		
Dividend income	1,195	1,544
Net realised loss	(418)	(3,609)
Net unrealised gain/(loss)	20,755	(38,590)
	21,532	(40,655)
Property securities ⁽¹⁾		
Property income	1,124	647
Net realised gain	-	518
Net unrealised gain/(loss)	2,050	(9,662)
	3,174	(8,497)
Other ⁽²⁾		
Other investment revenue	78	512
Net realised gain	13,568	5,019
Net unrealised gain	3,884	9,292
	17,530	14,823
Total investment revenue/(loss)		
Total investment revenue	21,233	28,183
Total realised gain	15,432	1,810
Total unrealised gain/(loss)	26,155	(39,080)
	62,820	(9,087)
5. FEE AND OTHER REVENUE		
Investment and management fees	16,268	17,353
Other revenue	38	-
Total fee and other revenue	16,306	17,353

Note:

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

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

TOWER Limited

Notes to the Financial Statements

For the half year ended 31 March 2010

	Half year ended	
	31 March 2010 Unaudited \$000	31 March 2009 Unaudited \$000
6. MOVEMENT IN POLICY LIABILITIES		
Increase/(decrease) in life insurance contract liabilities	6,800	(48,362)
Increase/(decrease) in life investment contract liabilities	2,268	(4,631)
(Decrease)/increase in non-current health insurance contract liabilities	(935)	3,910
Increase/(decrease) in policy liabilities	8,133	(49,083)

	31 March 2010 Unaudited \$000	30 September 2009 Audited \$000	31 March 2009 Unaudited \$000
7. LIFE INSURANCE AND INVESTMENT CONTRACT LIABILITIES			
Life insurance contract liabilities	647,787	641,753	637,410
Life investment contract liabilities	33,857	32,650	29,116
Total life insurance and investment contract liabilities	681,644	674,403	666,526
Less: Liabilities ceded under reinsurance	(16,631)	(14,450)	(13,562)
Net life insurance and investment contract liabilities	665,013	659,953	652,964

The movement in life insurance and investment contract liabilities include movements recognised in the income statement (refer to Note 6), changes in liabilities ceded under reinsurance, deposits and withdrawals and other adjustments, which do not affect the income statement.

TOWER Limited

Notes to the Financial Statements

For the half year ended 31 March 2010

8. SEGMENTAL REPORTING

Business Segments	Health & Life	General Insurance	Investments	Other	Total
	Unaudited	Unaudited	Unaudited	Unaudited	Unaudited
	\$000	\$000	\$000	\$000	\$000
Half year ended 31 March 2010					
Underlying profit/(loss) after tax	16,943	11,877	2,046	(3,140)	27,726
Add discount rate effect ⁽¹⁾	376	-	-	-	376
Profit/(loss) for the half year	17,319	11,877	2,046	(3,140)	28,102
Revenue					
Operating revenue and realised investment gain/(loss)	128,932	96,135	18,239	(149)	243,157
Unrealised investment gain/(loss) ⁽²⁾	24,820	1,364	-	(29)	26,155
Net operating revenue	153,752	97,499	18,239	(178)	269,312
Half year ended 31 March 2009					
Underlying profit/(loss) after tax	13,800	9,442	2,306	(4,002)	21,546
Add discount rate effect ⁽¹⁾	5,078	-	-	-	5,078
Profit/(loss) for the half year	18,878	9,442	2,306	(4,002)	26,624
Revenue					
Operating revenue and realised investment gain	116,095	106,293	19,099	1,382	242,869
Unrealised investment loss ⁽²⁾	(36,285)	(2,284)	-	(511)	(39,080)
Net operating revenue	79,810	104,009	19,099	871	203,789
Segment assets					
31 March 2010 (Unaudited)	1,078,280	367,562	42,225	100,619	1,588,686
30 September 2009 (Audited)	1,065,970	388,185	56,933	79,851	1,590,939
31 March 2009 (Unaudited)	1,032,333	372,236	61,989	88,660	1,555,218

Description of segments

Health & Life includes all health, life and disability insurance services in New Zealand. General Insurance includes all general insurance services in New Zealand and the Pacific Islands. Investments includes all wealth management services in New Zealand. Other includes head office expenses, financing costs and eliminations.

Note:

⁽¹⁾ The discount rate effect, as discussed in Note 2, has been adjusted for tax and shown separately to provide a more meaningful comparison between the reported periods.

⁽²⁾ Unrealised investment gains and losses have been separately disclosed to show their impact on total revenue of the business segments.

TOWER Limited

Notes to the Financial Statements

For the half year ended 31 March 2010

	31 March 2010 Unaudited \$000	30 September 2009 Audited \$000	31 March 2009 Unaudited \$000
9. INTEREST BEARING LIABILITIES			
Bank loan	-	-	86,296
Fixed rate senior unsecured bonds	83,210	83,220	82,185
Unamortised capitalised costs	(2,926)	(3,218)	(3,238)
	80,284	80,002	165,243

Bank loan

The bank loan was fully repaid in June 2009.

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 mature on 15 April 2014.

The above total of \$80,284,000 includes \$1,451,000 of accrued interest (30 September 2009: \$1,461,000 and 31 March 2009: \$426,000). 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.

	Half year ended	
	31 March 2010 Unaudited \$000	31 March 2009 Unaudited \$000
10. NOTE TO CONSOLIDATED STATEMENT OF CASH FLOWS		
Reconciliation of profit for the period to net cash flows from operating activities		
Net profit after tax for the half year	28,102	26,624
Add/(less) non-cash items:		
Depreciation of property, plant and equipment	1,677	1,463
Amortisation of intangible assets	921	1,217
Change in insurance and life investment contract liabilities	(16,185)	(54,865)
Unrealised (gain)/loss on financial assets	(26,155)	39,080
Share based payments expense and movement in fair value of employee share option derivative	163	541
Decrease/(increase) in deferred tax	4,360	(7,566)
	(35,219)	(20,130)
Add/(less) movements in working capital (excluding the effects of exchange differences on consolidation)		
Decrease/(increase) in receivables	6,905	(3,056)
Decrease in payables	(6,392)	(5,331)
Decrease in taxation	13,400	7,047
	13,913	(1,340)
Add/(less) other items classified as investing or financing activities		
Increase/(decrease) in interest accrued	282	(533)
Net cash inflows from operating activities	7,078	4,621

11. DISTRIBUTIONS TO SHAREHOLDERS

On 25 November 2009 the Board of Directors declared a dividend for the 2009 financial year of 9 cents per share net of tax. The total amount payable was \$25,043,000 of which \$7,046,000 was paid in TOWER shares under the dividend reinvestment plan and \$17,997,000 paid in cash.

The dividend was paid on 2 February 2010.

12. SUBSEQUENT EVENTS

On 27 May 2010 the Board of Directors declared a dividend of 4 cents per share net of tax. The dividend will be paid on 2 July 2010.

TOWER Limited Accountants' Report

For the half year ended 31 March 2010



PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland, New Zealand
DX CP24073
www.pwc.com/nz
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

Accountants' Report

To the shareholders of TOWER Limited

We have reviewed the interim consolidated financial statements ("financial statements") on pages 7 to 16. The financial statements provide information about the past financial performance and cash flows of the Company and its subsidiaries (the Group), for the period ended 31 March 2010 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 12.

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 an accountants' 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.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Group as at 31 March 2010 and its financial performance and cash flows for the period ended on that date.

Accountants' responsibilities

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

Basis of opinion

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

We have reviewed the financial statements of the Group for the period ended 31 March 2010 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacities as accountants conducting this review and providers of other assurance and tax services.

Review 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 2010 and its financial performance and cash flows for the period ended on that date.

Our review was completed on 27 May 2010 and our review opinion is expressed as at that date.

Chartered Accountants

Auckland

TOWER Limited

Details of Interim Dividend and Dividend Reinvestment Plan

On 27 May 2010 the Board of Directors declared an interim dividend of 4 cents per share, net of tax, payable on 2 July 2010 (Payment Date) to all shareholders on the register at 5pm on Friday, 18 June 2010 (Record Date).

Shareholders with a New Zealand or Australian address on the Company's register were eligible to participate in the Company's Dividend Reinvestment Plan (DRP) by making an election prior to the Record Date. Ordinary shares will be issued on the Payment Date to all shareholders who elect to participate in the DRP at a strike price equal to 97.5% of the volume weighted average price of the Company's ordinary shares on the NZSX on the five trading days following the Record Date. The cash dividend that would otherwise be payable to these shareholders will be applied to pay up the issue price on the shares issued under the DRP. The shares issued under the DRP will rank equally with all existing ordinary shares of the Company.

If the shareholder is tax resident in New Zealand, the interim dividend will be fully credited with imputation credits in the ratio of 30/70 or 42.85%, being \$0.0171429 per share. TOWER will withhold resident withholding tax where applicable.

If the shareholder is not tax resident in New Zealand and holds a shareholding interest of less than 10% in TOWER, the interim dividend will be credited with imputation credits of \$0.010084 per share and a supplementary dividend of \$0.0070589 per share will be paid. The total ratio of the imputation credits and supplementary dividend is 30/70 or 42.85%. TOWER will withhold non-resident withholding tax where applicable.

If the shareholder is not tax resident in New Zealand and holds a shareholding interest of more than 10% in TOWER, the interim dividend will be fully credited with imputation credits in the ratio of 30/70 or 42.85%, being \$0.0171429 per share. TOWER will withhold non-resident withholding tax where applicable.

Shareholders with a New Zealand or Australian address on the Company's register can elect in respect of any future dividends that may be declared by TOWER:

- to participate in the DRP by completing a Participation Notice. A Participation Notice and the DRP Offer Document can be obtained by contacting the Share Registry, Computershare Investor Services; or
- to be paid cash dividends by direct credit to their nominated bank account by completing a dividend instruction form, which can also be obtained by contacting Computershare Investor Services.

TOWER Capital Limited
Financial Statements & Accountants' Report
for the half year ended 31 March 2010



TOWER Capital Limited Financial Statements

For the half year ended 31 March 2010

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TOWER Capital Limited

Statement of Comprehensive Income

For the half year ended 31 March 2010

	Note	Half year ended 31 March 2010 Unaudited \$000	Period ended 31 March 2009 Unaudited \$000
Investment revenue			
Interest income	2	4,077	161
Other income		10	-
Total investment revenue		4,087	161
Financing costs			
Interest expense		3,465	427
Amortisation of capitalised costs		293	-
Total financing costs		3,758	427
Profit/(loss) before tax		329	(266)
Income tax (expense)/credit		(99)	80
Total profit/(loss) and comprehensive income/(loss) for the period attributed to shareholders		230	(186)

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

TOWER Capital Limited

Balance Sheet


As at 31 March 2010

	Note	31 March 2010 Unaudited \$000	30 September 2009 Audited \$000	31 March 2009 Unaudited \$000
Assets				
Cash and cash equivalents		-	2	81,920
Related party receivables		83,930	83,975	-
Current tax asset	5	536	-	80
Total assets		84,466	83,977	82,000
Liabilities				
Payables		44	-	2,259
Related party payables		2,462	3,164	980
Current tax liabilities	5	-	243	-
Interest bearing liabilities	3	80,284	80,002	78,947
Deferred tax liabilities	5	878	-	-
Total liabilities		83,668	83,409	82,186
Net assets/(liabilities)		798	568	(186)
Equity				
Retained earnings/(accumulated losses)		798	568	(186)
Total equity/(deficit)		798	568	(186)

The financial statements were approved for issue by the Board on 27 May 2010.



AI (Tony) Gibbs
Chairman



John Spencer
Director

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

TOWER Capital Limited

Statement of Changes in Equity

For the half year ended 31 March 2010

	Total equity/deficit
	Retained earnings/ (accumulated losses)
	Unaudited
	\$000
Half year ended 31 March 2010	
At beginning of the half year	568
Comprehensive income for the period	
Profit for the half year	230
At end of the half year	798
Period ended 31 March 2009	
At the beginning of the period	-
Comprehensive loss for the period	
Loss for the period	(186)
At the end of the period	(186)

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

TOWER Capital Limited

Statement of Cash Flows

For the half year ended 31 March 2010

	Note	Half year ended 31 March 2010 Unaudited \$000	Period ended 31 March 2009 Unaudited \$000
Cash flows from operating activities			
Interest received		4,122	161
Interest paid		(3,477)	-
Net cash inflow from operating activities	4	645	161
Cash flows from investing activities			
Net advances to related parties		(647)	-
Net cash outflow from investing activities		(647)	-
Cash flows from financing activities			
Proceeds from issue of fixed rate senior unsecured bonds		-	81,759
Net cash inflow from financing activities		-	81,759
Net (decrease)/increase in cash and cash equivalents		(2)	81,920
Cash and cash equivalents at the beginning of the period		2	-
Cash and cash equivalents at the end of the period		-	81,920

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

TOWER Capital Limited

Notes to the Financial Statements

For the half year ended 31 March 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Entities reporting

The interim financial statements presented are those of TOWER Capital Limited ('the Company').

Statutory base

TOWER Capital Limited was incorporated on 18 December 2008. The Company is domiciled in New Zealand, registered under the Companies Act 1993 and issues debt instruments that are listed on the New Zealand Debt Securities Market. 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 2009, which have been prepared in accordance with International Financial Reporting Standards, and New Zealand equivalents to International Financial Reporting Standards.

The interim financial statements were approved by the Board of Directors on 27 May 2010.

The interim financial statements for the six months ended 31 March 2010 are unaudited.

Accounting policies

The principal accounting policies adopted in the preparation of the interim financial statements are consistent with those of the audited annual financial statements as at 30 September 2009.

	Half year ended 31 March 2010 Unaudited \$000	Period ended 31 March 2009 Unaudited \$000
2. INTEREST INCOME		
Interest income - external	-	161
Interest income - TOWER Group Companies	4,077	-
Total interest income	4,077	161

	31 March 2010 Unaudited \$000	30 September 2009 Audited \$000	31 March 2009 Unaudited \$000
	Note		
3. INTEREST BEARING LIABILITIES			
Fixed rate senior unsecured bonds	83,210	83,220	82,185
Unamortised capitalised costs	(2,926)	(3,218)	(3,238)
	80,284	80,002	78,947

Fixed rate senior unsecured bonds

On 24 March 2009, the Company issued \$81,759,000 of fixed rate senior unsecured bonds, bearing a fixed interest rate of 8.5% per annum. The bonds mature on 15 April 2014.

The above total of \$80,284,000 includes \$1,451,000 of accrued interest (30 September 2009: \$1,461,000 and 31 March 2009: \$426,000). The Company 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.

TOWER Capital Limited

Notes to the Financial Statements

For the half year ended 31 March 2010

	Half year ended	Period ended
	31 March 2010	31 March 2009
	Unaudited	Unaudited
	\$000	\$000
4. NOTE TO STATEMENT OF CASH FLOWS		
Reconciliation of profit/(loss) for the period to net cash flows from operating activities		
Net profit/(loss) after tax for the period	230	(186)
Add/(less) movements in working capital		
Decrease in related party receivables	45	-
Increase in related party payables	(11)	-
Increase/(decrease) in taxation	99	(80)
	133	(80)
Add other items classified as investing or financing activities		
Interest on borrowings	282	427
Net cash inflow from operating activities	645	161

5. TAXATION

As at 31 March 2010, the Company recorded a current tax asset representing the benefit of tax losses incurred to date, and a deferred tax liability in respect of the bond issue costs.

6. SEGMENTAL REPORTING

TOWER Capital Limited operates in one single business class having undertaken a bond issue to raise funds for use in operations of TOWER Group. The Company operates predominately in one geographical segment, New Zealand. Consequently no segmental information is required.

TOWER Capital Limited Accountants' Report

For the half year ended 31 March 2010



PricewaterhouseCoopers
188 Quay Street
Private Bag 92162
Auckland, New Zealand
DX CP24073
www.pwc.com/nz
Telephone +64 9 355 8000
Facsimile +64 9 355 8001

Accountants' Report

To the shareholders of TOWER Capital Limited

We have reviewed the interim financial statements ("financial statements") on pages 21 to 26. The financial statements provide information about the past financial performance and cash flows of the Company, for the period ended 31 March 2010 and its financial position as at that date. This information is stated in accordance with the accounting policies set out on page 25.

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 an accountants' 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.

Directors' responsibilities

The Company's Directors are responsible for the preparation and presentation of the financial statements that present fairly the financial position of the Company as at 31 March 2010 and its financial performance and cash flows for the period ended on that date.

Accountants' responsibilities

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

Basis of opinion

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

We have reviewed the financial statements of the Company for the period ended 31 March 2010 in accordance with the Review Engagement Standards issued by the New Zealand Institute of Chartered Accountants.

We have no relationship with or interests in the Company or any of its subsidiaries other than in our capacities as accountants conducting this review and providers of other assurance services.

Review 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 Company as at 31 March 2010 and its financial performance and cash flows for the period ended on that date.

Our review was completed on 27 May 2010 and our review opinion is expressed as at that date.

Chartered Accountants

Auckland

2010 TOWER Directory

BOARD OF DIRECTORS

Al (Tony) Gibbs CNZM (Chairman)
Rob Flannagan (Group Managing Director)
Bill Falconer CNZM
Mike Jefferies
John Spencer
Susie Staley
Denis Wood

GROUP CHIEF FINANCIAL OFFICER

Eric O'Sullivan

COMPANY SECRETARY

Bronwyn Walsh

REGISTERED OFFICE

Level 11
TOWER Centre
22 Fanshawe Street
PO Box 90347
Auckland
Telephone: +64 9 369 2000
Facsimile: +64 9 369 2160

AUDITOR

PricewaterhouseCoopers

BANKERS

ANZ National Bank Limited

SOLICITORS

DLA Phillips Fox

GENERAL ENQUIRIES

TOWER Insurance Limited

Telephone: +64 9 369 2000
Freephone: 0800 808 808
Facsimile: +64 9 369 2245
Website: www.tower.co.nz

TOWER Health & Life Limited

Telephone: +64 9 369 2000
Freephone: 0800 808 808
Facsimile: +64 9 369 2040
Website: www.tower.co.nz

TOWER Investments Limited

Telephone: +64 9 369 2000
Freephone: 0800 808 808
Facsimile: +64 9 369 2128
Website: www.tower.co.nz

INVESTOR RELATIONS

For investor relations enquiries email
investor:relations@tower.co.nz

COMPANY NUMBERS

TOWER Limited (Incorporated in New Zealand)

NZ Incorporation 979635
ARBN 088 481 234

TOWER Capital Limited

NZ Incorporation 2198245

INVESTOR ENQUIRIES

New Zealand

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road,
Takapuna, North Shore
Private Bag 92119
Auckland 1142

Freephone within New Zealand:
0800 222 065

Telephone New Zealand:
+64 9 488 8777

Facsimile New Zealand:
+64 9 488 8787

Australia (TOWER Limited Shareholders)

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067
GPO Box 2975EE
Melbourne Vic 3000

Freephone within Australia:
1800 501 366

Telephone Australia:
+61 3 9415 4083

Facsimile Australia:
+61 3 9473 2500

Email: enquiry@computershare.co.nz

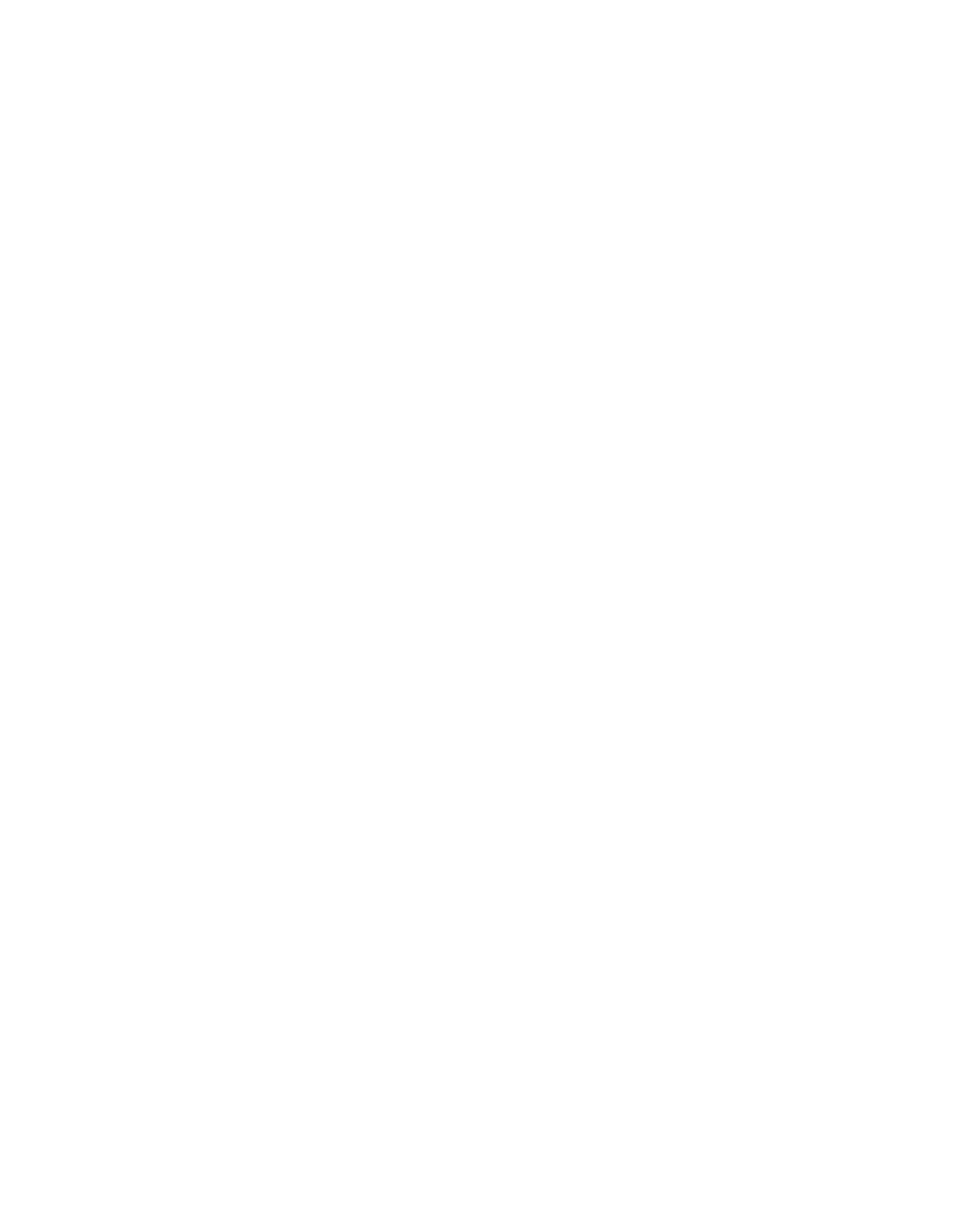
Website:
www.computershare.co.nz/investorcentre

You can also manage your
holdings electronically by using
Computershare's secure website
www.computershare.co.nz/investorcentre

This website enables holders to view balances,
change addresses, view payment and tax
information and update payment instruction
and report options.

TOWER recommends shareholders elect to
have any payments direct credited to their
nominated bank account in New Zealand
or Australia to minimise the risk of fraud
and misplacement of cheques. Bondholders
payments are made in New Zealand dollars
only and TOWER also recommends that all
interest payments are direct credited to your
nominated bank account in New Zealand.

Please quote your CSN number or
shareholder number when contacting
Computershare.





TOWER Limited & TOWER Capital Limited

Telephone: +64 9 369 2000

Facsimile: +64 9 369 2160

Email: investorrelations@tower.co.nz

Website: www.towerlimited.com

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 4083

Email: enquiry@computershare.co.nz

Website: www.computershare.co.nz/investorcentre