



I AM VERY PLEASED TO REPORT THAT **2008 WAS ANOTHER YEAR OF STRONG PROGRESS FOR TOWER AUSTRALIA GROUP LIMITED** DESPITE THE CHALLENGING ECONOMIC ENVIRONMENT LOCALLY AND GLOBALLY.

# FROM THE CHAIRMAN

Reported net profit after tax for the 12 months to 30 September 2008 increased 69% to \$68.7 million compared with the 2007 year. Underlying net profit, which excludes non-cash items and normalises investment income, increased 14% over the year to \$67.9 million. These are very solid results.

In these times of turmoil in the financial markets, TOWER Australia's strong capital position, solvency cover of 2.5 times regulatory requirements, conservatively managed capital investments and low levels of debt have stood it in good stead. The company is well placed to weather the current difficult markets and will continue to focus on the basics of sustainable growth and sound business operations. The Company has a strong position in the life risk market which is an attractive, growing market. We have a good platform from which to build and we will continue to explore value adding opportunities for growth as they arise in the life insurance market.

The Board of Directors has declared a dividend for the year of 4.5 cents a share, fully franked, and this will be paid on 19 January 2009. The dividend payout ratio has been maintained at 25% of underlying profit after tax reflecting TOWER Australia's financial strength and the positive trend in earnings.

The membership of the TOWER Australia Board changed during the year with Elana Rubin and Don Findlater joining the Board and bringing with them their extensive financial services expertise particularly in the areas of life insurance, superannuation and investment sectors. Gary Weiss and Michael Jefferies resigned from the Board in August 2008 following the decision by the Guinness Peat Group (GPG) to accept an offer for its shareholding in TOWER Australia from The Dai-ichi Mutual Life Insurance Company (Dai-ichi Life).

I would like to extend our appreciation to both Gary Weiss and Michael Jefferies for the enormous contribution they

made to TOWER Australia during their time on the Board. These two Directors and GPG actively supported TOWER Australia's growth for over five years and played a very supportive role in the Company's strategic direction.

Two significant events have occurred subsequent to the financial year end which will help underpin TOWER Australia's future successes. In October 2008, TOWER Australia announced it was acquiring the 85% interest in InsuranceLine that it did not already own. This transaction was completed in early November 2008 and represents a strategic move by TOWER Australia to strengthen and enhance its position in the overall life insurance market of Australia.

The acquisition of InsuranceLine complements TOWER Australia's existing Advice and Workplace distribution channels and gives us end-to-end distribution capability in the direct to customer segment of the market which is not served by advice. This will strategically enhance TOWER Australia's distribution model and reduce operational risk.

Also in October, TOWER Australia was delighted to see shareholders approve Dai-ichi Life acquiring the remaining 9.8% shareholding held by GPG to secure a total shareholding just under 30%. Dai-ichi Life which some months earlier secured 19.9% of TOWER Australia shares is Japan's oldest mutual life insurance company and one of the world's top ten life insurers based on premium income.

Given the recent global events in the financial and insurance sector we are fortunate to have Dai-ichi Life as our cornerstone shareholder, with its scale, extensive insurance experience in the life insurance industry and desire to support TOWER Australia's strategy, Board and management team. We look forward to working productively with Dai-ichi Life over the coming years.

I would like to welcome two new Directors, Mr Takayuki Kotani and Mr Tetsuya Kikuta from Dai-ichi Life, who joined the Board on 8 December 2008. Both Mr Kotani and Mr Kikuta have worked for over 20 years with Dai-ichi Life and have specific responsibilities for Dai-ichi Life's international businesses.

TOWER Australia's ambition is to make life solutions a well understood and valued part of peoples' lives. Our values reflect the importance of delivering service, being uncomplicated and straightforward, encouraging new ideas and above all being relevant to people and their needs. Our strategy is one of leadership in the Australian life insurance market with the interests of customers and partners at the forefront.

I would like to take this opportunity to thank our Managing Director, Jim Minto, his senior executive team and all our staff at TOWER Australia for their hard work, effort and diligence over the past 12 months in continuing to deliver for all stakeholders in often difficult and challenging times.

I would also like to thank my fellow directors for their hard work, support and guidance over the past year and into the future.

It will take time for the instability of the recent global economic situation to work through, but TOWER Australia is very well placed and will continue to focus on delivering value to shareholders, business partners and customers. Good momentum is certainly evident in all our businesses.



Robert Thomas  
Chairman