Market Information
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Wellington

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Level 6, 20 Bridge Street
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Australia

23 November 2023

Tower Limited
FY23 Full Year Results for Announcement to Market

In accordance with NZX Listing Rule 3.5.1 we enclose the following for release to the market in relation to Tower Limited's (NZX/ASX: TWR) FY23 Full Year Results:

1	Media Release
2	Results Announcement
3	Annual Report (including Financial Statements)
4	Results Announcement Presentation
5	Results Announcement Call Script

Tower's Chairman Michael Stiassny, Chief Executive Officer Blair Turnbull and Chief Financial Officer Paul Johnston will discuss the full year results at 10:00am New Zealand time today.

Tower's Board confirms for the purposes of ASX Listing Rule 1.15.3 that Tower continues to comply with the NZX Main Board Listing Rules.

ENDS

This announcement has been authorised by the Tower Board.

Blair Turnbull
Chief Executive Officer
Tower Limited

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Level 5, 136 Fanshawe Street
Auckland 1142, New Zealand
ARBN 645 941 028
Incorporated in New Zealand

23 November 2023

Tower Reports Growth and Efficiency in a Challenging Year

Tower Limited (NZX/ASX: TWR) has today announced its full year results reporting improved revenue growth and expense control, with profits impacted by catastrophic weather events. For the year to 30 September 2023, the insurer recorded an underlying profit including large events of $7.6m versus $27.3m in the 2022 financial year, and a reported loss of $1.2m versus an $18.9m reported profit in FY22.

Summary of FY23:

- Gross written premium (GWP) $527m, up 17% on FY22
- Customer growth of 4% to 321,000
- Business as usual (BAU) claims ratio 55.5% vs 48.9% in FY22
- Management expense ratio (MER) improved to 32.2% vs 36% in FY22
- Large event costs $55.6m vs $19m in FY22
- Combined operating ratio including large events (COR) 101% vs 90.1% in FY22
- Underlying profit including large events costs $7.6m vs $27.3m in FY22
- Reported loss $1.2m vs $18.9m in FY22, includes strengthening of the residual Canterbury earthquake and remediation provisions, partially offset by the sale of Tower's Papua New Guinea subsidiary and its building in Suva.
- Tower will not pay a full year dividend for FY23.

Tower CEO, Blair Turnbull says, "In the financial year Tower has navigated catastrophic weather events, widespread inflation and increasing crime. At the same time, we are continuing to grow and manage expenses while executing on our strategy."

Large events claims mostly completed
Tower's focus on efficient claims settlement has seen approximately 84% of claims for the Auckland and Upper North Island weather event and Cyclone Gabrielle, and 88% of claims for Cyclones Judy and Kevin in Vanuatu completed as of 20 November.

Targeted growth and efficiency
Strong rating actions combined with organic growth have seen GWP in New Zealand rise 19% year-on-year.

Sales via Tower's digital channels continue to strengthen, contributing 65% towards overall GWP growth in FY23. The My Tower customer-facing digital sales and service platform is now operational across all Tower markets.

Disciplined cost control and improved efficiencies through increasing scale saw overall MER further improve to 32.2% versus 36% in FY22 as Tower's simplification and digitisation strategy is realised.

Investments in digital technology are increasingly enabling Tower to move workflows to its operational hub in Suva where its team of 250 staff are delivering lower telephony and service costs.

Increasing inflation and a higher frequency of motor claims have contributed to an increase in the BAU claims ratio to 55.5% compared to 48.9% in FY22. Tower is continuing to apply targeted rating and underwriting actions to address these challenges.

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Looking forward

The successful renewal of Tower's reinsurance programme with $750m of catastrophe cover and the purchase of a prepaid third event cover up to $75m will provide important protection from the volatility of large events in FY24.

"In the year ahead, Tower will continue its focus on delivering targeted customer and premium growth while further improving efficiencies and continuing to streamline the business.

"We will also build on our leading risk-based pricing by expanding our model to include landslide and coastal hazards.

"While we have certainly faced significant challenges this financial year, our underlying result demonstrates resilience and strategic delivery which positions Tower well for long-term sustainable growth and performance," says Turnbull.

FY24 guidance

Tower's FY24 full year guidance is for underlying NPAT to be between $22m and $27m. This assumes full utilisation of a large events allowance which has conservatively been set at $45m.

GWP growth in FY24 is expected to be between 10% and 15% reflecting continued strong rating actions and organic growth. Digitisation and efficiency initiatives are expected to improve MER to between 30% and 32%.

Tower is forecasting a combined operating ratio of 95% to 97% in FY24.

Consideration will be given to restarting dividends in FY24 if it is prudent to do so.

ENDS

This announcement has been authorised by Blair Turnbull, Chief Executive Officer, Tower Limited.

For media enquiries, please contact in the first instance:
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NZX NEW ZEALAND'S EXCHANGE TE PAEHOKO O AOTEAROA

Template
Results announcement
(for Equity Security issuer/Equity and Debt Security issuer)

Updated as at June 2023

Please do not amend or delete individual rows. As this template relates to prescribed content, changes to content should only be made where it is clearly indicated that this is permitted, otherwise, if an Issuer considers a particular element does not apply, mark the row as N/A, Any other changes to this prescribed form must first be approved by NZX as required under NZX Listing Rule 3.26.1.

Results for announcement to the market		
Name of issuer	Tower Limited	
Reporting Period	12 months to September 2023	
Previous Reporting Period	12 months to September 2022	
Currency		
	Amount (000s)	**Percentage change**
Revenue from continuing operations	$700,990	62%
Total Revenue	$725,215	61%
Net profit/(loss) from continuing operations	$2,352	-87%
Total net profit/(loss)	$(1,228)	N/A
Interim/Final Dividend		
Amount per Quoted Equity Security	Tower Limited has not proposed to pay any dividends.	
Imputed amount per Quoted Equity Security	Not Applicable.	
Record Date	Not Applicable.	
Dividend Payment Date	Not Applicable.	
	Current period	**Prior comparable period**
Net tangible assets per Quoted Equity Security	$0.49	$0.55
A brief explanation of any of the figures above necessary to enable the figures to be understood	Revenue from continuing operations includes $205m from reinsurance and other recoveries as a result of recent catastrophic weather events, along with $496m of premium and other income. Profits were impacted by recent catastrophic weather events, resulting in a total net loss of $1.2m vs total net profit of $18.9m in prior comparable period. Please refer to the 2023 annual results announcement presentation for further information.	

Authority for this announcement	
Name of person authorised to make this announcement	Tania Pearson, General Counsel & Company Secretary
Contact person for this announcement	Emily Davies, Head of Corporate Affairs and Sustainability
Contact phone number	+64 21 815 149
Contact email address	emily.davies@tower.co.nz
Date of release through MAP	23 November 2023

Audited financial statements accompany this announcement.

TOWER

Tower Limited
Annual Report 2023

Contents

2023 IN REVIEW

2023 snapshot

17%
Underlying GWP growth[1] $527m vs. $457m in FY22

321K
Customer growth vs. 310k in FY22

$7.6M
Underlying profit[2] incl. large events vs. $27.3m in FY22

32.2%
Management expense ratio vs. 36% in FY22

-$1.2M
Reported loss after taxation vs. $18.9m profit in FY22

23%
Reduction in emissions

[1] Adjusted to exclude Papua New Guinea.

[2] Underlying profit includes large events but excludes non-underlying items. A reconciliation to reported loss can be found in the appendix of Tower's FY23 results presentation via the NZX..

8
Countries

39%
Senior leaders are women*

154
Years in operation and counting

87.5K
Reported claims across New Zealand and the Pacific, including large events

5
Canstar's 5-Star Rating for Outstanding Value Home & Contents in 2023

390
Staff volunteer hours in our communities

* Band 8 and above.

Update from the Chair

In what has proved to be an extremely tough year for the global insurance industry, Tower withstood the immediate challenges of 2023 and remains resilient.

In the year to 30 September 2023, Tower's underlying profit including large events was $7.6m, down 72% from $27.3m for the full-year 2022. Loss after taxation was -$1.2m, versus $18.9m profit at the end of FY22.

On the basis of these results, the Board has decided against payment of a full year dividend in accordance with its focus on prudent fiscal management. Consideration will be given to restarting dividends in FY24.

Unprecedented weather events worldwide have sheeted home the impact of climate change and signalled that the risk environment in which insurance businesses operate has irrevocably changed. Inevitably, the reinsurance market moved quickly to price accordingly for what now is likely the new normal.

Risk-based pricing has been Tower's best protection to address these issues.

Tower was New Zealand's first insurer to implement risk-based pricing for inland flooding in November 2021. Hazard modelling continues to be expanded to other climate-related risks, with ratings for landslide and coastal risks shortly due to be introduced to customers. Our view remains that risk and pricing transparency not only supports and encourages informed decision-making but is fairer to customers and in the best interests of our shareholders.

Importantly, Tower's ability to proactively manage risks throughout its portfolio via risk-based pricing has been a key factor in securing a comprehensive reinsurance programme for FY24 at competitive rates. This is crucial as reinsurance provides protection from volatility caused by large events, maintains flexibility to enable Tower's growth and supports strong solvency.

However, while risk-based pricing successfully underpins Tower's competitive pricing, robust underwriting, continued growth, and response to issues arising from climate change, it is not a cure-all or silver bullet for all challenges.

High inflation and the resultant cost of living crisis is a New Zealand-wide problem, not just a Tower problem, but the upshot is that insurance is increasingly expensive. And, while everyone would like to see insurance affordable and accessible for all, the twin challenges of an inflationary environment and increasing risks from climate change make this unrealistic.

The unpalatable truth is that not everyone is – or will be – able to afford to insure their home in the way they do now.

For Tower to remain a sustainable, resilient business, we must not only be more selective about the risks we take on, but also develop cost-effective alternatives to traditional, comprehensive insurance cover.

In the year ahead, our biggest challenge will be to continue to innovate at pace to meet the market. Over time, a range of options are likely to be offered including parametric cover which has already been successfully trialled in the Pacific. Customers are also likely to be offered the opportunity to choose the risks they want – and can afford – to cover. For example, offering fire only policies in flood-prone areas.

This approach is already common in many other parts of the world and, while it will take some getting used to, it will likely replace comprehensive cover for at least some New Zealanders.

The New Zealand market enjoys strong insurance penetration and people will be loath to give up all protection. So, while affordability is currently presenting challenges, the desire and need for insurance will not dissipate. Fortune will favour those insurers who can pivot and adapt, something that Tower has the digital capability and proven ability to do.

From Tower's perspective it is about developing responsible alternatives to ensure insurance remains accessible. Quite simply, if New Zealand Inc is unable or unwilling to reduce risks by improving infrastructure to protect at-risk land and assets, then these insurance options become an absolute necessity.

The good news is that Tower is well-placed to tackle these issues given its digital expertise and experience in Pacific markets where affordability and low insurance penetration are significant challenges. Tower has the technical capability, expertise, and agility to price for risk on a granular level and quickly get new options to market as the insurance landscape changes.

In an ideal world, Tower would continue offering affordable, comprehensive cover to all, but in today's complex environment, that approach will not support a sustainable, resilient business. Tower's continued resilience will be fostered through innovation and meeting the market where it is at, not where we would like it to be.

In closing, the Board acknowledges and thanks management and the Tower team for the resilience and determination they have shown in supporting our business, customers and communities in what has been a tough year.

Michael Stiassny
Chair

Update from the CEO

At Tower, our purpose is to inspire, shape and protect the future for the good of our customers and communities. After a challenging year navigating the impacts of catastrophic weather events in New Zealand and across the Pacific, widespread inflation and increasing crime, our purpose is more important than ever.

While the business has rightly had a strong focus on responding rapidly to the weather events and resolving customers' claims; we have continued to deliver on our strategy - to be the best direct insurer in our chosen markets, enabled through our investments in people, technology and data. This has positioned Tower well to grow and deliver sustainable value.

We remain resolutely focused on providing leading customer experiences, increasing efficiencies across the business, enhancing our culture and ensuring we remain financially resilient.

Some key highlights include expanding our leading risk-based pricing model, developing our parametric solution in partnership with the United Nations, and reducing our management expense ratio (MER) while growing our customer numbers and premiums.

Tower is a resilient business with a strong purpose and robust strategy, and we are pleased to report on the progress we have made in FY23.

Business performance

For the year to 30 September 2023, our underlying profit including large events was $7.6m, down 72% from $27.3m for the full-year 2022. Loss after taxation was -$1.2m, versus $18.9m at the end of FY22. The difference between FY22 and FY23 is largely a result of the catastrophic events and inflation pressures resulting in higher claims costs.

Our focus on simple and rewarding customer experiences combined with consistent rating actions has contributed to strong growth in both customers and premium. Underlying gross written premiums (GWP) increased 17%* year on year, up to $527m.

During the financial year we have grown customer numbers to 321,000, up 4% on FY22. Our 17% growth in premium reflects a mix of rating and organic growth, with 80% of our New Zealand premium growth driven by decisive rating actions.

Improving efficiencies as our investments in digitisation continue to drive down Tower's costs to acquire and serve customers along with continued focus on cost control, has seen our overall MER improve again to 32.2% versus 36% in FY22.

Tower's solvency margin was reduced during the year, primarily due to the catastrophic weather events. The solvency margin is improving as event claims are settled. As at 30 September 2023, Tower's New Zealand parent solvency ratio was 159% and the company was holding $53.8m above the minimum solvency capital required by RBNZ.

Navigating catastrophic events

In the financial year to 30 September 2023, three catastrophic weather events took place in the space of three months across Aotearoa and the Pacific: significant weather events in Auckland and the upper North Island, Cyclone Gabrielle, and Cyclones Judy and Kevin in Vanuatu.

For 154 years, Tower has been helping people protect the things they love, and we are committed to helping our customers and communities get back on their feet, as quickly as possible.

As at 20 November 2023 we had completed approximately 84% of claims for the New Zealand weather events and 88% of claims for the Vanuatu cyclones. We are working hard to close the remainder.

We continue to work closely with the Government's Recovery Taskforce, Auckland Council's Recovery Programme, and the wider insurance industry to support both a cohesive response to these events and New Zealand's resilience for the future.

Continuing to enhance risk-based pricing

Tower has long urged New Zealand to stop building in risky areas. In November 2021 we were New Zealand's first insurer to launch a leading inland flooding risk-based tool in conjunction with RMS, a global leader in risk modelling. The flood tool leverages five million data points and 50,000 years of continuous simulation of the entire precipitation cycle. We share earthquake and flood risk profiles with customers through My Tower. We also shared data insights with central and local government with an aim to better inform and protect and customers and communities today, and in the future.

* Adjusted to exclude Papua New Guinea.

Risk-based pricing supports competitive pricing and robust underwriting, and can inform action on issues arising from our changing climate. Earlier this year, we expanded our risk tool to include landslide and coastal risks. In FY24 we will launch customer-facing ratings for these risks, and we will continue to develop fair, transparent and competitive products that meet the needs of our customers today and in the future.

Customer experience

Tower continues to innovate and invest significantly in digital and data capabilities to deliver our direct customer experience, driving deeper customer engagement and growth. In FY23, we completed the rollout of our flagship, digital self-service platform, My Tower, across our Pacific operations. We are now bringing the same digital customer experience to all markets where we operate.

We're also proud to have launched our parametric Cyclone Response Cover pilot in Tonga, following a successful trial in Fiji during the 2022/2023 cyclone season.

Streamlining our operations

We made positive progress in streamlining our business in FY23, with the sale of our Papua New Guinea subsidiary and the announcement of the sale of our Solomon Islands business.

We also continued to develop our Suva hub this year. With our core platform live across all territories we operate in, we can now seamlessly flex resource up and down across Fiji and New Zealand – our two biggest markets.

Sustainability is at the heart of our business

FY23 marks the second year of our sustainability reporting, with the aim of being more transparent about the impacts of our business activities. We have continued important initiatives to manage our most material sustainability impacts and we've remained focused on reducing our operational emissions. Our efforts this year have helped reduce emissions by 23% compared to FY22. We are on track to meet our five-year emissions reduction target of 21% in 2025.

We continue to work towards B Corp accreditation and are aiming to achieve this in the coming year. We look forward to making our first Climate-related Financial Disclosure in 2024.

Our people

I would like to thank our people who have worked incredibly hard to support our customers and communities – particularly those who were impacted by the weather events.

We're grateful to everyone, including those who pivoted in their roles to rapidly respond and help support those who needed it most when the catastrophic weather events were unfolding. We're extremely proud of the empathy, selflessness and strong commitment to helping others that our people have shown.

Our ability to scale up our support to the most impacted areas is not only a reflection of our people's willingness, but further reinforces our 'one team' culture that operates across New Zealand and our Pacific markets.

In keeping with our strategy, we're pleased to have announced some significant initiatives this year aimed at empowering our people to give our customers their best.

Summary

We acknowledge how incredibly challenging this year has been for our customers, our communities, our industry and our business.

Our Tower strategy is very clear; we want to be the best direct insurer in our selected markets. We are ruthlessly driven to achieve this through a simple and rewarding customer experience, enabled through digital, data and our culture.

We are focused on delivering solid underlying operating performance through robust risk management and continued rating actions to mitigate inflation, the effects of motor crime and weather events.

We also continue to focus on targeted customer and premium growth while enhancing our margins through efficiency and organisational improvements.

Tower is committed to mitigating the volatility caused by large events through risk-based pricing and our robust reinsurance arrangements. And while we manage the effects of the changing climate now, we will continue to invest in future business resilience and sustainability.

Ultimately, this leads to attractive and sustainable earnings and dividends for shareholders over the medium to longer term.

Blair Turnbull,
CEO

A community hub in Auckland, following January 27 weather event

LOOKING AFTER OUR CUSTOMERS AND COMMUNITIES

A year of unprecedented large events

JAN 23

Auckland and upper North Island weather event

5,688 claims
$174m

FEB 23

Cyclone Gabrielle

3,636 claims
$52m

MAR 23

Vanuatu cyclones

295 claims
$11m

MAY 23

Auckland rain event

438 claims
$4m

$38M Net large event claims expense for Tower in FY23, after reinsurance

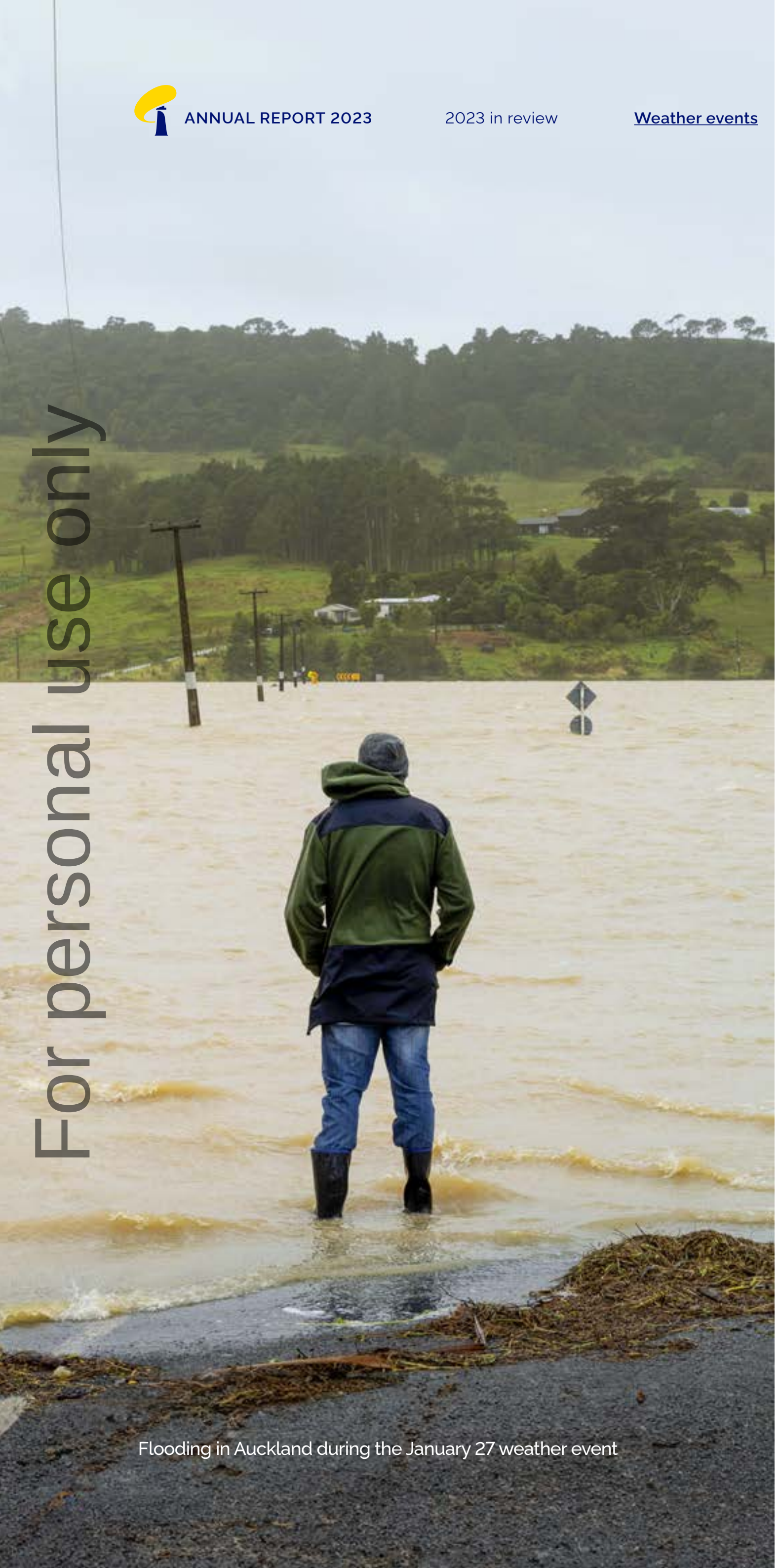
Event costs are gross estimates as at 30 September 2023.

Events snapshot

Auckland and upper North Island weather event and Cyclone Gabrielle

5,711	House claims
1,045	Motor claims
2,330	Contents claims
84%	Event claims settled*
367	Families supported with temporary accommodation costs
$200K	In food spoilage claims paid to customers in the aftermath of both events
975K	Emails with claims, safety and cleanup advice sent to customers in the month following events
317K	Texts sent within two hours of January 27 weather event beginning
6	Attended all six community hubs immediately after events in Hawke's Bay and Auckland
5	Years' worth of large loss house claims in just over a fortnight

* As at 20 November 2023.



Flooding in Auckland during the January 27 weather event

Supporting New Zealand's recovery

This financial year Aotearoa faced two catastrophic events, the Auckland and the upper North Island weather event and Cyclone Gabrielle.

The scale of these weather events was unprecedented for both our country and industry. Tower is committed to helping our customers and communities get back on their feet, as quickly as possible.

Tower's rapid response

The speed of our initial response on January 27 meant customers in impacted areas were sent texts within hours of the event beginning, with advice on how to claim. Our Chief Claims Officer activated Tower's event response team that night and by morning, additional resource was on the way to help with the high volume of claims. This included flying assessors into Auckland from around New Zealand.

Our large event motor claims process was triggered immediately, and two hours after the event began our towing network was transporting customers' vehicles to a central assessment yard. This meant we were able to start settling motor claims for our customers within one business day.

A couple of weeks later, we followed this model for customers impacted by Cyclone Gabrielle too.

Our teams were on the ground within a day of each event, assisting customers at community hubs in Auckland and Hawke's Bay. We scaled up, using our suppliers, hiring additional staff and redeploying our people in Fiji and Rotorua to our phone lines and online claims lodgement.

83% Auckland & upper North Island event claims settled*

84% Cyclone Gabrielle event claims settled*

Tower staff at an Auckland community hub following January 27 weather event

Tower's central motor assessment yard following January 27 weather event

There for our customers

The volume of claims and the range of external parties required to resolve claims related to these events presented challenges for everyone. We know the time it has taken to resolve some claims and contact Tower at times has been frustrating for people.

With every event, we take the opportunity to learn and improve so we can provide a better service for our customers. This year we have made improvements to our claims processes, to ensure that our customers receive timely communications and action from us, throughout the entire claims journey.

By 20 November, Tower had settled 84% of claims from the Auckland and Upper North Island event and Cyclone Gabrielle.

A few weeks after Cyclone Gabrielle, Cyclones Judy and Kevin made landfall in Vanuatu. These events were devastating for the people of Vanuatu and we are proud of the support we provided our Vanuatu customers. As at 20 November, Tower had settled 88% of claims for these events.

These events are a reminder of the role insurance plays in our economic resilience. We continue to look for ways to improve how we help our customers and communities recover after large events.

* As at 20 November 2023.

DELIVERING ON OUR STRATEGY

Our strategy

To be the best direct insurer in our selected markets differentiated through digital and data, fairness and transparency, and by caring for our customers in everything we do.

Our strategic pillars

LEADING CUSTOMER EXPERIENCE	OPERATIONALLY EFFICIENT & EFFECTIVE	HIGH PERFORMING CULTURE	RESILIENT
Simple and rewarding customer experiences across the life cycle.	Digitise and automate core processes and leverage geographical footprint.	An inclusive, diverse and risk aware culture. Empower our people to achieve great things.	Manage volatility and deliver sustainable outcomes for all stakeholders.

Our values

WE DO WHAT'S RIGHT

OUR PEOPLE COME FIRST

OUR CUSTOMERS ARE OUR COMPASS

PROGRESS BOLDLY

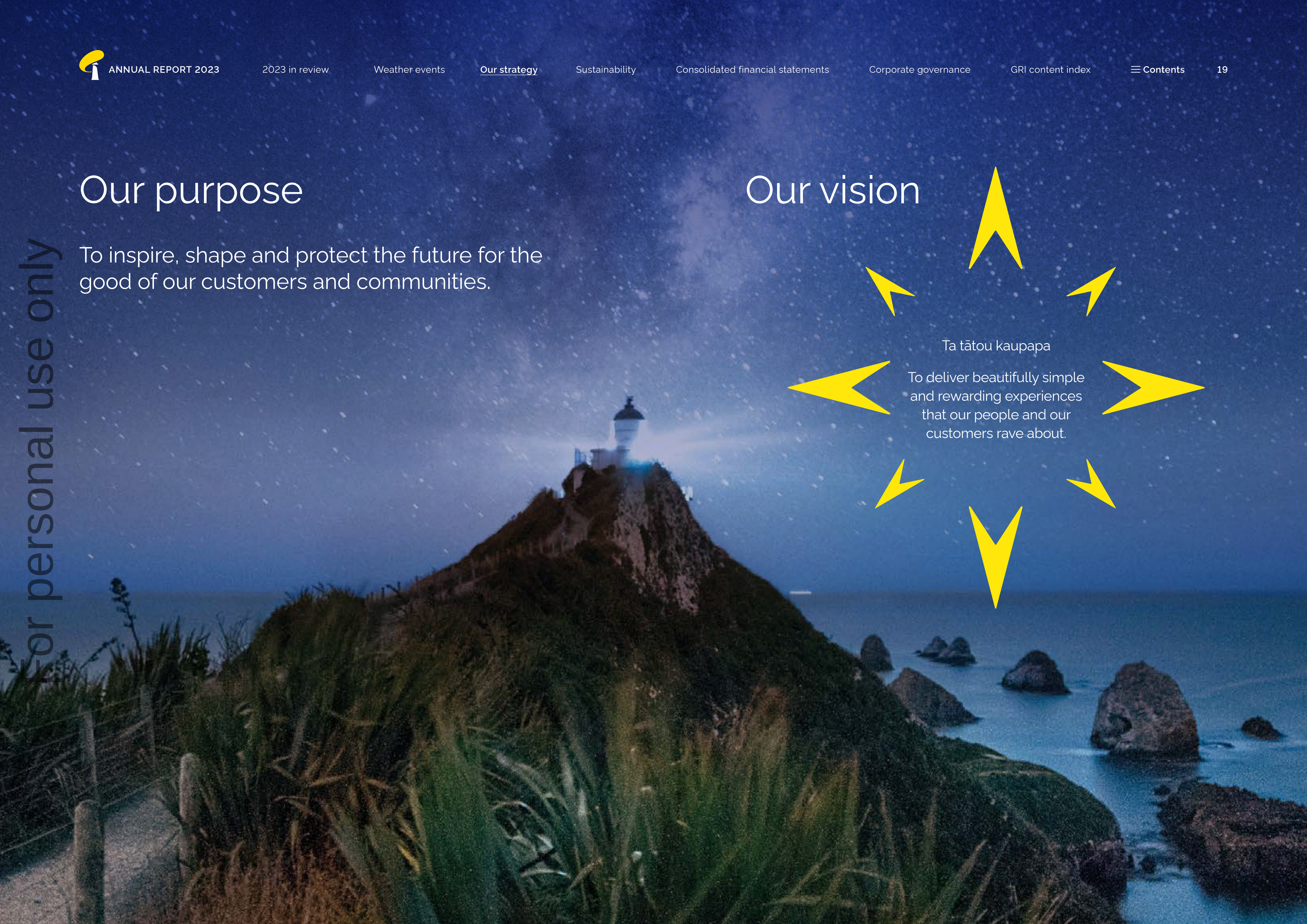
Our purpose

To inspire, shape and protect the future for the good of our customers and communities.

Our vision

Ta tātou kaupapa

To deliver beautifully simple and rewarding experiences that our people and our customers rave about.



Leading customer experience

Innovating for our customers

In line with our strategy to create leading customer experiences, Tower continued to develop our innovative products and digital offerings over the financial year. These efforts have contributed to record growth in GWP.

My Tower

In FY23, our flagship, digital self-service platform, My Tower continued to enhance the insurance experience for our customers, allowing them to purchase insurance, update and keep track of policies and view their property's risk profile for flooding and earthquakes. All this, via one simple online platform.

In New Zealand, My Tower assisted our customers to lodge and check the progress of their claims online.

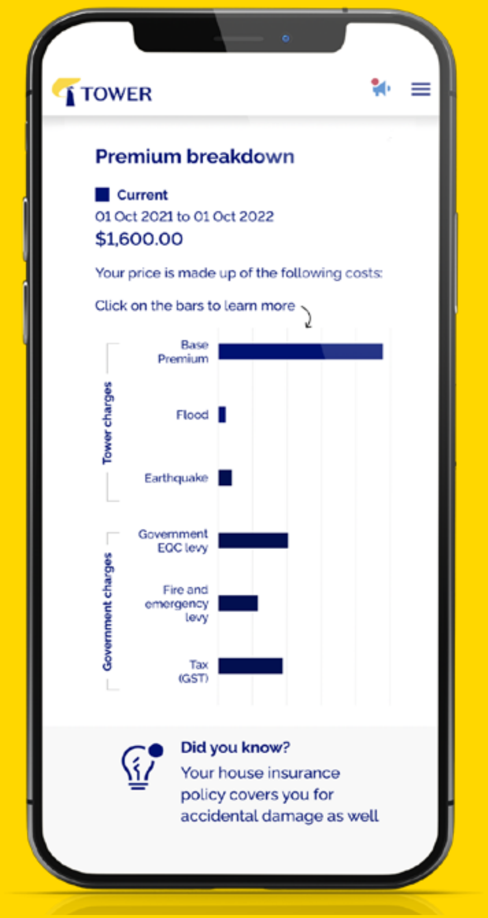
This financial year, we completed the rollout of My Tower across our Pacific operations - the first platform in the Pacific that allows people to get a quote and purchase insurance online. It's a remarkable step-forward in our plan to increase insurance accessibility in the Pacific, where roughly 10% of homes have insurance, compared to 90% in New Zealand.

$391M Tower Direct GWP[1] up 22% from FY22

$53M Pacific GWP[2] up 4% from FY22

264K Customers now registered for My Tower

$82M Partnerships GWP up 26% from FY22



[1] Legacy partnership portfolios have been transferred from the Partnerships business unit to Tower Direct after purchase.
[2] Excluding Papua New Guinea which was sold in FY23.

Forward thinking products for modern customers

Our focus on innovation and investment in large-scale digital transformation over the last four years continues to enable Tower to evolve rapidly, in line with the latest in technology and customer expectations. The result is customer-focused, digital-first insurance solutions that allow us to create products to suit the modern lifestyles of our customers.

In FY23, we celebrated the one-year anniversary of Contract Works – Renovation Cover, ensuring we are there to support our customers as they renovate their homes. It's the newest addition to our personal lines offering, which includes products for motor, contents, boat, travel, pet and landlords, as well as insurance for renters, lifestyle block, EVs, e-scooters and e-bikes.

77%	NZ direct sales online vs. 66% in FY22
18%	Increase in Tower Direct online quotes vs. FY22
50%	Customers hold multiple policies with us

CANSTAR 2023 OUTSTANDING VALUE INSURANCE HOME & CONTENTS

Partnering for success

Our partners continued to drive more customers to Tower in FY23, with an uptick in referrals and subsequent growth through the New Zealand Financial Services Group, Kiwi Adviser Network, Allianz Partners, Ray White, Coastguard, TSB, Aon Fiji and the Fiji Development Bank, among others.

New partnerships with New Zealand Home Loans, MTF Finance and Squirrel Mortgages, also helped to support our customers and business growth.

Wherever possible we also partner to deliver products in better ways and to do existing tasks more efficiently. In the year, work continued with the likes of Risk Management Solutions, Redbook, FRISS and Sentro to enhance our different business processes.

35%
Increase in new risks sold from referral partners vs. FY22

2,500
Active advisers up 67% from FY22

GOLD AWARD:
Outbound Business to Business Calling

SILVER AWARD:
Outbound Business to Consumer – Sales

Sustainable and innovative growth

Growth is key to our strategy but in order to be there for our customers and deliver good returns for shareholders long-term, this growth must be sustainable. We are focused on growth in the right areas, with the right risks.

2	Parametric insurance now available in two countries, Fiji and Tonga
600	Parametric policies in place for the FY24 cyclone season

Parametric insurance for the Pacific

In August 2023, Tower launched its parametric Cyclone Response Cover pilot in Tonga. Cyclone Response Cover was first trialled in Fiji for the 2022/2023 cyclone season in collaboration with the United Nations Capital Development Fund, under its flagship Pacific Insurance and Climate Adaptation Programme. Following the pilot's success, Cyclone Response Cover is now available to all Fijians.

Under Tonga's Cyclone Response Cover trial, the product is available to Tonga Development Bank customers and Pacific Disability Forum members for the 2023/2024 cyclone season. Following this, our goal is to launch the product to the wider Tongan market.

Cyclone Response Cover provides a rapid cash pay-out to customers based on proximity to a high wind speed cyclone event, regardless of damage and without the need for an insurance assessor's signoff. Parametric insurance products are a lower-cost alternative that provide a level of cover for communities that may not benefit from traditional insurance.

Cyclone Response Cover will help increase insurance accessibility, particularly as climate change impacts increase over time. In the coming years Tower plans to expand parametric insurance into more of our Pacific territories.

Risk-based pricing, a fair way to price insurance

With our award-winning and market-leading approach to earthquake and flood risk-based pricing, we're proud to share information with customers about their properties, empowering them to better understand their insurance needs and premiums.

We believe risk-based pricing is a fairer way to price insurance as customers only pay for the risks that apply to their properties. Launched in 2021, the response to our risk tool has been positive. Since then, we've tested our model against the impacts of actual flood events and these have matched closely every time. This continues to give us confidence in the accuracy of our pricing and underwriting.

Following accurate modelling of this year's large events, we used our risk-based pricing model to implement three key changes to ensure we price fairly, grow sustainably and further protect the business from the volatility of weather events:

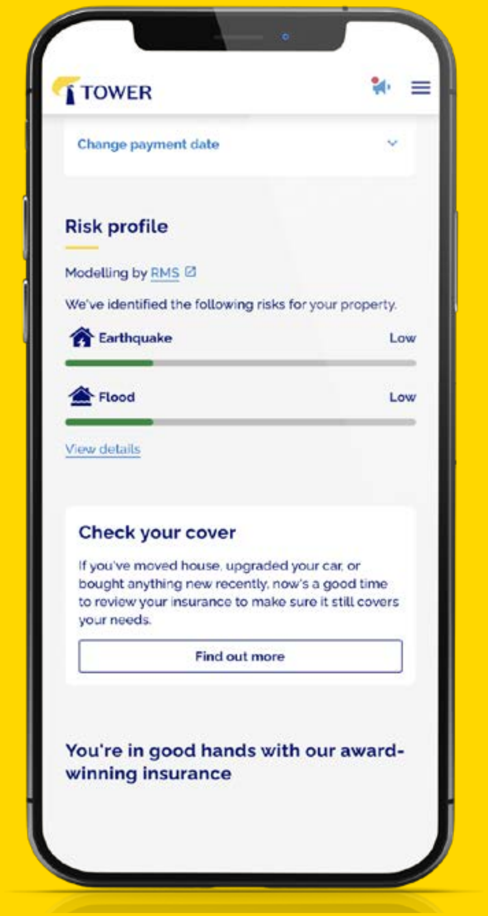
1. Increased the weighting of the flood-risk portion of our premiums to better reflect changing risk profiles.
2. Implemented new risk selection criteria for landslide risks, immediately following the January 2023 weather event.
3. Added automated risk-selection for sea surge for new business and underwriting risk reviews for existing customers.

In FY24, Tower will fully automate underwriting for landslide and sea surge risks, and these will be added to the customer view in My Tower alongside a transparent premium breakdown.

87% Kiwis think risk-based pricing is a fair way to price insurance*

79% Kiwis agree that landslip risk should be factored in when assessing a property's risks*

72% Kiwis agree that storm surge risk should be factored in when assessing a property's risks*



* Independent research conducted by the Octopus Group in April 2023, with a sample size of 1,000 representative of New Zealand's population.

Fair and transparent insurance

At Tower, fairness and transparency are a core part of our customer experience. We aim to make insurance simple and easy so that our customers understand their insurance and have the right cover in place to suit their needs. Most importantly and in line with our values, we do what's right.

Committed to supporting our customers

A new Financial Advice Provider (FAP) regime was introduced to the industry in FY23. Tower is committed to understanding and supporting the needs of our customers so we applied for and were issued a full FAP Licence. Tower supports the intent of the regime – which is to make good financial advice accessible to Kiwis.

194 Tower team members trained to provide financial advice to Kiwis

175K Inbound calls answered by our trained representatives since the regime went live in March 2023

Putting things right for our customers

Tower is focused on putting things right for customers who have received incorrect discounts or benefits. We sincerely apologise to those who have been affected by these errors.

The most significant part of our remediation programme in FY23 has been refunding customers who have not received correct multi policy discounts. We have made substantial progress with $6.2m excluding GST paid to these customers as of 31 October 2023. Tower has provisioned $11.2m for this customer remediation which allows for amounts to be paid to around 65,000 customers and potential regulatory action. After we identified the issue, we proactively advised the Financial Markets Authority (FMA) and we have been assisting FMA with its investigation in relation to the overcharge.

Other remediations we have in progress are for premium overcharges in connection with the application of promotions and policy discounts. We have provisioned around $500K for these. We are working to identify all impacted customers so we can refund any overpayments.

As well as reviewing our processes, we are also redesigning and simplifying our multi-policy offering and expect to share more about this change in FY24.

Operationally efficient and effective

Our digital and data capabilities

As a forward thinking insurer, the customer and efficiency benefits from our digital platform continue to be realised.

Our digital platform is driving down the costs to acquire new business and serve as Kiwi and Pacific communities increasingly adopt our online sales and service channels.

Customers are also seeing the benefits as evidenced by our New Zealand online net promoter score. For our business, our core platform agility has enabled rapid deployment of technology releases, which take us just 25 minutes a day.

55% Service tasks and transactions completed digitally in NZ vs. 50% in FY22

55% Combined NZ net promoter score for online experiences

Our vision for the future of claims

Tower's vision for the future is of a digitised end-to-end customer experience, where our customers can manage every aspect of their claim via My Tower, supported by automated internal systems and supplier networks. We're on a journey to achieve this by FY26 with the goal of improving transparency for customers, reducing operating costs, increasing efficiency and productivity, and continuing to deliver good, simple customer experiences.

In FY23, thanks to our new Repair Partner Network's straight-through-repair model for simple repairs, we removed the need for 40% of our customers to wait for an insurance assessment. Similarly, 40% of our My Tower motor claims are now lodged through claims automation.

59% Claims now lodged online in NZ vs. 49% in FY22

69% Claims from the Auckland and upper North Island weather event and Cyclone Gabrielle were lodged online

Simplifying our business to deliver sustainable growth and efficiencies

Over the last four years Tower has invested heavily in digitisation to increase scale and simplify our business. In FY23, this investment led to a further reduction in our management expense ratio (MER) and improvements in our customer experience.

81% New Pacific business purchased via new platform up from 45% in FY22

32.2% MER down from 36% in FY22

One core platform

With our core personal lines platform now live across all countries, we have simplified our organisational alignment around our three customer journeys: new business, service and claims – rather than across geographical locations. This is aimed at delivering consistent and repeatable processes across our business, simultaneously reducing complexity, duplication and risk.

Streamlining our operations

In FY23, Tower completed the sale of our Papua New Guinea subsidiary and announced the sale of our Solomon Islands business, which we expect to complete in the first half of FY24. These sales allow Tower to focus on developing and delivering our personal lines and small-medium enterprise customer experience in the Pacific. Growth in our Pacific business will be enabled through Tower's digital and data offering, while we streamline our operations and tighten our risk appetite.

The cornerstone of our Pacific operation

With our core platform and My Tower now live across the entire Tower Group, our Suva Hub began to realise its full potential this financial year, delivering significant value and organisational efficiencies.

Supporting our large event response

Following the Auckland and upper North Island weather event and Cyclone Gabrielle escalating claims volumes impacted our customer wait times. Our Suva team was able to support via our phonelines, email communications and online claims lodgment processes. Online support for our New Zealand customers via Suva was a milestone moment for Tower - with our core platform, we're not only operating as one team we're operating on the same, innovative, digital system too, regardless of location.

Our strategic advantage

Tower has operated in the Pacific Islands for almost 150 years. As the cornerstone of our Pacific operation, Fiji represents a differentiator and strategic advantage for Tower.

Our two biggest markets, New Zealand and Fiji, sit in the same time zone, or within an hour's difference during daylight saving months. Because we've expanded our operations in Fiji to include all core business functions our BAU operations can now operate seamlessly across both countries, as well as the wider Tower group.

Instead of outsourcing, we are investing in local economies which offers great strategic value to Tower. This value goes hand-in-hand with the expansion of our Suva team, which has grown from 62 FTE in FY21 to 88 in FY22 and now 233 in FY23.

Staff attrition in the Pacific is lower than in New Zealand, where the labour market is tight compared to Fiji. Fiji's cultural similarities means our access to talent in-country presents a unique opportunity to provide a better experience for all Tower customers, while bolstering resilience and reducing MER.

New Zealand Fiji Business Council breakfast with Fiji Prime Minister Sitiveni Rabuka

Future growth enabled

To support this growth, at the beginning of FY24, our Suva team will move into a new, larger office, marking the next chapter in our Suva Hub journey.

High performing culture

Our culture

Our people are at the heart of everything we do. We know that by looking after our teams, we empower them to show up in the best way possible for our customers.

Diverse and inclusive

At Tower, our values are; 'we do what's right', 'our customers are our compass', 'progress, boldy' and 'our people come first'. We truly live by these values and our staff engagement surveys, run in March and September each year, reflect this.

We're particularly proud of our diversity and inclusion score and contributors, which are consistently high. In our latest survey, our overall 'diversity and inclusion' score was 8.6, with contributors like 'freedom of opinion' and 'feeling valued' scoring at 8.1. This is important to us because for our people to feel comfortable to express their opinions at work, there needs to be a high level of trust across the entire Tower group. When people feel valued and respect each other's individual differences, this creates an environment for people to thrive and collaborate freely. We know that this is crucial for a business to flourish, stay competitive and remain ahead of the curve.

7.8 Employee engagement score*

100% Employees earn a living wage in NZ or a living wage equivalent in the Pacific

81% Emerging Talent programme employees progressed in their careers at Tower in FY23

59% Employees are non-European, based on the 96% of staff who chose to disclose their ethnicity in FY23

* As at 22 September 2023, based on Tower's latest staff engagement survey.

Committed to our people

8.3

Employees rated Tower's commitment to health and wellbeing at 8.3, in the top 25% of the global finance sector*

Putting our people first

New benefits launched this year include gender affirmation leave and increased paid parental leave.

These are in addition to our existing benefits such as our refreshed volunteer leave framework, birthday leave, domestic violence leave, the ability to purchase up to eight extra days leave, flexible working, free financial wellbeing seminars, discounts for group insurances and with a range of suppliers across New Zealand and the Pacific.

To make it easier to access these benefits in FY23, we launched the Tower Beam app, which consolidates all our staff discounts into one easy platform for our people to take advantage of, no matter where they are.

Enhanced wellbeing

Our people's wellbeing was top of mind during our response to weather events this year. In addition to hiring more people to handle the sharp increase in workloads we delivered 15 sessions on managing stress through compassion, connection and mindfulness to more than 200 staff. This included a tailored session for our event response team.

Changing sick leave to wellbeing leave in FY22 has also helped enhance our teams' wellbeing in FY23, while opening up broader conversations about mental health and managing stress. Wellbeing leave replaces sick leave and can also be used for rest or activities that proactively manage personal wellbeing.

As an insurer, our work environment is unique. Spread across eight countries, from offices to assessing damages out in our communities - we're proud that in FY23, we reported zero workplace injuries and zero harm.

* As at 22 September 2023, based on Tower's latest staff engagement survey.

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20.2%

Gender pay gap, improved by 5.7% vs. FY22

When we take the total salary for all women and divide that by the number of women, and the total salary of all men and divide that by the number of men, we have a gap of 20.2%.

For the most part, this is because we have a larger proportion of women in some of our New Zealand frontline roles, and a greater proportion of men in senior roles.

-0.2%

Gender pay equity gap

When we compare like-for-like roles for women and men at Tower in New Zealand, our pay equity gap is –0.2% (women are paid 0.2% more than men for the same role).

2.7%

Leadership gender pay gap

Comparing our senior leadership population and the average pay gap between men and women, our leadership pay gap is 2.7% (men are paid 2.7% more than women).

3

Tower leaders named on Insurance Business New Zealand's Elite Women List; Head of Pricing, Amy You; Head of Corporate Affairs and Sustainability, Emily Davies; and Head of Platform Delivery, Johannah Benton

Looking after our people at work and at home

In FY23 Tower increased parental leave entitlements from 12 to 16 weeks paid leave for primary carers and, two to four paid weeks leave for partners.

An especially exciting development was the rollout of these same benefits across our Pacific operations. This was part of a wider project to align staff benefits across the Tower group. Parental leave legislation varies greatly in the Pacific compared to New Zealand, options are limited and in some countries even unpaid leave for partners is not required by law.

Now, our teams in the Cook Islands, Solomon Islands, Vanuatu, Tonga, Fiji, Samoa and American Samoa enjoy the same updated benefits as our teams in New Zealand, including parental leave – typically above and beyond what is available in each country.

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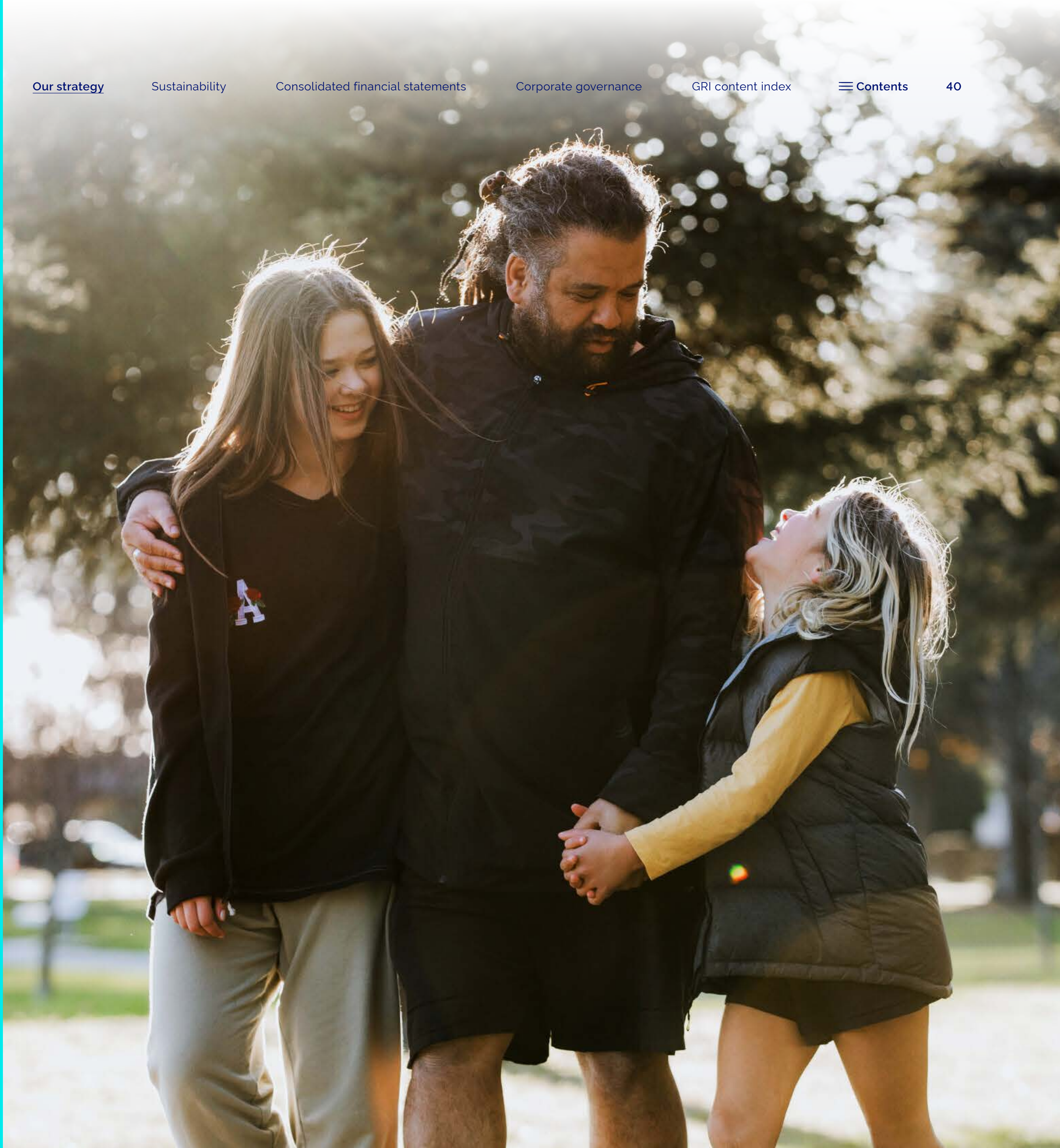
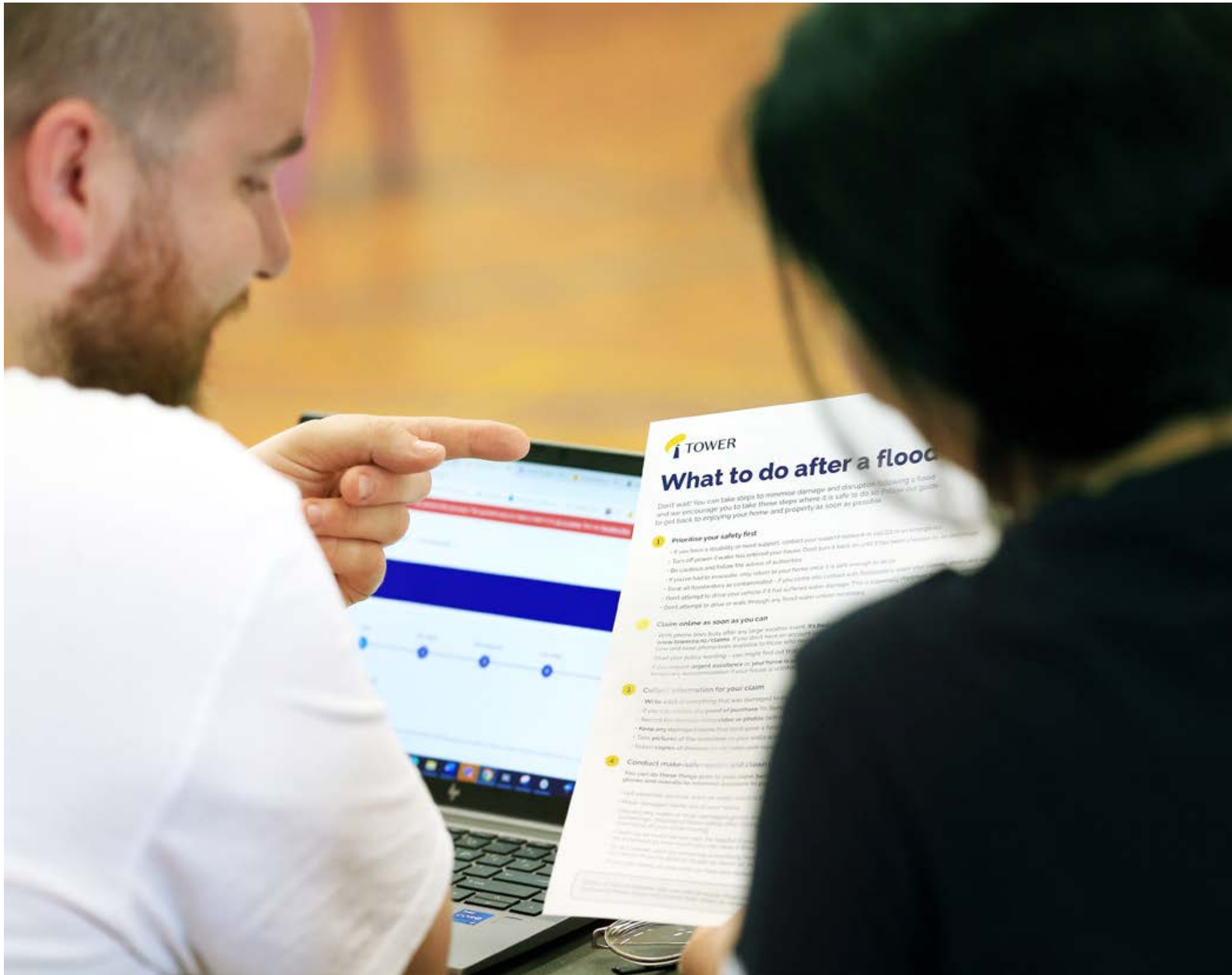
Resilient



Here to do good, for good

2023 was challenging for the local and global insurance industry. Our ability to stay agile, driven by digital and data capabilities, backed by robust reinsurance, allows us to remain financially resilient and adapt to market challenges.



Protecting Tower and our customers with real-time, automated underwriting

In FY23, we continued automating our underwriting processes underpinned by our risk-based pricing model and digital agility. In New Zealand, for the second year running, nearly 100% of our existing house customers' sums insured were updated automatically, mainly using data from the Cordell calculator. This helps customers choose a suitable level of cover.

This financial year, Tower proactively managed inflationary pressures through targeted rating and underwriting actions. Monthly rating changes allowed us to mitigate reinsurance and weather-related cost increases as well as keep pace with inflation. Similarly, with increased motor crime, Tower identified vehicles subject to higher rates of theft and made appropriate changes to rates and excess charges.

Our ability to take swift and decisive action to address emerging issues on a granular level is at the heart of the digital transformation Tower has undergone in recent years. It's this flexibility and agility that helps us to successfully mitigate external challenges beyond our control and remain resilient.

94% NZ risks are now sold without requiring a manual underwriting review and pricing adjustments

100+ Pricing and underwriting adjustments made across FY23

Robust reinsurance

In May, following large weather events and aligned with our comprehensive approach to reinsurance, Tower placed additional reinsurance reinstatement cover for the remainder of FY23. The purchase of additional cover ensured protection remained in place for additional events up to a limit of $889m.

Reinsurers are attracted to our robust underwriting and risk-based pricing approach and Tower is pleased to receive ongoing support from some of the world's largest reinsurers as well as backing from reinsurers looking to start new relationships with us.

In a challenging reinsurance market following significant global weather events, Tower was pleased to secure a comprehensive FY24 reinsurance programme, at competitive rates for home, motor, boat and commercial portfolio cover, across New Zealand and the Pacific.

Last year's Toka Tū Ake EQC cap increase from $150,000 to $300,000 reduced the amount of catastrophe coverage needed.

To support our prudent risk appetite, Tower purchased cover for two catastrophe losses up to $750m. Cover is inclusive of an automatic reinstatement. Tower also purchased cover for a third catastrophe event up to $75m.

This cover, combined with Tower's existing multi-year placements, results in a reinsurance excess increase to $16.9m for the first two events in FY24, up from $11.9m in FY23. An excess of $20m applies for a third event.

The market experienced significant increases in reinsurance prices and excesses throughout FY23 so we were very pleased to achieve moderate pricing and excess increases for FY24.

$750M Cover in place for first two catastrophe losses in FY24

$75M Cover in place for a third event in FY24

Protecting the everyday

As an insurer it's our job to be there when the worst happens. Large events in New Zealand and the Pacific this year have brought this role to the fore for our communities. But we're also here to help when everyday things go wrong, reporting 76,597 everyday claims in FY23. From holidays to vehicles and homes, we helped protect more of the things our customers love this year too.

4K Travel insurance policies for trips to Australia, our most popular destination

67% Increase in travel policies sold

319 Claims for Pacific homes

1,600 Pacific motor claims

14 Rugby ball related claims in NZ, mostly for kids kicking rugby balls into TVs

405 Claims for wedding and engagement rings in NZ

31% Boat claims happened out on the water in NZ

63 Boat claims caused by mishaps at boat ramps around NZ

12.7K

Claims for Kiwi homes

530

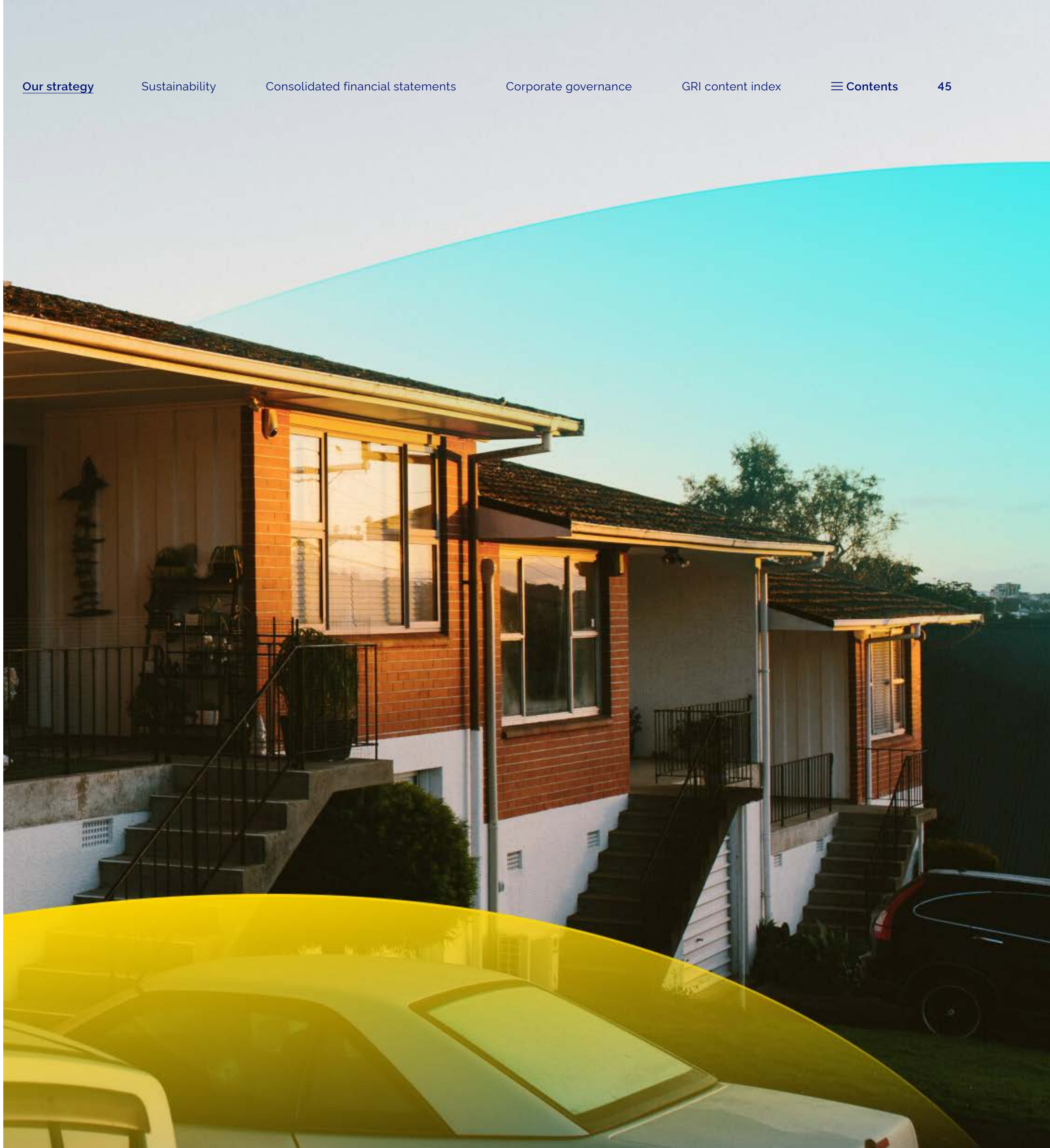
Claims for hot water cylinders

26%

Increase in NZ motor theft claims

60%

Growth in electric vehicles (EVs) covered



ENVIRONMENTAL, SOCIAL AND GOVERNANCE PERFORMANCE

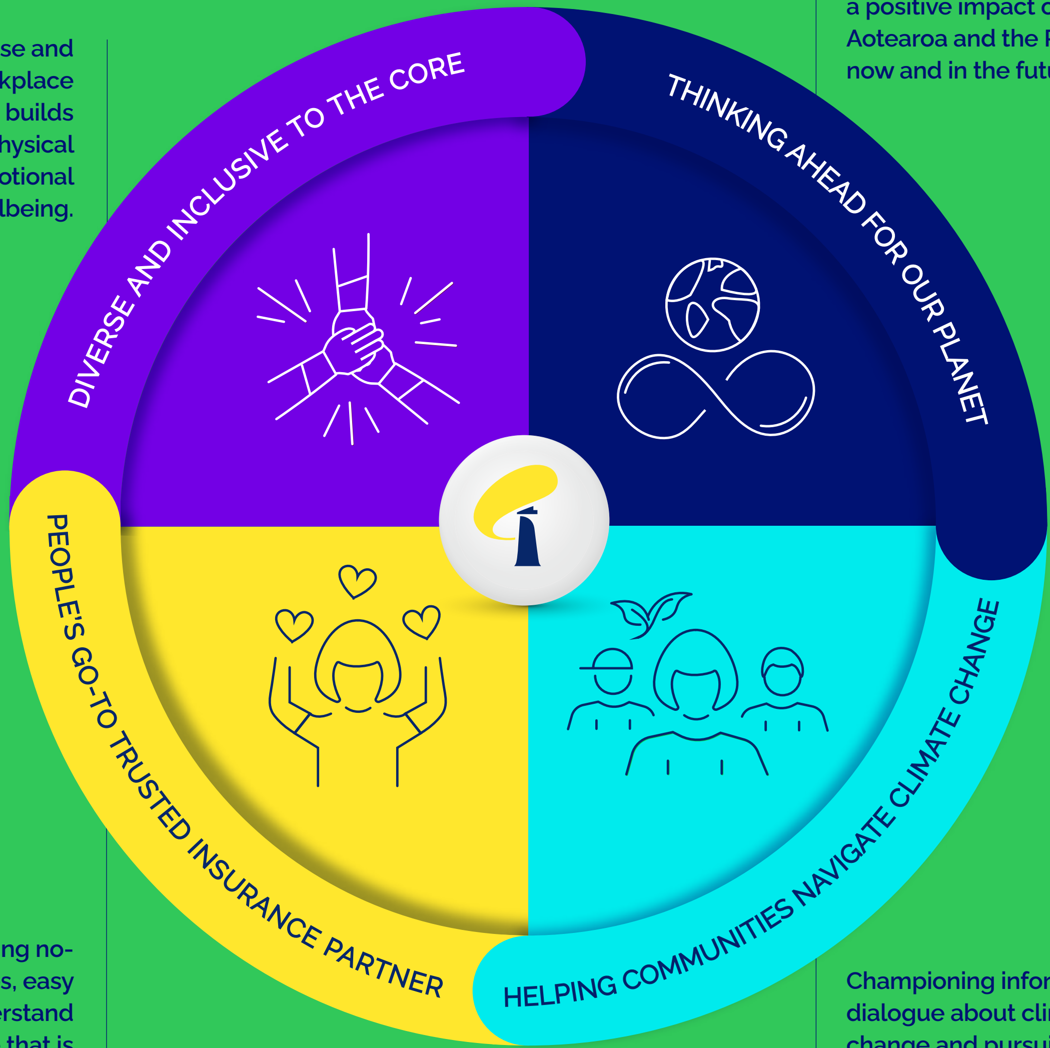
Sustainability at the heart of what we do

Our sustainability strategy guides how we manage relevant environmental, social and governance issues and provides a framework for managing our most material impacts. It was developed to enable us to deliver on our company purpose:

"To inspire, shape and protect the future for our customers and communities."

A diverse and inclusive workplace that builds people's physical and emotional wellbeing.

Moving all aspects of our business towards zero-carbon and zero waste, and ensuring we have a positive impact on Aotearoa and the Pacific, now and in the future.



Providing no-surprises, easy to understand insurance that is accessible and affordable.

Championing informed dialogue about climate change and pursuing win-win outcomes that tackle sustainability issues.

ESG Governance

Tower's Board provides the highest level of ESG governance at Tower. The Board approves and monitors our ESG governance and reporting, with performance monitored through periodic updates from management. ESG governance is formalised through an executive level steering committee which has responsibility for overseeing progress on our initiatives and monitors environmental and social risks. Our ESG performance is coordinated by the Head of Corporate Affairs and Sustainability, reporting to the CEO. As we progress our response to Climate-related Financial Disclosures and our B Corp aspirations, the Board and management will continue their focus on ESG governance and climate risks and opportunities, by developing new policies and continuing to enhance our governance framework in FY24.

This annual report is Tower's second step into sustainability reporting with the aim of being more transparent about our broader business activities. This report has been prepared in accordance with the Global Reporting Initiative (GRI) 2021 standards.

Reducing our emissions

Tower has set a science-based reduction target of 21% over five years from our 2020 base year (551 tCo_2e). Our carbon footprint is calculated in accordance with the requirements of the Greenhouse Gas Protocol and ISO 14064-1:2018.

Our actions to curb emissions in FY23 following a post-Covid spike in FY22 has resulted in a 23% reduction over the year to 477 TCo_2e. This year's progress sees us on track to achieving our current FY25 target with calculated emissions now 13% below our FY20 baseline year.

Emissions reductions in the year have largely been achieved through progressively replacing our New Zealand and Pacific fleet with hybrid vehicles and changing driving behaviours in both regions. All our New Zealand fleet vehicles are now hybrids and we will continue to transition the remainder of our Pacific vehicle fleet in FY24.

Virtual meetings technology has now been fully embraced in our Pacific operations and we are increasingly conducting claims assessments virtually in New Zealand, reducing the need to travel.

Emissions from powering our premises are now 25% below our baseline year, largely due to the move to our Six Green Star Rated premises in Auckland. An increase in stationery energy emissions of 18% in FY23 is predominantly due to the inclusion of additional data sources. This was partially offset by emissions reductions from New Zealand's continued transition to renewable energy and the sale of our Papua New Guinea subsidiary.

Our preparation for Climate-related Financial Disclosures includes expanding our measurement and reporting of Scope 3 emissions. As more data is captured over time, we expect the inclusion of previously unreported Scope 3 emissions including from our underwriting portfolios and supply chain to increase Tower's total carbon emissions profile. As part of this work we will review our emissions targets in FY24.

Tower has elected not to offset our FY23 emissions as our preferred approach is to invest in initiatives that reduce gross emissions as much as possible such as transitioning our fleet and investigating renewable energy sources for our Pacific premises.

SCOPE	FY20 (TCO_2E)	FY21 (TCO_2E)	FY22 (TCO_2E)	FY23 (TCO_2E)
SCOPE 1	169	115	300	165
SCOPE 2	180	165	126	135
SCOPE 3	202	98	191	177

Climate-related Financial Disclosures

In FY23 Tower made positive progress towards addressing our climate change risks and opportunities with our first mandatory Climate-related Financial Disclosure required for the FY24 reporting year. Due to internal resources being diverted to managing this year's catastrophic events, we have elected not to make an early voluntary disclosure for FY23 as originally intended.

In the year, Tower adapted the New Zealand insurance industry climate change scenarios for Tower's strategy and business model in New Zealand and the Pacific Islands. Tower's climate change scenarios explore three possible and plausible futures over a timeframe out to 2050. These scenarios have allowed us to develop a comprehensive set of climate change risks (including both physical and transition risks) and opportunities which will ultimately enable us to model the potential future financial impacts of climate change and further develop our strategic responses.

B Corp

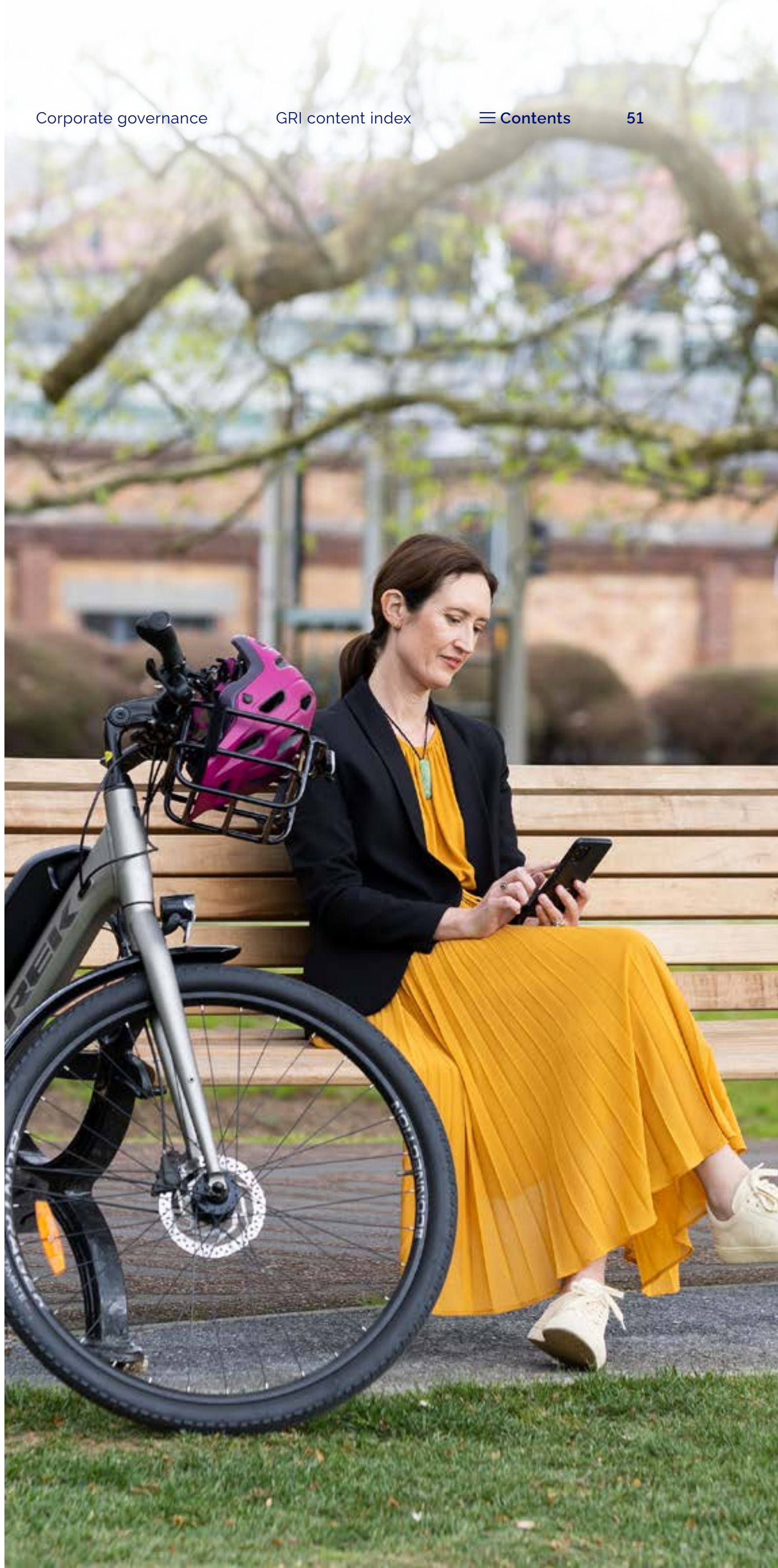
As we've indicated previously, Tower would like to achieve B Corp accreditation in the coming year. B Corp measures a company's entire social and environmental impact. Attaining this certification would confirm that Tower is demonstrating high verified standards of social and environmental performance, public transparency, and accountability as we progress towards our sustainability goals.

Identifying material impacts

In 2021, we identified a range of topics and impacts through research and engagement, which included interviewing a range of stakeholder representatives and relevant experts. We spoke to our Board, shareholders and partners, representatives from the wider insurance industry and financial markets, as well as experts in sustainable finance and climate change. We undertook employee workshops involving senior management and a diverse range of people and roles from across the business. In 2022, we assessed and prioritised the full range of Tower's sustainability impacts using the GRI 3: 2021 methodology.

Members of our executive steering committee reviewed our material impacts in 2023 and validated that our 12 material topics largely remain consistent with the FY22 assessment. Increases in significance were identified for three topics: climate change increased, due to the increasing frequency and severity of extreme weather; affordable and accessible insurance was rated higher, reflecting the current cost of living challenges in New Zealand and the Pacific; and product development also increased in importance due to the potential for product innovations like parametric insurance to bring positive benefits to Pacific people.

Our impacts are detailed in the table on pages 52-57 along with relevant impacts identified and addressed both in the table and throughout this report. The impacts reflect Tower's business operations in both New Zealand and the Pacific Islands and have been reviewed and approved by our leadership.



Material impacts

STRATEGY ALIGNMENT	MATERIAL TOPIC *OVERVIEW OF POTENTIAL AND ACTUAL IMPACTS*	SDG ALIGNMENT	MANAGING OUR IMPACTS	DELIVERED IN FY23	FY24 TARGETS AND INITIATIVES	TARGET FOR FY25 AND BEYOND
Diverse and Inclusive to the core	**Diversity and inclusion** We recognise that a lack of diversity excludes minority groups which limits diverse thinking and impacts mental health and emotional wellbeing. Diversity is also an important part of customer innovation. We are committed to having a diverse and inclusive workplace that builds people's physical and emotional wellbeing. Investing in a positive business culture that prioritises the personal growth of our people impacts our attractiveness as an employer and retention of talented employees.	3 GOOD HEALTH AND WELL-BEING 5 GENDER EQUALITY 8 DECENT WORK AND ECONOMIC GROWTH 10 REDUCED INEQUALITIES	• We have policies and processes in place to ensure equal opportunities for roles at Tower • Our recruitment policy incorporates cultural considerations for conducting interviews and outlines a process to ensure all interview panels are balanced culturally and by gender • We offer unconscious bias training to all staff • Our emerging talent programme has a focus on identifying diverse future leaders.	**FY23 targets** Drive practices and outcomes that will result in Tower's leadership reflecting the diversity (gender and ethnicity) of our customers and communities: • 100% of hiring panels, candidate shortlists and succession plans consist of one woman candidate and one ethnically diverse candidate • Attrition of diverse talent is kept below the level of gender and ethnic representation. **Delivered in FY23** • Target not met largely due to challenges with collecting ethnicity data from candidates during the recruitment process. However, gender diversity was achieved for candidate shortlists in 100% of roles and hiring panels for bands 7 and above. 75% of succession plans included gender diverse candidates. • Attrition of diverse talent was less than total attrition • Increased Parental Leave Benefit • Introduced Gender Affirmation Leave • Added more options for our people to choose from or select for their personal gender, ethnicity, and national origin, to better reflect our workforce. This resulted in an increase in gender and ethnicity disclosure rates to 96% in FY23 compared to 85% in FY22 • 239 staff completed unconscious bias training • In FY23 our gender pay gap improved to 20.2% from 25.9% in FY22. Our gender pay equity gap in FY23 was -0.2% and our leadership pay gap was 2.7%. See pages 34-39 and 114-115 for more information.	• Target to be developed.	• Target to be developed.

Material impacts (continued)

STRATEGY ALIGNMENT	MATERIAL TOPIC *OVERVIEW OF POTENTIAL AND ACTUAL IMPACTS*	SDG ALIGNMENT	MANAGING OUR IMPACTS	DELIVERED IN FY23	FY24 TARGETS AND INITIATIVES	TARGET FOR FY25 AND BEYOND
Diverse and Inclusive to the core *(continued)*	**Employee wellbeing** We believe that caring for our people's wellbeing is fundamental to a healthy culture. Reduced wellbeing can lead to physical or emotional harm and right now financial wellbeing is a key concern for many Kiwis and Pacific people. We can make a difference by having opportunities and initiatives in place to support our people's physical, mental and emotional wellbeing and build their capability for the future.	3 GOOD HEALTH AND WELL-BEING 4 QUALITY EDUCATION 10 REDUCED INEQUALITIES	**Supporting our people's wellbeing** • Tower is committed to creating a culture where incidents, near misses, hazards and discomfort are reported • We offer a range of contemporary benefits plus, flexible working, wellbeing leave for proactively managing personal or family wellness, the ability to purchase extra annual leave, and an additional paid day off for our people on their birthday • We provide training and development opportunities for our people that includes training for their role, personal goals and leadership capability • We have 15 Mental Health First Aiders, trained by St John to support our people through challenging times.	**FY23 target** • Zero harm **Delivered in FY23** • Zero harm achieved • Improved employee leave benefits • Delivered 15 managing stress sessions to more than 200 staff • Delivered eight financial wellbeing seminars • Provided domestic violence responder training to 12 employees, bringing our responders up to 20 across Tower • Launched the Tower Beam benefits app • Achieved Living Wage accreditation • Renewal of DV Free Tick accreditation • Launched new recognition programme. See pages 34-39 for more information.	• Zero harm	• Zero harm
Go-to trusted insurance partner	**Affordable and accessible insurance** Low rates of insurance in the Pacific are due to a range of issues, including the insurability of many Pacific homes, the unique ownership structures of properties within families, affordability and a lack of insurance products to suit their needs, or a lack of available internet or transportation to access insurance products. We know that not having the right cover makes people, communities, and economies reliant on aid, which creates unnecessary uncertainty and can mean it takes more time to recover when the worst happens. We have a responsibility to ensure insurance remains accessible and affordable. This is a challenge given the current inflationary environment and increasing risks from large events and climate change.	10 REDUCED INEQUALITIES 11 SUSTAINABLE CITIES AND COMMUNITIES	• We continuously monitor our pricing and benefits to ensure we are competitive and offer value for money • Our affordability focus group ensures our team has the necessary skills to assist customers with affordability issues. • Our parametric insurance product, Cyclone Response Cover offers a lower-cost alternative level of cover for customers in Fiji and Tonga.	**FY23 targets** • Consistent digital offerings are in place across New Zealand and our Pacific markets • 1,000 parametric policies in place in the Pacific by the end of FY23. **Delivered in FY23** • Achieved consistent digital offerings • Launched parametric insurance pilot in Fiji and Tonga • Did not achieve our target of 1,000 parametric policies in place due to the timing of the Fiji pilot launch and subsequent roadshow, which took place in the December 2022, half-way through cyclone season. In FY23, 600 parametric policies have been purchased for the FY24 cyclone season. With the product now live across all of Fiji and a pilot programme live in Tonga, we expect to reach this target in FY24. See pages 21, 22 and 24 for more information.	• 20% of transactions in the Pacific are completed via digital platform • 1,000 parametric policies in place across three countries by the end of FY24.	• 40% of transactions in the Pacific are completed via digital platform • 10,000 parametric policies in place across five countries by the end of FY25.

Material impacts (continued)

STRATEGY ALIGNMENT	MATERIAL TOPIC *OVERVIEW OF POTENTIAL AND ACTUAL IMPACTS*	SDG ALIGNMENT	MANAGING OUR IMPACTS	DELIVERED IN FY23	FY24 TARGETS AND INITIATIVES	TARGET FOR FY25 AND BEYOND
Go-to trusted insurance partner *(continued)*	**Transparent and fair insurance** We know that customers don't always understand their insurance and, transparency of information is one of the most important factors they take into account when deciding on an insurance provider. We recognise the need for clearly worded and simple descriptions of insurance products that help customers understand what they're covered for.	10 REDUCED INEQUALITIES	• We are working to ensure our policies achieve the WriteMark plain English standard • Continually simplifying and improving our customer self-service offering through digitisation • Digital platform provides transparency of customers' risks and pricing • Tower is focused on putting things right for customers who have received incorrect discounts or benefits.	**FY23 target** 80% of all products are WriteMark certified by end of FY23. **Delivered in FY23** • WriteMark target was achieved in New Zealand. Work continues in the Pacific with 70% of products now WriteMark certified in Fiji • Embedded ways to save built into My Tower. This gives customers practical and immediate options to save on their premiums • $6.2m excluding GST has been paid to customers affected by multi-policy discount errors as at 31 October 2023. See page 27 for more information.	• Continue to align Pacific policy documents with the WriteMark standard • Embed sea-surge and landslip risk profiles in quote-to-buy journey and in My Tower.	• Target to be developed.
	Product development and innovation Tower is committed to helping New Zealand and the Pacific's transition to a more sustainable future. Our greatest opportunity to support this aim is by positively influencing and supporting our customers through the services and products we provide. We are working to ensure our product development and innovation supports climate change resilience and action. We know traditional insurance products fail to adequately support many Pacific people who either do not have insurance or are underinsured.	9 INDUSTRY, INNOVATION AND INFRASTRUCTURE 12 RESPONSIBLE CONSUMPTION AND PRODUCTION	**Innovating our products:** • Our parametric insurance product, Cyclone Response Cover offers a level of cover for those in the Pacific who are excluded from traditional insurance products • Offering cover for electric and hybrid vehicles, e-bikes and e-scooters helps support the transition to more sustainable forms of transport.	• Cyclone response cover product launched to wider Fiji market and pilot launched in Tonga • Launched new personal lines house, motor and contents products in all Pacific countries in which we operate • 60% growth in electric vehicles (EVs) covered • 34% growth in hybrid electric vehicles covered See pages 21-25 for more information.	• Target to be developed.	• Target to be developed.
	Data protection The collection and use of personal and non-personal data enables us to offer more tailored insurance products and services, including more personalised risk assessments. We know that any misuse or loss of customer data is likely to erode trust in the insurance industry. Tower is committed to protecting our customers' and people's data by having safe data governance and practices in place.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	• Our data governance framework ensures we are able to take advantage of opportunities to use data when they arise, and this data is used appropriately and effectively • We have robust policies, processes and technology in place to ensure data is protected • Tower is continuing to decommission legacy systems which will reduce the number of systems where customer data is stored.	• Updated data risk governance framework • Updated data retention policy and retention schedules • Updated third party data access register.	• Update Information Management Policy	• Target to be developed.

Material impacts (continued)

STRATEGY ALIGNMENT	MATERIAL TOPIC *OVERVIEW OF POTENTIAL AND ACTUAL IMPACTS*	SDG ALIGNMENT	MANAGING OUR IMPACTS	DELIVERED IN FY23	FY24 TARGETS AND INITIATIVES	TARGET FOR FY25 AND BEYOND
Helping communities manage climate change	**Managing the impacts of climate change** Tower is focused on managing the impacts of climate change, both within our business and for the communities we serve. We can make a positive contribution to mitigating climate change risks both through our own operations, and by helping others to manage their risks through our influence as a Kiwi and Pacific business.	11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION	• We are continuing to expand our risk-based pricing strategy to include more climate-related hazards • We manage financial impacts by budgeting for increasing large events in our planning and via our robust reinsurance programme. See page 43 for more information. • Participating in public dialogue on climate change impacts and responses • Sharing useful data about hazards and risks • Supporting climate change education via our Waikato University Bachelor of Climate Change Studies scholarship.	• Further expanded risk-based pricing by implementing heightened risk selection criteria for landslide risks • Awarded two scholarships. See page 25 for more information on risk-based pricing.	Expand our hazard model to include landslide and coastal hazards, automated pricing and underwriting implemented for these risks, including transparency around risk ratings for customers.	• Target to be developed.
	Corporate community citizenship Our approach to employee wellbeing extends to our people's connection with communities and the environment. By encouraging our people to support projects that align with their values and help the community we can help foster a community mindset within the organisation.	3 GOOD HEALTH AND WELL-BEING 11 SUSTAINABLE CITIES AND COMMUNITIES 13 CLIMATE ACTION	• We provide every employee with a day of volunteering leave every year, to contribute to initiatives that restore the environment or have positive social outcomes • With current staff levels Tower has 7,200 volunteer hours available across New Zealand and the Pacific per year to make an impact.	• In late FY23 we refreshed and relaunched our volunteering programme. While early days we were pleased to have delivered 390 hours of volunteering by Tower staff. See page 37 for more information.	1,000 hours of volunteering by Tower staff.	• Target to be developed.

Material impacts (continued)

STRATEGY ALIGNMENT	MATERIAL TOPIC *OVERVIEW OF POTENTIAL AND ACTUAL IMPACTS*	SDG ALIGNMENT	MANAGING OUR IMPACTS	DELIVERED IN FY23	FY24 TARGETS AND INITIATIVES	TARGET FOR FY25 AND BEYOND
Thinking ahead for our planet	**Carbon emissions** We take measuring and reducing our emissions seriously as we recognise that every effort to reduce emissions helps to mitigate global warming. Our carbon impacts reach well beyond the boundaries of our own operational activities and include the activities of our whole value chain, including the suppliers we work with.	7 AFFORDABLE AND CLEAN ENERGY 13 CLIMATE ACTION	• Tower has set a science-based reduction target of 21% over five years from our 2020 base year. • We are transitioning our fleet to electric and hybrid vehicles • We are exploring renewable energy options for our Pacific premises • Our Auckland head office is a six Green Star rated building with advanced carbon reduction technology in place including solar • We are encouraging different driving patterns and behaviours in the Pacific that reduce emissions • We have incorporated the remote working lessons from Covid and reduced air travel substantially from pre-Covid. • Changes to vehicle fleet, driving habits and an updated travel policy have seen a reduction in fuel usage across all locations despite the increased headcount.	• 23% reduction in overall emissions. See page 50 for more information.	• Establish a process to measure emissions from our underwriting activities • Establish a process to measure emissions from our supply chain • Establish a process and measure employee commuting emissions • Review and improve process for measuring working from home emissions • Review emissions targets.	• 21% reduction in emissions from our 2020 base year.
	Corporate governance We know that the decisions we make have wide reaching implications for the financial stability of New Zealand and Pacific economies in terms of the risks we cover and the suppliers we work with. That's why Tower is committed to achieving the highest standards of corporate governance, ethical behaviour, and accountability. We are working to ensure the right culture is in place to embed sustainability throughout our business so we can have a positive influence more broadly.	16 PEACE, JUSTICE AND STRONG INSTITUTIONS	Tower is committed to achieving the highest standards of corporate governance, ethical behaviour and accountability. Where developments arise in corporate governance, the Board reviews Tower's practices and incorporates changes where appropriate. Tower's relevant governance documents and policies can be found on this webpage: Policies and Documentation | Tower Insurance NZ	• Developed climate change scenarios for Tower. • Developed an understanding of our climate change risks and opportunities. See page 51 for more information.	Sustainability education to be rolled out for all staff.	• Achieve B Corp certification.

Material impacts (continued)

STRATEGY ALIGNMENT	MATERIAL TOPIC *OVERVIEW OF POTENTIAL AND ACTUAL IMPACTS*	SDG ALIGNMENT	MANAGING OUR IMPACTS	DELIVERED IN FY23	FY24 TARGETS AND INITIATIVES	TARGET FOR FY25 AND BEYOND
Thinking ahead for our planet	**Environmental footprint** We recognise that our business operations contribute to waste, pollution and biodiversity loss in addition to carbon emissions. We are committed to understanding and managing our broader environmental impacts.	13 CLIMATE ACTION	• Our Auckland head office is a six Green Star rated building with waste and water reduction processes and technology, including recycling composting, low water toilets.	• Tower took a 'reuse' first approach to the decommission of our existing Suva office with almost all of the chattels and furniture either re-used in the new site or where feasible donated to the local community. We are also replacing the existing fluorescent lighting with LED100 laptops and other peripheral hardware repurposed, reducing total hardware asset volumes.	• Measure waste across all Tower sites, set reduction target • Measure water use across all sites, set reduction target.	• Preparation for Taskforce for Nature Based Financial Disclosures (TNFD) • Work to understand our role in measuring and mitigating biodiversity loss through-out our value chain.
	Responsible investment As an institutional investor Tower can help support the market for responsible investment products. Our ability to invest in products such as green tech is limited due to Tower's conservative investment policy which is focused on high liquidity bonds, and a short duration to ensure availability of funds for paying claims.	13 CLIMATE ACTION 16 PEACE, JUSTICE AND STRONG INSTITUTIONS	We are currently building our understanding of the ESG impacts of our investments. This includes determining the proportion of issuers who have ESG initiatives in place such as: ESG strategies, climate and nature-based reporting, commitments to eliminate modern slavery, science-based emissions targets and Net Zero commitments. The investment community is in the early stages of this data capture and reporting, and we will continue to work with our partners as this capability matures.	Began working with investment partners to understand our ESG impacts.	Measure and baseline carbon emissions from our investment portfolio.	• Develop a strategy for managing investment portfolio emissions • Establish reporting for other ESG impacts.

Board of Directors

Michael Stiassny

LLB, BCom, CFInstD
Chairman

Non-Executive Director
Independent
Director from: 12 October 2012

Michael holds both a Commerce and Law degree from the University of Auckland and is a Chartered Fellow and past President of the Institute of Directors. Michael has enjoyed a high-profile governance career and is currently Chairman of 2 Cheap Cars Group Limited, and director of Momentum Life Insurance Limited, Tegel Group Holdings Limited, and New Talisman Gold Mines Limited.

With a keen interest in fostering successful next generation New Zealand businesses, Michael also dedicates significant time to start ups and championing entrepreneurship through his involvement in Founders Advisory.

Michael resides in Auckland — New Zealand.

Graham Stuart

BCom (Hons), MS, FCA
Non-Executive Director

Independent
Director from: 24 May 2012

Graham is an experienced Director, with over 30 years' experience in governance roles in New Zealand and internationally. He is currently the Chair of NorthWest Healthcare Property Management Limited and Comhla Vet Limited and, a Director of VinPro Limited. Previous executive roles include Sealord Group CEO, Fonterra Co-operative Group CFO and Director of Strategy and, Lion Nathan International Managing Director.

Graham has a Bachelor of Commerce (First Class Hons) from the University of Otago, a Master of Science from Massachusetts Institute of Technology and is a Fellow of Chartered Accountants Australia and New Zealand. He has served on multiple Government bodies including the Food & Beverage Taskforce, Māori Economic Development Panel and as Chair of the Lincoln Hub Establishment Board.

Graham resides in Auckland — New Zealand.

Geraldine McBride

BSc
Non-Executive Director

Independent
Director from: 1 October 2022

Geraldine has extensive governance and technology industry experience, having performed Board and senior leadership roles both in New Zealand and internationally, with Sky Network Television Limited, SAP, Dell, IBM, National Australia Bank and Fisher & Paykel Healthcare. Geraldine is the founder and CEO of MyWave. Geraldine holds a Bachelor of Science from Victoria University and is a Chartered Member of the NZIOD.

Geraldine resides in Christchurch — New Zealand.

Marcus Nagel

MBA (International Management),
MBA (Banking and Finance)
Non-Executive Director

Non-independent
Director from: 14 January 2019

Marcus has significant insurance industry experience. For a decade he has performed senior leadership roles for Zurich in Europe and globally. In his last role at Zurich, he served as the Chief Executive Officer of Zurich Germany managing both life insurance and general insurance businesses. Marcus holds a Master's Degree in Banking and Finance from Goethe University in Frankfurt, Germany and Master of International Management from the Arizona State University Thunderbird School of Global Management in Arizona, United States of America. Marcus was nominated by Bain Capital Credit LP (Bain Capital) to represent Bain Capital's stake in Tower (Bain Capital hold 20.00% of Tower's ordinary shares) and his appointment was supported by the Tower Board.

Marcus resides in Schindellegi — Switzerland.

Mike Cutter

BSc (Hons) GAICD
Non Executive Director

Independent
Director from: 17 November 2023

Mike has significant experience in a range of financial services businesses in Australia, New Zealand, Asia and Europe. He is the Chair of Arteva Funding, and a Non-Executive Director of both Sezzle and Pepper Money. He is the co-founder of Kadre, a credit risk management consultancy.

Mike has recently served as interim Managing Director for Bambora Aus and was previously the Group Managing Director for Equifax ANZ. Before this he held various senior roles with GE, ANZ, Wesfarmers/OAMPS Insurance Brokers, Halifax/BankOne and NAB.

Mike is a Senior Fellow of Financial Services Institute of Australia. He has served on the Boards of the Women's Cancer Foundation, Ovarian Cancer Institute, the Australian Finance Congress, the National Insurance Brokers Association and the Australian Retail Credit Association.

Mike resides in Melbourne – Australia.

Blair Turnbull

BCom, PGDipCom
Executive Director

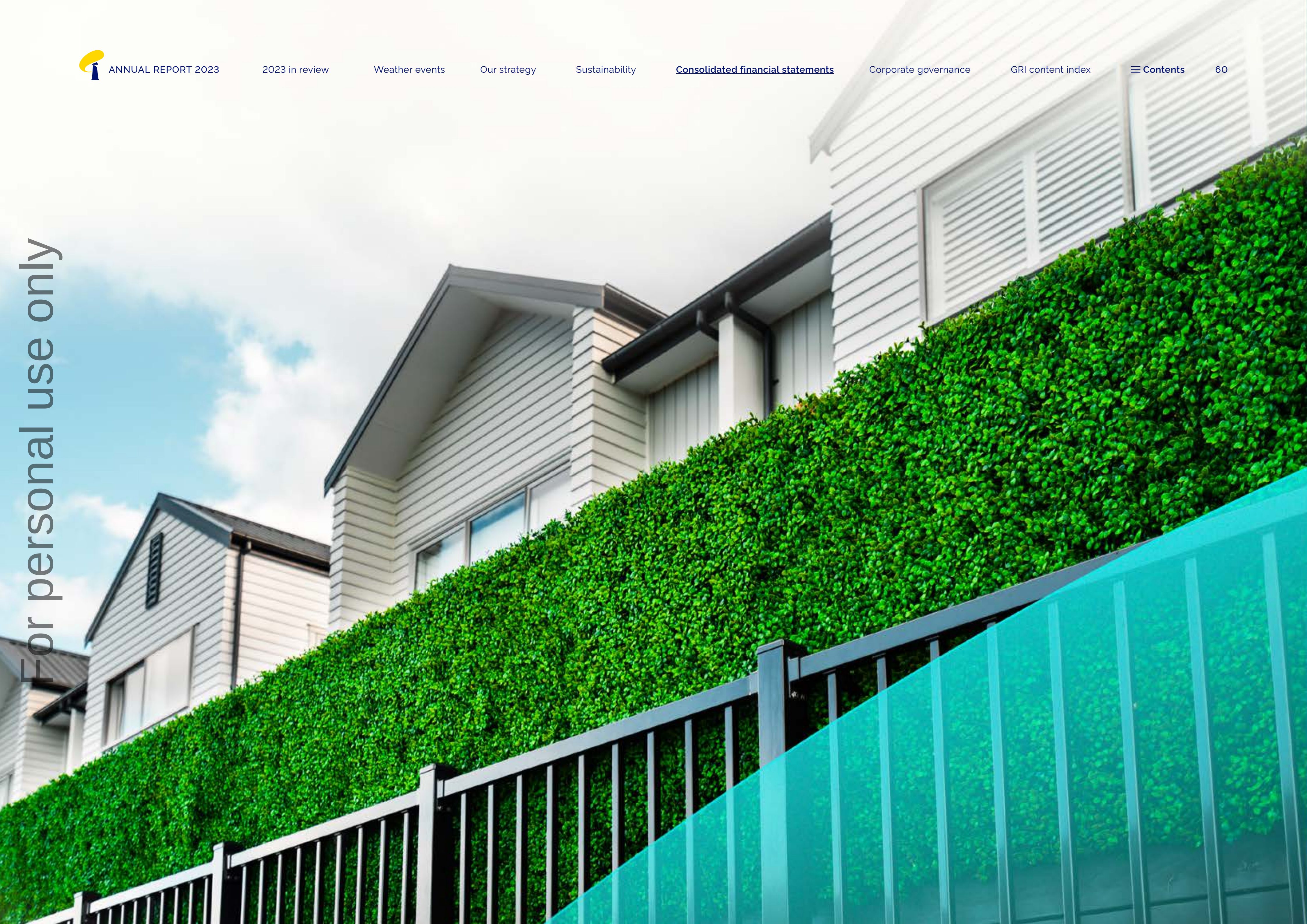
Non-independent
Director from: 29 March 2023

Blair Turnbull joined Tower Insurance as CEO in 2020, bringing with him 25 years of insurance and financial services experience from across NZ & Australia, Asia, UK, and Europe. He joined the Board in March 2023 pending the appointment of a new Independent Director.

Prior to joining Tower, Blair was Managing Director, Digital & Retail, UK & International at Aviva, Britain's largest general insurer. Prior to this, he was Executive General Manager, Wealth and Insurance at ASB Bank.

Blair's focus is on continuing to accelerate Tower's modernisation. He has extensive international experience, with a proven global track record in using data to deliver disruptive customer-focussed models in a proactive way. Blair retired from the Board on 17 November 2023 following the appointment of Mike Cutter as an Independent Director.

Blair resides in Auckland — New Zealand.



CONSOLIDATED FINANCIAL STATEMENTS

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Financial Statements

Notes to the consolidated financial statements

Independent Auditor's report, and Appointed Actuary's report

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	NOTE	2023 $000	RE-PRESENTED 2022 $000
Gross written premium		511,484	436,593
Unearned premium movement		(40,671)	(26,992)
Gross earned premium	2.1	470,813	409,601
Outward reinsurance premium		(82,030)	(62,128)
Movement in deferred reinsurance premium		(368)	(151)
Outward reinsurance premium expense		(82,398)	(62,279)
Net earned premium		**388,415**	347,322
Claims expense		(492,197)	(238,293)
Less: Reinsurance and other recoveries revenue	2.1	205,187	15,109
Net claims expense	2.2	(287,010)	(223,184)
Gross commission expense		(12,342)	(13,528)
Commission revenue	2.1	4,636	4,725
Net commission expense		(7,706)	(8,803)
Underwriting expense	2.3	(105,354)	(91,852)
Underwriting (loss)/profit		**(11,655)**	23,483
Investment income	3.1	14,627	1,480
Investment expenses		(298)	(338)
Other income	3.3	5,727	1,304
Other expenses		(44)	(63)
Financing and other costs		(920)	(890)
Profit before taxation from continuing operations		**7,437**	24,976
Tax expense	7.1	(5,085)	(7,483)
Profit after taxation from continuing operations		**2,352**	17,493
(Loss)/profit after taxation from discontinued operations	8.4	(3,580)	1,362
(Loss)/profit after taxation for the year		**(1,228)**	18,855

	NOTE	2023 $000	RE-PRESENTED 2022 $000
Items that may be reclassified to profit or loss			
Currency translation differences		(1,487)	3,948
Reclassification of the foreign currency translation reserve	8.4	544	–
Other comprehensive (loss)/profit net of tax		**(943)**	3,948
Total comprehensive (loss)/profit for the year		**(2,171)**	22,803
Earnings per share:			
Basic and diluted earnings per share (cents) for continuing operations	5.4	0.6	4.4
Basic and diluted earnings per share (cents)	5.4	(0.3)	4.7
(Loss)/profit after taxation attributed to:			
Shareholders		(1,228)	18,803
Non-controlling interests		–	52
		(1,228)	18,855
Total comprehensive (loss)/profit attributed to:			
Shareholders		(2,171)	22,737
Non-controlling interests		–	66
		(2,171)	22,803

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

Consolidated balance sheet

AS AT 30 SEPTEMBER 2023

	NOTE	2023 $000	2022 $000
Assets			
Cash and cash equivalents	8.1	64,009	84,502
Investments	3.2	258,798	258,634
Receivables	2.7	413,826	242,089
Current tax asset	7.2a	12,917	13,069
Assets classified as held for sale	8.4	13,697	20,811
Deferred tax asset	7.3a	14,971	23,893
Deferred insurance costs	2.6	39,951	37,819
Right-of-use assets	6.3a(i)	23,204	23,326
Property, plant and equipment	6.1	6,280	5,417
Intangible assets	6.2	98,524	94,653
Total assets		**946,177**	804,213
Liabilities			
Payables	2.8	77,032	58,911
Unearned premiums	2.5	272,834	238,116
Outstanding claims	2.4	240,597	124,531
Current tax liabilities	7.2b	198	136
Liabilities classified as held for sale	8.4	9,765	9,258
Provisions	2.9	12,823	11,873
Lease liabilities	6.3a(ii)	32,615	35,054
Deferred tax liabilities	7.3b	48	8,806
Total liabilities		**645,912**	486,685
Net assets		**300,265**	317,528

	NOTE	2023 $000	2022 $000
Equity			
Contributed equity	5.1	460,315	460,191
Accumulated losses		(55,949)	(41,212)
Reserves	5.2	(104,101)	(101,451)
Total equity		**300,265**	317,528

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

The financial statements were approved for issue by the Board on 23 November 2023.

Michael P Stiassny
Chairman

Graham R Stuart
Director

Consolidated statement of changes in equity

YEAR ENDED 30 SEPTEMBER 2023

		ATTRIBUTED TO SHAREHOLDERS				
	NOTE	CONTRIBUTED EQUITY $000	ACCUMULATED LOSSES $000	RESERVES $000	NON-CONTROLLING INTEREST $000	TOTAL EQUITY $000
Year Ended 30 September 2023						
Balance as at 30 September 2022		460,191	(41,212)	(101,451)	–	317,528
Comprehensive loss						
Loss for the year		–	(1,228)	–	–	(1,228)
Currency translation differences		–	–	(1,487)	–	(1,487)
Reclassification of foreign currency translation reserve to profit and loss	8.4	–	–	544	–	544
Revaluation surplus transferred to retained earnings	5.2	–	1,707	(1,707)	–	–
Total comprehensive loss		**–**	**479**	**(2,650)**	**–**	**(2,171)**
Transactions with shareholders						
Dividend payment	5.5	–	(15,216)	–	–	(15,216)
Share rights issued under Tower Long-Term Incentive Plan	8.5	124	–	–	–	124
Total transactions with shareholders		**124**	**(15,216)**	**–**	**–**	**(15,092)**
At the end of the year		**460,315**	**(55,949)**	**(104,101)**	**–**	**300,265**
Year Ended 30 September 2022						
Balance as at 30 September 2021		492,424	(39,995)	(105,385)	2,676	349,720
Comprehensive income						
Profit for the year		–	18,803	–	52	18,855
Currency translation differences		–	–	3,934	14	3,948
Total comprehensive income		–	18,803	3,934	66	22,803
Transactions with shareholders						
Capital return to shareholders	5.1	(30,634)	–	–	–	(30,634)
Purchase of non-controlling interests	5.1	(1,599)	–	–	(2,742)	(4,341)
Dividend payment	5.5	–	(20,028)	–	–	(20,028)
Other		–	8	–	–	8
Total transactions with shareholders		(32,233)	(20,020)	–	(2,742)	(54,995)
At the end of the year		460,191	(41,212)	(101,451)	–	317,528

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

Consolidated statement of cash flows

FOR THE YEAR ENDED 30 SEPTEMBER 2023

	NOTE	2023 $000	RE-PRESENTED 2022 $000
Cash flows from operating activities			
Premiums received		471,171	416,245
Interest received		11,612	6,520
Fee and other income received		6,322	3,588
Reinsurance and other recoveries received		74,563	11,968
Reinsurance paid		(61,595)	(51,940)
Claims paid		(380,732)	(236,492)
Employee and supplier payments		(94,432)	(83,906)
Income tax paid		(1,802)	(1,783)
Operating activities cashflow from discontinued operations		(15,144)	(4,416)
Net cash inflow from operating activities	8.1	**9,963**	59,784
Cash flows from investing activities			
Proceeds from sale of interest bearing investments		256,573	182,145
Payments for purchase of interest bearing investments		(254,814)	(181,578)
Payments for purchase of intangible assets		(15,298)	(14,695)
Payments for purchase of customer relationships	6.2	(5,900)	(6,089)
Payments for purchase of property, plant & equipment		(2,419)	(2,100)
Proceeds from sale of property, plant & equipment	8.4	5,746	–
Proceeds from sale of discontinued operation (net of cash disposed)	8.4	2,618	–
Investing activities cashflow from discontinued operations		1,216	(1,353)
Net cash outflow from investing activities		**(12,278)**	(23,670)

	NOTE	2023 $000	RE-PRESENTED 2022 $000
Cash flows from financing activities			
Payments for capital return to shareholders		–	(30,634)
Purchase of non-controlling interests		–	(4,341)
Dividends paid		(15,216)	(20,028)
Facility fees and interest paid		(928)	(909)
Payments relating to lease liabilities	6.3	(6,845)	(5,852)
Financing activities cashflow from discontinued operations		(190)	(1,946)
Net cash outflow from financing activities		**(23,179)**	(63,710)
Net decrease in cash and cash equivalents		**(25,494)**	(27,596)
Effect of foreign exchange rate changes		(1,493)	3,765
Cash and cash equivalents at the beginning of the year		92,298	116,129
Cash and cash equivalents at the end of the year		**65,311**	92,298
Cash from discontinued operations	8.4	(1,302)	(7,796)
Cash and cash equivalents at the end of the year from continuing operations		**64,009**	84,502

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

Notes to the consolidated financial statements

1 Overview

This section provides information that is helpful to an overall understanding of the financial statements and the areas of critical accounting judgements and estimates included in the financial statements. It also includes a summary of Tower's operating segments.

1.1 About this Report

a. Entities reporting

The financial statements presented are those of Tower Limited (the Company) and its subsidiaries. The Company and its subsidiaries together are referred to in this financial report as Tower or the Group. The address of the Company's registered office is 136 Fanshawe Street, Auckland, New Zealand.

During the periods presented, the principal activity of the Group was the provision of general insurance. The Group predominantly operates in New Zealand with some of its operations based in the Pacific Islands region.

The financial statements were authorised for issue by the Board of Directors on 23 November 2023. The entity's owners or others do not have the power to amend the financial statements after issue.

b. Statutory base

Tower Limited is a company incorporated in New Zealand under the Companies Act 1993 and listed on the NZX Main Board and the Australian Securities Exchange. The Company is a reporting entity under Part 7 of the Financial Markets Conduct Act 2013.

c. Basis of preparation

The Company is a for-profit entity and the financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice (NZ GAAP). They comply with International Financial Reporting Standards (IFRS), New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and other applicable financial reporting standards, as appropriate for Tier 1 for-profit entities.

The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

The Group financial statements are presented in New Zealand dollars and rounded to the nearest thousand dollars. They have been prepared in accordance with the historical cost basis except for certain financial instruments that are stated at their fair value.

d. Re-presentation of comparatives

The Group's Papua New Guinea Operations (disposal group) constitutes a discontinued operation which was disposed in the year ended 30 September 2023.

Select operations in Pacific (disposal groups) where Tower has begun the process to divest its operations also constitute discontinued operations and are classified as held for sale as at 30 September 2023.

All disposal groups together form the "discontinued operations". Profit or loss information for the current period is prepared on a continuing basis with net results from discontinued operations presented separately. Profit or loss information for 2022 has been re-presented for comparability. Refer to note 8.4 for further details.

Where necessary, comparative information has been reclassified for consistency with the current year presentation.

1.2 Consolidation

a. Principles of consolidation

The Group financial statements incorporate the assets and liabilities of all subsidiaries of the Company at balance date and the results of all subsidiaries for the year.

Subsidiaries are those entities over which the consolidated entity has control, being power over the investee; exposure, or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns.

The results of any subsidiaries acquired during the year are consolidated from the date on which control was transferred to the consolidated entity and the results of any subsidiaries disposed of during the year are consolidated up to the date control ceased.

The acquisition of controlled entities from external parties is accounted for using the acquisition method of accounting. Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of changes in equity and balance sheet respectively. Acquisition related costs are expensed as incurred.

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss.

Intercompany transactions and balances between Group entities are eliminated on consolidation.

Notes to the consolidated financial statements (continued)

1.2 Consolidation (continued)

b. Foreign currency

(i) ***Functional and presentation currencies***

The financial statements of each Group entity are presented in the currency of the primary economic environment in which the entity operates. The Group financial statements are presented in New Zealand dollars and rounded to the nearest thousand dollars unless stated otherwise.

(ii) ***Transactions and balances***

In preparing the financial statements of the individual entities, transactions denominated in foreign currencies are translated into the entities' functional and reporting currency using the exchange rates in effect at the transaction dates. Monetary items receivable or payable in a foreign currency are translated at reporting date at the closing exchange rate.

Translation differences on non-monetary items such as financial assets held at fair value through profit or loss are reported as part of their fair value gain or loss.

Exchange differences arising on the settlement or retranslation of monetary items at year end exchange rates impact profit after tax in the consolidated statement of comprehensive income unless the items form part of a net investment in a foreign operation. In this case, exchange differences are taken to the foreign currency translation reserve and recognised (as part of comprehensive profit) in the statement of comprehensive income and the statement of changes in equity.

(iii) ***Consolidation***

For the purpose of preparing consolidated financial statements the assets and liabilities of subsidiaries with a functional currency different to the Company are translated at the closing rate at the balance date. Income and expense items for each subsidiary are translated at a weighted average of exchange rates over the period, as a surrogate for the spot rates at transaction dates. Foreign currency translation differences are taken to the foreign currency translation reserve and recognised in the statement of comprehensive income and the statement of changes in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and are translated at the closing rate with movements recorded through the foreign currency translation reserve in the statement of changes in equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in the statement of comprehensive income.

c. Subsidiaries

The table below lists Tower Limited's principal subsidiary companies and controlled entities. All entities have a balance date of 30 September.

		HOLDINGS	
NAME OF COMPANY	INCORPORATION	2023	2022
Parent Company			
New Zealand general insurance operations			
Tower Limited	NZ	Parent	Parent
Subsidiaries			
Overseas general insurance operations			
Tower Insurance (Cook Islands) Limited	Cook Islands	100%	100%
Tower Insurance (Fiji) Limited	Fiji	100%	100%
Tower Insurance (PNG) Limited (refer note 8.4)	PNG	0%	100%
National Pacific Insurance Limited (NPI)	Samoa	100%	100%
National Pacific Insurance (Tonga) Limited	Tonga	100%	100%
National Pacific Insurance (American Samoa) Limited	American Samoa	100%	100%
Tower Insurance (Vanuatu) Limited	Vanuatu	100%	100%
Management service operations			
Tower Services Limited	NZ	100%	100%
Tower Group Services (Fiji) Pte Limited*	Fiji	100%	100%

* National Insurance Company (Holdings) Pte Limited has had its name changed to Tower Group Services (Fiji) Pte Limited on 26 May 2023.

Notes to the consolidated financial statements (continued)

1.3 Critical accounting judgements and estimates

In preparing these financial statements management is required to make estimates and related assumptions about the future. The estimates and related assumptions are based on experience and other factors that are considered to be reasonable, and are reviewed on an ongoing basis. Revisions to the estimates are recognised in the period in which they are revised, or future periods if relevant. The key areas in which estimates and related assumptions are applied are as follows:

— Net outstanding claims	note 2.4
— Liability adequacy test	note 2.5
— Intangible assets	note 6.2
— Lease liabilities (incremental borrowing rate)	note 6.3a(ii)
— Deferred tax	note 7.3
— Customer remediation provision	note 2.9

1.4 Segmental reporting

a. Operating segments

Tower operates in two geographical segments, New Zealand and the Pacific region. New Zealand comprises the general insurance business underwritten in New Zealand. Pacific Islands comprises the general insurance business underwritten in the Pacific by Tower subsidiaries and branch operations. Other contains balances relating to Tower Services Limited and group diversification benefits.

The Group does not derive revenue from any individual or entity that represents 10% or more of the Group's total revenue.

The financial performance for Pacific Islands operating segment excludes the disposal groups. The prior year comparatives have been re-presented accordingly. Intercompany transactions with the disposal group are eliminated within continuing operations, refer note 8.4.

b. Financial performance of continuing operations

	NEW ZEALAND $000	PACIFIC ISLANDS $000	OTHER $000	TOTAL $000
Year Ended 30 September 2023				
Gross written premium	468,788	42,696	–	511,484
Gross earned premium	427,907	42,906	–	470,813
Outward reinsurance premium expense	(70,199)	(12,199)	–	(82,398)
Net earned premium	**357,708**	**30,707**	**–**	**388,415**
Net claims expense	(274,538)	(12,123)	(349)	(287,010)
Net commission expense	(6,844)	(862)	–	(7,706)
Underwriting expense	(96,431)	(8,923)	–	(105,354)
Underwriting (loss)/profit	**(20,105)**	**8,799**	**(349)**	**(11,655)**
Net investment income	13,622	707	–	14,329
Other income and expenses	4,204	(70)	629	4,763
(Loss)/profit before taxation from continuing operations	**(2,279)**	**9,436**	**280**	**7,437**
(Loss)/profit after taxation from continuing operations	**(4,709)**	**6,781**	**280**	**2,352**
Year Ended 30 September 2022 (Re-presented)				
Gross written premium	395,490	41,103	–	436,593
Gross earned premium	369,871	39,730	–	409,601
Outward reinsurance premium expense	(51,026)	(11,253)	–	(62,279)
Net earned premium	318,845	28,477	–	347,322
Net claims expense	(207,184)	(16,346)	346	(223,184)
Net commission expense	(8,048)	(755)	–	(8,803)
Underwriting expense	(82,744)	(9,108)	–	(91,852)
Underwriting profit	20,869	2,268	346	23,483
Net investment income	1,023	119	–	1,142
Other income and expenses	192	159	–	351
Profit before taxation from continuing operations	22,084	2,546	346	24,976
Profit after taxation from continuing operations	14,989	2,158	346	17,493

Notes to the consolidated financial statements (continued)

1.4 Segmental reporting (continued)

c. Financial position of continuing operations

	NEW ZEALAND $000	PACIFIC ISLANDS $000	OTHER $000	TOTAL $000
Additions to non-current assets 30 September 2023	**24,081**	**6,319**	**–**	**30,400**
Additions to non-current assets 30 September 2022	29,547	883	(4,327)	26,103
Total assets 30 September 2023	**892,003**	**65,484**	**(25,007)**	**932,480**
Total assets 30 September 2022	723,805	74,539	(14,942)	783,402
Total liabilities 30 September 2023	**605,797**	**41,657**	**(11,307)**	**636,147**
Total liabilities 30 September 2022	426,930	51,462	(965)	477,427

Additions to non-current assets include additions to property, plant and equipment, right-of-use assets, intangible assets and investments in subsidiaries.

Total assets and liabilities exclude assets and liabilities held for sale.

Definition

An operating segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other operating segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (the Chief Executive Officer) who reviews the operating results on a regular basis and makes decisions on resource allocation and assessing performance.

2 Underwriting activities

This section provides information on Tower's underwriting activities.

Tower collects premiums from customers in exchange for providing insurance coverage. These premiums are recognised as revenue when they are earned by Tower, with a liability for unearned premiums recognised on the balance sheet.

When customers suffer a loss that is covered by their policy, Tower will make payments to customers or suppliers, which it recognises as claims expenses. To ensure Tower's obligations to customers are properly recorded within the financial statements, Tower recognises provisions for outstanding claims.

To manage Tower's risk and optimise its returns, Tower reinsures some of its exposure with reinsurance companies. The premiums paid to reinsurers are recognised as an expense, while recoveries from reinsurers are recognised as revenue.

2.1 Underwriting Revenue

Composition	**2023 $000**	2022 $000
Gross written premium	511,484	436,593
Movement in unearned premium liability	(40,671)	(26,992)
Gross earned premium	**470,813**	409,601
Reinsurance and other recoveries revenue	**205,187**	15,109
Reinsurance commission	2,853	3,590
Insurance administration services commission	1,783	1,135
Commission revenue	**4,636**	4,725
Underwriting revenue	**680,636**	429,435

Notes to the consolidated financial statements (continued)

2.1 Underwriting Revenue (continued)

Recognition and measurement

Gross earned premium is recognised in the period in which the premiums are earned during the term of the contract, excluding taxes and levies collected on behalf of third parties. It includes a provision for expected future premium cancellations (which is offset against gross premium receivables, see note 2.7), and customer remediation (see note 2.9). The proportion of premiums not earned in the consolidated statement of comprehensive income at reporting date is recognised in the consolidated balance sheet as unearned premiums.

Reinsurance and other recoveries on paid claims, reported claims not yet paid, claims incurred but not reported and claims incurred but not enough reported are recognised as revenue. Recoveries are measured as the expected future receipts and recognised when the claim is incurred.

Reinsurance commission revenue includes reimbursements by reinsurers to cover part of Tower's management and sales expense over the term of the reinsurance agreements. Reinsurance commission income can also include a proportion of expected profitability of business ceded to the reinsurer. The final value of the variable commission is based on the achievement of a hurdle rate over time. This revenue is recognised over the term of the reinsurance agreements dependent on the profitability of proportional arrangement which is reassessed at each reporting date.

Insurance administration services commission includes a percentage of levies collected on behalf of third parties and is recognised at the point the levy is collected.

2.2 Net claims expense

Composition	EXC. CANTERBURY EARTHQUAKE		CANTERBURY EARTHQUAKE		TOTAL	
	2023 $000	2022 $000	**2023 $000**	2022 $000	**2023 $000**	2022 $000
Gross claims expense	491,636	229,180	561	9,113	492,197	238,293
Reinsurance and other recoveries revenue	(206,348)	(13,479)	1,161	(1,630)	(205,187)	(15,109)
Net claims expense	**285,288**	215,701	**1,722**	7,483	**287,010**	223,184

Net claims expense includes the impact of several large events that occurred during the year ended 30 September 2023: January's Auckland and upper North Island weather event, Cyclone Gabrielle in February, Cyclones Judy and Kevin in Vanuatu in March (included within discontinued operations), and the Auckland floods on 9 May. The net claims expense for large events totals $38m (excluding costs of reinstating reinsurance cover). The cost of reinstating reinsurance coverage after these events is recorded within outward reinsurance premiums.

Recognition and measurement

Net claims expense is measured as the difference between net outstanding claims liability at the beginning and end of the financial year plus any claims payments made, net of reinsurance and other recoveries received during the financial year. Please refer to note 2.4 for more information.

Additional disclosures related to the Canterbury earthquake events in 2010 and 2011 are provided in note 2.4.

2.3 Underwriting expense

Composition	**2023 $000**	2022 $000
People costs	85,429	83,615
People costs capitalised during the year	(9,562)	(7,557)
Technology	16,372	14,549
Amortisation	17,327	14,723
Depreciation*	5,836	4,762
External fees	11,766	10,502
Marketing	13,128	11,745
Communications	3,361	2,894
Miscellaneous	3,814	3,066
Movement in deferred acquisition costs	(4,167)	(6,310)
Claims related management expenses reclassified to claims expense	(36,208)	(36,842)
Service fees charged to discontinued operations**	(1,742)	(3,295)
Underwriting expenses	**105,354**	91,852

* Includes $4.0m (2022: $2.7m) of depreciation on right-of-use assets. See note 6.3b for further information.

** Refer note 8.4 for further detail.

Notes to the consolidated financial statements (continued)

2.4 Net outstanding claims

a. Composition

	EXC. CANTERBURY EARTHQUAKE		CANTERBURY EARTHQUAKE		TOTAL	
	2023 $000	2022 $000	**2023 $000**	2022 $000	**2023 $000**	2022 $000
Central estimate of future cash flows	204,552	89,404	13,822	18,056	218,374	107,460
Claims handling expense	11,727	5,564	699	772	12,426	6,336
Risk margin	5,170	5,051	4,627	5,684	9,797	10,735
Gross outstanding claims	**221,449**	100,019	**19,148**	24,512	**240,597**	124,531
Reinsurance recoveries	(116,827)	(10,293)	(2,329)	(3,787)	(119,156)	(14,080)
Net outstanding claims	**104,622**	89,726	**16,819**	20,725	**121,441**	110,451
Net claim payments within 12 months	89,168	76,422	6,896	8,497	96,064	84,919
Net claim payments after 12 months	15,454	13,304	9,923	12,228	25,377	25,532
Net outstanding claims	**104,622**	89,726	**16,819**	20,725	**121,441**	110,451

Recognition and measurement

Gross outstanding claims liability comprises a central estimate of future cash outflows and a risk margin for uncertainty.

The outstanding claims liability is measured at the **central estimate of future cash outflows** relating to claims incurred prior to the reporting date including direct and indirect claims handling costs. The liability is measured based on the advice of the Appointed Actuary or on valuations which have been peer reviewed by the Appointed Actuary. It is intended to include no deliberate or unconscious bias toward over or under-estimation. Given the uncertainty in establishing the liability, it is likely the final outcome will differ from the original liability established. Changes in the claim estimates are recognised in profit or loss in the reporting period in which the estimates are changed.

The gross outstanding claim liabilities also include a **risk margin** that relates to the inherent uncertainty in the central estimate of the future payments. The risk margin represents the amount by which the liability recognised in the financial statements is greater than the actuarial estimate. Tower currently applies a 75% probability of adequacy to the outstanding claims liability which means there is a 1-in-4 chance all future claim payments will exceed the overall reserve held.

In the current and prior years, discounting has been applied to the provision for outstanding claims relating to the Canterbury earthquakes, using spot rates derived from government-issued bonds. In the current year, discounting has also been applied to the provision for other outstanding claims, whereas in the prior year the net impact of discounting on other outstanding claims was considered to be immaterial.

Uncertainties surrounding the liability estimation process include those relating to the available data, actuarial models and assumptions, the statistical uncertainty associated with the general insurance run-off process and external risks.

Net outstanding claims liability is calculated by deducting reinsurance and other recoveries from gross outstanding claims. Reinsurance and other recoveries on outstanding claims are recognised as income with the corresponding asset being recognised on the balance sheet.

Notes to the consolidated financial statements (continued)

2.4 Net outstanding claims (continued)

b. Reconciliation of movements in net outstanding claims liability

	2023 $000			2022 $000		
	GROSS	**REINSURANCE**	**NET**	GROSS	REINSURANCE	NET
Balance brought forward	**124,531**	**(14,080)**	**110,451**	122,338	(22,850)	99,488
Claims expense - current year	505,493	(218,959)	286,534	248,024	(20,429)	227,595
Claims expense - prior year	7,807	2,198	10,005	(5,970)	4,491	(1,479)
Incurred claims recognised in profit or loss from continuing operations	**492,197**	**(205,187)**	**287,010**	240,147	(15,243)	224,904
Incurred claims recognised in profit or loss from discontinued operations **	**21,103**	**(11,574)**	**9,529**	1,907	(695)	1,212
Claims paid and reinsurance and other recoveries raised from continuing and discontinued operations	(393,968)	108,442	(285,526)	(239,706)	24,604	(215,102)
Foreign exchange	759	(53)	706	1,826	(347)	1,479
Liabilities reclassified as held for sale*	(4,025)	3,296	(729)	(1,981)	451	(1,530)
Outstanding claims	**240,597**	**(119,156)**	**121,441**	124,531	(14,080)	110,451

* Refer note 8.4

** The prior year comparatives have not been represented.

Notes to the consolidated financial statements (continued)

2.4 Net outstanding claims (continued)

c. Development of claims

The following table shows the development of net outstanding claims relative to the current estimate of ultimate claims costs for the five most recent years.

ULTIMATE CLAIMS COST ESTIMATE	PRIOR $000	2019 $000	2020 $000	2021 $000	2022 $000	**2023 $000**	TOTAL $000
At end of incident year		146,166	155,989	182,118	198,315	263,519	
One year later		143,154	152,577	180,651	204,941	–	
Two years later		142,405	151,261	182,203	–	–	
Three years later		142,429	151,115	–	–	–	
Four years later		142,464	–	–	–	–	
Ultimate claims cost		142,464	151,115	182,203	204,941	263,519	
Cumulative payments		(142,393)	(149,692)	(178,881)	(198,103)	(182,495)	
Undiscounted net central estimate	13,898	71	1,423	3,322	6,838	81,024	106,576
Claims handling expense							12,426
Risk margin							9,797
Discount to present value							(7,358)
Net outstanding claim liabilities							121,441
Reinsurance recoveries							119,156
Gross outstanding claim liabilities							**240,597**

All amounts in this note exclude discontinued operations, consistent with other profit or loss disclosures.

Prior year numbers have been restated at current year exchange rates to reflect the underlying development of claims.

Notes to the consolidated financial statements (continued)

2.4 Net outstanding claims (continued)

d. Actuarial information

The estimation of outstanding claims as at 30 September 2023 has been carried out by:

(i) Geoff Atkins, BA (ActuarDc), FIAA, FIAL, FANZIIF, Appointed Actuary - Canterbury earthquake claims; and
(ii) John Feyter, B.Sc., FNZSA - all other outstanding claims

The New Zealand actuarial assessments are undertaken in accordance with the standards of the New Zealand Society of Actuaries, in particular Professional Standard No. 30 "Valuations of General Insurance Claims". The Actuaries were satisfied as to the nature, sufficiency and accuracy of the data used to determine the outstanding claims liability. The outstanding claims liability is set by the Actuaries at a level that is appropriate and sustainable to cover the Group's claims obligations after having regard to the prevailing market environment and prudent industry practice.

e. Canterbury earthquakes

Cumulative impact of Canterbury earthquakes

As at 30 September 2023, Tower has 23 claims remaining to settle (2022: 36) as a result of the earthquakes impacting the Canterbury region during 2010 and 2011. The following table presents the cumulative impact of the four main Canterbury earthquake events on the consolidated statement of comprehensive income.

	2023 $000	2022 $000
Earthquake claims estimate net of EQC payments	954,175	953,531
Reinsurance recoveries	(732,643)	(733,720)
Claim expense net of reinsurance recoveries	**221,532**	219,811
Reinsurance expense	25,045	25,045
Cumulative impact of Canterbury earthquakes before tax	**246,577**	244,856
Income tax	(69,042)	(68,560)
Cumulative impact of Canterbury earthquakes after tax	**177,535**	176,296

Canterbury earthquake impact on profit or loss before tax

	2023 $000	2022 $000
Net claims expense	**1,722**	7,483

f. Critical accounting estimates and judgements

Outstanding claims liability (excluding Canterbury Earthquakes)

The estimation of the outstanding claims liability involves a number of key assumptions. Tower's estimation uses Company-specific data, relevant industry data and general economic data for each major class of business. The estimation process factors in a number of considerations including the risks to which the business is exposed to at a point in time, claim frequency and severity, historical trends in the development of claims as well as legal, social and economic factors that may affect each class of business.

Assumption (before impact of reinsurance)	2023	2022
Expected future claims development proportion	**36.1%**	20.3%
Claims handling expense ratio	**5.9%**	6.6%
Risk margin	**5.2%**	6.0%
Discount rate*	**5.7%**	N/A

* Discounting has been allowed on all outstanding claims (2022: only on outstanding claims relating to the Canterbury earthquakes). Refer note 2.4a for further details.

Expected future claims development proportion

This is the proportion of additional claims cost that is expected to be recognised in the future for claims that have already been reported. The assumption is expressed as a proportion of current case estimates for open claims and the resulting amount is recognised in the balance sheet as an outstanding claims liability.

Claims handling expense ratio

This reflects the expected cost to administer current open and future claims. The ratio is calculated based on historical experience of claims handling costs.

Risk margin

Risk margins are calculated for outstanding claims in each country separately and a diversification benefit is calculated taking into account the uncorrelated effect of random risk. The total risk margin percentage shown is calculated on a weighted average basis.

Notes to the consolidated financial statements (continued)

2.4 Net outstanding claims (continued)

f. Critical accounting estimates and judgements (continued)

Canterbury Earthquake outstanding claims liability

Assumptions are made for the estimation of outstanding claims related to the Canterbury earthquakes. The key assumptions are estimated ultimate costs (including building costs) for settling open claims, and the numbers of new overcap claims, litigated claims, re-opened claims and their associated costs. Other elements of judgement include the apportionment of claim costs between the four main earthquake events, future claim management expenses and assessment of the risk margin.

Assumption	2023	2022
Number of future new overcap and new litigated claims	41	46
Average cost of new overcap or new litigated claim	94,000	114,000
Provision for re-opened claims	790,000	1,070,000
Additional portfolio-level provision for incurred but not enough reported	1,499,000	2,355,000

New overcap and new litigated claims

New overcap claims are typically for properties that have previously been managed by EQC but where damage is now assessed as being more extensive than previously thought and there is now an insurance claim payable.

New litigated claims are existing or future new claims that are referred to either the Insurance Tribunal or the High Court for resolution. Costs for new litigated claims are assumed to be substantially higher than costs for other overcap claims. Only a small number of new litigated claims are now expected.

Provision for re-opened claims

Re-opened claims arise where additional liability arises for additional scope not previously identified or where a repair has failed or where another expense is payable for a claim that is currently closed.

g. Sensitivity Analysis

The impact on profit or loss of changes in key assumptions used in the calculation of the outstanding claims liabilities is summarised below. Each change has been calculated in isolation from the other variables and is stated before income tax.

Outstanding claims excluding Canterbury earthquake

		IMPACT ON PROFIT OR (LOSS)	
	MOVEMENT IN ASSUMPTION	2023 $000	2022 $000
Expected future claims development	+ 10%	(2,037)	(1,419)
	- 10%	2,037	1,419
Claims handling expense ratio	+ 10%	(607)	(556)
	- 10%	607	556
Risk margin	+ 10%	(517)	(505)
	- 10%	517	505
Discount rate	+ 1.75%	609	–
	- 1.75%	(631)	–

Canterbury earthquake outstanding claims

		IMPACT ON PROFIT OR (LOSS)	
	MOVEMENT IN ASSUMPTION	2023 $000	2022 $000
Number of new overcap or new litigated claims	+ 35%	(1,351)	(1,817)
	- 35%	1,351	1,817
Change in average cost of a new overcap or new litigated claim	+ 20%	(772)	(1,038)
	- 20%	772	1,038
Number of reopened claims	+ 35%	(277)	(375)
	- 35%	277	375
Change in average cost of a reopened claim	+ 20%	(158)	(214)
	- 20%	158	214

Notes to the consolidated financial statements (continued)

2.5 Unearned premium liability

Reconciliation	2023 $000	2022 $000
Opening balance	**238,116**	212,275
Premiums written during the year from continuing operations	511,484	436,593
Premiums earned during the year from continuing operations	(470,813)	(409,601)
Unearned premium movement from continuing operations	40,671	26,992
Premiums written during the year from discontinued operations	10,313	17,042
Premiums earned during the year from discontinued operations	(9,969)	(17,405)
Unearned premium movement from discontinued operations	344	(363)
Foreign exchange movements	(990)	3,957
Liabilities reclassified as held for sale	(5,307)	(4,745)
Unearned premium liability from continuing operations	**272,834**	238,116

All unearned premiums will be earned in the 12 months after 30 September 2023 and therefore are current liabilities. The unearned premium liability is presented net of cancellation provisions.

Recognition and measurement

Unearned premium liability is the portion of premiums written that are yet to be earned in the consolidated statement of comprehensive income. It is calculated based on the term of the risk and in accordance with the expected pattern of the incidence of risk underwritten using an appropriate pro-rated method.

Adequacy of unearned premium liability

Tower undertakes a liability adequacy test (LAT) to determine whether the unearned premium liability is sufficient to pay future claims net of reinsurance recoveries.

If the present value of expected future net cash flows relating to current insurance contracts, plus a risk margin, exceeds the unearned premium liabilities less related deferred acquisition costs and intangible assets, then the unearned premium liability is deemed deficient. This deficiency is immediately recognised in profit or loss. In recognising the deficiency, Tower will first write down any related deferred acquisition costs or intangible assets before recognising an unexpired risk liability.

The unearned premium liability as at 30 September 2023 was sufficient for the New Zealand business (2022: sufficient). The unearned premium liabilities as at 30 September 2023 for each Pacific entity was also sufficient (2022: sufficient).

	2023	2022
Central estimate net claims as a % of unearned premium liability	**52.8%**	45.5%
Risk margin as a % of net claims	**13.3%**	11.2%

Critical accounting estimates and judgements

The LAT is conducted using a central estimate of premium liability adjusted for risk margin and it is carried out on an individual country basis. The test is based on prospective information and so is heavily dependent on assumptions and judgements.

Notes to the consolidated financial statements (continued)

2.6 Deferred insurance costs

Reconciliation	DEFERRED ACQUISITION COSTS 2023 $000	DEFERRED ACQUISITION COSTS 2022 $000	DEFERRED OUTWARDS REINSURANCE EXPENSE 2023 $000	DEFERRED OUTWARDS REINSURANCE EXPENSE 2022 $000	DEFERRED INSURANCE COSTS 2023 $000	DEFERRED INSURANCE COSTS 2022 $000
Balance brought forward	**26,542**	21,116	**11,277**	10,851	**37,819**	31,967
Costs deferred	59,048	48,192	15,183	17,283	74,231	65,475
Amortisation expense	(54,617)	(42,765)	(14,790)	(17,073)	(69,407)	(59,838)
Foreign exchange movements	(105)	247	(316)	1,303	(421)	1,550
Asset reclassified as held for sale	(819)	(248)	(1,452)	(1,087)	(2,271)	(1,335)
Closing balance	**30,049**	26,542	**9,902**	11,277	**39,951**	37,819

Deferred insurance costs are expected to be amortised within 12 months from reporting date.

Recognition and measurement

Acquisition costs comprises costs incurred in obtaining and recording general insurance contracts such as advertising expenses, sales expenses and other underwriting expenses. These costs are initially capitalised and then expensed in line with the earning pattern of the related premium. **Deferred acquisition costs** at the reporting date represent the acquisition costs related to unearned premium.

Outwards reinsurance expense reflects premiums ceded to reinsurers and is recognised as an expense in accordance with the pattern of reinsurance service received. Deferred outwards reinsurance expense at the reporting date represents outwards reinsurance expenses related to unearned premium.

Notes to the consolidated financial statements (continued)

2.7 Receivables

Composition	2023 $000	2022 $000
Gross premium receivables	243,791	200,715
Provision for expected future premium cancellations	(516)	(651)
Premium receivable	**243,275**	200,064
Reinsurance recoveries*	142,961	15,847
Canterbury earthquake reinsurance recoveries	2,329	3,787
Other recoveries	17,865	11,378
Reinsurance and other recoveries	**163,155**	31,012
Finance lease receivables	344	2,375
Prepayments	5,416	4,411
Other receivables	1,636	2,401
Receivable from discontinued operations**	–	1,826
Receivables	**413,826**	242,089
Receivable within 12 months	413,826	241,742
Receivable in greater than 12 months	–	347
Receivables	**413,826**	242,089

* Refer note 2.2 for further detail.

** Refer note 8.4 for further detail.

Recognition and measurement

Receivables (inclusive of GST) are recognised at fair value and are subsequently measured at cost less any impairment.

Tower's premium receivables and reinsurance and other recoveries arise from insurance contracts. These receivables are impaired if there is objective evidence that Tower will not be able to collect all amounts due according to the original terms of the receivable.

The remainder of Tower's receivables are assessed for impairment based on expected credit losses.

Finance lease receivables

Tower entered into a sub-lease for its previous Auckland premises. The sub-lease is for the remaining non-cancellable term of the head lease and therefore is classified as a finance lease. The profile of the net receipts is illustrated in the table below:

	2023 $000	2022 $000
Less than one year	345	2,074
Between one and five years	–	347
Total undiscounted finance lease receivable	**345**	2,421
Unearned finance income	(1)	(46)
Net investment in the finance lease	**344**	2,375

Notes to the consolidated financial statements (continued)

2.8 Payables

Composition	2023 $000	2022 $000
Trade payables	11,102	14,672
GST payable	27,923	25,951
EQC & Fire and Emergency New Zealand levies payable	16,782	11,583
Reinsurance premium payable	12,746	3,696
Other	5,252	3,009
Payable to discontinued operations*	3,227	–
Payables	**77,032**	58,911
Payable within 12 months	77,032	58,911
Payable in greater than 12 months	–	–
Payables	**77,032**	58,911

* Refer note 8.4 for further detail.

Recognition and measurement

Payables are recognised where goods or services that have been received or supplied and have been invoiced or formally agreed with the supplier. Payables are stated at the fair value of the consideration to be paid in the future inclusive of GST. GST payable represents the net amount payable to the respective tax authorities.

2.9 Provisions

Composition	2023 $000	2022 $000
Annual leave and other employee benefits	5,737	8,219
Customer remediation*	7,086	3,654
Provisions	**12,823**	11,873
Payable within 12 months	11,762	10,716
Payable in greater than 12 months	1,061	1,157
Provisions	**12,823**	11,873

* A customer remediation provision of $3.7m was first recognised at 30 September 2022. During the current year, the estimated cost of remediation was re-assessed. A range of possible outcomes was considered, and a mid-point of the re-assessment has resulted in an additional $8.1m being recognised in the current period, which has been offset by payments made during the period. The resulting provision allows for amounts to be repaid to customers and costs associated with any potential regulatory action. The remediation activities are likely to be completed during FY24.

Recognition and measurement

Tower recognises a **provision** when it has a present obligation as a result of a past event and it is more likely than not that an outflow of resources will be required to settle the obligation. Tower's provision represents the best estimate of the expenditure required to settle the present obligation at the end of the reporting period.

2.10 Assets backing insurance liabilities

Tower has determined that all assets within its insurance companies are held to back insurance liabilities, with the exception of: (i) property, plant and equipment; (ii) right-of-use assets, (iii) intangible assets, (iv) deferred tax; and (v) investments in operating subsidiaries. Assets backing insurance liabilities are managed in accordance with approved investment mandate agreements on a fair value basis and are reported to the Board on that basis.

Notes to the consolidated financial statements (continued)

3 Investments and other income

Tower invests funds collected as premiums and provided by shareholders to ensure it can meet its obligations to pay claims and expenses and to generate a return to support its profitability. Tower has a low risk tolerance and therefore the majority of its investments are in investment grade supranational and government bonds, and term deposits.

3.1 Investment income

	2023 $000	2022 $000
Interest income	12,871	6,815
Net realised gain/(loss)	1,173	(2,026)
Net unrealised gain/(loss)	583	(3,309)
Investment income	**14,627**	1,480

Recognition and measurement

Tower's **investment income** is primarily made up of realised and unrealised interest income on fixed interest investments and fair value gains or losses on its investment assets. Both are recognised in the period that they are earned through profit or loss.

3.2 Investments

Tower designates its investments at fair value through profit or loss in accordance with its Treasury policy. It categorises its investments into three levels based on the inputs available to measure fair value:

Level 1 Fair value is calculated using quoted prices in active markets. Tower currently does not have any Level 1 investments.

Level 2 Investment valuations are based on direct or indirect observable data other than quoted prices included in Level 1. Level 2 inputs include: (1) quoted prices for similar assets or liabilities; (2) quoted prices for assets or liabilities that are not traded in an active market; or (3) other observable market data that can be used for valuation purposes. Tower investments included in this category include government and corporate debt, where the market is considered to be lacking sufficient depth to be considered active, and part ownership of a property that is rented out to staff.

Level 3 Investment valuation is based on unobservable market data. Tower currently does not have any Level 3 investments.

	LEVEL 1 $000	LEVEL 2 $000	LEVEL 3 $000	TOTAL $000
As at 30 September 2023				
Fixed interest investments	–	258,764	–	258,764
Property investment	–	34	–	34
Investments	**–**	**258,798**	**–**	**258,798**
As at 30 September 2022				
Fixed interest investments	–	258,600	–	258,600
Property investment	–	34	–	34
Investments	–	258,634	–	258,634

There have been no transfers between levels of the fair value hierarchy during the current financial period (2022: nil).

Notes to the consolidated financial statements (continued)

3.2 Investments (continued)

Recognition and measurement

Tower's **investment assets** are designated at fair value through profit or loss. Investment assets are initially recognised at fair value and are remeasured to fair value through profit or loss at each reporting date. Tower's approach to measuring the fair value of these assets is covered above.

Purchases and sales of investments are recognised at the date which Tower commits to buy or sell the assets (i.e. trade date). Investments are derecognised when the rights to receive future cash flows from the assets have expired, or have been transferred, and substantially all the risks and rewards of ownership have transferred.

3.3 Other income

	2023 $000	2022 $000
Agency fees*	3,574	715
Gain on disposal of property, plant and equipment	1,243	16
Other	910	573
Other income	**5,727**	1,304

* Agency fees include fees received for managing claims on behalf of EQC.

4 Risk Management

Tower is exposed to multiple risks as it works to set things right for its customers and their communities whilst maximising returns for its shareholders. Everyone across the organisation is responsible for ensuring that Tower's risks are managed and controlled on a day-to-day basis.

4.1 Risk management overview

Tower's approach to achieving effective risk management is to embed a risk-aware culture where everyone across the organisation (including contractors and third parties) is responsible for managing risk.

Tower's Board expresses its appetite for risk in a Risk Appetite Statement, which:

(i) Gives clear concise guidance to management of parameters for risk taking.

(ii) Embeds risk management into strategic and decision-making processes.

(iii) Facilitates risk to be managed at all levels of the organisation through a structured process to identify risk, and the allocation of clear, personal responsibility for management of identified risks by assigned risk owners.

The Board then approves and adopts: (i) the Risk Management Framework (RMF) which is the central document that explains how Tower effectively manages risk within the business; and (ii) the Reinsurance Management Strategy (ReMS) which describes the systems, structures, and processes which collectively ensures Tower's reinsurance arrangements and operations are prudently managed. These documents are reviewed and approved at least annually by the Board.

The Board has delegated its responsibility to the Risk Committee to provide oversight of risk management practices and provide advice to the Board and management when required. In addition, the Risk Committee also monitors the effectiveness of Tower's risk management function which is overseen by the Chief Risk Officer (CRO). The CRO provides regular reports to the Risk Committee on the operation of the RMF.

Tower has embedded the RMF with clear accountabilities and risk ownership to ensure that Tower identifies, manages, mitigates and reports on all key risks and controls through the three lines of defence model.

(i) First line: Operational management has ownership, responsibility and accountability for directly identifying, assessing, controlling and mitigating key risks which prevent them from achieving business objectives.

(ii) Second Line: Tower's Risk, Compliance and Conduct Function is responsible for developing and implementing effective risk, compliance and conduct management processes; providing advisory support to the first line of defence and constructively challenging operational management and risk and obligation owners to ensure positive assurance.

Notes to the consolidated financial statements (continued)

4.1 Risk management overview (continued)

(iii) Third line: Internal Audit is responsible and accountable for providing an independent and objective view of the adequacy and effectiveness of the Group's risk management, governance and internal control framework. Internal audit, along with other groups such as external audit, report independently to the Board and/or the Audit Committee.

The RMF is supported by a suite of policies that address the risks and compliance obligations covered in this section.

4.2 Strategic risk

Strategic risk is the risk that internal or external factors compromise Tower's ability to execute its strategy or achieve its strategic objectives. Strategic risk is managed through:

(i) Monitoring and managing performance against Board-approved plan and targets.

(ii) Board leading an annual strategy and planning process which considers our performance, competitor positioning and strategic opportunities.

(iii) Identifying and managing emerging risks using established governance processes and forums.

4.3 Insurance risk

Insurance risk is the risk that for any class of risk insured, the present value of actual claims payable will exceed the present value of actual premium revenues generated (net of reinsurance). This risk is inherent in Tower's operations and arises and manifests through underwriting, insurance concentration and reserving risk.

a. Underwriting risk

Underwriting risk refers to the risk that claims arising are higher (or lower) than assumed in pricing due to bad experience including catastrophes, weakness in controls over underwriting or portfolio management, or claims management issues. Tower has established the following key controls to mitigate this risk:

(i) Use of comprehensive management information systems and actuarial models to price products based on historical claims frequencies and claims severity averages, adjusted for inflation and modelled catastrophes, trended forward to recognise anticipated changes in claims patterns after making allowance for other costs incurred by the Group.

(ii) Passing elements of insurance risk to reinsurers. Tower's Board determines a maximum level of risk to be retained by the Group as a whole.

Tower's reinsurance programme is structured to adequately protect the solvency and capital positions of the insurance business. The adequacy of reinsurance cover is modelled by assessing Tower's exposure under a range of scenarios. The plausible scenario that has the most financial significance for Tower is a major Wellington earthquake. Each year, as part of setting the coming year's reinsurance cover, comprehensive modelling of the event probability and amount of the Group's exposure is undertaken.

(iii) Underwriting limits are in place to enforce appropriate risk selection criteria and pricing with specific underwriting authorities that set clear parameters for the business acceptance.

b. Concentration risk

Concentration risk refers to the risk of underwriting a number of like risks, where the same or similar loss events have the potential to produce claims from many of Tower's customers at the same time. Tower is particularly subject to concentration risks in the following variety of forms:

(i) Geographic concentration risk - Tower purchases a catastrophe reinsurance programme to protect against a modelled 1-in-1000 years whole of portfolio catastrophe loss.

(ii) Product concentration risk - Tower's business is weighted towards the NZ general insurance market where its risks are concentrated in house insurance (Home & Contents) and motor insurance. Tower limits its exposure through proportional reinsurance arrangements, where Tower transfers its exposure on any single insured asset (for example, a house) above a set amount, in exchange for ceding portion of the premium to reinsurers.

The table below illustrates the diversity of Tower's operations.

Gross written premium	2023			2022		
	NZ	PACIFIC*	TOTAL	NZ	PACIFIC*	TOTAL
Home & Contents	51%	3%	54%	52%	3%	55%
Motor	38%	3%	41%	35%	3%	38%
Commercial	1%	3%	4%	1%	4%	5%
Liability	0%	0%	0%	1%	0%	1%
Workers compensation	0%	0%	0%	0%	0%	0%
Other	1%	0%	1%	1%	0%	1%
Total	**91%**	**9%**	**100%**	90%	10%	100%

* The Pacific operating segment excludes the disposal groups and the prior year comparatives have been re-presented accordingly.

Tower has limited exposure to long-tail classes (which comprises part of "liability" and "workers compensation"). Long-tail classes have increased uncertainty of the ultimate cost of claims due to the additional period of time to settlement.

c. Reserving risk

Reserving risk is managed through the actuarial valuation of insurance liabilities and monitoring of the probability of adequacy booked reserves. The valuation of the net central estimate is performed by qualified and experienced actuaries. The central estimate is subject to a comprehensive review at least annually.

Notes to the consolidated financial statements (continued)

4.4 Credit risk

Credit risk is the risk of loss that arises when a counterparty fails to meet their financial obligations to Tower in accordance with the agreed terms. Tower's exposure to credit risk primarily results from transactions with security issuers, reinsurers and policyholders and is set out below.

a. Investment and treasury

Tower manages its investment and treasury credit risks in line with limits set by the Board:

(i) New Zealand cash deposits that are internally managed are limited to banks with a minimum Standard & Poor's (S&P) AA- credit rating.

(ii) Cash deposits and investments that are managed by external investment managers are limited to counterparties with a minimum credit rating equivalent to S&P A- credit rating.

(iii) Tower holds deposits and invests in Pacific regional investment markets through its Pacific Island operations to comply with local statutory requirements and in accordance with Tower investment policies. These deposits and investments generally have low credit ratings representing the majority of the value included in the 'Below BBB' and 'not rated' categories in the table below. This includes deposits and investments with Australian bank subsidiaries that comprise 45% (2022: 55%) of the 'not rated' category.

	CASH AND CASH EQUIVALENTS		FIXED INTEREST INVESTMENTS		TOTAL	
	2023 $000	2022 $000	**2023 $000**	2022 $000	**2023 $000**	2022 $000
AAA	–	–	104,646	119,198	104,646	119,198
AA	47,992	66,228	113,971	110,957	161,963	177,185
A	–	–	38,137	24,399	38,137	24,399
BBB	–	–	–	–	–	–
Below BBB	11,917	1,614	1,322	2,009	13,239	3,623
Not rated	4,100	16,660	722	2,071	4,822	18,731
Total	**64,009**	84,502	**258,798**	258,634	**322,807**	343,136

b. Reinsurance

Tower manages its reinsurance programme in line with the ReMS. Tower seeks to manage the quantum and volatility of insurance risk in order to reduce exposure and overall cost.

Tower's policy is to only deal with reinsurers with a credit rating of S&P A- or better unless local statutory requirements dictate otherwise. Additional requirements of the policy are for no individual reinsurer to have more than 25% share of the overall programme and Tower is prohibited from offering inwards reinsurance to external entities. The following table provides details on Tower's exposure to reinsurance recoveries:

	REINSURANCE ON:					
	OUTSTANDING CLAIMS		PAID CLAIMS		TOTAL	
	2023 $000	2022 $000	**2023 $000**	2022 $000	**2023 $000**	2022 $000
AAA	–	–	–	–	–	–
AA	61,759	5,830	15,474	2,929	77,233	8,759
A	57,295	8,319	10,677	2,220	67,972	10,539
BBB	9	9	(1)	–	8	9
Below BBB	75	102	2	3	77	105
Not rated	18	220	4	2	22	222
Total	**119,156**	14,480	**26,156**	5,154	**145,312**	19,634

Notes to the consolidated financial statements (continued)

4.4 Credit risk (continued)

b. Reinsurance (continued)

The following table provides further information regarding the ageing of reinsurance recoveries on paid claims at the balance date.

		PAST DUE				
	NOT DUE $000	1 MONTH $000	1 TO 2 MONTHS $000	2 TO 3 MONTHS $000	OVER 3 MONTHS $000	TOTAL $000
As at 30 September 2023						
Reinsurance recoveries on paid claims	26,156	–	–	–	–	**26,156**
As at 30 September 2022						
Reinsurance recoveries on paid claims	5,154	–	–	–	–	5,154

c. Premium receivable

Tower's premium receivable balance primarily relates to policies which are paid on either a fortnightly or monthly basis. Payment default or policy cancellation - subject to the terms of the policyholder's contract - will result in the termination of the insurance contract eliminating both the credit risk and the insurance risk.

		PAST DUE				
	NOT DUE* $000	1 MONTH $000	1 TO 2 MONTHS $000	2 TO 3 MONTHS $000	OVER 3 MONTHS $000	TOTAL $000
As at 30 September 2023						
Net premium receivable	237,736	4,375	270	844	50	**243,275**
As at 30 September 2022						
Net premium receivable	192,464	5,933	1,188	384	95	200,064

* This includes premiums that are less than 30 days outstanding (which are owed but not past due) of $4.3m (2022: $4.0m).

4.5 Market risk

Market risk is the risk of adverse impacts on investment earnings resulting from changes in market factors. Tower's market risk is predominately as a result of changes in the value of the New Zealand dollar (currency risk) and interest rate movements. Tower's approach to managing market risk is underpinned by its Treasury Policy as approved by the Board.

a. Currency risk

Tower's currency exposure arises from the translation of foreign operations into Tower's functional currency (currency translation risk) or due to transactions denominated in a currency other than the functional currency of a controlled entity (operational currency risk). The currencies giving rise to this risk are primarily the US dollar, Fijian dollar and Papua New Guinea (PNG) kina.

Tower's principal currency risk is currency translation (where currency movements impact equity). Tower generally elects not to hedge this risk as it is difficult given the size and nature of the currency markets in the Pacific. Tower seeks to minimise its net exposure to foreign operational risk by actively seeking to return surplus cash and capital to the parent company.

Operational currency risk impacts profit and generally arises from:

(i) Procurement of goods and services denominated in foreign currencies. Tower may enter into hedges for future transactions, using authorised instruments, provided that the timing and amount of those future transactions can be estimated with a reasonable degree of certainty.

(ii) Investment assets managed by the external investment manager that are denominated in foreign currencies. Tower's Board set limits for the management of currency risk based on prudent asset management practice. Regular reviews are conducted to ensure that these limits are adhered to.

The following table demonstrates the impact of the New Zealand dollar weakening or strengthening against the most significant currencies for which Tower has foreign exchange exposure holding all other variables constant.

Notes to the consolidated financial statements (continued)

4.5 Market risk (continued)

a. Currency risk (continued)

	DIRECT IMPACT ON EQUITY THROUGH CURRENCY TRANSLATION RESERVE		IMPACT ON PROFIT OR (LOSS)	
	2023 $000	2022 $000	**2023 $000**	2022 $000
New Zealand Dollar - USD				
Currency strengthens by 10%	**(1,025)**	(793)	**42**	113
Currency weakens by 10%	**1,253**	969	**(51)**	(138)
New Zealand Dollar - Fijian Dollar				
Currency strengthens by 10%	**(887)**	(854)	**(74)**	(74)
Currency weakens by 10%	**1,084**	1,044	**91**	90
New Zealand Dollar - PNG Kina				
Currency strengthens by 10%	**–**	(629)	**(805)**	44
Currency weakens by 10%	**–**	769	**984**	(54)

b. Interest rate risk

Tower is exposed to interest rate risk through its holdings in interest-bearing assets. Interest-bearing assets with a floating interest rate expose Tower to cash flow interest rate risk, whereas fixed interest investments expose Tower to fair value interest rate risk.

Tower's interest rate risk primarily arises from fluctuations in the valuation of fixed-interest investments recognised at fair value and from the underwriting of general insurance contracts, which have interest rate exposure due to the use of discount rates in calculating the value of insurance liabilities.

Fixed-interest investments are measured at fair value through profit or loss. Movements in interest rates impact the fair value of interest-bearing financial assets and therefore impact profit or loss (there is no direct impact on equity). The impact of a 1% increase or decrease in interest rates on fixed interest investments is shown below (holding everything else constant).

	IMPACT ON PROFIT OR (LOSS)	
	2023 $000	2022 $000
Interest rates increase by 1%	**(1,652)**	(1,617)
Interest rates decrease by 1%	**1,726**	1,690

Tower manages its interest rate risk through Board-approved investment management guidelines that give regard to policyholder expectations and risks, and to target surplus for solvency as advised by the Appointed Actuary.

Notes to the consolidated financial statements (continued)

4.6 Liquidity risk

Liquidity risk arises where liabilities cannot be met as they fall due as a result of insufficient funds and/or illiquid asset portfolios. Tower mitigates this risk through maintaining sufficient liquid assets to ensure that it can meet all obligations on a timely basis.

Tower is primarily exposed to liquidity risk through its obligations to make payment for claims of unknown amounts on unknown dates. Fixed-interest investments can generally be readily sold or exchanged for cash to settle claims and are managed in accordance with the policy of broadly matching the overall maturity profile to the estimated pattern of claim payments. This is illustrated in the table below:

	NET OUTSTANDING CLAIMS LIABILITY		CASH AND INVESTMENTS	
	2023 $000	2022 $000	**2023 $000**	2022 $000
Floating interest rate (at call)	–	–	89,909	84,649
Within 3 months	53,220	45,224	28,682	28,181
3 to 6 months	22,629	20,726	30,231	44,940
6 to 12 months	20,214	18,969	61,661	55,407
After 12 months	25,378	25,532	112,324	129,959
Total	**121,441**	110,451	**322,807**	343,136

4.7 Capital management risk

Capital risk is the risk that capital is insufficient or not of the best form to provide a buffer against losses arising from unanticipated events, while also maximising the efficient use of capital with a view to enhancing growth and returns, and adding long-term value to Tower's shareholders.

Tower has a documented description of its capital management process which sets out Tower's principles, approaches, and processes in relation to capital management that enables it to operate at an appropriate level of target solvency capital which is within the bounds of Tower's risk appetite.

The capital management process allows the Board, management, rating agencies and the regulator to understand Tower's approach to capital management, including requirements for formulating capital targets, and monitoring, reporting and remediating capital as required.

The operation of the capital management process is reported annually to the Board together with a forward-looking estimate of expected capital utilisation and capital resilience. In addition, Tower carries out stress, reverse stress and scenario testing to ensure the level of capital is appropriate given its risk appetite.

a. Regulatory solvency capital

The Reserve Bank of New Zealand (RBNZ) is the prudential regulator and supervisor of all insurers carrying on insurance business in New Zealand, and is responsible for administering the Insurance (Prudential Supervision) Act 2010. Tower measures the adequacy of capital against the Solvency Standards for Non-life Insurance Business published by the RBNZ alongside additional capital held to meet RBNZ minimum requirements and any further capital as determined by the Board.

Foreign operations are subject to regulatory oversight in the relevant jurisdiction. It is Tower's policy to ensure that each of the licenced insurers in the Group maintain an adequate capital position within the requirements of the relevant regulator.

During the year ended 30 September 2023 the Group complied with all externally imposed capital requirements (2022: complied).

Tower Limited's Group and Parent solvency margin are illustrated in the table below.

	2023 $000		2022 $000	
	PARENT	**GROUP**	PARENT	GROUP
Actual solvency capital	145,421	174,734	136,423	171,647
Minimum solvency capital	91,634	99,729	66,530	79,018
Solvency margin*	**53,787**	**75,005**	69,893	92,629
Solvency ratio	**159%**	**175%**	205%	217%

* Tower is required to maintain a solvency margin of at least $15m (2022: $15m), due to a license condition issued by the RBNZ. .

In October 2020, the RBNZ commenced consultation on a review of the Insurance (Prudential Supervision) Act 2010. As part of the overall process, the RBNZ issued an exposure draft on an interim solvency standard (ISS) in July 2021 which anticipated the introduction of NZ IFRS 17 Insurance Contracts (IFRS 17). The ISS was issued in October 2022, amended in June 2023 and RBNZ has been consulting on further changes to the ISS between September and November 2023.

Tower will apply the RBNZ's new ISS from 1 October 2023. The ISS will impose some changes that will impact solvency margins. Due to the ongoing RBNZ consultation, Tower cannot yet determine the final impacts of the ISS on solvency margins.

Notes to the consolidated financial statements (continued)

4.7 Capital management risk (continued)

b. Capital composition

The balance sheet capital mix at reporting date is shown in the table below:

	2023 $000	2022 $000
Total equity attributed to shareholders	300,265	317,528

c. Financial strength rating

Tower Limited has an insurer financial strength rating of "A- (Excellent)" and a long-term issuer credit rating of "a-" as affirmed by international rating agency AM Best Company Inc. in April 2023.

4.8 Operational risk

Operational risk is the risk of loss due to inadequate or failed internal processes or systems, human error or from external events.

Tower's approach is to proactively manage our operational risks to mitigate potential customer detriment, regulatory or legal censure, financial and reputational impacts.

Tower has in place appropriate operational processes and systems, including prevention and detection measures. These include processes which seek to ensure Tower can absorb and/or adapt to internal or external occurrences that could disrupt business operations.

Management and staff are responsible for identifying, assessing, recording and managing operational risks in accordance with their roles and responsibilities. Associated controls for identified risks are recorded and then actively monitored and managed through our enterprise risk management system (ERMS). Incidents are managed by the first line of defence and overseen by the second line of defence, with ongoing reporting to management and the Board Risk Committee.

Tower also maintains and regularly updates its Crisis Management, Business Continuity and Disaster Recovery Plans to minimise the impact of material incidents or crisis events and to support continuity of critical systems and processes.

4.9 Regulatory and compliance risk

Regulatory and compliance risk is defined as the risk of legal, regulatory or reputational impacts arising from failure to manage compliance obligations, or failure to anticipate and prepare for changes in the regulatory environment.

Tower, via its ERMS, has in place an obligations management framework. The framework provides operational and managerial oversight of applicable and relevant regulatory compliance obligations to Tower and supports Tower in discharging its obligations under legislation across NZ & the Pacific.

Tower engages with regulators and regularly monitors developments in regulatory requirements to support ongoing compliance.

4.10 Conduct risk

Conduct risk is defined as the risk that conduct may contribute to poor outcomes for customers.

Tower manages Conduct risk through a number of measures including undertaking ongoing product reviews to ensure products are delivering good customer outcomes, reviewing customer feedback to identify conduct trends or issues, completing quality assurance reviews, managing vulnerable customers, holding workshops with frontline staff to identify potential conduct issues and embedding and monitoring controls across the business to deliver fair customer outcomes.

Tower's approach to managing conduct risk is set out in its Conduct Governance Framework. The framework is a collation of policies, frameworks and processes and ensures there's robust governance in place to oversee Tower's conduct risk profile including reporting to the Management and Board Committees.

4.11 Cyber risk

Cyber risk is any risk associated with financial loss, disruption or damage to the reputation of Tower resulting from either the failure, or unauthorised or erroneous use of its information systems.

Tower's approach to Cyber risk is to proactively protect against, monitor for and respond to those cyber threats seen to be targeting the organisation. Tower continues to monitor evolving key cyber risks, which are discussed and reviewed on a monthly basis through our Management Risk and Conduct Committee and on a quarterly basis with the Risk Committee. Risk mitigation is achieved through ongoing investment in Tower's security programme and Tower's dedicated security function.

Notes to the consolidated financial statements (continued)

4.12 Climate change risk

Climate change risk is the risk associated with the unpredictable nature and impacts of weather events which may increase in frequency and severity over time due to changes in climate.

Tower's RMF considers environmental and emerging risks, which are regularly reported to the Board. Tower's approach to managing climate change risk includes leading the insurance market by continuing to expand our risk-based pricing strategy for climate-related hazards, maintaining a robust reinsurance programme to provide protection from volatility in weather events, planning for increasing large events over time in our budget process to limit financial impacts, and supporting communities through climate change via product development.

We note that in the financial year Tower experienced several catastrophe events which may be linked to climate change. January's Auckland and upper North Island weather event, Cyclone Gabrielle in February, Cyclones Judy and Kevin in Vanuatu in March, and the Auckland floods on 9 May had a net impact to Tower of $38m, excluding reinsurance reinstatement. Tower's liabilities include provision for outstanding claims arising from these events.

Other than the impact on outstanding claims liabilities, Tower considers that climate change risk does not materially impact the valuation of Tower's assets and liabilities, where these assets or liabilities are expected to be realised in one year or less. For non-current assets, Tower has looked to its short-medium term forecasting, which implicitly includes allowances for the risk of climate change in forecasts of the severity and frequency of future claims, including large events. These forecasts show continued profitability for Tower, which supports the carrying value of non-current assets. Accordingly, Tower does not consider that climate change risk has a material impact on the assets and liabilities recorded in these financial statements, as at 30 September 2023.

5 Capital Structure

This section provides information about how Tower finances its operations through equity. Tower's capital position provides financial security to its customers, employees and other stakeholders whilst operating within the capital requirements set by regulators.

5.1 Contributed equity

	2023 $000	2022 $000
Opening balance	460,191	492,424
Return of share capital to shareholders*	–	(30,634)
Purchase of non-controlling interests**	–	(1,599)
Share rights issued under Tower Long-Term Incentive Plan ***	124	–
Total contributed equity	**460,315**	460,191
Represented by:		
Opening balance	379,483,987	421,647,258
Cancellation of shares on return of capital	–	(42,163,271)
Total shares on issue	**379,483,987**	379,483,987

* On 9 March 2022 the Group completed its ordinary share buy-back for a consideration of $30.6m (including transaction costs). This resulted in 42.2m shares being cancelled during the year ended 30 September 2022.

** On 14 October 2021 Tower Limited reached an agreement to increase its shareholding in National Pacific Insurance Limited from 71.39% to 93.88% for a consideration of $3.4m. Tower Limited subsequently carried out a process to acquire the remaining 6.12% shareholding which completed on 17 December 2021 for a consideration of $0.9m.

*** Refer note 8.5 for further detail.

Ordinary shares issued by the Company are classified as equity and are recognised at fair value less direct issue costs. All shares rank equally with one vote attached to each share. There is no par value for each share.

Notes to the consolidated financial statements (continued)

5.2 Reserves

	2023 $000	2022 $000
Opening balance	(2,148)	(6,082)
Currency translation differences arising during the year	(943)	3,934
Foreign currency translation reserve	**(3,091)**	(2,148)
Opening balance	1,707	1,707
Revaluation surplus transferred to retained earnings	(1,707)	–
Asset revaluation reserve	**–**	1,707
Capital reserve	**11,990**	11,990
Separation reserve*	**(113,000)**	(113,000)
Reserves	**(104,101)**	(101,451)

* The separation reserve was created in 2007 at the time of the demerger of the New Zealand and Australian businesses in accordance with a ruling provided by the Australian Tax Office (ATO). It will be carried forward indefinitely as a non-equity reserve to meet the requirements of the ATO.

Recognition and measurement

The assets and liabilities of entities whose functional currency is not the New Zealand dollar are translated at the exchange rates ruling at balance date. Income and expense items are translated at a weighted average of exchange rates over the period approximating spot rates at the transaction dates. Exchange rate differences are taken to the **foreign currency translation reserve**.

Tower's land and buildings are valued at fair value less accumulated depreciation. Any surplus on revaluation of these items is transferred directly to the **asset revaluation reserve** unless it offsets a previous decrease in value recognised in profit or loss in which case it is recognised in the consolidated statement of comprehensive income.

5.3 Net tangible assets per share

	2023 CENTS	2022 CENTS
Net tangible assets per share	**49**	55

Net tangible assets per share have been calculated using the net assets as per the balance sheet adjusted for intangible assets (including goodwill) and deferred tax assets divided by total shares on issue.

5.4 Earnings per share

	2023	2022
Profit from continuing operations attributable to shareholders ($ thousands)	**2,352**	17,441
(Loss)/profit from discontinued operations attributable to shareholders ($ thousands)	**(3,580)**	1,362
Weighted average number of ordinary shares for basic and diluted earnings per share (number of shares)	**379,483,987**	397,851,001
Basic and diluted earnings per share (cents) for continuing operations	**0.6**	4.4
Basic and diluted earnings per share (cents)	**(0.3)**	4.7

The basic and diluted average numbers of ordinary shares shown above are used for calculating all earnings per share measures including those for profit after tax from discontinued operations (note 8.4).

5.5 Dividends

Tower's Board has determined that no interim or final dividend will be paid in respect of the 2023 financial year.

On 1 February 2023, Tower paid a final dividend in respect of the 2022 financial year of 4.0 cents per share (2022: a final dividend of 2.5 cents per share was paid in respect of the 2021 financial year and an interim dividend was paid in respect of the 2022 financial year of 2.5 cents per share).

Notes to the consolidated financial statements (continued)

6 Other balance sheet items

This section provides information about assets and liabilities not included elsewhere.

6.1 Property, plant and equipment

30 September 2023	LAND AND BUILDINGS $000	OFFICE EQUIPMENT & FURNITURE $000	MOTOR VEHICLES $000	COMPUTER EQUIPMENT $000	TOTAL $000
Composition:					
Cost	–	6,052	1,702	3,587	11,341
Accumulated depreciation	–	(1,929)	(1,094)	(2,038)	(5,061)
Property, plant and equipment	**–**	**4,123**	**608**	**1,549**	**6,280**
Reconciliation:					
Opening balance	–	2,244	970	2,203	5,417
Depreciation	–	(496)	(316)	(1,102)	(1,914)
Additions	–	2,489	–	480	2,969
Disposals	–	(71)	–	(16)	(87)
Foreign exchange movements	–	14	(18)	(10)	(14)
Assets reclassified as held for sale*	–	(57)	(28)	(6)	(91)
Closing Balance	**–**	**4,123**	**608**	**1,549**	**6,280**

* Assets reclassified as held for sale include the assets of discontinued operations (2022: the Suva building ($4.5m) and assets of discontinued operations). Refer to note 8.4.

30 September 2022	LAND AND BUILDINGS $000	OFFICE EQUIPMENT & FURNITURE $000	MOTOR VEHICLES $000	COMPUTER EQUIPMENT $000	TOTAL $000
Composition:					
Cost	–	4,547	1,949	5,237	11,733
Accumulated depreciation	–	(2,303)	(979)	(3,034)	(6,316)
Property, plant and equipment	–	2,244	970	2,203	5,417
Reconciliation:					
Opening balance	4,102	1,968	769	2,535	9,374
Depreciation	–	(422)	(288)	(1,577)	(2,287)
Additions	–	814	500	1,277	2,591
Disposals	–	(85)	–	(4)	(89)
Foreign exchange movements	456	(23)	15	(23)	425
Assets reclassified as held for sale*	(4,558)	(8)	(26)	(5)	(4,597)
Closing Balance	–	2,244	970	2,203	5,417

* Assets reclassified as held for sale include the assets of discontinued operations (2022: the Suva building ($4.5m) and assets of discontinued operations). Refer to note 8.4.

Recognition and measurement

Property, plant and equipment is initially recorded at cost including transaction costs and subsequently measured at cost less any accumulated depreciation and impairment losses.

Depreciation is calculated using the straight line method to allocate the asset's cost or revalued amounts, net of any residual amounts, over their useful lives. The assets' useful lives are reviewed and adjusted if appropriate at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if it is considered that the carrying amount is greater than its recoverable amount.

Furniture & fittings	5-9 years
Leasehold property improvements	3-12 years
Motor vehicles	5 years
Computer equipment	3-5 years

Land and buildings are shown at fair value, based on periodic valuations by external independent appraisers less subsequent depreciation for buildings. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Notes to the consolidated financial statements (continued)

6.2 Intangible assets

a. Amounts recognised in the balance sheet

30 September 2023	GOODWILL $000	SOFTWARE $000	CUSTOMER RELATIONSHIPS $000	TOTAL $000
Composition:				
Cost	17,744	94,215	40,645	152,604
Accumulated amortisation	–	(36,889)	(17,191)	(54,080)
Intangible Assets	**17,744**	**57,326**	**23,454**	**98,524**
Reconciliation:				
Opening balance	17,744	53,458	23,451	94,653
Amortisation	–	(11,430)	(5,897)	(17,327)
Additions*	–	17,526	5,900	23,426
Disposals	–	(256)	–	(256)
Transfers to property, plant and equipment	–	(1,972)	–	(1,972)
Closing Balance	**17,744**	**57,326**	**23,454**	**98,524**

* During the year ended 30 September 2023, additions to software assets primarily related to continued investment in Tower's core insurance platform, while additions to customer relationships related to the acquisition of Kiwibank's rights and obligations relating to servicing a portfolio of insurance policies underwritten by Tower.

30 September 2022	GOODWILL $000	SOFTWARE $000	CUSTOMER RELATIONSHIPS $000	TOTAL $000
Composition:				
Cost	17,744	79,259	34,745	131,748
Accumulated amortisation	–	(25,801)	(11,294)	(37,095)
Intangible Assets	17,744	53,458	23,451	94,653
Reconciliation:				
Opening balance	17,744	48,527	22,321	88,592
Amortisation	–	(9,764)	(4,959)	(14,723)
Additions **	–	16,934	6,089	23,023
Disposals	–	(184)	–	(184)
Transfers to property, plant and equipment	–	(2,055)	–	(2,055)
Closing Balance	17,744	53,458	23,451	94,653

** In the year ended 30 September 2022, additions to software assets primarily related to continued investment in Tower's core insurance platform, while additions to customer relationships related to the acquisition of Westpac's and TSB Bank's rights and obligations relating to servicing the insurance polices of two further groups of customers already underwritten by Tower. The amounts capitalised includes the price paid and associated acquisition/migration costs. The assets will be amortised over 10 years (for other customer relationships), with the pattern of amortisation being aligned with expected net cashflow benefits over this period.

Notes to the consolidated financial statements (continued)

6.2 Intangible assets (continued)

a. Amounts recognised in the balance sheet (continued)

Recognition and measurement

Intangible assets are assets without physical substance. They are recognised as an asset if they are controlled by Tower and if it is probable that expected future economic benefits attributable to the asset will flow to Tower and that costs can be measured reliably.

Application software and customer relationships are recorded at cost less accumulated amortisation and impairment. Application software is amortised on a straight line basis over the estimated useful life of the software. Customer relationships are amortised over the estimated useful life in accordance with the pattern of economic benefit consumption.

Internally generated intangible assets are recorded at cost which comprise all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Amortisation of internally generated intangible assets begins when the asset is available for use and is amortised on a straight line basis over the estimated useful life.

The useful lives for each category of intangible assets with a finite life are as follows:

- capitalised software: 3-5 years for general use computer software and 3-10 years for core operating system software
- customer relationships: 5-10 years

Software-as-a-Service (SaaS) arrangements are service contracts providing Tower with the right to access a cloud provider's application software over a stated time period. Costs the Group incurs to configure, customise and maintain access to providers' application software are recognised as operating expenses when incurred and in accordance with contracted terms.

Goodwill (i.e. assets with an indefinite useful life) generated as a result of business acquisition is initially measured as the excess of the purchase consideration over the fair value of the net identifiable assets and liabilities acquired. Goodwill is not subject to amortisation but is tested for impairment annually or more frequently where there are indicators of impairment.

Critical accounting estimates and judgements

The customer relationships asset predominantly consists of customer relationship assets with a useful life equivalent to the customer base's expected lifespan of ten years with the exception of one asset (acquired in 2021) with an additional non-compete component that has a contracted useful life of five years.

Where applicable the estimated capitalised cost related to the customer relationships asset has been apportioned between the two asset components by valuing the non-compete at the differential in net present value of the asset from improved customer retention over the non-compete period, pro-rated over the full asset value.

b. Impairment testing

An impairment charge is recognised in profit or loss when the carrying value of the asset, or cash-generating unit (CGU), exceeds the calculated recoverable amount.

(i) Software and customer relationships

Software and customer relationships are reviewed at each reporting date by determining whether there is an indication that the carrying values may be impaired. If an indication exists, the asset is tested for impairment. A loss is recognised for the amount by which the carrying value exceeds the asset's recoverable value.

There were no indications of impairment during the year and therefore these assets were not tested for impairment (2022: no indications).

Notes to the consolidated financial statements (continued)

6.2 Intangible assets (continued)

b. Impairment testing (continued)

Critical accounting estimates and judgements

The recoverable amount for software and customer relationships is determined by reference to a value in use calculation based on (i) cash flow forecasts that combine past experience with future expectations based on prevailing and anticipated market factors; and (ii) a discount rate that appropriately reflects the time value of money and the specific risks associated with the assets.

Value-in-use calculations involve the use of accounting estimates and assumptions to determine the projected net cash flows, which are discounted using an appropriate discount rate to reflect current market assessment of the risks associated with the assets. An impairment charge for capitalised software is incurred where there is evidence that the economic performance of the asset is not as intended by management. Customer relationships represent the present value of future benefits expected to arise from existing customer relationships. The assumptions for the useful life are based on historical information.

(ii) Goodwill

Goodwill is deemed to have an indefinite useful life and is tested annually for impairment or more frequently where there is an indication that the carrying value may not be recoverable.

Goodwill is allocated to cash generating units (CGUs) based on the expected synergies arising from the acquisition giving rise to goodwill. Tower's goodwill is allocated to the New Zealand general insurance CGU.

Tower undertook an annual impairment review and no loss has been recognised in 2023 as a result (2022: nil).

Critical accounting estimates and judgements

The recoverable amount of the New Zealand general insurance business is assessed by determining its value in use by discounting the future cash flows generated from the continuing use of the CGU . A discount rate of 13.1% was used in the calculation (2022: 14.5%). The cash flows are based on Board-approved management plans and forecasted profits for FY24 - FY26 (2022: FY23 - FY25). The projected cash flows are determined based on past performance and management's expectations for market developments with a terminal growth rate of 2.5% (2022: 3%).

The overall valuation is sensitive to a range of assumptions including management's forecasted profits, the discount rate and the terminal growth rate. Reasonable changes to these assumptions will not result in an impairment.

6.3 Leases

a. Amounts recognised in the balance sheet

(i) Right-of-use assets

30 September 2023	OFFICE SPACE $000	MOTOR VEHICLES $000	TOTAL $000
Composition:			
Cost	30,267	–	30,267
Accumulated depreciation	(7,063)	–	(7,063)
Right-of-use assets	**23,204**	**–**	**23,204**
Reconciliation:			
Opening balance	23,326	–	23,326
Depreciation	(4,209)	–	(4,209)
Additions	4,162	–	4,162
Disposals	–	–	–
Revaluations	(204)	–	(204)
Net foreign exchange movements	239	–	239
Assets reclassified as held for sale	(110)	–	(110)
Right-of-use assets	**23,204**	**–**	**23,204**

30 September 2022			
Composition:			
Cost	26,977	–	26,977
Accumulated depreciation	(3,651)	–	(3,651)
Right-of-use assets	23,326	–	23,326
Reconciliation:			
Opening balance	25,569	8	25,577
Depreciation	(2,702)	(3)	(2,705)
Additions	438	–	438
Disposals	(37)	(5)	(42)
Revaluations	968	–	968
Net foreign exchange movements	(347)	–	(347)
Assets reclassified as held for sale	(563)	–	(563)
Right-of-use assets	23,326	–	23,326

Notes to the consolidated financial statements (continued)

6.3 Leases (continued)

a. Amounts recognised in the balance sheet (continued)

Recognition and measurement

Right-of-use assets are recognised when Tower has the right to use the corresponding assets. Right-of-use assets are measured at cost comprising the initial measurement of the lease liability adjusted for any lease payments made at or before the commencement date less any lease incentives received; and indirect costs; and restoration costs. Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight line basis.

(ii) Lease liabilities

	2023 $000	2022 $000
Composition:		
Current	5,477	6,237
Non-current	27,138	28,817
Lease liabilities	**32,615**	35,054
Due within 1 year	5,477	6,237
Due within 1 to 2 years	5,921	4,440
Due within 2 to 5 years	12,483	11,990
Due after 5 years	11,865	15,876
Discount	(3,131)	(3,489)
Lease liabilities	**32,615**	35,054

Recognition and measurement

Lease liabilities are recognised at the date Tower has the right to use the corresponding asset. Lease liabilities are initially measured as the present value of expected lease payments under lease arrangements. Lease liability will include any option to extend where it is reasonably certain that the option will be exercised. The lease payments are discounted using the incremental borrowing rate as the interest rate in the lease cannot be readily determined. The incremental borrowing rate is the rate of interest that Tower would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Tower's incremental borrowing rate is based on bonds issued by financial institutions with similar credit rating and maturity profile. Incremental borrowing rates used during the year ranged between 1.9% and 5.9% (2022: between 1.9% and 5.0%).

Subsequent repayments are split between principal and interest cost where the finance cost represents the time value of money and is charged to the profit or loss over the lease period. The discount rate applied is unchanged from that applied at the initial recognition of the lease, unless there are material changes to the lease.

Notes to the consolidated financial statements (continued)

6.3 Leases (continued)

b. Amounts recognised in the consolidated statement of comprehensive income

	CLASSIFICATION	2023 $000	2022 $000
Depreciation and impairment	Underwriting expense	(4,027)	(2,518)
Interest expense	Finance costs	(920)	(890)
Gain on disposal	Other Income	–	5
Lease expense		**(4,947)**	(3,403)

All amounts in this note exclude discontinued operations, consistent with other profit or loss disclosures.

c. Amounts recognised in the consolidated statement of cash flows

	2023 $000	2022 $000
Total cash outflow for lease principal payments for continuing operations	**(6,845)**	(5,852)

7 Tax

This section provides information on Tower's tax expense during the year and its position at balance date.

7.1 Tax expense

Composition	2023 $000	2022 $000
Current tax	1,459	1,159
Deferred tax	546	6,593
Adjustments in respect of prior years	1,153	292
Tax expense	**3,158**	8,044
Tax expense from continuing operations	5,085	7,483
Tax (benefit)/expense from discontinued operations	(1,927)	561

Reconciliation of prima facie tax to income tax expense	2023 $000	2022 $000
Profit before tax from continuing operations	7,437	24,976
(Loss)/profit before tax from discontinued operations	(5,507)	1,923
Profit before taxation	**1,930**	26,899
Prima facie tax expense at 28% (2022: 28%)	540	7,532
Adjustments in respect of prior years	1,153	293
Tax effect of non-deductible expenses and non-taxable income	679	(732)
Foreign tax credits written off	492	371
Other	294	580
Tax expense	**3,158**	8,044

Notes to the consolidated financial statements (continued)

7.1 Tax expense (continued)

Recognition and measurement

Tax expense is calculated on the basis of the applicable tax rates that have been enacted or substantively enacted at the end of the reporting period in the jurisdictions Tower operates in. There have been no tax rate changes during the year in these jurisdictions. Current tax expense relates to tax payable for the current financial reporting period while deferred tax will be payable in future periods.

7.2 Current tax

a. Current tax asset

	2023 $000	2022 $000
Excess tax payments related to prior periods*	12,038	12,038
Excess tax payments related to current period**	879	1,031
Current tax assets	**12,917**	13,069

* Expected to be recovered from 2025 as per the Board-approved operational plan for 2024 to 2026.

** Excess tax payment made in the Pacific Islands during the reporting period.

b. Current tax liability

The current tax liability balance of $198k (2022: $136k) relates to taxes payable to offshore tax authorities in the Pacific Islands.

Recognition and measurement

Overpayment of tax in the current and prior periods is recognised as a **current tax asset**. Current tax assets are measured at the amount expected to be recovered from the taxation authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

7.3 Deferred tax

a. Deferred tax asset

Composition	2023 $000	2022 $000
Tax losses recognised	29,411	23,716
Software, property, plant and equipment	181	1,989
Leases	501	352
Provisions and accruals	3,206	5,258
Recognised in profit or loss	**33,299**	31,315
Impact through other comprehensive income	–	–
Recognised in comprehensive profit or loss	**33,299**	31,315
Set-off of deferred tax liabilities pursuant to NZ IAS 12	(18,276)	(7,278)
Deferred tax asset	**15,023**	24,037
Deferred tax asset from continuing operations	14,971	23,893
Deferred tax asset from discontinued operations	52	144

Reconciliation of movements	2023 $000	2022 $000
Opening balance	31,315	31,488
Movements recognised in profit or loss	1,984	(173)
Deferred tax asset pre NZ IAS 12 set off	**33,299**	31,315

Notes to the consolidated financial statements (continued)

7.3 Deferred tax (continued)

b. Deferred tax liability

Composition	2023 $000	2022 $000
Deferred acquisition costs	(7,829)	(7,016)
Customer relationships	(5,001)	(4,412)
Software, property, plant and equipment	(5,447)	(4,163)
Other*	(47)	(203)
Recognised in profit or loss	**(18,324)**	(15,794)
Asset revaluation	–	(290)
Recognised in comprehensive profit or loss	**(18,324)**	(16,084)
Set-off of deferred tax liabilities pursuant to NZ IAS 12	18,276	7,278
Deferred tax liability	**(48)**	(8,806)

* Primarily relates to deferred tax items in the Pacific islands.

Reconciliation of movements	2023 $000	2022 $000
Opening balance	(16,084)	(9,813)
Movements recognised in other comprehensive income	290	148
Movements recognised in profit or loss	(2,530)	(6,419)
Deferred tax liability pre NZ IAS 12 set off	**(18,324)**	(16,084)

Recognition and measurement

Deferred tax is income tax which is expected to be payable or recoverable in the future as a result of the unwinding of temporary differences. These arise from differences in the recognition of assets and liabilities for financial reporting and from the filing of income tax returns. Deferred tax is recognised on all temporary differences, other than those arising from (i) goodwill or (ii) from the initial recognition of assets and liabilities in a transaction (other than in a business combination) that affects neither the accounting nor taxable profit or loss.

At the reporting date, the Group has recognised a deferred tax asset in respect of its unused tax losses of $105.0m (2022: $84.7m).

Deferred tax is calculated at the tax rates that are expected to apply to the year when the liability is settled or the asset realised, based on tax rates and tax laws that have been enacted or substantively enacted at balance date.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Critical accounting estimates and judgements

Deferred tax assets are recognised for all unused tax losses to the extent it is probable that taxable profits will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised based on the likely timing and quantum of future taxable profits. Management expects the tax losses to be utilised within the foreseeable future.

This assessment is completed on the basis of Board-approved management plans and forecasted profits for Tower Limited and subsidiaries. Tower's ability to utilise these tax losses depends on the future profitability, shareholder continuity and no major change in Tower's business. The enactment of the new business continuity test in the Income Tax Act 2007 on 30 March 2021 for carrying forward tax losses means that Tower is able to carry forward its tax losses even if there is a significant shareholding change, as long as the business continuity test is met.

Notes to the consolidated financial statements (continued)

7.4 Imputation credits

The Group imputation credit account reflects the imputation credits held by the Company as the representative member of the Group.

	2023 $000	2022 $000
Imputation credits available for use in subsequent reporting periods	**271**	271

8 Other information

This section includes additional disclosures which are required by financial reporting standards.

8.1 Notes to the consolidated statement of cash flow

Composition	2023 $000	2022 $000
Cash at bank	42,068	54,422
Deposits at call*	21,941	30,080
Cash and cash equivalents	**64,009**	84,502

* The average interest rate at 30 September 2023 for deposits at call is 4.65% (2022: 2.89%).

Tower operates in countries in the Pacific Islands that are subject to foreign exchange restrictions, which may restrict the ability for immediate use of cash by the parent or other subsidiaries. As at 30 September 2023, this included NZD 8.9m held in Papua New Guinea following the sale of the disposal group (2022: nil). This cash is not currently available for use by the Group.

Notes to the consolidated financial statements (continued)

8.1 Notes to the consolidated statement of cash flow (continued)

Reconciliation of profit for the year to cash flows from operating activities	Note	2023 $000	2022 $000
(Loss)/profit after taxation		**(1,228)**	18,855
Adjusted for non-cash items			
Depreciation of property, plant and equipment	6.1	1,914	2,287
Depreciation and disposals of right-of-use assets	6.3	4,209	2,518
Amortisation of intangible assets	6.2	17,327	14,723
Financing costs		928	909
Fair value (gains)/losses on financial assets		(1,757)	5,337
Change in deferred tax		125	6,466
Adjusted for investing activities			
Gain on disposal of property, plant and equipment		(1,243)	(16)
Gain on disposal of discontinued operation	8.4	(2,165)	–
Impairment loss recognised for disposal group	8.4	563	–
Adjusted for movements in working capital			
Change in receivables		(184,698)	(30,574)
Change in payables		174,860	39,661
Change in taxation		1,128	(382)
Net cash inflow from operating activities		**9,963**	59,784
Net cash inflow from operating activities from continuing operations		25,107	64,200
Net cash outflow from operating activities from discontinued operations		(15,144)	(4,416)

8.2 Related party disclosures

Tower considers key management personnel to consist of the Board of Directors, Chief Executive Officer and executive leadership team. Information regarding individual director and executive compensation is provided in the Corporate Governance section of the annual report.

	2023 $000	2022 $000
Salaries and other short term employee benefits	5,511	4,466
Long term benefits	536	773
Termination benefits	–	748
Director fees	613	676
Related party remuneration	**6,660**	6,663

Tower insurance products are available to all key management personnel on the same terms as available to other employees. In addition, Tower purchases indemnity insurance for all directors both past and present covering liabilities and legal expenses incurred whilst in office.

The Board has decided to implement a share-based long-term incentive plan with effect from 7 December 2022. Refer note 8.5.

During the year ended 30 September 2022, Tower Limited acquired the minority shareholding of National Pacific Insurance Limited. Refer note 5.1.

Definition

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Notes to the consolidated financial statements (continued)

8.3 Auditor's remuneration

	2023 $000	2022 $000
Audit of financial statements*	748	612
Other assurance services**	67	63
Total fees paid to Group's auditors	**815**	675
Fees paid to subsidiaries' auditors different to Group auditors:		
Audit of financial statements***	15	16
Auditors remuneration	**830**	691

* Audit of financial statements includes fees for both the audit of annual financial statements and the review of the interim financial statements. PwC Fiji performs the audits of all overseas incorporated subsidiaries with the support of PwC New Zealand and other PwC network firms. $125k is paid to other PwC network firms (non New Zealand) for their audit services.

** Other assurance services includes annual solvency return assurance and Pacific Island regulatory return audits. The other assurance services for the year ended 30 September 2022 were completed during the year ended 30 September 2023.

*** The audit of Tower Insurance (Vanuatu) Limited was performed by Law Partners (2022: Law Partners).

8.4 Assets and liabilities held for sale

Assets and liabilities held for sale includes the Suva building and discontinued operations.

On 28 October 2022 Tower completed the sale of all of its shares in its Papua New Guinea subsidiary to Alpha Insurance Limited for a sale price of PGK 22 million. The activities of the subsidiary have been reported in the current period, and as at 30 September 2022, as a discontinued operation. Financial information on this disposal is set out below.

Details of the sale of the subsidiary	28-OCT-22 $000
Cash and cash equivalents	7,070
Investments	2,120
Receivables	2,670
Current tax assets	379
Deferred tax assets	130
Deferred insurance costs	1,290
Right-of-use assets	452
Property, plant and equipment	36
Total assets at the date of disposal	14,147
Payables	254
Unearned premiums	4,490
Outstanding claims	1,878
Lease liabilities	493
Provisions	53
Total liabilities at the date of disposal	7,168
Net assets at the date of disposal	**6,979**
Cash consideration received net of disposal costs	**9,688**
Gain on sale before reclassification of foreign currency translation reserve	**2,709**
Reclassification of foreign currency translation reserve	(544)
Gain on sale	**2,165**

Notes to the consolidated financial statements (continued)

8.4 Assets and liabilities held for sale (continued)

On 31 January 2023, Tower completed the sale of its building in Suva, for FJD 8.2 million plus VAT (gross of costs relating to the sale).

Details of the sale of the Suva building (before taxation)	31-JAN-23 $000
Cash consideration received net of disposal costs	5,746
Net book value at the date of disposal	4,558
Gain on sale of the Suva building*	**1,188**
Revaluation surplus transferred to retained earnings	1,707

* Included in Other income within Consolidated statement of comprehensive income.

Select operations in Pacific where Tower has begun the process to divest its operations are classified as discontinued operations and are classified as held for sale as at 30 September 2023.

On 3 July 2023 Tower announced the conditional sale of its Solomon Islands business to Trans Pacific Assurance Limited for the sale price of around SBD 17m, subject to adjustment at the completion date for the sale.

At 30 September 2023, Tower was also committed to a plan to sell its Vanuatu subsidiary and was going through the process of locating a buyer.

All transactions are expected to be completed within a year from the reporting date.

The comparatives presented in the table below include the assets and liabilities of the Papua New Guinea subsidiary and the Suva building.

Assets and liabilities classified as held for sale	2023 $000	2022 $000
Assets classified as held for sale		
Cash and cash equivalents	1,302	7,796
Investments	820	3,580
Receivables**	8,945	2,565
Current tax assets	147	315
Deferred tax assets	52	144
Deferred insurance costs	2,230	1,335
Right-of-use assets	110	479
Property, plant and equipment*	91	4,597
Total assets classified as held for sale	**13,697**	20,811
Liabilities classified as held for sale		
Payables**	160	1,965
Unearned premiums	5,307	4,745
Outstanding claims	4,025	1,981
Lease liabilities	154	519
Provisions	119	48
Total liabilities classified as held for sale	**9,765**	9,258
Net assets classified as held for sale	**3,932**	11,553

* Property, plant and equipment disclosed above includes the Suva building carrying value of $4.5m.

** As at 30 September 2023, other members of the Tower Group owed disposal groups $3.2m (2022: disposal groups owed other members of the Tower Group $1.8m). The assets and liabilities from discontinued operations disclosed above are stated without adjustment for these intercompany transactions.

The currency translation reserve in relation to the discontinued operations as at 30 September 2023 was nil (2022: $2.7m).

Notes to the consolidated financial statements (continued)

8.4 Assets and liabilities held for sale (continued)

Profit from discontinued operations	2023 $000	2022 $000
Gross written premium	10,313	17,042
Unearned premium movement	(344)	363
Gross earned premium	9,969	17,405
Outward reinsurance premium	(4,438)	(7,175)
Movement in deferred reinsurance premium	(25)	(59)
Outward reinsurance premium expense *	(4,463)	(7,234)
Net earned premium	**5,506**	10,171
Claims expense	(21,102)	(3,761)
Less: Reinsurance and other recoveries revenue	11,573	829
Net claims expense **	(9,529)	(2,932)
Gross commission expense	(986)	(1,172)
Commission revenue	434	668
Net commission expense	(552)	(504)
Underwriting expense *	(2,610)	(4,927)
Underwriting (loss)/profit	**(7,185)**	1,808
Investment income	20	68
Other income	64	66
Financing and other costs	(8)	(19)
Gain on sale of the subsidiary	2,165	–
Impairment loss recognised for disposal group	(563)	–
(Loss)/profit before taxation from discontinued operations	**(5,507)**	1,923
Tax benefit/(expense)	1,927	(561)
(Loss)/profit after taxation from discontinued operations	**(3,580)**	1,362

* Disposal groups paid fees to other members of the Tower Group of $2.6m during the financial year ended 30 September 2023 (2022: $4.5m), relating to the provision of reinsurance, management and other services. These amounts are included within the reinsurance premium expense and underwriting expense lines above, and are then eliminated within continuing operations.

** Claims expense includes $7.1m of expense incurred by the parent company under an internal reinsurance treaty with its Vanuatu subsidiary.

Earning per share	2023	2022
Basic and diluted earnings per share (cents) for discontinued operations	(0.9)	0.3

The currency translation differences recognised in other comprehensive income during the year ended 30 September 2023 in relation to the discontinued operations, including reclassification adjustment, were nil (2022: $1.8m).

8.5 Tower Long-Term Incentive Plan

The Group has introduced a long-term incentive plan during the year, which is intended to align the interests of management and shareholders.

Recognition and measurement

The Tower Long-Term Incentive Plan is considered to be an equity settled scheme under NZ IFRS 2 Share-based Payments and the vesting conditions for the scheme include both service and performance conditions.

The costs associated with this plan are measured at fair value at grant date and are recognised as an expense in profit or loss over the vesting period, with a corresponding entry to a reserve in equity. The estimate of the number of rights for which the service conditions are expected to be satisfied is revised at each reporting date, with any cumulative catch-up adjustment recognised in profit or loss in the period that the change in estimate occurred. Any rights not vested after the expiry date are cancelled.

The plan provides selected eligible employees with Restricted Share Rights (RSR's), which 'vest' over a three-year period, during which participants must remain employed by the Group and performance conditions must be met as follows.

Share Rights vest if Tower's Total Shareholder Return (TSR) sits at or above the 50th percentile of the NZX 50 index ranked by TSR over the same period:

(i) Where the company TSR equals the 50th percentile TSR of the index companies over the performance period, 50% of the share rights will vest.

(ii) Where the company TSR equals or exceeds the 75th percentile TSR of the index companies over the performance period, 100% of the share rights will vest.

(iii) Where the company TSR over the performance period exceeds the 50th percentile TSR of the index companies but does not reach the 75th percentile, then between 50% and 100% of the share rights will vest as determined on a straight line progression basis.

Notes to the consolidated financial statements (continued)

8.5 Tower Long-Term Incentive Plan (continued)

During the year the following movements of rights to shares occurred in accordance with the rules of the plan:

	2023
	NUMBER OF SHARE RIGHTS (RSR'S)
Share Rights outstanding at the beginning of the period	–
Share Rights granted during the period	1,946,557
Share Rights forfeited during the period	–
Share Rights vested and settled during the period	–
Share Rights outstanding at the end of the period	1,946,557

The weighted average remaining contractual life for share rights outstanding under the plan is 2.2 years.

The assessed fair value of the rights granted during the year was 23 cents. This was calculated using a Monte Carlo share price simulation model by Deloitte Limited. The significant inputs into the model for rights granted during the period are in the table below:

Assumptions	2023
Share price at grant date (cents)	70
10 Day VWAP (cents)	70
Exercise Price	Nil
Option life	3 years
Risk-free rate	4.36%
Expected volatility	23%

The expected price volatility is based on annualised price volatility for the four years prior to the grant date.

The total share-based payment expense during the year was $124k.

There were no liabilities arising from share-based payment transactions at reporting date. The plan allows participants to request a PAYE Election, under which they may ask Tower to make payment to the IRD to settle their PAYE liability subject to Tower being reimbursed by the participant. Tower is not required to accept any participant's request for a PAYE Election. Tower has not entered into any agreed PAYE Election arrangements during the year.

8.6 Contingent liabilities

Claims and disputes

The Group is occasionally subject to claims and disputes as a commercial outcome of conducting insurance business. Provisions are recorded for these claims or disputes when it is probable that an outflow of resources will be required to settle any obligations. Best estimates are included within claims reserves for any litigation that has arisen in the usual course of business.

The Group has no other contingent liabilities.

8.7 Subsequent events

On 20 November 2023 Tower announced that it will no longer offer insurance for commercial farms, which comprised $8.9m of Gross Written Premiums in FY23. Insurance policies for commercial farms will be progressively lapsed as their terms expire, over a 12 month period from 1 February 2024.

8.8 Capital commitments

As at 30 September 2023, Tower has nil capital commitments (2022: nil).

8.9 Impact of new accounting standards and changes in interpretation of current accounting standards

New accounting standards

No new accounting standards were implemented during the year with a material effect on Tower.

Issued and not yet effective

The only new or revised accounting standard that is expected to have a material impact on Tower's financial statements is IFRS 17. Other new or revised accounting standards that will be mandatory in future financial years are not expected to have a material impact.

IFRS 17 replaces the current guidance in NZ IFRS 4 Insurance Contracts (IFRS 4), and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. The standard introduces substantial changes in the presentation of financial statements and disclosures, introducing new balance sheet and income statement line items and increased disclosure requirements compared with existing reporting.

IFRS 17 is effective for periods beginning on or after 1 January 2023. Tower will apply the standard for the year ending 30 September 2024, with a restated comparative period for the year ended 30 September 2023. Tower expects to apply the standard using the full retrospective approach for all groups of insurance and reinsurance contracts.

Notes to the consolidated financial statements (continued)

8.9 Impact of new accounting standards and changes in interpretation of current accounting standards (continued)

Measurement model

IFRS 17 contains three new measurement models. The general model measures insurance contracts based on the fulfilment cash flows (the present value of estimated future cash flows with an explicit risk adjustment for non-financial risk) and the contractual service margin (the unearned profit that will be recognised as services are provided over the coverage period). A modified version of the general model (the variable fee approach) is applied to insurance contracts with direct participation features, and a simplified measurement model (the premium allocation approach, or PAA) is permitted in certain circumstances. The PAA is similar to the current measurement model used for general insurance. Tower will measure all its current insurance contracts and reinsurance contracts using the PAA measurement model.

Under the PAA, insurance and reinsurance contracts will be aggregated together into portfolios based on the contracts having similar risks and being managed together, and then divided into groups based on the expected profitability of contracts and the periods in which the contracts are written. Insurance contracts and reinsurance contracts are measured separately. Under the aggregation requirements, the identification and measurement of contracts that are expected to be loss making will be performed at a lower granularity than the liability adequacy test under current accounting standards, with any loss component recognised on initial recognition.

Discounting

IFRS 17 makes changes to the way that discount rates are applied to future cash flows, with discount rates required to reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts. Tower has determined that it will not discount insurance liabilities for remaining coverage (LRC), as the time between the provision of services and when premiums are received is not expected to exceed one year. The coverage period for reinsurance assets for remaining coverage (ARC) are expected to exceed one year, however Tower has determined it will not discount ARC as there is no significant financing component. Insurance and reinsurance assets and liabilities for incurred claims will be discounted to reflect the time value of money. Tower expects to apply the bottom-up approach in determining the discount rate, whereby a risk-free yield curve is adjusted through the addition of an illiquidity premium.

Risk adjustment

IFRS 17 requires a risk adjustment for non-financial risk to be applied to reflect the compensation an entity requires for bearing uncertainty about the amount and timing of cash flows. This differs from the risk margin used under IFRS 4, which reflects the inherent uncertainty in the central estimate of future claims cash flows. Tower is developing its framework for determining the risk adjustment and is considering a cost of capital approach for the calculation of assets and liabilities for incurred claims.

Insurance acquisition cash flows

IFRS 17 allows a choice between expensing acquisition costs related to the fulfilment cash flows immediately, or deferring them. Tower will defer acquisition costs and amortise them over the coverage period of the related insurance contracts.

Presentation and disclosure

IFRS 17 also introduces significant changes to the presentation of insurance contracts. Assets and liabilities related to portfolios of insurance contracts and reinsurance contracts will be shown separately on the balance sheet, replacing current insurance-related lines such as premium receivables, deferred insurance costs and unearned premiums. In the consolidated statement of comprehensive income, Tower will present income and expenses related to insurance contracts gross of reinsurance, which will be disclosed separately.

In addition, finance income or expense associated with insurance contracts will not be included in insurance service result, and will be recognised separately as insurance finance income expense. IFRS 17 permits entities to recognise a component of finance expense in either profit or loss or other comprehensive Income. Tower intends to recognise all components of finance income or expense in profit or loss.

Transition

Tower has a programme to assess the impact of adopting IFRS 17 and to project manage the transition to the new standard including system development. Tower has substantially completed all transition tasks which include finalising accounting policy under IFRS 17, systems development work, and adapting business processes to meet reporting requirements under IFRS 17.

IFRS 17 is not expected to change the underlying economics or cash flows of Tower's business, although it may impact how profit emerges on a year-to-year basis, and it will change the presentation in the financial statements. Tower is currently in the process of assessing the financial impact of retrospectively applying the transition provisions in IFRS 17.

Work is currently being undertaken to develop checks, evidence and audit trails to have reasonable assurance over the accuracy of the initial period of application impact on the Tower's consolidated financial statements. Based on assessments undertaken to date, the impact is not expected to be material.

pwc

Independent auditor's report

To the shareholders of Tower Limited

Our opinion

In our opinion, the accompanying consolidated financial statements of Tower Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 30 September 2023, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 30 September 2023;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) (ISAs (NZ)) and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with Professional and Ethical Standard 1 *International Code of Ethics for Assurance Practitioners (including International Independence Standards) (New Zealand)* (PES 1) issued by the New Zealand Auditing and Assurance Standards Board and the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants (IESBA Code), and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our firm carries out other assurance services for the Group over solvency and regulatory insurance returns. In addition, certain partners and employees of our firm may deal with the Group on normal terms within the ordinary course of trading activities of the Group. The provision of these other services and relationships have not impaired our independence as auditor of the Group.

Independent auditor's report (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current year. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Description of the key audit matter	How our audit addressed the key audit matter
Valuation of outstanding claims (2023: $240,597,000, 2022: $124,531,000) We considered the valuation of outstanding claims a key audit matter as it involves an estimation process combined with significant judgements and assumptions, made by management, to estimate future cash outflows to settle claims. Outstanding claims have increased this year due to the large weather events experienced in Auckland and the Upper North Island and Cyclone Gabrielle. The outstanding claims liability includes a central estimate of the future cash outflows relating to claims incurred, as at and prior to the reporting date, and the expected costs of handling those claims. There is uncertainty over the amount that reported claims and claims incurred at the reporting date but not yet reported to the Group will ultimately be settled at. The estimation process relies on the quality of underlying claims data and the use of informed estimates to determine the quantum of the ultimate loss. Key actuarial assumptions applied in the valuation of outstanding claims (excluding Canterbury earthquakes) include: • expected future claims development proportion; • claims handling expense ratios; and • discount rate. Outstanding claims in relation to the Canterbury earthquakes also have a unique degree of uncertainty and judgement. This mainly arises due to the uncertainty as to further deterioration of open known claims, Earthquake Commission reporting of new claims to the Group which have gone over the $100,000 statutory liability cap (over cap claims), new litigation claims, reopening of closed claims and expected claims costs for open claims. Changes in assumptions can lead to significant movements in the outstanding claims liability. The outstanding claims liability includes a risk margin that allows for the inherent uncertainty in the central estimate of future claim cash outflows. In determining the risk margin, the Group makes judgements about the volatility of each class of business written and the correlation between different geographical locations. Refer to note 2.4 to the consolidated financial statements.	Claims data is a key input to the actuarial estimates. Accordingly, we: • evaluated the design effectiveness and tested controls over claims processing; • assessed a sample of claim case estimates at the year end to check that they were supported by an appropriate management assessment and documentation, and classified appropriately to relevant claim type; • assessed, on a sample basis, the accuracy of previous claim case estimates by comparing to the actual amount settled during the year and assessed the changes in the claim case estimate to determine whether such change was based on new information available during the year; • inspected a sample of claims paid during the year to confirm that they were supported by appropriate documentation and approved within delegated authority limits; and • tested the integrity of data used in the actuarial models by agreeing relevant model inputs, such as claims data, to source, on a sample basis. Together with our actuarial experts, we: • considered the work and findings of the actuaries engaged by Tower; • evaluated the actuarial models and methodologies used, and any changes to them, by comparing with generally accepted models and methodologies applied in the sector; • assessed key actuarial judgements and assumptions and challenged them by comparing with our expectations based on Tower's experience, our own sector knowledge and independently observable industry trends (where applicable); • tested on a sample basis, the underlying calculations in certain valuation models including the application of discounting; • assessed the risk margin by comparing to known industry practice. In particular we focused on the assessed level of uncertainty in the central estimate and the inherent uncertainty in the remaining Canterbury earthquake claims and consistency of the risk margin with prior periods; and • reviewed disclosures in the financial statements for compliance with accounting standards.

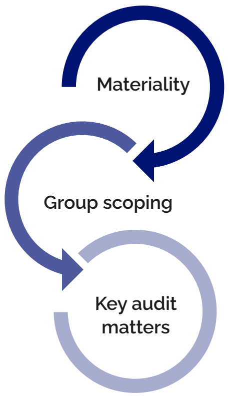
Independent auditor's report (continued)

Description of the key audit matter	How our audit addressed the key audit matter
Valuation of reinsurance recoveries on outstanding claims (2023: $119,156,000, 2022: $14,080,000) The valuation of reinsurance recoveries on outstanding claims is a key audit matter as a significant reinsurance asset has been recognised in respect of the recent Auckland and Upper North Island weather event, as well as Cyclone Gabrielle. Reinsurance recoveries have an implicit dependence on the estimate of gross outstanding claims, which involve a high degree of management judgement and estimation uncertainty. The Group has multiple reinsurance arrangements and allocating the claims to relevant reinsurance treaties is dependent on the accuracy of underlying claims data. Refer to notes 2.2, 2.4 and 2.7 to the consolidated financial statements.	In addition to our audit procedures undertaken to assess the valuation of outstanding claims, we performed the following procedures: • read material reinsurance agreements in place to understand the terms and conditions; • assessed, on a sample basis, the appropriateness of outstanding claims classification, used for the calculation of reinsurance recoveries; • tested the completeness of the claims data used in the reinsurance calculations by comparing it to the outstanding claims population; • recalculated, on sample basis, reinsurance recoveries; • validated progress payments received from reinsurers in respect of the Auckland and Upper North Island weather event and Cyclone Gabrielle to bank; and • assessed the recoverability of balances owed by reinsurers by considering their credit worthiness and capital strength, payment history including ageing of receivables, and considered whether there were any indicators of dispute.
Recoverability of the deferred tax asset arising from tax losses (2023: $29,411,000, 2022: $23,716,000) The majority of the Group's deferred tax asset arises from tax losses. We considered recoverability of the deferred tax asset a key audit matter because utilisation of the asset is sensitive to the Group's expected future profitability and sufficient continuity of the ultimate shareholders or business continuity. Management judgement is involved in forecasting the timing and quantum of future taxable profits, which are inherently uncertain, and whether it is probable the tax losses will be utilised in the foreseeable future. Refer to note 7.3 to the consolidated financial statements.	In considering the recoverability of the deferred tax asset arising from tax losses we performed the following procedures: • compared the previous management budget with actual results to assess the reliability of management's forecasting; • considered the reasonableness of the assumptions in the year ending 30 September 2024 board approved operational plan on the forecast utilisation of tax losses; • assessed the Group's ability to maintain sufficient continuity of the ultimate shareholders or to meet the business continuity test and therefore its entitlement to offset the tax losses against future taxable profits; and • determined whether it was probable (more likely than not) that the tax losses would be utilised in the foreseeable future.

Independent auditor's report (continued)

Our audit approach

Overview



Overall group materiality: $5.1 million, which represents approximately 1% of gross written premium from continuing and discontinued operations.

We chose gross written premium as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark for insurance companies.

A full scope audit was performed for the Company based on its financial significance to the Group. Specified audit procedures were performed on financial statement line items of certain subsidiaries and analytical review procedures were performed on remaining Group entities.

As reported above, we have three key audit matters, being:

- Valuation of outstanding claims
- Valuation of reinsurance recoveries on outstanding claims
- Recoverability of the deferred tax asset arising from tax losses

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall Group materiality for the consolidated financial statements as a whole as set out above. These, together with qualitative considerations, helped us to determine the scope of our audit, the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate, on the consolidated financial statements as a whole.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent auditor's report (continued)

Responsibilities of the Directors for the consolidated financial statements

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements, as a whole, are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (NZ) and ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

A further description of our responsibilities for the audit of the consolidated financial statements is located at the External Reporting Board's website at:

https://www.xrb.govt.nz/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's 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 audit work, for this report or for the opinions we have formed.

The engagement partner on the audit resulting in this independent auditor's report is Karen Shires.

For and on behalf of:

Chartered Accountants
23 November 2023

Auckland

Appointed Actuary's report

finity

23 November 2023

The Directors
Tower Limited
136 Fanshawe Street
Auckland 1010

Dear Directors

Review of Actuarial Information contained in the financial statements

As required by Section 78 of IPSA the Appointed Actuary, Geoff Atkins of Finity Consulting, has reviewed the actuarial information contained in, or used in the preparation of, the financial statements at 30 September 2023. Geoff Atkins and Finity have no relationship with or interest in Tower other than being a provider of actuarial services.

I prepared the actuarial valuation of liabilities remaining from the Canterbury Earthquakes and reviewed the actuarial valuations of insurance liabilities for the New Zealand business and the Pacific Islands businesses. I reviewed the other actuarial information as specified by IPSA in Section 77, including the solvency calculations for the financial statements.

No limitations were placed on me in performing the review and all data and information requested was provided.

Nothing has come to my attention that would lead me to believe that any of the actuarial information contained in, or used in the preparation of, the financial statements is not appropriate.

In my opinion the company has maintained a solvency margin in excess of the minimum required as at 30 September 2023.

The report is being provided for the sole use of Tower for the purpose state above. It is not intended, nor necessarily suitable, for any other purpose and should only be relied on for the purpose for which it is intended.

Yours sincerely

Geoff Atkins (Appointed Actuary)
Fellow of the New Zealand Society of Actuaries

Anagha Pasche
Fellow of the New Zealand Society of Actuaries

CORPORATE GOVERNANCE AT TOWER

This section of the Annual Report provides an overview of the corporate governance principles, policies and processes adopted and followed by Tower's Board (Board) during the year ending 30 September 2023 (**FY23**).

For the reporting period to 30 September 2023, the Board considers that Tower's corporate governance practices have materially adhered to the NZX Corporate Governance Code (**NZX Code**). Further information about the extent to which Tower has complied with each of the NZX Code recommendations is set out in Tower's corporate governance statement, available on Tower's website at tower.co.nz/investor-centre.

Statutory disclosures

Diversity

Gender Diversity

The below table provides a quantitative breakdown as to the gender composition of Tower's Directors and Officers, and other employee groups as at 30 September 2023, compared to 30 September 2022, including subsidiaries. The Executive Leadership team includes the Chief Executive Officer and those employees who report directly to the Chief Executive Officer. The Senior Leadership Team refers to employees in remuneration band 8 and above. Total company figures exclude the Board of Directors, and include permanent and fixed term employees, and the employees of Tower's Pacific Island subsidiaries:

	30 SEPTEMBER 2023		30 SEPTEMBER 2022	
GROUP	% GROUP	NUMBER	% GROUP	NUMBER
Board of Directors				
Males	80%	4	80%	4
Females	20%	1	20%	1
Gender Diverse	0%	0	0%	0
Executive Leadership team				
Males	70%	7	88%	7
Females	30%	3	12%	1
Gender Diverse	0%	0		
Senior Leadership				
Males	57%	23	63%	27
Females	43%	17	37%	16
Gender Diverse	0%	0		
Employees				
Males	35%	281	38%	268
Females	64%	513	62%	446
Gender Diverse	1%	6		
Total company				
Males	36%	311	39%	302
Females	62%	533	61%	463
Gender Diverse	1%	6		
Total employees		**850**		**765**

Evaluation from the Board on Tower's performance with respect to diversity and inclusion

Tower has a diversity and inclusion policy, focussing on:

- Gender diversity
- Age and career progression
- Ethnicity and Pacific and Māori inclusion
- LGBTIQ+ identification and inclusion
- Accessibility

In FY23, Tower has:

- provided ongoing training and education to raise employee awareness of diversity and inclusion initiatives and associated benefits
- maintained merit-based recruitment and selection, development and talent management approaches that encourage and support diversity and inclusion at all levels
- created and maintained a flexible and inclusive work environment that values difference and enhances business outcomes
- monitored and maintained focus on the diversity of our workforce at senior levels
- embedded leadership behaviours that support its belief in the value of diversity and inclusion
- promoted workforce involvement in employee representative groups

Board and Committee Composition

During FY23 the Board comprised the following members:

Michael Stiassny (Chair)

Graham Stuart

Marcus Nagel

Geraldine McBride *(from 1 October 2023)*

Blair Turnbull *(from 29 March 2023 - 17 November 2023)*

Warren Lee *(until 30 November 2022)*

Wendy Thorpe *(until 29 March 2023)*

Director Independence

The Board has determined, based on information provided by directors regarding their interests, and criteria for independence benchmarked against the RBNZ and NZX independence requirements, that as at 30 September 2023 Mr Stiassny, Mr Stuart, and Ms McBride were independent. The Board determined that Mr Nagel was not independent due to his relationship with Tower's largest shareholder.

Mr Turnbull is an executive director and is not a member of any of the Board Committees.

Board Committees

During FY23 the Board had the following Committees:

Audit Committee

Members: Graham Stuart (Chair), Michael Stiassny, Warren Lee *(until 30 November 2022)*, Wendy Thorpe *(until 29 March 2023)*, Marcus Nagel and Geraldine McBride *(from 1 October 2022)*.

Risk Committee

Members: Wendy Thorpe (Chair) *(until 29 March 2023)*, Michael Stiassny, Graham Stuart, Marcus Nagel. Warren Lee *(until 30 November 2022)* and Geraldine McBride *(from 1 October 2022) (Acting Chair from 29 March 2023)*.

Remuneration and Appointments Committee

Members: Michael Stiassny (Chair), Graham Stuart), Warren Lee *(until 30 November 2022)*, Wendy Thorpe *(until 29 March 2023)*, Marcus Nagel and Geraldine McBride *(from 1 October 2022)*.

Other Committees

Tower's Board may establish Sub-Committees from time to time. In 2023, a Results Sub-Committee was convened on two occasions.

Board and Committee meeting attendance

Director attendance at Board and Committee meetings held from 1 October 2022 to 30 September 2023 is set out below:

	BOARD	AUDIT COMMITTEE	RISK COMMITTEE	REMUNERATION AND APPOINTMENTS COMMITTEE	RESULTS SUB-COMMITTEE
Meetings held	**12**	**3**	**4**	**4**	**2**
Michael Stiassny	12	3	4	4	2
Graham Stuart	12	3	4	4	2
Warren Lee *(until 30 November 2022)*	1	1	1	–	–
Wendy Thorpe *(until 29 March 2023)*	4	1	2	2	–
Marcus Nagel	11	3	4	4	–
Geraldine McBride	12	3	4	4	–
Blair Turnbull	6	–	–	–	–

All members of the executive leadership team have a standing invitation to attend all Board meetings, although they do not always attend the entire meeting.

The Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and General Counsel & Company Secretary attend all Audit Committee and Risk Committee meetings by standing invitation.

The Chief Executive Officer, Chief Administrative Officer and General Counsel & Company Secretary attend all meetings of the Remuneration and Appointment Committee by standing invitation.

The General Counsel & Company Secretary is responsible for taking accurate minutes of each meeting and ensuring that Board procedures are observed.

Remuneration

Director Remuneration

The Board's approach is to remunerate directors in a manner which is fair and reasonable in a competitive market, having regard to the skills, knowledge and experience required. At the Annual Shareholders' Meeting in February 2004 shareholders approved a maximum payment of NZ$900,000 per annum for director fees.

Tower seeks external advice when reviewing Board remuneration. The Remuneration and Appointments Committee is responsible for assisting directors with the review of directors' fees. Remuneration is considered through the lens of the Director and Executive Remuneration Policy to ensure that directors and executives are remunerated in a fair and reasonable manner, and that such remuneration is transparently communicated to relevant stakeholders.

Annual fees as approved by the Board with effect from 1 October 2020 are:

TOWER LIMITED BOARD/COMMITTEE FEES	CHAIR (NZ$)	MEMBER (NZ$)
Base fee – Board of directors	180,000	100,000
Audit Committee	10,000	(included in base Director fee)
Risk Committee	10,000	(included in base Director fee)
Remuneration and Appointments Committee	–	–

The total remuneration received by each director for the year ended 30 September 2023 is set out below (NZ$, and exclusive of GST, if any):

REMUNERATION AND BENEFITS RECEIVED BY TOWER LIMITED DIRECTORS IN THE YEAR ENDED 30 SEPTEMBER 2023 (NZD)	
Michael Stiassny	180,000
Graham Stuart	110,000
Warren Lee *(retired 30 November 2022)*	16,667
Wendy Thorpe *(retired 29 March 2023)*	55,000
Geraldine McBride	100,000
Marcus Nagel	100,000

REMUNERATION AND BENEFITS RECEIVED BY TOWER SUBSIDIARY DIRECTORS IN THE YEAR ENDED 30 SEPTEMBER 2023

Isikeli Tikoduadua, Director Tower Insurance (Fiji) Limited and Tower Group Services (Fiji) Pte Limited	18,000 Fijian Dollars
Barry Whiteside, Director Tower Insurance (Fiji) Limited	20,000 Fijian Dollars
Ernie Gangloff, Director Tower Insurance (PNG) Limited *(retired 28 October 2022)*	$16,198.63 Kina

Directors of Tower Limited and its subsidiaries are reimbursed for out of pocket expenses incurred in the course of their activities as directors, including travel and other expenses. As these expenses are not in the nature of remuneration or benefits, they are not listed here.

No employee of Tower Limited or its subsidiaries who acts as a director of a subsidiary receives any remuneration for their role as a director of that subsidiary. The number of employees who receive remuneration of more than $100,000 is included in the remuneration table on this page. Auditor fees paid on behalf of Tower and its subsidiaries are disclosed in the financial statements.

CEO and senior executive remuneration

The Board's approach to remunerating the Chief Executive Officer and other key executives is to provide market based remuneration packages comprising a blend of fixed and variable remuneration, with clear links between individual and company performance, and reward. This approach is intended to encourage Tower's executives to meet Tower's short and long term objectives. The Remuneration and Appointments Committee reviews the remuneration packages of the Chief Executive Officer and the Chief Executive Officer's direct reports at least annually.

The Chief Executive Officer, Mr Blair Turnbull, is remunerated through a combination of a base salary of $657,588, (exclusive of a 3% Kiwisaver contribution) and variable performance incentives including a Short Term Incentive (**STI**) and a Long Term Incentive (**LTI**). The maximum STI is currently $328,944 per annum based on meeting key financial and non-financial and operational performance measures. The maximum LTI per annum is currently $986,832 (total) should Tower deliver Total Shareholder Return performance relative to the performance of companies within the NZX50 index.

In FY23, Mr Turnbull was not awarded a STI or LTI payment. Mr Turnbull also received 939,840 unvested share rights pursuant to a long term incentive plan, details of which are included in the Corporate Governance Statement.

Employee remuneration

The table below sets out the number of employees or former employees of Tower (excluding directors and former directors and employees of Tower's subsidiaries) who received remuneration and other benefits valued at or exceeding $100,000 received during the financial years ended 30 September 2023 and 2022. Remuneration includes base salary, superannuation contributions, performance payments and redundancy or other termination payments. The remuneration bands are expressed in New Zealand Dollars:

FROM	TO	2023	2022
100,000	109,999	26	23
110,000	119,999	24	33
120,000	129,999	34	23
130,000	139,999	25	27
140,000	149,999	15	18
150,000	159,999	26	9
160,000	169,999	11	5
170,000	179,999	4	11
180,000	189,999	6	11
190,000	199,999	3	3
200,000	209,999	6	1
210,000	219,999	5	2
220,000	229,999	3	1
230,000	239,999	6	1
240,000	249,999	3	1
250,000	259,999	1	3
260,000	269,999	0	2
270,000	279,999	2	0
280,000	289,999	3	3
290,000	299,999	0	1
300,000	309,999	1	1

FROM	TO	2023	2022
310,000	319,999	2	0
320,000	329,999	1	0
330,000	339,999	1	0
340,000	349,999	1	0
350,000	359,999	1	1
360,000	369,999	1	1
370,000	379,999	1	0
430,000	439,999	1	1
440,000	449,999	0	1
460,000	469,999	1	1
470,000	479,999	1	0
490,000	499,999	1	0
530,000	539,999	1	0
610,000	619,999	0	1
670,000	679,999	1	0
700,000	709,999	1	1
850,000	859,999	1	0
Total		**220**	**186**

Security Holder Information

Substantial product holders (as at 30 September 2023)

The names and holdings of Tower's substantial product holders based on notices filed with Tower under the Financial Markets Conduct Act 2013 as at 30 September 2023 are:

NAME	TOTAL ORDINARY SHARES
Bain Capital Credit LP, Bain Capital Investments (Europe) Limited and Dent Issuer Designated Activity Company	67,464,858
Salt Funds Management Limited	30,479,743
Accident Compensation Corporation	36,239,113
New Zealand Funds Management Limited on behalf of itself and its wholly owned subsidiary New Zealand Funds Superannuation Limited	26,615,216
Pacific International Insurance Pty Limited	22,072,615

These totals may differ from the shareholdings described in other sections on this report.

Largest shareholders (as at 30 September 2023)

The names and holdings of the 20 largest registered Tower shareholders as at 30 September 2023 were:

		UNITS	% UNITS
1.	Dent Issuer Designated Activity Company	75,896,447	20.00
2.	Citibank Nominees (New Zealand) Limited - NZCSD <CNOM90>	47,507,398	12.52
3.	Accident Compensation Corporation - NZCSD <ACCI40>	34,040,321	8.97
4.	Pacific International Insurance Pty Limited	22,072,615	5.82
5.	Lennon Holdings Limited	16,200,000	4.27
6.	BNP Paribas Nominees (NZ) Limited - NZCSD <BPSS40>	13,858,232	3.65
7.	Masfen Securities Limited	13,430,197	3.54
8.	HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	11,714,723	3.09
9.	JBWere (NZ) Nominees Limited <NZ RESIDENT A/C>	7,921,421	2.09
10.	HSBC Nominees (New Zealand) Limited A/C State Street - NZCSD <HKBN45>	7,758,895	2.04
11.	Investment Custodial Services Limited <A/C C>	5,415,647	1.43
12.	Public Trust - NZCSD <THE ASPIRING FUND>	4,725,000	1.25
13.	JP Morgan Chase Bank NA NZ Branch-Segregated Clients ACCT - NZCSD <CHAM24>	3,778,374	1.00
14.	Tea Custodians Limited Client Property Trust Account - NZCSD <TEAC40>	2,988,997	0.79
15.	BNP Paribas Nominees (NZ) Limited - NZCSD	2,536,016	0.67
16.	New Zealand Depository Nominee Limited <A/C 1 CASH ACCOUNT>	2,185,275	0.58
17.	Hobson Wealth Custodian Limited <RESIDENT CASH ACCOUNT>	1,920,963	0.51
18.	HSBC Nominees A/C NZ Superannuation Fund Nominees Limited - NZCSD <SUPR40	1,660,618	0.44
19.	Custodial Services Limited <A/C 4>	1,623,315	0.43
20.	FNZ Custodians Limited	1,493,545	0.39
	Totals: top 20 holders of ordinary shares	**278,727,999**	**73.45**
	Total remaining holders balance	**100,755,988**	**26.55**

Securities held by Directors

At 30 September 2023, directors, or entities related to them held relevant interests (as defined in the Financial Markets Conduct Act 2013) in Tower Limited shares as follows:

Ordinary shares

DIRECTOR	BENEFICIAL
Wongaling Pty Limited: (Geraldine McBride)	5,477
Marcus Nagel	62
Michael Stiassny	624,897
Graham Stuart	202,500
Blair Turnbull (retired 17 November 2023)	253,030

Director trading in Tower securities

Tower's constitution requires that its directors hold shares in the company. On 27 February 2023, Wongaling Pty Limited disclosed its purchase of 5,477 shares in Tower Limited. Ms Geraldine McBride is the beneficial owner of those shares.

Shareholder analysis

Tower's shares are quoted on both the NZX and ASX. As at 30 September 2023, 16,713 Tower shareholders held less than A$500 of Tower shares (i.e. less than a marketable parcel as defined in the ASX Listing Rules), amounting to a total of 6,137,613 of the Tower shares on issue.

In comparison, a 'minimum holding' under the NZX Listing Rules means a holding of shares having a value of at least NZ$1,000. As at 30 September 2023, 19,447 Tower shareholders held less than NZ$1,000 of Tower Shares (being, a parcel size of 1,613 at $0.62 per share), amounting to a total of 9,316,511 of the Tower shares on issue.

Total voting securities

	ORDINARY SHARES	NUMBER OF HOLDERS
30 September 2023	379,483,987	23,566

Tower's ordinary shares each carry a right to vote on any resolution on a poll at a meeting of shareholders. Holders of ordinary shares may vote at a meeting in person, or by proxy, representative or attorney.

The address and telephone number of the office at which the register of Tower securities is kept is set out in the directory at the back of this Annual Report.

Spread of Shareholders (as at 30 September 2023)

HOLDING RANGE	HOLDER COUNT	HOLDER COUNT %	HOLDING QUANTITY (ORDINARY SHARES)	HOLDING QUANTITY %
1 - 1,000	17,514	74.41	6,886,493	1.81
1,001 - 5,000	4141	17.59	8,498,784	2.24
5,001 - 10,000	672	2.85	4,793,747	1.26
10,001 - 100,000	1015	4.31	30,899,288	8.14
100,001 and over	195	.82	328,405,675	86.54
Total	**23,537**	**100**	**379,483,987**	**100**

Indemnity and insurance

In accordance with section 162 of the Companies Act 1993 and Tower's constitution, Tower has provided insurance for and indemnities to, directors and employees of Tower for losses from actions undertaken in the course of their duties. The insurance includes indemnity costs and expenses incurred to defend an action that falls outside the scope of the indemnity. Particulars have been entered in the Interests Register pursuant to section 162 of the Companies Act 1993.

Interests register

Tower and its subsidiaries are required to maintain an interests register in which the particulars of certain transactions and matters involving the directors must be recorded. The interests register for Tower Limited is available for inspection on request by shareholders. Tower's constitution provides that an 'interested' director may not vote on a matter in which he or she is interested unless the director is required to sign a certificate in relation to that vote pursuant to the Companies Act 1993, or the matter relates to a grant of an indemnity pursuant to section 162 of the Companies Act 1993.

During the year to 30 September 2023, pursuant to section 140 of the Companies Act 1993 Tower's directors disclosed new interests and cessations of interest as noted in the table below:

Geraldine McBride	
Sky Network Television Limited *(until 2 November 2022)*	Director
My Wave Limited	Director
My Wave Holdings Limited	Director
Marcus Nagel	
3Arrow AG	Director
Jarowa AG	Director
Michael Stiassny	
Bengadol Corporation Limited	Director
Emerald Group Limited	Director
Gadol Corporation Limited	Director
Geffen Holdings Limited	Director
Michael Spencer Limited	Director
Ngāti Whātua Ōrākei Housing Trustee Limited *(until 16 February 2023)*	Director
Ngāti Whātua Ōrākei Whai Rawa Limited *(until 16 February 2023)*	Chair
Poukawa Estate Limited	Director
Ted Kingsway Limited	Director
Whai Rawa GP Limited *(until 16 February 2023)*	Director
Whai Rawa Kainga Development Limited *(until 16 February 2023)*	Director
LPF Group Limited	Director
MS10 Limited	Director
Morgan HoldCo Limited	Director
Remuera Investments Limited	Director
Te Waenga Ltd	Director
Tegel Group Holdings Ltd	Director
New Talisman Gold Mines Ltd	Director
2 Cheap Cars Group Limited	Director
Momentum Life Limited *(from September 2023)*	Director
Graham Stuart	
Leroy Holdings Limited	Director
EROAD Limited	Director
VinPro Limited	Director
NorthWest Healthcare Properties Management Limited	Chair
Metro Performance Glass Limited *(until 1 August 2023)*	Director
H4G Group Limited, trading as Vet South and VetNZ	Chair
Comhla Vet Limited	Director
Blair Turnbull (retired 17 November 2023)	
InsurtechNZ *(until February 2023)*	Co-Chair
Insurance Council of New Zealand	Board member
IFSO Commission *(from February 2023)*	Industry Representative
Wendy Thorpe (retired 29 March 2023)	
Online Education Services Pty Limited	Chair
Epworth Foundation (Epworth Healthcare)	Chair
Australian Central Credit Union Ltd T/A People's Choice Credit Union	Director
Epworth Geelong Limited	Director
Data Action	Director
auDA	Director
Warren Lee (retired 30 November 2022)	
MyState Limited	Director
MyState Bank Limited	Director
TPT Wealth Limited	Director
MetLife Insurance Limited	Director
MetLife General Insurance Limited	Director
Warakirri Asset Management Limited	Director
Warakirri Holdings Pty Limited	Director
Flinders Investment Partners Pty Limited	Director

Subsidiary Company Directors' Interests

Barry Whiteside	
Kontiki Finance	Director
Pacific Catastrophe Risk Insurance Company	Director
Bayly Trust	Director/Trustee
Fiscal Review Committee, Fijian Ministry of Finance	Member
Isikeli Tikoduadua	
Merchant Finance	Chairman
Vodafone Fiji	Director
Fiji Commerce Commission	Commissioner
iTaukei Land Trust Board	Director
Special Administrators for Suva City and Lami Town	Chairman
USP MBA Advisory Committee	Chairman
Veilawa Rereiwasaliwa	
Bank of Baroda – Fiji Operations	Member, Local Advisory Board
Angus Shelton	
Shelton Contracting Limited	Director
Ernie Gangloff[1]	
Gangloff Consulting Limited	Managing Director
Gangloff Projects Limited	Director
Pacific Training Consortium Limited	Director
BSP Financial Group Limited	Director
New Britain Palm Oil Limited	Director
Highlands Pacific Limited	Director
Business Incubation Solution Limited	Director
BSP Finance (Fiji) Pte Limited	Director
Institute of National Affairs Inc.	President
University Rugby Football Union Club	President
Capital Rugby Union Inc.	Treasurer

Specific disclosures of interest

Directors also disclosed the monetary value of dividends received during the year.

	NATURE OF INTEREST	MONETARY VALUE	
Michael Stiassny	Shareholder of 694,330 shares in Tower Limited	27,773	Based on a Dividend of NZ$0.04 per share declared on 23 November 2022
Graham Stuart	Shareholder of 225,000 shares in Tower Limited	5,625	Based on a Dividend of NZ$0.04 per share declared on 23 November 2022
Wendy Thorpe	Shareholder of 16,250 shares in Tower Limited	650	Based on a Dividend of NZ$0.04 per share declared on 23 November 2022
Marcus Nagel	Shareholder of 62 shares in Tower Limited	2	Based on a Dividend of NZ$0.04 per share declared on 24 November 2022
Warren Lee	Beneficial Shareholder of 120,500 shares in Tower	4,800	Based on a Dividend of NZ$0.04 per share declared on 24 November 2022
Blair Turnbull	Shareholder of 253,030 shares in Tower Limited	10,121	Based on a Dividend of NZ$0.04 per share declared on 24 November 2022

Tower subsidiary company directors

Directors of Tower's subsidiary companies during the year to 30 September 2023 were:

TOWER SUBSIDIARY COMPANY DIRECTORS	
Tower Services Limited	Blair Turnbull
	Paul Johnston
	Angus Shelton
The National Insurance Company of New Zealand Limited	Blair Turnbull
	Paul Johnston
	Angus Shelton
Tower Group Services (Fiji) Pte Ltd *Previously known as National Insurance Company (Holdings) Pte Limited*	Blair Turnbull
	Isikeli Tikoduadua *(retired 24 April 2023)*
	Paul Johnston
	Ronald Mudaliar
	Veilawa Rereiwasaliwa *(from 24 April 2023)*
Southern Pacific Insurance Company (Fiji) Limited	Blair Turnbull
	Isikeli Tikoduadua
	Barry Whiteside
	Paul Johnston
	Ronald Mudaliar
Tower Insurance (Fiji) Limited	Blair Turnbull
	Isikeli Tikoduadua
	Paul Johnston
	Barry Whiteside
	Ronald Mudaliar
Tower Insurance (Cook Islands) Limited	Blair Turnbull
	Paul Johnston
	Ronald Mudaliar
National Pacific Insurance Limited	Blair Turnbull
	Paul Johnston
	Ronald Mudaliar

TOWER SUBSIDIARY COMPANY DIRECTORS	
National Pacific Insurance (Tonga) Limited	Blair Turnbull
	Paul Johnston
	Ronald Mudaliar
Tower Insurance (Vanuatu) Limited	Blair Turnbull
	Paul Johnston
	Stephen Grant Ives
	Ronald Mudaliar
National Pacific Insurance (American Samoa)	Blair Turnbull
	Ronald Mudaliar
	Paul Johnston
Tower Insurance (PNG) Limited *(ceased to be a subsidiary on 28 October 2022)*	Blair Turnbull
	Paul Johnston
	Ronald Mudaliar
	Ernie Gangloff

Other matters

Donations

During the financial year ended 30 September 2023, donations made by Tower Limited, and its subsidiaries totalled $1,000.00.

Credit rating

In April 2023, global rating organisation A.M. Best Company affirmed Tower Limited's financial strength rating of A- (Excellent).

Waivers

Tower Limited did not rely on, or make any applications for, waivers from the NZX Listing Rules or the ASX Listing Rules in the financial year ending on 30 September 2023.

Trading Halts, Suspension, Cancellations and other Powers

A trading halt was put in place pending the release of TWR's full year results announcement, which was delayed due to the file size exceeding the NZX market announcement platform limits. The trading halt remained in place until the release of TWR's full year results.

Limits on acquisition of securities under New Zealand law

Tower undertook to the ASX, at the time it granted Tower a full listing in July 2002 to include the following information in its annual report. Except for the limitations detailed below, Tower securities are freely transferable under New Zealand law.

The New Zealand Takeovers' Code prohibits a person (including associates) from increasing their shareholding to more than 20% of the voting rights in Tower except in accordance with the Takeovers Code. The exceptions include a full or partial takeover offer in accordance with the Takeovers Code, a scheme of arrangement (under the Companies Act 1993), an acquisition or an allotment approved by an ordinary resolution of shareholders, a creeping acquisition (in defined circumstances) and a compulsory acquisition once a shareholder owns or controls 90% or more of the voting rights in Tower.

The New Zealand Overseas Investment Act 2005 and related regulations determine certain investments in New Zealand by overseas persons. Generally, the Overseas Investment Office's consent is required if an 'overseas person' acquires Tower shares or an interest in Tower shares of 25% or more of the shares on issue or, if the overseas person already holds 25% or more, the acquisition increases that holding.

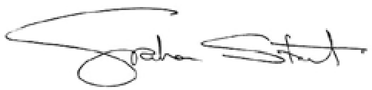
The New Zealand Commerce Act 1986 is likely to prevent a person from acquiring Tower shares if the acquisition would, or would be likely to, substantially lessen competition in a market.

Corporations Act 2001 (Australia)

Tower is not subject to Chapters 6, 6A, 6B or 6C of the Corporations Act 2001 (Australia) dealing with the acquisition of shares (such as substantial holdings and takeovers).

The Annual Report is signed on behalf of the Board by:

Michael Stiassny
Chair



Graham Stuart
Director

GRI CONTENT INDEX

GRI content index

Statement of use: Tower has reported the information cited in this GRI content index for the period 1 October 2022 to 30 September 2023, in accordance with the GRI Standards.

GRI 1 used: GRI 1: Foundation 2021

DISCLOSURE		LOCATION/INFORMATION
GRI 2: General Disclosures 2021		
2-1	Organisational details	Pg 130 Tower Directory
2-2	Entities included in the organisation's sustainability reporting	Pg 130 Tower Directory
2-3	Reporting period, frequency and contact point	Tower reports sustainability information annually. This report covers the period 1 October 2022 – 30 September 2023. This report was published on 23 November, 2023. Questions about this report can be directed to Emily.Davies@tower.co.nz
2-4	Restatements of information	This is Tower's second report in accordance with the GRI Standard
2-5	External assurance	External assurance approach is covered in our Corporate Governance Statement which can be found in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/ We have not sought external assurance on our sustainability information.
2-6	Activities, value chain and other business relationships	https://www.tower.co.nz/about-us/
2-7	Employees	Tower has 897 employees across New Zealand and the Pacific, 64% of whom are women, 35% are men, 1% are gender diverse, non-binary, or transgender. This is based on the 96% of staff who chose to disclose their gender. The numbers of permanent, temporary, full, and part-time employees broken down by gender and region is currently not available.
2-8	Workers who are not employees	As at 30 September 2023, Tower had 50 contingent workers who are predominantly independent contractors on either direct or agency contracts engaged in technology or project-based work. There were no significant fluctuations in this number during the reporting period.
2-9	Governance structure and composition	Our Governance structure and composition, along with a list of committees of the highest governance body can be found here: https://www.tower.co.nz/investor-centre/corporate-governance/the-board/

DISCLOSURE		LOCATION/INFORMATION
2-10	Nomination and selection of the highest governance body	https://www.tower.co.nz/wp-content/uploads/2020/12/TOWER-Constitution.pdf
2-11	Chair of the highest governance body	Pg 58
2-12	Role of the highest governance body in overseeing the management of impacts	Pg 49
2-13	Delegation of responsibility for managing impacts	The board delegates day-to-day management of the company to the CEO and does not currently provide for any additional specific delegation of ESG impacts.
2-14	Role of the highest governance body in sustainability reporting	Pg 49
2-15	Conflicts of interest	See Code of Conduct Policy in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/
2-16	Communication of critical concerns	See Corporate Governance Statement in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/ Communication of critical concerns regarding ESG topics is unavailable.
2-17	Collective knowledge of the highest governance body	See Corporate Governance Statement in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/ Actions to advance the collective knowledge, skills, and experience of the highest governance body on sustainable development will continue to be undertaken in FY24.
2-18	Evaluation of the performance of the highest governance body	See Corporate Governance Statement in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/
2-19	Remuneration policies	See Corporate Governance Statement in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/

DISCLOSURE		LOCATION/INFORMATION
2-20	Process to determine remuneration	See Director and Executive Remuneration Policy and Remuneration and Appointments Committee Terms of Reference in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/
2-21	Annual total compensation ratio	Not disclosed: information on annual compensation ratio is not reported externally.
2-22	Statement on sustainable development strategy	Pg 48
2-23	Policy commitments	Relevant policies currently in place can be found here: https://www.tower.co.nz/investor-centre/corporate-governance/policies/
2-24	Embedding policy commitments	See Corporate Governance Statement in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/
2-25	Processes to remediate negative impacts	Pg 52-57 https://www.tower.co.nz/contact-us/complaints-and-compliments/ Remediation process for our material impacts is covered under the relevant topics.
2-26	Mechanisms for seeking advice and raising concerns	See Code of Conduct Policy in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/ Staff are encouraged to raise concerns with their manager, or a senior leader. Tower's whistle blower service provides a confidential avenue to report any serious concerns.
2-27	Compliance with laws and regulations	In FY23 Tower recorded no significant instances of non-compliance with laws and regulations. Accordingly, there are no fines to report.
2-28	Membership associations	Tower is a member of Insurance Council of New Zealand and is active in ICNZ's Climate Change committee. Tower is also a member of the Sustainable Business Council.
2-29	Approach to stakeholder engagement	Tower takes a collaborative approach to stakeholder engagement. Our company purpose and values have stakeholders at the heart, see pages 18 and 19. Similarly, our Southern Star drives outcomes for customers and our people, see 'our vision' page 19. Our ESG strategy was developed in consultation with a range of stakeholders and considers our impacts on various stakeholder groups.
2-30	Collective bargaining agreements	None

DISCLOSURE		LOCATION/INFORMATION
GRI 3: Material Topics 2021		
3-1	Process to determine material topics	Pg 51
3-2	List of material topics	Pg 52-57
3-3	Management of material topics	See material impacts table Pg 52-57, for all.
GRI 305: Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	Pg 50 Scope 1 emissions include distributed natural gas in New Zealand and vehicle fleet fuel in New Zealand and the Pacific. FY20 chosen as the baseline year as this was the first year Tower measured emissions. New Zealand emissions factors used were sourced from Ministry for the Environment's (MfE) 2020 Measuring Emissions: A Guide for Organisations. Emissions for Pacific Island electricity use were sourced from emissionfactors.com and were derived from UN 2021 and IPCC 2006. Quantities of each greenhouse gas are converted to tonnes CO2e using the global warming potential from the Intergovernmental Panel on Climate Change (IPCC) Fourth Assessment Report (AR4). The time horizon is 100 years. Further information on methodology and assumptions is unavailable.
305-2	Energy indirect (Scope 2) GHG emissions	Pg 50 Scope 2 emissions include electricity consumption from all business premises. See 305-1 for relevant disclosures on baseline year, emissions factors and methodology and assumptions.

GRI content index

DISCLOSURE		LOCATION/INFORMATION
305-3	Other indirect (Scope 3) GHG emissions	Pg 50 Scope 3 emissions include transmission & distribution losses for electricity & gas, air travel, hotel stays, rental cars, taxi travel, working from home, paper purchased (NZ only), waste to landfill (NZ only) and water (NZ and some Pacific locations). Tower recognises the extent of Scope 3 emissions is significant. We have chosen to declare the following emissions sources that have been excluded from our reporting: HFC emissions from refrigeration or HVAC (NZ and Pacific); employee vehicle claims NZ; transmission & distribution losses for Pacific electricity; waste generated in Pacific operations; value chain emissions from purchased goods & services, capital goods, transportation & distribution – upstream and downstream, employee commuting, use of sold products, investment portfolio. Tower will expand its measurement and reporting of scope 3 emissions in FY25. See 305-1 for relevant disclosures on baseline year, emissions factors and methodology and assumptions.
305-5	Reduction of GHG emissions	Pg 50
2016 GRI 401: Employment 2016		
401-1	New employee hires and employee turnover	In FY23 Tower hired 294 new employees to address growth and attrition. These comprised permanent, fixed term and casual new hires. New hires by Gender: Female: 174, Male: 92, Gender Diverse: 1, Non Binary: 1, Not disclosed: 26. New hires by region: New Zealand: 140, Pacific: 154.Number and rate of new employees by age is currently unavailable. Over the period employee numbers increased by 97 full-time equivalent staff, from 790 in FY22 to 887 in FY23, due to the 2023 severe weather events and the development of our Customer Hub in Fiji. Employee attrition was 20.4% in FY22, reflecting a softening of the employment market in New Zealand and our decision to expand our Customer Hub in Fiji, which typically experiences lower level of employee movement.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefits are offered to both full-time and part-time permanent employees. Tower benefits include Group Insurances, parental leave, ability to buy additional leave, birthday leave, Tower insurance discounts, health insurance discounts, partner discounts, eyesight testing, and study assistance.

DISCLOSURE		LOCATION/INFORMATION
401-3	Parental leave	Tower increased its parental leave offering in FY23 and expanded it to our teams in the Pacific. From July 2023, all Tower employees enjoy 16 weeks paid leave for primary carer leave (or maternity leave as it's referred to in the Pacific), or four weeks paid partner's leave for partners of primary carers. We also offer all employees compassionate leave and flexible working on return. Additionally, any annual leave taken on the employee's return from parental leave will be paid at their usual rate. This is more generous than the current Holidays Act legislation and means take home pay is not affected when the employee takes paid annual leave. In FY23: 22 employees took parental leave (all female) versus 27 in FY22; 18 employees returned to work from parental leave during FY23 (all female); of these 16 are still employed 12 months after return to work (all female).
GRI 403: Occupational Health and Safety 2018		
403-1	Occupational health and safety management system	See Health and Safety Policy in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/
403-2	Hazard identification, risk assessment, and incident investigation	Tower's H&S Management System has an incident register where incidents are reported. When reporting, it is mandatory that all incidents are assessed and each incident must have corrective actions identified and implemented before being closed. Once reported, incidents are then reviewed by the Health and Safety Officer who investigates any incidents with a high rating. Workers are encouraged to report hazards and hazardous situations through the H&S system. Tower's H&S Policy is in line with New Zealand's Health and Safety at Work Act 2015. All workers have access to the Health and Safety Policy on Tower's intranet.
403-3	Occupational health services	Tower workers have access to Employee Assistance Programme EAP counselling sessions provided by external trained counsellors. These sessions are arranged by workers independently and any information discussed is strictly confidential between EAP and Tower employees. If employees choose to get health checks, these are done directly with General Practitioners and results are kept confidential between the worker and General Practitioner.

DISCLOSURE		LOCATION/INFORMATION
403-4	Worker participation, consultation, and communication on occupational health and safety	As per the Health and Safety at Work Act 2015, Tower has a team of Health and Safety representatives from across the business. These representatives engage and consult with workers regularly and report any concerns to the Health and Safety Officer and/or at the regular Health and Safety meeting. Tower's H&S Management system is reviewed by the Health and Safety Officer annually to ensure risks are kept up to date. Tower has several Health and Safety committees that meet monthly. Committee members are allocated specific time each month to undertake their responsibilities. Their responsibilities include but are not limited to; office inspections, disseminating H&S updates from the meetings to relative teams, ensuring H&S is on the agenda at team meetings and promotion of health, safety and wellbeing education and activities.
403-5	Worker training on occupational health and safety	Tower offers training to workers who volunteer to be First Aiders, Fire Wardens, Mental Health First Aiders and Domestic Violence First Responders. Additionally, Defensive Driver training every two years is mandatory for all workers, where their primary employment involves driving. Asbestos awareness training is mandatory for Building Assessors. Training is provided free of charge and workers are given paid leave to undertake all of the above training.
403-6	Promotion of worker health	Tower supports its employees that have non-work-related accidents through workstation assessments to ensure they have the necessary equipment to undertake their job. Where a return-to-work plan is required, Tower will work alongside ACC to facilitate a satisfactory solution for the employee. Health checks in the Pacific are done through a local General Practitioner, and the results are confidential and not shared with Tower. Tower offers employees access to several health promotion services including; EAP (online and in person), discounted flu vaccinations and access to trained Mental Health First Aiders (online and in-person). Tower promotes prevention of communicable diseases in the Pacific through education on symptoms, prevention and treatment. Our Rainbow network supports education on AIDS awareness and prevention.

DISCLOSURE		LOCATION/INFORMATION
GRI 405: Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	Pg 114-115
405-2	Ratio of basic salary and remuneration of women to men	Pg 38
GRI 418: Customer Privacy 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	In FY23 Tower recorded no substantiated complaints concerning breaches of customer privacy and losses of customer data.

Tower Directory

Enquiries

For customer enquiries, call Tower on 0800 808 808
or visit www.tower.co.nz
For investor enquires:
Telephone: +64 9 369 2000
Email: investor.relations@tower.co.nz
Website: www.tower.co.nz

Board of Directors

Michael Stiassny (Chair)
Graham Stuart
Marcus Nagel
Geraldine McBride *(from 1 October 2022)*
Blair Turnbull *(from 29 March 2023 - 17 November 2023)*
Wendy Thorpe *(until 29 March 2023)*
Warren Lee *(until 30 November 2022)*
Mike Cutter *(from 17 November 2023)*

Chief Executive Officer

Blair Turnbull

Company Secretary

Tania Pearson

Executive Leadership Team *(at 30 September 2023)*

Blair Turnbull, Managing Director and Chief Executive Officer
Paul Johnston, Chief Financial Officer
Sharyn Reichstein, Chief Risk Officer
Michelle Finch, Chief Revenue, Marketing and Brand Officer
Andrew Hambleton, Chief Administrative Officer
Anna Kooperberg, Chief Customer Experience Officer *(on parental leave)*
Kieran Simmons, Chief Customer Experience Officer, (Acting)
Ronald Mudaliar, Chief Underwriting Officer
Steven Wilson, Chief Claims Officer

Registered Office

New Zealand

Level 5, 136 Fanshawe Street, Auckland

PO Box 90347
Auckland
Telephone: +64 9 369 2000
Facsimile: +64 9 369 2245

Australia

c/ – PricewaterhouseCoopers Nominees (N.S.W) Pty Ltd
PricewaterhouseCoopers Darling Park Tower 2
Level 1
201 Sussex Street
Sydney NSW 2000 Australia

Auditor

PricewaterhouseCoopers

Lawyers

MinterEllisonRuddWatts

Banker

Westpac New Zealand Limited

Company numbers

Tower Limited
(Incorporated in New Zealand)
NZ Incorporation 143050
NZBN 9429040323299
ARBN 645 941 028

Stock Exchanges

The Company's ordinary shares are listed on the NZSX and the ASX. On Wednesday 18 May 2016, Tower's ASX admission category changed to "ASX Foreign Exempt Listing".

Registrar

New Zealand

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

Freephone within New Zealand: 0800 222 065
Telephone New Zealand: +64 9 488 8777

Australia

Computershare Investor Services Pty Limited
Yarra Falls, 452 Johnston Street
Abbotsford VIC 3067
GPO Box 3329
Melbourne Vic 3000

Freephone within Australia: 1800 501 366
Telephone Australia: +61 3 9415 4083

Email: enquiry@computershare.co.nz
Website: www.computershare.com/nz

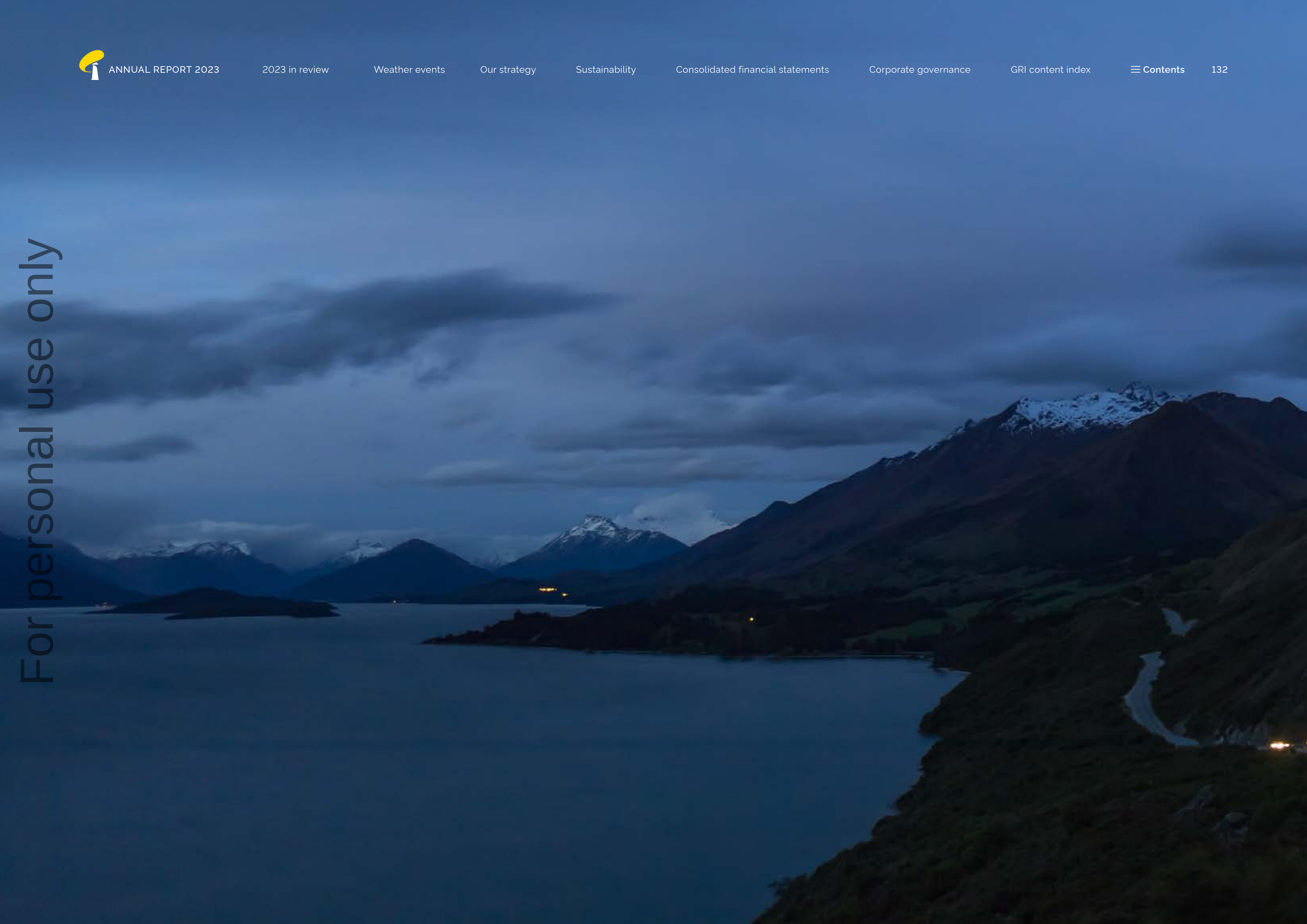
Shareholders can also manage your holdings electronically by using Computershare's secure website www.investorcentre.com/nz

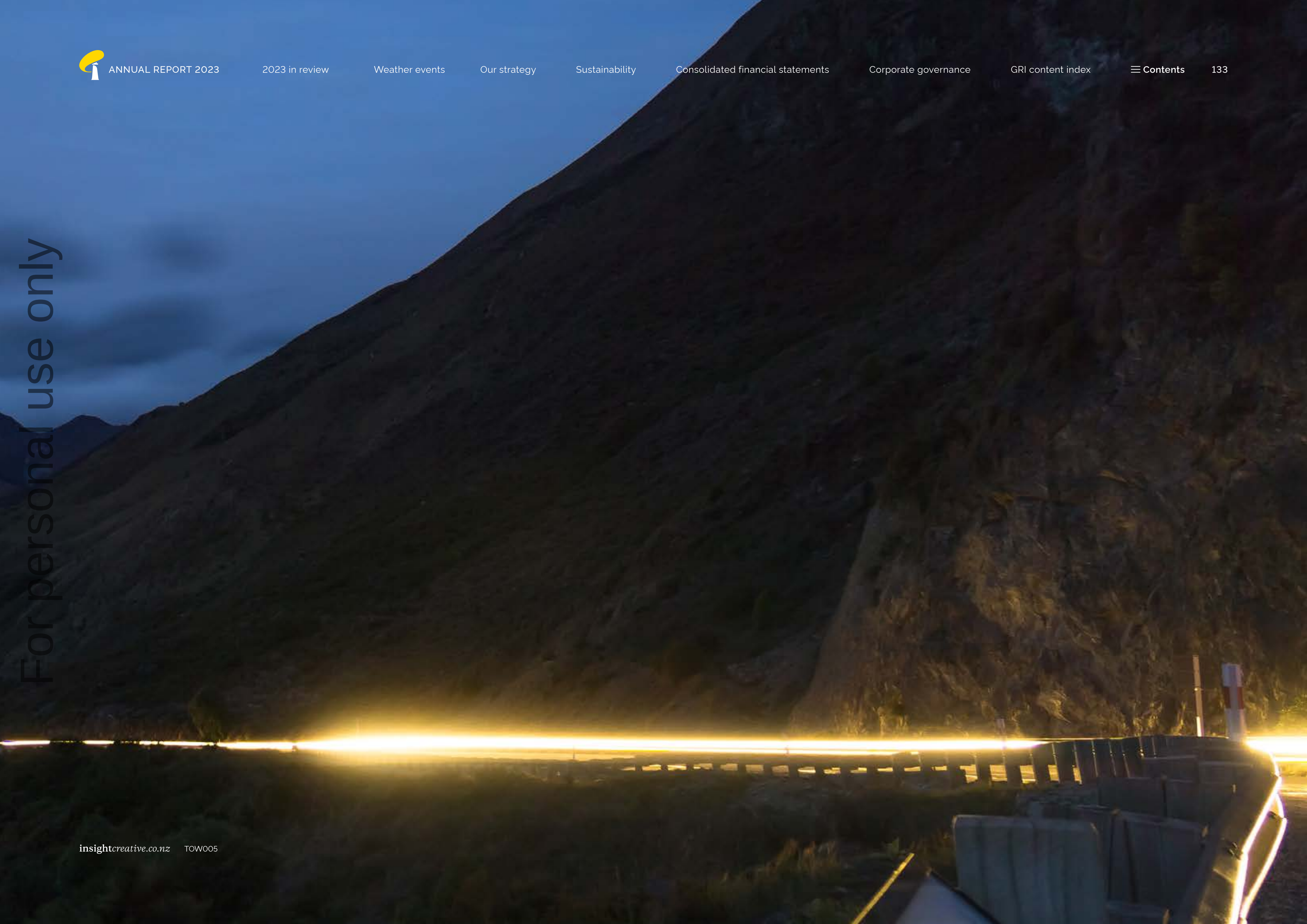
This website enables holders to view balances, change addresses, view payment and tax information and update payment instructions and report options.

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.

We also encourage shareholders to receive investor communications electronically, as delivery of our communications to you is faster and it is better for the environment. All you need to do is log in to www.investorcentre.com/nz and update your 'Communication Preference' to enable us to send all your investor correspondence electronically where possible.

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





Forward thinking

tower.co.nz

Tower

2023 Full Year Results

1 October 2022 to
30 September 2023

23 November 2023

Agenda

Chairman’s update
Michael Stiassny, Chairman

Business update
Blair Turnbull, Chief Executive Officer

FY23 financial performance
Paul Johnston, Chief Financial Officer

Looking forward
Blair Turnbull, Chief Executive Officer

Chairman’s update

Tower has navigated a challenging year, remains resilient

1. Tower demonstrates resilience to challenges

- Risk-based pricing underpins competitive positioning, robust underwriting and continued growth
- Continued support from global reinsurers

2. Insurance remains critical

- Strong growth and retention demonstrate people value their insurance
- Tower will continue to develop innovative offers in response to climate change

3. Tower is well positioned looking forward

- Continue to deliver targeted and sustainable growth via strong rating and customer experience
- Improving solvency and capital position through efficient resolution of catastrophe event claims

Business update

Blair Turnbull
Chief Executive Officer

Results summary

- Proven resilient through record breaking catastrophe events
- Strong premium growth from rate and volume
- Organisational efficiency continues with further reductions in MER
- Comprehensive reinsurance programme renewed for FY24 at competitive rates
- Remediation payments and increased provision impacts reported loss
- Profit and solvency ratio impacted by large events; no dividend in FY23

Our performance

Business performance impacted by catastrophe events

GWP growth
(Gross written premium)

17%[1] | $527m
vs $457m in FY22

Customers[1]

321,000
vs 310,000 in FY22

BAU claims ratio
(Business as usual)

55.5%
vs 48.9% in FY22

MER
(Management expense ratio)

32.2%
vs 36% in FY22

Large event costs
(including reinsurance reinstatement)

$55.6m
vs $19m in FY22

Solvency ratio

159%
vs 205% in FY22

Underlying profit[2]

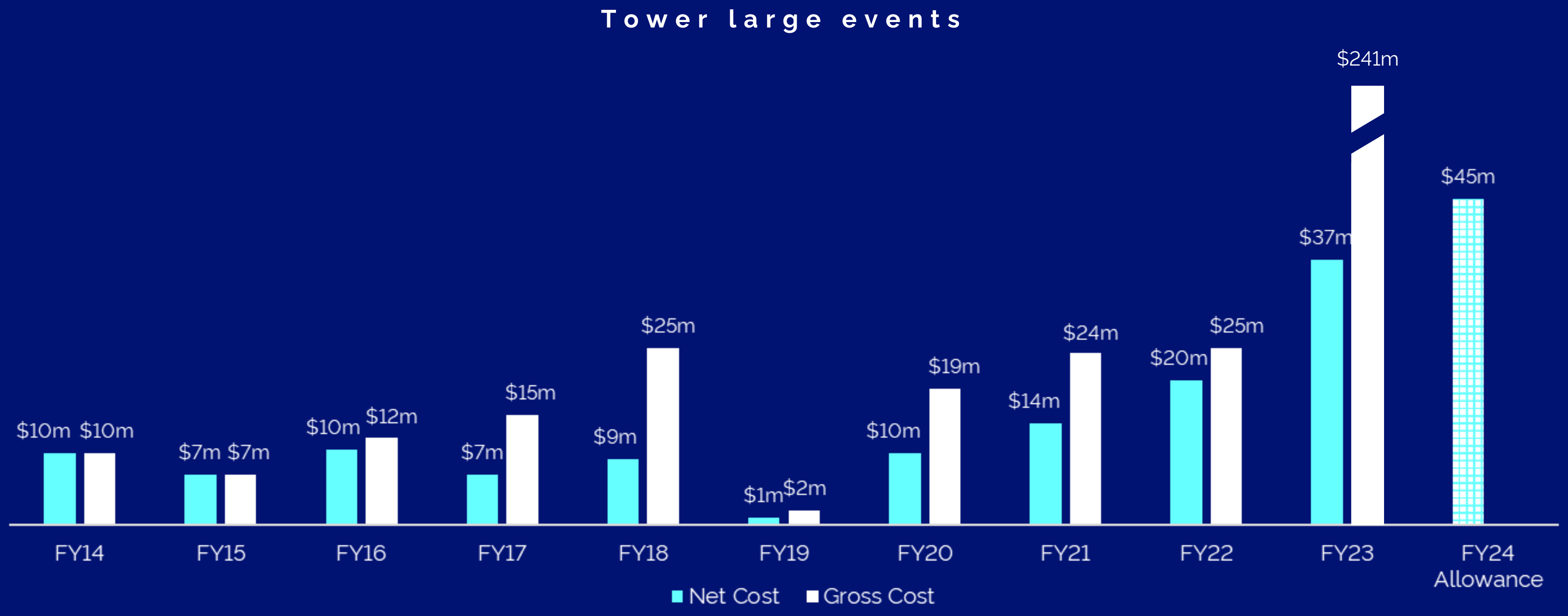
$7.6m
vs $27.3m in FY22

Reported loss

-$1.2m
vs $18.9m profit in FY22

Note 1: Adjusted to exclude Papua New Guinea
Note 2: A definition of underlying profit and a reconciliation to reported loss is included in the appendix

Catastrophic and large weather events



Event description	Current gross estimate	Net cost	Claim numbers Settled % [1]
Auckland & upper North Island weather event	$174m	$12m	83%
Cyclone Gabrielle	$52m	$12m	84%
Vanuatu cyclones	$11m	$9m	88%
Auckland rain event (9th May)	$4m	$4m	88%
Prior year movements		$1m	
Total		**$38m**	

Mitigating large event impacts in FY24

- Large event allowance of $45m included within FY24 guidance
- The $45m allowance has been calculated with an estimated 90% confidence the outcome will be below or up to this level
- Additional prepaid third event cover up to $75m
- Catastrophe retention increased to $16.9m (FY23: $11.9m) on first two events, $20m on third event

Note 1: As at 20 November 2023

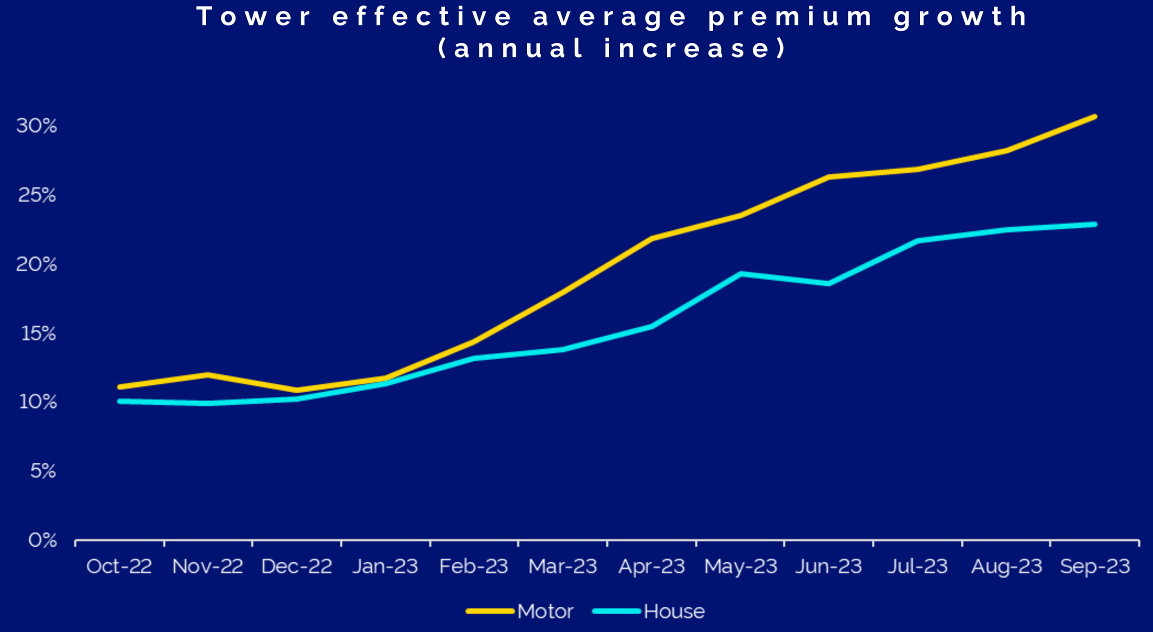
Managing impacts of inflation

Managing macro environment

- Monthly inflation rate changes
- 77 rate changes during FY23
- Sum insured amounts matched to Cordell or CPI
- Rating for reinsurance and weather-related costs
- High theft vehicle rate & excess changes

Underwriting and risk selection improvements

- Risk based pricing & underwriting enhancements:
  - Manual underwriting on landslides March '23
  - Automated underwriting on sea surge July '23
- House new build rate reduction
- Enhanced motor pricing algorithm with use of additional rating variables



- Effective average premium highlights impact of change in technical premium, excesses, and sum insured on GWP
- House normalised for change in EQC cap which became effective from 1 Oct '22

Delivering on our strategy

Our purpose

To inspire, shape and protect the future for the good of our customers and communities.

Our vision

To deliver beautifully simple and rewarding experiences that our people and our customers rave about.

Our strategy

To be the best direct insurer in our selected markets differentiated through digital and data, fairness and transparency, and by caring for our customers in everything we do.

Our values

- We do what's right
- Our people come first
- Our customers are our compass
- Progress boldly

Our strategic pillars

LEADING CUSTOMER EXPERIENCE	OPERATIONALLY EFFICIENT & EFFECTIVE	HIGH PERFORMING CULTURE	RESILIENT
Simple and rewarding customer experiences across the life cycle.	Digitise and automate core processes and leverage geographical footprint	An inclusive, diverse and risk aware culture. Empower our people to achieve great things	Manage volatility and deliver sustainable outcomes for all stakeholders

Our focused outcomes

- 50% net promoter score
- 80% digital adoption across customer journeys
- 8.0 employee engagement
- B Corp accreditation

Our 2 year financial targets

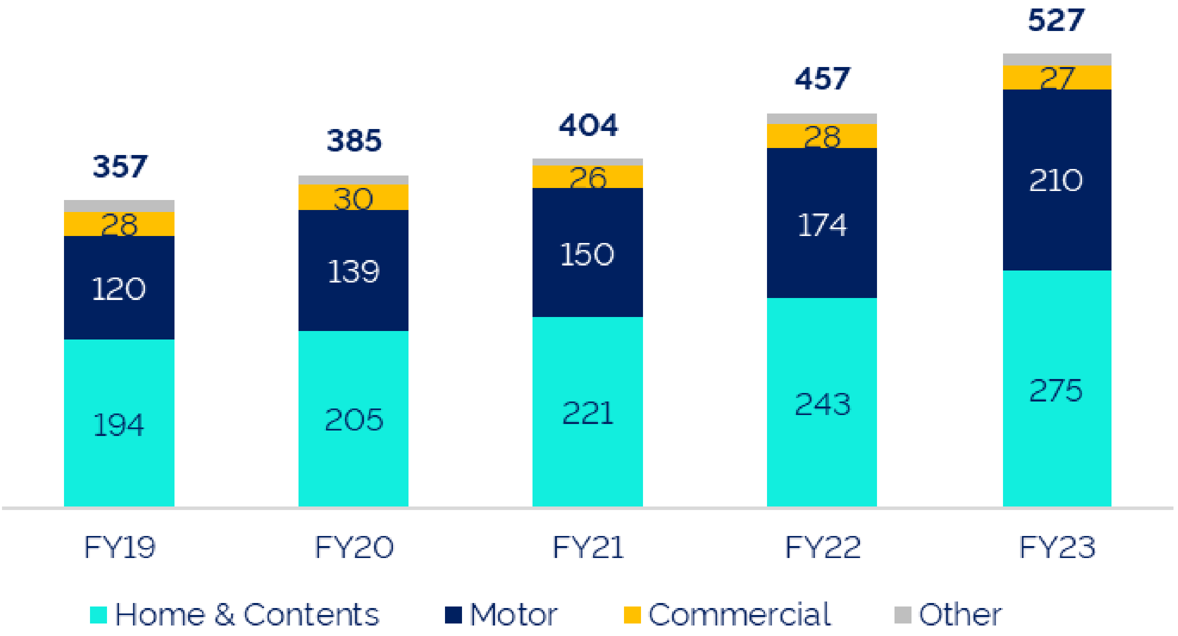
- GWP CAGR 10%–15%
- MER < 28%
- COR < 91%
- ROE 12%–15%

TOWER

Targeted customer and premium growth

- 17% GWP growth (75% rate: 25% volume)[1]
- 19% GWP growth in NZ; 4% GWP growth in Pacific[1]
- 26% GWP growth in active partnerships to $82m
- NZ retention stable at 77% (FY22: 78%)
- 50% of customers hold multiple policies and have an average tenure of 8 years

GROSS WRITTEN PREMIUM BY PRODUCT($m)



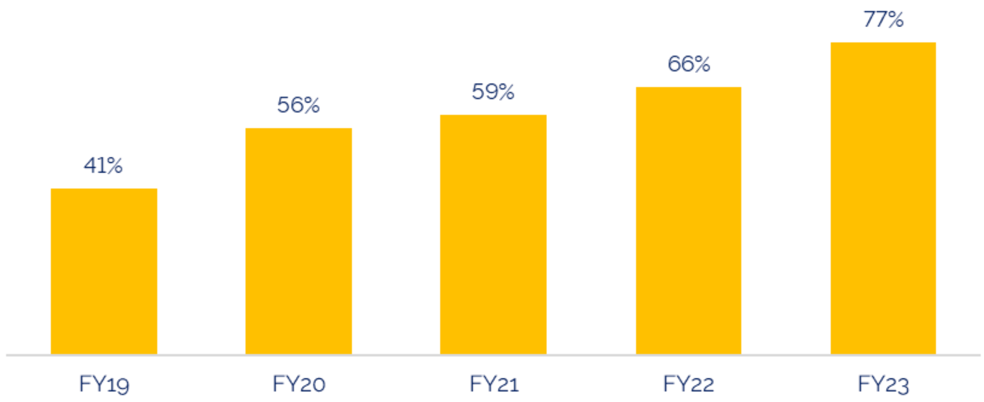
Note 1: Adjusted to exclude Papua New Guinea

TOWER

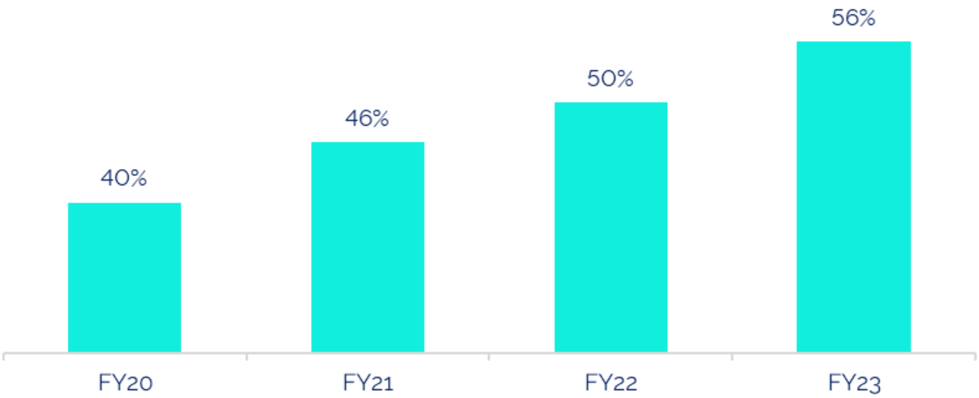
Customer experience improves through digital and data

- NPS improved to 28% (FY22: 20%); NZ online NPS at 55%
- Service levels improved, abandonment rate reduced to 12% (FY22: 17%)
- My Tower registrations increase 32% to 264k
- Substantial progress made in multi-policy discount customer remediation. $6.2m excl GST paid by 31 Oct

NZ DIRECT SALES ONLINE

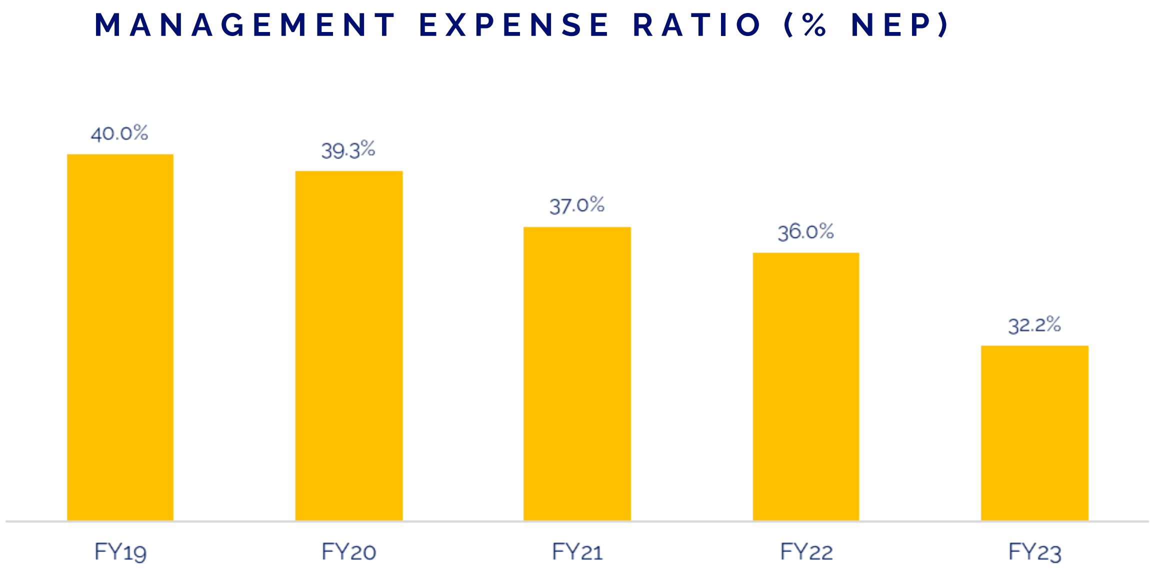


NZ SERVICE & CLAIMS TASKS ONLINE



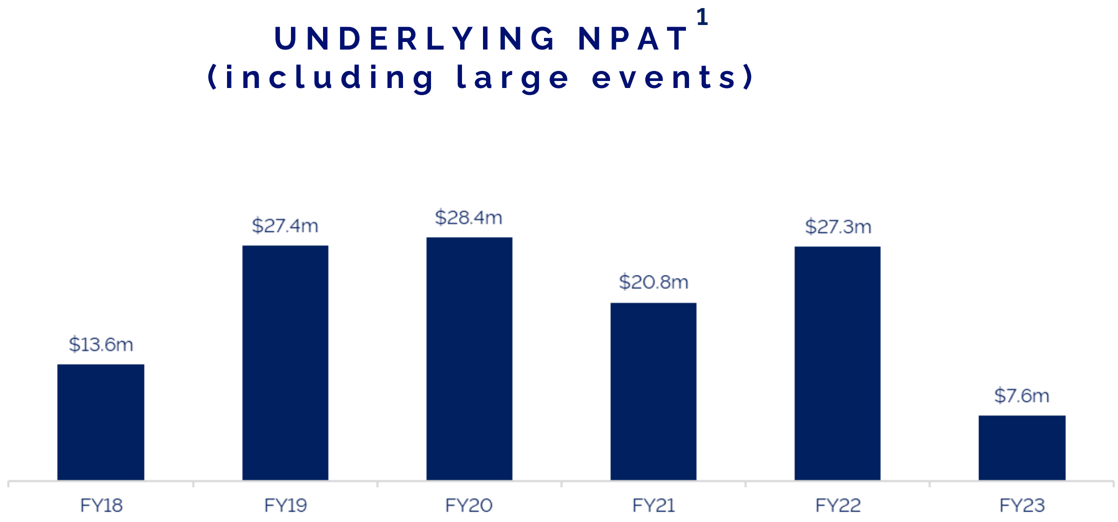
Reducing MER through simplification and digitisation

- Scale and rating reducing MER
- Increased digitisation lowers cost to acquire and serve
- Operational efficiency: Suva hub answering 16% of inbound calls relating to NZ policies
- Management expense increase below inflation
- Commission ratio at 1.7% from 2.2% reflecting legacy portfolio purchases and referral arrangements



Profit impacted by record events and claims inflation

- Despite unprecedented weather events, inflation, and crime our core business remains profitable
- Streamlined business, efficiencies, digitisation, and targeted growth
- Underlying NPAT of $7.6m, reported loss of $1.2m



Note 1: A definition of underlying profit and a reconciliation to reported loss is included in the appendix

Financial performance

Paul Johnston
Chief Financial Officer

Group underlying financial performance

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- Strong premium growth of 17%
- BAU loss ratio of 55.5% as a result of increased motor frequency, high inflation, and higher number of small weather events
- Large event costs of $55.6m including reinsurance reinstatement
- Management expense ratio improved to 32.2% as a result of expense efficiencies and scale
- Net investment income increased $13.1m due to higher yields
- Underlying NPAT including large events of $7.6m
- Reported loss of $1.2m from non-underlying transactions including CEQ valuation increase, prior period tax adjustments, and an increase to the customer remediation provision partially offset by gain on sale of PNG and Suva building

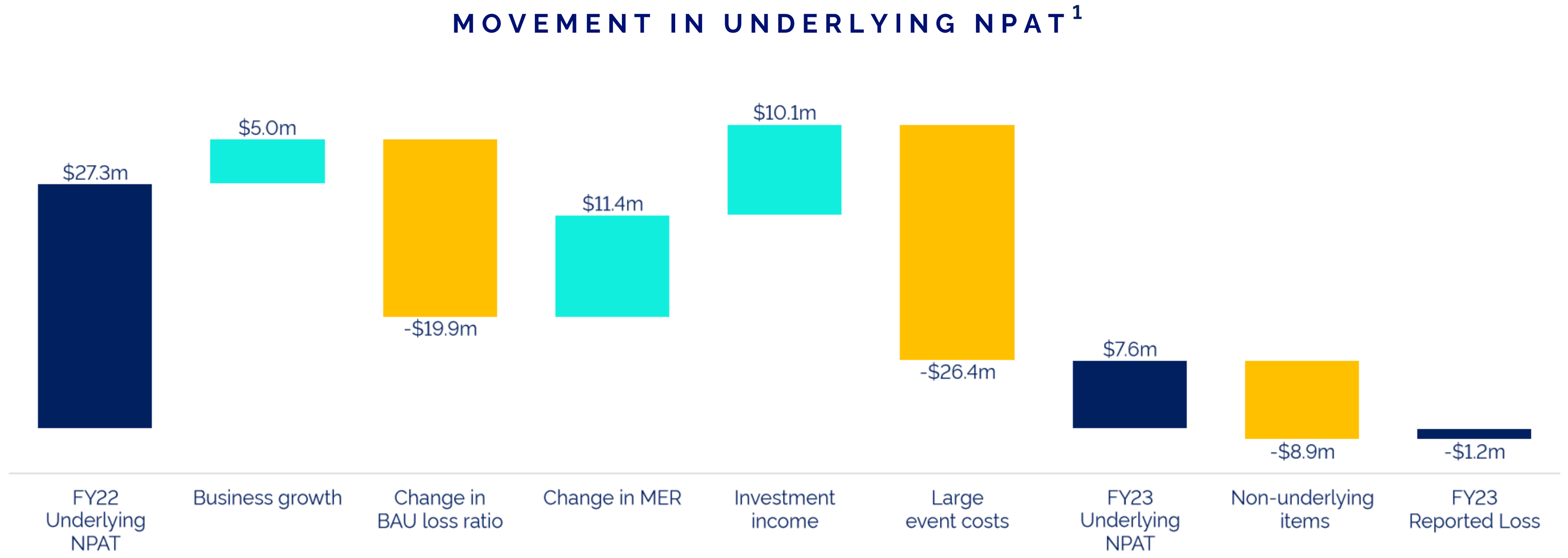
Key ratios (% of NEP)	FY23	FY22	Change
Claims ratio excluding large events	55.5%	48.9%	6.6%
Large event costs ratio	13.4%	5.3%	8.1%
Management expense ratio	32.2%	36.0%	(3.8)%
Combined ratio	**101.0%**	**90.1%**	**10.9%**

$ million	FY23	FY22	Change
Gross written premium	526.8	457.3	69.5
Unearned premium	(41.0)	(26.6)	(14.4)
Gross earned premium (GEP)	485.8	430.7	55.1
Reinsurance	(69.5)	(69.5)	0.1
Net earned premium (NEP)	**416.3**	**361.1**	**55.2**
BAU claims expense	(231.1)	(176.5)	(54.6)
Large event claims expense	(38.2)	(19.0)	(19.2)
Large event reinsurance reinstatement	(17.4)	0.0	(17.4)
Management expenses	(125.7)	(120.6)	(5.0)
Net commission expense	(8.3)	(9.3)	1.0
Underwriting (loss)/profit	**(4.3)**	**35.7**	**(40.1)**
Net investment income	14.3	1.2	13.1
Other income	2.3	1.3	0.9
Tax	(4.6)	(10.9)	6.3
Underlying net profit after tax (NPAT)	**7.6**	**27.3**	**(19.7)**
Non-underlying transactions (net of tax)[1]	(8.9)	(8.5)	(0.4)
Reported (loss)/profit after tax	**(1.2)**	**18.9**	**(20.1)**

Note: 1: A definition of underlying profit and a reconciliation to reported loss is included in the appendix

TOWER

Underlying NPAT impacted by large events



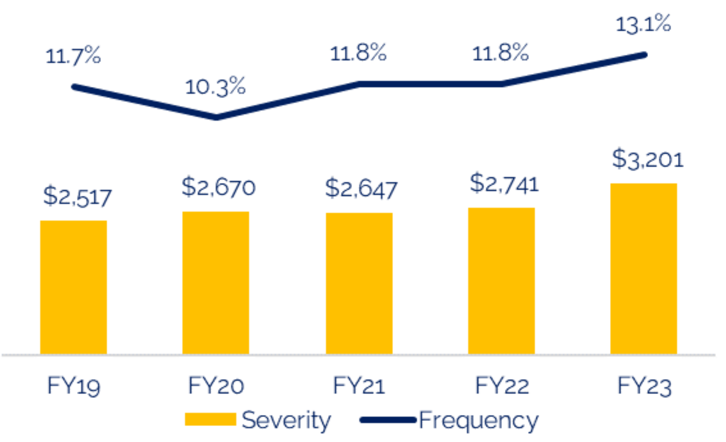
- Underlying NPAT of $7.6m, $19.7m below FY22
- Business growth at a BAU COR of 90%
- Higher BAU loss ratio from elevated motor frequency, higher cost of claims from inflation, and supply chain constraints
- Reduction in MER contributes $11.4m post tax to underlying NPAT
- Additional large events impact of $26.4m post tax including reinsurance back-up costs ($55.6m pre-tax FY23 vs $19m FY22)
- Reported loss impacted by remediation provision increase

Note 1: A definition of underlying profit and a reconciliation to reported loss is included in the appendix

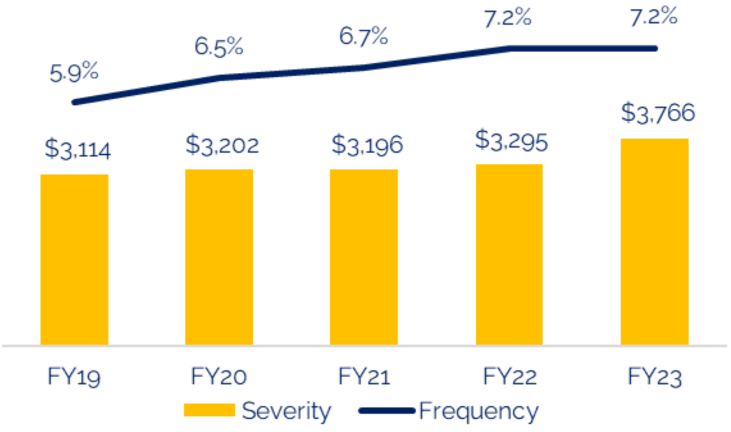
BAU claims challenged by motor frequency and inflation

- High inflation period and supply chain capacity constraints impacting cost of claims (severity)
- NZ motor claims frequency above historical norms
- Covid lockdowns lowered motor frequency in previous periods
- Motor theft contributing to higher frequency and severity
- Higher number of small weather events

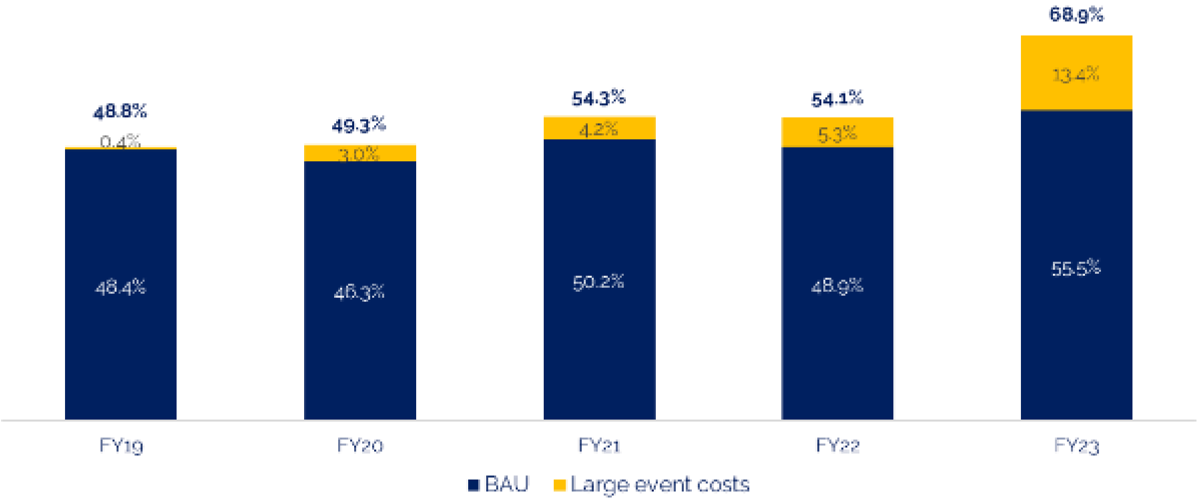
NZ MOTOR FREQUENCY[2] & SEVERITY[1]



NZ HOUSE FREQUENCY & SEVERITY

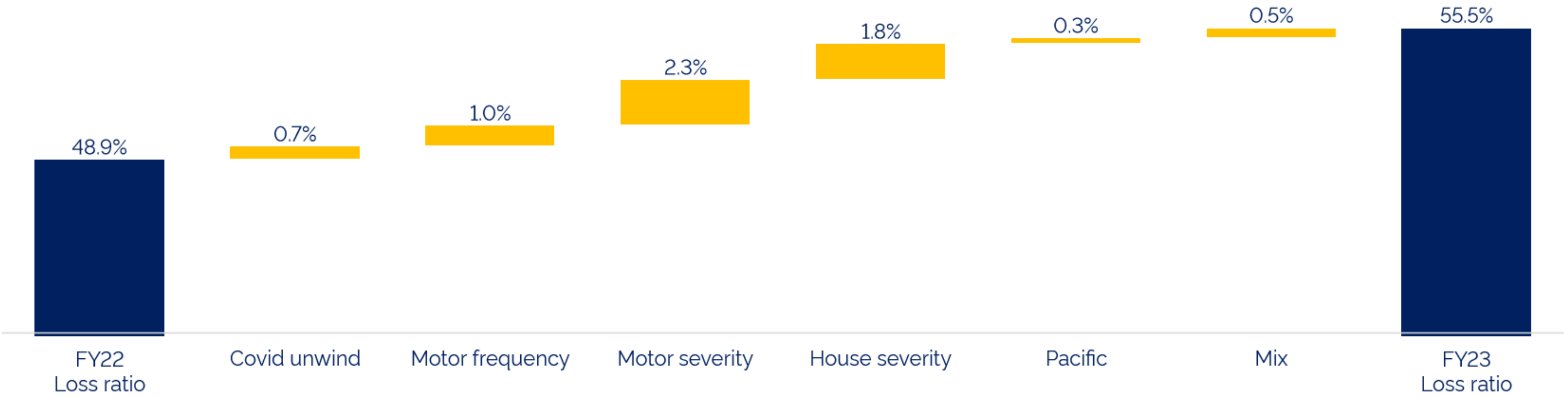


TOTAL CLAIMS RATIO



Note 1: Severity is defined as the cost of claims (excluding large events, large house, windscreen) divided by the count of claims.
Note 2: Frequency is defined as the number of claims (same exclusions as above) divided by risks in force
The historical severity and frequency numbers are updated to the current estimates as at 30 September 2023 reflecting development of prior year claims in their respective incurred periods

BAU claims challenged by motor frequency and inflation



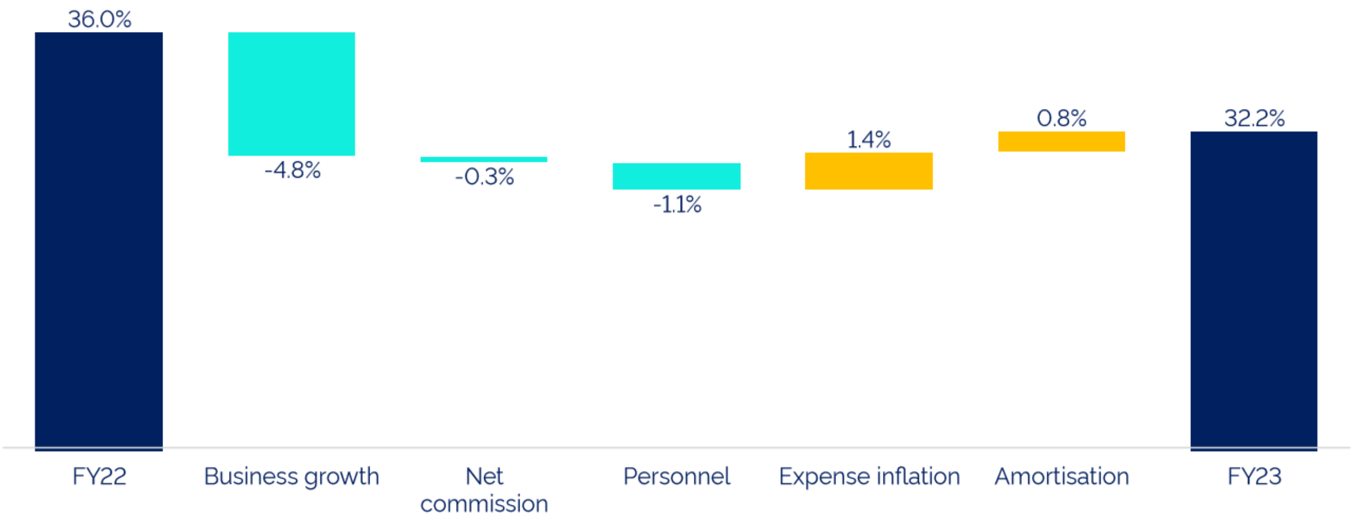
- BAU loss ratio increased by 6.6% to 55.5% in FY23
- FY22 benefited from a lower frequency as a result of Covid lockdown in late 2021
- Motor frequency is elevated above historical norms predominately due to increased motor theft
- Motor severity impacted by high inflation and supply chain disruptions. Loss ratio increasing due to inflation running ahead of rating changes to earned premium
- House loss ratio impacted by higher number of small weather events in FY23 and inflation

TOWER

Continued improvement in management expenses

- MER reduced 3.8% to 32.2%
- Scale contributes a 4.8% reduction in MER
- Commission expenses decreased due to the purchase of legacy portfolios
- Inflationary impacts offset by cost containment and efficiencies particularly in personnel
- Amortisation increases from investment spend and legacy portfolio purchases

MOVEMENT IN MANAGEMENT EXPENSE RATIO (MER)

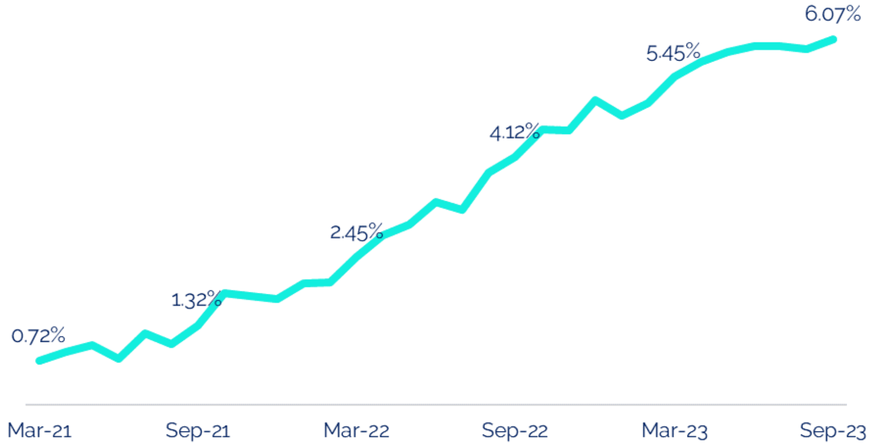


TOWER

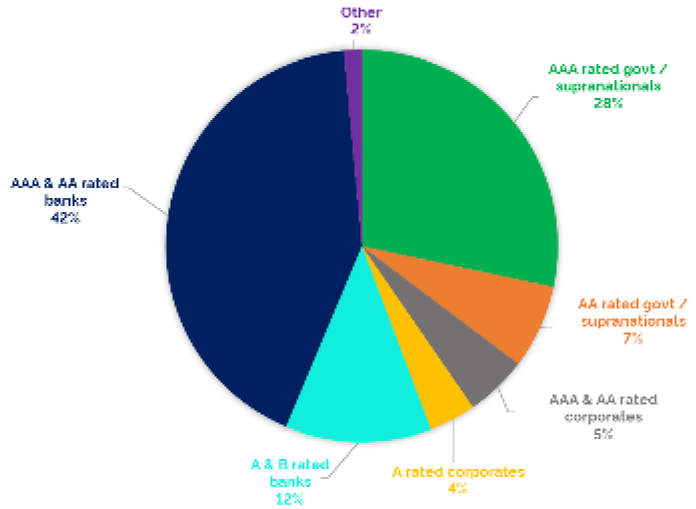
Higher investment returns as yields increase

- Net investment income (NII) $14.3m for FY23, $13.1m higher than FY22
- Running yield on the core investment portfolio has increased to 6.07% at 30 September 2023
- Benefit from low duration strategy (target of 0.5 years) minimised mark to market losses (included in NII)
- Tower maintains a conservative investment strategy
- Outlook for investment income is to remain near current levels

CORE INVESTMENT PORTFOLIO YIELD[1]



ASSET PROFILE – ALL CASH & INVESTMENTS



Note 1: Core investment portfolio refers to Tower's fixed income investment portfolio in NZ. It excludes cash held for operational purposes in NZ and cash and short-term deposits held by Tower's Pacific subsidiaries. Subsidiaries of banking groups with a credit rating have been grouped under their parent bank's credit rating, even if unrated themselves

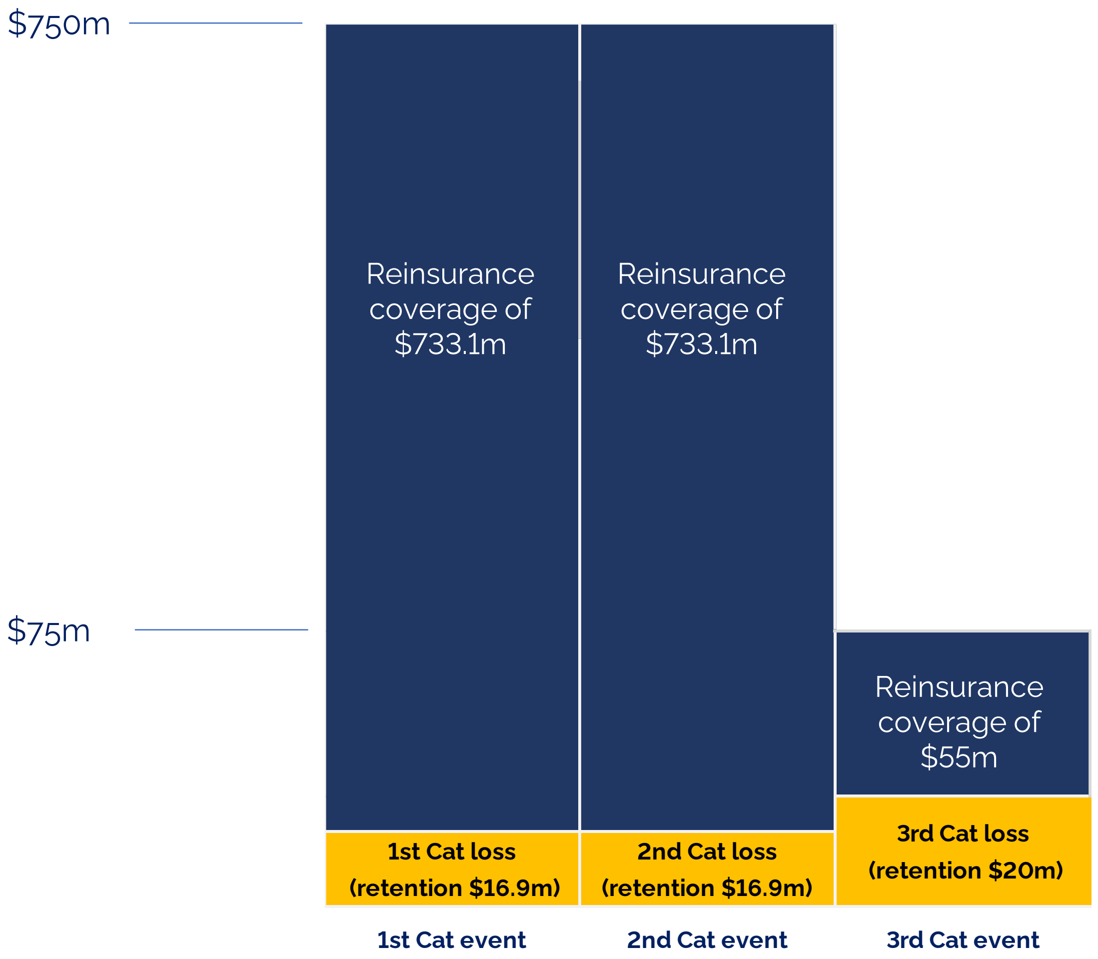
Reinsurance programme supports resilience

FY23

- Reinsurance expected to cover $204m of large events costs in FY23
- Catastrophe cover was reinstated following the two catastrophic events at a cost of $17.4m

FY24

- Catastrophe reinsurance of up to $750m for two events (FY23: $889m) reduced following EQC cap change
- Additional prepaid third event catastrophe cover up to $75m with $20m retention
- FY24 retention limits and programme premium increases mitigated due to 3 year rolling contracts



Canterbury earthquake claims reducing

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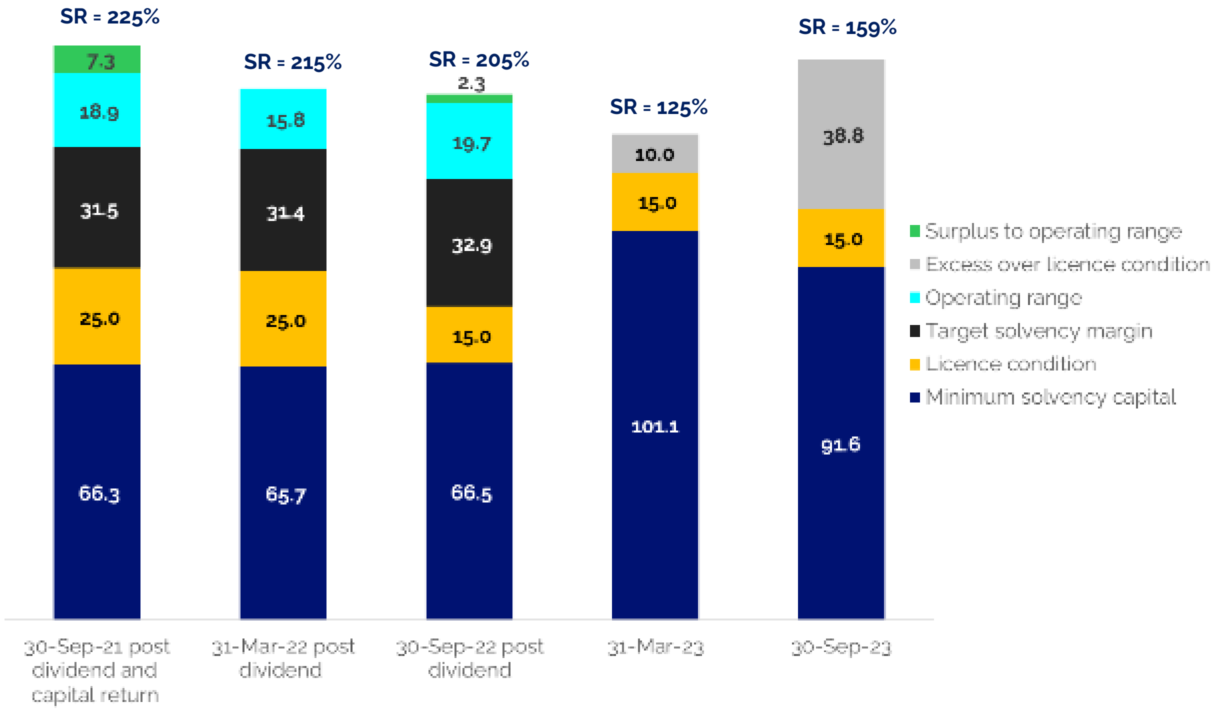
- Full year charge of $1.2m after tax as a non-underlying item
- 23 properties open as at 30 September 2023 with numbers of new claims reducing
- Remaining gross outstanding claims provision is $19.1m down from $24.5m at September 2022

TOWER

Capital and solvency position

- Solvency ratio of 159% (FY22: 205%)
- Solvency margin is $53.8m above RBNZ minimum solvency capital although below new internal target[2] of $67.4m
- Minimum solvency capital has increased from historical levels due to underlying business and claims growth, higher catastrophe risk retention, and capital required for open catastrophe claims
- Solvency position is expected to improve further in FY24 due to business profit and as catastrophe claims continue to be settled
- FY24 solvency will be reported under the new Interim Solvency standards released by RBNZ with no material change in excess solvency expected
- A- credit rating reaffirmed in April 2023 by AM Best

TOWER SOLVENCY[1] - NZ PARENT ($m)



Note 1: SR = Solvency ratio – the ratio of actual solvency capital to minimum solvency capital
Note 2: New internal target combines the licence condition, target solvency margin and operating range

TOWER

FY24 guidance

	FY23 Actual	FY24 Guidance	FY25 Target
GWP growth (excluding operations sold)	17%	10% - 15%	10% - 15%
Large events allowance	$38m	$45m	
Underlying NPAT (assuming full utilisation of large events allowance)	$7.6m	$22m - $27m	
Management expense ratio	32.2%	30% - 32%	<28%
Combined operating ratio	101%	95% - 97%	<91%
Return on equity [1]			12% - 15%

Note 1: Return on equity is defined as reported net profit after tax divided by average closing book equity

Looking forward

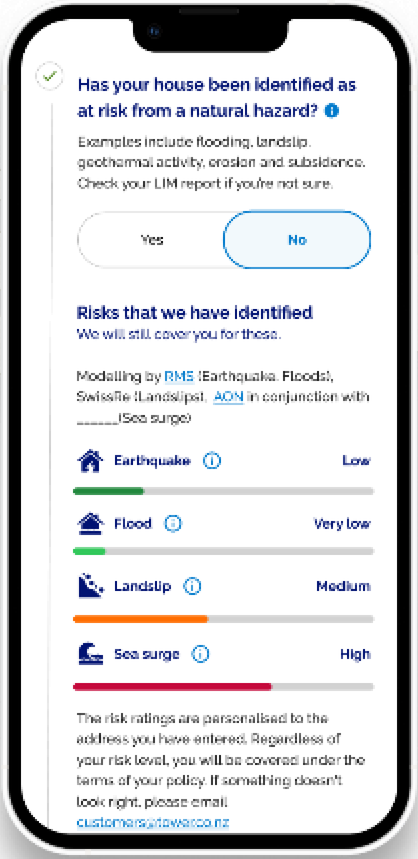
Blair Turnbull
Chief Executive Officer

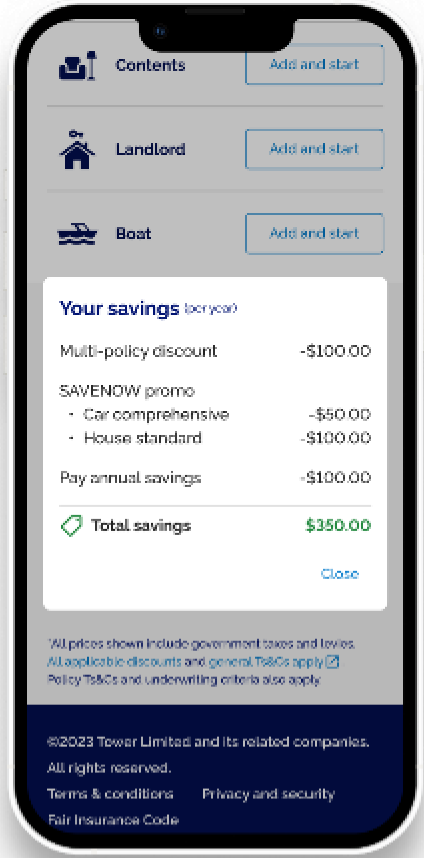
FY24 priorities

- Continuing to invest in customer experience and targeting profitable growth
- Completing remediation and further improving transparency of discounts
- Settling FY23 catastrophe event claims
- Continuous efficiency, digitisation, and process improvements
- Investing in future resilience and sustainability

Leading customer experience and targeted growth

- Enhanced risk-based pricing – landslide, sea surge automated through quote to buy in FY24
- New business product mix shift towards house
- Leverage existing partnerships to grow organically
- Rating changes made in FY23 will continue to flow through as policies renew
- Targeting underlying GWP CAGR of 10%-15% to FY25

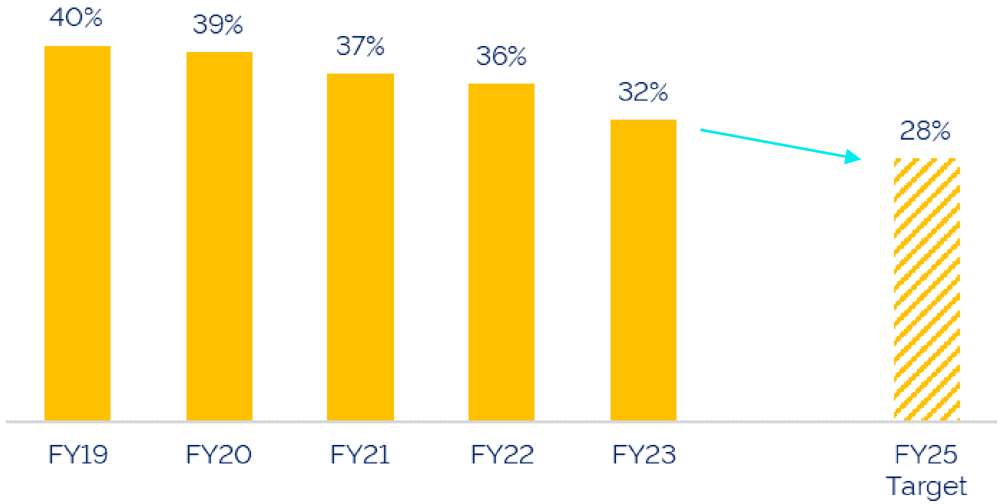




Continuous improvement on efficiency & processes

- Targeting 80% digital transactions of all NZ service tasks by end FY25 (FY23: 55%)
- New house and motor assessing systems to be launched in FY24 reducing assessment time and repair costs
- Expecting Suva hub to answer more than half of Tower's call volume
- Streamlining the business through sale of Solomon Islands subsidiary and NZ rural commercial portfolio
- Intention to sell Vanuatu subsidiary
- Targeting MER of 28% in FY25

MANAGEMENT EXPENSE RATIO (% NEP)

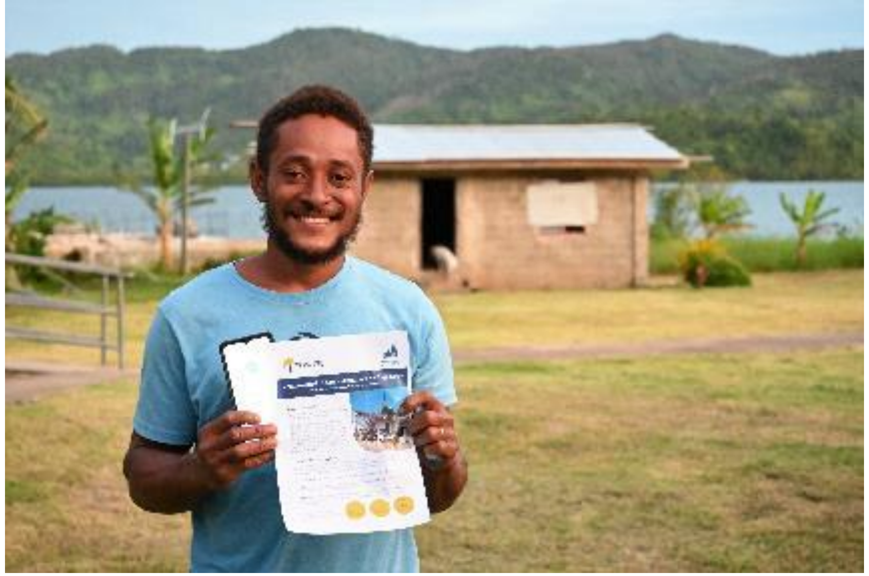


TOWER

Investing in future resilience and sustainability

Customer buys a policy, choosing their preferred cover level → If a cyclone hits, we are alerted and assess payment → We send an SMS or email to let customers know if a payment is coming → We aim to pay out all eligible customers within 7 days

- Large event response embedded within operations and conservative financial allowance within guidance
- Parametric partnership with CelsiusPro, global insurtech
- Targeting to sell 10K+ parametric policies across five countries by FY25
- Emissions now 13% below baseline year. Planning to expand Scope 3 measurement in FY24.
- Climate-related financial disclosure in 2024
- Aiming to achieve B Corp accreditation in the coming year



TOWER

Questions?

TOWER

Appendices


TOWER
37 Komai Street, Hamilton
House Plus
Policy details
Billing
Risk profile
People

Channel and efficiency improvements

TOWER DIRECT

- 22% premium growth to $391m
- 88% legacy portfolio policy retention
- 264k My Tower registrations, up 32%

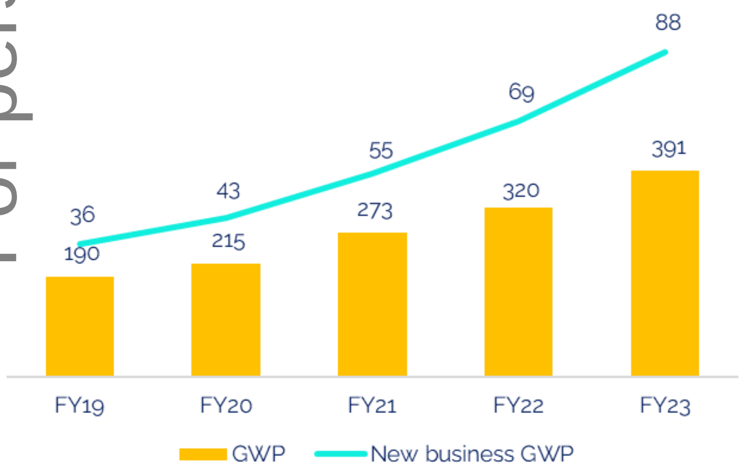
PARTNERSHIPS

- 26% active partner growth to $82m
- Advisor network grew 66% to 2,500
- Commission reduced to 1.7% of GEP (FY22: 2.2%)

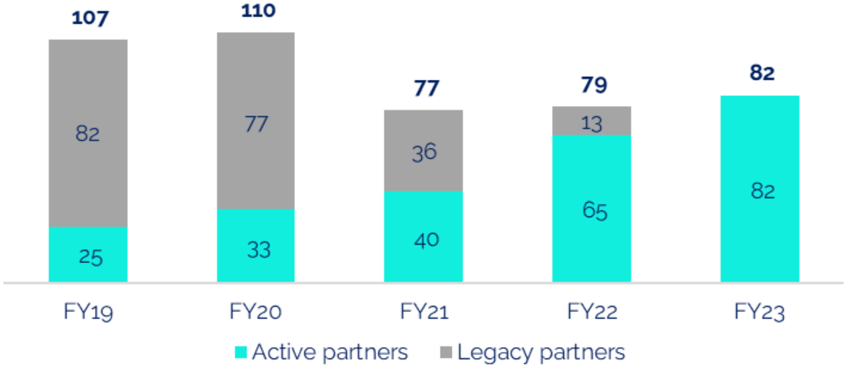
PACIFIC

- Simplifying: PNG & Solomon Islands sale
- My Tower live in 7 countries
- Tightening risk appetite

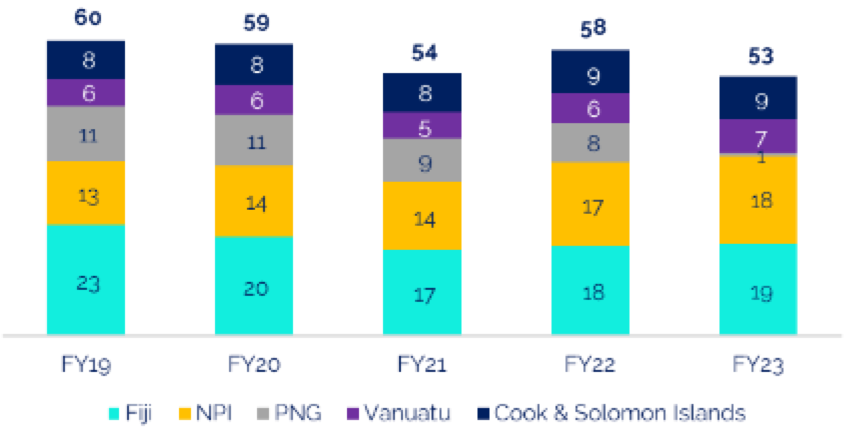
TOWER DIRECT GWP ($m)



PARTNERSHIPS GWP ($m)[1]



PACIFIC GWP ($m)



Note: 1: Legacy partnership portfolios have been transferred from the Partnerships business unit to Tower Direct after purchase, being ANZ in FY21, TSB and Westpac in FY22, Kiwibank in FY23

TOWER

Reconciliation between underlying profit after tax and reported loss after tax

$ million	FY23 underlying profit	Non-underlying items (1)	Reclasses (2)	Discontinued operations (3)	FY23 reported loss
Gross written premium	526.8	(5.0)		(10.3)	511.5
Gross earned premium	485.8	(5.0)		(10.0)	470.8
Reinsurance expense	(69.5)		(17.4)	4.5	(82.4)
Net earned premium	**416.3**	**(5.0)**	**(17.4)**	**(5.5)**	**388.4**
BAU claims expense	(231.1)	(1.7)	(25.5)	9.5	(248.8)
Large events	(38.2)				(38.2)
Large event reinsurance reinstatement	(17.4)		17.4		
Management and sales expenses	(125.7)	(6.5)	24.3	2.6	(105.4)
Net commission expense	(8.3)			0.6	(7.7)
Underwriting (loss)/profit	**(4.3)**	**(13.3)**	**(1.2)**	**7.2**	**(11.7)**
Net investment income	14.3			(0.0)	14.3
Other income	2.3	1.3	1.2	(0.1)	4.8
Underlying profit before tax	12.3				
Income tax expense	(4.6)	1.5		(1.9)	(5.1)
Profit after tax from discontinued operations	0.0	1.6		(5.2)	(3.6)
Underlying (loss)/profit after tax	**7.6**				
Canterbury impact	(1.2)	1.2			
Gain on sale of operations and building	2.7	(2.7)			
Customer remediation provision	(6.6)	6.6			
Other non-underlying costs	(3.7)	3.7			
Reported (loss)/profit after tax	**(1.2)**	**0.0**	**0.0**	**0.0**	**(1.2)**

Underlying and reported (loss)/profit:

- "Underlying (loss)/ profit" does not have a standardised meaning under Generally Accepted Accounting Practice (GAAP). Consequently it may not be comparable to similar measures presented by other reporting entities and is not subject to audit or independent review
- Tower uses underlying (loss)/profit as an internal reporting measure as management believes it provides a better measure of Tower's underlying performance than reported (loss)/profit, as it excludes large or non-recurring items that may obscure trends in Tower's underlying performance, and is useful to investors as it makes it easier to compare Tower's financial performance between periods
- Tower has applied a consistent approach to measuring underlying profit in the current and comparative periods
- "Reported (loss)/profit after tax" is calculated and presented in accordance with GAAP and is taken from Tower Limited's financial statements for the year ended 30 September 2023

(1) Non-underlying items include net impact of Canterbury earthquake valuation update, customer remediation provision update, regulatory and compliance projects (such as the adoption of IFRS-17), gain on sale of operations and building and a prior period tax adjustment

(2) Reclassification of claims handling expenses from management expenses to net claims expense, FX gains/losses from other income to management expenses, and reinsurance reinstatement costs as reinsurance expenses

(3) Operations sold during FY23 and those held for sale as at 30 September 2023 are treated as discontinued operations for statutory purposes

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Tower FY23 Results Announcement Script

Slide 1 – 2023 Full Year Results

Michael Stiassny

Mōrena, good morning and thank you for making the time to join us for this investor call and presentation of our 2023 full year results.

Slide 2 - Agenda

With me in Auckland is our Chief Executive Officer, Blair Turnbull and our Chief Financial Officer, Paul Johnston who will take you through the results and answer your questions.

Slide 3 – Chairman's update

The word 'unprecedented' gets bandied around plenty these days, but is an appropriate description for what the global insurance industry has faced in 2023.

A raft of catastrophic weather events worldwide not only highlighted the immediate impacts of climate change, but also put all insurance businesses on notice that the risk environment in which we operate is irrevocably altered.

Risk-based pricing continues to be Tower's best protection to address these issues and has enabled us to remain resilient, withstanding the challenges the year served up.

Resilience to challenges

Tower has been the poster child for risk-based pricing in New Zealand. We were the first to implement risk-based pricing for inland flooding, and we continue to expand hazard modelling to other climate-related risks. Our view remains that risk and pricing transparency is not only fairer to customers but is in the best interests of our shareholders.

It has certainly proven to be a compelling factor in securing a comprehensive reinsurance programme for FY24 at competitive rates. This is crucial as reinsurance provides protection from volatility caused by large events, maintains flexibility to enable Tower's growth and supports strong solvency.

However, while risk-based pricing successfully underpins Tower's competitive pricing, robust underwriting, continued growth, and response to issues arising from climate change, it is not a cure-all for all challenges.

Insurance remains critical

Ideally, comprehensive insurance would be affordable and accessible for all. Unfortunately, the twin challenges of an inflationary environment and increasing risks from climate change make this unrealistic.

The unpalatable truth is that not everyone is – or will be – able to afford to insure their home in the way they do now.

However, the New Zealand market enjoys strong insurance penetration and people will be loath to give up all protection. So, while affordability is currently presenting challenges, the desire and need for insurance will not dissipate. Our view is that fortune will favour those insurers who can pivot and adapt, something that Tower has the digital capability and proven ability to do.

Tower will continue to innovate by developing cost-effective alternatives to traditional, comprehensive insurance cover. In the future, options likely to be offered in New Zealand include parametric cover, which has already been successfully trialled in the Pacific, and named perils policies which only cover certain hazards - for example, offering fire only policies in flood-prone areas.

This approach is already common in many other parts of the world and, while it will take some getting used to, it will likely become a necessary replacement to comprehensive cover for at least some New Zealanders.

In short, Tower's continued resilience will be fostered through innovation and meeting the market where it is at... not where we would like it to be.

Well positioned

Despite the obstacles of 2023, Tower continues to be well positioned for long term growth.

Looking ahead, Tower's sharp focus is on continuing to deliver strong, sustainable growth via its rating approach and customer experience. Careful risk selection and risk-based pricing expansion will remain at the forefront of our strategy.

Tower's solvency margin is $53.8m which is above RBNZ's minimum solvency capital. And, although this is below historical levels, it will continue to increase in FY24 as catastrophe event claims are settled.

The fundamentals remain strong.

[pause]

I would like to welcome Mike Cutter who has recently joined the Board and thank Blair for his contribution as an interim Board member. Mike brings extensive global governance and executive experience in the financial services sector that will be invaluable as Tower continues to evolve.

Finally, on behalf of the Board, our sincere thanks to the entire Tower team – from the frontline to management – for digging deep in tough times to deliver on our strategy while supporting our customers and communities.

I'll now hand over to Blair and Paul, who will take you through the results and outlook before we take questions.

Blair Turnbull

Slide 4 – Business update

Kia ora, thank you Michael and good morning, everyone.

Thank you for joining us for our 2023 full year financial results.

Slide 5 – Results summary

Here is a summary of our results, which overall demonstrate Tower's resilience through a challenging year.

I will talk through these points in more detail shortly, but first, an overview of our performance this year.

Slide 6 – Our performance – Business performance impacted by catastrophe events

Gross written premium for the year to 30 September increased to $527 million, up 17% on the same period last year. This was driven by strong rating actions, as well as continuing customer acquisition and retention.

Customer numbers increased to 321,000, up from 310,000 in FY22.

Increasing inflation and a higher frequency of motor claims have contributed to an increase in the BAU claims ratio to 55.5% compared to 48.9% in FY22. Tower is continuing to apply targeted rating and underwriting actions to address these challenges.

We are pleased to see our management expense ratio improve again to 32.2% versus 36% in FY22, thanks to our disciplined cost control and improved efficiencies through digitisation and increasing scale.

Large event costs totalled $55.6m, up from $19m in FY22. These costs include the additional reinsurance cover purchased to reinstate our reinsurance arrangements following the two New Zealand catastrophe events earlier this year.

Given these large events costs, our solvency ratio decreased to 159% from 205% in FY22, but remains in a solid position, which Paul will talk to shortly.

Despite these challenges, we are reporting an underlying profit after tax of $7.6 million, down from an underlying profit of $27.3m in the full year 2022.

Reported FY23 loss was $1.2m compared to an $18.9m profit in FY22.

On the basis of these results Tower will not pay a full year dividend in FY23.

Slide 7 – Catastrophic and large weather events

As you can see in this graph large events costs have been rising steadily in recent years.

Tower is monitoring these trends and has important mitigations in place to help manage these risks. Our robust reinsurance arrangements have provided protection from catastrophe events this year. We estimate reinsurance will cover more than $200m of customers' claims for both catastrophe events combined.

As at 20 November we had completed approximately 84% of claims for the New Zealand weather events and 88% of claims for the Vanuatu cyclones. We are working hard to close the remainder.

To help mitigate large events impacts in FY24 we have purchased cover for two catastrophe events up to $750m each as well as prepaid cover for a third event up to $75m.

We have also included a large events allowance of $45m within our guidance. This allowance has been calculated with an estimated 90% confidence the outcome will be below or up to this level.

We now plan for a higher frequency and intensity of large events in both our financials and our operations.

Slide 8 – Managing impacts of inflation

While we respond to the challenges presented by climate change, including increasing reinsurance and other weather-related costs, Tower has also been actively managing the impacts of inflation.

Tower’s dynamic rating ability saw monthly inflation-based rate changes and other pricing activity total 77 rate changes in the year.

We are also continuing to improve the accuracy of existing customers’ sum insured amounts (and therefore their pricing). In New Zealand, for the second year running, nearly 100% of our house customers’ sums insured were updated automatically as part of their renewal offer, mainly using data from the Cordell calculator. This helps customers choose a suitable level of cover.

As we have noted earlier this year, motor theft is a continuing challenge in New Zealand therefore we continue to increase premiums and excesses for vehicle models that are being stolen more regularly.

This chart demonstrates the annual growth in Tower's average premium, after taking into account changes to excesses and sum insured amounts. The substantial annual growth highlights the impact of technical premium increases and how these flow through to Gross Written Premium.

Increases to home insurance premiums were moderated by the change in the EQC cap which became effective from 1 October 2022.

We are also continuing to address the challenges presented by inflation through strong, disciplined underwriting.

Following the New Zealand large events in January and February this year, we introduced manual underwriting for landslide risks and automated underwriting on sea surge risks.

Risk ratings for these hazards will be presented to customers in My Tower in the coming months.

We are also targeting good risks, like new build homes, with competitive rates.

On the motor side we continue to improve our data by taking a more granular approach to rating factors that are proven to influence claims frequency and severity.

This helps predict the likelihood of claims and possible customer behaviours, with greater accuracy.

We are also exploring new telematic options.

Ultimately this is all about getting the right risks at the right price for the right customers.

Slide 9 – Delivering on our strategy

I am proud of Tower's resilience which has enabled us to continue delivering on our strategy this year while responding to catastrophic events and other external challenges.

Slide 10 – Our strategy

At Tower, our purpose is to inspire, shape and protect the future for the good of our customers and communities. After a year navigating the impacts of catastrophic weather events in New Zealand and Vanuatu, widespread inflation and increasing crime, our purpose is more important than ever.

In FY23 we took the opportunity to review and confirm our strategy and focus on four key areas. These are:

- delivering a leading customer experience;
- being operationally efficient and effective;
- continuing to develop our high performing culture, and;
- ensuring continued resilience.

Our focused outcomes will help lead to the new two year financial targets that Paul will talk through shortly alongside our FY24 guidance.

Slide 11 – Targeted customer and premium growth

Tower's focus on simple and rewarding customer experiences combined with consistent rating actions continues to drive strong growth, in both customers and premium.

As you can see in this chart, we are growing steadily in our core home, contents and motor product offerings with GWP reaching $527m year on year.

In the context of this high inflation environment, our 17% growth in premium reflects an appropriate mix of rating and organic growth with 75% of premium growth driven by decisive rating actions.

Our Partnerships channel is delivering positive growth with GWP from active partners in New Zealand increasing by 26% to $82m in the year.

We also continue to drive customer engagement, with our retention rate for New Zealand remaining stable at 77%. Half of our customers hold multiple policies with us and these customers stay with us for an average of eight years.

Slide 12 – Customer experience improves through digital and data

Our digital platform is improving the overall Tower experience for our customers as they increasingly adopt our online sales and service channels.

In FY23 77% of New Zealand Direct sales occurred online, up from 66% in the prior year, while 56% of New Zealand service and claims tasks were completed online, up from 50% in FY22.

Customer satisfaction for these online engagements remains strong - our combined New Zealand net promoter score for online experiences remains steady at 55%.

With our core platform now live across the Tower group we are able to flex resource up or down across Fiji and New Zealand, our two biggest markets.

Following post-covid resourcing challenges in FY22, which led to customer service challenges, we scaled up our operations, particularly through our Suva hub. This helped our call abandonment rate improve to 12%, down from 17% in FY22.

We are pleased to see My Tower registrations continue to rise, increasing by 32% this year to 264,000 registrations. We look forward to this number climbing further now that My Tower is live in all the markets where we operate.

An important part of delivering the leading customer experience we aspire to is fronting up and fixing things when we don’t get them right.

As we noted in our recent market announcement, we have made substantial progress in refunding customers who did not receive their correct multi policy discounts extending back to 2016. As of 31 October we had paid $6.2m excluding GST to these customers.

Paul will talk through the financial impacts of this in more detail shortly.

Importantly we are focused on putting things right for customers and we sincerely apologise to those who have been affected.

In addition to reviewing our processes, we are also redesigning and simplifying our multi-policy discount offering.

Slide 13 – Reducing MER through simplification and digitisation

Our investments in simplifying and digitising our business continue to deliver MER improvements. And in the context of the external challenges we are managing, we are particularly pleased to have achieved yet another reduction in MER to 32.2% this year.

Contributing to this MER improvement is our increasing scale as well as the rating actions we have taken to tackle inflation and other external challenges.

With our core platform across all countries, another key driver of MER improvement is our increased digitisation which continues to lower the cost to acquire and serve customers.

The expansion of our Suva hub this year has also delivered operational efficiencies as we moved workflows between sites to manage workload peaks. In the year our Suva team answered 16% of all New Zealand calls to Tower, and we expect this portion to increase further.

Pleasingly these efficiencies have also seen our management expenses increase at below the rate of inflation.

Our commission ratio continues to improve, reducing to 1.7% in the year from 2.2% in FY22 thanks to legacy portfolio purchases and commission terms focused on referral arrangements.

Slide 14 – Profit impacted by record events and claims inflation

Despite the unprecedented year of weather events, record inflation and crime, our underlying core business remains profitable.

This is due to our actions to streamline the business, continuous efficiencies through digitisation, and targeted customer growth.

Slide 15 – Financial performance title slide – Paul Johnston

I will now hand you over to our chief financial officer Paul Johnston who will take you through the details of our financial performance this year.

Slide 16 – Group underlying financial performance

Thank you, Blair.

Looking at the consolidated results, we can see that growth in GWP has been strong, increasing by $69.5m, or 17%, on FY22. This growth was predominantly driven by rating actions and excludes Tower's Papua New Guinea subsidiary which was sold during the year.

Increased motor frequency, along with high inflation and a higher number of small weather events contributed to our BAU loss ratio increasing 6.6% to 55.5%.

Large events costs totalled $55.6m and included net claim costs of $38.2m and reinsurance reinstatement costs of $17.4m.

Pleasingly, the MER improved to 32.2% as a result of expense efficiencies and scale.

Higher yields have seen net investment income increase by $13.1m to $14.3m.

Underlying NPAT before large events was $7.6m down from $27.3m in the prior year, reflecting the catastrophic weather events experienced in FY23.

Including large events costs we have reported a net loss after tax of $1.2m.

This was impacted by non-underlying transactions which include an increase to the CEQ valuation, tax adjustments relating to the prior period, and an increase to the customer remediation provision. These were partially offset by gains on the sale of our Papua New Guinea subsidiary and our building in Suva.

Slide 17 – Underlying NPAT impacted by large events

Here is the bridge between underlying NPAT in FY22 of $27.3m and underlying NPAT of $7.6m in FY23.

You can see that business growth, MER and investment income have helped support this result, but large events, and the change in the BAU loss ratio have had adverse impacts this year.

Slide 18 – BAU claims challenged by motor frequency and inflation

We have been taking strong rating actions over the past two and a half years to combat rapidly increasing inflationary pressures.

However, BAU claims costs continue to be challenged by the increasing frequency of motor claims as well as inflation and supply chain capacity constraints which are impacting the severity, or cost of claims.

These are continuing to track above historical norms in New Zealand, following a more subdued period due to Covid lockdowns in previous periods.

Motor crimes tend to result in the total loss of a vehicle, so this trend of increasing motor theft contributes to both higher frequency and severity. Average New Zealand motor claims costs are now up to $3,201.

While house claims frequency in New Zealand is flat at 7.2%, the average severity is up to $3,766.

These factors have led to our BAU loss ratio increasing to 55.5%. The large events experienced this year have contributed an additional 13.4% to a total claims ratio of 68.9%.

Tower has applied targeted premium increases across motor and home to offset inflation and other increases. We also continue to work closely with supply chain partners while focusing on internal efficiencies to moderate the impact on customers as much as possible.

Slide 19 – BAU claims challenged by motor frequency and inflation

This page illustrates the increase in the loss ratio from FY22 to FY23, reflecting the increases to motor and home severity as outlined on the previous page.

Slide 20 – Continued improvement in management expenses

We are pleased to see our management expense ratio continue to reduce with an improvement over the year of 3.8% to 32.2%.

Increased scale from business growth has enabled efficiencies and a 4.8% reduction in MER with a further 0.3% decrease in net commission expenses due to the legacy portfolio purchases.

The effects of inflation were offset by cost containment measures in the year, particularly staff costs which provided a 1.1% decrease.

A 0.8 percentage increase in amortisation was due to legacy portfolio purchases and continued spend on investments to drive growth and efficiency automations.

Slide 21 – Higher investment returns as yields increase

Net investment income in FY23 increased to $14.3m before tax, this was $13.1m higher than in FY22.

This increased income reflects interest rates stabilising, resulting in higher running yields.

Tower maintains a conservative investment policy with a focus on high credit quality and liquidity bonds, and a target duration for the core investment portfolio of six months.

Our strategy has mitigated the impact on our profit from macroeconomic factors and mark to market movements in the past, and now allows us to benefit from higher interest rates, as evidenced by the running yield on the core investment portfolio increasing to 6.07% at 30 September 2023.

Our outlook for investment income is to remain near current levels over the next year.

Slide 22 – Reinsurance programme supports resilience

Tower's reinsurance strategy provides protection from volatility caused by large events and maintains financial flexibility to support growth, while underpinning strong solvency.

This resilience was realised in the year as we expect our reinsurance arrangements to cover $204m of FY23 large event claims costs.

In line with our conservative approach to reinsurance, we reinstated our reinsurance arrangements following the two catastrophe events at a cost of $17.4m.

We were very pleased with the successful placement of our reinsurance arrangements for FY24 which include catastrophe reinsurance of up to $750m for two events with an excess of $16.9m for each event. This was down from $889m in FY23 due to the EQC cap change which reduced the amount of coverage needed.

We have also purchased coverage for a third event of up to $75m with a $20m excess.

Slide 23 – Canterbury earthquake claims reducing

We are continuing to make steady progress in settling Canterbury claims with 33 closed over the year. In line with expectations, we received an additional 20 new overcap and reopened claims, bringing the total number of open claims to 23 at 30 September 2023. This was a net decrease of 13 from the end of September 2022.

FY23 has seen an adverse Canterbury earthquake P&L charge of $1.2m after tax in non-underlying items.

Some of our open CEQ claims are complex and long-term. However, the remaining gross outstanding claims provision reduced to $19.1m over the year from $24.5m at September 2022.

We continue to closely manage these outstanding claims and our specialist team is working to finalise claims as efficiently as possible.

Slide 24 - Capital and solvency position

We progressed well settling catastrophe event claims in the second half of FY23 and collecting the recoveries from reinsurers which has improved our solvency position compared to the first half. With a solvency ratio of 159%, we are now holding $53.8m above the minimum capital required for solvency. This is below our new internal target of $67.4m set in preparation for the new interim solvency standards released by RBNZ.

Our minimum solvency capital has increased from historical levels due to underlying business and claims growth, higher catastrophe risk retention, and capital required for open catastrophe claims.

We expect our solvency position to further improve in FY24 due to business profit and as catastrophe claims continue to be settled.

In FY24 solvency will be reported under the new Interim Solvency Standard with no material change in excess solvency expected.

Our A- credit rating was reaffirmed in April by AM Best.

Slide 25 – FY24 guidance

In FY24 Tower expects GWP growth - excluding revenue from sales of subsidiary operations - of between 10% and 15%.

We have set a conservative large events allowance of $45m for FY24 versus $38m in the prior year. Consistent with FY23, we will measure large events as those which have a total cost of more than $2m.

Assuming full utilisation of the large events allowance Tower anticipates underlying NPAT of between $22m and $27m.

We expect further improvements to our management expense ratio which we anticipate will be between 30% and 32% in FY24. As the rating and other actions that we have in place to address inflation begin to improve our BAU loss ratio, we expect a reduction in our combined operating ratio to between 95% and 97%.

You'll note new, medium-term targets that we are sharing with the market for the first time today. In FY25 we will be focused on delivering another 10% to 15% GWP growth, a management expense ratio of less than 28% and, a combined operating ratio of less than 91%. We are targeting a return on equity of between 12% and 15%.

Slide 26 – Looking forward

Thank you. I will now hand back to Blair who will provide an update on our priorities for FY24.

Blair Turnbull

Thank you, Paul.

Slide 27 – FY24 priorities

In line with our strategy and focus on delivering the medium-term targets Paul just highlighted, our five priorities for the coming year are clear.

I will take you through some of the actions that support these priorities in our final few slides.

Slide 28 – Leading customer experience and targeted growth

We will continue to invest in creating leading customer experiences and targeting profitable growth.

This includes adding landslide and sea surge risk ratings to our automated customer-facing quote-to-buy tool, where customers can already see their home's risk ratings for earthquake and flood hazards.

In the coming year, we anticipate a greater proportion of new business to come from home insurance policy sales as we target high quality risks. This includes a greater emphasis on new builds.

We will continue to grow organically through our existing partnerships.

And we expect the rating changes we made in FY23 to continue to flow through the portfolio as policies renew.

An important priority is to complete the multi-policy discount remediation while continuing to redesign our multi-policy discount offering. As you can see in the example on this phone screen on the slide, we are also working to give customers greater transparency of their discounts.

Slide 29 – Continuous improvement on efficiency & processes

We're focused on delivering efficiency, digitisation and process improvements.

By the end of FY25 we want digital transactions to account for 80% of all New Zealand service tasks, increasing from 55% at the end of FY23.

We will launch new house and motor assessing systems to reduce assessment times and repair costs. And we are expecting more than half of our call volumes to be answered by our team in Suva.

We will continue to streamline the business through the sale of our Solomon Islands subsidiary and exiting our New Zealand rural commercial portfolio.

It is also our intention to sell our Vanuatu business and we are going through a process of identifying a buyer. We'll update you once we have progressed this further.

Slide 30 - Investing in future resilience and sustainability

We will continue to invest in our future resilience and sustainability.

Large events are now business as usual for insurers and we will continue to protect both our financial and operational resilience by conservatively budgeting for increased large events costs while embedding large events response processes into our everyday operations.

We are scaling our parametric insurance offering by partnering with global insurtech, CelsiusPro and the United Nations to expand our pilot beyond Fiji to

Tonga. We plan to offer parametric insurance across five Pacific territories by FY25.

We are excited by the possibilities parametric insurance provides for people who may not benefit from traditional insurance products.

We are reducing our operational emissions which are now 13% below our baseline year. In FY24 we will expand our measurement of scope 3 emissions to include emissions from our underwriting activities and supply chain. While we expect the inclusion of this previously unreported data to increase Tower's total carbon emissions profile, we look forward to turning this new information into actions that contribute to a low carbon future.

Our first Climate-related Financial Disclosure is required for the 2024 financial year. We look forward to sharing more information with you then about how we are preparing for a range of possible futures shaped by climate change.

We know that sustainability issues are important to our people and customers. Our consumer research shows that for almost half (47%) of people, a commitment to sustainability and climate action matters when choosing an insurance company.

With this in mind, Tower is aiming to achieve B Corp accreditation in the coming year. B Corp is a globally recognised sustainability benchmark which measures a company's entire social and environmental impact.

Thank you for your time this morning, I will now hand back to the operator to ask for questions.