

# TOWER Limited

## Value and Capital Analysis Year Ended 30 September 2007

Supplementary information containing unaudited data in respect of the year ended 30 September 2007.

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# TOWER Group and Business Unit Results

30-Sep-07 NZ\$ millions	Health and Life	General Ins	Investments	Holdings Companies	Group
Business unit operating earnings	25.7	9.6	11.8	(0.8)	46.3
Corporate expenses				(6.4)	(6.4)
Intercompany Investment Income		1.1			1.1
Investment returns on Shareholder Funds	4.2	11.3	0.3	3.0	18.8
Finance Costs				(5.6)	(5.6)
<b>Profit Before Taxation</b>	<b>29.9</b>	<b>22.0</b>	<b>12.1</b>	<b>(9.8)</b>	<b>54.2</b>
Tax expense	(7.2)	(9.6)	(4.5)	1.7	(19.6)
<b>Profit After Taxation on Continuing Operations</b>	<b>22.7</b>	<b>12.4</b>	<b>7.6</b>	<b>(8.1)</b>	<b>34.6</b>
Profit from Discontinued Operations	(0.4)	(0.1)	(0.3)	198.8	198.0
<b>Profit After Taxation</b>	<b>22.3</b>	<b>12.3</b>	<b>7.3</b>	<b>190.8</b>	<b>232.6</b>

## Investment Returns by Business

Investment Returns on SHF (Pre tax & Inclusive of Intercompany Investment Income)	4.2	12.4**	0.3*	3.0	19.9
Shareholder Investment Assets	70.0	163.6	0.3	60.5	294.4
Pre Tax Return	6.0%	7.6%	100.0%	5.0%	6.8%

\*Relates to items classified as Other Investment Income more akin to Sundry Income

# Carrying Value

## Shareholder Funds

<b>Assets backing Shareholder Capital 30-Sep-07 NZ\$ millions</b>	<b>Health and Life</b>	<b>General Ins</b>	<b>Investments</b>	<b>Holdings Companies</b>	<b>Group</b>
Fixed Interest	128.4	176.2	1.3	57.2	344.6
Equity	2.0	38.5		3.2	43.7
Property	13.6	11.0			24.7
Eliminate TOWER Life (NZ) Investment in TI		(29.9)			(29.9)
<b>Shareholder Investment Assets in excess of Policyholder Liabilities</b>	<b>125.5</b>	<b>195.7</b>	<b>1.3</b>	<b>60.5</b>	<b>383.1</b>
Deferred Acquisition Costs	27.9	13.0	10.6		51.6
Net Operational Assets/(Liabilities)	(38.4)	(125.6)	8.2	20.8	(116.5)
<b>Net Tangible Assets Backing Shareholders Capital</b>	<b>133.5</b>	<b>83.2</b>	<b>20.2</b>	<b>81.3</b>	<b>318.2</b>
Excess of Market Value over Net Tangible Assets – Goodwill	13.07	17.7		(87.1)	30.8
External Debt					(87.1)
<b>Total Equity Attributable to Shareholders</b>	<b>146.6</b>	<b>100.9</b>	<b>20.2</b>	<b>(5.9)</b>	<b>261.9</b>

# Appraisal Value

30-Sep-07 NZ\$ millions	Health and Life	General Ins	Investments	Holdings Companies	Group
Net Worth	23.7				23.7
Value of In-force business	148.4				148.4
<b>Embedded Value</b>	<b>172.1</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>172.1</b>
Value of 1 years new business	3.6				3.6
Value of Future new business	14.6				14.6
<b>Appraisal Value (Enterprise Value)</b>	<b>186.7</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>186.7</b>
Fair Value of Net Tangible Assets	74.1	172.9	20.2	81.3	348.5
Eliminate TOWER Life (NZ) Investment in TOWER Investments		(29.9)			(29.9)
External Debt				(87.1)	(87.1)
<b>Appraisal Value</b>	<b>260.8</b>	<b>143.0</b>	<b>20.2</b>	<b>(5.8)</b>	<b>418.2</b>

# Carrying Value / Appraisal Value

NZ\$ millions	As at 30-Sep-07		As at 31-Mar-07	
	Carrying Value	Appraisal Value	Carrying Value	Appraisal Value
<b>Health &amp; Life</b>				
TOWER Health & Life	81.2	114.1	76.3	138.1
TOWER Medical	32.0	74.1	30.0	69.4
TOWER Life (NZ)	33.4	72.5	29.9	64.0
	<b>146.6</b>	<b>260.7</b>	<b>136.2</b>	<b>271.5</b>
<b>General Insurance</b>				
TOWER Insurance	130.9	172.9	122.0	164.5
Eliminate TOWER Life (NZ) Investment in TOWER Insurance	(29.9)	(29.9)	(29.4)	(29.4)
	<b>100.9</b>	<b>143.0</b>	<b>92.6</b>	<b>135.1</b>
<b>Investment Business</b>				
TOWER Asset Management	5.7	5.7	4.2	4.2
TOWER Managed Funds	14.5	14.5	12.2	12.2
	<b>20.2</b>	<b>20.2</b>	<b>16.4</b>	<b>16.4</b>
<b>Other</b>				
TOWER Group Head Office, Holding Companies	81.3	81.3	83.9	83.9
	(87.1)	(87.1)	(87.0)	(87.0)
<b>Total Capital Employed</b>	<b>261.9</b>	<b>418.1</b>	<b>242.1</b>	<b>419.9</b>

# Life Insurance Profit Summary

NZ\$ millions	Six months ended 30-Sep-07	Six months ended 31-Mar-07
<b>Life Insurance Operating Earnings</b>		
Planned Profits	9.5	7.3
Experience Profit (Loss)	(1.4)	1.3
Capitalised Loss (Recognition) Reversal	(0.1)	0.0
<b>Operating Earnings from Life</b>	<b>8.0</b>	<b>8.7</b>
Earnings from Health	1.7	3.1
<b>Total Operating Earnings (Net of Tax)</b>	<b>9.7</b>	<b>11.8</b>
Net Investment Return on Shareholders Funds	1.3	1.3
Discount Rate Changes	(0.7)	(0.7)
Profit from Discontinued Operations	(0.4)	0.0
<b>Profit After Taxation</b>	<b>9.9</b>	<b>12.4</b>

# Change in Embedded Value

NZ\$ millions	TOWER Life (NZ)	TOWER Health & Life
<b>Embedded Value as at 30 September 2006</b>	<b>64.2</b>	<b>92.9</b>
Expected Increase in Value of In-Force	5.3	9.7
Earnings on Net Worth	0.5	0.3
Experience:		
- Investment Earnings	(0.5)	0.0
- Other	0.6	(2.2)
Changes in Assumptions:		
- Discount Rate	(1.8)	(2.8)
- Investment Earnings	0.4	4.1
- Other	2.8	(2.2)
Value from New Business	1.8	(0.2)
Miscellaneous:		
- Transfers/Distributions	(6.8)	0.0
- Other	(0.1)	6.2
<b>Embedded Value as at 30 September 2007</b>	<b>66.4</b>	<b>105.8</b>

# Change in Value of One Year's New Business

NZ\$ millions	TOWER Life (NZ)	TOWER Health & Life
<b>Value of One Year's New Business as at 30 September 2006</b>	<b>1.0</b>	<b>7.6</b>
Change in One Year's Volumes and Mix of Business	0.5	0.3
Changes in Assumptions:		
- Discount Rate	0.0	(0.7)
- Investment Earnings/Inflation	0.0	0.0
- Expenses	0.0	(3.2)
- Commissions	0.0	(1.2)
- New Products	0.0	0.0
- Other	0.0	(0.7)
<b>Value of One Year's New Business as at 30 September 2007</b>	<b>1.5</b>	<b>2.1</b>

# Embedded Value and Value of One Year's New Business

## Embedded Value and Value of One Year's New Business

NZ\$ millions	30-Sep-07		31-Mar-07	
	TOWER Life (NZ)	TOWER Health & Life	TOWER Life (NZ)	TOWER Health & Life
Net Worth	17.9	5.8	16.5	7.2
Value of In-force Business	48.5	99.9	43.4	99.4
<b>Embedded Value</b>	<b>66.4</b>	<b>105.7</b>	<b>59.9</b>	<b>106.6</b>
<b>Value of One Year's New Business</b>	<b>1.5</b>	<b>2.1</b>	<b>1.0</b>	<b>7.9</b>