Tower Limited
Annual Report 2024

Contents

2024 in review

2024 snapshot

Performance

$83.5m Underlying profit vs. $7.1m in FY23[1]

$74.3m Reported profit after taxation vs. $1m loss in FY23

$595m Gross written premium (GWP)[1], up 15%[2] from $527m in FY23[1]

31.4% Management expense ratio (MER)[1] down from 32% in FY23

48% Business as usual (BAU) claims ratio[1] vs 55% in FY23

79% Combined operating ratio[1] (COR) vs 100.4% in FY23

Shareholders

9.5c Total FY24 dividends per share declared[3]

$45m Capital return declared

[1] Underlying Profit, GWP, MER, BAU claims ratio and COR are non-GAAP financial information. Consequently, they may not be comparable to similar measures presented by other reporting entities and are not subject to audit or independent review. GWP is a component of Insurance Service Revenue. MER is the ratio of underlying management expenses, including claims handling expenses, to underlying Insurance Service Revenue. BAU Claims Ratio is the ratio of underlying claims expense, excluding large events, to underlying Insurance Service Revenue. Underlying Profit includes large events but excludes certain large or non-recurring items. Tower uses Underlying Profit, and related measures, as internal reporting measures because management believes they provide a better measure of Tower's underlying performance than Reported Profit and are useful to investors as they make it easier to compare Tower's underlying financial performance between periods. A reconciliation of these items to GAAP financial information can be found in the appendix of Tower's FY24 Results Announcement Presentation released on 28 November 2024 via the NZX and, for FY23 comparatives, in the appendix of the IFRS 17 transition update released on 15 May 2024 via the NZX.

[2] Excluding divested portfolios.

[3] HY24 dividend 3c, FY24 dividend 6.5c.

People

8.1

Employee engagement score[1] vs. 7.8 in FY23

8.9

Employee diversity and inclusion score[1] vs. 8.6 in FY23

Customers

305,000

Customers vs. 311,000 in FY23[2]

67,500

Reported claims across NZ and the Pacific vs. 87,500 in FY23[3]

Community

2,300

Volunteer hours in our communities in FY24 vs. 390 in FY23

5

Tower scholarships awarded to university students[4]

1 As at 13 September 2024, based on Tower's latest staff engagement survey. Employee diversity and inclusion score in the top 10% of the global finance sector.
2 Prior year customer numbers have been adjusted to exclude sold and held for sale portfolios which include the Solomon Islands business and Vanuatu subsidiary, and the New Zealand commercial farm portfolio. FY24 customer numbers decreased 2% partly due to tightened risk appetite for high-theft motor vehicle models.
3 FY23 reported claims includes large events, there were no large events in FY24.
4 Two Tower Climate Change Scholarships awarded to University of Waikato students (NZ) and three Tower Vunilagi Scholarships awarded to University of the South Pacific students (Fiji).

Update from the Chair and CEO

Tower has a strong purpose, clear strategy and is focused on fostering a distinctive culture. We are pleased to report on the progress we made in FY24.

FY24 was a year of milestones for Tower: from celebrating our 150-year anniversary in Fiji; to opening our new Suva hub operational centre; ringing in 25 years of being listed on NZX; and it was followed by entry into the NZX 50 just after year end.

All the while we have remained focused on progressing our strategy to be the leading direct personal lines and SME insurer in New Zealand (NZ) and our chosen Pacific markets.

We continue to strive towards delivering beautifully simple and rewarding experiences that our people and customers rave about. And our investments in technology continue to improve Tower's customer experience and operational efficiency.

Strong business performance

For the year to 30 September 2024, underlying profit was $83.5m, up from $7.1m in FY23. Reported profit was $74.3m, compared to a $1m loss in FY23.

Premium growth, excluding divested portfolios, continued in FY24 with gross written premium (GWP) increasing 15% year on year to $595m. This was predominantly driven by prior period rating increases designed to mitigate the impacts of inflation, crime and reinsurance cost hikes following the 2023 catastrophe events.

Tower's GWP growth, combined with disciplined cost control has seen management expense ratio (MER) further improve, reducing from 32% in FY23 to 31.4%.

Targeted underwriting actions, stronger-than-expected business performance, particularly in claims, and unusually, no large events occurring in the financial year, have been key drivers of this year's results.

Tower's FY24 market guidance assumed full utilisation of a $45m large events allowance. However, as no large events occurred, net profit after tax (NPAT) was $32m higher than initially indicated, reflecting the tax-adjusted $45m allowance that was not used.

We have a robust reinsurance programme to help manage large events and adequately protect Tower's solvency and capital positions.

Tower's NZ parent solvency margin improved from $79.8m at 30 September 2023 to $171.4m at September 30 2024. As at 30 September 2024, Tower's NZ parent solvency ratio was 212%.

During the year Tower began reporting against NZ IFRS 17 Insurance Contracts (IFRS 17), a new accounting standard applicable to all insurance companies. Tower's strategy, profitability and dividend policy are unaffected by the new standards.

In accordance with Tower's ordinary dividend policy to pay 60-80% of adjusted earnings, where prudent to do so, Tower's Board has declared a final dividend of 6.5 cents per share, bringing total dividends to 9.5 cents per share in FY24.

The Board also approved a return of NZ$45m of excess capital to shareholders, by way of a mandatory share buyback, subject to shareholder approval at Tower's annual shareholder meeting (ASM) in early 2025 and fulfilment of other conditions. The return of capital is expected to deliver meaningful earnings per share accretion to Tower's shareholders.

Leading customer experience

Central to Tower's strategy is delivering a consistent, easy-to-understand insurance experience for all our customers.

This is facilitated by our core, cloud-based technology platform and our ongoing investment in My Tower, our sales and service platform. This enables us to provide customers with a consistent, online insurance buying and management experience while reducing our cost-to-serve.

Our online journeys continue to resonate with customers, boosting GWP growth, with 63% of this year's NZ sales coming through our online channels.

Our partners enable us to reach more Kiwi and Pacific customers. In FY24, Trade Me GWP increased by 16%, comprising 37% of Partnerships' GWP. Additionally, we were proud to launch new partnerships with Kiwibank and HealthCare Plus and expanded further in the mortgage broker market.

We ended FY24 with a three-month average customer net promoter score of +38, up from +28 in FY23. We continue to invest in digitisation, data and process excellence to further enhance our customer experience.

One example of this is 'ways to save'. Throughout the year, 29,000 customers used our ways to save feature in My Tower, which offers useful tips and options to reduce premiums. By providing these tools, we empower our customers to manage their insurance more effectively and reduce while also reducing the workload for our customer care team.

We were particularly proud to be named Canstar's Home & Contents Insurer of the Year for 2024. The award acknowledged our customer service, commitment to affordability and the overall value we deliver to Kiwi households.

While we value this recognition, we are also committed to fixing things when we don't get them right. In FY24, we made significant progress towards remediating customers identified as being owed a premium refund due to errors in applying our multipolicy discount. As at 30 September 2024, we had identified refunds of around $12m (including GST and interest) owed to 66,000 customers and had repaid over $11m. We are also actively addressing premium overcharges resulting from separate promotions and policy discounts and other policy errors, ensuring all affected customers are fairly compensated.

Fixing issues that have required customer remediations is important to us. In FY24 we launched Foundations First, a strategic programme focused on strengthening our business fundamentals. Two of its key initiatives involve improving data management across Tower and investigating the root causes of incidents that lead to remediations, enabling us to develop strategies to tackle these underlying issues. Ultimately, Foundations First aims to bolster business resilience, promote positive customer outcomes and foster sustainable growth.

Tower also initiated a comprehensive programme to align its conduct framework with the upcoming Conduct of Financial Institutions (CoFI) regime, which comes into force on 1 April 2025. This is a key priority for Tower and supports our strategic commitment to delivering fair outcomes for our customers.

Targeted growth through risk-based pricing and disciplined underwriting

Tower's adoption of risk-based pricing and underwriting has given us a competitive advantage by enabling more accurate risk selection and pricing. We believe it's fairer for customers to only pay for the risks that apply to their property. We also believe in transparency, so we provide customers with a detailed premium breakdown that shows the impact of their risk ratings on their premiums and offer comparison at renewal.

During the financial year we expanded our risk-based pricing model by introducing automated underwriting rules for landslide risks across NZ. This follows the implementation of similar rules for sea surge risks in FY23.

In the coming year, our customers will be able to see their home's risk ratings for landslide and sea surge on their property – alongside those for earthquake and flood hazard – and the impact those risks have on their premiums.

We are particularly pleased to see new business house policies increase by 18%, compared to FY23, as we focus more on the home insurance market.

Enhanced claims management

Following record claims volumes in FY23 due to catastrophe events, we improved processes and implemented new technology to deliver faster and more efficient claims management.

In FY24 we continued investing in our home and motor claims journey, resulting in significantly reduced claims processing times and improved end-to-end claims management.

Since May 2024, two-thirds of customers who submitted weather, accidental damage or escape of water claims through My Tower had their claims automatically accepted and or referred to an assessor or house supplier, bypassing manual processing or review.

Delivering operational excellence

This year, we celebrated 150 years of operation in Fiji and continued to streamline our wider Pacific operations.

As part of this effort, we completed the sale of our Solomon Islands business and Vanuatu subsidiary in FY24, following the divestment of our Papua New Guinea subsidiary in FY23.

Additionally, we opened our new operational hub in Suva, which now handles over half of our NZ customer service calls, significantly improving call answer times.

With around 300 local employees in Fiji, this enhances our ability to allocate resources flexibly across locations and functions, bolstering business resilience.

Fostering a more sustainable future

Witnessing the impacts of climate change firsthand in the communities we serve has driven us to implement changes in our business operations, support customers with innovative products, and fund scholarships to deepen understanding of climate change.

In 2022, we launched Cyclone Response Cover, our first parametric product designed for Pacific communities and small businesses. After introducing this innovative product in Samoa in FY24, it is now available in three Pacific countries. In FY25 we plan to introduce a new parametric rainfall product.

For the fourth consecutive year, we supported the University of Waikato's Bachelor of Climate Change degree by providing scholarships for second and third-year students.

As a Kiwi and Pacific insurer, we are acutely aware of the climate risks faced by island nations and are particularly pleased to award this year's scholarships to students focused on mitigating climate change impacts on Māori and Pasifika communities.

Additionally, we piloted initiatives to reduce our Scope three emissions. We are committed to reducing our Scope 1, 2 and 3 emissions and have achieved a 20% reduction in Scope 1 and 2 greenhouse gas emissions compared to our FY20 baseline year.

More details can be found in our first Climate Statement, released alongside this annual report. Our teams also dedicated 2,300 hours to volunteering in our communities, a pleasing and very worthwhile effort.

Investing in our people and culture

This year's results are a testament to the entire Tower team. We remain committed to supporting our people, enabling us to attract, develop, and retain the best talent.

In FY24 we continued to enhance the Tower experience for our people. We now have seven well-established employee representation groups (ERGs), with one in three staff actively participating.

A key metric we focus on are our employee engagement scores. Our latest staff survey in September 2024 showed an employee engagement score of 8.1, up from 7.8 in September 2023.

Encouragingly, our focus on company culture has resulted in a diversity and inclusion score of 8.9, placing us in the top 10% of the finance sector globally.

The year ahead

Insurance plays a vital role in supporting economic and community resilience. This is increasingly important in a world where the impacts of climate change are not a matter of if, but when and how much?

We aim to maintain affordable premiums, and with Tower's risk-based pricing strategy, we anticipate that premium increases will continue to level off in certain areas, while some premiums reduce. Together with the digitisation and operational performance efficiency gains achieved this year, we are well-positioned for FY25.

In November, Tower shared with the market that Blair will step down as CEO, following the 2025 annual shareholder meeting in February.

On behalf of the board, I would like to thank Blair and acknowledge his leadership which has driven significant progress in Tower's journey to become the leading direct personal lines and SME insurer in New Zealand and our chosen Pacific markets.

Tower is committed to continuing to serve our customers and communities. With a strong business platform and a robust strategy, we are well positioned to deliver sustainable premium growth and attractive long-term shareholder returns.

Michael Stiassny
Chair

Blair Turnbull
CEO

"In my view, Tower is a really unique business, and I am very proud to have played a part in its long history.

"Together, we have significantly transformed Tower's customer experience by leveraging digitisation and realised marked operational efficiencies through our cloud-based platform. Our business is now sharply focused and streamlined in our chosen markets, and we continue to innovate with risk-based pricing and new offerings like parametric insurance.

"I believe the platform is solid and as such it's an ideal juncture to pass the baton.

"A sincere thank you to our people for always showing up for our customers over the past four and half years, particularly the executive team, who have truly lived up to our core values; we do what's right, our people come first, our customers are our compass and progress boldly.

"Put simply, it has been a privilege and a pleasure."

- Blair Turnbull

Delivering on our strategy

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.

Our strategy

To be the best direct personal lines and SME insurer in our selected markets differentiated through digital and data, fair and transparent, and with customer care in everything we do.

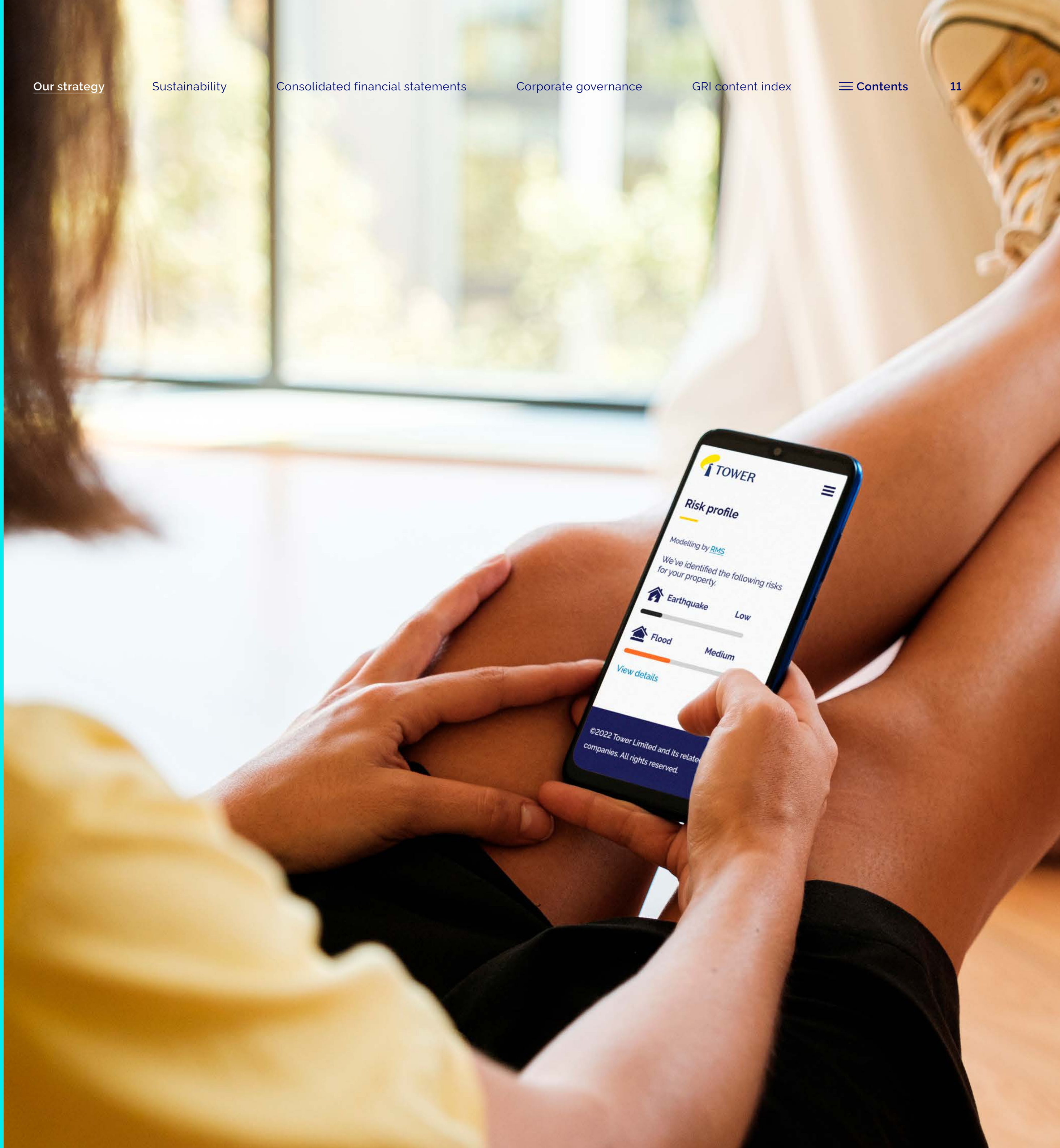
Our values

- 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 & DISTINCTIVE CULTURE	RESILIENT
Succinct, easy customer experiences across the lifecycle	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

Leading customer experience



My Tower

Tower customers benefit from an easy-to-understand insurance buying and management process, that also reduces our service costs.

Launched in 2019, our self-service digital platform, My Tower, is an online sales and service portal.

Features include the ability to lodge a claim, check claims progress, and automated referrals to some suppliers.

In line with our focus on transparency, customers can view their premium breakdown and a premium comparison at renewal, as well as their property's flood and earthquake risk ratings.

$446m Tower direct GWP, up 16%[1] from FY23

164,000 NZ My Tower users, up 5% in FY24

+35 Customer NPS for My Tower, up from +28 in FY23

[1] Adjusted to exclude divested portfolios which includes the New Zealand commercial rural portfolio.

Customers increasingly seek an online experience, but also value the opportunity to call someone if they need help or support. In FY24, our average call wait time was 2 minutes and 10 seconds, contributing to a drop in our sales and service abandonment rate to 8% compared to 13% in FY23.

FY24 marked the first full financial year during which My Tower and our online quote-to-buy journey were available across all Tower's Pacific markets.

This is a positive step forward in increasing insurance accessibility, penetration and awareness in the Pacific. In the coming year we'll continue to grow our presence in-region.

Tower's Fiji digital retail branch.

Ways to save

To help our customers manage their insurance and affordability, we introduced ways to save.

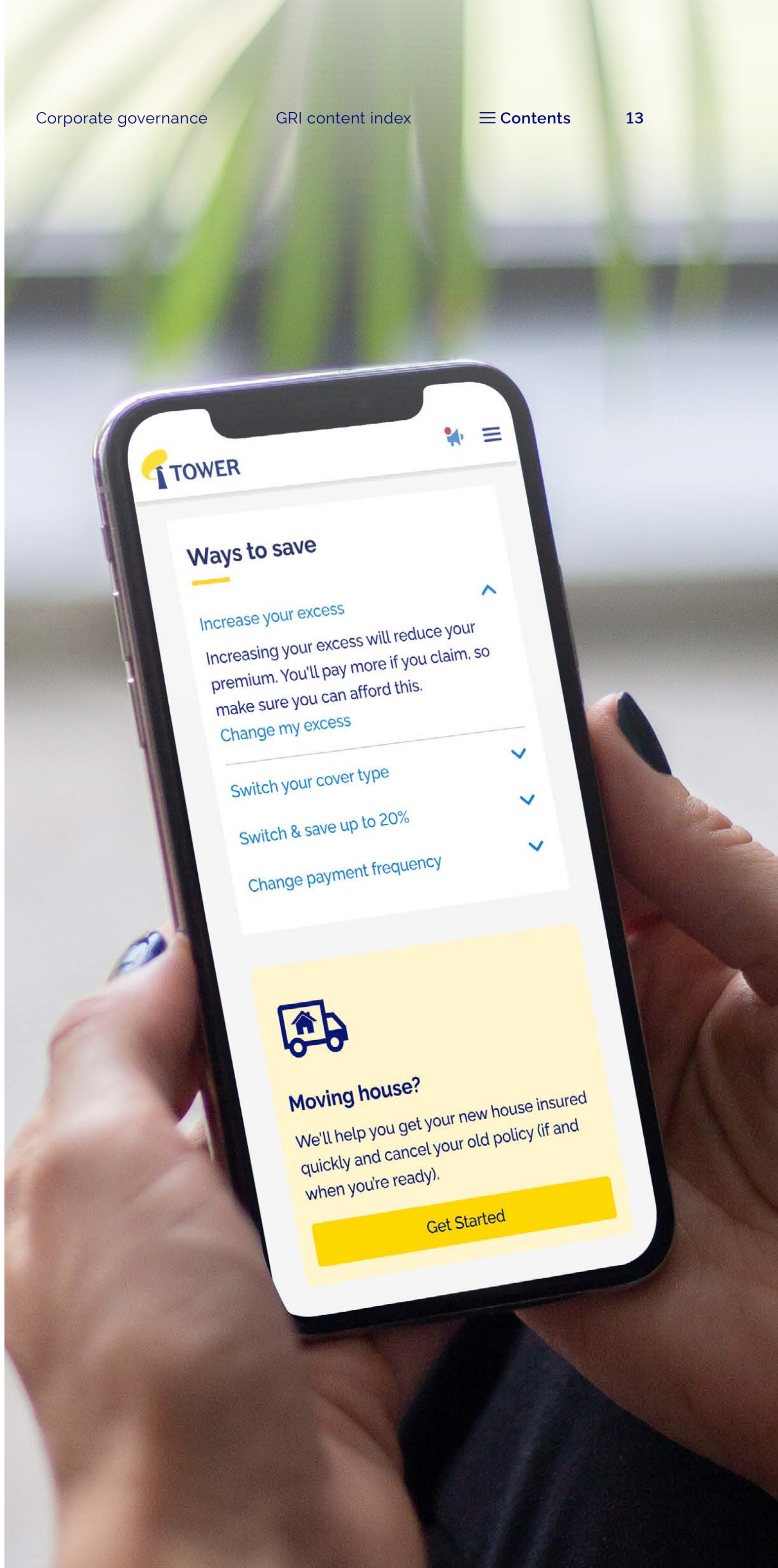
Ways to save is a My Tower feature for our New Zealand customers that offers useful tips and options to reduce premiums. For example, customers can explore how their premiums would change by increasing or decreasing their excess.

Like our wider My Tower offering, ways to save empowers customers to manage their insurance, without the need to call our contact centre team, helping to create a more efficient experience for our customers and teams.

In FY24, 16% of customers who interacted with ways to save made changes to their cover that resulted in lower premiums.

2,400 Customers accessed ways to save on average per month in FY24

$122 Decrease in annual premium per customer via ways to save in FY24[1]



[1] Average amount saved by customers who decreased their premiums via ways to save.

Products to suit our customers and communities

House

Contents

Motor

Motorbike

Pet

Motorhome

Travel

Business

Caravan

Landlord

Boat

Parametric cover
(for Cyclone and Rainfall)

- Canstar Outstanding Value Trans-Tasman Travel Insurance – **2023**
- Canstar Outstanding Value South Pacific Cruise Travel Insurance – **2023**

Market-leading risk-based pricing

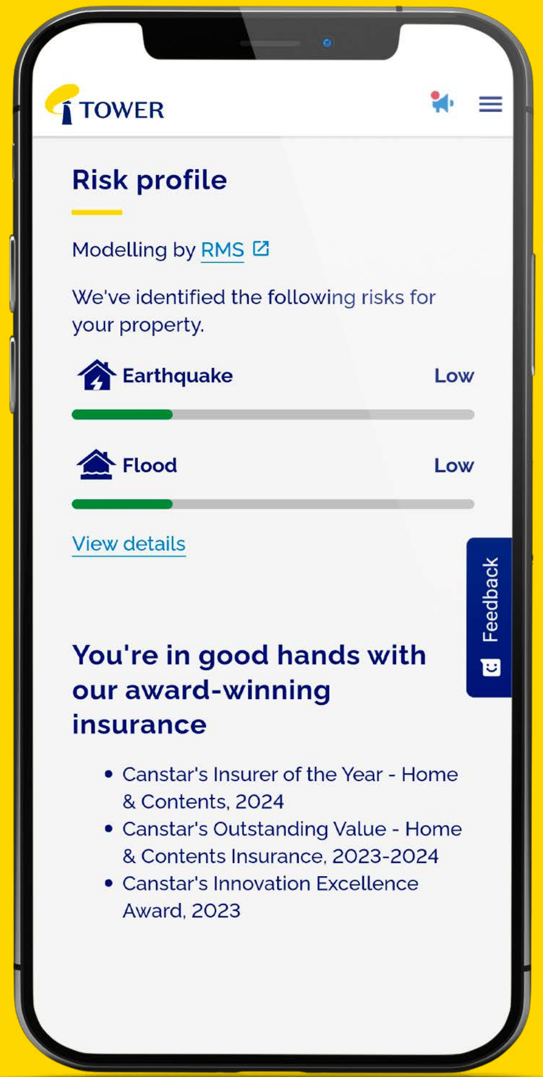
In FY24, we expanded our risk-based pricing model by introducing automated underwriting rules for landslide risks across NZ. This followed the implementation of automated underwriting rules for sea surge risks across NZ in FY23.

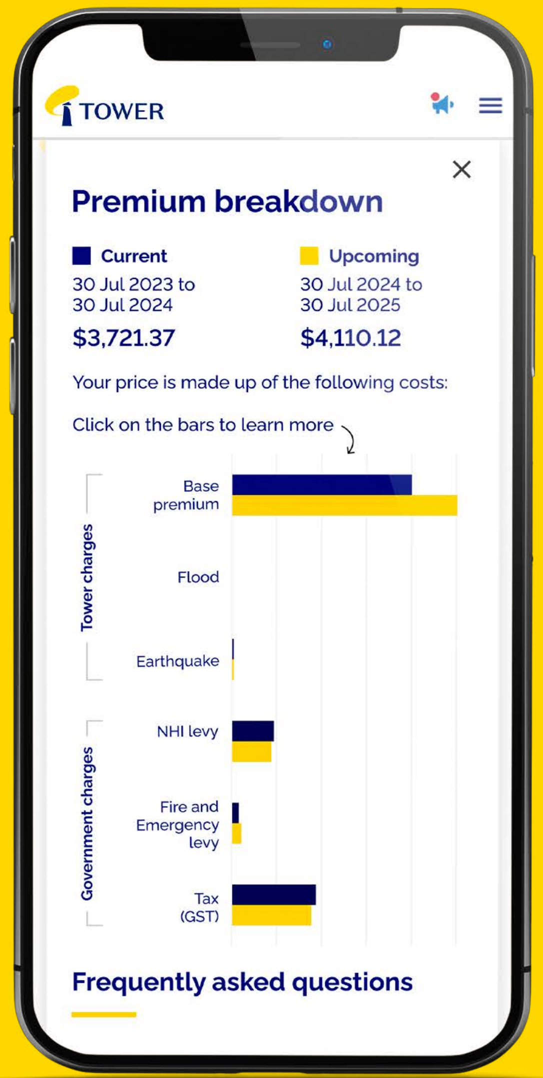
Through our award-winning and market-leading approach to risk-based pricing, customers can already see their home's risk ratings for floods and earthquakes[1].

We believe risk-based pricing is a fairer way to price insurance as customers only pay for the risks that apply to their properties.

In the coming year, we will include pricing and customer-facing landslide and sea surge risk ratings for our customers' homes.

87% Kiwi think risk-based pricing is a fair way to price insurance[2]





1 Risk ratings may not be immediately available for customers if the address is not in our address database (for example, the property is a new build).
2 Independent research conducted by the Octopus Group in April 2023, with a sample size of 1,000 representative of NZ's population.

Increasing insurance accessibility with parametric insurance

Tower's work to increase insurance awareness, accessibility and uptake in the Pacific through parametric insurance, continued in FY24.

Parametric insurance offers a lower-cost alternative that provides a level of cover for Pacific communities that may not benefit from traditional insurance.

2023

Nov - Announced partnership with global Insurtech CelsiusPro to upgrade our Cyclone Response Cover IT platform.

Oct - In partnership with the the United Nations Capital Development Fund (UNCDF), Tower featured on the world stage via a panel talking about parametric insurance in Ghana, at the International Conference for Inclusive Insurance 2023.

Dec - Launched parametric Cyclone Response Cover in Samoa in collaboration with the United Nations Capital Development Fund (UNCDF), under its flagship Pacific Insurance and Climate Adaptation Programme.

2024

Jul - Tower Parametric Product Manager Felichya Khan represented Tower as part of a UNCDF delegation that attended the 20th Asia NAT CAT and Climate Change Summit 2024, in the Philippines.

Aug - Reserve Bank of Fiji announced a collaboration with the InsuResilience Solutions Fund, and the local insurance sector, including Tower, to have 5,000 new parametric policies in place across Fiji by the end of 2025.

Sep - Launched new parametric platform for customers in Fiji and Tonga, with CelsiusPro, aiming to make it simpler for Tower customers to access and manage their parametric cover.

Oct - Tower Tonga Country Manager Manase Tafea, presented on parametric insurance at the 53rd Pacific Islands Forum Leaders Meeting, in Tonga.

Looking ahead

In the coming financial year, we plan to launch Cyclone Response Cover in the Cook Islands and add a new parametric rainfall product to our suite, for our Fiji market. Tower is also looking into opportunities to launch a parametric insurance product in NZ.

We look forward to continuing to partner with our communities in the other Pacific territories we operate in, all with the goal of increasing the uptake of insurance in the Pacific.

Promoting parametric at the Commonwealth Heads of Government Meeting 2024 (CHOGM), Business Forum

As an opportunity to expand the reach of our parametric offering, in October 2024, Tower was proud to partner with the Commonwealth Enterprise and Investment Committee, to attend CHOGM 2024 in Apia, Samoa.

Tower CEO Blair Turnbull featured on a tech and innovation panel, Tower Chief Underwriting Officer Ronald Mudaliar and Head of Pacific Retail Distribution Joanne Rasmussen, took part in roundtable discussions on unlocking green investment and risk mitigation, and leadership in island nations.

Tower delegation at CHOGM 2024.

Award winning Tower experience

Our product range is designed for the lifestyles of Kiwi and Pacific customers.

In recent years, we've added new products such as parametric, pet, travel, boat and contract works - renovation cover to our product suite.

At the same time, we've continued to phase out products that are not compatible with our digital customer experience.

That's why, from February 2024 we stopped offering insurance for commercial farms. However, we continue to offer cover for lifestyle blocks under our strategy.

In FY24, our customer net promoter score (NPS) increased. The majority of NZ direct sales continue to come through our online channels.

Members of Tower's product and marketing teams and Canstar representatives, with some of FY24's Canstar awards.

+38 Customer NPS[1], up from +28 in FY23

63% NZ sales online vs. 70% in FY23

18% Increase in new business house policies in FY24

[1] Three-month average as at 30 September 2024.

Proud to partner

Our corporate, retail and advisory referral partnerships help us to scale efficiently, and deliver products in better ways for Kiwi and Pacific customers.

Our advisor referral model accounted for 42% of partnerships' GWP in FY24, with a 19% increase in risks sold through our advisor network.

TradeMe GWP grew 16% in FY24, accounting for 37% of partnerships' GWP.

Building on the success of our partnership model, in FY24, we welcomed new partners Kiwibank and HealthCarePlus.

Tower also has referral agreements in place with New Zealand Financial Services Group, Kiwi Adviser Network, New Zealand Home Loans, Ray White Concierge, the New Zealand Defence Force and TSB.

These and other relationships have contributed to 24% increase in GWP from partnerships against FY23.

This year, we're proud to mark three years of supporting Coastguard New Zealand to help bring Kiwi home safe.

19% Increase in new risks sold through our advisor network vs. FY23

32% Growth in advisor network to 3,300 vs. FY23

$102m Partnerships' GWP, up 24% from FY23

Kiwibank

We welcomed our first Kiwibank customers to Tower in early September. This partnership presents a strategic opportunity for Tower, aligning with our focus on growing our home insurance portfolio.

Our initial five-year referral agreement with Kiwibank allows their customers to insure their assets directly with Tower under Tower branded policies.

HealthCarePlus

HealthCarePlus is jointly owned by the five education unions and the Public Service Association, supporting more than 180,000 members across the teaching, tertiary and public service sectors.

Our partnership with HealthCarePlus provides its members with access to Tower's products via the HealthCarePlus website and member platform.

- Supreme Award for Retention – **First Place**
- Most Outstanding Outbound Representative – **Tower Partnership Sales Consultant Molly Stokes**

- Outbound Business to Consumer Gold Award – **Second Place**
- Outbound Business to Business Silver Award – **Third Place**

Welcoming the Kiwibank team to Tower.

Using data driven decision-making to manage premiums and our business

Our commitment to careful risk selection and robust underwriting supports a strong core business, enabling us to offer tailored pricing to customers with lower risks.

Key to our resilience is our ability to monitor and adjust our pricing and underwriting to remain competitive and responsive to macroeconomic conditions.

As part of this, in FY23 and FY24, we tightened our risk appetite for vehicles with high theft-risks. This contributed to a reduction in customer numbers from 311,000[1] in FY23 to 305,000 in FY24, as Tower reduced high theft-risk motor policies by over 5,000 throughout the year.

As claims cost performance improved in certain customer segments, we were able to reduce some premiums.

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Pricing and underwriting adjustments made across FY24

[1] FY23 customer numbers have been adjusted to exclude sold and held for sale portfolios which include Papua New Guinea and Solomon Islands businesses, Vanuatu subsidiary, and exit of NZ rural commercial portfolio.

For our customers, this meant that as inflation began to settle later in the year, we moved quickly to moderate premium increases, particularly for low-risk assets.

This included a review of motor pricing performance for the 100 most common makes and models (including all years and specifications), representing 70% of Tower's motor portfolio. The review led to a reduction in premiums of varying levels for 71% of the models reviewed.

A range of factors have influenced premium increases over recent years including; inflation, crime rates, weather events, reinsurance costs, and supply chain pressures.

While it costs more now to cover our customers and their assets, we continue to manage the impact of some increases in claims costs through business efficiencies, risk-based pricing, our claims transformation project and underwriting automation.

Putting things right for our customers

An important part of delivering a positive customer experience is fixing things when we don't get them right. We continue to focus on putting things right for customers who had not received the discounts or benefits they were entitled to.

We're pleased to have made significant progress towards remediating customers identified as being owed a premium refund, due to errors in applying our multi-policy discount.

As of 30 September 2024, we have identified refunds of around $12 million (including GST and interest) owed to 66,000 customers and have repaid over $11m.

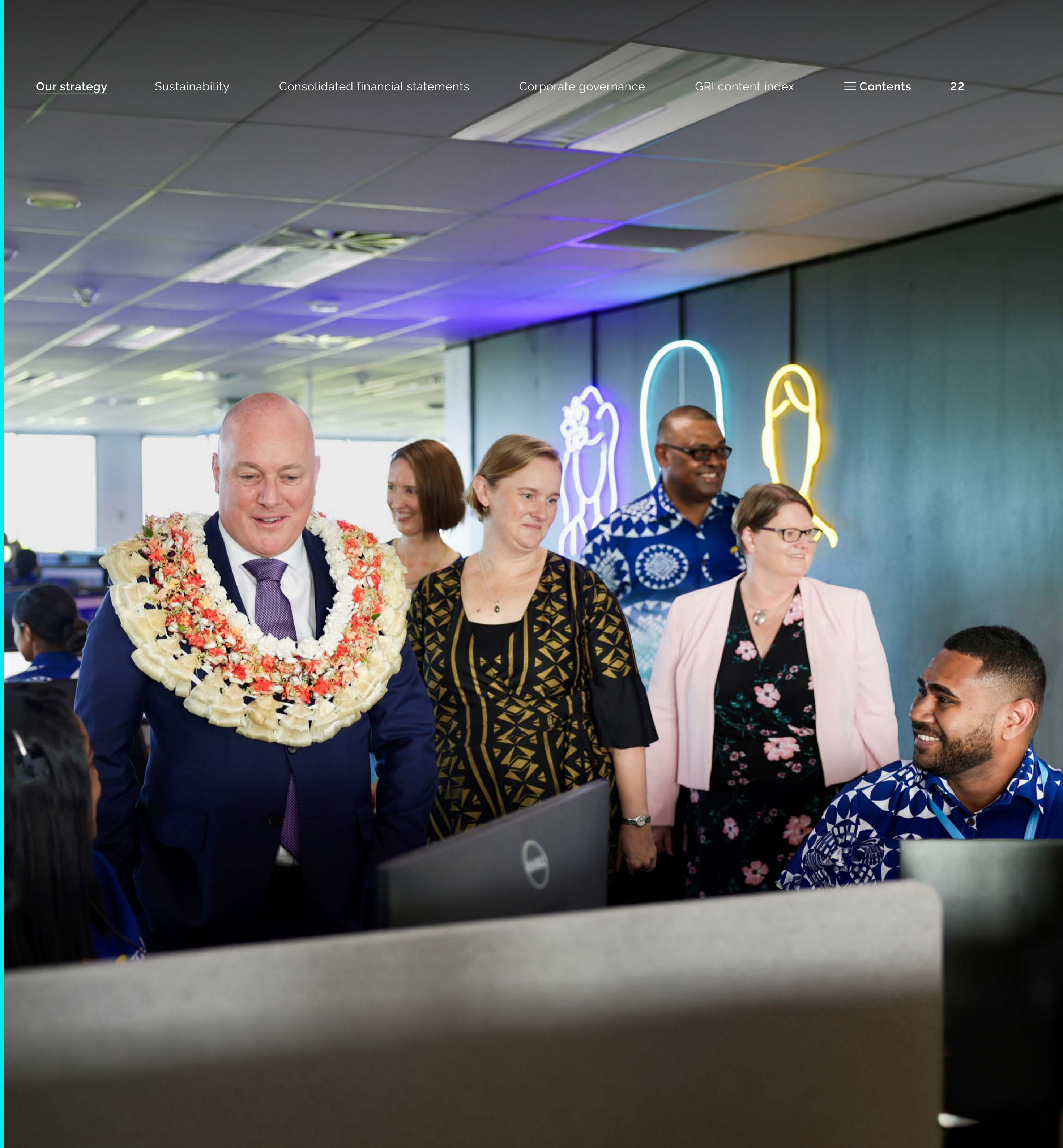
Other remediations we have in progress relate to premium overcharges in connection with the application of promotions and policy discounts, and other policy errors. For all current customer remediations, we've provisioned $9.2m as at the end of FY24.

Remediation activities are carried out by our Foundations First taskforce. You can read more about Foundations First on page 32 of this report.

This year, the FMA issued proceedings against Tower in respect of overcharges related to the application of its multi-policy discount. We continue to engage with the FMA in relation to our multi-policy discount remediation.

Tower's customer care centre.

Operationally efficient



Efficient and effective

In line with our strategy, throughout FY24 Tower continued to digitise and automate core processes, and leverage our geographical footprint to become more operationally efficient and effective.

31.4% Management expense ratio (MER) down from 32% in FY23

79% Combined operating ratio (COR) vs. 100.4% in FY23[1]

45% Service tasks and transactions completed digitally in NZ, in line with FY23[2]

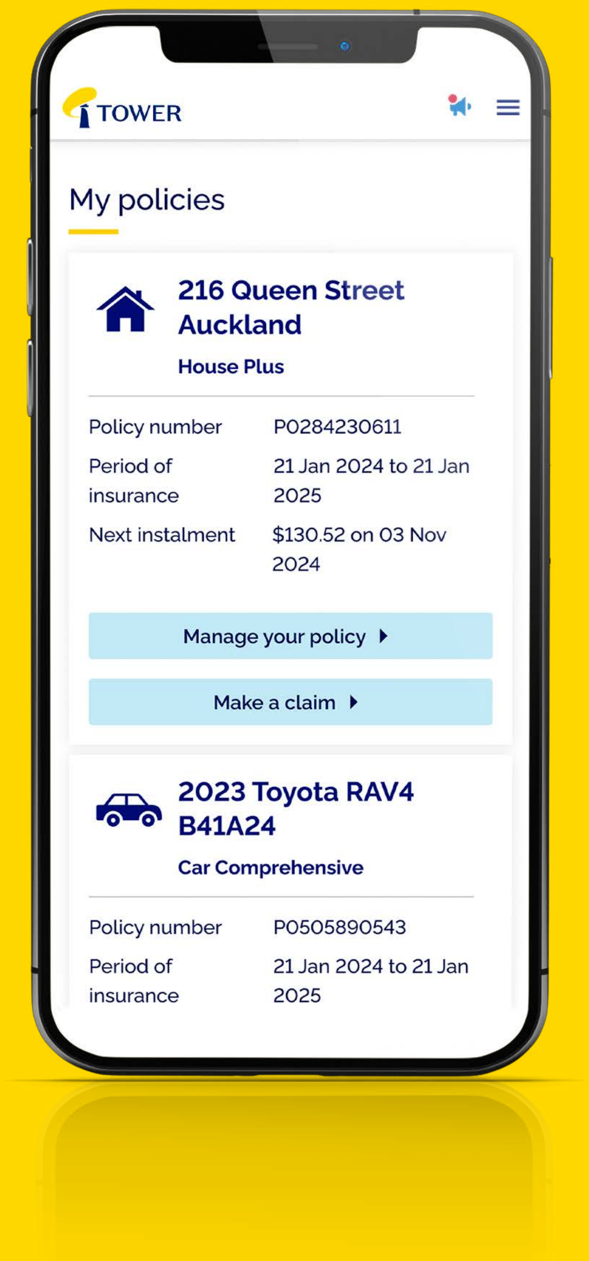
5% Decrease in NZ sales and service abandonment rate, now at 8%

142,000 The number of times customers made manual payments in My Tower, our top digital customer transaction in FY24

329,000 Sales and service calls answered in FY24, down from 380,000 in FY23

35 Hours, our average email response time in FY24 vs. 45 hours in FY23

2 Minutes and 10 seconds, our average phone wait time in FY24 vs. 3 minutes and 33 seconds in FY23



[1] COR impacted by higher large event costs in FY23 (Auckland floods and Cyclone Gabrielle), and no large events in FY24.
[2] Digital service tasks are any policy adjustments made through the My Tower portal divided by the total number of policy adjustments made. In prior years, multiple tasks completed on the same call were reported as one assisted transaction, which are now reported individually. Digital claims tasks refer to claim lodgement only.

Claims transformation

Our claims transformation programme aims to harness data and technology to deliver straight through claims and repair experiences.

The programme began in FY23, with the ultimate goals of transforming and improving our claims experience, increasing transparency for customers and operating more efficiently and effectively.

In FY24, we continued to deliver on this ambition, automating key manual processes in our motor and home claims' journeys.

[1] Applies to claims for weather, accidental damage or escape of water (collectively, our most common claims), since new system launched in May 2024.
[2] Since feature launched in March 2024.

Continuing to automate the claims journey

In FY24, we continued to automate the claims journey for house customers in My Tower, using technology to deliver faster and more efficient claims management.

In March, we updated customers' claims information in My Tower to include contact details for their claims manager. Claims managers are now automatically assigned at lodgment for house, motor and contents. This has helped lessen calls to our frontline teams and made things easier for our customers, with one clear point of contact for the duration of their claim.

In May, we automated the acceptance of house claims for our most common types of house claims: weather, accidental damage and escape of water claims (for example, water damage from a burst pipe). At the same time, we automated referrals to assessors or repairers for these types of claims. This means that claims of this type, that meet set criteria, are automatically accepted and or referred to an assessor or supplier for the next step in the settlement journey, without the need for manual review.

Since then, two thirds of customers who lodged a weather, accidental damage or escape of water claim in My Tower, have had their claim automatically accepted and or referred to an assessor or house supplier, without the need for manual processing or review.

While we experienced no large weather events in FY24, these changes will improve our efficiency and the customer experience during future events.

Members of Tower's claims and assessing team at one of our Repair Partner Network's repair shops in Auckland.

65% House claims lodged via My Tower automatically accepted and or referred to an assessor or supplier[1]

25,000 Customers accessed their claims manager's name and contact details via My Tower[2]

Streamlining the motor repair journey

In April, we announced that we had partnered with Hello Claims to integrate their assessing and repair management platform into our online systems, starting in June.

Previously, it took up to four days on average to accept a claim, allocate an assessor, process a quote and authorise work for panel repairs.

Since integrating the new platform into our internal referral process, when customers lodge a claim in My Tower and use our Repair Partner Network, our repair partners automatically receive a referral as soon as the claim is accepted.

They are then able to make contact and organise assessments or repairs, without Tower needing to manually refer customers or sign off repair quotes.

We have been working closely with repairers, as we embed this new assessing and repair platform into our systems. Full integration will be completed in early 2025 and will enable customers to view their motor claims status at every point of the claims journey via My Tower.

64% Claims now lodged online vs. 59% in FY23

48% BAU claims ratio vs. 55% in FY23

Members of Tower's claims and assessing team with a member of our Repair Partner Network.

Delivering operational efficiencies

This year, Tower was proud to mark 150 years of operation in Fiji and open our new Suva hub.

Our Suva hub is a modern work environment that presents a strategic advantage for Tower. A range of business units from finance and human resources to marketing and claims are represented in Fiji.

Our core platform unifies our operations, allowing us to function as one Tower across all markets we serve. Over the year, this saw an increase in the volume of sales and service tasks handled by our Fiji team, for our New Zealand customers.

The ability to flex resources across locations and departments to meet demand helps us deliver a consistent experience for all our customers, while increasing business resilience.

"We are opening doors to opportunity, growth and prosperity...Tower, over the years, has shown a steadfast commitment to enhancing the landscape of Fiji. I also acknowledge Tower's continuous efforts to enhance efficiency, productivity, and employee development."

- The Hon. Professor Biman Prasad, Deputy Prime Minister of Fiji, at the opening of Tower's Suva hub, in February.

150	Years in operation
100%	Of Tower Fiji staff are locals
80%	Of Tower Fiji's leadership team are women
300+	Team members across all multiple business functions
94%	Of staff have previous experience in international businesses
55%	Of NZ sales and service calls answered by Suva hub vs. 16% in FY23

The Hon. Professor Biman Prasad, Deputy Prime Minister of Fiji.

Doing business in Fiji makes good business sense

In June, the Rt. Hon. Christopher Luxon, Prime Minister of New Zealand visited our Suva hub, as part of the New Zealand government's Pacific trade visit.

The visit was a chance for Tower to showcase our people, the benefits of our Suva hub, and our parametric cyclone product.

"To see an incredible business like we saw this morning with Tower actually, that is trailblazing a world class organisation here in Suva."

- The Rt. Hon. Christopher Luxon, Prime Minister of New Zealand, The Fiji Times, June 7 2024.

The Rt. Hon. Christopher Luxon, Prime Minister of New Zealand at our Suva hub.

Streamlining and strengthening our Pacific operations

In FY24 we completed the sales of our Solomon Islands business and Vanuatu subsidiary.

This follows the sale of the Papua New Guinea subsidiary in FY23.

The establishment of our new Suva hub and these sales reinforce the actions Tower has taken over the last three years to streamline our Pacific operations, refine our risk appetite, and enhance our digital and operational proposition in key Pacific markets.

Our remaining Pacific businesses in Fiji, Tonga, Samoa, American Samoa and the Cook Islands have the infrastructure required to successfully operate and upgrade My Tower.

These capabilities are crucial to our strategy to deliver a leading customer experience for personal lines and small to medium enterprises (SMEs) in the Pacific.

5	Pacific markets; Fiji, Tonga, Samoa, American Samoa, and the Cook Islands
$48m	Pacific GWP, a 2%[1] decrease from FY23

[1] Adjusted to exclude divested portfolios which include the Solomon Islands business and Vanuatu subsidiary.

Team members at Tower's Suva hub.

Resilient

Here for our customers at claims time

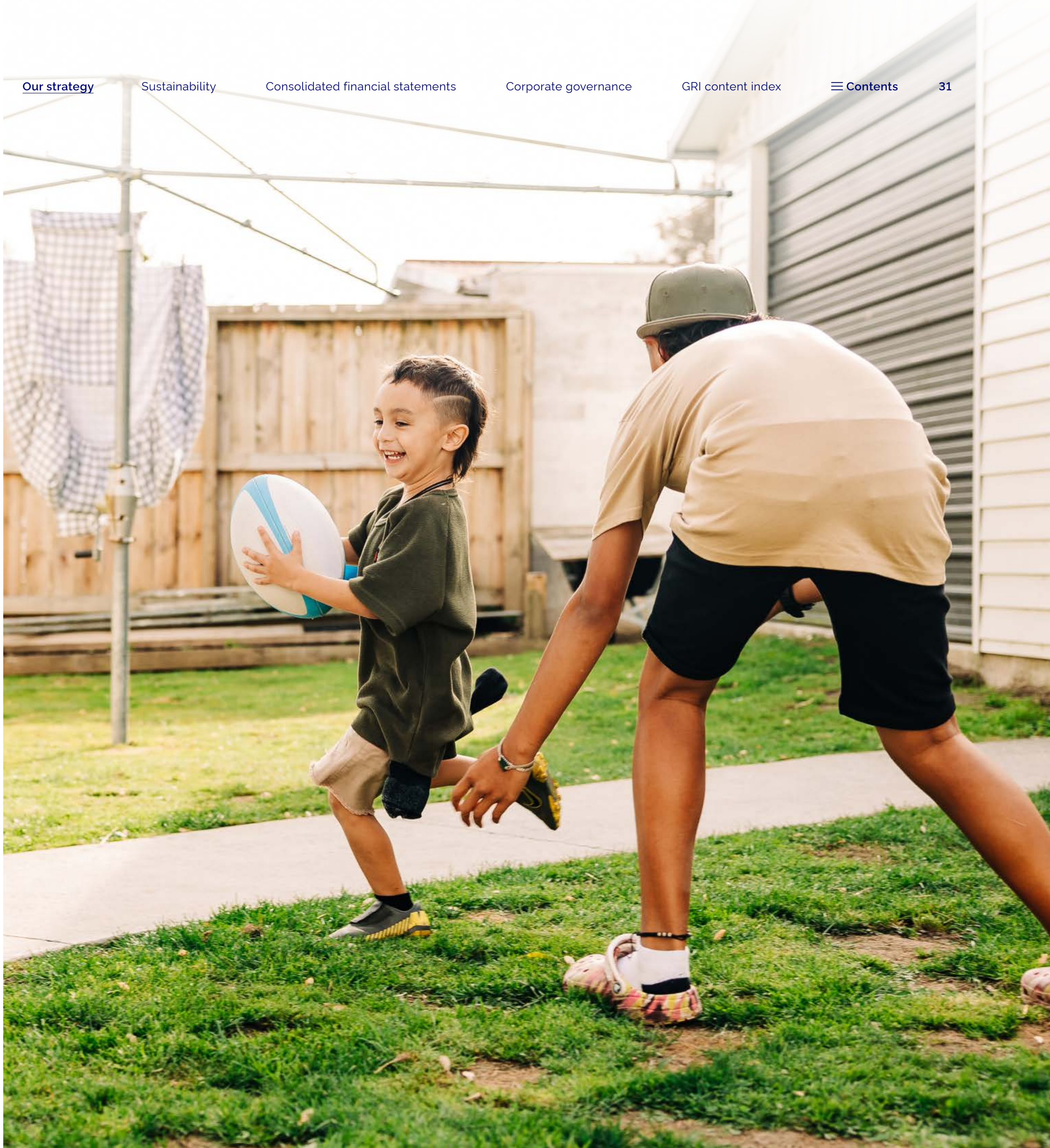
We're committed to helping customers recover from a loss at claims time – it's what we are here for.

While we experienced no large weather or natural hazard events in New Zealand or across the Pacific in FY24, we still helped our customers protect the things that matter to them, reporting 67,500 everyday claims*.

12,200	NZ motor claims for damage that occurred while stopped or parked
1,100	Kiwi house claims for garages, mostly due to damage by a vehicle or trailer
4,000	Travel insurance policies for trips to Australia, our most popular destination
14%	Of travel claims were for baggage and personal effects in FY24
1.5%	Boat claims were for mishaps while fishing on jet skis
8.5%	Boat claims happened on the way to or after leaving the boat ramp
219	New couches supplied to living rooms throughout NZ
2,200	Claims for new glasses, mostly due to sitting on them

*While there were no large weather events in FY24, our everyday claims figure still includes claims for weather related damage.

98	Claims for Pacific homes
13,300	Claims for Kiwi homes
1,700	Smashed window claims for Kiwi homes
1,600	Pacific motor claims



Strengthening the foundations of our business

We launched Foundations First, in April 2024, a strategically important programme for our business.

Key projects under Foundations First include:

- Carrying out all customer remediations
- Investigating root causes of various incidents with a view to developing strategies to address those root causes
- Enhancing delivery and project execution
- Improving end-to-end customer data management at Tower.

The Foundations First programme will ultimately drive outcomes that will help increase business resilience to support good customer experiences and sustainable growth in a competitive market.

Our Foundations First programme is complemented by Tower's process excellence initiative, which focuses on end-to-end process simplification and risk reduction opportunities.

Tower's customer care centre.

Robust reinsurance to support growth and strong solvency

Tower's reinsurance arrangements limit Tower's exposure to the impacts of large events and maintain financial flexibility to support growth, while underpinning strong solvency.

We renewed our reinsurance programme for FY25, with comprehensive reinsurance cover at competitive rates for our home, motor, boat and commercial portfolios across New Zealand and our Pacific markets.

To support growth and align with our prudent risk appetite, Tower's FY25 reinsurance programme includes:

- Increased catastrophe upper limit of $800m for the first two events, up from $750m in FY24
- Increased cover for a third catastrophe event up to $85m, up from $75m in FY24
- Reinsurance excess of $18.75m for the first two events, up from $16.9m in FY24, due to expiring multi-year arrangements
- $20m excess for a third event, unchanged from FY24.

Tower's focus on risk-based pricing combined with our dynamic rating ability helped us secure favourable terms for our FY25 reinsurance. We've further strengthened relationships with global reinsurers, with several agreeing to new multi-year arrangements, providing greater long-term certainty of reinsurance costs and catastrophe excesses.

Securing a programme with stable excesses and pricing helps us to maintain competitive pricing for customers.

$800m Cover in place for first two catastrophe losses in FY25

$85m Cover in place for a third catastrophe event in FY25

Effective & distinctive culture

Our people come first

We're committed to making Tower an even better place to work, enabling us to attract and retain talented individuals and empower our teams to do great things.

Twice a year we 'check in' via employee engagement surveys, which have shown increasing levels of engagement and connection to Tower.

We know that diversity is essential for a business to thrive, innovate and succeed in a competitive market so we're proud to share that all our employee diversity and inclusion (D&I) scores, have continued to increase.

In our latest survey* our overall D&I score was 8.9, up from 8.6 in FY23, placing Tower in the top 10% of the global finance sector. Inclusiveness, feeling valued and belonging all received scores of 8.4, marking an increase of 0.1-0.4 compared to FY23.

Tower head office celebrating being announced as a finalist in the 2024 ANZIIF New Zealand Insurance Industry Awards' Excellence in Workplace DE&I category.

8.1 Employee engagement score*

68% Employees are non-European, based on the 92% of staff who chose to disclose their ethnicity

*As at 13 September 2024, based on Tower's latest staff engagement survey

Quarterly staff awards for living our values.

Committed to our people

Looking after our people

We know that by taking care of our people, we enable them to show up in the best way possible for our customers.

In FY24 we continued to enhance the Tower experience for our people. We offer a range of benefits and flexible working options, including the ability to use discretionary leave and purchase up to eight additional days beyond the initial four-week entitlement, to help employees proactively manage their personal and family wellness. In the year we also ran 18 financial and emotional wellbeing sessions for our teams.

All of these actions contributed to our high employee health and wellbeing score, at 8.5*, in the top 25% of the global finance sector.

Fiji Human Resources Institute Awards, **Silver Award for HR Practicing Leader 2024** – Monish Chand

*As at 13 September 2024, based on Tower's latest staff engagement survey

16	Weeks full pay parental leave for primary carers
4	Weeks full pay for partners (all parental leave also applied to adoptions)
10	Days wellbeing leave
1	Day of volunteer leave per year
1	Paid day off on or near your birthday
+	Gender affirmation leave


The Tower American Samoa team.


The Tower Tonga team.

Tower became one of the first 50 businesses to join New Zealand's Mind the Gap register in 2022, to publicly report on pay gap data.

Our FY24 pay equity data is below.

20.2%

Gender pay gap

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 our workforce in New Zealand, and a gap of 9.5% for our work workforce in Fiji. For the most part, this is because we have a larger proportion of of women in frontline roles.

0.9%

Gender pay equity gap

When we compare like-for-like roles for women and men, our pay equity gap is 0.9% for our workforce in New Zealand, and 1.9% for our workforce in Fiji (men are paid 0.9% more than women for the same role in New Zealand and 1.9% more in Fiji).

-4.6%

Leadership gender pay gap

Comparing our senior leadership population and the average pay gap between men and women, our New Zealand leadership pay gap is -4.6% (women are paid 4.6% more than men, this is because our lower level leadership roles have a higher proportion of men, which impacts the overall weighted average).

0.1%

Leadership gender pay equity gap

When we compare like-for-like roles for our leadership population at Tower in New Zealand, our leadership pay equity gap is [0.1%] (men are paid 0.1% more than women for the same role).

Staff at Tower's head office.

For Tower, by Tower people

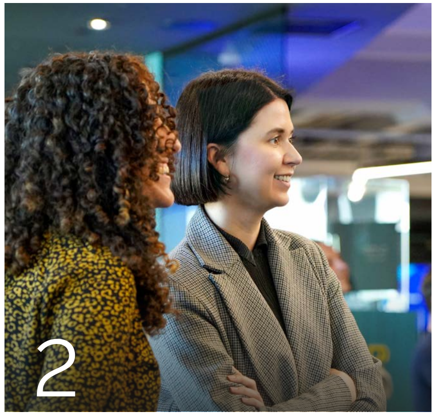
Our employee representation groups (ERGs) champion the unique backgrounds and perspectives of our teams.

They work to enhance, celebrate and continuously improve diversity, equity and inclusion in our organisation, and regularly contribute to our fortnightly all staff meetings.

In FY24 our ERGs led events, among others, for Matariki, Diwali, Lunar New Year, Te Wiki o te Reo Māori, other language weeks for our Pacific operations, and raised over $10,800 for Sweat with Pride 2024 (one of the top 10 highest contributions by a workplace in New Zealand).

30% of Tower staff are members of an ERG

7 ERGs at Tower



1. Rainbow Network (LGBTIQ+).
2. Mana Wahine Toa (women's network).
3. Ahi Kā (Māori roopu).
4. SPARK (supporting physical and neurodiversity, advocacy, respect and knowledge) Network.
5. We@Tower Group (celebrates cultural diversity).
6. Mera Hanua (celebrates cultural diversity in Fiji).
7. Tower Bula Fiji (focused on staff wellbeing).

Strengthening our culture of risk awareness


Staff at Tower's head office.

Risk management is central to Tower's strategic and operational activities and is underpinned by Tower's enterprise-wide Risk Management Framework (RMF).

The RMF sets out guiding principles to enable Tower to identify, assess, monitor and mitigate risk to support the achievement of our strategic objectives.

Part of this strategy in FY24, was to enhance Tower's culture of risk awareness. During the year, this included strengthened risk assessment and incident management practices and a dedicated focus on process excellence. Tower's work on conduct through the Conduct of Financial Institutions (CoFI) lens will further advance fair customer outcomes. Through Foundations First, root cause analysis was also undertaken to understand and address key issues and causes of incidents across people, processes, systems, and culture.

Pleasingly, in FY24 we saw an uplift in all employee scores for risk culture and awareness*.

8.3

Risk Culture employee score, up 0.2 in FY24*

8.6

Employee score for 'managing risks across our business is a part of Tower's culture', up 0.2 in FY24*

*Employee engagement surveys are run twice yearly, in March and September, scores are compared from our March 2024 survey and our latest survey, completed September 13 2024.

Environmental, social and governance performance

Fostering a more sustainable business for our customers, communities and planet

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.

DIVERSE AND INCLUSIVE TO THE CORE

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

THINKING AHEAD FOR OUR PLANET

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.

PEOPLE'S GO-TO TRUSTED INSURANCE PARTNER

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

HELPING COMMUNITIES NAVIGATE CLIMATE CHANGE

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

ESG Governance

Tower's Board promotes the development of Tower's ESG practices, monitoring performance via periodic management updates.

ESG governance is formalised through an executive-level steering committee, chaired by our CEO, which oversees progress on our initiatives and monitors environmental and social risks. Our ESG performance is coordinated by the Head of Corporate Affairs and Sustainability and supported by our Sustainability Manager.

In FY24 Tower delivered its first Climate Related Financial Disclosures (CRD). This work included the development of a new governance framework which covers ESG and climate change issues. You can find detailed information about our governance of climate change and ESG issues in our 2024 Climate Statement, in the sustainability section of our website.

Bringing our people on the sustainability journey

This year we focused on upskilling our people on sustainability issues to further embed a culture of sustainability across our business activities.

During the year, senior leaders and other team members took part in training focused on the fundamentals of sustainability, climate change and relevant legislative and regulatory requirements.

40	Staff attended Sustainability Foundations Training. The sessions provided participants with a clear understanding of key sustainability concepts.
33	Staff completed Climate Fresk training. Delivered to more than 1.7m people globally, Climate Fresk teaches the basics of climate science in a fun and interactive workshop that explores the causes and effects of climate change and empowers people to take high impact actions. During the year, Tower also hosted two community Fresk workshops, at our head office.
18	Executive and Senior Leadership team members completed training on climate disclosures and Tower's Climate-Related Disclosure obligations.
4	We hosted four virtual all-staff lunch-and-learn sessions for Plastic Free July, focusing on the uses and types of plastics, as well as strategies to eliminate single-use plastics from our home and work environments. These sessions aimed to encourage our staff to make more sustainable choices.

Staff at Tower's head office.

Tower Climate Change Scholarship

We're proud to support the next generation of climate leaders.

Tower has supported students studying the University of Waikato's (UoW) world-first Bachelor of Climate Change degree since its inception in 2021, offering three $5,000 scholarships annually to assist students in their studies.

In FY24 we were pleased to announce Maia Waudby and Hannah Dagger as the 2024 Tower Climate Change Scholarship recipients. Both Maia and Hannah are aiming to use their studies to mitigate the adverse effects of climate change on Māori and Pacific communities.

As a Kiwi and Pacific insurer, we're acutely aware of the climate risks faced by island communities and are inspired by Maia and Hannah's passion for helping our communities navigate the impacts of climate change.

In the year, Maia and other third-year UoW students worked on a project for Tower, to identify initiatives to reduce Scope 3 insured emissions related to customer assets.

During a briefing at our Auckland office, students learned about insurance fundamentals, Tower's current methodology for calculating insured emissions, and reviewed relevant international case studies.

UoW student briefing for emissions reduction project.

In FY25, we will evaluate the students' proposals to identify the most impactful opportunities for decarbonisation, while considering the needs of our communities, customers, other stakeholders and business.

"The scholarship is definitely a big help. It's nice to know that there's a big insurance company out there in Tower, that supports what you do."

– Maia Waudby,
Tower Climate Change Scholarship recipient.

Tower Vunilagi Scholarship

During celebrations to mark 150 years in operation in Fiji, we launched the Tower Vunilagi Scholarship.

Launched in June, each year the Tower Vunilagi Scholarship will be awarded to students who demostrate potential to be future Tower leaders, helping us build an even better business and create a more equitable, resilient and sustainable future for all Fijians.

Reflecting the purpose of the scholarship, the word 'vunilagi' means 'new horizons'.

The scholarship covers a full year of tuition fees for three students in their final year of bachelor's degree study at The University of the South Pacific (USP).

Recipients will also complete paid internships with Tower.

This year's successful applicants; Shaunil Chand (Bachelor of Commerce, Accounting and Finance), Shayal S Gosai (Bachelor of Commerce, Accounting and Finance) and Saula Baleinubu (Bachelor of Arts in Social Work and Sociology), will begin their internships with Tower Fiji in the first half of FY25.

Tower leadership team members with the 2024 Tower Vunilagi Scholarship recipients.

"This scholarship serves as a catalyst for personal growth, equipping me with essential skills while fostering connections that will enhance my capacity as a future leader in my home country."

- Saula Baleinubu,
Tower Vunilagi Scholarship recipient.

2,300 hours of volunteering by our people

At Tower, permanent, full-time employees receive one annual volunteer leave day to support a cause they are passionate about.

Teams can decide on projects together, or individual staff members choose a cause close to their hearts to support.

We relaunched our volunteer leave programme in Q4 of FY23, with a target of 1,000 volunteer hours spent in our communities for FY24.

In line with our purpose, we're proud to report that our teams recorded 2,300 hours of volunteer leave in FY24, up from 390 hours in FY23.

We look forward to building on our volunteer efforts in FY25 and have set a target of 2,500 hours.

"We've been receiving food from Fair Food since our programme began, and we remain so incredibly grateful. Fair Food is part of helping our women succeed."

– Helen,
Fair Food Young Mums Programme.

Mural painting at the National Council for Persons with Disabilities' school, Fiji.


Volunteering at Papatoetoe Central School, NZ.

Fair Food, New Zealand.


Beach cleanup, American Samoa.

Future focused for our planet

FY24 is our first year of mandatory disclosure, under the Climate-Related Disclosure regime.

Tower has tracked Scope 1, 2 and selected Scope 3 emissions for our operations across New Zealand and the Pacific since 2020.

In FY24 we reduced our Scope 1 and 2 emissions by 20% from our 2020 baseline and by 9% compared to FY23. Our full greenhouse gas emissions report is provided in our Climate Statement 2024, which is in the sustainability section of our website. The Statement contains our Scope 1, Scope 2 and operational Scope 3 emissions data, as well as information about our work to identify and assess our climate related risks, opportunities and business impacts.

In FY25, we will also assess material Scope 3 emissions related to the assets we insure and our supply chain. This will help us better understand our upstream and downstream carbon footprint, including contributions from our partners and customers, and support a low emission, climate resilient future.

Material impacts

Each financial year, we review the material impacts identified in our baseline FY21 Materiality Assessment, which serves as the foundation of our 2020-2025 Sustainability Strategy.

Our priority impacts remained unchanged in FY24. However, given New Zealand's cost of living crisis, there is a greater need to support affordable and accessible insurance products for our communities. Our ways to save and pricing and underwriting features on pages 13 and 20 outline some of the actions we are taking to manage this challenge.

Our 12 most material topics are;

- affordable and accessible insurance,
- diversity and inclusion,
- employee wellbeing,
- transparent insurance,
- product development and innovation,
- data protection,
- managing the impacts of climate change,
- corporate and community citizenship,
- carbon emissions,
- corporate governance,
- environmental footprint,
- responsible investment.

The details of Tower's material impacts including the actions we are taking to manage these, and our targets are available in our material impacts table, which can be found in the sustainability section of our website.

B Corp

In FY24, work continued towards obtaining B Corp certification. Tower completed the B Corp Business Impact Assessment and has submitted its application for certification. We are currently in the evaluation stage, working with B Corp to advance to the verification stage. We look forward to sharing more information with the market as our application progresses.

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 Fairway Group Limited, and a Non-Executive Director of 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.

Consolidated financial statements

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 2024

	NOTE	2024 $000	RESTATED 2023 $000
Insurance revenue		555,818	472,611
Insurance service expense	2.2	(381,608)	(604,851)
Insurance service result before reinsurance contracts held		174,210	(132,240)
Net (expense)/income from reinsurance contracts held		(91,364)	124,360
Insurance service result		**82,846**	(7,880)
Investment income	3.1	21,800	14,627
Investment expense		(250)	(298)
Net investment income		21,550	14,329
Finance expense from insurance contracts issued	2.3	(5,592)	(1,510)
Finance income from reinsurance contracts held	2.3	3,020	162
Net insurance finance expense		(2,572)	(1,348)
Net insurance and investment result		**101,824**	5,101
Other income		4,064	5,727
Other operating expenses	2.2	(2,348)	(2,145)
Finance costs		(882)	(920)
Profit before taxation from continuing operations		**102,658**	7,763
Tax expense from continuing operations	7.1	(31,774)	(5,176)
Profit after taxation from continuing operations		**70,884**	2,587
Profit/(loss) after taxation from discontinued operations	8.4	3,401	(3,609)
Profit/(loss) after taxation for the year		**74,285**	(1,022)

	NOTE	2024 $000	RESTATED 2023 $000
Items that may be reclassified to profit or loss			
Currency translation differences		(1,308)	(1,494)
Reclassification of the foreign currency translation reserve	8.4	410	544
Other comprehensive loss net of taxation		**(898)**	(950)
Total comprehensive profit/(loss) for the year		**73,387**	(1,972)
Earnings per share:			
Basic earnings per share (cents) for continuing operations	5.4	18.7	0.7
Basic earnings per share (cents) for profit attributable to shareholders	5.4	19.6	(0.3)
Profit/(loss) after taxation attributed to shareholders		**74,285**	(1,022)
Total comprehensive profit/(loss) attributed to shareholders		**73,387**	(1,972)

Refer to note 1.1d for further details of the restatement of the comparative period.

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

Consolidated balance sheet

AS AT 30 SEPTEMBER 2024

	NOTE	2024 $000	2023 $000	RESTATED 2022 $000
Assets				
Cash and cash equivalents	8.1	75,390	64,009	84,502
Investments	3.2	367,506	258,798	258,634
Receivables	2.5	19,799	16,797	13,408
Current tax assets	7.2a	13,222	12,917	13,069
Assets classified as held for sale	8.4	–	11,505	16,673
Reinsurance contract assets	2.4	35,503	147,236	26,918
Deferred tax assets	7.3a	382	16,074	16,492
Right-of-use assets	6.3a	19,990	23,204	23,326
Property, plant and equipment	6.1	6,735	6,280	5,417
Intangible assets	6.2	96,621	98,524	94,653
Total assets		**635,148**	655,344	553,092
Liabilities				
Payables	2.6	32,287	18,378	20,861
Insurance contract liabilities	2.4	177,569	285,809	164,912
Current tax liabilities	7.2b	606	198	136
Liabilities classified as held for sale	8.4	–	7,609	5,119
Provisions	2.7	21,959	12,823	11,873
Lease liabilities	6.3a	28,855	32,615	35,054
Deferred tax liabilities	7.3b	13,716	178	339
Total liabilities		**274,992**	357,610	238,294
Net assets		**360,156**	297,734	314,798

	NOTE	2024 $000	2023 $000	RESTATED 2022 $000
Equity				
Contributed equity	5.1	460,734	460,315	460,191
Retained earnings/(losses)		4,428	(58,473)	(43,942)
Reserves	5.2	(105,006)	(104,108)	(101,451)
Total equity		**360,156**	297,734	314,798

Refer to note 1.1d for further details of the restatement of the comparative periods.

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

The financial statements were approved for issue by the Board on 28 November 2024.

Michael P Stiassny
Chairman

Graham R Stuart
Director

Consolidated statement of changes in equity

YEAR ENDED 30 SEPTEMBER 2024

	NOTE	ATTRIBUTED TO SHAREHOLDERS CONTRIBUTED EQUITY $000	RETAINED EARNINGS/ (LOSSES) $000	RESERVES $000	TOTAL EQUITY $000
Year Ended 30 September 2024					
Balance as at 30 September 2023 (restated)		460,315	(58,473)	(104,108)	297,734
Comprehensive income					
Profit for the year		–	74,285	–	74,285
Currency translation differences		–	–	(1,308)	(1,308)
Reclassification of foreign currency translation reserve to profit or loss	8.4	–	–	410	410
Total comprehensive income		**–**	**74,285**	**(898)**	**73,387**
Transactions with shareholders					
Dividends paid	5.5	–	(11,384)	–	(11,384)
Share rights issued under Tower Long-Term Incentive Plan	8.5	419	–	–	419
Total transactions with shareholders		**419**	**(11,384)**	**–**	**(10,965)**
At the end of the year		**460,734**	**4,428**	**(105,006)**	**360,156**
Year Ended 30 September 2023					
Balance as at 30 September 2022 originally reported		460,191	(41,212)	(101,451)	317,528
Adjustment on initial application of NZ IFRS 17 on 1 October 2022	1.4	–	(2,730)	–	(2,730)
Restated balance at beginning of the year		460,191	(43,942)	(101,451)	314,798
Comprehensive loss (restated)					
Loss for the year		–	(1,022)	–	(1,022)
Currency translation differences		–	–	(1,494)	(1,494)
Reclassification of foreign currency translation reserve to profit or loss	8.4	–	–	544	544
Revaluation surplus transferred to retained earnings	5.2	–	1,707	(1,707)	–
Total comprehensive loss (restated)		–	685	(2,657)	(1,972)
Transactions with shareholders					
Dividends paid		–	(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 (restated)		460,315	(58,473)	(104,108)	297,734

Refer to note 1.1d for further details of the restatement of the comparative period.

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

Consolidated statement of cash flows

FOR THE YEAR ENDED 30 SEPTEMBER 2024

	NOTE	2024 $000	RESTATED 2023 $000
Cash flows from operating activities			
Premiums received for insurance contracts issued		560,514	482,701
Insurance acquisition costs paid		(68,119)	(58,441)
Reinsurance paid		(72,944)	(69,508)
Interest received		17,606	11,611
Fee and other income received		2,857	2,920
Insurance claims paid and other insurance service expenses		(386,791)	(420,279)
Reinsurance recoveries received		91,551	78,487
Other operating payments		(2,348)	(2,145)
Income tax paid		(1,011)	(1,805)
Operating activities cash flow from discontinued operations		3,872	(15,276)
Net cash inflow from operating activities	8.1	**145,187**	8,265
Cash flows from investing activities			
Proceeds from sale of interest bearing investments		404,097	256,607
Payments for purchase of interest bearing investments		(503,035)	(255,111)
Payments for purchase of intangible assets		(17,395)	(15,299)
Payments for purchase of customer relationships	6.2	–	(5,900)
Proceeds from sale of property, plant & equipment		30	5,746
Payments for purchase of property, plant & equipment		(2,360)	(2,557)
Net proceeds from sale of discontinued operations		2,019	2,658
Investing activities cash flow from discontinued operations		76	1,427
Net cash outflow from investing activities		**(116,568)**	(12,429)

	NOTE	2024 $000	RESTATED 2023 $000
Cash flows from financing activities			
Dividends paid		(11,384)	(15,213)
Payments relating to lease liabilities	6.3	(5,064)	(6,980)
Financing activities cash flow from discontinued operations		(25)	(56)
Net cash outflow from financing activities		**(16,473)**	(22,249)
Net increase/(decrease) in cash and cash equivalents		**12,146**	(26,413)
Effect of foreign exchange rate changes		(2,067)	(575)
Cash and cash equivalents at the beginning of the year		65,311	92,299
Cash and cash equivalents at the end of the year		**75,390**	65,311
Cash from discontinued operations	8.4	–	1,302
Cash and cash equivalents at the end of the year from continuing operations		**75,390**	64,009

Refer to note 1.1d for further details of the restatement and re-presentation of the comparative period.

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 28 November 2024. 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 Accounting Standards (IFRS Accounting Standards), 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. Restatement and re-presentation of comparatives

As a result of the adoption of NZ IFRS 17 Insurance Contracts (NZ IFRS 17), there have been restatements made to the comparatives as at 30 September 2023. There are also changes in presentation of the consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of cash flows. Refer to note 1.4a for further details.

In addition to the restatements due to the adoption of NZ IFRS 17 there has been certain reclassifications in the cash flow statement to ensure the consistency in the presentation in the current year.

e. Discontinued operations

The Group's Solomon Islands Operations (disposal group), and Vanuatu Operations (disposal group) were disposed in the year ended 30 September 2024.

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. Refer to note 8.4 for further details.

The activities of the businesses have been reported in the current period, and as at 30 September 2023, as a discontinued operation.

1.2 Consolidation

a. Principles of consolidation

The Group financial statements incorporate the assets and liabilities of all subsidiaries of the Company at reporting 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.

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 (FCTR) 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 reporting 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 FCTR 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 FCTR 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	2024	2023
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	PNG	0%	0%
National Pacific Insurance Limited	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	0%	100%
Management service operations			
Tower Services Limited	NZ	100%	100%
Tower Group Services (Fiji) Pte Limited	Fiji	100%	100%

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:

— Insurance and reinsurance contracts	
Premium allocation approach (PAA) eligibility	note 2.1
Identification of groups of onerous contracts	note 2.1
Liability for incurred claims and reinsurance asset for incurred claims, including risk adjustment and the confidence level used	note 2.4
— Compliance and remediation provision	note 2.7
— Intangible assets	note 6.2
— Lease liabilities (incremental borrowing rate)	note 6.3a(ii)
— Deferred tax	note 7.3

1.4 Changes in accounting policies and disclosures

a. New standards and interpretations

Tower adopted NZ IFRS 17 Insurance Contracts (NZ IFRS 17) from 1 October 2023. NZ IFRS 17 replaces the guidance in NZ IFRS 4 Insurance Contracts (NZ IFRS 4) and establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts. There has been no material impact to Tower's profitability or strategies, with the main impact being on the disclosure and presentation of financial information. Tower has not adopted any other standard, amendment or interpretation with a material effect on Tower.

Accounting policy change

Tower has applied the PAA to the measurement of all insurance contracts issued and reinsurance contracts held by Tower. The PAA is a simplified measurement model in comparison with the general model under NZ IFRS 17, it is similar to the previous measurement model used for general insurance under NZ IFRS 4.

NZ IFRS 17 introduces several new concepts, including:

- Measuring insurance contract assets and liabilities separately from reinsurance contract assets and liabilities.
- Onerous contracts, where losses from unprofitable contracts are recognised when onerous contract testing shows that the fulfilment cash flows of a group of insurance contracts is likely to be greater than the carrying value of the liability for remaining coverage (LRC).
- LRC, which reflects the insurance coverage expected to be provided by Tower after the reporting date.
- Liability for incurred claims, which reflects the remaining liability for insurance claims that occurred prior to the reporting date, adjusted for the time value of money. The liability also includes an explicit risk adjustment for non-financial risks.
- Reinsurance asset for remaining coverage, which reflects Tower's reinsurance coverage, adjusted to include a loss-recovery component for expected recoveries over underlying contracts that are considered to be onerous.
- Reinsurance asset for incurred claims, which reflects reinsurance recoveries on claims that occurred prior to the reporting date, adjusted for the time value of money. The asset also includes an explicit risk adjustment for non-financial risks.

Tower's accounting policy for recognition, classification, measurement, and derecognition of insurance and reinsurance contracts is explained in note 2.1.

Impact of accounting policy change

NZ IFRS 17 requires insurers to retrospectively apply the standard as if it had always been in effect, unless it is impracticable to do so. Tower has determined that reasonable and supportable information was available for all contracts in force at the transition date. NZ IFRS 17 has been applied using the full retrospective approach in accordance with Appendix C of the standard, and the comparative information for the year ended 30 September 2023 has been restated.

As a result of the adoption of NZ IFRS 17, Tower has identified, recognised, and measured each group of insurance contracts as if NZ IFRS 17 had always applied. Premium receivable, reinsurance recoveries, deferred insurance costs, unearned premiums, and outstanding claims are no longer presented on the face of the balance sheet or in the notes. These are now replaced by insurance contract liabilities and reinsurance contract assets.

Notes to the consolidated financial statements (continued)

1.4 New standards and interpretations (continued)

Impact of accounting policy change (continued)

Tower has applied the transitional provisions under NZ IFRS 17 and has not disclosed the impact to each financial statement line item and earnings per share. The impact on equity for transitioning to NZ IFRS 17 is shown in the table below.

	CONTRIBUTED EQUITY $000	ACCUMULATED LOSSES $000	OTHER RESERVES $000	TOTAL EQUITY $000
Closing balance (30 September 2022)	460,191	(41,212)	(101,451)	317,528
Risk adjustment[1]	–	(4,761)	–	(4,761)
Changes in discounting[2]	–	1,120	–	1,120
Changes in deferred IACF[3]	–	(155)	–	(155)
Tax impact[4]	–	1,066	–	1,066
Opening balance under NZ IFRS 17 (1 October 2022)	**460,191**	**(43,942)**	**(101,451)**	**314,798**

The impact to opening total equity is driven by the following:

[1] The net impact from the derecognition of risk margin under NZ IFRS 4 and the recognition of risk adjustment on liability for incurred claims and reinsurance asset for incurred claims under NZ IFRS 17.

[2] The impact of discounting certain liabilities for incurred claims and reinsurance assets for incurred claims under NZ IFRS 17 which Tower opted not to discount under NZ IFRS 4.

[3] The exclusion of non-attributable expenses under NZ IFRS 17 from the deferral of insurance acquisition cash flows (IACF).

[4] The tax impact of the above adjustments against deferred tax assets and liabilities.

There are other standards, amendments and interpretations which have been approved but are not yet effective. The Group expects to adopt other standards when they become mandatory. NZ IFRS 18 Presentation and Disclosure in Financial Statements (NZ IFRS 18) will replace NZ IAS 1 Presentation of Financial Statements and may have a material impact on Tower's disclosures. NZ IFRS 18 has been issued but is not effective for Tower until 1 October 2027. Tower has not yet completed an assessment of the impact of adopting NZ IFRS 18.

1.5 Segmental reporting

a. Operating segments

Information is provided by operating segment to assist an understanding of the Group's performance.

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. 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 2024				
Insurance revenue	513,566	42,252	–	555,818
Insurance service expense	(356,693)	(24,553)	(362)	(381,608)
Net (expense)/income from reinsurance contracts held	(86,029)	(5,398)	63	(91,364)
Insurance service result	**70,844**	**12,301**	**(299)**	**82,846**
Net investment income	20,666	884	–	21,550
Net insurance finance expense	(2,572)	–	–	(2,572)
Net insurance and investment result	**88,938**	**13,185**	**(299)**	**101,824**
Other income	3,873	191	–	4,064
Other operating expenses	(2,307)	(41)	–	(2,348)
Finance costs	(722)	(160)	–	(882)
Profit/(loss) before taxation from continuing operations	**89,782**	**13,175**	**(299)**	**102,658**
Tax (expense)/benefit	(25,716)	(6,101)	43	(31,774)
Profit/(loss) after taxation from continuing operations	**64,066**	**7,074**	**(256)**	**70,884**

Notes to the consolidated financial statements (continued)

1.5 Segmental reporting (continued)

b. Financial performance of continuing operations (continued)

	NEW ZEALAND $000	PACIFIC ISLANDS $000	OTHER $000	TOTAL $000
Year Ended 30 September 2023 (Restated)				
Insurance revenue	429,706	42,905	-	472,611
Insurance service expense	(586,730)	(18,146)	25	(604,851)
Net income/(expense) from reinsurance contracts held	140,371	(16,250)	239	124,360
Insurance service result	(16,653)	8,509	264	(7,880)
Net investment income	13,622	707	-	14,329
Net insurance finance expense	(1,348)	-	-	(1,348)
Net insurance and investment result	(4,379)	9,216	264	5,101
Other income	4,338	761	628	5,727
Other operating expenses	(2,106)	(39)	-	(2,145)
Finance costs	(734)	(186)	-	(920)
(Loss)/profit before taxation from continuing operations	(2,881)	9,752	892	7,763
Tax expense	(2,437)	(2,567)	(172)	(5,176)
(Loss)/profit after taxation from continuing operations	(5,318)	7,185	720	2,587

c. Financial position of continuing operations

	NEW ZEALAND $000	PACIFIC ISLANDS $000	OTHER $000	TOTAL $000
Additions to non-current assets 30 September 2024	**18,702**	**2,175**	**–**	**20,877**
Additions to non-current assets 30 September 2023	24,081	6,319	–	30,400
Total assets 30 September 2024	**589,793**	**56,580**	**(11,225)**	**635,148**
Total assets 30 September 2023 (restated)	618,213	50,975	(25,349)	643,839
Total liabilities 30 September 2024	**250,337**	**25,478**	**(823)**	**274,992**
Total liabilities 30 September 2023 (restated)	333,896	27,704	(11,599)	350,001

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

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.

Notes to the consolidated financial statements (continued)

2 Insurance and reinsurance contracts

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 insurance revenue when they are earned by Tower, reducing the liability for remaining coverage 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 insurance expenses. To ensure that Tower's obligations to customers are properly recorded within the financial statements, Tower recognises a liability for incurred claims on the balance sheet.

To manage Tower's risk and optimise its returns, Tower reinsures some of its exposure with reinsurance companies. Net expense from reinsurance contracts is measured as an allocation of reinsurance premiums paid plus any other directly attributable expenses, less amounts recovered from reinsurers and any change in risk from reinsurer non-performance.

2.1 Insurance and reinsurance contracts accounting policies

a. Recognition

Tower recognises insurance contracts at the earlier of the commencement of the coverage period, or when the first premium for a group of insurance contracts is due. At inception of insurance contracts, Tower analyses and identifies any distinct contract components that may need to be accounted for under another NZ IFRS instead of NZ IFRS 17. Currently, Tower does not have any product groups that include distinct components that require separation.

Insurance revenue is recognised based on passage of time over the coverage period of the contract, resulting in a linear allocation of revenue for each contract across its coverage period. Revenue earned excludes taxes and levies collected on behalf of third parties.

Insurance service expenses arising from insurance contracts are generally recognised in profit or loss as they are incurred, except for insurance acquisition cash flows.

Insurance finance income and expenses comprise changes in the carrying amounts of groups of insurance and reinsurance contracts arising from the effects of, and changes in, the time value of money and financial risk. Tower has elected to present all insurance finance income and expenses in profit or loss.

b. Measurement Model - Insurance Contracts

NZ IFRS 17 contains three measurement models:

1) The general measurement model (GMM) 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)

2) A modified version of the general model (the variable fee approach, or VFA) is applied to insurance contracts with direct participation features

3) A simplified measurement model (the PAA) is permitted in certain circumstances.

The majority of Tower's insurance portfolios have a coverage period of one year or less, which allows for application of the PAA. The coverage period, or contract boundary, is the period during which Tower has a substantive obligation to provide customers with insurance contract services. The substantive obligation ends when Tower can reprice insurance contracts to reflect reassessed risk.

For any insurance groups with coverage periods greater than one year, Tower has assessed that the resulting liability for remaining coverage as measured under the PAA would not differ materially from the result of applying the GMM. Therefore Tower has applied the PAA to all its insurance groups. Refer to note 2.1(i) for discussion around reinsurance PAA eligibility assessment.

Tower does not issue any insurance contracts that provide an investment return, or have direct participating contracts, therefore the VFA does not apply to Tower.

c. Level of aggregation

Tower manages insurance contracts issued by aggregating them into portfolios. Insurance contracts for product lines with similar risks that are within the same geographical area, and managed together, are considered to be in the same portfolio. The geographical areas for portfolio purposes are New Zealand and the Pacific, and within each geographical area there are a number of separate portfolios based on product type. Each portfolio will contain annual cohorts which contain contracts that are issued within a financial year. Annual cohorts can be further disaggregated into three groups at inception: onerous contracts, contracts with no significant risk of becoming onerous, and the remainder.

d. Onerous contracts

The profitability of groups of contracts is assessed by actuarial valuation models. All insurance contracts are measured under the PAA, and therefore Tower assumes that no contracts in a group are onerous at initial recognition unless facts and circumstances indicate otherwise.

To determine which facts and circumstances are indicative of onerous contracts management considers future profitability for a group of contracts, as well as factors that may be internal to Tower (e.g., pricing decisions) or external (e.g., sudden and unexpected changes to the economic or regulatory environments). When facts and circumstances indicate a set of contracts may be onerous, Tower will perform an additional assessment to distinguish onerous contracts from non-onerous contracts. Onerous contract testing will involve determining the estimation of the fulfilment cash flows in relation to that group of onerous contracts.

Notes to the consolidated financial statements (continued)

2.1 Insurance and reinsurance contracts accounting policies (continued)

d. Onerous contracts (continued)

Tower will recognise a loss in profit or loss for onerous contracts, which is measured as the difference between fulfilment cash flows related to the remaining coverage of the group using the general model, and liability for the remaining coverage using the PAA. The increase to the liability for remaining coverage resulting from the recognition of onerous contracts will be tracked separately as a loss component. In subsequent periods, Tower will reassess previously onerous contracts then remeasure fulfilment cash flows. The impact from changes in fulfilment cash flows will be recorded in profit or loss, and the liability for remaining coverage will reflect the remeasured fulfilment cash flows. When fulfilment cash flows are incurred, they are allocated systematically between the loss component and the liability for remaining coverage. The systematic allocation is based on the loss component relative to the total estimated present value of future cash outflows.

e. Liability for remaining coverage

The LRC reflects insurance coverage expected to be provided by Tower after the reporting date. This is measured inclusive of any taxes and levies collected on behalf of third parties. On initial recognition of each group of contracts, the carrying amount of the LRC is measured as the premiums received less any insurance acquisition cash flows allocated to the group at that date, and adjusted for any amount arising from the derecognition of any assets or liabilities previously recognised for cash flows related to the group.

Subsequent measurement of the carrying amount of the LRC is increased by any premiums received and the amortisation of insurance acquisition cash flows recognised as expenses, and decreased by the amount recognised as insurance revenue for services provided and any additional insurance acquisition cash flows allocated after initial recognition.

On initial recognition of each group of contracts, Tower expects that the time between providing each part of the services and the related premium due date is no more than a year. Accordingly, Tower has chosen not to adjust the LRC to reflect the time value of money and the effect of financial risk.

f. Insurance acquisition cash flows

Insurance acquisition cash flows (IACF) comprise the costs of selling, underwriting and starting a group of insurance contracts (which are issued or expected to be issued) that are directly attributable to portfolios of insurance contracts.

Tower has elected to defer IACF and recognise as insurance expenses across the coverage period of contracts issued, rather than to expense them when incurred. The amortisation period for IACF begins at the later of when the costs are incurred or when the underlying insurance contracts are recognised, and are expected to be amortised within 12 months on a straight-line basis. All IACF are allocated to groups of insurance contracts.

g. Liability for incurred claims

Liability for incurred claims (LIC) relate to claims that have occurred prior to reporting date but have not been paid. This is measured as the present value of the estimated future cash outflows plus a specific risk adjustment (RA) factor to account for non-financial risks. Tower has elected to discount the LIC to reflect the time value of money.

Tower does not disaggregate changes in the RA between the insurance service result and insurance finance income or expenses. All changes in the RA are included in the insurance service result.

h. Insurance modification and derecognition

Tower derecognises insurance contracts when rights and obligations relating to the contract are extinguished, or when the contract is modified in a way that would have changed the accounting for the contract significantly had the new terms been included at contract inception. In such a case a new contract based on the modified terms is recognised.

i. Measurement Model - Reinsurance Contracts

Some reinsurance contracts held by Tower have a three year contract boundary, however the result of applying the PAA model does not result in a material difference from applying the GMM model. Therefore all reinsurance contracts held by Tower are measured using the PAA measurement model.

Quantitative PAA eligibility testing has been performed over these contracts, where the following key assumptions and estimates are modelled:

- Expected future cash flows
- Risk adjustment
- Contractual service margin (CSM), the balancing component to result in nil profit or loss impact at inception.The CSM represents the net cost of purchasing reinsurance, which will be released over the coverage period.
- Expected variability in assumptions used, such as changes in discount rates

Tower measures its reinsurance assets on the same basis as insurance contracts issued, however these are adapted to reflect the features of reinsurance contracts held that differ from insurance contracts held.

j. Reinsurance contracts - level of aggregation

Tower manages all reinsurance contracts held together and the contracts held provide coverage for similar risks. All reinsurance contracts held by Tower are considered as a single portfolio.

Notes to the consolidated financial statements (continued)

2.1 Insurance and reinsurance contracts accounting policies (continued)

k. Reinsurance contract assets - recognition and measurement

A reinsurance asset for remaining coverage (RI ARC) is recognised at the start of the coverage period of the reinsurance contract where the contract provided non-proportionate coverage, or when the underlying insurance contract is recognised where the contract provides proportionate coverage. The asset is measured as premiums paid, adjusted for any acquisition cash flows.

A loss-recovery component is established within the RI ARC for the gain recognised in profit or loss when the Group has recognised a loss on underlying groups of onerous contracts that are covered by reinsurance contracts held. The gain is calculated by multiplying the loss recognised on underlying insurance contracts by the percentage of claims on underlying insurance contracts that the Group expects to recover from the reinsurance contracts held that are entered into before or at the same time as the loss is recognised on the underlying insurance contracts.

This loss-recovery component is adjusted to reflect changes in the loss component of the onerous group of underlying contracts and is further adjusted, if required, to ensure that it does not exceed the portion of the carrying amount of the loss component of the onerous group of underlying insurance contracts that Tower expects to recover from the reinsurance contracts held.

Reinsurance asset for incurred claims (RI AIC) is recognised when a claim is made on an underlying contract and a reinsurance contract was held to cover the risks on the underlying insurance contract. This is measured based on estimated future cash flows, adjusted to reflect the time value of money, and a RA factor for any non-financial risks.

Net (expense)/income from reinsurance contracts held is measured as an allocation of reinsurance premiums paid plus any other directly attributable expenses, less amounts recovered from reinsurers, and any change in risk from reinsurer non-performance.

Reinsurance premiums paid reflect premiums ceded to reinsurers and are recognised as an expense in accordance with the pattern of reinsurance service received. Commission revenue from reinsurance contracts held by Tower that are not contingent on claims for underlying insurance contracts is treated as a reduction in premiums paid.

Tower also has profit-share commission arrangements for some proportional reinsurance contracts, where the commission is contingent on claims. Commission from the profit-share arrangements will offset against RI claims recoveries in RI AIC.

Amounts recovered from reinsurers are recognised when a claim has been incurred and the basis for measurement is the expected future cash inflows.

l. Discount rates

Tower discounts future cash flows related to insurance liabilities for incurred claims and reinsurance assets for incurred claims to recognise the impact of the time value of money. Tower has adopted a 'bottom-up' approach to derive the discount rate. The risk-free yield is derived from observable secondary market prices for NZ government bonds. Nil illiquidity premium has been assumed on the basis that it would not have a material impact.

2.2 Insurance service expense and other operating expenses

Composition	2024 $000	2023 $000
Claims expenses	245,048	489,021
(Reversals)/losses on onerous insurance contracts	(223)	607
Commission expenses amortised	13,022	12,342
Management expenses:		
People costs	92,671	84,408
People costs capitalised during the year	(10,824)	(9,562)
Technology	17,189	16,372
Amortisation	19,269	17,327
Depreciation	5,962	5,836
External fees	20,128	10,687
Marketing	14,792	13,128
Communications	3,852	3,361
Miscellaneous	3,605	3,814
Movement in non-commission deferred insurance acquisition cash flows	(6,011)	(4,540)
Claims related management expenses reclassified to claims expense	(35,756)	(36,208)
Service fees charged to discontinued operations	(1,116)	(1,742)
Total insurance service expense	**381,608**	604,851
Other operating expenses	2,348	2,145
Total insurance service expense and other operating expenses	**383,956**	606,996

Notes to the consolidated financial statements (continued)

2.3 Net insurance finance expense

	2024 $000	2023 $000
Interest accreted	(5,314)	(1,804)
Effect of changes in interest rates and other financial assumptions	(278)	294
Finance expense from insurance contracts issued	**(5,592)**	(1,510)
Interest accreted	2,877	212
Effect of changes in interest rates and other financial assumptions	143	(50)
Finance income from reinsurance contracts held	**3,020**	162
Net insurance finance expense	**(2,572)**	(1,348)

2.4 Insurance and reinsurance assets and liabilities

a. Insurance and reinsurance contracts

	2024 $000				
	ASSETS	LIABILITIES	CURRENT PORTION	NON-CURRENT PORTION	TOTAL
Liability for remaining coverage	–	42,042	42,042	–	42,042
Liability for incurred claims	–	135,527	110,169	25,358	135,527
Total insurance contracts issued	–	177,569	152,211	25,358	**177,569**
Total reinsurance contracts held	35,503	–	28,854	6,649	**35,503**

	2023 $000				
	ASSETS	LIABILITIES	CURRENT PORTION	NON-CURRENT PORTION	TOTAL
Liability for remaining coverage	–	44,614	44,614	–	44,614
Liability for incurred claims	–	241,195	198,860	42,335	241,195
Total insurance contracts issued	–	285,809	243,474	42,335	285,809
Total reinsurance contracts held	147,236	–	125,567	21,669	147,236

Notes to the consolidated financial statements (continued)

2.4 Insurance and reinsurance assets and liabilities (continued)

b. Reconciliation of insurance assets and liabilities

	2024 $000				
	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS		TOTAL
	EXCLUDING LOSS COMPONENT	LOSS COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	
Opening insurance contract liabilities	43,994	620	223,565	17,630	285,809
Insurance revenue	(555,818)	-	-	-	(555,818)
Insurance service expense:					
*Incurred claims and other insurance service expenses**	-	-	314,130	3,666	317,796
Amortisation of IACF	62,835	-	-	-	62,835
Changes relating to past service	-	-	(15,950)	(8,117)	(24,067)
Reversals on onerous contracts	-	(223)	-	-	(223)
Finance expense from insurance contracts issued	-	-	5,592	-	5,592
Effect of movements in exchange rates	(272)	(13)	(348)	-	(633)
Amounts included in statement of comprehensive income	**(493,255)**	**(236)**	**303,424**	**(4,451)**	**(194,518)**
Cash flows:					
Premiums received	559,383	-	-	-	559,383
Claims and other insurance service expenses paid	-	-	(404,641)	-	(404,641)
Insurance acquisition cash flows	(68,119)	-	-	-	(68,119)
Amounts included in statement of cash flow	**491,264**	**-**	**(404,641)**	**-**	**86,623**
Pre-recognition cash flows derecognised and other changes	(345)	-	-	-	(345)
Insurance contract liabilities at 30 September 2024	**41,658**	**384**	**122,348**	**13,179**	**177,569**

* Excludes $25m of insurance service expenses for depreciation and amortisation, which do not form part of insurance contract liabilities on the balance sheet.

Certain cash flows presented above may be on a deemed basis in respect of movements through the insurance contract liabilities, and certain amounts may be recognised in other receivable, payable and provision balances, so they may differ from the actual cash flow amounts reported in the consolidated statement of cash flows.

Notes to the consolidated financial statements (continued)

2.4 Insurance and reinsurance assets and liabilities (continued)

b. Reconciliation of insurance assets and liabilities (continued)

	2023 $000				
	LIABILITIES FOR REMAINING COVERAGE		LIABILITIES FOR INCURRED CLAIMS		TOTAL
	EXCLUDING LOSS COMPONENT	LOSS COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	
Opening insurance contract liabilities	43,343	-	105,321	16,247	164,911
Insurance revenue	(472,611)	-	-	-	(472,611)
Insurance service expense:					
*Incurred claims and other insurance service expenses**	-	-	516,677	8,064	524,741
Amortisation of IACF	54,000	-	-	-	54,000
Changes relating to past service	-	-	8,887	(6,546)	2,341
Losses and reversals on onerous contracts	-	607	-	-	607
Finance expense from insurance contracts issued	-	-	1,511	-	1,511
Effect of movements in exchange rates	265	13	444	-	722
Amounts included in statement of comprehensive income	**(418,346)**	**620**	**527,519**	**1,518**	**111,311**
Cash flows:					
Premiums received	482,701	-	-	-	482,701
Claims and other insurance service expenses paid	-	-	(408,546)	-	(408,546)
Insurance acquisition cash flows	(58,441)	-	-	-	(58,441)
Amounts included in statement of cash flow	**424,260**	**-**	**(408,546)**	**-**	**15,714**
Pre-recognition cash flows derecognised and other changes	(5,263)	-	(728)	(136)	(6,127)
Insurance contract liabilities at 30 September 2024	**43,994**	**620**	**223,566**	**17,629**	**285,809**

* Excludes $23m of insurance service expenses for depreciation and amortisation, which do not form part of insurance contract liabilities on the balance sheet.

Certain cash flows presented above may be on a deemed basis in respect of movements through the insurance contract liabilities, and certain amounts may be recognised in other receivable, payable and provision balances, so they may differ from the actual cash flow amounts reported in the consolidated statement of cash flows. Pre-recognition cash flows derecognised and other changes also includes the derecognition of liabilities that moved to liabilities held for sale during the period.

Notes to the consolidated financial statements (continued)

2.4 Insurance and reinsurance assets and liabilities (continued)

c. Reconciliation of reinsurance assets and liabilities

	2024 $000				
	ASSETS FOR REMAINING COVERAGE		ASSET FOR INCURRED CLAIMS		TOTAL
	EXCLUDING LOSS RECOVERY COMPONENT	LOSS RECOVERY COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	
Year ended 30 September 2024					
Opening reinsurance contract assets	(4,229)	–	146,327	5,138	147,236
Reinsurance premiums	(79,587)	–	–	–	(79,587)
Amounts recoverable from reinsurers:					
Amounts recoverable for incurred claims	–	–	6,527	642	7,169
Changes relating to past service	–	–	(15,812)	(3,134)	(18,946)
Finance income from reinsurance contracts held	–	–	3,020	–	3,020
Effect of movements in exchange rates	101	–	25	–	126
Amounts included in statement of comprehensive income	**(79,486)**	–	**(6,240)**	**(2,492)**	**(88,218)**
Cash flows:					
Premiums paid net of ceding commissions	72,025	–	–	–	72,025
Reinsurance recoveries (net of profit share commissions)	–	–	(95,540)	–	(95,540)
Amounts included in statement of cash flow	**72,025**	–	**(95,540)**	–	**(23,515)**
Reinsurance contract assets at 30 September 2024	**(11,690)**	–	**44,547**	**2,646**	**35,503**

Certain cash flows presented above may be on a deemed basis in respect of movements through the reinsurance contract assets, and certain amounts may be recognised in other receivable, and payable balances, so they may differ from the actual cash flow amounts reported in the consolidated statement of cash flows.

Notes to the consolidated financial statements (continued)

2.4 Insurance and reinsurance assets and liabilities (continued)

c. Reconciliation of reinsurance assets and liabilities (continued)

	2023 $000				
	ASSETS FOR REMAINING COVERAGE		ASSET FOR INCURRED CLAIMS		TOTAL
	EXCLUDING LOSS RECOVERY COMPONENT	LOSS RECOVERY COMPONENT	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS	RISK ADJUSTMENT	
Year ended 30 September 2023					
Opening reinsurance contract assets	4,917	-	21,805	196	26,918
Reinsurance premiums	(79,746)	-	-	-	(79,746)
Amounts recoverable from reinsurers:					
Amounts recoverable for incurred claims	-	-	201,356	5,815	207,171
Changes relating to past service	-	-	(2,198)	(866)	(3,064)
Finance income from reinsurance contracts held	-	-	162	-	162
Effect of movements in exchange rates	(139)	-	(66)	-	(205)
Amounts included in statement of comprehensive income	**(79,885)**	**-**	**199,254**	**4,949**	**124,318**
Cash flows:					
Premiums paid net of ceding commissions	72,080	-	-	-	72,080
Reinsurance recoveries (net of profit share commissions)	-	-	(74,693)	-	(74,693)
Amounts included in statement of cash flow	**72,080**	**-**	**(74,693)**	**-**	**(2,613)**
Assets reclassified to assets held for sale	(1,341)	-	(39)	(7)	(1,387)
Reinsurance contract assets at 30 September 2023	**(4,229)**	**-**	**146,327**	**5,138**	**147,236**

Certain cash flows presented above may be on a deemed basis in respect of movements through the reinsurance contract assets, and certain amounts may be recognised in other receivable, and payable balances, so they may differ from the actual cash flow amounts reported in the consolidated statement of cash flows.

Notes to the consolidated financial statements (continued)

2.4 Insurance and reinsurance assets and liabilities (continued)

d. Development of claims

The following table shows how estimates of cumulative claims have developed over time on a net of reinsurance basis.

Tower considers the probability and magnitude of future experience being more adverse than assumed. This uncertainty is reflected in the risk adjustment. In general, the uncertainty associated with the ultimate cost of settling claims is greatest when the claim is at an early stage of development. As claims develop, the ultimate cost of claims becomes more certain.

ULTIMATE CLAIMS COST ESTIMATE	PRIOR $000	2020 $000	2021 $000	2022 $000	2023 $000	2024 $000	TOTAL $000
At end of incident year		155,506	181,849	197,830	262,858	230,703	
One year later		152,143	180,386	204,450	253,812	-	
Two years later		150,830	181,928	206,682	-	-	
Three years later		150,684	181,609	-	-	-	
Four years later		151,748	-	-	-	-	
Ultimate claims cost		151,748	181,609	206,682	253,812	230,703	
Cumulative payments		(151,629)	(179,513)	(205,232)	(245,729)	(161,805)	
Net estimates of the undiscounted amount of the claims	**11,112**	**119**	**2,096**	**1,450**	**8,083**	**68,898**	**91,758**
Third party recoveries outstanding							(8,372)
Claims handling expense							8,538
Effect from discounting							(1,601)
Effect from risk adjustment							10,533
Reinsurance outstanding on paid claims							(12,522)
Total net liabilities for incurred claims							**88,334**

Notes to the consolidated financial statements (continued)

2.4 Insurance and reinsurance assets and liabilities (continued)

d. Development of claims (continued)

	NOTE	ESTIMATES OF THE PRESENT VALUE OF FUTURE CASH FLOWS $000	RISK ADJUSTMENT $000	TOTAL $000
Insurance contract liabilities	2.4b	122,348	13,179	135,527
Total gross liabilities for incurred claims		**122,348**	**13,179**	**135,527**
Reinsurance contract assets	2.4c	(44,547)	(2,646)	(47,193)
Total net liabilities for incurred claims		**77,801**	**10,533**	**88,334**

Tower has limited exposure to long-tail classes of business. Long-tail classes have increased uncertainty of the ultimate cost of claims due to the additional period of time to settlement.

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

e. Liability for incurred claims

Future cash outflows are estimated using data specific to each portfolio, relevant industry data and general economic data. The estimation process factors in 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 Tower.

Assumption	**2024**	2023
Expected future claims development	64.0%	45.5%
Claims handling expense ratio	7.9%	5.6%
Risk adjustment	10.7%	7.8%
Discount rate	4.4%	5.7%
Future Canterbury Earthquakes overcap property claims	$5.2m	$3.5m

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 a liability for incurred claims. The ratio in 2024 has increased due to the settlement of the bulk of the claims from the 2023 storm events and the corresponding change in the mix of outstanding claims at September 2024 compared to the previous year.

Claims handling expense ratio
This reflects the expected cost to administer future claims. The ratio is calculated based on historical experience of claims handling expenses. The increase in 2024 is due to the reclassification of certain external assessment costs as claims handling expenses.

Discount rate
The discount rates determined for 30 September 2024 were between 3.8 and 5% (2023: 5.3 and 5.8%).

The table below summarises the yield curves used to discount Tower's liability for incurred claims.

As at 30 September 2024

%	**1 year**	**2 years**	**3 years**	**4 years**	**5+ years**
New Zealand	4.2%	3.7%	3.6%	3.7%	3.8%

As at 30 September 2022

%	1 year	2 years	3 years	4 years	5+ years
New Zealand	5.8%	5.5%	5.4%	5.3%	5.3%

Risk adjustment (RA)
The risk adjustment is the compensation Tower requires for bearing uncertainty about the amount and timing of the cash flows that arises from non-financial risk related to a group of insurance contracts.

The determination of the appropriate level of risk adjustment takes into account:

- the level of economic capital that Tower requires to support the insurance business and the weighted average cost of servicing that capital;
- the run-off profile and term to settlement of the net discounted cash flows;
- class of business; and
- the benefit of diversification between geographic locations.

The Group determines the risk adjustment for non-financial risk at the Group level and allocates it to groups of insurance and reinsurance contracts in a systematic and rational way.

Tower uses the cost of capital method to derive the overall risk adjustment for non-financial risk. In the cost of capital method, the risk adjustment is determined by applying a cost rate to the value of projected capital relating to non-financial risk. A required return of capital of 12.5%, net of reinsurance, has been used for assessing risk adjustment for LIC and LRC balances. The resulting risk adjustment corresponds to outcomes expected with a confidence level of 72.5% for New Zealand (excluding Canterbury earthquakes), 75% for Pacific and 90% for Canterbury earthquakes. A diversification benefit is included to reflect the diversification of risk across countries, reflecting the compensation that the entity requires.

Notes to the consolidated financial statements (continued)

2.4 Insurance and reinsurance assets and liabilities (continued)

f. Sensitivity Analysis

The impact on profit or loss before tax, and the impact on equity for any reasonable changes at period end have been summarised below. Each change has been calculated in isolation from the other variables.

Liability for incurred claims

	MOVEMENT IN ASSUMPTION	IMPACT ON PROFIT OR LOSS GROSS OF REINSURANCE		IMPACT ON PROFIT OR LOSS NET OF REINSURANCE	
		2024 $000	2023 $000	**2024 $000**	2023 $000
Expected future claims development	+ 10%	**(4,805)**	(7,177)	**(3,434)**	(3,251)
	- 10%	**4,805**	7,177	**3,434**	3,251
Claims handling expense ratio	+ 10%	**(970)**	(1,243)	**(854)**	(677)
	- 10%	**970**	1,243	**854**	677
Risk adjustment	+ 10%	**(1,318)**	(1,414)	**(1,053)**	(900)
	- 10%	**1,318**	1,414	**1,053**	900
Discount rate	+ 1.75%	**1,128**	1,939	**806**	905
	- 1.75%	**(1,128)**	(2,009)	**(806)**	(937)
Number of future Canterbury	+ 50%	**(4,100)**	(2,800)	**(4,100)**	(2,800)
Earthquake overcap claims	- 50%	**4,100**	2,800	**4,100**	2,800

2.5 Receivables

Composition	**2024 $000**	2023 $000
Prepayments	13,969	5,417
Finance lease receivables	–	344
Other receivables	5,830	11,036
Receivables	**19,799**	16,797
Receivable within 12 months	16,168	16,797
Receivable in greater than 12 months	3,631	–
Receivables	**19,799**	16,797

Recognition and measurement

Receivables (inclusive of GST) are recognised at fair value and are subsequently measured at amortised cost, less any expected credit loss (ECL). Tower applies the simplified approach in calculating ECL. The ECL calculation is based on a provision matrix which is based on historical credit loss experience, adjusted for forward looking factors specific to the receivables and the economic environment.

Notes to the consolidated financial statements (continued)

2.6 Payables

Composition	2024 $000	2023 $000
Trade payables	16,747	10,833
Pre-coverage liability	2,035	1,930
GST payable	3,497	(1,511)
Unsettled investment purchases	5,400	-
Other	4,608	3,899
Payable to discontinued operations	-	3,227
Payables	**32,287**	18,378
Payable within 12 months	32,287	18,378
Payable in greater than 12 months	-	-
Payables	**32,287**	18,378

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.

Tower receives some premiums in advance of the initial recognition date of an insurance contract. For these premiums received in advance Tower recognises a separate pre-coverage liability (PCL). When the coverage period for the contract starts, the PCL is reduced and the value of the premiums is transferred to the liability for remaining coverage.

2.7 Provisions

Composition	2024 $000	2023 $000
Annual leave and other employee benefits	12,771	5,737
Compliance and remediation	9,188	7,086
Provisions	**21,959**	12,823
Payable within 12 months	20,926	11,762
Payable in greater than 12 months	1,033	1,061
Provisions	**21,959**	12,823

The annual leave and other employee benefits provision has increased by $14.2m during the period, offset by payments to employees of $7.2m.

A compliance and remediation provision has been recognised and is reassessed at each reporting period. A range of possible outcomes is considered, and the re-assessment has resulted in an additional $7.5m 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 Financial Markets Authority (FMA) is seeking a declaration from the court that Tower contravened the Financial Markets Conduct Act (2013) and that a pecuniary penalty is paid to the Crown. Any eventual penalty to be determined by the High Court may be in excess or lower than the provision recognised in these financial statements. The timing of any penalty payable by Tower is also uncertain.

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.

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 for investment and credit risk and therefore the majority of its investments are in investment grade supranational and government bonds, and term deposits.

3.1 Investment income

	2024 $000	2023 $000
Interest income	17,767	12,871
Net realised gain	1,626	1,173
Net unrealised gain	2,407	583
Investment income	**21,800**	14,627

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 2024				
Fixed interest investments	–	367,472	–	367,472
Property investment	–	34	–	34
Investments	**–**	**367,506**	**–**	**367,506**
As at 30 September 2023				
Fixed interest investments	–	258,764	–	258,764
Property investment	–	34	–	34
Investments	–	258,798	–	258,798

There have been no transfers between levels of the fair value hierarchy during the current period (2023: 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

	2024 $000	2023 $000
Agency fees*	1,705	3,574
Gain on disposal of property, plant and equipment	30	1,243
Other	2,329	910
Other income	**4,064**	5,727

* Agency fees include fees received for managing claims on behalf of the Natural Hazards Commission.

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 approved 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, Advice and Assurance 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 position 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 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.

Tower has not experienced significant changes in exposure to underwriting risk during the period, and no significant changes to underwriting risk management have been implemented in the current period.

Refer to note 2.4a for exposure of underwriting risk at reporting date. Liability for incurred claims (LIC) is the key component of insurance liability sensitive to possible changes in underwriting risk, and we have performed sensitivity analysis over all variables that could reasonably change and impact the measurement of LIC in note 2.4f.

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.

Tower has not experienced significant changes in exposure to concentration risk during the period, and no significant changes to concentration risk management have been implemented in the current period.

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

Notes to the consolidated financial statements (continued)

4.3 Insurance risk (continued)

% of Insurance Revenue	2024			2023		
	NZ	PACIFIC*	TOTAL	NZ	PACIFIC*	TOTAL
Home	38%	2%	**40%**	37%	3%	40%
Contents	14%	0%	**14%**	14%	0%	14%
Motor	38%	2%	**40%**	37%	3%	40%
Other	3%	3%	**6%**	3%	3%	6%
Total	**93%**	**7%**	**100%**	91%	9%	100%

* The Pacific operating segment excludes the disposal groups.

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 liability for incurred claims is performed by qualified and experienced actuaries. The liability for incurred claims is subject to a comprehensive review at least annually.

Tower has not experienced significant changes in exposure to reserving risk, and no significant changes to reserving risk management have been implemented in the current period.

Refer to note 2.4a for exposure of reserving risk at reporting date. Liability for incurred claims (LIC) is the key component of insurance liability sensitive to possible changes in reserving risk, and we have performed sensitivity analysis over all variables that could reasonably change and impact the measurement of LIC in note 2.4f.

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 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 33% (2023: 45%) of the 'not rated' category.

	CASH AND CASH EQUIVALENTS		FIXED INTEREST INVESTMENTS		TOTAL	
	2024 $000	2023 $000	**2024 $000**	2023 $000	**2024 $000**	2023 $000
AAA	–	–	121,497	104,646	121,497	104,646
AA	62,106	47,992	188,655	113,971	250,761	161,963
A	–	–	55,240	38,137	55,240	38,137
Below BBB	10,466	11,917	1,948	1,322	12,414	13,239
Not rated	2,818	4,100	166	722	2,984	4,822
Total	**75,390**	64,009	**367,506**	258,798	**442,896**	322,807

Notes to the consolidated financial statements (continued)

4.4 Credit risk (continued)

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.

Tower has not experienced significant changes in exposure to reinsurance risk during the period, and no significant changes to reinsurance risk management have been implemented in the current period.

	REINSURANCE AIC	
	2024 $000	2023 $000
AA	34,592	80,489
A	11,768	70,862
BBB	–	9
Below BBB	70	81
Not rated	763	24
Total	**47,193**	151,465

c. Insurance and other credit risk

Tower's receivables for insurance contracts 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.

The following table provides details on Tower's maximum exposure to credit risk for insurance contracts and other receivables:

		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 2024						
Net premiums receivable	270,422	4,559	1,665	683	257	**277,586**
Other receivables	5,830	–	–	–	–	**5,830**
As at 30 September 2023						
Net premium receivable	237,736	4,375	270	844	50	243,275
Other receivables	11,036	–	–	–	–	11,036

* This includes premiums that are less than 30 days outstanding (which are owed but not past due) of $5.2m (2023: $4.3m). The remaining balance is related to the provision of future insurance services to customers.

Notes to the consolidated financial statements (continued)

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 movement impacts 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.

Tower has not experienced significant changes in exposure to currency risk during the period, and no significant changes to currency risk management have been implemented in the current period.

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 before tax, holding all other variables constant.

	DIRECT IMPACT ON EQUITY THROUGH CURRENCY TRANSLATION RESERVE		IMPACT ON PROFIT OR (LOSS)	
	2024 $000	2023 $000	**2024 $000**	2023 $000
New Zealand Dollar - USD				
Currency strengthens by 10%	**(619)**	(1,025)	**905**	1,378
Currency weakens by 10%	**756**	1,253	**(1,106)**	(1,684)
New Zealand Dollar - Fijian Dollar				
Currency strengthens by 10%	**(1,182)**	(887)	**(8)**	(74)
Currency weakens by 10%	**1,445**	1,084	**9**	91
New Zealand Dollar - PNG Kina				
Currency strengthens by 10%	**–**	–	**(674)**	(805)
Currency weakens by 10%	**–**	–	**822**	984

The impact on profit or loss for New Zealand Dollar - USD in the 2023 comparative has been updated for consistency with 2024 sensitivity.

Notes to the consolidated financial statements (continued)

4.5 Market risk (continued)

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, after tax, is shown below (holding everything else constant).

	IMPACT ON PROFIT OR (LOSS)	
	2024 $000	2023 $000
Interest rates increase by 1%	**(1,287)**	(1,652)
Interest rates decrease by 1%	**1,267**	1,726

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.

Tower has not experienced significant changes in exposure to interest rate risk during the period, and no significant changes to interest rate risk management have been implemented in the current period.

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.

Tower has not experienced significant changes in exposure to liquidity risk during the period, and no significant changes to liquidity risk management have been implemented in the current period.

The following table presents the estimated amount and timing of the remaining contractual discounted cash flows arising from investment assets and insurance liabilities.

	LIABILITY FOR INCURRED CLAIMS		CASH AND INVESTMENTS	
	2024 $000	2023 $000	**2024 $000**	2023 $000
Floating interest rate (at call)	-	-	75,446	89,909
Within 3 months	62,412	105,702	124,629	28,682
3 to 6 months	25,556	44,944	46,598	30,231
6 to 12 months	22,201	40,147	81,257	61,661
1 to 2 years	14,623	29,066	48,178	29,977
2 to 3 years	5,083	10,102	19,025	47,145
3 to 4 years	4,471	8,886	19,671	8,663
4 to 5 years	616	1,225	13,977	12,435
5+ years	565	1,123	14,115	14,104
Total	**135,527**	241,195	**442,896**	322,807

Notes to the consolidated financial statements (continued)

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 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 2024 the Group complied with all externally imposed capital requirements (2023: complied).

Tower has applied the RBNZ's new Interim Solvency Standard (ISS) from 1 October 2023.

Tower has calculated the below solvency position in accordance with the current published ISS. This is the mandatory regulatory solvency position required until any amendments are issued and effective. A second amendment to the ISS is proposed by RBNZ and is not expected to be issued and effective until 1 March 2025.

	2024 $000		2023 $000	
	PREPARED UNDER ISS		PREPARED UNDER NLSS	
	PARENT	**GROUP**	PARENT	GROUP
Solvency capital (2023: Actual solvency capital)	323,834	339,139	145,421	174,734
Adjusted prescribed capital requirement (2023: Minimum solvency capital)	152,474	148,547	91,634	99,729
Adjusted solvency margin (2023: Solvency margin)	**171,360**	**190,592**	53,787	75,005
Adjusted solvency ratio (2023: Solvency ratio)	**212%**	**228%**	159%	175%

Tower is required to maintain a solvency margin of at least $0m (2023: $15m), due to a license condition issued by the RBNZ.

The 30 September 2023 comparative is per the prior period audited financial statements in accordance with the RBNZ's Non-Life Solvency Standard (NLSS) which was applicable until 30 September 2023.

b. 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 2024.

Notes to the consolidated financial statements (continued)

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 of not meeting customers' reasonable expectations.

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. From 31 March 2025, this framework will be superseded by Towers Fair Conduct Programme, developed in accordance with requirements in the Financial Markets (Conduct of Institutions) Amendment Act 2022.

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 Environment, Social and Governance (ESG) risk

Tower Limited's ESG risks and opportunities are identified and prioritized through our Materiality Assessment and Risk Management Framework (RMF). They form the basis for Tower's Sustainability Framework and include climate-related risk outlined below.

a. Climate-related risk

Climate- related risk relates to the physical and transitional impacts of climate change. Physical risks are associated with an increasing frequency and severity of severe weather events, sea level rise and coastal inundation. Transitional risks are related to potential social, political and economic changes as New Zealand and the world transition to low emission and climate resilient economies.

As a listed, licensed New Zealand insurer Tower qualifies as a climate reporting entity (CRE) under the Financial Markets Conduct Act 2013 and the Aotearoa New Zealand Climate Standards (NZ CS 1, NZ CS 2 and NZ CS 3) published by the XRB in December 2022 (CRD Regime). Our first group climate statement has been prepared alongside our financial statements and annual report, and Tower will make these disclosures available on Tower's website, the New Zealand Stock Exchange (NZX) and Australian Stock Exchange (ASX). The climate statement covers our New Zealand and Pacific operations and outlines the steps we are taking to address climate-related risks and opportunities.

Tower's RMF considers climate-related risks, which are regularly reported to the Board. Tower's approach to managing climate-related risk includes 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.

Other than the impact on liability for incurred claims, 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 2024.

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

	NOTE	2024 $000	2023 $000
Opening balance		460,315	460,191
Share rights issued under Tower Long-Term Incentive Plan	8.5	419	124
Total contributed equity		**460,734**	**460,315**
Represented by:			
Opening balance		379,483,987	379,483,987
Total shares on issue		**379,483,987**	**379,483,987**

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.

On 9 September 2024, the Board approved $45m capital return by way of a compulsory share buyback. The capital return remains conditional on shareholder approval at Tower's Annual Shareholder Meeting in early 2025; the receipt of High Court approval of the arrangement; Tower continuing to satisfy solvency and prudential capital requirements and the Tower Board remaining satisfied that the capital return is prudent to undertake. Subject to these conditions being fulfilled, the capital return is likely to occur in March 2025.

Notes to the consolidated financial statements (continued)

5.2 Reserves

	2024 $000	2023 $000
Opening balance	(3,098)	(2,148)
Currency translation differences arising during the year	(898)	(950)
Foreign currency translation reserve	**(3,996)**	(3,098)
Opening balance	–	1,707
Revaluation surplus transferred to retained earnings	–	(1,707)
Asset revaluation reserve	**–**	–
Capital reserve	**11,990**	11,990
Separation reserve*	**(113,000)**	(113,000)
Reserves	**(105,006)**	(104,108)

* 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 reporting 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

	2024 CENTS	2023 CENTS
Net tangible assets per share	73	48

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 divided by total shares on issue.

5.4 Earnings per share

	2024	2023
Profit from continuing operations attributable to shareholders ($ thousands)	70,884	2,587
Profit/(loss) from discontinued operations attributable to shareholders ($ thousands)	3,401	(3,609)
Total profit/(loss) attributable to shareholders ($ thousands)	74,285	(1,022)
Weighted average number of ordinary shares for basic earnings per share (number of shares)	379,483,987	379,483,987
Basic earnings per share (cents) for continuing operations	**18.7**	0.7
Basic earnings per share (cents)	**19.6**	(0.3)

The basic 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).

Tower has assessed if the future potential instruments have a dilutive impact on earnings. The long-term incentive plan will not have a dilutive impact on earnings because shares are not expected to be issued, rather purchased from the market.

5.5 Dividends

On 27 June 2024, Tower paid an interim dividend of 3.0 cents per share, totalling $11.4m .

On 28 November 2024, the Board approved a final dividend of 6.5 cents per share, with the dividend being payable on 30 January 2025 for approximately $24.7m.

No dividends were paid during 2024 in respect of the 2023 financial year.

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 2024	OFFICE EQUIPMENT & FURNITURE $000	MOTOR VEHICLES $000	COMPUTER EQUIPMENT $000	TOTAL $000
Composition:				
Cost	7,261	1,524	4,646	13,431
Accumulated depreciation	(2,491)	(1,198)	(3,007)	(6,696)
Property, plant and equipment	**4,770**	**326**	**1,639**	**6,735**
Reconciliation:				
Opening balance	4,123	608	1,549	6,280
Depreciation	(623)	(241)	(1,002)	(1,866)
Additions	1,360	33	1,092	2,485
Disposals	(1)	(26)	–	(27)
Foreign exchange movements	(89)	(48)	–	(137)
Closing Balance	**4,770**	**326**	**1,639**	**6,735**

30 September 2023	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. Refer to note 8.4.

Recognition and measurement

Property, plant and equipment (PPE) 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 reporting 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

Notes to the consolidated financial statements (continued)

6.2 Intangible assets

a. Amounts recognised in the balance sheet

30 September 2024	GOODWILL $000	SOFTWARE AND WORK IN PROGRESS $000	CUSTOMER RELATIONSHIPS $000	TOTAL $000
Composition:				
Cost	17,744	107,977	40,674	166,395
Accumulated amortisation	–	(47,122)	(22,652)	(69,774)
Intangible Assets	**17,744**	**60,855**	**18,022**	**96,621**
Reconciliation:				
Opening balance	17,744	57,326	23,454	98,524
Amortisation	–	(13,837)	(5,432)	(19,269)
Additions*	–	18,392	–	18,392
Disposals	–	(47)	–	(47)
Transfers to property, plant and equipment	–	(979)	–	(979)
Closing Balance	**17,744**	**60,855**	**18,022**	**96,621**

* During the year ended 30 September 2024, additions to software assets primarily related to continued investment in Tower's core insurance platform and website, and digitisation of claims processes. Total software additions in the year ended 30 September 2024 includes $10.8m (2023: $9.6m) of internally generated assets.

30 September 2023	GOODWILL $000	SOFTWARE AND WORK IN PROGRESS $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.

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 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

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 (2023: no indications).

Notes to the consolidated financial statements (continued)

6.2 Intangible assets (continued)

b. Impairment testing (continued)

(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) expected from 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 impairment has been recognised as a result (2023: 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 11.9% was used in the calculation (2023: 13.1%). The cash flows are based on Board-approved management plans and forecasted profits for FY25 - FY27 (2023: FY24 - FY26). 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% (2023: 2.5%).

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

	OFFICE SPACE	
	2024 $000	2023 $000
Composition:		
Cost	29,814	30,267
Accumulated depreciation	(9,824)	(7,063)
Right-of-use assets	**19,990**	**23,204**
Reconciliation:		
Opening balance	23,204	23,326
Depreciation	(4,096)	(4,209)
Additions	65	4,162
Disposals	(89)	–
Revaluations	518	(204)
Net foreign exchange movements	388	239
Assets reclassified as held for sale	–	(110)
Right-of-use assets	**19,990**	**23,204**

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.

Notes to the consolidated financial statements (continued)

6.3 Leases (continued)

a. Amounts recognised in the balance sheet (continued)

(ii) Lease liabilities

	2024 $000	2023 $000
Composition:		
Current	4,909	5,477
Non-current	23,946	27,138
Lease liabilities	**28,855**	32,615
Due within 1 year	4,909	5,477
Due within 1 to 2 years	4,782	5,921
Due within 2 to 5 years	13,309	12,483
Due after 5 years	8,114	11,865
Discount	(2,259)	(3,131)
Lease liabilities	**28,855**	32,615

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% (2023: 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.

b. Amounts recognised in the consolidated statement of comprehensive income

	CLASSIFICATION	2024 $000	2023 $000
Depreciation and impairment	Insurance service expense	(4,096)	(4,027)
Interest expense	Finance costs	(882)	(920)
Lease expense		**(4,978)**	(4,947)

c. Amounts recognised in the consolidated statement of cash flows

	2024 $000	2023 $000
Total cash outflow for lease principal payments	**(5,064)**	(6,980)

Notes to the consolidated financial statements (continued)

7 Tax

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

7.1 Tax expense

Composition	2024 $000	RESTATED 2023 $000
Current tax	2,948	2,525
Deferred tax	29,274	(419)
Adjustments in respect of prior years	11	1,152
Tax expense	**32,233**	3,258
Tax expense from continuing operations	31,774	5,176
Tax expense/(benefit) from discontinued operations	459	(1,918)

Reconciliation of prima facie tax to income tax expense	2024 $000	RESTATED 2023 $000
Profit before tax from continuing operations	102,658	7,763
Profit/(loss) before tax from discontinued operations	3,860	(5,527)
Profit before taxation	**106,518**	2,236
Prima facie tax expense at 28% (2023: 28%)	29,825	626
Adjustments in respect of prior years	11	1,152
Tax effect of non-deductible expenses and non-taxable income	1,641	679
Foreign tax credits written off	218	492
Other	538	309
Tax expense	**32,233**	3,258

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

	2024 $000	RESTATED 2023 $000
Excess tax payments related to prior periods*	11,766	12,038
Excess tax payments/tax payable related to current period**	1,456	879
Current tax asset	**13,222**	12,917

* Expected to be recovered from 2025 as per the Board-approved operational plan for 2025 to 2027.

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

b. Current tax liability

The current tax liabilities balance of $606k (2023: $198k) 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 tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the end of the reporting period.

Notes to the consolidated financial statements (continued)

7.3 Deferred tax

a. Deferred tax asset

Composition	2024 $000	RESTATED 2023 $000
Tax losses recognised	1,079	29,411
IFRS 17 restatements, software, PPE and other	1,041	1,165
Leases	8,080	9,166
Provisions and accruals	3,828	3,206
Recognised in profit or loss	**14,028**	42,948
Impact through other comprehensive income	–	–
Recognised in comprehensive profit or loss	**14,028**	42,948
Set-off of deferred tax liabilities pursuant to NZ IAS 12	(13,646)	(26,830)
Deferred tax asset	**382**	16,118
Deferred tax asset from continuing operations	382	16,074
Deferred tax asset from discontinued operations	–	44

Reconciliation of movements	2024 $000	RESTATED 2023 $000
Opening balance	42,948	31,315
Movements recognised in profit or loss	(28,920)	11,633
Deferred tax asset pre NZ IAS 12 set off	**14,028**	42,948

b. Deferred tax liability

Composition	2024 $000	RESTATED 2023 $000
Insurance acquisition cash flows	(9,211)	(7,848)
Customer relationships	(4,002)	(5,001)
Software, property, plant and equipment	(6,079)	(5,447)
Leases	(7,362)	(8,664)
Other*	(708)	(48)
Recognised in profit or loss	**(27,362)**	(27,008)
Set-off of deferred tax liabilities pursuant to NZ IAS 12	13,646	26,830
Deferred tax liability	**(13,716)**	(178)

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

Reconciliation of movements	2024 $000	RESTATED 2023 $000
Opening balance	(27,008)	(16,084)
Movements recognised in other comprehensive income	–	290
Movements recognised in profit or loss	(354)	(11,214)
Deferred tax liability pre NZ IAS 12 set off	**(27,362)**	(27,008)

Notes to the consolidated financial statements (continued)

7.3 Deferred tax (continued)

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 deferred tax assets in respect of its unused tax losses of $3.8m (2023: $105.0m).

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 reporting 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 tax 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 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.

7.4 Imputation credits

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

	2024 $000	2023 $000
Imputation credits available for use in subsequent reporting periods	–	271

Notes to the consolidated financial statements (continued)

8 Other information

This section includes additional required disclosures.

8.1 Notes to the consolidated statement of cash flows

Composition	2024 $000	2023 $000
Cash at bank	51,931	42,068
Deposits at call*	23,459	21,941
Cash and cash equivalents	**75,390**	64,009

* The average interest rate at 30 September 2024 for deposits at call is 4.24% (2023: 4.65%).

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 2024, this included NZD 7.4m held in Papua New Guinea and NZD 3.3m held in the Solomon Islands following the sales of the disposal groups (2023: NZD 8.9m held in Papua New Guinea). This cash is not currently available for use by the Group.

Reconciliation of profit/(loss) for the year to cash flows from operating activities	2024 $000	RE-PRESENTED 2023 $000
Profit/(loss) after taxation	**74,285**	(1,022)
Adjusted for non-cash items		
Depreciation of property, plant and equipment	1,866	1,855
Depreciation and disposals of right-of-use assets	4,096	4,209
Amortisation of intangible assets	19,269	17,327
Financing costs	885	928
Fair value losses on financial assets	(4,034)	(1,756)
Share rights issued under Tower Long-Term Incentive Plan	419	124
Change in deferred tax	29,280	222
Change in foreign exchange	759	(967)
Adjusted for investing activities		
Loss on disposal of fixed assets	(30)	(1,243)
Gain on disposal of discontinued operation	(1,988)	(2,165)
Impairment loss recognised for disposal group	–	563
Investment expenses	250	298
Adjusted for movements in working capital		
Change in receivables	(4,379)	(7,076)
Change in payables and provisions	19,613	(5,735)
Change in insurance contract liabilities	(113,363)	127,475
Change in reinsurance contract assets	116,317	(125,902)
Change in taxation payable	1,942	1,130
Net cash inflow from operating activities	**145,187**	8,265
Net cash inflow from operating activities from continuing operations	141,315	23,541
Net cash inflow/(outflow) from operating activities from discontinued operations	3,872	(15,276)

Notes to the consolidated financial statements (continued)

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.

	2024 $000	2023 $000
Salaries and other short term employee benefits	4,974	5,511
Long term benefits	428	536
Termination benefits	215	-
Director fees	648	613
Related party remuneration	**6,265**	6,660

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 implemented a share-based long-term incentive plan with effect from 7 December 2022. Refer note 8.5.

8.3 Auditor's remuneration

	2024 $000	2023 $000
Audit of financial statements*	997	748
Audit or review related services**	23	32
Other assurance services**	55	35
Assurance related services**	30	–
Total fees paid to Group's auditors	**1,105**	815
Fees paid to subsidiaries' auditors different to Group auditors:		
Audit of financial statements***	–	15
Auditors remuneration	**1,105**	830

* Audit of financial statements includes fees for both the audit of annual financial statements and the review of the interim financial statements. It also includes fees for the transition to NZ IFRS 17. PwC Fiji performs the audits of all overseas incorporated subsidiaries with the support of PwC New Zealand and other PwC network firms. $122k is paid to other PwC network firms (non New Zealand) for their audit services.

** Audit or review related services includes the audit of the Pacific Islands regulatory returns (Solomon Islands Branch and Tower Insurance (Fiji) Limited), other assurance services includes annual solvency return assurance, and assurance related services includes Greenhouse gas emissions pre-condition assessment for assurance. The other assurance services for the year ended 30 September 2023 were completed during the year ended 30 September 2024.

*** The audit of Tower Insurance (Vanuatu) Limited was performed by Law Partners in 2023.

Notes to the consolidated financial statements (continued)

8.4 Discontinued operations

On 29 January 2024 Tower completed the sale of its Solomon Islands business to Trans Pacific Assurance Limited for a sale price of SBD 18.2m (NZD 3.3m). On 30 August 2024 Tower completed the sale of all of its shares in its Vanuatu subsidiary to Capital Insurance Group of Papua New Guinea for a sale price of NZD2.4m, subject to finalisation of completion accounts.

The activities of the businesses have been reported in the current period, and as at 30 September 2023, as a discontinued operation.

Financial information on these disposals are set out below. The gain on sale in the table below is subject to finalisation of completion accounting in the year ended 30 September 2025.

Details of the sale of the subsidiary	SOLOMON ISLANDS $000	VANUATU $000
Cash and cash equivalents	–	1,888
Receivables	–	1,182
Reinsurance contract assets	16	1,035
Right of use assets	34	19
Property, plant and equipment	64	7
Total assets at the date of disposal	114	4,131
Payables	237	311
Liability for remaining coverage	220	952
Liability for incurred claims	131	749
Lease liabilities	34	23
Provisions	11	68
Total liabilities at the date of disposal	633	2,103
Net (liabilities)/assets at the date of disposal	**(519)**	**2,028**
Net cash consideration received less costs of disposal	**1,706**	**2,201**
Gain on sale before income tax and reclassification of foreign currency translation reserve	**2,225**	**173**
Reclassification of foreign currency translation reserve to profit or loss	–	(410)
Gain/(loss) on sale	**2,225**	**(237)**

The following assets and liabilities were reclassified as held for sale in relation to the discontinued operations in the comparative period.

Assets and liabilities classified as held for sale	2024 $000	2023 $000
Cash and cash equivalents	–	1,302
Investments	–	820
Receivables	–	3,356
Current tax assets	–	147
Reinsurance contract assets	–	5,635
Deferred tax assets	–	44
Right of use assets	–	110
Property, plant and equipment	–	91
Total assets at the date of disposal	–	11,505
Payables	–	160
Liability for remaining coverage	–	2,054
Liability for incurred claims	–	5,121
Lease liabilities	–	119
Provisions	–	155
Total liabilities at the date of disposal	–	7,609
Net assets classified as held for sale	–	3,896

* As at 30 September 2023, the Tower Group owed disposal groups $3.2m. 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 $219k.

Notes to the consolidated financial statements (continued)

8.4 Discontinued operations (continued)

The comparatives presented in the table below include the profit or losses of the Solomon Islands business, the Vanuatu subsidiary and the Papua New Guinea subsidiary (sale completed during the year ended 30 September 2023).

Profit from discontinued operations	**2024 $000**	2023 $000
Insurance revenue	6,591	9,970
Insurance service expense	363	(25,384)
Insurance result before reinsurance contracts held	6,954	(15,414)
Net (expense)/income from reinsurance contracts held	(5,054)	8,247
Insurance service result	**1,900**	(7,167)
Net investment income	23	20
Net insurance and investment result	**1,923**	(7,147)
Other income	6	64
Other operating expenses	(54)	(38)
Finance costs	(3)	(8)
Gain on sale of the subsidiaries	1,988	2,165
Impairment loss recognised for disposal group	-	(563)
Profit/(loss) before taxation from discontinued operations	**3,860**	(5,527)
Tax expense/(income)	(459)	1,918
Profit/(loss) after taxation from discontinued operations	**3,401**	(3,609)

Disposal groups paid fees to other members of the Tower Group of $1.6m during the financial year ended 30 September 2024 (2023: $2.6m), relating to the provision of reinsurance, management and other services. These amounts are included within the net expense from reinsurance contracts held and insurance service expense lines above, and are then eliminated within continuing operations.

Insurance service expense includes ($1.5m) (2023: $7.1m) of claims expense incurred by the parent company under an internal reinsurance treaty with its Vanuatu subsidiary.

Earnings per share	**2024**	2023
Basic earnings per share (cents) for discontinued operations	**0.9**	(1.0)

The currency translation differences recognised in other comprehensive income during the year ended 30 September 2024 in relation to the discontinued operations, including reclassification adjustment, were $0.2m (2023: nil).

8.5 Tower Long-Term Incentive Plan

The Group has a long-term incentive plan 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:

	2024	2023
	NUMBER OF SHARE RIGHTS (RSR'S)	NUMBER OF SHARE RIGHTS (RSR'S)
Share Rights outstanding at the beginning of the period	1,946,557	–
Share Rights granted during the period	2,612,452	1,946,557
Share Rights forfeited during the period	(147,429)	–
Share Rights vested and settled during the period	–	–
Share Rights outstanding at the end of the period	4,411,580	1,946,557

The weighted average remaining contractual life for share rights outstanding under the plan is 1.8 years (2023: 2.2 years).

The assessed fair value of the rights granted during the year was 40 cents (2023: 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	2024	2023
Share price at grant date (cents)	69	70
10 Day VWAP (cents)	59	70
Exercise Price	Nil	Nil
Option life	3 years	3 years
Risk-free rate	4.51%	4.36%
Expected volatility	20%	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 $419k (2023: $124k).

There were no liabilities arising from share-based payment transactions at reporting date (2023: nil). 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 Capital commitments

As at 30 September 2024, Tower has nil capital commitments (2023: nil).

8.8 Subsequent events

On 28 November 2024, the Board approved a final dividend of 6.5 cents per share, with the dividend being payable on 30 January 2025 for approximately $24.7m. There were no other subsequent events.

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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 2024, 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 Accounting Standards (IFRS Accounting Standards).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 30 September 2024;
- 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, comprising material accounting policy information 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 services for the Group. These services are a) audit or review related: audit of the insurance regulatory returns; b) other assurance: reasonable assurance on the Company's solvency return; and c) assurance related: assessment of whether the preconditions for assurance exist in preparation for the assurance over greenhouse gas emissions. 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. 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.

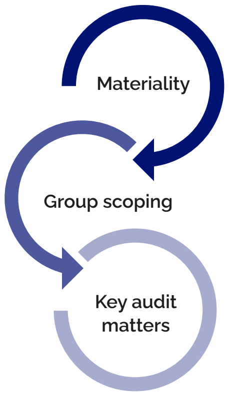
Description of the key audit matter	How our audit addressed the key audit matter
Valuation of the liability for incurred claims (2024: $135,527,000; 2023: $241,195,000 (restated)) We considered the valuation of the liability for incurred claims a key audit matter as it involves an estimation process combined with significant judgements and assumptions, made by the Group, to determine the balance. The liability for incurred claims relates to claims incurred under groups of insurance contracts, as at and prior to reporting date, which have not been paid. The liability includes: • an estimate of the present value of future cash outflows to settle claims; and • a risk adjustment for non-financial risk. 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 future cash flows. Key actuarial assumptions applied in the valuation of future cash flows include: • expected future claims development; • claims handling expense ratios; • future Canterbury Earthquake overcap property claims; and • discount rate. Changes in assumptions can lead to significant movements in the liability for incurred claims. A risk adjustment allows for the inherent uncertainty in the amount and timing of the cash flows that arise from non-financial risk related to a group of insurance contracts. In determining the risk adjustment, the Group makes judgements about the level of required capital to support the insurance business, claims experience of business classes, volatility of each class of business written and the correlation between different geographical locations. Refer to note 2.4 to the consolidated financial statements.	Our audit procedures included obtaining an understanding of key claims and actuarial processes and controls, including key data reconciliations and the Group's review of the actuarial estimates of the liability for incurred claims related to past services. Claims data is the key input to the actuarial estimate. Accordingly we: • evaluated the design effectiveness and tested key 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 the 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 are supported by appropriate documentation; • agreed, on a sample basis, key attributes of insurance contract information to each underlying contract to determine the level of aggregation and groups used for valuation purposes; 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 Group's Actuaries; • evaluated the actuarial models and methodologies used, by comparing to generally accepted models and methodologies applied in the sector and to the prior year, seeking justification for any variances; • assessed key actuarial judgements and assumptions and challenged them by comparing with our expectations based on the Group's historical claims experience, our own sector knowledge and independently observable industry trends (where applicable);

Independent auditor's report (continued)

Description of the key audit matter	How our audit addressed the key audit matter
	• tested on a sample basis, the underlying calculations in certain valuation models; • evaluated the relevant underlying calculation used to derive the risk adjustment, including the significant assumptions, against our own knowledge of the Group's business and independently observable market inputs (where applicable); and • assessed the appropriateness of presentation and disclosures in the financial statements against the requirement of accounting standards. The Group adopted NZ IFRS 17 *Insurance Contracts* from 1 October 2023. We have also considered the extent to which the procedures above are relevant in the context of the comparative restated number and executed those procedures accordingly, including confirming that disclosures meet the requirements of accounting standards.

Our audit approach

Overview



Overall group materiality: $5.5 million, which represents approximately 1% of insurance revenue.

We chose insurance revenue 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. The application of approximately 1% is based on our professional judgement, noting that it is also within the range of commonly accepted revenue related thresholds.

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 one key audit matter, being:

- Valuation of the liability for incurred claims

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.

Independent auditor's report (continued)

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.

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 Accounting Standards, 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 Lisa Crooke.

For and on behalf of:

PricewaterhouseCoopers

PricewaterhouseCoopers Auckland
28 November 2024

Appointed Actuary's report

finity

28 November 2024

The Directors
Tower Limited
136 Fanshawe Street
Auckland 1010

Dear Directors

Review of Actuarial Information contained in the financial statements

Finity Consulting Pty Limited (Finity) has been asked by Tower Limited (Tower) to carry out a review of the 30 September 2024 Actuarial Information contained in the financial statements and used in their preparation and to provide an opinion as to the appropriateness of this information. This letter sets out the findings of our review, as required under Section 78 of the Insurance (Prudential Supervision) Act 2010 (the Act).

Geoff Atkins is an employee of Finity and is the Appointed Actuary to Tower. Finity has no relationship with Tower apart from being a provider of actuarial services.

We 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. The scope of our review was as required by Section 77 of the Act.

Having carried out the review, nothing has come to our attention that would lead us to believe that the Actuarial Information used in the financial statements or their preparation, or the determination of the solvency position for Tower as at 30 September 2024 is inappropriate.

In our opinion the company has maintained a solvency margin in excess of the minimum required as at 30 September 2024.

No limitations were placed on us in performing our review and all data and information requested was provided

The report is being provided for the sole use of Tower for the purpose stated 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 2024 (**FY24**).

The Board is committed to achieving high standards of corporate governance, ethical behaviour, and accountability. When there are developments in corporate governance practices, the Board reviews these against Tower's practices and updates them where appropriate, including seeking external advice to encourage an environment of continuous improvement in Board performance.

For the reporting period to 30 September 2024, 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 2024, compared to 30 September 2023, 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 2024		30 SEPTEMBER 2023	
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	50%	5	70%	7
Females	50%	5	30%	3
Gender Diverse	0%	0	0%	0
Senior Leadership team				
Males	60%	29	57%	23
Females	33%	16	43%	17
Gender Diverse	0%	0	0%	0
Prefer not to disclose	6%	3	Data not collected	
Employees				
Males	34%	294	35%	281
Females	62%	532	64%	513
Gender Diverse	1%	5	1%	6
Prefer not to disclose	3%	25	Data not collected	
Total company				
Males	36%	328	39%	311
Females	60%	553	61%	533
Gender Diverse	1%	6	1%	6
Prefer not to disclose	3%	28	Data not collected	
Total employees		**915**		**850**

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

Tower has a Diversity Equity and Inclusion Policy, which outlines Tower's commitment to diversity, equity and inclusion, and provides principles and approaches to cultivate a respectful and inclusive environment.

The Policy notes that the Company actively seeks to increase diversity in all its forms, including but not limited to race, ethnicity, gender identity, experience, education, sexual orientation, age, disability, neurodiversity, socio-economic status and cultural background.

The Board has delegated to its People, Remuneration and Appointments Committee the responsiblity to review the Company's performance against measurable objectives for achieving diversity and inclusion, pursuant to the Diversity, Equity and Inclusion policy.

In furtherance of those goals, in FY24, the Company increased senior leadership accountability, by including performance objectives attached to inclusion, equity and diversity goals.

Employee Resource Groups have been refreshed, to increase employee engagement, and to provide additional opportunities to share diverse perspectives. Tower aimed to:

- Increase diversity and inclusion engagement results to 8.8 for both ethnic and gender diverse populations (from 8.6). The Company achieved an engagement result of 8.9 for the year ended 30 September 2024.
- Have 25% of employees engaged in at least one employee representation groups. 30% of employees are engaged in Tower's employee representation source groups.
- Maintain our 0.0% (+/- 0.9%) Pay Equity gap. Tower has maintained its 0.0%(+/-0.9%) Pay Equity gap.
- Reduce overall pay gap by 2% (from 20.2%). This goal was not achieved.
- Add new reporting and analysis of Māori and Pacific pay equity analysis for New Zealand based employees. This analysis is now undertaken and provided to the People, Remuneration and Appointment Committee.
- Improve retention of diverse talent. 30% of the participants in the Emerging Talent Programme and Talent Acceleration Programme are Māori or Pasifika. 73% of participants identify as female. Overall retention of participants in the talent programmes is 85%, compared to 82% in FY23.

The Board considers that in FY24, the Company has met all but one if its targets in respect of diversity and inclusion and has continued to increase diversity in all its forms across the business.

Board and Committee Composition

During FY24 the Board comprised the following members:

Michael Stiassny (Chair)

Graham Stuart

Marcus Nagel

Geraldine McBride

Mike Cutter *(from 17 November 2023)*

Blair Turnbull *(retired 17 November 2023)*

Director Independence

The Board has determined, based on information provided by directors regarding their interests, and criteria for independence benchmarked against the FMA, RBNZ and NZX independence requirements, that at 30 September 2024 Mr Stiassny, Mr Stuart, Ms McBride and Mr Cutter were independent. The Board determined that Mr Nagel was not independent due to his relationship with Tower's largest shareholder. The Board does not consider that the tenures of Mr Stiassny or Mr Stuart alter their status as independent directors.

Board Committees

During FY24 the Board had the following Committees:

Audit Committee

Members: Graham Stuart (Chair), Michael Stiassny, Marcus Nagel, Geraldine McBride, Mike Cutter *(from 17 November 2023)*.

Risk Committee

Members: Geraldine McBride (Chair), Michael Stiassny, Graham Stuart, Marcus Nagel, Mike Cutter *(from 17 November 2023)*.

People, Remuneration and Appointment Committee

Members: Michael Stiassny (Chair), Graham Stuart, Marcus Nagel, Geraldine McBride, Mike Cutter *(from 17 November 2023)*.

Other Committees

Tower's Board may establish sub-committees from time to time. In 2024, 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 2023 to 30 September 2024 is set out below:

	BOARD	AUDIT COMMITTEE	RISK COMMITTEE	REMUNERATION AND APPOINTMENTS COMMITTEE	RESULTS SUB-COMMITTEE
Meetings held	**15**	**4**	**4**	**4**	**2**
Michael Stiassny	15	4	4	4	2
Graham Stuart	14	4	4	4	2
Marcus Nagel	15	4	4	4	–
Geraldine McBride	15	4	4	4	–
Mike Cutter	15	4	4	4	–
Blair Turnbull*	1	–	–	–	–

*Mr Turnbull retired as an executive director on 17 November 2023. As an executive director, he was not a member of any Board Committees.

In addition to meetings, the Board held a two-day strategy session in July, attended by Directors, members of the Executive Leadership Team and various speakers and experts.

Remuneration

Director Remuneration

The Board's approach is to remunerate directors at a similar level to comparable Australasian companies, with a small premium to reflect the complexity of the insurance and financial services sector. 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 People, 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 2024 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 2024 (NZD)	
Michael Stiassny	180,000
Graham Stuart	110,000
Geraldine McBride*	114,166
Marcus Nagel	100,000
Mike Cutter	87,222

*Ms McBride received an additional payment during the year to reflect her role as Acting Chair of the Risk Committee from April 2023.

REMUNERATION AND BENEFITS RECEIVED BY TOWER SUBSIDIARY DIRECTORS
IN THE YEAR ENDED 30 SEPTEMBER 2024

Isikeli Tikoduadua, Director Tower Insurance (Fiji) Limited and Southern Pacific Insurance Company (Fiji) Limited	18,000 Fijian Dollars
Barry Whiteside, Director Tower Insurance (Fiji) Limited and Southern Pacific Insurance Company (Fiji) Limited, Chair of Audit & Risk Committee, Tower Insurance (Fiji) Limited	20,000 Fijian Dollars

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 page 109. 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 the Company's short and long term objectives. The People, Remuneration and Appointments Committee reviews the remuneration packages of the Chief Executive Officer and the Chief Executive Officer's direct reports at least annually.

Fixed remuneration

During FY24 the Chief Executive Officer, Mr Blair Turnbull, received a base salary of $681,575, plus a 3% employer Kiwisaver contribution. In addition, Mr Turnbull receives Life Insurance and Income Protection Insurance as part of Tower's group scheme available to all permanent employees working at least 15 hours a week.

In FY24, we received external and independent advice from EY on the CEO's remuneration, including market benchmarking against comparable New Zealand companies. EY's advice was sought in order to gauge actual and forecast movements within the market, and to assess the levels of fixed and target total remuneration to pay its CEO. EY reported to the board on this advice.

Variable Remuneration

In FY24, the CEO's variable remuneration consists of a Short Term Incentive (STI) of up to 50% of base salary and a Long Term Incentive (LTI) of up to 100% of base salary.

The maximum STI for FY24 is $340,788 based on performance against a company scorecard that includes financial targets, customer metrics and employee engagement (the FY24 scorecard is set out in the Corporate Governance Statement). In FY24, Mr Turnbull was awarded an STI payment of $276,038 based on a company scorecard against targets of 81%, as detailed below:

PILLAR	MEASURE	%	FY24 ACTUAL	SCORECARD OUTCOME
Financial (75%)	Underlying NPAT	45%	83.5m	45%
	GWP	10%	595m	6.8%
	MER	10%	30.7%[1]	6.0%
	BAU Claims Ratio	10%	48%	10%
Customer (20%)	NPS	20%	+38	8.2%
People (5%)	Engagement	5%	8.1	5.0%
Company Outcome				**81.0%**

As disclosed in the FY23 Annual Report, no STI was earned in respect of FY23.

The maximum LTI grant per annum is currently $681,575 (total) of share rights as well as an LTI payment of $260,000 in respect of the FY21 LTI scheme, which vested in full.

The FY21 LTI scheme was a cash-based scheme granted at the end of FY21. The scheme had a maximum award amount of $975,000 in cash (being 150% of the CEO's then base salary), with the award amount based on the performance of Tower's Total Shareholder Return against the NZX50 at the end of the financial year, which translated to an award equal to 40% of the CEO's FY21 base salary. Vesting is dependent on the CEO remaining employed with Tower and not subject to any disciplinary action or performance management process as at the end of FY24. The Board exercised its discretion to approve full vesting of the FY21 LTI payment in October 2024[2].

[1] The actual MER used for this scorecard does not include additional Short Term incentive payments accrued for all staff in FY24.
[2] STI payments are paid in first quarter of the financial year following the year for which they are earned.

Mr Turnbull received 1,155,509 unvested share rights pursuant to the FY24 long term incentive plan that vests based on Tower's Total Shareholder Return performance relative to the performance of companies within the NZX50 index. The details of the LTI scheme are included in the Corporate Governance Statement.

Given the resignation of Mr Turnbull, no further LTI grants will be made to the CEO.

CEO's Long Term Incentives

GRANT YEAR	PERFORMANCE PERIOD	SHARE RIGHTS ISSUED DATE	NUMBER OF SHARE RIGHTS ISSUED ON GRANT DATE	VALUE OF SHARE RIGHTS ON GRANT DATE ($)	STATUS
FY24	7 December 2023 to 6 December 2026	26 March 2024	1,155,509	681,575	Unvested
FY23	7 December 2022 to 6 December 2025	13 January 2023	939,840	657,888	Unvested

The value of share rights on grant date is calculated using the volume weighted average price of Tower Limited's shares over the 10 trading days preceding the commencement date of the performance period.

CEO's Remuneration History

The CEO's remuneration for the last two years is set out in the table below.

	FIXED REMUNERATION		STI		LTI	TOTAL
YEAR	BASE SALARY	OTHER BENEFITS	EARNED	AMOUNT EARNED AS % OF MAXIMUM AWARD	LTI VESTED	FIXED REM + STI EARNED + LTI VESTED
FY2024	681,575	23,195	276,038	81%	260,000*	1,240,808
FY2023	657,888	22,485	-	0%	-	680,373

*STI payments are paid in first quarter of the financial year following the year for which they are earned.

Employee remuneration

The table below sets out the number of employees or former employees of Tower and its subsidiaries (excluding directors and former directors) who received remuneration and other benefits valued at or exceeding $100,000 for the years ended 30 September 2023 and 2024. Tower has not previously included its subsidiaries in this reporting. Remuneration includes base salary, performance payments and redundancy or other termination payments. The 2024 figures include company contributions of 3% of gross earnings for those individuals who are members of a KiwiSaver scheme. The remuneration bands are expressed in New Zealand Dollars:

FROM	TO	2024	2023
100,000	109,999	36	26
110,000	119,999	31	24
120,000	129,999	35	34
130,000	139,999	31	25
140,000	149,999	29	15
150,000	159,999	28	26
160,000	169,999	14	11
170,000	179,999	4	4
180,000	189,999	8	6
190,000	199,999	5	3
200,000	209,999	4	6
210,000	219,999	5	5
220,000	229,999	3	3
230,000	239,999	2	6
240,000	249,999	2	3
250,000	259,999	0	1
260,000	269,999	4	0
270,000	279,999	4	2
280,000	289,999	3	3
290,000	299,999	1	0
300,000	309,999	1	1
310,000	319,999	1	2

FROM	TO	2024	2023
320,000	329,999	1	1
330,000	339,999	1	1
340,000	349,999	0	1
350,000	359,999	1	1
360,000	369,999	0	1
370,000	379,999	0	1
410,000	419,999	2	0
420000	429,999	1	0
430,000	439,999	0	1
440,000	449,999	2	0
450,000	459,999	1	0
460,000	469,999	0	1
470,000	479,999	1	1
490,000	499,999	0	1
530,000	539,999	0	1
610,000	619,999	1	0
650,000	659,999	1	0
670,000	679,999	0	1
680,000	689,999	1	0
700,000	709,999	0	1
850,000	859,999	0	1
Total		**264**	**220**

Security Holder Information

Substantial product holders (as at 30 September 2024)

The names and holdings of Tower's substantial product holders based on notices filed with Tower under the Financial Markets Conduct Act 2013 at 30 September 2024 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	26,454,673
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 2024)

The names and holdings of the 20 largest registered Tower shareholders as at 30 September 2024 were:

		UNITS	% UNITS
1.	Dent Issuer Designated Activity Company	75,896,447	20.00
2.	Accident Compensation Corporation - NZCSD <ACCI40>	34,040,321	8.97
3.	Citibank Nominees (New Zealand) Limited - NZCSD <CNOM90>	47,507,398	12.52
4.	Pacific International Insurance Pty Limited	22,072,615	5.82
5.	Lennon Holdings Limited	16,200,000	4.27
6.	HSBC Nominees (New Zealand) Limited - NZCSD <HKBN90>	11,714,723	3.09
7.	Masfen Securities Limited	13,430,197	3.54
8.	HSBC Custody Nominees (Australia) Limited	9,430,160	2.48
9.	Forsyth Barr Custodians Limited <1-Custody>	8,857,241	2.33
10.	MMC – Queen Street Nominees Limited ACF Salt Long Short Fund – NZCSD <Salt Long Short Fund>	8,296,928	2.19
11.	JBWere (NZ) Nominees Limited <NZ RESIDENT A/C>	7,921,421	2.09
12.	BNP Paribas Nominees (NZ) Limited - NZCSD	2,536,016	0.67
13.	MMC- Queen Street Nominees Ltd ACF Salt Funds Management <Salt Funds Management>	6,192,201	1.63
14.	Public Trust - NZCSD <THE ASPIRING FUND>	4,725,000	1.25
15.	Investment Custodial Services Limited <A/C C>	5,415,647	1.43
16.	Custodial Services Limited <A/C 4>	1,623,315	0.43
17.	New Zealand Depository Nominee Limited <A/C 1 CASH ACCOUNT>	2,185,275	0.58
18.	Tea Custodians Limited Client Property Trust Account - NZCSD <TEAC40>	2,988,997	0.79
19.	JP Morgan Chase Bank NA NZ Branch-Segregated Clients ACCT - NZCSD <CHAM24>	3,778,374	1.00
20.	JBWere (NZ) Nominees Limited <NR USA A/C>	1,343,344	0.35
	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

Until Tower's shareholders adopted a revised constitution at the annual shareholder meeting held in February 2024, directors were required to hold shares in the Company. At 30 September 2024, 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
Mike Cutter	34,726

Director trading in Tower securities

On 15 December 2023 Mike Cutter disclosed his purchase of 34,726 shares in Tower Limited.

Shareholder analysis

Tower's shares are quoted on both the NZSX and ASX. At 30 September 2024, 10,992 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 2,825,689 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. At 30 September 2024, 15,611 Tower shareholders held less than NZ$1,000 of Tower Shares (being, a parcel size of 741 at $1.35 per share), amounting to a total of 5,355,099 of the Tower shares on issue.

Total voting securities

	ORDINARY SHARES	NUMBER OF HOLDERS
30 September 2024	379,483,987	22,934

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 2024)

HOLDING RANGE	TOTAL HOLDERS	UNITS	% UNITS
1 - 1,000	17,205	6.733,222	1.77%
1,001 - 5,000	3,949	8,128,710	2.14%
5,001 - 10,000	606	4,359,466	1.15%
10,001 - 100,000	969	29,969,312	7.90%
100,001 and over	205	330,293,277	87.04%
Total	**22,934**	**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 2024, 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:

Mike Cutter	
Pepper Money	Director
Sezzle Inc (until 26 July 2024)	Director
Arteva Premium Funding	Chair
Kadre Consulting	Principal
Graham Stuart	
Dairy Goat Co-operative NZ Limited (from 24 May 2024)	Director
Ravensdown Co-operative Limited (from 27 May 2024)	Director

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 624,897 shares in Tower Limited	$18,746.91
Graham Stuart	Shareholder of 225,000 shares in Tower Limited	$6,075.00
Marcus Nagel	Shareholder of 62 shares in Tower Limited	$1.68
Mike Cutter	Shareholder of 34,726 shares in Tower Limited	$1,041.78
Wongaling Pty Limited (Geraldine McBride)	Shareholder of 5,477 shares in Tower Limited	$164.31

* Based on a Dividend of NZ$0.030 per share (declared on 28 May 2024).

** Mr Nagel was nominated by Bain Capital Credit LP (Bain Capital) to represent Bain Capital's stake in Tower and his appointment was supported by the Tower Board.

Subsidiary Company Directors' Interests

Directors of Tower's subsidiary companies made the following new entries into the interests register.

Michael Yee Joy	
Natadola Bay Resorts Limited	Director
Momi Bay Resort Limited	Director
Rosie Holidays Limited	Chair, Local Advisory Board and Chair of the Audit & Risk Committee
Westpac Banking Corporation, Fiji Branch	Member, Local Advisory Board
Chanel Home of Compassion	Chair, Advisory Board
Fiji Museum	Deputy Chair, Board of Trustees
University of South Pacific	Chair, University Grants Committee
Archdiocese of Suva Roman Catholic Church	Deputy Chair, Finance Council

Tower subsidiary company directors

Directors of Tower's subsidiary companies during the year to 30 September 2024 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 Limited	Blair Turnbull *(retired 20 December 2023)*
	Isikeli Tikoduadua *(retired 24 April 2023)*
	Paul Johnston *(retired 20 December 2023)*
	Ronald Mudaliar *(retired 20 December 2023)*
	Andrew Hambleton *(from 20 December 2023)*
	Jajeena Bhan *(from 20 December 2023)*
	Shannon Dooley *(from 20 December 2023)*
	Marina Elliott *(from 20 December 2023)*
	Joanne Rasmussen *(from 20 December 2023)*
	Steve Wilson *(from 20 December 2023)*
Southern Pacific Insurance Company (Fiji) Limited	Blair Turnbull
	Isikeli Tikoduadua
	Barry Whiteside
	Paul Johnston
	Ronald Mudaliar

TOWER SUBSIDIARY COMPANY DIRECTORS

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
National Pacific Insurance (Tonga) Limited	Blair Turnbull
	Paul Johnston
	Ronald Mudaliar
Tower Insurance (Vanuatu) Limited *(ceased to be a subsidiary on 30 August 2024)*	Blair Turnbull
	Paul Johnston
	Stephen Grant Ives *(until 20 December 2023)*
	Ronald Mudaliar
	Tania Laloyer *(from 20 December 2023)*
National Pacific Insurance (American Samoa)	Blair Turnbull
	Ronald Mudaliar
	Paul Johnston

Other matters

Donations

During the financial year ended 30 September 2024, donations made by Tower Limited, and its subsidiaries totalled $600.00.

Credit rating

In April 2024, 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 2024.

Limits on acquisition of securities

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.

Tower is incorporated in New Zealand and therefore 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

Global Reporting Initiative Content Index

Global Reporting Initiative (GRI) content index

Statement of use: Tower has reported the information cited in this GRI content index for the period 1 October 2023 to 30 September 2024, 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 121 Tower Directory.
2-2	Entities included in the organisation's sustainability reporting	See pg 121 Tower Directory, as well as our FY24 Pacific operations in Fiji, Tonga, Samoa, American Samoa, the Cook Islands. Solomon Islands and Vanuatu operations included up until sales finalised in the financial year.
2-3	Reporting period, frequency and contact point	Tower reports sustainability information annually. This report covers the period 1 October 2023 – 30 September 2024. This report was published on 28 November, 2024. Questions about this report can be directed to Emily.Davies@tower.co.nz
2-4	Restatements of information	This is Tower's third 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/ Our External Audit Independence Policy can also 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/ Note, sale of Solomon Islands and Vanuatu operations during the financial year.
2-7	Employees	Tower has 915 employees across New Zealand and the Pacific, 62% of whom are women, 37% are men, 1% are gender diverse, non- binary, or transgender. This is based on the 98% of staff who chose to disclose their gender. Out of the 62% population of women, 96% are permanent full-time employees, 3% are permanent part-time employees, 1% are fixed term employees and <1% are casual employees. Out of the 37% population of men, 94% are permanent full-time employees, 2% are permanent part-time employees and 4% are fixed term employees. Out of the 1% gender diverse, non- binary, or transgender employees, 86% are permanent full-time employee and 14% are fixed term employees.

DISCLOSURE		LOCATION/INFORMATION
2-8	Workers who are not employees	As at 30 September 2024, Tower had 54 contingent workers who are predominantly independent contractors on either direct or agency contracts engaged in technology, finance 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, and our Corporate Governance Statement can be found in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/
2-10	Nomination and selection of the highest governance body	Tower's Constitution and Board Renewal Policy can be found in this link https://www.tower.co.nz/investor-centre/corporate-governance/policies/
2-11	Chair of the highest governance body	Pg 50.
2-12	Role of the highest governance body in overseeing the management of impacts	Pg 50-51.
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 50-51.
2-15	Conflicts of interest	Our Code of Conduct Policy and Conflict of Interest Policy can be found 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. See Corporate Disclosure Policy in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/

DISCLOSURE		LOCATION/INFORMATION
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 FY25. Tower's 2024 Climate Statement can be found in the investor section of our website, here: https://www.tower.co.nz/investor-centre/reports/
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/
2-20	Process to determine remuneration	See Director and Remuneration and Appointment Committee Terms of Reference in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/ Pg 107.
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 42.
2-23	Policy commitments	Relevant policies currently in place can be found here: https://www.tower.co.nz/investor-centre/corporate-governance/policies/ Tower also has an Internal Procurement Policy and a Procurement Engagement Framework, a Supplier Relationship Management Framework and a Supplier Code of Conduct.
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	https://www.tower.co.nz/contact-us/complaints-and-compliments/ Our material impacts table can be found here: https://www.tower.co.nz/about-us/sustainability/ 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/ Through our internal Whistleblower Policy, 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	During the reporting period the Financial Markets Authority (FMA) filed proceedings regarding the Company's self-reported failure to correctly apply multi-policy discounts. Other remediations we have in progress relate to premium overcharges in connection with the application of promotions and policy discounts and other policy errors. Further information about Tower's remediation programme can be found on page 21 of this report. In this reporting period, Tower has not been fined, nor has it incurred any non-monetary sanctions for breaches or non-compliance with laws and regulations during the reporting period, or in any previous reporting period.
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, a signatory of the Climate Leaders Coalition and associate partner of the Centre for Sustainable Finance: Toitū Tahua.
2-29	Approach to stakeholder engagement	Tower takes a collaborative approach to stakeholder engagement. Our company purpose and values consider stakeholder interests, see page 10. Similarly, our Southern Star drives outcomes for customers and our people, see 'our vision' page 10. 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.

Global Reporting Initiative (GRI) content index

DISCLOSURE		LOCATION/INFORMATION
GRI 3: Material Topics 2021		
3-1	Process to determine material topics	Pg 49.
3-2	List of material topics	Pg 49.
3-3	Management of material topics	See our material impacts table via our website for all: https://www.tower.co.nz/about-us/sustainability/
GRI 305: Emissions 2016		
305-1	Direct (Scope 1) GHG emissions	Pg 48. 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) 2024 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 CO_2e 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. Our full greenhouse gas emissions report is provided in our 2024 Climate Statement, which is in the investor section of our website, here: https://www.tower.co.nz/investor-centre/reports/ The Statement contains our Scope 1, Scope 2 and operational Scope 3 emissions data, as well as information about our work to identify and assess our climate related risks, opportunities and business impacts.

DISCLOSURE		LOCATION/INFORMATION
305-2	Energy indirect (Scope 2) GHG emissions	Pg 48. 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. Our full greenhouse gas emissions report is provided in our 2024 Climate Statement, which is in the investor section of our website, here: https://www.tower.co.nz/investor-centre/reports/
305-3	Other indirect (Scope 3) GHG emissions	Pg 48. Scope 3 emissions include in our FY24 disclosure are transmission & distribution losses for electricity & gas, air travel, hotel stays, rental cars, taxi travel, employee commute, working from home, paper purchased (NZ only), waste to landfill (NZ only) and water (NZ and some Pacific locations). The following Scope 3 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, 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, methodology and assumptions.
305-5	Reduction of GHG emissions	Pg 48. Our full greenhouse gas emissions report is provided in our 2024 Climate Statement, which is in the investor section of our website, here: https://www.tower.co.nz/investor-centre/reports/ The Statement contains our Scope 1, Scope 2 and operational Scope 3 emissions data, as well as information about our work to identify and assess our climate related risks, opportunities and business impacts.

DISCLOSURE		LOCATION/INFORMATION
2016 GRI 401: Employment 2016		
401-1	New employee hires and employee turnover	In FY24 Tower hired 194 new employees to address growth and attrition. These comprised permanent, fixed term and casual new hires. New hires by Gender: Female: 113, Male: 75, Not disclosed: 7. New hires by region: New Zealand: 82, Pacific: 113. Number and rate of new employees by age is currently unavailable. Over the period employee numbers increased by 27 full-time equivalent staff, from 845 in FY23 to 872 in FY24, with our total head count of 915 staff, due to continuous development of our Suva hub in Fiji. Employee attrition was 18.7% in FY24, 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, domestic violence leave, gender affirmation leave, volunteer leave, discretionary leave, free flu vaccinations, Tower insurance discounts, health insurance discounts, partner discounts, eyesight testing, and study assistance.
401-3	Parental leave	From July 2023, all Tower employees have enjoyed 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 In FY24: 35 employees took parental leave (27 female and 8 Male) versus 22 in FY23. All 35 employees returned to work from parental leave during FY24 (27 female and 8 Male); of these 33 are still employed (26 female and 7 Male).

DISCLOSURE		LOCATION/INFORMATION
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 all incidents. 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. If employees choose to use counselling or health and wellbeing services via EAP, these services are strictly confidential between the worker and healthcare provider.
403-4	Worker participation, consultation, and communication on occupational health and safety	As per the NZ Health and Safety at Work Act 2015, Tower has a team of Health and Safety Committee Members from across the NZ business. In the Pacific we have also have Health and Safety committee members in each country. These Committee Members 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 continuously reviewed by the Health and Safety Officer 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.

Global Reporting Initiative (GRI) content index

DISCLOSURE		LOCATION/INFORMATION
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. Building Assessors are asbestos awareness trained.
403-6	Promotion of worker health	Tower supports its employees that have non-work-related accidents by offering 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, access to trained Mental Health First Aiders and trained Domestic Violence first responders (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.
GRI 405: Diversity and Equal Opportunity 2016		
405-1	Diversity of governance bodies and employees	Pg 105-106.
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 the reporting period, two substantiated breaches concerning customer privacy were identified. These were considered to be one-off breaches, rather than systemic and did not result in serious harm. We remain committed to maintaining the highest standards of data protection and continuously improving our practices to prevent future occurrences.

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
Mike Cutter *(from 17 November 2023)*
Blair Turnbull *(until 17 November 2023)*

Chief Executive Officer

Blair Turnbull

Company Secretary

Tania Pearson

Executive Leadership Team *(at 30 September 2024)*

Blair Turnbull, 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
Ronald Mudaliar, Chief Underwriting Officer
Steven Wilson, Chief Claims Officer
Liz Cawson, Co Chief Data Digital Officer (Acting)
Johannah Benton, Co Chief Data Digital Officer (Acting)

Registered Office

New Zealand

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Telephone: +64 9 369 2000
Facsimile: +64 9 369 2245

Australia

c/- Peter Davison
18 Korinya Road
Castle Cove
Sydney NSW 2069
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".

Registry details

Shareholders should make enquiries in respect of their shareholdings, notify changes of details or address administrative queries to Tower's Share Registrar.

Direct payment to a bank account is the only way in which dividend payments are made. Shareholders are strongly encouraged to ensure that the Registrar has up to date bank account details.

Tower also encourages shareholders to receive communications electronically, to minimise cost, ensure quicker communication, and to reduce environmental impacts.

New Zealand

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TOWER

Forward thinking

tower.co.nz