

DIRECTORS' REPORT

The Directors of TOWER Australia Group Limited ('TOWER Australia', the Company) submit their Report, together with the Financial Report of the consolidated entity for the financial year ended 30 September 2008 ('the financial year'). The consolidated entity consists of TOWER Australia and the entities it controlled at the end of, or during, the financial year ('the Group').

COMPANY INFORMATION

TOWER Australia was incorporated in New South Wales on 28 October 1987 and its shares were admitted to the official list of the Australian Securities Exchange for quotation on 21 November 2006. The registered office for TOWER Australia is located at 80 Alfred Street, Milsons Point NSW 2061.

DIRECTORS' DETAILS

The names and details of the TOWER Australia Directors who are holding office as at the date of this Report or have held office during the financial year are:

Current Directors	Former Directors
Robert Thomas	Michael Jefferies
Donald Findlater	John Spencer
Peter Lewinsky	Gary Weiss
Ralph Pliner	
Elana Rubin	
Jim Minto	
Former Alternate Director	
Anthony Eisen	

The biographies for both current and former Directors of TOWER Australia are detailed below. Each Director was in office for the entire period unless otherwise stated above.

CURRENT DIRECTORS

ROBERT THOMAS

BEC, FSIA, MSDIA
Independent non-executive Director
Chairman

Mr Thomas was appointed to the TOWER Australia Board on 21 August 2007 and is the Chairman of the Company as well as the Chairman of the Remuneration and Nominations Committee and a member of the Investment Committee.

Mr Thomas has in excess of 30 years experience in the investment and securities industry. He was CEO and subsequently Chairman of Citigroup Australia and New Zealand Corporate and Investment Bank from the late 1990's until his retirement in 2004. Mr Thomas is Chairman of the Securities and Derivatives Industry Association and President of the Library Council of New South Wales.

Mr Thomas is presently the non-executive Chairman of Heartware Limited, a Director of TOWER Australia Limited and a non-executive Director of Virgin Blue Holdings Limited.

DONALD FINDLATER

BCom, ACA
Independent non-executive Director

Mr Findlater was appointed to the TOWER Australia Board on 7 July 2008 and is a member of the Audit, Compliance and Risk Management Committee.

Mr Findlater has over 40 years of professional audit, accounting and advisory experience with a wide range of Australian financial institutions. He was a partner with KPMG from 1 July 1981 to 4 July 2008 having joined the company's predecessor firm, Peat Marwick Mitchell in 1968. Throughout his career at KPMG, Mr Findlater was the APRA approved auditor for a significant number of life and general insurance companies.

Mr Findlater is presently a non-executive Director of Elders Financial Services Group Pty Limited, Elders Trustees Limited, Elders Insurance Limited and Elders Insurance Agencies Pty Limited and a Director of TOWER Australia Limited.

PETER LEWINSKY

BEC, MBA, FCA, SF Fin
Independent non-executive Director

Mr Lewinsky was appointed to the TOWER Australia Board on 19 December 2006 and is the Chairman of the Audit, Compliance and Risk Management Committee and a member of the Remuneration and Nominations Committee.

Mr Lewinsky has been a private consultant to Australian businesses since 1991 and has also provided commercial and management advice to the Victorian, South Australian and Federal Governments. He is presently a non-executive Director and Chairman of the Audit Committee of Redflex Holdings Limited, Chairman of the Audit Committee of the Victorian Government's Department of Primary Industries, and a Director of TOWER Australia Limited. He is also a Board member of a number of not-for-profit organisations in an honorary capacity.

RALPH PLINER

BCom, LLB, LLM (First Class Honours, Cambridge University, UK)
Independent non-executive Director

Mr Pliner was appointed to the TOWER Australia Board on 19 December 2006 and is a member of the Audit, Compliance and Risk Management Committee and the Remuneration and Nominations Committee.

Mr Pliner has been a senior corporate partner of the international law firm Baker & McKenzie, a financial journalist in South Africa and a lecturer in law at Melbourne University. He has been involved in a wide range of corporate, merger and acquisition transactions and has also advised a number of Boards of public listed companies on a wide range of issues.

Mr Pliner is presently the non-executive Chairman of Clean TeQ Holdings and a Director of TOWER Australia Limited, Australian Char Pty Limited, Saipem Australia Pty Limited and Herzog Services Australia Pty Limited, Limited. He is a facilitator for the Australian Institute of Company Directors in Sydney on Directors duties in the Directors Course.

ELANA RUBIN

MA, BA (Hons), FAICD, FFIM, FAIM
Independent non-executive Director

Ms Rubin was appointed to the TOWER Australia Board on 30 November 2007 and is Chair of the Investment Committee and a member of the Audit, Compliance and Risk Management Committee.

Ms Rubin has extensive experience in the superannuation, investments and infrastructure sectors. She is presently Chair of AustralianSuper and the Victorian WorkCover Authority and a non-executive Director of the Transport Accident Commission and Industry Super Property Trust and a Director of TOWER Australia Limited. She was previously a non-executive Director of Bravura Solutions.

JIM MINTO

CA
Managing Director

Jim Minto was appointed as the Managing Director of TOWER Australia in November 2006 and is a member of the Company's Investment Committee and a Director of TOWER Australia Limited. He was previously Group Managing Director of TOWER Limited, overseeing the trans-Tasman TOWER businesses and reporting to the TOWER Limited Board.

A Chartered Accountant, Mr Minto has held a number of other directorships and appointments and has been active in industry bodies throughout his career.

Mr Minto joined TOWER Limited in 1988 in New Zealand, as head of the Group's Trust business and led several other TOWER businesses in New Zealand (including Managed Funds and Health & Life) before taking on the role of Chief Executive Officer of TOWER New Zealand in early 2002. He left the New Zealand business in November 2002 to take up the role of Chief Executive Officer of TOWER Australia and then in March 2005, he was appointed Chief Executive Officer of the trans-Tasman TOWER Limited Group.

COMPANY SECRETARIES

PHILIPPA ELLIS

BSc, BCom, ACIS

Mrs Ellis was appointed as Listed Company Secretary of TOWER Australia in November 2006 following the separation of the Australian and New Zealand businesses of TOWER Limited Group. She had previously been General Manager Investor Relations and Company Secretary of TOWER Limited.

Mrs Ellis has over 30 years experience in financial services, working in New Zealand, the United Kingdom and Australia.

PAULINE PYERS

BA, LLB, LLM, GradDip AppCorpGov, ACIS

Ms Pyers was appointed alternate Listed Company Secretary of TOWER Australia and Company Secretary of the TOWER Australia Group subsidiary companies in November 2007. She is an associate member of Chartered Secretaries Australia, a barrister and solicitor of the Supreme Court of Victoria and holds a current practising certificate in New South Wales.

FORMER DIRECTORS

MICHAEL JEFFERIES

BCom, CA

Non-executive Director
(Resigned 8 August 2008)

Mr Jefferies was appointed to the TOWER Australia Board on 8 August 2006 prior to the separation of the Australian and New Zealand businesses of TOWER Limited in November 2006. Mr Jefferies was the Deputy Chairman of TOWER Australia and a member of the Investment Committee and of the Remuneration and Nominations Committee.

JOHN SPENCER

BCom, FCA

Independent non-executive Director
(Resigned 30 November 2007)

Mr Spencer was appointed to the TOWER Australia Board on 8 August 2006 prior to the separation of the Australian and New Zealand businesses of TOWER Limited Group in November 2006 and was a member of the Audit, Compliance and Risk Management Committee.

DR GARY WEISS

LLB (Hons), LLM (Distinction), JSD (Cornell University, New York)

Non-executive Director
(Resigned 8 August 2008)

Dr Weiss was appointed to the TOWER Australia Board on 8 August 2006 prior to the separation of the Australian and New Zealand businesses of TOWER Limited in November 2006.

ANTHONY EISEN

BCom

Alternate Director
(Resigned 8 August 2008)

Mr Eisen was appointed as an alternate Director to Dr Weiss and Mr Jefferies on the TOWER Australia Board on 19 December 2006 and was a member of the Investment Committee.

ATTENDANCE AT BOARD AND COMMITTEE MEETINGS

Details of the attendance of the Directors at meetings of TOWER Australia (including meetings of committees of Directors) and the number of meetings attended by each Director during the financial year ended 30 September 2008 are as follows:

	Full Directors' Meetings		Audit, Compliance and Risk Management Committee		Remunerations and Nominations Committee		Investment Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
TOWER Australia Group Limited								
Robert Thomas	8	8	**	**	3	3	**	**
Michael Jefferies ¹	7	6	**	**	3	3	5	5
Donald Findlater ²	2	2	1	1	**	**	**	**
Peter Lewinsky	8	7	7	7	**	**	1	1
Ralph Pliner	8	8	7	7	3	3	**	**
John Spencer ³	2	2	2	2	**	**	**	**
Elana Rubin ⁴	6	6	5	5	**	**	4	4
Gary Weiss ⁵	7	7	**	**	**	**	**	**
Jim Minto	8	8	**	**	**	**	5	4
Anthony Eisen ⁶	1	1	**	**	**	**	5	5

** Not a member of the relevant committee.

1. Michael Jefferies resigned as a Director in August 2008.
2. Donald Findlater was appointed as a Director in July 2008.
3. John Spencer resigned as a Director in November 2007.
4. Elana Rubin was appointed as a Director in November 2007.
5. Gary Weiss resigned as a Director in August 2008.
6. Anthony Eisen resigned as an alternate Director for Michael Jefferies and Gary Weiss and as a member of the Investment Committee in August 2008.

DIRECTORS' REPORT CONTINUED

DIRECTOR SHAREHOLDINGS IN TOWER AUSTRALIA

The following table sets out the details of fully paid ordinary shares of TOWER Australia that were held by the Directors of the Company and their related parties.

Name	Number of shares held at start of financial year	Shares acquired during the year	Shares issued under Dividend Reinvestment Plan	Shares divested during the year	Number of shares held at the end of financial year
Robert Thomas	–	20,000	–	–	20,000
Peter Lewinsky	10,000	–	151	–	10,151
Ralph Pliner	–	–	–	–	–
Elana Rubin	–	15,000	–	–	15,000
Don Findlater	–	–	–	–	–
Jim Minto	10,822	–	164	–	10,986
Michael Jefferies	3,750 89,766,875 ¹	– 9,325,000 ¹	– 1,259,166 ¹	– 50,289,979 ¹	3,750 50,061,062 ¹
Gary Weiss	937 89,766,875 ¹	– 9,325,000 ¹	– 1,259,166 ¹	– 50,289,979 ¹	937 50,061,062 ¹
Anthony Eisen	–	–	–	–	–
John Spencer	6,430	–	–	–	6,430

1 Shares held by Guinness Peat Group of which Gary Weiss is a Director and Michael Jefferies is a Senior Executive.

PRINCIPAL ACTIVITIES

During the financial year ended 30 September 2008 the principal business activities of the Group were:

- the provision of life insurance services;
- funds management;
- superannuation;
- financial planning; and
- investment management.

During the 2008 financial year there were no significant changes in the nature of the Group's principal business activities.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

There were no significant changes in the state of affairs of the Group during the 2008 financial year.

REVIEW OF OPERATIONS AND RESULTS

The Group has produced a very solid result recording a profit of \$68.7 million from continuing operations for the financial year ended 30 September 2008 after the provision for income tax. This represented an increase of 69% compared with the profit of \$40.7 million reported in 2007.

Basic earnings per share for the 2008 year were 20.4 cents based on the weighted average number of shares on issue throughout the period (2007: 13.0 cents).

Total net operating revenue for the 2008 financial year was \$253.4 million including net premium revenue of \$486.1 million and investment loss of \$303.3 million.

Net claims and operating expenses for the 2008 financial year were \$188.2 million including net claims expenses of \$136.5 million and management and sales expenses of \$369.4 million.

The financial position of TOWER Australia Group Limited is strong. As at 30 September 2008, the net assets of the Group were \$599.5 million and net asset value per share was \$1.78. The gearing ratio (debt/debt + equity) was 14.2%.

TOWER Australia Limited, the main operating company of the Group has an Insurer Financial Strength Rating from Standard & Poor's of A-, positive outlook.

On 20 January 2008, the Company paid a final ordinary dividend of \$13.5 million (4 cents per fully paid share) out of retained profits as at 30 September 2008.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Information about likely developments in the operations of the Group and the expected results of those operations in future financial years have not been included in this Report. This is because the Directors believe that disclosure of this information would result in unreasonable prejudice to the Group.

MATTERS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 2 October 2008, the Group acquired the remaining 85% of the share capital of InsuranceLine Holdings Pty Limited, a distributor of life insurance products, for \$127,449,000, including \$1,247,891 of transaction costs. This brought the Group's holdings in InsuranceLine Holdings Pty Limited to 100%.

On 26 November 2008, the Company declared an ordinary fully franked dividend of \$15.766 million, being 4.5 cents per fully paid share, payable out of retained profits as at 30 September 2008.

No other matter has arisen since 30 September 2008 that has significantly affected or which may significantly affect:

- the Group's operations in future financial years; or
- results of those operations in future financial years; or
- the Group's state of affairs in future financial years.

ENVIRONMENTAL REGULATION

In the normal course of its business operations TOWER Australia is subject to a range of environmental regulations, of which there have been no material breaches during the financial year.

INDEMNIFICATION AND INSURANCE OF DIRECTORS, SECRETARY AND COMPANY OFFICERS

In accordance with TOWER Australia's Constitution and to the extent permitted under relevant law or regulations, TOWER Australia indemnifies each Director, Secretary and Company Officer and each former Director, Secretary and Company Officer, against all liabilities to another person that may arise from their position, except where the liability:

- arises out of conduct involving lack of good faith or a breach of specific or fiduciary duties;
- is a criminal liability;
- is a liability owed by those persons to TOWER Australia or a related body corporate;
- relates to costs or expenses in defending civil or criminal proceedings in which judgement is given against the Director, Secretary or Officer or which the person seeking indemnification is not acquitted; and

- relates to costs incurred in relation to an unsuccessful application for relief under the *Corporations Act 2001* ('the Act').

TOWER Australia, being the ultimate parent entity, has entered into new agreements to indemnify Directors and Officers of the Company and its related entities. No liability has arisen under these indemnities as at the date of this Report.

TOWER Australia insures the Directors of TOWER Australia and the Company Secretaries against certain liabilities incurred as Directors and Officers of the consolidated entity to the extent permitted by the Act and the TOWER Australia Constitution. The insurance obtained for Directors of the Group and the Company Secretaries is Professional Indemnity insurance and Directors and Officers insurance. The terms of the policy prohibit the disclosure of the premiums paid.

CORPORATE GOVERNANCE

The Board and management of TOWER Australia recognise their responsibilities to all of their stakeholders, including shareholders,

policyholders, employees and the community. The Corporate Governance section in the TOWER Australia Annual Report as well as the TOWER Australia website www.toweraustralia.com.au provides details on the Company's approach to corporate governance.

ROUNDING OF AMOUNTS

The Group is of a kind referred to in Class Order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the Directors' Report and Financial Report. Amounts in the Directors' Report and Financial Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

AUDITOR

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

NON-AUDIT SERVICES PROVIDED

The Group may decide to employ its auditor on assignments additional to their statutory audit duties, where the auditor's expertise and experience with the Group is important.

Details of the amounts paid or payable to the auditor for both audit and non-audit services provided during the financial year are set out below:

	Group		Company	
	2008 \$000	2007 \$000	2008 \$000	2007 \$000
Audit Services				
<i>PricewaterhouseCoopers Australian Firm</i>				
Audit and review of financial reports	1,048	1,101	237	245
Audit of APRA and ASIC regulatory returns	131	143	23	20
Audit of superannuation returns	248	270	–	–
Total remuneration for audit services	1,427	1,514	260	265
Services other than statutory audit				
<i>PricewaterhouseCoopers Australian Firm</i>				
Other audit related work	158	259	–	–
Total remuneration for non-audit services	158	259	–	–
Total remuneration	1,585	1,773	260	265

The Board, in accordance with advice received from the Audit, Compliance and Risk Management Committee, is satisfied that the provision of the non-audit services by the TOWER Australia auditor is compatible with the general standard of independence for auditors which is set out in the *Corporations Act 2001* and did not compromise the auditor independence requirements of the Act for the following reasons:

- all non-audit services have been reviewed by the Audit, Compliance and Risk Management Committee to ensure that they do not impact the impartiality and objectivity of the auditor; and
- none of the services undermine the general principles relating to auditor independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 18.

DIRECTORS' REPORT CONTINUED

REMUNERATION REPORT

The Directors of TOWER Australia present the Remuneration Report which provides an overview of the remuneration arrangements in place between the Company and its Directors and Executives and outlines the link between the rewards given to Directors and Executives and their performance. The information in the Remuneration Report has been audited and is presented as required by Section 300A of the Corporations Act. This Remuneration Report forms part of the Directors Report.

The Remuneration Report is divided into the following sections:

Part 1 – Remuneration Overview

Part 2 – Board Oversight of Remuneration

Part 3 – Non-executive Director Remuneration

Part 4 – Managing Director and Senior Executive Remuneration

Part 5 – Equity Instruments Granted as Remuneration

Part 6 – Remuneration and Company Performance

Part 7 – Total Remuneration of Directors and Executives

PART 1 – REMUNERATION OVERVIEW

1.1 Non-executive Directors

For the purpose of this report, the Non-executive Directors of TOWER Australia are set out below:

Name	Position	Commencement	Resigned
Robert Thomas	Chairman	21-Aug-07	–
Michael Jefferies	Deputy Chairman	8-Aug-06	8-Aug-08
Peter Lewinsky		19-Dec-06	–
Ralph Pliner		19-Dec-06	–
Gary Weiss		8-Aug-06	8-Aug-08
Elana Rubin		30-Nov-07	–
John Spencer		8-Aug-06	30-Nov-07
Donald Findlater		7-Jul-08	–

1.2 Managing Director and Senior Executives

Throughout this report we use the term "Senior Executives" to refer to:

- The five most highly remunerated Executives; and
- All other Executives who fall within the definition of key management personnel of the Group (being those persons who have authority and responsibility for planning, directing and controlling the activities of the Group)

For the purpose of this report, the Managing Director and Senior Executives of TOWER Australia, in accordance with section 300A(1)(c) of the Corporations Act, are set out below:

Name	Position	Commencement	Resigned
Jim Minto	Managing Director	1-Nov-06	–
John de Zwart	Chief Financial Officer	7-Jul-03	–
David Callander	CEO Retail	11-May-98	28-Mar-08
Brett Clark	CEO Retail	11-Aug-08	–
Geoff Black	CEO Group Life & Alliances	1-Apr-06	–
Gavin Pearce	CEO Investments	1-Nov-06	–
Megan Beer ¹	Acting CEO Retail	28-Mar-08	8-Aug-08

¹ Megan Beer was Acting CEO Retail from 28 March 2008 to 8 August 2008. She has now taken up a new role of Chief Risk Officer.

1.3 Remuneration

The total remuneration of Non-executive Directors, the Managing Director and Senior Executives of the Group for the year ended 30 September 2008 comprised the components listed below:

	Elements of Remuneration	Non-executive Directors	Managing Director	Senior Executives
Fixed remuneration	Fees	\$630,618	–	–
	Salary	–	\$768,173	\$1,684,177
	Superannuation	\$70,886	\$100,000	\$131,096
	Other benefits	–	\$9,055	\$484,999
At-risk remuneration	Short term incentive	–	\$748,000	\$1,219,145
	Long term incentive	–	\$591,821	\$720,938

1.4 Remuneration Paid

Details of the Non-executive Director's, Managing Director's and Senior Executives' remuneration for the year ended 30 September 2008 can be found on page 16.

1.5 Remuneration Strategy

TOWER Australia has structured its remuneration policies to attract and retain appropriately qualified and experienced Directors and Executives to manage the operations of the Group.

PART 2 – BOARD OVERSIGHT OF REMUNERATION

While the Board has ultimate oversight of TOWER Australia's remuneration policies and practices, it has established a Remuneration and Nominations Committee ('RNC') to assist in structuring policies and practices on remuneration.

The Committee is appointed and authorised by the Board to review, assess and, where necessary, to recommend to the Board policies for the appointment and remuneration of Directors and Senior Executives and related matters. Key responsibilities include:

- determining the necessary and desirable competencies of the Board to meet the needs of TOWER Australia and the requirements of its APRA regulated entities;
- reviewing the size and composition of the Board including succession plans to maintain the required balance of skills, expertise and experience on the Board;
- evaluating the performance of the Managing Director and making recommendations to the Board in relation to the evaluation made including recommendations where necessary for the termination of the Managing Director's appointment;
- monitoring, reviewing and recommending to the Board the remuneration, superannuation and incentive policies for the Managing Director and other Senior Executives who report directly to the Managing Director; and
- reviewing and monitoring the remuneration and human resource strategies in place within TOWER Australia and making recommendations to the Board on these matters as and when required.

Members of the RNC for the financial year ended 30 September 2008 were:

Name	Role	Position	Commencement	Resigned
Robert Thomas	Chairman	Independent Non-executive Director		
Michael Jefferies	Member	Non-executive Director		8-Aug-08
Ralph Pliner	Member	Independent Non-executive Director		
Peter Lewinsky	Member	Independent Non-executive Director	9-Sep-08	

A detailed summary of the responsibilities that have been delegated to the RNC by the Board are set out in a formal Board approved charter which sets out the membership, responsibilities, authority and activities of the Committee.

The charter is available on the TOWER Australia website at www.toweraustralia.com.au.

PART 3 – NON-EXECUTIVE DIRECTOR REMUNERATION

This section sets out the remuneration basis for TOWER Australia's Non-Executive Directors for the financial year ended 30 September 2008.

3.1 Principles used by the Company to determine the nature and amount of remuneration

Fees and payments made to Non-executive Directors by TOWER Australia reflect the demands which are made on the Non-executive Director, as well as the responsibilities that they have been given. Fees and payments are reviewed annually by the Board based on recommendations received from the RNC, who are responsible for the monitoring, reviewing and recommending to the Board the remuneration framework for the Non-executive Directors. The RNC considers external advice on matters relating to remuneration and also considers fees paid to other Non-executive Directors of comparable companies.

TOWER Australia's Non-executive Directors do not receive any performance/incentive payments and are not eligible to participate in TOWER Australia's incentive arrangements.

DIRECTORS' REPORT CONTINUED

3.2 Components of Non-executive Remuneration

TOWER Australia's Non-executive Directors are remunerated for their services from the maximum aggregate amount of \$900,000, approved by shareholders at a special meeting on 6 November 2006 for that purpose.

The following table sets out the fees that are paid to the Non-executive Directors of TOWER Australia:

From 1 October 2007 to 30 September 2008

Base Fees	
Chairman	\$160,000
Other Non-executive Directors	\$85,000
Additional Fees	
Audit, Compliance and Risk Management Committee – Chairman	\$35,000
Audit, Compliance and Risk Management Committee – member	\$20,000
Remunerations and Nominations Committee – Chairman	\$7,500
Remunerations and Nominations Committee – member	\$5,000
Investment Committee – Chairman	\$15,000
Investment Committee – member	\$7,500

Superannuation benefits are made on behalf of Non-executive Directors at a rate of 9%, which satisfies TOWER Australia's statutory superannuation obligations, however no additional benefits are paid to Non-executive Directors upon their retirement from office.

PART 4 – MANAGING DIRECTOR AND SENIOR EXECUTIVE REMUNERATION

This section provides information on the remuneration of the Managing Director, Jim Minto, and the key management personnel who have authority and responsibility for planning, directing and controlling the activities of the Group for the financial year ended 30 September 2008 ('collectively the Senior Executives').

4.1 Principles Behind TOWER Australia's Senior Executive Remuneration

The principles underlying TOWER Australia's Senior Executive remuneration framework are based on clearly structured, balanced and transparent rewards and incentives that work to drive heightened levels of individual, business unit⁽¹⁾ and Group performance. Performance is based on achieving outcomes that meet or exceed the Group's business objectives, demonstrate the Group's core values and increases the Company's shareholder returns.

TOWER Australia's Senior Executive remuneration philosophy provides remuneration packages that allow for market conditions and recognise the qualities and value that an individual employee brings to their role. By adopting a robust and strategic approach to remuneration, TOWER Australia aims to attract and retain top executive talent.

TOWER Australia's primary objective is to ensure that rewards paid for performance are competitive and appropriate for the results that are delivered. In remunerating its Senior Executives, TOWER Australia structures remuneration packages to provide an appropriate mix of fixed and performance based variable pay components. Short term and long term performance incentives are incorporated into remuneration packages with each component tailored to each specific individual role. While TOWER Australia provides a fixed remuneration component reflecting each individual's experience, capability and responsibility, it is the performance-based remuneration components that are viewed as essential drivers of TOWER Australia's performance.

4.2 Senior Executive Remuneration Benchmarking and Positioning

Senior Executive remuneration is benchmarked annually against detailed market data provided by Mercer Human Resource Consulting (Mercer). Mercer is an international consulting firm that provide data and advice on remuneration trends, policies and design. All Executive roles are evaluated and benchmarked in October each year. TOWER Australia seeks to position its Executive salaries competitively, with the market median used as a minimum measure.

4.3 Senior Executive Service Agreements

The remuneration and other terms of employment for the Senior Executives are formalised in a service agreement in the form of a letter of appointment.

Major provisions of the agreements relating to remuneration are as follows:

Duration of Contract

Under the terms of the service agreement, Senior Executives continue to be employed until their employment is terminated.

(1) Business units – TOWER Australia's corporate structure is split along product and operational lines into business units representing Retail Life, Group Life and Alliances, and Investments.

Notice Periods and Payments on Termination

The amount of notice required to be given by each Senior Executive is set out in the following table:

Notice Requirements			
Name	Term	Notice Period – For Senior Executives giving notice	Notice Period – For the Company giving notice
Jim Minto	Ongoing	Six months notice	Six months notice of intention to terminate is required and as per the employment contract an additional 52 week payment is payable in the case of redundancy.
John de Zwart	Ongoing	Six months notice	Six months notice of intention to terminate is required and in the case of redundancy, prevailing company policy provision will apply over and above the contractual notice period up to an additional maximum of 52 weeks inclusive of the notice.
Brett Clark	Ongoing	Six months notice	Six months notice of intention to terminate is required and in the case of redundancy, prevailing company policy provision will apply over and above the contractual notice period up to an additional maximum of 52 weeks inclusive of the notice.
Geoff Black	Ongoing	Six months notice	24 months notice of intention to terminate is required. This notice is inclusive of redundancy payments payable.
Gavin Pearce	Ongoing	Six months notice	Six months notice of intention to terminate is required and in the case of redundancy, prevailing company policy provision will apply over and above the contractual notice period up to an additional maximum of 52 weeks inclusive of the notice.
Megan Beer	Ongoing	Three months notice	Three months notice of intention to terminate is required and in the case of redundancy, prevailing company policy provision will apply over and above the contractual notice period up to an additional maximum of 52 weeks inclusive of the notice.

Restraint of Trade Clauses

In order to protect TOWER Australia's business interests, upon termination of employment for any reason the Senior Executives are:

- prohibited from engaging in any activity that would compete with TOWER Australia for a period of six months; and
- prohibited from soliciting any employees or clients of TOWER Australia for a period of 12 months

4.4 The Components of Senior Executive Total Remuneration

Senior Executive total remuneration (Total Remuneration) is made up of three components:

- Total Fixed Remuneration (TFR);
- Short Term Incentives (STI); and
- Long Term Incentive (LTI).

The relative proportion of remuneration paid to each Senior Executive in 2008 on a cash paid basis is outlined below:

Name	Total Fixed Remuneration	Performance-based Remuneration		Total
		Short Term Incentive	Long Term Incentive	
Jim Minto	40%	34%	27%	100%
John De Zwart	42%	36%	22%	100%
David Callander ¹	78%	18%	4%	100%
Brett Clark ²	100%	0%	0%	100%
Geoff Black	43%	39%	18%	100%
Gavin Pearce	50%	27%	23%	100%
Megan Beer ³	79%	0%	21%	100%

1 David Callander resigned as CEO Retail effective 28 March 2008. His remuneration reflects the amounts paid from 30 September 2007 to 28 March 2008.

2 Brett Clark was appointed as CEO Retail on 11 August 2008. His remuneration reflects the amounts paid from 11 August 2008 to 30 September 2008 and does not include any bonus payable for the 2008 year. Share Options and Performance share were granted on 30 September 2008 therefore no cost was incurred during 2008.

3 Megan Beer was Acting CEO Retail from 28 March 2008 to 8 August 2008. Her remuneration reflects the amounts paid during this period only and does not include any bonus payable for the 2008 year.

DIRECTORS' REPORT CONTINUED

4.4.1 Total Fixed Remuneration (TFR)

TFR includes a base salary, set benefits and employer superannuation. Benefits that are provided to Senior Executives include car parking (for direct reports to the Managing Director), mobile phone, Death/Total Permanent Disability and Salary Continuance Insurance.

4.4.2 Short Term Incentives (STI)

The STI component of Senior Executive remuneration in the 2008 financial year relates to cash paid during the year in respect of 2007 performance. At the date of this report the STI entitlement in respect of 2008 had not been finalised or approved by the Board.

Senior Executives participate in TOWER Australia's Annual Incentive Program (AIP) in which all TOWER Australia employees participate. The AIP provides for a cash bonus to be paid on the achievement of predetermined personal and business goals. For Senior Executives who report directly to the Managing Director the target incentive under the AIP is set at 50% of TFR, for other Executives the target is set at 30% of TFR. The Managing Director has a higher proportion of 'at risk' remuneration, with an STI target set at 80% of TFR.

Each Senior Executive is set clear company, business unit and individual performance targets and objectives.

At a Group level the performance measures are based on the underlying profit of TOWER Australia. The underlying profit represents TOWER Australia's consolidated net profit after tax adjusted for non-cash items.

At a minimum the Group performance based STI component for Senior Executives represents 20% of STI payable but can be as high as 50%.

At a business unit level performance measures reflect the primary business drivers and measures of each particular Senior Executive's business unit. Such measures include inforce premium growth, operating margin improvement and net fund flow growth. Generally, this component represents 30% of STI payable.

Individual or Personal performance targets are also set for each Senior Executive by the Managing Director and approved by the Remuneration Committee. They represent 50% of STI payable. Personal performance targets include the delivery of key initiatives or change programs, service standards, employee retention, risk management and compliance.

Calculation and approval of Short Term Incentives

For Senior Executives, AIP bonuses are paid annually, and only upon the achievement of the agreed performance objectives.

The Managing Director is responsible for assessing performance of each Senior Executive, and for recommending the total STI to be paid. Recommendations are based on actual Group and business unit performance against target and the delivery of personal objectives.

The Managing Director may also recommend STI payments over and above target bonus amounts for exceptional performance.

The Managing Director's recommendations are then presented to the RNC for consideration and recommendations are made to the Board for approval. It is only when Board approval has been obtained that STI payments are made. A record of STI payment calculations and approvals are retained on individual employee files and are reflected in Board Minutes.

4.4.3 Long Term Incentives (LTI)

TOWER Australia has adopted the TOWER Executive Share and Option Plan (the Plan) which allows the Company to grant options over shares and issue shares to eligible Executives of the Group.

PART 5 – EQUITY INSTRUMENTS GRANTED AS REMUNERATION

Overview of the TOWER Executive Share and Option Plan

TOWER Australia's long-term incentive arrangements are designed to encourage a focus on long term results and Executive retention. The Options and Performance Shares issued under the Plan are used to align the economic interests of the Executives with those of the stakeholders. Participation is limited to those Executives who directly make a significant impact on TOWER Australia's financial results.

Under the Plan, eligible Executives are granted Options or Performance Shares based on performance criteria which have been determined by the Board. These performance criteria are required to be satisfied before the eligible Executive will be entitled to exercise the Options or become beneficially entitled to the Performance Shares. Options granted under this Plan will only vest if performance conditions are met.

There are a number of events that may cause Options to lapse under the Plan, including:

- where the eligible Executive ceases to be employed by TOWER Australia as defined in the Plan Rules;
- on the expiration of the exercise period;
- where the eligible Executive has acted fraudulently or is in breach of the duties that they owe to TOWER Australia; or
- where the Board has determined that the performance criteria has not been met.

In addition, Performance Shares that are issued to eligible Executives as a part of the Plan will be forfeited if:

- the eligible Executive is dismissed or ceases to be employed by TOWER Australia as defined in the Plan Rules; or
- the Board believes the eligible Executive has acted fraudulently, dishonestly, is in serious breach of a duty to TOWER Australia or its related entities or commits any act of harassment or discrimination; or
- the Board believes that the eligible Executive has brought TOWER Australia or its related entities into serious disrepute.

Performance Hurdles

The Board may, at its absolute discretion, in relation to an offer to be made to an eligible Executive, prescribe the performance criteria that must be satisfied before the eligible Executive will be entitled to exercise the Options or become beneficially entitled to the Performance Shares.

The performance hurdles for Option Tranches 1, 2, 3 and 4 were satisfied as part of the separation of TOWER Limited and TOWER Australia Group Limited in November 2006.

The Option tranches that have been granted after the separation all contain performance hurdles that require achieving a three year straight line

progressive growth in TOWER Australia Group Limited's underlying profit. The underlying profit represents TOWER Australia's consolidated net profit after tax adjusted for non-cash items.

Performance Hurdles for Option Tranches 5, 6, 7 and 8:

The Options will only vest if the three year straight line progressive growth in TOWER Australia Group Limited's underlying profit (i.e. consolidated net profit after tax adjusted for non-cash items) for the period up to 30 September 2009, from a starting point of A\$33,000,000 is:

- (a) 100% or more then all the Options will vest;
- (b) 30% then 25% of the Options will vest and the remaining options will lapse immediately;
- (c) more than 30% but less than 100% then that number of Options calculated pro rata against the number of Options in (a) and (b) will vest and the remaining Options will lapse immediately; or
- (d) less than 30% then all the Options will lapse immediately.

Performance Hurdles for Options Tranche 9:

The Options will only vest if the three year straight line progressive growth in TOWER Australia Group Limited's underlying profit (ie consolidated net profit after tax adjusted for non-cash items) for the period up to 30 September 2010, from a starting point of \$59,600,000 is:

- (a) 52% or more then all of the Options granted may be exercised during the exercise period;
- (b) 24% then 25% of the Options granted may be exercised during the exercise period and the remaining options will lapse immediately;
- (c) more than 24% but less than 52% then that number of Options calculated pro rata on a straight line interpolation as against the numbers of Options in (a) and (b) may be exercised during the exercise period, and the remaining Options will lapse immediately; or
- (d) less than 24% then all the Options granted will lapse immediately.

Performance Hurdles for Options Tranche 10:

The Options will only vest if the three year straight line progressive growth in TOWER Australia Group Limited's underlying profit (i.e. consolidated net profit after tax adjusted for non-cash items) for the period up to 30 September 2011, is:

- (a) 52% or more then all of the Options granted may be exercised during the exercise period;
- (b) 24% then 25% of the Options granted may be exercised during the exercise period and the remaining options will lapse immediately;
- (c) more than 24% but less than 52% then that number of Options calculated pro rata on a straight line interpolation as against the numbers of Options in (a) and (b) may be exercised during the exercise period, and the remaining Options will lapse immediately; or
- (d) less than 24% then all the Options granted will lapse immediately.

Performance Hurdles for Performance Shares Tranche 1:

The Performance Shares will vest if the three year straight line progressive growth in TOWER Australia Group Limited's underlying profit (ie consolidated net profit after tax adjusted for non-cash items) for the period up to 30 September 2010, from a starting point of \$59,600,000 is:

- (a) 52% or more then all of the Performance Shares granted will vest;
- (b) 24% then 25% of the Performance Shares granted will vest and the remaining Performance Shares will lapse immediately;
- (c) more than 24% but less than 52% then that number of Performance Shares calculated pro rata on a straight line interpolation as against the numbers of Performance Shares in (a) and (b) will vest, and the remaining Performance Shares will lapse immediately; or
- (d) less than 24% then all the Performance Shares granted will lapse immediately.

Performance Hurdles for Performance Shares Tranche 2:

The Performance Shares vest on 1 January 2010 subject to the recipients' continued employment with TOWER Australia Group Limited.

5.1 Options

The terms and conditions of the Options granted under the Plan are as follows:

Tranche	Grant Date	Date vested and exercisable	Expiry date	Exercise price	Value of option at grant date	Number of options
One	27-Feb-07	1-Apr-07	31-Mar-10	0.79	0.29	1,018,615
Two	27-Feb-07	9-Aug-08	9-Aug-11	1.21	0.35	1,850,033
Three	27-Feb-07	9-Aug-09	9-Aug-12	1.21	0.37	363,750
Four	27-Feb-07	5-Apr-09	5-Apr-12	1.45	0.44	4,219,500
Five	27-Feb-07	21-Nov-09	20-Nov-12	1.88	0.65	4,000,000
Six	27-Feb-07	23-Feb-10	22-Feb-13	2.93	1.01	5,000,000
Seven	30-Mar-07	30-Mar-10	30-Mar-13	2.60	0.91	864,000
Eight	21-Jan-08	18-Dec-10	17-Dec-13	2.44	1.14	1,200,000
Nine	30-Jun-08	30-Jun-11	29-Jun-13	3.00	1.31	1,400,000
Ten	30-Sep-08	30-Sep-11	29-Sep-13	2.90	1.24	1,200,000

In accordance with accounting standards the value of Options is determined at date of issue and is not subsequently revalued. The values in the above table for Tranches 1, 2, 3 and 4 were proportionally amended to reflect the change in the number of Options granted and exercise price as a result of the sale of Australian Wealth Management and separation from TOWER Limited.

DIRECTORS' REPORT CONTINUED

Option holdings of Senior Executives.

The number of options granted over ordinary shares in TOWER Australia and provided to each Senior Executive through the Plan, as part of their remuneration during the financial year ended 30 September 2008 are as follows:

Name	Options held at start of year	Options granted during year	Options exercised during year	Options lapsed during year	Options held at the end of year	Options vested in year	Options exercisable at the end of year	Percentage of remuneration that consists of share options
Jim Minto	5,589,050	–	–	–	5,589,050	1,049,783	1,589,050	27%
John de Zwart	1,967,174	–	–	–	1,967,174	582,000	821,674	21%
David Callander	1,467,174	–	918,674	548,500	–	–	–	17%
Brett Clark	–	1,200,000	–	–	1,200,000	–	–	0% ⁽¹⁾
Geoff Black	1,364,000	–	–	–	1,364,000	–	–	17%
Gavin Pearce	1,164,000	–	–	–	1,164,000	–	–	23%
Megan Beer	783,587	–	–	–	783,587	181,875	181,875	20%

(1) Brett Clark's share options were granted on 30 September 2008 therefore no remuneration was reflected in 2008 for these options.

Options granted under the Plan carry no dividend or voting rights. Except for Tranches 1 to 5, where the exercise price and performance hurdles were determined as part of the separation from TOWER Limited, the exercise price and performance hurdles of the Options are determined by the Board. The exercise price is equal to the volume weighted average price of TOWER Australia shares on ASX in the five trading days prior to the date of the offer of Options. The performance hurdles for the Options are designed to reward Senior Executives for achievement of growth in the underlying profit of TOWER Australia. When exercised each Option is convertible into one ordinary share of the Company.

The movement in the value of Options granted to the Senior Executives during the financial year ended 30 September 2008 was as follows:

Name	Value of options granted during year \$	Value of options exercised during year \$	Value of options lapsed during year \$	Value of options vested during year \$
Jim Minto	–	–	–	367,424
John de Zwart	–	–	–	203,700
David Callander	–	309,095	472,945	–
Brett Clark	1,488,000	–	–	–
Geoff Black	–	–	–	–
Gavin Pearce	–	–	–	–
Megan Beer	–	–	–	63,656

Value of Options granted

The value of the Options that have been granted to the Senior Executives during the financial year ended 30 September 2008 is set out below:

Name	Tranche	Number of options granted	Option exercise price	Fair value at grant date	Value of options at grant date	Date first option can be exercised	Expiry date
Brett Clark	Ten	1,200,000	\$2.90	\$1.24	\$1,488,000	30-Sep-11	29-Sep-13

Performance Shares

Performance Shares have been granted to Executives for the first time in 2008 and are shares that are acquired by the Executive at nil cost, subject to meeting any performance hurdles. The performance hurdles for the Performance Shares are designed to reward Executives for growth in underlying profit.

The terms and conditions of the Performance Shares are as follows:

Tranche	Grant Date	Date vested and exercisable	Exercise Price	Value of option at grant date	Number of performance share
One	30-Jun-08	30-Jun-11	0.00	3.00	526,000
Two	30-Sep-08	1-Jan-10	0.00	2.90	46,150

The number of Performance Shares granted to each Senior Executive through the Plan, as part of their remuneration during the financial year ended 30 September 2008 were as follows:

Name	Shares held at start of year	Shares granted during year	Shares exercised during year	Shares lapsed during year	Shares held at the end of year	Shares vested in year	Shares vested or exercisable at the end of year	Percentage of remuneration that consists of performance shares ²
Jim Minto ¹	–	–	–	–	–	–	–	0%
John de Zwart	–	100,000	–	–	100,000	–	–	1%
David Callander	–	–	–	–	–	–	–	0%
Brett Clark	–	46,150	–	–	46,150	–	–	0%
Geoff Black	–	74,000	–	–	74,000	–	–	1%
Gavin Pearce	–	–	–	–	–	–	–	0%
Megan Beer	–	33,000	–	–	33,000	–	–	1%

1 Jim Minto was offered 250,000 performance shares under the TOWER Executives Share and Option Plan; however these performance shares are subject to approval of shareholders before they may be granted.

2 This is based on the fair value of performance shares issued during the year pro-rated over the vesting period.

The movement in the value of Performance Shares granted to Senior Executives in the financial year ended 30 September 2008 was as follows:

Name	Value of shares granted during year \$	Value of shares exercised during year \$	Value of shares lapsed during year \$	Value of shares vested in year \$
Jim Minto	–	–	–	–
John de Zwart	300,000	–	–	–
David Callander	–	–	–	–
Brett Clark	133,835	–	–	–
Geoff Black	222,000	–	–	–
Gavin Pearce	–	–	–	–
Megan Beer	99,000	–	–	–

Value of the Option and Performance Share

TOWER Australia values the Options and Performance Shares (“the Options”) using a binomial model in which the value is recorded at fair value of the equity at the date it was originally granted. The value of the Option is influenced by the exercise price of the Option, the term of the Option, the current market price of the underlying share, the expected future volatility of the price of the underlying shares, dividends expected to be paid on the share during the life of the Option (if any), and the risk free interest rate(s) for the expected term of the Option.

Where the exercising of an Option is subject to the future fulfilment of non-market conditions, the effect of these conditions is generally ignored in determining the fair value of the Option but taken into account in determining the number of potential options that will vest and thereby altering the amount expensed.

PART 6 – TOTAL REMUNERATION AND COMPANY PERFORMANCE

Remuneration and Company Performance

All of the at-risk components of the remuneration of the Senior Executives of the Company are tied to performance. Each Senior Executive is set clear company, business unit and individual targets and objectives and their short term incentives are closely linked to TOWER Australia’s performance and shareholder wealth.

Options and Performance Shares, issued to Senior Executives since TOWER Australia listed on the ASX are all subject to performance hurdles which require achieving a three year straight line progressive growth in TOWER Australia’s underlying profit. The underlying profit represents TOWER Australia’s consolidated net profit after tax adjusted for non-cash items. The performance hurdles must be met before the Senior Executive’s Options and Performance Shares vest.

Since listing on the Australia Securities Exchange (ASX) TOWER Australia’s earnings performance, represented by earnings per share and return on equity based on net profit after tax has been as follows:

	Earnings per Share cps	Return on Equity %
FY2007	13.0	7.8
FY2008	20.4	11.9

DIRECTORS' REPORT CONTINUED

PART 7 – TOTAL REMUNERATION OF DIRECTORS AND EXECUTIVES

Details of the total remuneration paid to the Non-executive Directors, the Managing Director and the Senior Executives of TOWER Australia for the financial year ended 30 September 2008 are set out in the following table.

Total Remuneration for the Financial Year ended 30 September 2008

Name	Short term benefits			Post employment benefits	Other long-term benefits	Termination benefits	Share based payments	Total
	Cash, salary and fees	Cash bonus ¹	Non-monetary benefits	Pension and superannuation benefits			Equity settled; share and units; options and rights	
	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive Directors								
Robert Thomas	149,882	–	–	13,445	–	–	–	163,327
Dr Gary Weiss ²	84,069	–	–	–	–	–	–	84,069
John Spencer	16,346	–	–	–	–	–	–	16,346
Michael Jefferies ²	90,539	–	–	–	–	–	–	90,539
Peter Lewinsky	68,051	–	–	47,880	–	–	–	115,931
Ralph Pliner ²	115,503	–	–	–	–	–	–	115,503
Elana Rubin	85,850	–	–	7,727	–	–	–	93,577
Donald Findlater	20,378	–	–	1,834	–	–	–	22,212
	630,618	–	–	70,886	–	–	–	701,503
Managing Director								
Jim Minto	768,173	748,000	9,055	100,000	–	–	591,821	2,217,049
	768,173	748,000	9,055	100,000	–	–	591,821	2,217,049
Senior Executives³								
John de Zwart	470,904	463,715	3,024	50,000	–	–	280,442	1,268,085
David Callander	185,455	157,715	4,220	22,238	–	466,746	37,796	874,169
Megan Beer ⁴	106,578	–	1,015	10,730	–	–	31,959	150,282
Brett Clark	150,337	–	658	1,586	–	–	–	152,581
Geoff Black	375,452	377,715	6,393	33,271	–	–	177,028	969,859
Gavin Pearce	395,452	220,000	2,944	13,271	–	–	193,713	825,380
	1,684,177	1,219,145	18,254	131,096	–	466,746	720,938	4,240,356
TOTAL	3,082,968	1,967,145	27,309	301,982	–	466,746	1,312,759	7,158,909

1 Cash bonuses are reported when paid. The total shown above relates to the 2007 financial year, approved and paid in 2008 financial year.

3 Denotes the five highest paid Executives in TOWER Australia as required to be disclosed under the *Corporations Act 2001*.

4 Megan Beer was Acting CEO Retail from 28 March 2008 to 8 August 2008. Her remuneration reflects the amounts paid during this period only and does not include any bonus paid for the 2008 year.

2 These fees include GST.

Total Remuneration for the Financial Year ended 30 September 2007

Name	Short term benefits			Post employment benefits	Other long-term benefits	Termination benefits	Share based payments	Total
	Cash, salary and fees	Cash bonus ¹	Non-monetary benefits	Pension and superannuation benefits			Equity settled; share and units; options and rights	
	\$	\$	\$	\$	\$	\$	\$	\$
Non-executive Directors								
Dr Keith Barton	124,036	–	–	9,922	–	–	–	133,958
Dr Gary Weiss	76,787	–	–	–	–	–	–	76,787
John Spencer	70,551	–	–	–	–	–	–	70,551
Michael Jefferies	87,589	–	–	–	–	–	–	87,589
Peter Lewinsky	78,846	–	–	7,096	–	–	–	85,942
Ralph Pliner	77,550	–	–	–	–	–	–	77,550
Robert Thomas	–	–	–	–	–	–	–	–
Bill Falconer	5,493	–	–	–	–	–	–	5,493
Tony Gibbs	5,493	–	–	–	–	–	–	5,493
Susie Staley	5,493	–	–	–	–	–	–	5,493
Denis Wood	5,493	–	–	–	–	–	–	5,493
	537,331	–	–	17,018	–	–	–	554,349
Managing Director								
Jim Minto	691,136	1,045,468	6,478	128,190	–	–	522,406	2,393,678
	691,136	1,045,468	6,478	128,190	–	–	522,406	2,393,678
Senior Executives²								
John de Zwart	421,723	689,302	7,351	44,142	–	–	197,254	1,359,772
David Callander	360,440	254,040	6,390	39,561	–	–	134,448	794,879
Geoff Black	381,735	218,510	7,052	18,265	–	–	165,594	791,156
Gavin Pearce	346,990	–	888	11,471	–	–	113,527	472,876
Megan Beer	263,146	85,139	2,615	38,623	–	–	72,059	461,582
	1,774,034	1,246,991	24,296	152,062	–	–	682,882	3,880,265
TOTAL	3,002,501	2,292,459	30,774	297,270	–	–	1,205,288	6,828,292

1 Cash bonuses are reported when paid. Of the \$2,292,459 shown above, \$2,279,597 relates to the 2006 financial year and TOWER Limited, with \$12,862 relating to the 2007 financial year.

2 Denotes the five highest paid Executives in TOWER Australia as required to be disclosed under the *Corporations Act 2001*.

Signed in accordance with a resolution of the Directors.



R B Thomas
Director



J R Minto
Director

Sydney, 26 November 2008

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Auditor's Independence Declaration

As lead auditor for the audit of TOWER Australia Group Limited for the year ended 30 September 2008, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of TOWER Australia Group Limited during the period.



Voula Papageorgiou
Partner
PricewaterhouseCoopers

Sydney
26 November 2008