

## **PRODUCT RULING - BR Prd 06/04**

This is a product ruling made under section 91F of the Tax Administration Act 1994.

### **Name of the person who applied for the Ruling**

This Ruling has been applied for by TOWER Consolidated Group.

### **Taxation Law**

All legislative references are to the Income Tax Act 2004 unless otherwise stated.

This Ruling applies in respect of the definition of “dividend” as defined in subpart CD of the Income Tax Act 2004.

### **The Arrangement to which this Ruling applies**

The Arrangement is the demerger of the Australian business of the TOWER group. Further details of the Arrangement are set out in the paragraphs below.

#### **1. Rename Andric Pty Limited**

The parent of a significant proportion of the Australian operations of TOWER Limited, Andric Pty Limited, will be renamed TOWER Australia Group Limited (“TAGL”). Andric Pty Limited is wholly owned by TOWER Limited subsidiary TOWER Group Network Ltd (“TGN”). The renamed TAGL is the company that will be transferred to TOWER Limited shareholders and listed on the Australian Stock Exchange. It will leave the TOWER Limited group as part of the demerger.

#### **2. Restructuring to ensure that all Australian entities are held via TAGL**

The restructure will require the sale of TOWER Holdings Australia Pty Limited by its New Zealand parent TOWER Insurance Group Limited to TAGL.

Following the restructuring, TAGL will hold the existing Australian operations of TOWER Limited, namely TOWER Retail Life, TOWER Alliances & Group Life and TOWER Australia Investments.

TOWER Limited (to be renamed TOWER New Zealand after the demerger) will continue to own TOWER Limited’s New Zealand operations, which include TOWER Health & Life, TOWER General Insurance and TOWER Investments. It will retain its listing on the New Zealand and Australian stock exchanges.

#### **3. Shareholder approval**

A shareholders’ meeting to approve the proposed demerger will be held on 6 November 2006. The arrangement will take effect only if it is approved by a special resolution of TOWER Limited shareholders (i.e. 75% of shareholders voting, either in

---

person or by proxy).

4. Agreement to acquire shares in TAGL

TOWER Limited will enter into an agreement to acquire the shares in TAGL from its wholly owned subsidiary TGN. The agreement will permit TOWER Limited to direct TGN to distribute the shares in TAGL on a pro rata basis directly to TOWER Limited's shareholders on its behalf.

5. Buy back of TOWER Limited shares, using TAGL shares as consideration and subsequent cancellation of repurchased TOWER Limited shares

A court order will be sought to direct TGN to transfer the shares in TAGL to the shareholders in TOWER Limited pursuant to the above agreement. The current proposal provides that TOWER Limited will transfer all of its 234.3 million shares in TAGL to TOWER Limited shareholders on a pro rata basis of 0.6511 TAGL shares for every TOWER Limited share held, and, in return for that transfer, cancel 0.4760 TOWER Limited shares for every TOWER Limited share held.

TOWER Limited intends to round fractional entitlements (with 0.5 being rounded up). At the conclusion of the exercise, TOWER Limited shareholders will hold TAGL shares and a reduced number of TOWER Limited shares.

6. TAGL issues entitlements to subscribe for TAGL shares

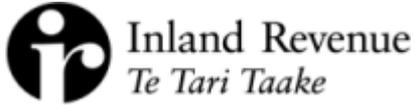
Following the demerger, TAGL will raise A\$160 million of new equity. This capital raising will be by way of an Entitlement Offer in which TAGL shareholders will be provided with an Entitlement to buy 0.4269 TAGL shares for every TAGL share held. The Entitlement Offer is to be fully underwritten by Guinness Peat Group plc. The rights are renounceable by the TAGL shareholders and can be traded on the Australian Stock Exchange.

In addition to the special resolution required above, the proposal will not proceed unless there is approval by ordinary resolution (50% or more of the votes cast by shareholders voting at the Special Meeting) to the GPG underwriting agreement.

**Conditions stipulated by the Commissioner**

This Ruling is made subject to the following conditions:

- (a) All TOWER Limited shares cancelled as part of the Arrangement will be ordinary listed shares of the same class issued by TOWER Limited, and will each be cancelled in whole, not in part.
  - (b) A market value circumstance will not exist at the time of the cancellation.
  - (c) The aggregate amount payable by TOWER Limited to its shareholders on account of the cancellation will be equal to or greater than 15 percent of the market value of all ordinary shares issued by TOWER Limited at the time the
-



company first notified shareholders of the proposed cancellation, which was 8 August 2006.

- (d) TOWER Limited will not issue shares (as defined in section OB 1 of the Income Tax Act 2004) in connection with, or as a consequence of, the demerger.
- (e) The aggregate amount of available subscribed capital of TOWER Limited per share cancelled, at the time of the cancellation, will not be less than the amount distributed on cancellation.
- (f) The demerger Arrangement (including the factual and accounting basis on which it is entered into) when completed does not differ materially from the proposal provided to Inland Revenue and set out in the material supplied.

### **How the Taxation Laws apply to the Arrangement**

Subject in all respects to any conditions stated above, the Taxation Laws apply to the Arrangement as follows:

- The pro rata share cancellation by TOWER Limited, where TAGL shares are distributed to shareholders, does not constitute a “dividend” as defined in subpart CD of the Income Tax Act 2004.
- The Commissioner is satisfied that the cancellation is not in lieu of the payment of a dividend under section CD 14(8).

### **The period for which this Ruling applies**

This Ruling will apply for the period from 20/11/2006 to 31/03/2007.

This Ruling is signed by me on the 18<sup>th</sup> day of September 2006.

**D B Kelly**  
Manager  
Financial Sector, Corporates

---