Tower Limited
Annual Report 2022

TOWER LIMITED ANNUAL REPORT 2022

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2022 IN REVIEW

13%	Underlying GWP growth $457m vs $404m in FY21*
$27.3m	Underlying profit incl. large events vs $20.8m in FY21*
$18.9m	Profit after taxation $19.3m in FY21
319k	Customer growth vs 304,000 in FY21
200k	My Tower registrations vs 132k in FY21

*For a reconciliation of Tower's underlying GWP and underlying profit, which are non-GAAP measures, to its reported GWP and profit after taxation respectively, see Tower's FY22 Investor Presentation, announced 23 November, 2022 via the NZX.

50%
Of Tower customers hold multiple products

78%
Growth in EV policies - 4140 policies in FY22 vs 2320 in FY21

30%
Reduction in New Zealand electricity emissions after moving to 6 Green Star head office, vs 2020 baseline year

7.8
Employee NPS vs 7.7 in FY21

$19m
Large events vs $13.9m in FY21

73k
Everyday claims paid in New Zealand

UPDATE FROM CHAIR & CEO

"At Tower, our purpose is to inspire, shape and protect the future for the good of our customers and communities."

Strong growth and business performance

We are pleased to report that in the year to 30 September 2022, our underlying profit including large events was $27.3m, up 31% from $20.8m for the full-year 2021. Underlying profit, excluding large events, was $41m, compared to $30.8m in the prior year. Profit after taxation was $18.9m, versus $19.3m at the end of FY21.

Tower's focus on simple and rewarding customer experiences combined with our digital and data capability have contributed to strong growth. During the financial year we grew customer numbers to 319,000, up 5% on last financial year. We also grew our underlying gross written premiums (GWP) 13% year on year, up to $457m.

Reflecting these positive results and based on Tower's dividend policy, the Board has declared a final dividend of 4 cents per share. This will be paid on 1 February 2023,bringing total dividends for FY22 to 6.5 cents per share.

We remain in a strong capital and solvency position. As at 30 September 2022, Tower's New Zealand parent solvency ratio was 205% and the company was holding $22m above itstarget solvency margin.

In March, the Board returned $30.6m in excess capital to shareholders by way of a compulsory share buyback under a court-sanctioned Scheme of Arrangement.

In FY22 Tower successfully navigated global and domestic challenges including record inflation, supply chain blockages, access to talent, and increasing large events. We are pleased that the actions we have taken to address these challenges, combined with consistent growth and strong underlying business performance, are delivering results for shareholders.

Delivering on innovation and growth

Our flagship Tower Direct business continues to go from strength to strength, growing GWP by 17% to $320m as we innovate to build rewarding and engaging relationships with customers.

Our digitisation strategy has seen us make the process of purchasing and managing insurance policies and making a claim even easier on one simple online platform. We have also enhanced transparency of pricing and individual property risk with the introduction of our flood and earthquake risk rating tool.

Digitisation of our Pacific business continues at pace and we are now operating on one core platform across New Zealand and the Pacific, leading to further improvements in efficiency and competitiveness.

Similarly, our partnerships business has attracted new partners such as Ray White, and our flagship Trade Me offering has increased by 38% to 45,000 policies. During the year we were pleased to complete our strategy of acquiring legacy insurance books from banks and migrating them to Tower Direct, reducing commission payments by around $11m per year.

Our technology partnerships are enabling the business to be increasingly nimble in responding to challenges and capitalising on opportunities.

In the financial year we were particularly pleased to win a number of industry awards for our leading customer experience, including the Insurance Business Awards New Zealand General Insurer of the Year, and the top Canstar Car Insurer of the Year and Outstanding Value Car Insurance Awards for the second year running.

Recognising our people

Our 2022 financial year result is a credit to Tower's management and people who focused on delivering our strategy and the resulting customer benefits.

We were pleased to have further bolstered our leadership team and Board this financial year. In January, we welcomed both our Chief Financial Officer, Paul Johnston, and Chief Claims Officer, Steve Wilson, and in June, Greg Moore joined as Chief Digital and Data Officer.

In February we farewelled Steve Smith who had been a Director of Tower since 2012. On 30 November, Warren Lee retired following seven years' service to Tower. We sincerely thank Steve and Warren for their considerable contribution towards Tower's transformation over the years.

Just after the close of the financial year, the Board was pleased to welcome Geraldine McBride as a Director on 1 October. Geraldine brings extensive governance and technology industry experience both internationally and in New Zealand.

Managing the impacts of climate change

It's clear that the biggest challenge we collectively face is the threat of climate change.

Tower is committed to navigating the changing climate in support of our customers and communities in New Zealand and the Pacific, and in the long-term interests of our shareholders. That's why we have introduced flood risk-based pricing and a parametric insurance pilot, to better inform and prepare our customers and business for the future.

Increasing the large event limit in our financial plans and the successful renewal of Tower's reinsurance programme also provide important protection from this volatility.

In the coming financial year, we will respond to the Government's new, mandatory Climate-related Disclosures reporting regime by sharing the risks and opportunities we anticipate from a range of potential climate change scenarios. We see this regime as a positive opportunity to inform our business strategy and support future resilience.

Environmental, social and governance commitments

This year, for the first time, we are pleased to integrate environmental, social and governance (ESG) commentary throughout our annual report, in accordance with the Global Reporting Initiative (GRI) 2021 Standards. This approach reflects our commitment to transparency and providing shareholders with the widest possible view of our activities.

Tower has identified and prioritised its most relevant ESG impacts and has initiatives in place to address them. These are highlighted throughout the report with a list of our material topics summarised on page 62.

We welcome feedback on this report from our shareholders and look forward to sharing our progress as we continue our sustainability journey, in tandem with our other strategic priorities.

MICHAEL STIASSNY
Chairman

BLAIR TURNBULL
CEO

MAKING INSURANCE EASY

Key to our strategy is a relentless focus on our customers, deepening our relationships with them through rewards, new products and other offerings that make sense and create value.

DON'T JUST TAKE OUR WORD FOR IT

"Incredible friendliness, so engaging and explained everything."

– Carolyn, Tower customer, December 2021

"Just great service, easily accessible and right first time!!"

– Davina, Tower customer, March 2022

"The My Tower login is super easy to use to update and change policies."

– Pradeep, Tower customer, August 2022

NEW ZEALAND GENERAL INSURER OF THE YEAR

Insurance Business Awards NZ 2022, Awarded in February

CANSTAR CAR INSURER OF THE YEAR

Awarded in September

CANSTAR 2022 OUTSTANDING VALUE CAR INSURANCE AWARD

Awarded in September

CELENT CUSTOMER EXPERIENCE TRANSFORMATION

Celent Model Insurer Awards 2022, Awarded in March

NEW ZEALAND INSURTECH INITIATIVE OF THE YEAR AWARD

Insurance Asia Awards 2022 – Quick Quote, Awarded in June

INNOVATING TO MAKE INSURANCE EASIER FOR CUSTOMERS

In FY22 Tower continued to invest in and develop industry-leading technology and tools to deliver beautifully simple customer experiences.

This digital focus has contributed to our flagship Tower Direct business performing well in FY22, with GWP up 17% to $320m.

Throughout the year we've continued to enhance our unique My Tower offering. In addition to purchasing insurance, making a claim, and updating and keeping track of policies on one simple online platform, customers can also:

- View a personalised comparison of pricing changes at renewal time
- View their property's individual risk profile for flooding and earthquakes
- Adjust their sum insured
- Update their personal details and payment methods
- View discounts and promotions.

Customers are increasingly engaging with us online.

200k Customers now registered for My Tower NZ, vs 132k in FY21

66% Of Tower Direct sales now digital

17% Increase in Tower Direct online quotes from FY21

50% Of service tasks and transactions completed digitally in NZ

48% Of claims now lodged online in NZ

CREATING BEAUTIFULLY SIMPLE AND REWARDING CUSTOMER EXPERIENCES

Charlie the chatbot

Charlie the chatbot handled more than 92,000 customer queries in FY22. Through clever use of artificial intelligence, Charlie can answer more than 10,000 unique questions and is learning more every day. Charlie is available to customers 24/7.

Quick Quote

Making it quicker to get a quote has increased the number of quotes we've provided. Quick Quote uses big data and automation to make the insurance quotation process as simple as possible for customers. A quote from Tower now only requires responses to between five and nine questions, depending on the policy.

TRANSPARENCY & FAIRNESS AT THE HEART OF OUR CUSTOMER EXPERIENCE

We are focused on building trust, through fair and transparent insurance services.

Our customer research tells us that insurers traditionally do not make things easy for customers; only a quarter of Kiwis told us they are confident they have the right cover for all their risks*. Three-quarters of people surveyed also told us that transparency of information is one of the most important factors when deciding on an insurance provider.

We recognise the need for clearly worded and simple descriptions of insurance products that ensure customers understand what they're covered for.

Easy to understand insurance

In addition to ensuring our policies achieve the WriteMark plain English standard, we progressed several important initiatives in FY22 aimed at increasing transparency and fairness.

These include our approach to risk-based pricing for flooding which launched in November 2021, and continually simplifying and improving our customer self-service offering through digitisation.

We enhanced our digital platform to provide customers with transparent pricing. We also challenged industry norms by making it easier for customers to cancel their insurance online without needing to call the contact centre.

With 82% of customers surveyed saying they are likely or very likely to insure with Tower again in the future, this approach has removed an unnecessary pain point for customers.

Toka Tū Ake – EQC levy change

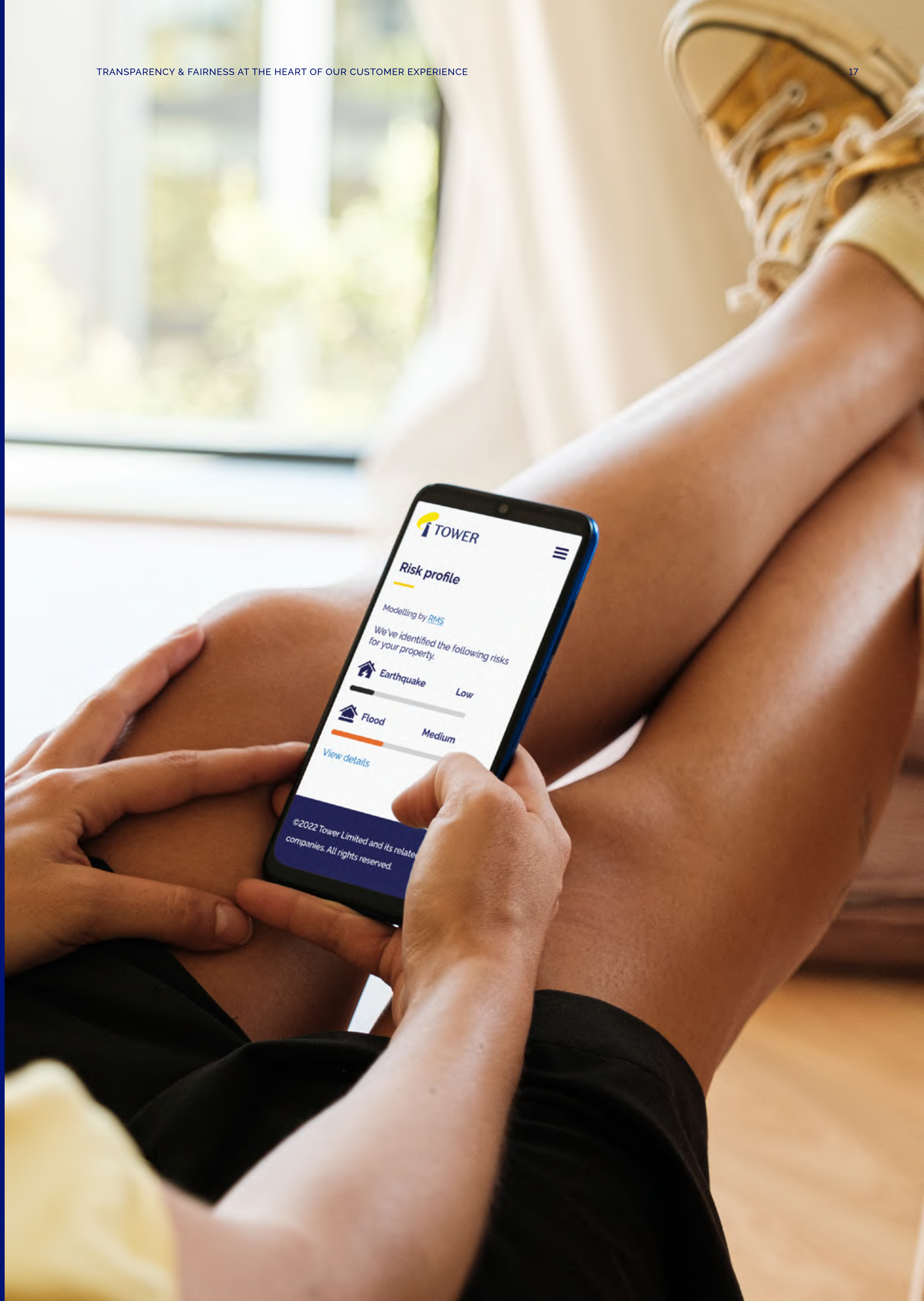
A substantial change to premiums in 2022 was driven by the Government's decision to double the amount Toka Tū Ake – EQC will pay out in certain types of natural disasters, to $300k per household.

With most customers seeing a resulting increase in premiums, Tower proactively explained the change in premiums to customers, including producing an easy-to-understand video which received positive customer feedback.

Putting things right for our customers

An important part of being fair and transparent is fronting up and fixing things when we don't get them right. In the 2023 financial year, Tower will put things right for customers whose discounts weren't calculated correctly. Following an internal review, we identified that some customers who hold multiple policies with Tower have not received the multi-policy discount they were entitled to. After we identified the issue, we proactively advised the Financial Markets Authority (FMA). We are identifying affected customers and calculating refunds due. Customers will not need to take any action as we will make contact directly as appropriate. We sincerely apologise to customers who have been affected by this error. We have put new processes in place to ensure that customers always receive their correct discounts.

*From Tower research commissioned in September 2021, which surveyed 1,000 New Zealanders



FLOOD RISK-BASED PRICING

In November 2021, Tower introduced flood risk-based pricing and a new online tool to help all Kiwis better understand and prepare for the risks their properties face, and to ensure we keep premiums fair and transparent.

The tool was developed in partnership with Risk Management Solutions (RMS, a global risk-modelling company). It's the first fully probabilistic flood model for New Zealand and allows a low, medium or high rating for every residential address in the country.

We also use this data to help customers understand their premiums. Through My Tower we have raised the benchmark around open and transparent pricing for customers, by presenting visual breakdowns of customer premiums in a simple chart, where they can easily compare year-on-year changes for the various pricing elements.

Throughout 2022, all home insurance customers who have held Tower policies prior to November 2021 have been transitioned to our new flood-risk rating model, with nearly 90% receiving a reduction in the flood-risk portion of their premiums.

Looking forward, Tower will expand its risk-based pricing approach to include coastal erosion and coastal flooding risk by the end of 2023, with windstorm to follow.

EXPANDING OUR CORE PRODUCT RANGE

At Tower, we're all about solving our customers' problems before they even know they have them. This enables us to build deeper relationships with customers who then stay with us longer.

In FY22, Tower developed a new renovation insurance product. We also partnered with Allianz Partners to offer travel and pet insurance.

Travel cover

Tower launched travel insurance in October 2021. Once borders opened fully in March, Kiwis left the country in earnest with 19% of travel insurance policies purchased for trips to Australia, followed by New Zealand at 14%, the UK at 12%, and Fiji and the US at 9%.

Pet insurance

We launched pet insurance in December 2021. From home and contents to canines and cats, customers are now able to insure their most precious possessions and furry friends with Tower.

55	Injured dogs recovered
18	Sick cats nursed back to health
19%	Of travel insurance policies were for trips to Australia - our most popular destination

Contract Works – Renovation cover

Kiwis took out more than 30,000 renovation consents for their houses last year. But our research* shows many people aren't aware home insurance doesn't cover everything related to renovating.

In August 2022, Tower launched Contract Works – Renovation cover. It's separate from house insurance and builders' insurance, and covers damage while work is being done, as well as theft of construction materials.

Disciplined, data-driven underwriting improving risk accuracy

We are staying ahead of inflationary pressures by ensuring accurate sum insured amounts for our customers' homes. Now almost 100% of our house customers' sums insured are updated automatically on their policies, either by the consumer price index or the Cordell calculator, compared to only 77% a year ago.

Our underwriting capability is becoming increasingly automated, with 95% of risks in New Zealand now sold without requiring a manual underwriting review.

We are continuously monitoring our pricing to ensure we stay both competitive and profitable. Our agility and data-driven capabilities have enabled us to make more than 140 pricing and underwriting adjustments in the year.

*From Tower research commissioned in July 2022, which surveyed 1,005 New Zealanders

PARTNERING EVERYWHERE

Smart, meaningful partnerships have been key to unlocking growth amid a rapidly changing insurance landscape.

In FY22 Tower's Partnerships business increased GWP from active partners by 35% to $54m and Tower has attracted a number of new partners over the year.

Bringing Kiwis home safe

We're proud to celebrate one year of partnering with Coastguard New Zealand. New Tower Boat customers are eligible for a discounted Coastguard membership.

Coastguard volunteers and staff are also eligible for insurance discounts. These discounted rates help drive Coastguard memberships and ultimately, keep more Kiwis water safe.

Ray White Concierge

Unlike any other service in the New Zealand property industry, Ray White launched Concierge in partnership with Tower in October 2022.

Our partnership with Ray White makes it even easier for people to insure their home during a seamless property purchase process experience, with access to our entire product range and My Tower platform.

Kiwi Adviser Network

In September 2022, Tower partnered with the Kiwi Adviser Network (KAN). KAN has relationships with 200 advisors and 20 New Zealand mortgage lenders across NZ.

This partnership helps simplify insurance referrals for advisers and is another positive step forward for Tower's partnerships advisory model, helping to accelerate the growth of our network by 35% to 1,500 active advisors throughout FY22.

Flagship Trade Me Partnership

Our flagship Trade Me partnership has gone from strength to strength this financial year, growing 38% to $25m GWP and helping Tower reach a range of customers through Trade Me Insurance (TMI). In March, TMI extended its offering to include our Boat insurance product. With more than 3,000 boats for sale on Trade Me at any one time, we're continuing to provide insurance cover for products on Trade Me with our online journey.

TSB

In May we announced a new five-year referral agreement with TSB, providing the opportunity for further growth. Tower has underwritten TSB-branded insurance products since 2004.

Legacy insurance book acquisitions complete

In September we completed our strategy of acquiring legacy insurance books and migrating them to Tower Direct. We announced we would acquire and assume Kiwibank's rights and obligations relating to servicing a portfolio of insurance policies underwritten by Tower.

Since February 2021, Tower has purchased books for a total price of $26m from ANZ, Westpac, TSB and Kiwibank, ending commission payments and enabling us to have a direct relationship with these customers, who hold more than 88,000 assets and contents policies.

Previously, Tower paid total commission to these partners of around $11m per annum.

Reducing commissions

The transformation of our Partnerships business to a lower commission model and our legacy book acquisitions have resulted in commission payments reducing to 2.2% of gross earned premiums in FY22.

MAKING INSURANCE AFFORDABLE AND ACCESSIBLE

Providing affordable and accessible insurance is a priority for Tower, including in our Pacific markets, where most people are either not insured or are underinsured.

Low rates of insurance in the Pacific are due to a range of issues, including the insurability of many Pacific homes, the unique ownership structures of properties within families, affordability, a lack of insurance products to suit their needs, or a lack of available internet or transportation to access insurance products.

We know that not having the right cover makes people, communities, and economies reliant on aid, which creates unnecessary uncertainty and can mean it takes more time to recover when the worst happens.

As a Kiwi and Pacific insurer, we have a responsibility to ensure insurance remains accessible and affordable. This is a challenge given the current inflationary environment and increasing risks from large events and climate change.

We are committed to providing products that meet our customers' needs, offering insurance services that are as affordable and accessible as possible, and increasing the number of people with appropriate insurance.

We continuously monitor our pricing and benefits to ensure we are competitive and offer value for money.

We have also formed an affordability focus group to ensure our team have all the right skills necessary to help customers navigate affordability issues.

In the Pacific, Tower has advocated strongly for higher penetration of insurance.

This year we made a submission to the Fiji National Financial Inclusion Strategy, calling for fast and affordable internet access. We participated in an industry initiative to develop a financial literacy programme for insurance with the United Nations Development Programme (UNDP). And in February we announced a partnership with Business Link Pacific to increase insurance knowledge in the South Pacific.

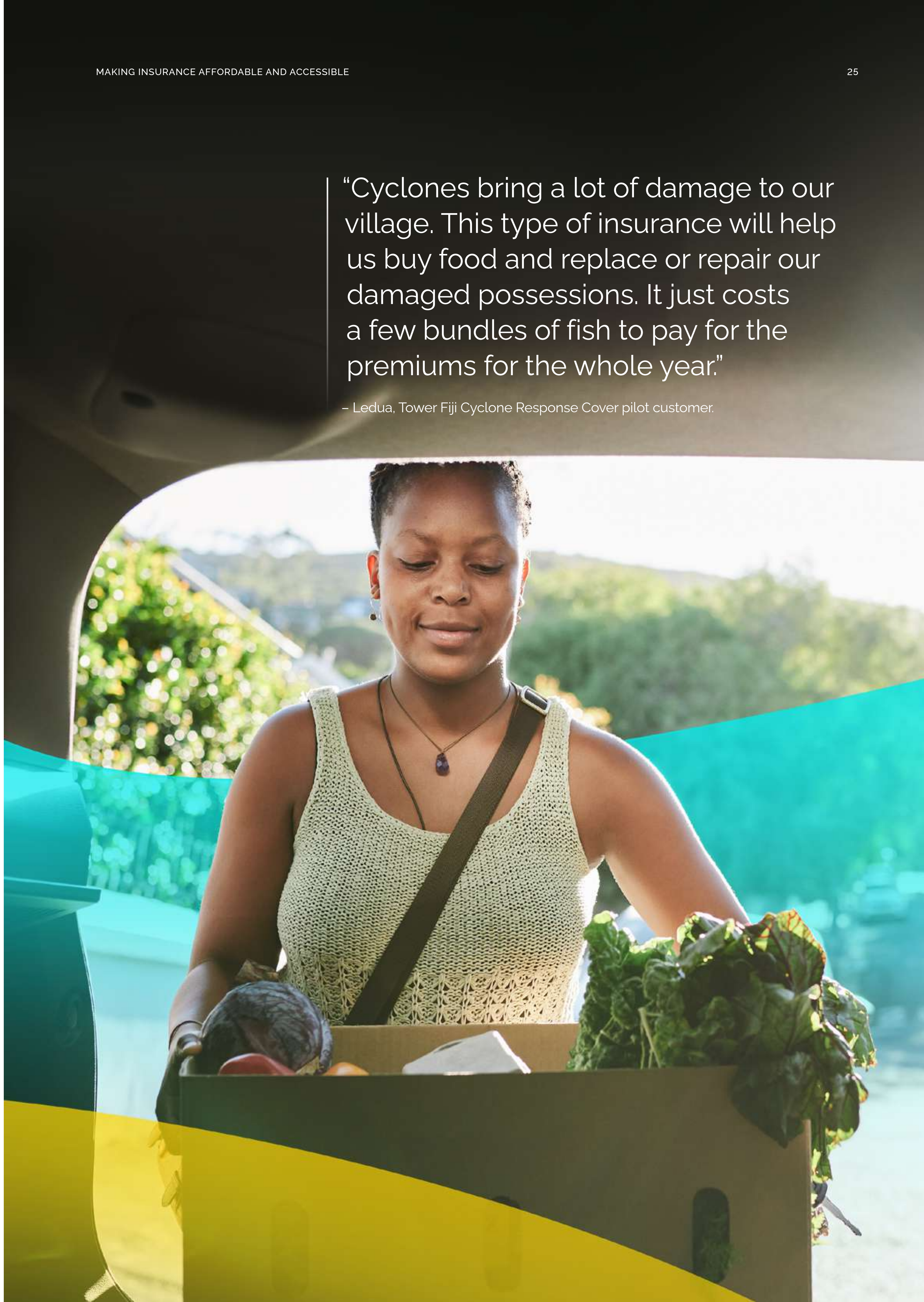
Cyclone Response Cover

We see the Pacific as an excellent test bed for new technology and product development. With weather events becoming more extreme, it's important for insurers to look at different insurance models to help communities recover more quickly from widespread damage.

Parametric insurance provides a rapid cash pay-out when a customer is impacted by a weather event, regardless of damage and without the need for an insurance assessor's signoff.

In October 2022, Tower launched Cyclone Response Cover, a parametric insurance pilot in Fiji, ahead of the 2022/2023 cyclone season. Cyclone Response Cover automatically pays customers following cyclone events, based on windspeed and proximity. It aims to help communities recover more quickly from a large event and offers financial security and peace of mind to customers who may not benefit from traditional insurance. It's an affordable, lower-cost, lower total cover approach and nimbler than the assessment-based insurance models we have now. It isn't a silver bullet and won't replace assessment-based insurance, but it's part of the solution – importantly, it's a step forward in increasing insurance accessibility across the Pacific.

Following the pilot phase, Cyclone Response Cover will be available to all Tower customers in Fiji for the 2023/2024 cyclone season. From there, Tower will begin to expand the product into our other Pacific Island markets.



"Cyclones bring a lot of damage to our village. This type of insurance will help us buy food and replace or repair our damaged possessions. It just costs a few bundles of fish to pay for the premiums for the whole year."

– Ledua, Tower Fiji Cyclone Response Cover pilot customer.

Tower's core platform has now been rolled out across seven Pacific countries, supporting a return to growth for our Pacific business with GWP up 8% to $58m.

INVESTING IN THE PACIFIC

Tower has been helping to protect Pacific Island customers and communities with insurance for more than 140 years.

In this time, Tower has been able to tap into local talent, expertise and important perspectives on issues like product development and more recently, climate change.

Our Pacific team has been instrumental in the development of our parametric insurance pilot and in understanding climate change impacts on our Pacific customers.

Our operations hub in Suva is the heart of our Pacific arm. In the last two years alone, we've celebrated significant growth in Fiji, creating more than 50 new jobs for local people, and we now have staff in Suva working across every Tower business unit.

This growth both bolsters the local economy and safeguards overall business continuity and resilience. Having people across different regions means our team in Fiji can support our Pacific customers as well as peaks and troughs in customer service calls across the Tower Group.

Beyond investing in talent, we're also investing heavily in digital and data technologies to increase insurance accessibility and bring a more modern, streamlined insurance experience to the Pacific region.

We've invested nearly NZ$7m into our Pacific digital transformation, and our digital platform is now live in every Pacific market we operate in.

In March 2022, we launched Fiji and the Pacific's first ever online quote-to buy insurance experience, and this is now also live in Vanuatu and Tonga. In April 2022, we launched our signature My Tower platform in Fiji, followed by My Tower Vanuatu in November 2022.

My Tower means our Fiji customers no longer need to make the trip to one of our branches to make a claim, purchase insurance, change their sum insured or pay their premiums – all of this can now be done online via My Tower.

We plan to launch online quote to buy and My Tower across all our Pacific territories by the end of FY23.

Simplifying our Pacific business

In December 2021, Tower completed the acquisition of its subsidiary National Pacific Insurance Limited (NPI) which operates across Tonga, American Samoa and Samoa. Tower has begun the process of rebranding NPI to Tower.

In June 2022, Tower announced the conditional sale of all its shares in its Papua New Guinea subsidiary to Alpha Insurance Limited. The sale was completed in October 2022. It delivers good value to shareholders and will enable Tower to accelerate streamlining and modernising our Pacific business operation.

1	Core NZ and Pacific personal lines platform now live
71%	Increase in Fiji new business vs FY21
88%	Of all Fiji new business purchased via new digital platform
45%	Of all new business in the Pacific purchased via new platform

CLIMATE CHANGE – TACKLING THE CHALLENGE OF A LIFETIME

Tower is focused on managing the impacts of climate change, both within our business and for the communities we serve.

We recognise that we have a responsibility to make a positive contribution to mitigating climate change through our own operations, and through our influence as a committed Kiwi and Pacific business.

MANAGING THE IMPACTS OF CLIMATE CHANGE

Tower has four main strategies for managing climate change impacts:

1 Continuing to expand our risk-based pricing strategy to include more climate-related hazards.

2 Budgeting for increasing large events in our planning to manage financial impacts.

3 Implementing a robust reinsurance programme to provide protection from volatility.

4 Working towards a more sustainable future by supporting communities through climate change and reducing emissions through every aspect of our value chain.

Robust reinsurance programme

In October 2022, we successfully renewed our reinsurance programme for the 2023 financial year, obtaining comprehensive cover with very competitive rates for our home, motor, boat and commercial portfolios, across New Zealand and the Pacific.

Tower's reinsurance strategy provides protection from volatility caused by large events and maintains financial flexibility to support growth, while underpinning strong solvency.

Tower increased the catastrophe upper limit to $934m to reflect business growth. The catastrophe cover excess is $11.9m, up from $11.3m in FY22.

Reinsurers are attracted to Tower's robust risk management capabilities, strong underwriting, including our approach to risk-based pricing, and our dynamic rating capability.

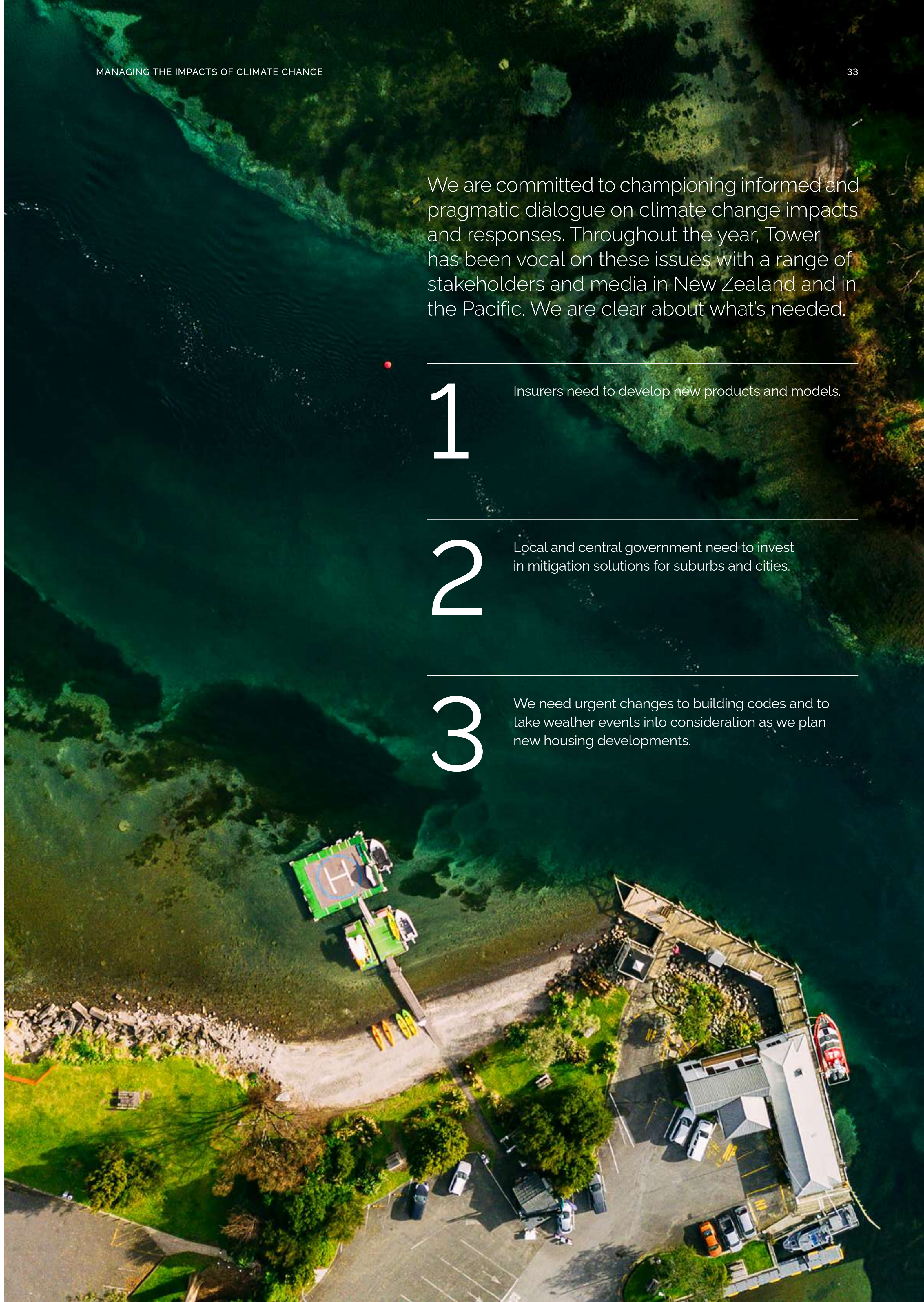
Climate-related Disclosures

The New Zealand Government's new Climate-related Disclosures reporting regime will come into effect for accounting periods starting after 1 January 2023 and will therefore apply to Tower's FY24 reporting.

We see this reporting regime as a positive opportunity to inform our business strategy and are planning to make some early Climate-related Disclosures in our FY23 reporting.

Lifting awareness & education

To help raise awareness of risks and climate change issues we are sharing useful data with New Zealand customers via our flood and earthquake hazard model. We also support scientific research, education and innovation through our partnership with Waikato University's Bachelor of Climate Change Studies.



We are committed to championing informed and pragmatic dialogue on climate change impacts and responses. Throughout the year, Tower has been vocal on these issues with a range of stakeholders and media in New Zealand and in the Pacific. We are clear about what's needed.

1 Insurers need to develop new products and models.

2 Local and central government need to invest in mitigation solutions for suburbs and cities.

3 We need urgent changes to building codes and to take weather events into consideration as we plan new housing developments.

SUPPORTING COMMUNITIES THROUGH CLIMATE CHANGE

Tower is committed to helping New Zealand and the Pacific's transition to a more sustainable future.

Our greatest opportunity to support this aim is by positively influencing and supporting our customers through the services and products we provide.

Ensuring our product development and innovation supports climate change resilience and action is a priority for Tower. We know traditional insurance products fail to adequately support many Pacific people who either do not have insurance or are underinsured. To help build future resilience in the face of climate change in the Pacific, we are piloting parametric insurance with Cyclone Response Cover and improving the accessibility of insurance products through digital investments.

In New Zealand, Tower is supporting more sustainable forms of transport with innovative insurance offerings including policies that cover electric and hybrid vehicles, e-bikes and e-scooters.

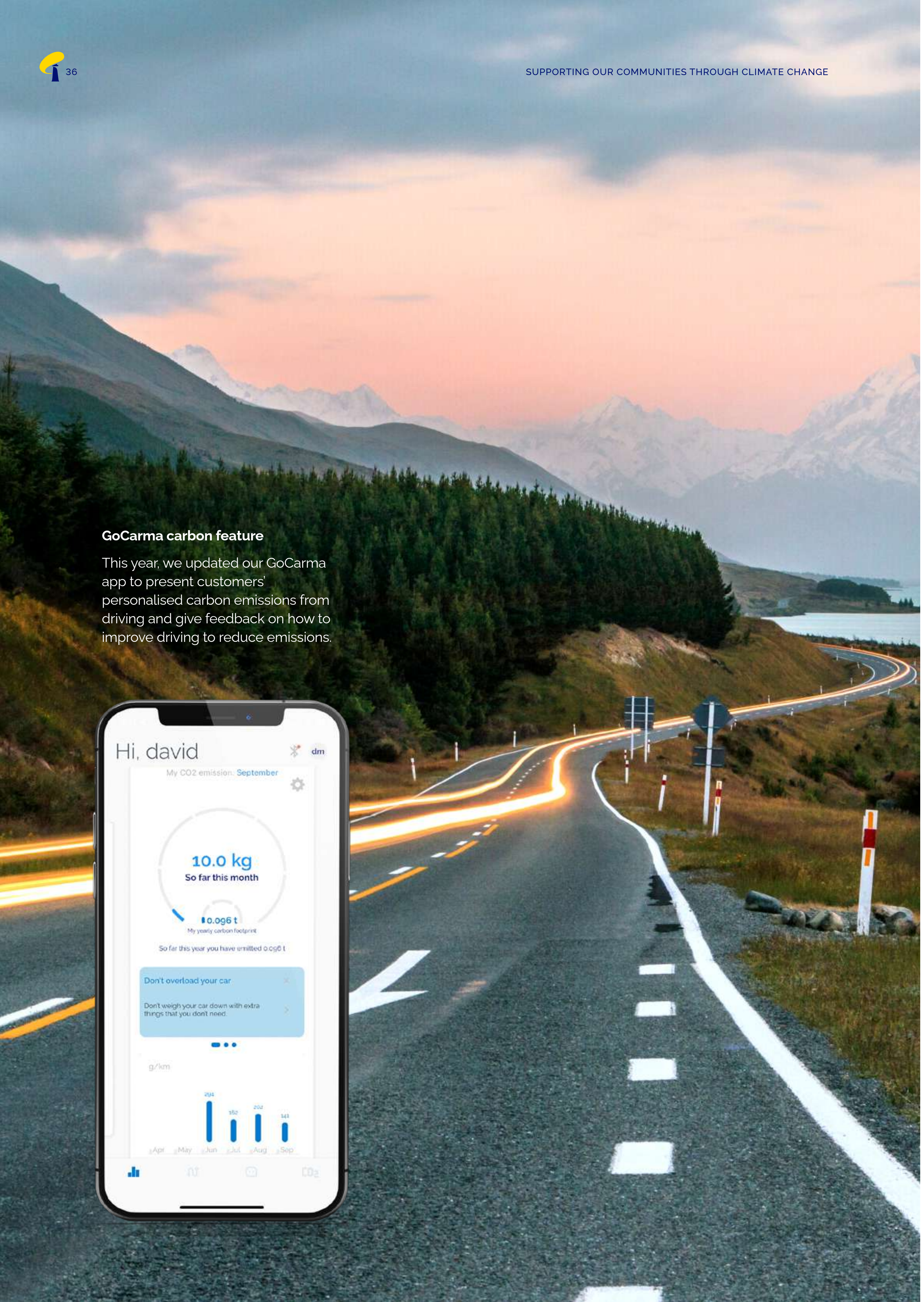
Decarbonising transport

Since broadening the range of EVs we insure in 2021 and the introduction of government schemes to incentivise uptake of EV and hybrid vehicles, sales of EV policies continued to soar, with the number of Tower EV policies increasing by 78% during 2022.

Sustainability benefit

Our $15,000 sustainability payment, on top of the sum insured, provides an incentive to choose sustainable building materials and features when building a new home following a total loss from fire or flood.

78%	Growth in EV cover
65%	Growth in hybrid vehicle cover



GoCarma carbon feature

This year, we updated our GoCarma app to present customers' personalised carbon emissions from driving and give feedback on how to improve driving to reduce emissions.

Carbon emissions target

Tower has set a science-based reduction target of 21% over five years from our 2020 base year.

We first calculated our carbon footprint for two financial years in 2021 in accordance with the requirements of the Greenhouse Gas Protocol and ISO 14064-1:2018.

We have ambitiously elected to use FY20 (1 October 2019 – 30 September 2020) as our first year of measurement, which includes multiple lockdowns in all the markets we operate in. While this base year does not reflect our pre-Covid footprint, we are aiming to incorporate the lessons of three years of working remotely and travelling less.

We take measuring and reducing our emissions seriously as we recognise that every effort to reduce emissions helps to mitigate global warming. Our carbon impacts reach well beyond the boundaries of our own operational activities and include the activities of our whole value chain, including the suppliers we work with.

Our emissions profile

Our emissions temporarily reduced in FY21 due to the substantial reduction in travel and energy use experienced by many office-based companies throughout the pandemic. As expected, our ambitious targets are proving challenging as we continue to grow and increase customer interactions, particularly in the Pacific islands.

This return to normal activities has seen our overall carbon footprint increase 12% to 617 tCo2e against our FY20 baseline year (551 tCo2e). This is largely driven by our Pacific fleet of 18 vehicles which have doubled emissions compared to our FY20 base year contributing to a 78% increase in our Scope 1 emissions.

We are committed to reducing our fleet emissions and have already taken actions to curb these, such as replacing our New Zealand fleet with plug-in hybrid vehicles. This has helped manage increases to our New Zealand mobile combustion emissions in FY22 and we expect to see the full benefit of this change in FY23. We will transition four of our Pacific fleet vehicles to hybrids in FY23.

Some 62% of Tower's greenhouse gas (GHG) emissions come from our Pacific operations. While this is largely due to vehicle use, it also reflects the energy supply in the Pacific compared to mostly renewable sources in New Zealand. In our Pacific premises we rely on generators when the local electricity grids regularly fail. In FY23 we will investigate how we can implement more sustainable electricity sources for our Pacific properties.

The move to our new 6 Green Star-rated building in Auckland has helped reduce our corporate office emissions and waste in New Zealand, contributing to a 30% reduction in Scope 2 emissions and an 80% decrease in emissions from our Auckland premises versus our base year.

Air travel accounted for 12% of our emissions in FY22. While this was up 63% from FY21 as we reconnected with our people in the Pacific after two years of restrictions, it is down 42% compared to the FY20 base year, contributing to a 5% reduction in Scope 3 emissions. In FY22 we implemented a new Sustainable Business Travel Policy, which requires staff to first consider alternatives to travelling such as use of video conference, as well as more sustainable ways to travel.

Paper use and waste were minor contributors to our carbon footprint in FY22.

In FY22 we also developed a Supplier Code of Conduct, which sets out our environmental, social and governance expectations for all our suppliers. In FY23 we will work proactively with suppliers to understand and reduce our broader emissions profile.

In taking responsibility for our emissions, our preferred approach is to invest in initiatives that reduce gross emissions as much as possible. Therefore, we have elected not to offset our FY22 emissions.

Emissions by scope

SCOPE	FY20 (TCO2E)	FY21 (TCO2E)	FY22 (TCO2E)
SCOPE 1	169	115	300
SCOPE 2	180	165	126
SCOPE 3	202	98	191

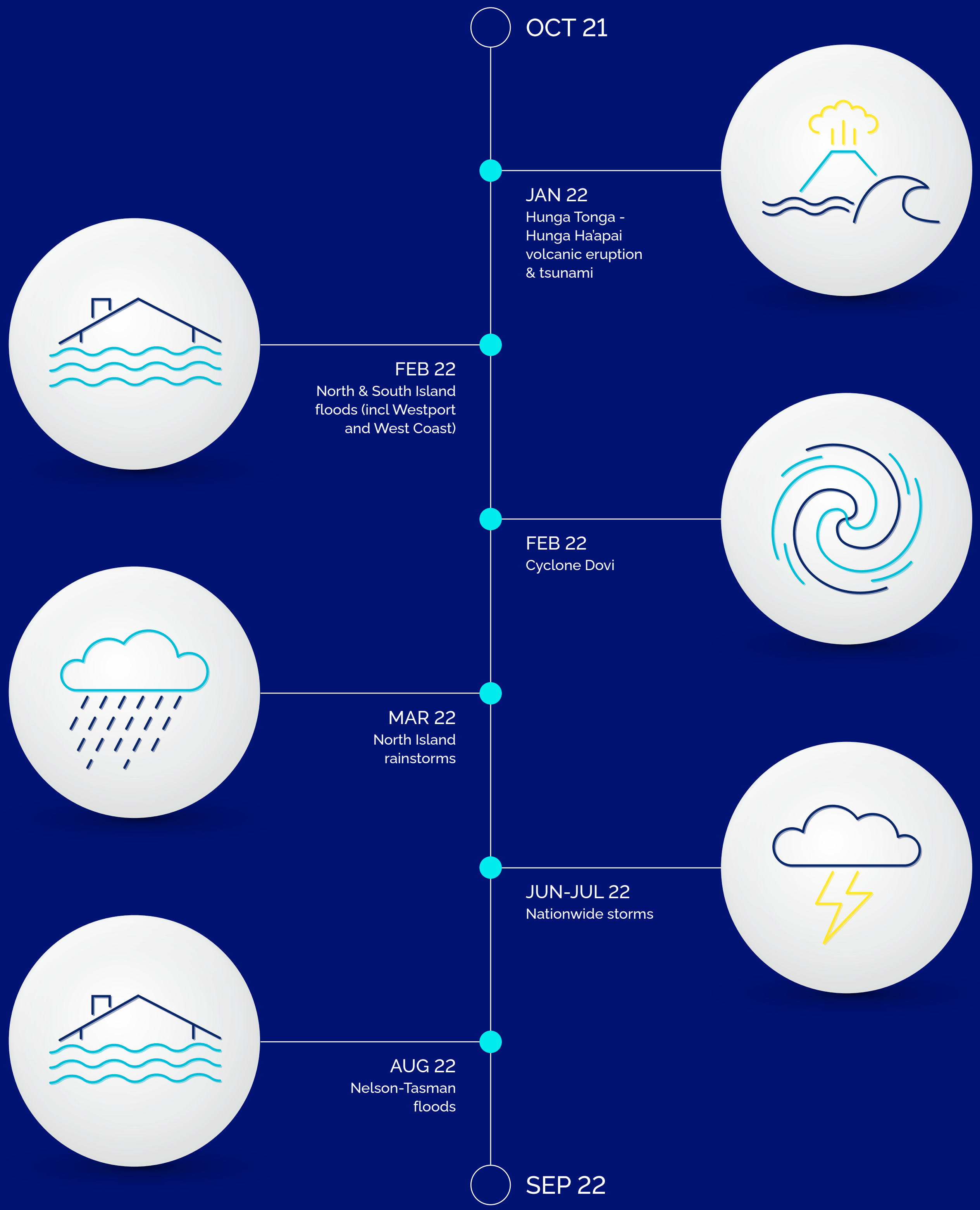
NEW 6 GREEN STAR HEAD OFFICE

Tower's new home at 136 Fanshawe Street was designed, developed, and constructed with sustainability in mind.

The building is equipped with cutting-edge technology aimed at saving energy and cutting waste, and features a 6 Green Star rating, using the Green Star NZ – Office Built V3 tool.

SUPPORTING CUSTOMERS THROUGH LARGE EVENTS AND EVERYDAY CLAIMS

FY22 LARGE EVENTS AND EVERYDAY CLAIMS



359% Increase in mask-related claims, mainly for broken or lost hearing aids and glasses

$7.7m In claims related to damage caused by children*

68 Lightning strikes resulting in claims

17.5k Car windscreens replaced or repaired

31.3k Vehicles fixed or replaced (in addition to windscreen claims)

11.2k Claims for Kiwi and Pacific homes

*Parents and caregivers at Tower were unsurprised by this statistic

HUNGA TONGA–HUNGA HA'APAI VOLCANIC ERUPTION AND TSUNAMI

January 2022 saw a one in a thousand year event; the Hunga Tonga–Hunga Ha'apai volcanic eruption and subsequent tsunami in Tonga. The event was seen and felt around the globe and was an incredibly challenging time for the people of Tonga, including our Tower team and customers.

Since then, Tower's goal has been to help the people of Tonga recover as quickly as possible, so they can focus on rebuilding their lives.

Initial response

The force of the eruption severed Tonga's internet and communications cable, with international communications not restored until five weeks later. However, Tower's operational resilience meant we were able to communicate immediately with our people to ensure their safety and begin to help customers. It also meant that our in-country claims partner networks could be deployed almost immediately to begin assessing damage and assisting customers.

Lodging claims and fast

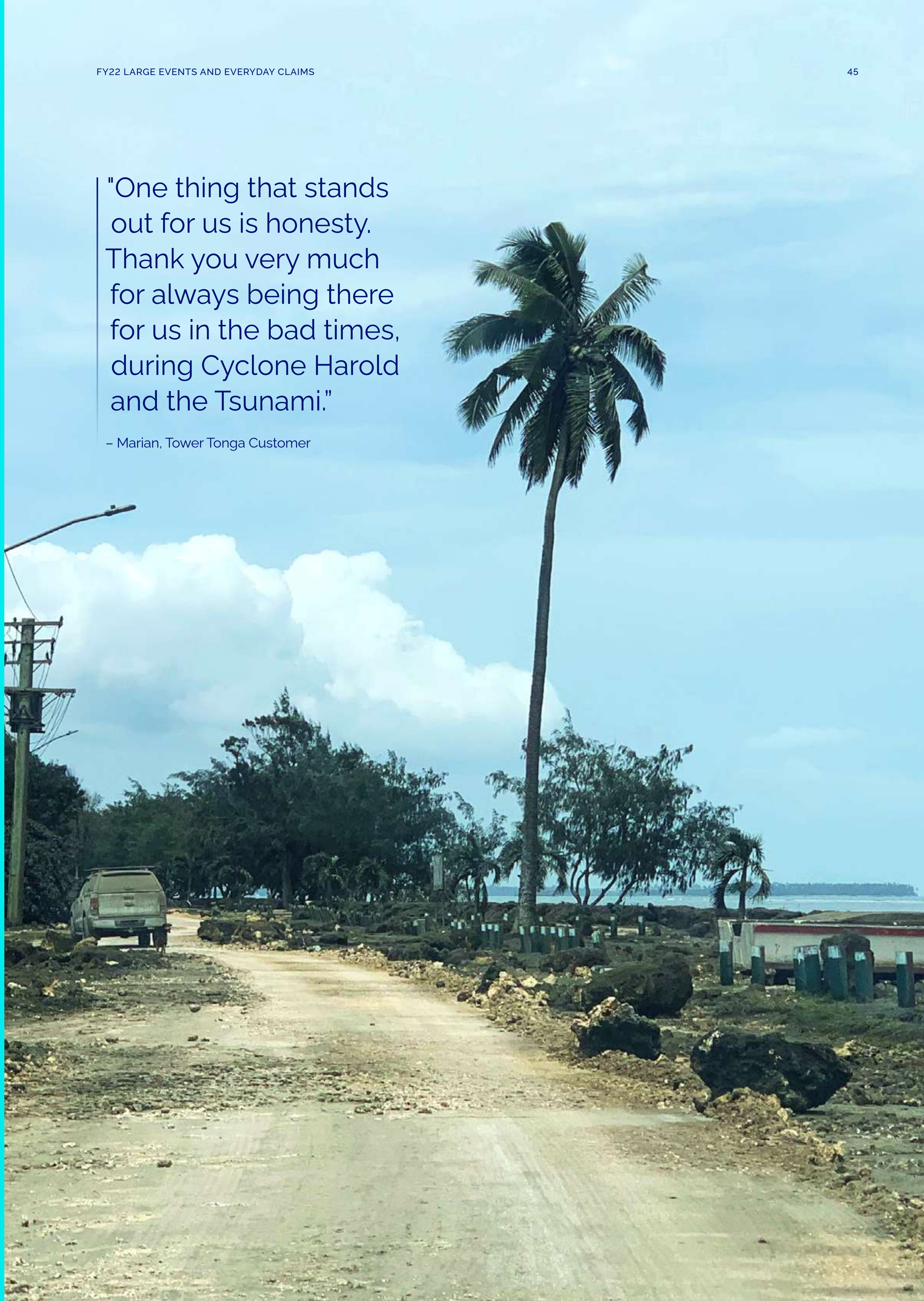
Simultaneously, we ran radio ads letting all people in Tonga, including our customers, know how to protect their homes and cars from further damage and how to make a claim.

Our locally based staff proactively contacted customers to lodge claims, and within three weeks almost all customers had been contacted and the status of their homes and cars was known.

We are proud to say that due to our planning for in-country resource in case of large events, Tower paid its first claim within a month of the event as soon as the banking networks were re-established. Within two months, we had lodged every claim, settled many and understood the likely cost to Tower. All our customers had a settlement pathway in place. At the end of the financial year Tower had settled 93% of all claims related to the event.

Tower is incredibly proud of the courage and dedication displayed by our teams to do what's right for our customers and really make a difference in their lives, during such a difficult and traumatic time.

> "One thing that stands out for us is honesty. Thank you very much for always being there for us in the bad times, during Cyclone Harold and the Tsunami."
>
> – Marian, Tower Tonga Customer



LAKE ŌHAU FIRE, TWO YEARS ON

> "You don't think it will happen to you but having gone through something like this, you wouldn't go without insurance."
>
> – Nyree Schaar, Tower customer & Lake Ōhau resident

October 2020

October 2022

October 2022 marked the two year anniversary of the Lake Ōhau fire, one of New Zealand's largest wildfires on record.

Tower customers Nyree and Pieter Schaar, along with their children Josh and Emily, cat Whiskers and dog Rex, lost their family home of 10 years in the fire, alongside nearly 50 other houses.

We caught up with the Schaars in their new home, completely rebuilt by Tower, amongst one of the most stunning landscapes in the country.

Meeting with the Schaars reminded us of how important our role is to make things easier on people's journey to recovery.

"We knew driving away that it was gone. You can't have flames that close to the house and still have a home," says Nyree.

"I wasn't sure what we were insured for, and I had an awful feeling we weren't insured for enough. I had just been burying my head in the sand in a bit of a daze. We'd paid to build our home, friends and family helped with labour and we'd done a lot ourselves. We couldn't afford to replace it.

"By lunch time that day our house was gone, and I thought 'okay this is serious now'. I called Tower and they were incredibly helpful, they paid us $1,000 upfront to buy necessities and confirmed we had enough cover to rebuild. My reaction was 'oh thank God'.

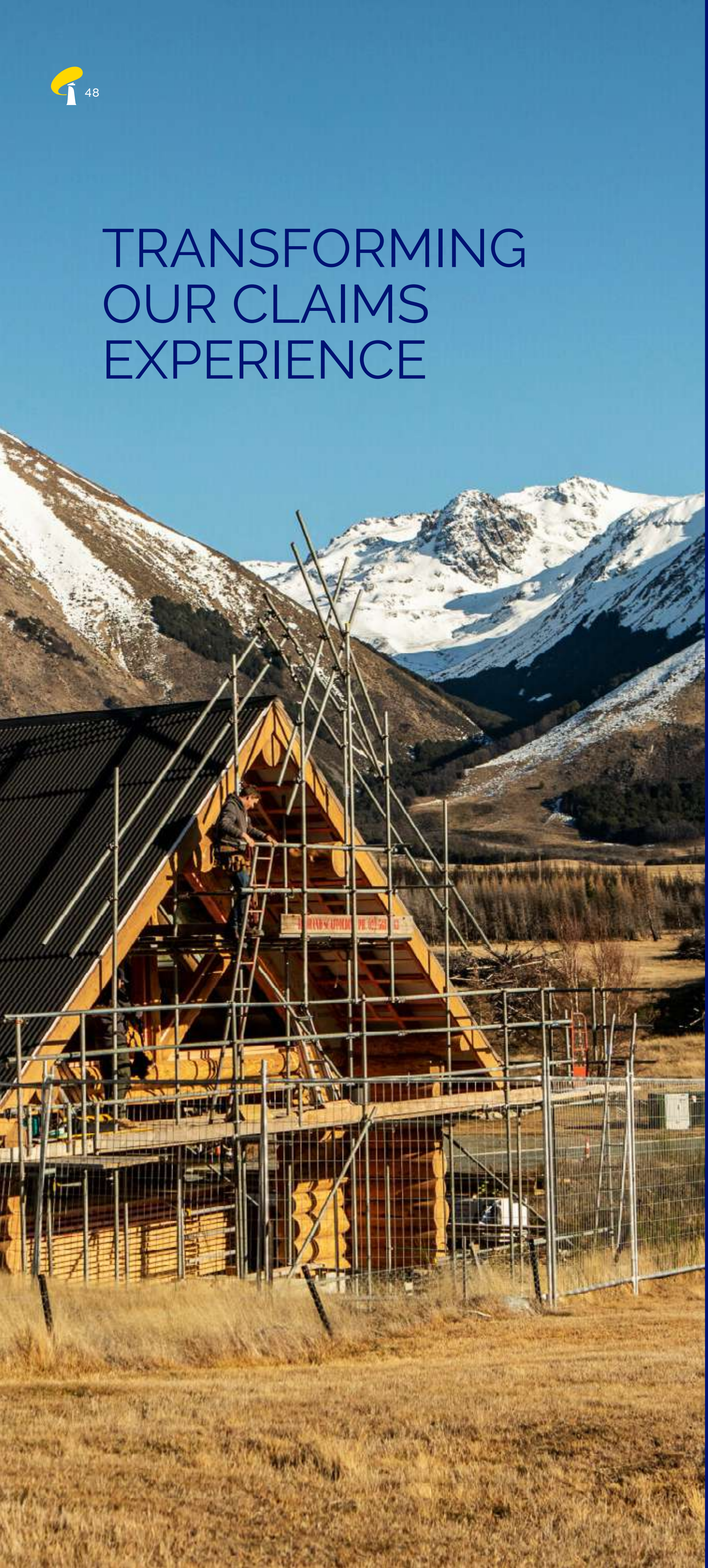
"We've still got a mortgage. We'd probably be living on site right now in a caravan if we didn't have insurance."

Over the next week a Tower representative checked in daily with the family. Within a week they'd been assigned a Claims Manager.

"He was in contact pretty quickly and organised the removal of everything from the site. Overall, we've been happy with the service provided."

The Schaar family was "so relieved" when they got the keys to their new home in June 2022.

"We rebuilt the same house with some minor changes. We were sitting there the first night and all said it felt exactly the same, even the cat only took about 20 minutes before she was settled."



TRANSFORMING OUR CLAIMS EXPERIENCE

Inflation impacts all facets of life, including how far your insurance cover will stretch. Due to the sharp increase in inflation over the previous 12 months, in FY22 it became more expensive to repair and rebuild homes, and repair or replace cars and contents.

Tower's unique advantage is our ability to identify and quickly address emerging trends, Thanks to our investments in digital and data technology, Tower is able to quickly identify and address emerging trends,

In the financial year, we continued to take decisive actions to deliver improvements, including:

- Working with our supply chain to enhance efficiencies and improve our customer experience
- Launching a new feature that will allow us to further automate the process of detecting genuine and suspicious claims in real time
- Continuing to improve our digital capability to streamline the claims lodgement process, which has seen the proportion of New Zealand claims lodged online increase from 31% to 48%.

Our increasing scale is also continuing to deliver efficiencies, with Tower's BAU loss ratio being brought back to a more normal level of 48.9%, compared to 50.2% in the 2021 financial year.

Our new Repair Partners

In June 2022, Tower announced that we would reassess our motor repairer relationships across the country, to evolve to a model that prioritises strong partnerships, innovation and streamlined experiences for customers.

As part of the process, we issued a Request for Proposal (RFP) to suppliers in Auckland, Hamilton, Tauranga, Wellington, Christchurch and Dunedin to create a new repair network.

In October 2022, the network for the six main centres was finalised, consisting of 12 motor Repair Partners across 19 locations, who are investing in their businesses, looking to innovate, and are keen to grow alongside us.

Each Repair Partner now provides a new and improved repair experience, where Tower customers are pre-authorised.

Tower will commence an RFP for the rest of New Zealand and strategically source a new Repair Partner network in Fiji, in FY23.

Enhancing the customer experience with new remote assessing innovation

To help speed up motor claims processing and repairs and get customers back on the road sooner, Tower trialled a remote assessment tool with a small group of motor repairers during 2021.

In October 2022, the tool went live with our Repair Partners, as part of our new repair experience offering.

Our remote assessment tool operates via a smartphone app that allows customers to talk to repairers in real time and submit video and images of vehicle damage. The same information submitted to the repairer during the remote assessment is also passed via the app to Tower, decreasing administration time for repairers and making the claims approval process faster.

The tool saves customers an extra drive to the workshop and associated carbon emissions.

Detecting potential fraud via AI

In April 2022, Tower implemented an AI-based technology which automates the process of detecting genuine and suspicious claims in real time, to allow for a faster process for customers in need.

By putting claims with low risk of fraud on a fast track, this new technology is standardising and further speeding up claims screening with greater accuracy.

While it is early days, the results are promising. Tower's detection rate of potentially unjustified claims has improved by 300%, which has led to a greater proportion of claims either being withdrawn or appropriately declined.

PUTTING OUR PEOPLE FIRST

We believe that genuinely caring for our people's wellbeing is fundamental to a healthy and agile culture.

DIVERSE AND INCLUSIVE TO THE CORE

In the 2022 financial year, Tower undertook a programme of cultural change and improvement. From November 2021 to February 2022, we collaborated with diverse groups of people from across the business to get a shared understanding of who we are now and who we want to be in the years to come. The result was a new company purpose, values and employee proposition.

The Tower team comes from all walks of life and cares for one another.

We recognise that a lack of diversity excludes minority groups which limits diverse thinking and impacts mental health and emotional wellbeing. Diversity is an important part of customer innovation. We are committed to having a diverse and inclusive workplace that builds people's physical and emotional wellbeing.

Investing in a positive business culture that prioritises the personal growth of our people impacts our attractiveness as an employer and retention of talented employees.

Tower has policies and processes in place to ensure equal opportunities for roles at Tower. Our recruitment policy incorporates cultural considerations for conducting interviews and outlines a process to ensure all interview panels are balanced culturally and by gender. Tower offers unconscious bias training to all staff.

In FY22 we commenced an emerging talent programme, with a focus on identifying diverse future leaders.

Our purpose

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

'Inspire' and 'shape' because our innovative and disruptive thinking is driving New Zealand and Pacific insurance forward, at a pace nobody else is used to. And 'protect,' of course, because that is our fundamental role as an insurer.

Our values

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

Our new employee benefits

In today's competitive market for talent, we know that people want to work for a company that has a strong purpose and whose values align with their own. It was important to us that our company benefits reflect this, and we introduced a new set of employee benefits for all our people in June 2022.

1 **Birthday day off**
An additional paid day off work.

2 **Eight extra leave days**
The ability to purchase eight extra annual leave days each year.

3 **Wellbeing leave**
The use of our sick leave allowance (up to 10 days a year) has now been expanded to include time for proactively managing personal or family wellness.

4 **Flexible working**
New guidance which empowers leaders and teams to determine the best approach for them while balancing customer, company, team and individual priorities.

These are in addition to our existing benefits which include group insurances, discounts on insurance, retail partner discounts, contemporary parental leave entitlements, eyesight testing, study assistance and more.

SUPPORTING OUR PEOPLE

To support our people's wellbeing, we:

Hosted mental health first aid training seminars

Provided free and anonymous EAP counselling sessions

Introduced meeting-free Friday afternoons

Provided staff with onsite Flu vaccinations and time off to receive Covid-19 vaccinations and boosters

Hosted webinars sharing practical tips to manage stress and anxiety

Received DVFREE tick certification and participated in Shine awareness programmes and fundraisers.

To support our diverse people, we:

Achieved Rainbow Tick recertification

Started the Tower Kapa Haka Rōpū

Celebrate Diwali, Ramadan, Matariki, Pacific Language Weeks, Lunar New Year, Pink Shirt Day and International Women's Day

Our approach is working

Across 2021, our employee engagement score improved from 7.1 in the first quarter to 7.7 in the last quarter. Employee engagement continued to improve to 7.8 at the end of FY22.

MIND THE GAP

In March 2022, Tower joined the Mind the Gap register as one of the first 50 businesses in New Zealand to publicly report its gender pay gap.

While our results aren't unique to Tower, we are committed to doing everything we can to support women to progress in their careers, as they choose. This includes using this data to make positive changes across our business where needed, starting with our emerging talent programme formed at the end of FY22, and by committing to targets to increase gender and ethnic diversity across Tower's leadership population.

-0.1%

Gender pay equity gap

When we compare like-for-like roles for women and men at Tower in New Zealand, our pay equity gap is –0.1% (women are paid .1% more than men for the same role).

2.2%

Leadership gender pay gap

Comparing our senior leadership population and the average pay gap between men and women, our leadership pay gap is 2.2% (men are paid 2.2% more than women).

25.9%

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 25.9%.

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

CELEBRATING OUR PEOPLE

In recognition of Tower as a great place to work, Tower was named an Insurance Business New Zealand Top Insurance Employer for 2022

Head of Customer Partnerships and Relationships, **Sarah-Jane Wild**, named on the Insurance Business New Zealand Elite Women 2022 list

Head of Portfolio Performance, **Oliver Bale**, Head of Underwriting, **Nick Meister**, and Customer Experience Owner, **Krutika Chikara**, named on the Insurance Business New Zealand Rising Stars 2022 list

Head of Pacific Operations, **Ali Wilkinson**, winner of the 2022 ANZIIF Making a Difference Awards, Claims Award

DEVELOPING CAREERS IN THE PACIFIC

DEVELOPING CAREERS IN THE PACIFIC

As a major insurer in the Pacific and New Zealand, we're investing in the economic future of the communities that our people live, play and work in.

We do this by creating meaningful job opportunities and fostering career development 'at home' in the Pacific Island nations we operate in.

Our operations hub in Suva is the heart of our Pacific arm. In the last two years alone, we've created 50 new jobs in Fiji and now employ more than 100 people across the Pacific, with the vast majority being local women. Our roles in Fiji comprise the full range of corporate positions, including, finance, technology, human resources, marketing and customer service.

Partnering with our Pacific family adds value to both the Pacific and New Zealand economies. It also enhances the cultural ties of all countries and as the largest insurer in the region, creates great, localised experiences for our more than 30,000 Pacific customers.

PROTECTING THE FUTURE

MANAGING OUR ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) ISSUES

As the largest Kiwi insurer, Tower plays a crucial role in protecting New Zealand and the Pacific, contributing to their prosperity for future generations.

Walking the talk authentically on sustainability is vital to ensure integrity and credibility. That means making sure the right foundations are in place and ensuring we are always thinking ahead.

In 2022 we were pleased to launch Tower's first ESG strategy, which guides how we manage relevant environmental, social and governance issues. This annual report is Tower's first step into sustainability reporting with the aim of continuing to improve our disclosures and performance. This report has been prepared in accordance with the Global Reporting Initiative (GRI) 2021 standards.

Tower has been part of Kiwi and Pacific communities for more than 150 years, supporting customers to protect the things they love and need. This strategy and report provide us with the opportunity to be more transparent about our broader business activities.

Our approach to identifying material impacts

In 2021, we identified a range of topics and impacts through research and engagement which included interviewing a range of stakeholder representatives and relevant experts. We spoke to our Board, shareholders and partners, representatives from the wider insurance industry and financial markets, as well as experts in sustainable finance and climate change.

We undertook employee workshops involving senior management and a diverse range of people and roles from across the business.

In 2022, we assessed and prioritised the full range of Tower's sustainability impacts using the GRI 3: 2021 methodology. The full results are listed below with relevant impacts identified and addressed throughout the report. The impacts reflect Tower's business operations in both New Zealand and the Pacific Islands.

These material issues have been reviewed and approved by our leadership.

- Affordable and accessible insurance
- Transparent and fair insurance
- Managing the impacts of climate change
- Carbon emissions
- Product development and innovation
- Diversity and inclusion
- Employee wellbeing
- Corporate governance
- Data protection
- Corporate community citizenship
- Environmental footprint
- Responsible investment

ESG Governance

Tower's Board provides the highest level of ESG governance at Tower. The Board approves our ESG reporting and monitors our performance through periodic updates from management. ESG Governance is formalised through an executive level steering committee which has responsibility for overseeing progress on our initiatives and monitors environmental and social risks. Our ESG performance is coordinated by the Head of Corporate Affairs and Sustainability, reporting to the CEO. The Board and management will continue their focus on ESG governance and climate risks and opportunities by developing new policies and enhancing our governance framework in FY23.

Our ESG targets

We are continuing to develop our ESG targets and measures. We have identified targets for the following material impacts:

Fair and transparent insurance:

- 80% of all products are WriteMark certified by end of FY23, 95% by end of FY25.

Affordable & accessible insurance:

- 40% of transactions in the Pacific are completed via digital platform by end of FY25.
- Consistent digital offerings in place across New Zealand and our Pacific markets by end of FY23.
- 1,000 parametric policies in place in the Pacific by the end of FY23.

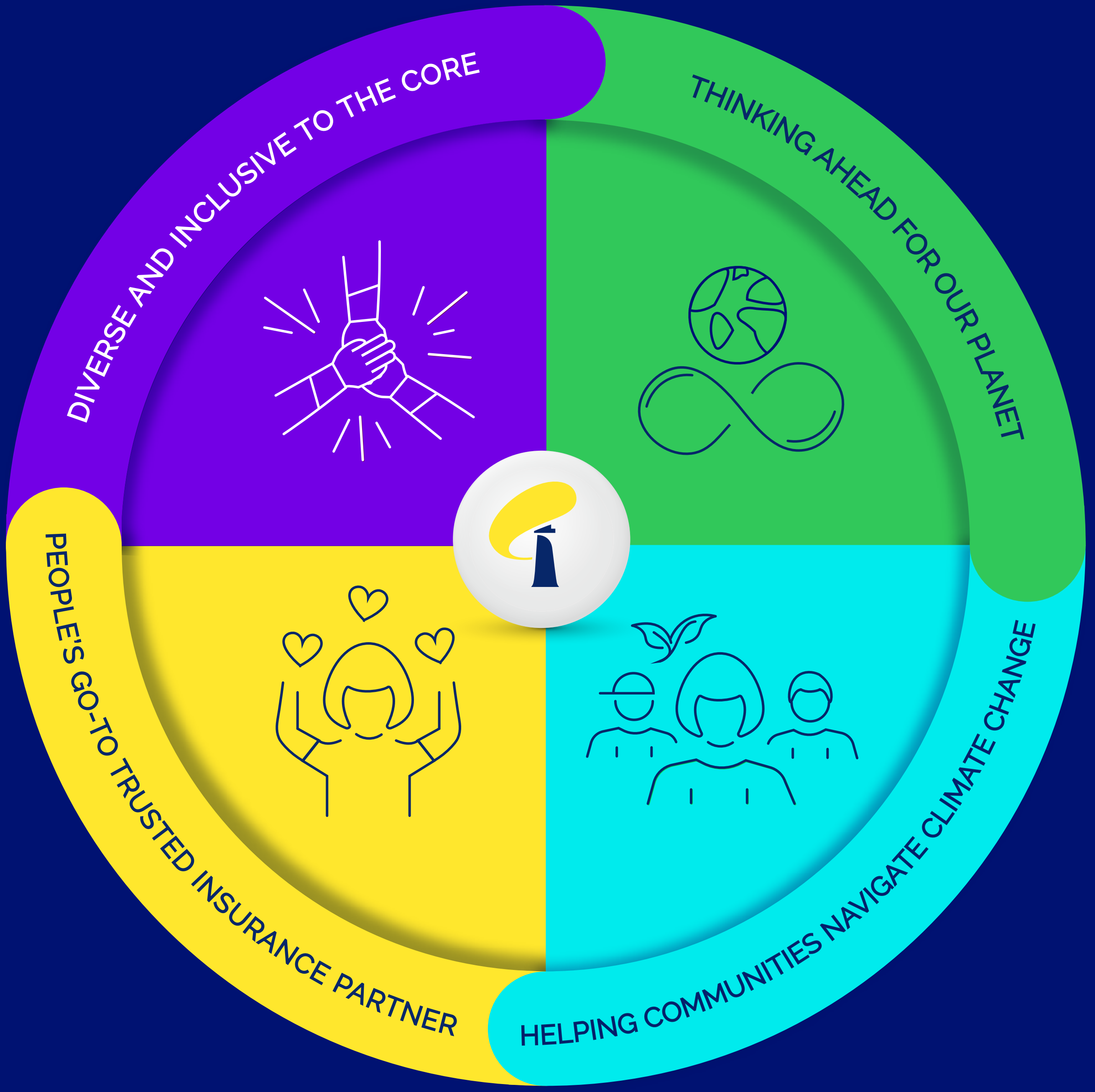
Carbon emissions target:

- Tower has set a target, grounded in science, of a 21% reduction over five years from our 2020 base year.

Diversity & inclusion, and wellbeing targets:

- Safety – Tower's safety target is zero harm. Tower is committed to creating a culture where incidents, near misses, hazards and discomfort are reported.
- Diversity – Drive practices and outcomes that will result in Tower's leadership reflecting the diversity (gender and ethnicity) of our customers and communities - 100% of hiring panels, candidate shortlists and succession plans consist of one woman candidate and one ethnically diverse candidate. Attrition of diverse talent is kept below the level of gender and ethnic representation.

OUR ESG STRATEGY



MICHAEL STIASSNY

LLB, BCom, CFInstD
Chairman
Non-Executive Director
Independent
Director from: 12 October 2012

Michael is a Chartered Fellow and past President of the Institute of Directors. He has both a Commerce and Law degree from the University of Auckland. He is Chairman of Ngāti Whātua Ōrākei Whai Rawa Limited and New Zealand Automotive Industries Ltd, and is a director of a number of other companies including Tegel Group Holdings Ltd, and New Talisman Gold Mines Ltd.

Michael resides in Auckland —New Zealand.

GRAHAM STUART

BCom (Hons), MS, FCA

Non-Executive Director
Independent
Director from: 24 May 2012

With over 30 years of senior management experience, Graham has held senior leadership roles with several major corporates, in New Zealand and overseas, the latest being the Sealord Group of which he was Chief Executive Officer for seven years.

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. Graham has served on a number of government bodies including the Food & Beverage Taskforce and the Māori Economic Development Panel.

Graham resides in Auckland —New Zealand.

WENDY THORPE

BA (French), BBus (Accounting), Grad Dip, Applied Fin & Inv, Harvard AMP, FFin, GAICD
Non-Executive Director
Independent
Director from: 1 March 2018

Wendy had an extensive executive career in financial services, leading technology and operations in insurance and wealth management. Her most recent executive role was as Group Executive, Operations for AMP Ltd, and she was previously Chief Operations Officer and Chief Information Officer for AXA in Australia.

Wendy is Chair of Online Education Services, Chair of Epworth Healthcare, and a Non-Executive Director of People's Choice Credit Union and Data Action. Wendy has a Bachelor of Arts from LaTrobe University, a Bachelor of Business from Swinburne University and a Graduate Diploma in Applied Finance and Investment from the Securities Institute of Australia. She completed the Advanced Management Program at Harvard Business School, is a Fellow of the Financial Services Institute of Australasia and a Graduate member of the Australian Institute of Company Directors.

Wendy resides in Melbourne —Australia.

GERALDINE MCBRIDE

BSc

Non-Executive Director
Independent
Appointed Director: 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 and IBM. 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 was appointed to fill a casual vacancy on the Board. She will retire at the 2023 Annual Shareholder Meeting and will be eligible to stand for re-election.

Geraldine resides in Christchurch —New Zealand.

WARREN LEE

BCom, CA

Non-Executive Director
Independent
Director from: 26 May 2015

Warren has extensive experience in the international financial services industry. Warren's two most recent executive positions were Chief Executive Officer of the Victorian Funds Management Corporation and Chief Executive Officer, Australia and New Zealand for AXA Asia Pacific Holdings Limited. Warren is currently a non-executive director of MetLife Limited, MyState Limited, and Avenue Hold Limited. He has a Bachelor of Commerce from the University of Melbourne and is a member of Chartered Accountants Australia and New Zealand. Warren retired from the board on 30 November 2022.

Warren resides in Melbourne —Australia.

MARCUS NAGEL

MBA (International Management), MBA (Banking and Finance)
Non-Executive Director
Not 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. He has also held the position of Vice Chairman of the joint venture with ADAC, Germany's largest Automotive Club, Chairman of the direct insurer, DA Direct, and Chairman of the life insurer, Zurich Deutscher Herold. Prior to that, he also managed the independent financial adviser/broker business for Zurich Global Life.

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 19.99% of Tower's ordinary shares) and his appointment was supported by the Tower Board.

Marcus resides in Schindellegi —Switzerland.

BOARD OF DIRECTORS

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 2022

	NOTE	2022 $000	RE-PRESENTED 2021 $000
Gross written premium		445,580	396,003
Unearned premium movement		(27,258)	(9,383)
Gross earned premium	2.1	418,322	386,620
Outward reinsurance premium		(66,116)	(60,341)
Movement in deferred reinsurance premium		(152)	1,586
Outward reinsurance premium expense		(66,268)	(58,755)
Net earned premium		**352,054**	327,865
Claims expense		(240,147)	(226,920)
Less: Reinsurance and other recoveries revenue	2.1	15,243	24,601
Net claims expense	2.2	(224,904)	(202,319)
Gross commission expense		(14,390)	(17,667)
Commission revenue	2.1	5,105	6,461
Net commission expense		(9,285)	(11,206)
Underwriting expense	2.3	(94,220)	(87,160)
Underwriting profit		**23,645**	27,180
Investment income	3.1	1,498	559
Investment expense		(338)	(384)
Other income		1,355	707
Other expenses		(63)	(52)
Financing and other costs		(897)	(363)
Profit before taxation from continuing operations		**25,200**	27,647
Tax expense	7.1	(7,526)	(9,245)
Profit after taxation from continuing operations		**17,674**	18,402
Profit after taxation from discontinued operation	8.4	**1,181**	913
Profit after taxation for the year		**18,855**	19,315
Items that may be reclassified to profit or loss			
Currency translation differences		3,948	(1,213)
Items that will not be reclassified to profit or loss			
Gain on asset revaluation	5.2	–	159
Deferred income tax relating to asset revaluation	5.2	–	(16)
Other comprehensive loss net of tax		**3,948**	(1,070)
Total comprehensive profit for the year		**22,803**	18,245
Earnings per share:			
Basic and diluted earnings per share (cents) for continuing operations	5.4	4.43	4.21
Basic and diluted earnings per share (cents)	5.4	4.73	4.43
Profit after taxation attributed to:			
Shareholders		18,803	18,683
Non-controlling interests		52	632
		18,855	19,315
Total comprehensive profit attributed to:			
Shareholders		22,737	17,729
Non-controlling interests		66	516
		22,803	18,245

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

Consolidated balance sheet

AS AT 30 SEPTEMBER 2022

	NOTE	2022 $000	2021 $000
Assets			
Cash and cash equivalents	8.1	84,502	116,129
Investments	3.2	258,634	277,470
Receivables	2.7	242,089	216,925
Current tax asset	7.2a	13,069	12,901
Assets classified as held for sale	8.4	20,811	–
Deferred tax asset	7.3a	23,893	24,450
Deferred insurance costs	2.6	37,819	31,967
Right of use assets	6.3a(i)	23,326	25,577
Property, plant and equipment	6.1	5,417	9,374
Intangible assets	6.2	94,653	88,592
Total assets		**804,213**	803,385
Liabilities			
Payables	2.8	58,911	69,977
Unearned premiums	2.5	238,116	212,275
Outstanding claims	2.4	124,531	122,338
Lease liabilities	6.3a(ii)	35,054	39,421
Provisions	2.9	11,873	6,709
Current tax liabilities	7.2b	136	170
Liabilities classified as held for sale	8.4	9,258	–
Deferred tax liabilities	7.3b	8,806	2,775
Total liabilities		**486,685**	453,665
Net assets		**317,528**	349,720
Equity			
Contributed equity	5.1	460,191	492,424
Accumulated losses		(41,212)	(39,995)
Reserves	5.2	(101,451)	(105,385)
Total equity attributed to shareholders		**317,528**	347,044
Non-controlling interests		–	2,676
Total equity		**317,528**	349,720

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

The financial statements were approved for issue by the Board on 23 November 2022.

Michael P Stiassny
Chairman

Graham R Stuart
Director

Consolidated statement of changes in equity

YEAR ENDED 30 SEPTEMBER 2022

	ATTRIBUTED TO SHAREHOLDERS				
	CONTRIBUTED EQUITY $000	ACCUMULATED LOSSES $000	RESERVES $000	NON-CONTROLLING INTEREST $000	TOTAL EQUITY $000
Year Ended 30 September 202					
Balance as at 30 September 2021	492,424	(39,995)	(105,385)	2,676	349,720
Comprehensive income					
Profit for the year	–	18,803	–	52	18,855
Currency translation differences	–	–	3,934	14	3,948
Total comprehensive income	**–**	**18,803**	**3,934**	**66**	**22,803**
Transactions with shareholders					
Capital return to shareholders	(30,634)	–	–	–	(30,634)
Purchase of non-controlling interests	(1,599)	–	–	(2,742)	(4,341)
Dividends paid	–	(20,028)	–	–	(20,028)
Other	–	8	–	–	8
Total transactions with shareholders	**(32,233)**	**(20,020)**	**–**	**(2,742)**	**(54,995)**
At the end of the year	**460,191**	**(41,212)**	**(101,451)**	**–**	**317,528**
Year Ended 30 September 2021					
Balance as at 30 September 2020	492,424	(48,107)	(104,431)	2,160	342,046
Comprehensive income					
Profit for the year	–	18,683	–	632	19,315
Currency translation differences	–	–	(1,097)	(116)	(1,213)
Gain on asset revaluation	–	–	159	–	159
Deferred income tax relating to asset revaluation	–	–	(16)	–	(16)
Total comprehensive income	–	18,683	(954)	516	18,245
Transactions with shareholders					
Dividends Paid	–	(10,541)	–	–	(10,541)
Other	–	(30)	–	–	(30)
Total transactions with shareholders	–	(10,571)	–	–	(10,571)
At the end of the year	492,424	(39,995)	(105,385)	2,676	349,720

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

Consolidated statement of cash flows

FOR THE YEAR ENDED 30 SEPTEMBER 2022

		2022 $000	RE-PRESENTED 2021 $000
Cash flows from operating activities			
Premiums received		425,677	389,236
Interest received		6,519	5,268
Fee and other income received		4,063	6,212
Reinsurance and other recoveries received		11,745	17,668
EQC settlement receipt		–	52,883
Motor premium refund payments		–	(1,351)
Reinsurance paid		(57,256)	(54,288)
Reinsurance paid in relation to settlement of EQC receivable		–	(10,741)
Claims paid		(238,483)	(213,756)
Employee and supplier payments		(90,191)	(92,384)
Income tax paid		(1,768)	(1,928)
Operating activities cashflow from discontinued operations		(522)	1,276
Net cash inflow from operating activities		**59,784**	98,095
Cash flows from investing activities			
Proceeds from sale of interest bearing investments		181,412	156,544
Proceeds from sale of unlisted equity investments		–	25
Payments for purchase of interest bearing investments		(181,578)	(190,548)
Payments for purchase of intangible assets		(14,695)	(8,866)
Payments for purchase of customer relationships*		(6,089)	(14,434)
Payments for purchase of property, plant & equipment		(2,617)	(3,163)
Investing activities cashflow from discontinued operations		(103)	1,220
Net cash outflow from investing activities		**(23,670)**	(59,222)
Cash flows from financing activities			
Payments for capital return to shareholders		(30,634)	–
Purchase of non-controlling interests		(4,341)	–
Received from lessor on signing of new lease		–	10,944
Dividends paid		(20,028)	(8,866)
Facility fees and interest paid		(897)	(378)
Payments relating to lease liabilities		(6,044)	(2,684)
Financing activities cashflow from discontinued operations		(1,766)	(1,287)
Net cash outflow from financing activities		**(63,710)**	(2,271)
Net (decrease)/increase in cash and cash equivalents		**(27,596)**	36,602
Effect of foreign exchange rate changes		3,765	(581)
Cash and cash equivalents at the beginning of the year		116,129	80,108
Cash and cash equivalents at the end of the year		**92,298**	116,129
Cash from discontinued operations	8.4	(7,796)	–
Cash and cash equivalents at the end of the year from continuing operations		**84,502**	116,129

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

* The 2022 balance represents the purchase of Westpac and TSB's rights and obligations relating to servicing a portfolio of insurance underwritten by Tower. The 2021 balance represents the purchase of ANZ's rights and obligations relating to servicing a portfolio of insurance underwritten by Tower. Please refer to note 6.2 for more information.

Notes to the consolidated financial statements

FOR THE YEAR ENDED 30 SEPTEMBER 2022

OVERVIEW

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

1.1 About this Report

a. Entities reporting

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

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

The financial statements were authorised for issue by the Board of Directors on 23 November 2022. The entity's owners or others do not have the power to amend the financial statements after issue.

b. Statutory base

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

c. Basis of preparation

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

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

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

d. Re-presentation of comparatives

The Group's Papua New Guinea Operations ("disposal group") constitutes a discontinued operation and is classified as held for sale as at 30 September 2022. Profit or loss information for the current period is prepared on a continuing basis with net results from discontinued operations presented separately. Profit or loss information for 2021 has been re-presented for comparability. Refer to note 8.4 for further details.

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

1.2 Consolidation

a. Principles of consolidation

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

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

The results of any subsidiaries acquired during the year are consolidated from the date on which control was transferred to the consolidated entity and the results of any subsidiaries disposed of during the year are consolidated up to the date control ceased. During the year ended 30 September 2022, Tower Limited acquired the minority shareholding of National Pacific Insurance Limited. This is now 100% owned by Tower Limited.

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

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

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

1.2 Consolidation (continued)

b. Foreign currency

(i) Functional and presentation currencies

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

(ii) Transactions and balances

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

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

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

(iii) Consolidation

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

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

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

c. Subsidiaries

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

		HOLDINGS	
NAME OF COMPANY	INCORPORATION	2022	2021
Parent Company			
New Zealand general insurance operations			
Tower Limited	NZ	Parent	Parent
Subsidiaries			
Overseas general insurance operations			
Tower Insurance (Cook Islands) Limited	Cook Islands	100%	100%
Tower Insurance (Fiji) Limited	Fiji	100%	100%
Tower Insurance (PNG) Limited (refer Note 8.4)	PNG	100%	100%
National Pacific Insurance Limited ("NPI") (refer Note 5.1)	Samoa	100%	71%
National Pacific Insurance (Tonga) Limited (refer Note 5.1)	Tonga	100%	71%
National Pacific Insurance (American Samoa) Limited (refer Note 5.1)	American Samoa	100%	71%
Tower Insurance (Vanuatu) Limited	Vanuatu	100%	100%
Management service operations			
Tower Services Limited	NZ	100%	100%

1.3 Critical accounting judgements and estimates

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

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

1.4 Segmental reporting

a. Operating segments

Tower operates in two geographical segments, New Zealand and the Pacific region. New Zealand comprises the general insurance business underwritten in New Zealand. Pacific Islands comprises the general insurance business underwritten in the Pacific by Tower subsidiaries and branch operations. Other contains balances relating to Tower Services Limited (management services entity), and also includes intercompany eliminations 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 Pacific Islands operating segment excludes the disposal group and assets and liabilities held for sale. The prior year comparatives have been re-presented accordingly. Intercompany transactions with the disposal group are eliminated within continuing operations, refer note 8.4.

1.4 Segmental reporting (continued)

b. Financial performance of continuing operations

	NEW ZEALAND $000	PACIFIC ISLANDS $000	OTHER $000	TOTAL $000
Year Ended 30 September 2022				
Gross written premium	395,490	50,090	–	445,580
Gross earned premium	369,871	48,451	–	418,322
Outward reinsurance premium	(51,026)	(15,242)	–	(66,268)
Net earned premium	**318,845**	**33,209**	**–**	**352,054**
Net claims expense	(207,184)	(18,066)	346	(224,904)
Net commission expense	(8,048)	(1,237)	–	(9,285)
Underwriting expense	(76,089)	(18,131)	–	(94,220)
Underwriting profit/(loss)	**27,524**	**(4,225)**	**346**	**23,645**
Net investment income	1,023	137	–	1,160
Other expenses	192	203	–	395
Profit before tax from continuing operations	**28,739**	**(3,885)**	**346**	**25,200**
Profit after tax from continuing operations	**21,642**	**(4,314)**	**346**	**17,674**
Year Ended 30 September 2021 (Re-presented)				
Gross written premium	351,058	44,945	–	396,003
Gross earned premium	340,568	46,052	–	386,620
Outward reinsurance premium	(44,918)	(13,837)	–	(58,755)
Net earned premium	295,650	32,215	–	327,865
Net claims expense	(195,343)	(6,888)	(88)	(202,319)
Net commission expense	(9,762)	(1,444)	–	(11,206)
Underwriting expense	(76,519)	(10,641)	–	(87,160)
Underwriting profit	14,026	13,242	(88)	27,180
Net investment income	43	132	–	175
Other expenses	182	110	–	292
Profit before tax from continuing operations	14,251	13,484	(88)	27,647
Profit after tax from continuing operations	8,855	9,620	(73)	18,402

c. Financial position of continuing operations

	NEW ZEALAND $000	PACIFIC ISLANDS $000	OTHER $000	TOTAL $000
Additions to non-current assets 30 September 2022	**29,547**	**883**	**(4,327)**	**26,103**
Additions to non-current assets 30 September 2021	51,970	430	–	52,400
Total assets 30 September 2022	**723,805**	**74,539**	**(14,942)**	**783,402**
Total assets 30 September 2021	708,527	92,843	(10,615)	790,755
Total liabilities 30 September 2022	**426,930**	**51,462**	**(965)**	**477,427**
Total liabilities 30 September 2021	405,058	43,660	(617)	448,101

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

1.4 Segmental reporting (continued)

Definition

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

2. UNDERWRITING ACTIVITIES

This section provides information on Tower's underwriting activities.

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

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

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

2.1 Underwriting Revenue

Composition

	2022 $000	2021 $000
Gross written premium	445,580	396,003
Movement in unearned premium liability	(27,258)	(9,383)
Gross earned premium	**418,322**	**386,620**
Reinsurance and other recoveries revenue	**15,243**	**24,601**
Reinsurance commission	3,971	5,343
Insurance administration services commission	1,134	1,118
Commission revenue	**5,105**	**6,461**
Underwriting revenue	**438,670**	**417,682**

Recognition and measurement

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

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

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

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

2.2 Net claims expense

Composition

	EXC. CANTERBURY EARTHQUAKE		CANTERBURY EARTHQUAKE		TOTAL	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
Gross claims expense	231,034	226,611	9,113	309	240,147	226,920
Reinsurance and other recoveries revenue	(13,613)	(23,396)	(1,630)	(1,205)	(15,243)	(24,601)
Net claims expense	**217,421**	203,215	**7,483**	(896)	**224,904**	202,319

Recognition and measurement

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

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

2.3 Underwriting expense

Composition

	2022 $000	2021 $000
People costs	84,160	64,626
People costs capitalised during the year	(7,557)	(3,569)
Technology	14,556	14,320
Amortisation	14,723	12,556
Depreciation*	4,992	4,440
External fees	10,594	10,300
Marketing	11,757	8,477
Communications	3,039	3,829
Miscellaneous	3,258	4,319
Movement in deferred acquisition costs**	(6,511)	877
Claims related management expenses reclassified to claims expense	(37,085)	(31,320)
Service fees charged to discontinued operations***	(1,706)	(1,695)
Underwriting expenses	**94,220**	87,160

* Includes $2.7m (2021: $2.3m) of depreciation on right of use assets. See note 6.3b for further information.
** 2021 included a writedown for a deficiency on the liability adequacy test of $2.5m, refer note 2.6. This resulted in a lower amortisation expense of deferred acquisition costs in 2022.
*** Refer note 8.4 for further detail.

2.4 Net outstanding claims

a. Composition

	EXC. CANTERBURY EARTHQUAKE		CANTERBURY EARTHQUAKE		TOTAL	
	2022 $000	2021 $000	**2022 $000**	2021 $000	**2022 $000**	2021 $000
Central estimate of future cash flows	89,404	87,535	18,056	16,402	107,460	103,937
Claims handling expense	5,564	5,430	772	1,314	6,336	6,744
Risk Margin	5,051	6,724	5,684	4,933	10,735	11,657
Gross outstanding claims	**100,019**	99,689	**24,512**	22,649	**124,531**	122,338
Reinsurance recoveries	(10,293)	(18,970)	(3,787)	(3,880)	(14,080)	(22,850)
Net outstanding claims	**89,726**	80,719	**20,725**	18,769	**110,451**	99,488
Net claim payments within 12 months	76,422	69,687	8,497	7,508	84,919	77,195
Net claim payments after 12 months	13,304	11,032	12,228	11,261	25,532	22,293
Net outstanding claims	**89,726**	80,719	**20,725**	18,769	**110,451**	99,488

Recognition and measurement

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

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

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

Discounting has been applied to the provision for outstanding claims relating to the Canterbury earthquakes, using spot rates derived from government issued bonds. The overall discount, at 30 September 2022, is equivalent to using a uniform discount rate of 4.2% per annum. At the previous valuation of the Canterbury earthquakes liability, discounting was not applied as it was considered immaterial in a lower interest rate environment. Discounting has also not been allowed for on other outstanding claims as the expected timeframe for paying these claims is short, and the impact of discounting is considered to be immaterial.

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

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

2.4. Net outstanding claims (continued)

b. Reconciliation of movements in net outstanding claims liability

	2022 $000			2021 $000		
	GROSS	**REINSURANCE**	**NET**	GROSS	REINSURANCE	NET
Balance brought forward	**122,338**	**(22,850)**	**99,488**	107,747	(12,889)	94,858
Claims expense – current year	248,024	(20,429)	227,595	234,675	(22,171)	212,504
Claims expense – prior year	(5,970)	4,491	(1,479)	(5,772)	(2,464)	(8,236)
Incurred claims recognised in profit or loss from continuing operations	**240,147**	**(15,243)**	**224,904**	226,920	(24,601)	202,319
Incurred claims recognised in profit or loss from discontinued operations	**1,907**	**(695)**	**1,212**	1,983	(34)	1,949
Claims paid and reinsurance and other recoveries raised from continuing and discontinued operations	(239,706)	24,604	(215,102)	(213,350)	14,397	(198,953)
Foreign exchange	1,826	(347)	1,479	(962)	277	(685)
Liabilities reclassified as held for sale*	(1,981)	451	(1,530)	–	–	–
Outstanding claims	**124,531**	**(14,080)**	**110,451**	122,338	(22,850)	99,488

* Refer note 8.4.

c. Development of claims

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

ULTIMATE CLAIMS COST ESTIMATE	PRIOR $000	2018 $000	2019 $000	2020 $000	2021 $000	2022 $000	TOTAL $000
At end of incident year		147,806	147,073	158,309	183,003	200,370	
One year later		146,214	144,041	154,825	181,656	–	
Two years later		146,234	143,209	153,470	–	–	
Three years later		145,752	143,233	–	–	–	
Four years later		146,157	–	–	–	–	
Ultimate claims cost		146,157	143,233	153,470	181,656	200,370	
Cumulative payments		(145,627)	(142,612)	(150,821)	(173,193)	(134,491)	
Central estimate	15,237	530	621	2,649	8,463	65,879	93,379
Claims handling expense							6,337
Risk margin							10,735
Net outstanding claim liabilities							110,451
Reinsurance recoveries							14,080
Gross outstanding claim liabilities							**124,531**

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

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

d. Actuarial information

The estimation of outstanding claims as at 30 September 2022 has been carried out by:

(i) Geoff Atkins, BA (ActuarDc), FIAA, FIAL, FANZIIF, Appointed Actuary – Canterbury earthquake claims; and

(ii) John Feyter, B.Sc., FNZSA – all other outstanding claims

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

2.4. Net outstanding claims (continued)

e. Canterbury earthquakes

Cumulative impact of Canterbury earthquakes

As at 30 September 2022, Tower has 36 claims remaining to settle (2021: 33) as a result of the earthquakes impacting the Canterbury region during 2010 and 2011. The following table presents the cumulative impact of the four main Canterbury earthquake events on the consolidated statement of comprehensive income.

	2022 $000	2021 $000
Earthquake claims estimate net of EQC payments	(953,531)	(944,418)
Reinsurance recoveries	733,720	732,090
Claim expense net of reinsurance recoveries	**(219,811)**	(212,328)
Reinsurance expense	(25,045)	(25,045)
Cumulative impact of Canterbury earthquakes before tax	**(244,856)**	(237,373)
Income tax	68,560	66,464
Cumulative impact of Canterbury earthquakes after tax	(176,296)	(170,909)

Canterbury earthquake impact on profit or loss before tax	2022 $000	2021 $000
Net claims (gain)/expense	7,483	(896)

Critical accounting estimates and judgements

Outstanding claims liability (excluding Canterbury Earthquakes)

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

ASSUMPTION	2022 $000	2021 $000
Expected future claims development proportion	20.3%	19.7%
Claims handling expense ratio	6.6%	6.7%
Risk margin	6.0%	9.1%

Expected future claims development proportion

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

Claims handling expense ratio

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

Risk margin

Risk margins are calculated for outstanding claims in each country separately and a diversification benefit is calculated taking into account the uncorrelated effect of random risk. The total risk margin percentage shown is calculated on a weighted average basis. The decrease in the risk margin this year reflects the reassessment of uncertainty on claim outcomes as a result of the COVID-19 pandemic.

2.4. Net outstanding claims (continued)

Canterbury Earthquake outstanding claims liability

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

ASSUMPTION	2022 $000	2021 $000
Number of future new overcap and new litigated claims	46	38
Average cost of new overcap or new litigated claim	114,000	121,000
Provision for re-opened claims	1,070,000	2,400,000
Additional portfolio-level provision for incurred but not enough reported	2,355,000	1,274,000

New overcap and new litigated claims

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

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

Provision for re-opened claims

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

f. Sensitivity Analysis

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

Outstanding claims excluding Canterbury earthquake

		IMPACT ON PROFIT OR (LOSS)	
	MOVEMENT IN ASSUMPTION	2022 $000	2021 $000
Expected future claims development	+ 10%	(1,419)	(1,339)
	- 10%	1,419	1,339
Claims handling expense ratio	+ 10%	(556)	(543)
	- 10%	556	543
Risk margin	+ 10%	(505)	(672)
	- 10%	505	672

Canterbury earthquake outstanding claims

		IMPACT ON PROFIT OR (LOSS)	
	MOVEMENT IN ASSUMPTION	2022 $000	2021 $000
Number of new overcap or new litigated claims	+ 35%	(1,817)	(1,610)
	- 35%	1,817	1,610
Change in average cost of a new overcap or new litigated claim	+ 20%	(1,038)	(920)
	- 20%	1,038	920
Number of reopened claims	+ 35%	(375)	(840)
	- 35%	375	840
Change in average cost of a reopened claim	+ 20%	(214)	(480)
	- 20%	214	480

2.5 Unearned premium liability

Reconciliation

	2022 $000	2021 $000
Opening balance	**212,275**	203,452
Premiums written during the year from continuing operations	445,580	396,003
Premiums earned during the year from continuing operations	(418,322)	(386,620)
Unearned premium movement from continuing operations	27,258	9,383
Premiums written during the year from discontinued operations	8,055	8,678
Premiums earned during the year from discontinued operations	(8,684)	(8,910)
Unearned premium movement from discontinued operations	(629)	(232)
Foreign exchange movements	3,957	(328)
Liabilities reclassified as held for sale	(4,745)	–
Unearned premium liability from continuing operations	**238,116**	212,275

All unearned premiums will be earned in the 12 months after 30 September 2022 and therefore are current liabilities. The unearned premium liability is presented net of cancellation provisions.

Recognition and measurement

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

Adequacy of unearned premium liability

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

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

The unearned premium liability as at 30 September 2022 was sufficient for the New Zealand business (2021: $2.0m deficiency). The unearned premium liabilities as at 30 September 2022 for each Pacific entity was also sufficient (2021: all sufficient with the exception of Fiji and Vanuatu where a total deficiency of $0.5m was recognised).

%	2022	2021
Central estimate net claims as a % of unearned premium liability	**45.5%**	45.2%
Risk margin as a % of net claims	**11.2%**	11.0%

Critical accounting estimates and judgements

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

2.6 Deferred insurance costs

Reconciliation

	DEFERRED ACQUISITION COSTS		DEFERRED OUTWARDS REINSURANCE EXPENSE		DEFERRED INSURANCE COSTS	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
Balance bought forward	**21,116**	25,220	**10,851**	9,447	**31,967**	34,667
Costs deferred	48,192	40,323	17,283	17,968	65,475	58,291
Amortisation expense	(42,765)	(41,897)	(17,073)	(16,428)	(59,838)	(58,325)
Writedown due to LAT deficiency	–	(2,534)	–	–	–	(2,534)
Foreign exchange movements	247	4	1,303	(136)	1,550	(132)
Asset reclassified as held for sale	(248)	–	(1,087)	–	(1,335)	–
Closing balance	**26,542**	21,116	**11,277**	10,851	**37,819**	31,967

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

Recognition and measurement

Acquisition costs comprises costs incurred in obtaining and recording general insurance contracts such as advertising expenses, sales expenses and other underwriting expenses. These costs are initially capitalised and then expensed in line with the earning pattern of the related premium.

Deferred acquisition costs at the reporting date represent the acquisition costs related to unearned premium.

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

2.7 Receivables

Composition

	2022 $000	2021 $000
Gross premium receivables	200,715	178,213
Provision for expected future premium cancellations	(651)	(655)
Premium receivable	**200,064**	177,558
Reinsurance recoveries	15,847	20,326
Canterbury earthquake reinsurance recoveries	3,787	3,880
Other recoveries	11,378	5,207
Reinsurance and other recoveries	**31,012**	29,413
Finance lease receivables	2,375	4,278
Prepayments	4,411	3,279
Other receivables	2,401	2,397
Receivable from discontinued operations*	1,826	–
Receivables	**242,089**	216,925
Receivable within 12 months	241,742	214,504
Receivable in greater than 12 months	347	2,421
Receivables	**242,089**	216,925

* Refer note 8.4 for further detail.

2.7 Receivables (continued)

Recognition and measurement

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

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

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

Finance lease receivables

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

	2022 $000	2021 $000
Less than one year	2,074	2,019
Between one and five years	347	2,421
Total undiscounted finance lease receivable	**2,421**	4,440
Unearned finance income	(46)	(162)
Net investment in the finance lease	**2,375**	4,278

2.8 Payables

Composition

	2022 $000	2021 $000
Trade payables	14,672	11,452
GST payable	25,951	23,264
EQC & Fire and Emergency New Zealand levies payable	11,583	10,857
Reinsurance premium payable	3,696	6,343
Unsettled investment purchases	–	11,456
Other	3,009	6,605
Payables	**58,911**	69,977
Payable within 12 months	58,911	69,977
Payable in greater than 12 months	–	–
Payables	**58,911**	69,977

Recognition and measurement

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

2.9 Provisions

Composition

	2022 $000	2021 $000
Annual leave and other employee benefits	8,219	6,709
Customer remediation*	3,654	–
Provisions	**11,873**	6,709
Payable within 12 months	10,716	6,235
Payable in greater than 12 months	1,157	474
Provisions	**11,873**	6,709

* This is a one-off provision for customer remediation arising from an error in the calculation of multi-policy discounts.

Recognition and measurement

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

2.10 Assets backing insurance liabilities

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

3. INVESTMENTS

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

3.1 Investment income

	2022 $000	2021 $000
Interest income	6,835	5,127
Net realised loss	(2,028)	(2,152)
Net unrealised loss	(3,309)	(2,416)
Investment income	**1,498**	559

Net realised losses relate to the maturity of fixed interest bonds, with interest coupon rates higher than market rates, purchased at higher than face value. The corresponding higher interest received is reflected in the interest income amount.

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

	2022 $000	2021 $000
Fixed interest investments	258,600	277,436
Property investment	34	34
Investments	**258,634**	277,470

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 in the note 3.3.

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 Fair value hierarchy

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 2022				
Fixed interest investments	–	258,600	–	**258,600**
Property investment	–	34	–	**34**
Investments	–	**258,634**	–	**258,634**
As at 30 September 2021				
Fixed interest investments	–	277,436	–	277,436
Property investment	–	34	–	34
Investments	–	277,470	–	277,470

There have been no transfers between levels of the fair value hierarchy during the current financial period (2021: nil).

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, Compliance and Conduct Function is responsible for developing and implementing effective risk, compliance and conduct management processes; providing advisory support to the first line of defence and constructively challenging operational management and risk and obligation owners to ensure positive assurance.

(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.

4.3 Insurance risk (continued)

a. Underwriting risk

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

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

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

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

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

b. Concentration risk

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

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

(ii) Product concentration risk – Tower's business is weighted towards the NZ general insurance market where its risks are concentrated in house insurance (Home & Contents) and motor insurance. Tower limits its exposure through proportionate reinsurance arrangements. The table below illustrates the diversity of Tower's operations.

	2022			2021		
GROSS WRITTEN PREMIUM (%)	NZ	PACIFIC*	TOTAL	NZ	PACIFIC*	TOTAL
Home & Contents	51%	3%	54%	52%	4%	56%
Motor	35%	3%	38%	34%	3%	37%
Commercial	1%	5%	6%	1%	4%	5%
Liability	1%	0%	1%	1%	0%	1%
Workers compensation	0%	1%	1%	0%	0%	0%
Other	0%	0%	0%	1%	0%	1%
Total	88%	12%	100%	89%	11%	100%

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

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

c. Reserving risk

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

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 55% (2021: 88%) of the 'not rated' category.

	CASH AND CASH EQUIVALENTS		FIXED INTEREST INVESTMENTS		TOTAL	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
AAA	–	–	119,198	94,430	119,198	94,430
AA	66,228	83,614	110,957	143,548	177,185	227,162
A	–	–	24,399	33,100	24,399	33,100
BBB	–	–	–	–	–	–
Below BBB	1,614	9,173	2,009	2,226	3,623	11,399
Not rated	16,660	23,342	2,071	4,166	18,731	27,508
Total	84,502	116,129	258,634	277,470	343,136	393,599

b. Reinsurance

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

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

	REINSURANCE ON:					
	OUTSTANDING CLAIMS		PAID CLAIMS		TOTAL	
	2022 $000	2021 $000	2022 $000	2021 $000	2022 $000	2021 $000
AAA	–	–	–	–	–	–
AA	5,830	12,005	2,929	1,028	8,759	13,033
A	8,319	10,805	2,220	320	10,539	11,125
BBB	9	–	–	–	9	–
Below BBB	102	–	3	–	105	–
Not rated	220	40	2	4	222	44
Total	14,480	22,850	5,154	1,352	19,634	24,202

4.4 Credit risk (continued)

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

	NOT DUE $000	PAST DUE 1 MONTH $000	1 TO 2 MONTHS $000	2 TO 3 MONTHS $000	OVER 3 MONTHS $000	TOTAL $000
As at 30 September 2022						
Reinsurance recoveries on paid claims	5,154	–	–	–	–	**5,154**
As at 30 September 2021						
Reinsurance recoveries on paid claims	1,352	–	–	–	–	1,352

c. Premium receivable

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

	NOT DUE* $000	PAST DUE 1 MONTH $000	1 TO 2 MONTHS $000	2 TO 3 MONTHS $000	OVER 3 MONTHS $000	TOTAL $000
As at 30 September 2022						
Net premium receivable	192,464	5,933	1,188	384	95	**200,064**
As at 30 September 2021						
Net premium receivable	169,915	5,514	1,484	562	83	177,558

* This includes premiums that are less than 30 days outstanding (which are owed but not past due) of $4.0m (2021: $5.5m).

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.

4.5 Market risk (continued)

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

	DIRECT IMPACT ON EQUITY 2022 $000	2021 $000	IMPACT ON PROFIT OR (LOSS) 2022 $000	2021 $000
New Zealand Dollar – USD				
Currency strengthens by 10%	(793)	(581)	113	23
Currency weakens by 10%	969	710	(138)	(28)
New Zealand Dollar – Fijian Dollar				
Currency strengthens by 10%	(854)	(1,667)	(74)	(38)
Currency weakens by 10%	1,044	2,037	90	47
New Zealand Dollar – PNG Kina				
Currency strengthens by 10%	(629)	(743)	44	30
Currency weakens by 10%	769	908	(54)	(36)

b. Interest rate risk

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

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

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

	IMPACT ON PROFIT OR (LOSS) 2022 $000	2021 $000
Interest rates increase by 1% (2021: 0.5%)	**(1,617)**	(988)
Interest rates decrease by 1% (2021: 0.5%)	**1,690**	960

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.

4.6 Liquidity risk

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

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

	NET OUTSTANDING CLAIMS LIABILITY 2022 $000	2021 $000	CASH AND INVESTMENTS 2022 $000	2021 $000
Floating interest rate (at call)	–	–	84,649	116,217
Within 3 months	45,224	42,949	28,181	75,129
3 to 6 months	20,726	17,070	44,940	31,890
6 to 12 months	18,969	17,176	55,407	47,381
After 12 months	25,532	22,293	129,959	122,982
Total	**110,451**	99,488	**343,136**	393,599

4.7 Capital management risk

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

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

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

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

a. Regulatory solvency capital

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

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

During the year ended 30 September 2022 the Group complied with all externally imposed capital requirements (2021: complied).

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

	2022 $000		2021 $000	
	PARENT	GROUP	PARENT	GROUP
Actual solvency capital	136,423	171,647	179,439	214,128
Minimum solvency capital	66,530	79,018	66,252	79,927
Solvency margin*	**69,893**	**92,629**	113,187	134,201
Solvency ratio	**205%**	**217%**	271%	268%

* Tower is required to maintain a solvency margin of at least $15m (2021: $25m), due to a license condition issued by the RBNZ.

In October 2020, the RBNZ commenced consultation on a review of the Insurance (Prudential Supervision) Act 2010. As part of the overall process, the RBNZ issued an exposure draft on an interim solvency standard (ISS) in July 2021 which anticipated the introduction of IFRS 17. The final ISS was issued in October 2022.

Tower will apply the new ISS from 1 October 2023. The ISS: combines requirements for life and non-life insurers, which were previously separate standards; proposes enhancements to the transparency of solvency reporting; provides for increased prudential supervision for insurers operating close to their minimum solvency margin; and imposes some changes that will impact solvency margins. The change in the ISS which is expected to have the largest impact on Tower's solvency margin, the introduction of the operational risk capital charge, will be phased in over the four years to 2026. While Tower is still assessing the ISS in its final form, Tower expects to maintain an appropriate capital position under the ISS.

b. Capital composition

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

	2022 $000	2021 $000
Total equity attributed to shareholders	317,528	347,044

c. Financial strength rating

Tower Limited has an insurer financial strength rating of "A- (Excellent)" and a long-term issuer credit rating of "a-" as affirmed by international rating agency AM Best Company Inc. in April 2022.

4.8 Operational risk

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

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

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

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

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

4.9 Regulatory and compliance risk

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

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

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

4.10 Conduct risk

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

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

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

4.11 Cyber risk

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

Tower's approach to Cyber risk is to proactively protect against, monitor for and respond to those cyber threats seen to be targeting the organisation. Tower continues to monitor evolving key cyber risks, which are being 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.

4.12 Climate change risk

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

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

Tower considers that climate change risk does not impact the valuation of the majority of Tower's assets and liabilities, where these assets 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 2022.

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

	2022 $000	2021 $000
Opening balance	492,424	492,424
Return of share capital to shareholders*	(30,634)	–
Purchase of non-controlling interests**	(1,599)	–
Total contributed equity	**460,191**	492,424
Represented by:		
Opening balance	421,647,258	421,647,258
Cancellation of shares on return of capital	(42,163,271)	–
Total shares on issue	**379,483,987**	421,647,258

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

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

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.

5.2 Reserves

	2022 $000	2021 $000
Opening balance	(6,082)	(4,985)
Currency translation differences arising during the year	3,934	(1,097)
Foreign currency translation reserve	**(2,148)**	(6,082)
Opening balance	1,707	1,564
Gain on revaluation	–	159
Deferred tax on revaluation	–	(16)
Asset revaluation reserve	**1,707**	1,707
Capital reserve	**11,990**	11,990
Separation reserve*	**(113,000)**	(113,000)
Reserves	**(101,451)**	(105,385)

* 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.

5.2 Reserves (continued)

Recognition and measurement

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

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

5.3 Net tangible assets per share

	2022 $000	2021 $000
Net tangible assets per share	**0.55**	0.57

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

5.4 Earnings per share

	2022	2021
Profit from continuing operations attributable to shareholders ($ thousands)	**17,622**	17,770
Profit from discontinued operations attributable to shareholders ($ thousands)	**1,181**	913
Weighted average number of ordinary shares for basic and diluted earnings per share (number of shares)	**397,851,001**	421,647,258
Basic and diluted earnings per share (cents) for continuing operations	4.43	4.21
Basic and diluted earnings per share (cents)	4.73	4.43

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

5.5 Dividends

On 30 June 2022, Tower paid an interim dividend of 2.5 cents per share (2021: 2.5 cents per share), with the cash impact of $9.5m (2021: $10.5m).

On 23 November 2022, the Board approved a final dividend of 4 cents per share (2021: 2.5 cents per share), with the dividend being payable on 1 February 2023. The anticipated cash impact of the final dividend is approximately $15.2m (2021: $10.5m).

6. OTHER BALANCE SHEET ITEMS

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

6.1 Property, plant and equipment

Composition:

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

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

** During the year, and following the decommissioning of several legacy 'on premise' IT systems, a review of property, plant & equipment with zero book values was completed. As a consequence, property, plant and equipment with a total cost and accumulated depreciation of $12.6m were written off as they are no longer in use. As the assets had zero book values, there was no impact on profit or loss from these write-offs.

30 September 2021	LAND AND BUILDINGS $000	OFFICE EQUIPMENT AND FURNITURE $000	MOTOR VEHICLES $000	COMPUTER EQUIPMENT $000	TOTAL $000
Composition:					
Cost	4,102	4,257	1,616	17,292	27,267
Accumulated depreciation	–	(2,289)	(847)	(14,757)	(17,893)
Property, plant and equipment	4,102	1,968	769	2,535	9,374
Reconciliation:					
Opening balance	4,035	2,989	1,083	1,934	10,041
Depreciation for continuing operations	–	(838)	(242)	(1,104)	(2,184)
Depreciation for discontinued operations	–	(90)	(18)	(2)	(110)
Additions	–	1,437	–	1,654	3,091
Revaluations	159	–	–	–	159
Disposals	–	(1,527)	(34)	56	(1,505)
Foreign exchange movements	(92)	(3)	(20)	(3)	(118)
Closing Balance	4,102	1,968	769	2,535	9,374

6.1 Property, plant and equipment (continued)

Recognition and measurement

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

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

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

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

6.2 Intangible assets

a. Amounts recognised in the balance sheet

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

* During the year, and following the decommissioning of several legacy IT systems, a review of intangible assets with zero book values was completed. As a consequence, intangible assets with a total cost and accumulated amortisation of $32.8m were written off as they are no longer in use. As the assets had zero book values, there was no impact on profit or loss from these write-offs.

6.2a Amounts recognised in the balance sheet (continued)

30 September 2021	GOODWILL $000	SOFTWARE $000	CUSTOMER RELATIONSHIPS* $000	TOTAL $000
Composition:				
Cost	17,744	98,850	28,656	145,250
Accumulated amortisation	–	(50,323)	(6,335)	(56,658)
Intangible Assets	17,744	48,527	22,321	88,592
Reconciliation:				
Opening balance	17,744	47,866	12,238	77,848
Amortisation	–	(8,205)	(4,351)	(12,556)
Additions	–	10,528	14,434	24,962
Disposals	–	(237)	–	(237)
Transfers to property, plant and equipment	–	(1,425)	–	(1,425)
Closing Balance	17,744	48,527	22,321	88,592

In the year ended 30 September 2021, Tower acquired and assumed ANZ's rights and obligations related to servicing the insurance polices of a group of customers already underwritten by Tower, and entered into a non-compete agreement for a period of 5 years. In the year ended 30 September 2022, Tower acquired and assumed Westpac's and TSB Bank's rights and obligations relating to servicing the insurance polices of two further groups of customers already underwritten by Tower. The amounts capitalised includes the price paid and associated acquisition/migration costs. The assets will be amortised over 5 year (the ANZ non-compete agreement) or 10 years (for other customer relationships), with the pattern of amortisation being aligned with expected net cashflow benefits over this period.

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 asset with a useful life equivalent to the customer base's expected lifespan of ten years with the exception of one asset with an additional non-compete component that has a contracted useful live 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. This valuation is calculated with reference to cash flow forecasts that combine past experience with future expectations based on prevailing and anticipated market factors, expected retention rates (86-94%) and a discount rate of 12.5% for each customer relationship asset.

6.2a Amounts recognised in the balance sheet (continued)

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 (2021: no indications).

Critical accounting estimates and judgements

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

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

(ii) Goodwill

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

Goodwill is allocated to cash generating units (CGUs) 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 loss has been recognised in 2022 as a result (2021: nil). COVID-19 impacts were again taken into account when performing the review.

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 unit (2021: the recoverable amount was assessed with reference to appraisal value techniques, which is a common practice for insurance companies). A base discount rate of 14.5% was used in the calculation (2021: 12.0%). The cash flows are based on management's plans and forecasted profits for FY23 -FY25 (2021: FY22 -FY24). The projected cash flows are determined based on past performance and management's expectations for market developments with a terminal growth rate of 3% (2021: 2.5%).

The overall valuation is sensitive to a range of assumptions including 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

(ii) Right of use assets

30 September 2022	OFFICE SPACE $000	MOTOR VEHICLES $000	TOTAL $000
Composition:			
Cost	26,977	–	**26,977**
Accumulated depreciation	(3,651)	–	**(3,651)**
Right of use assets	**23,326**	**–**	**23,326**
Reconciliation:			
Opening balance	25,569	8	**25,577**
Depreciation	(2,702)	(3)	**(2,705)**
Additions	438	–	**438**
Disposals	(37)	(5)	**(42)**
Revaluations	968	–	**968**
Net foreign exchange movements	(347)	–	**(347)**
Assets reclassified as held for sale	(563)	–	**(563)**
Right of use assets	**23,326**	**–**	**23,326**

30 September 2021	OFFICE SPACE $000	MOTOR VEHICLES $000	TOTAL $000
Composition:			
Cost	26,901	25	**26,926**
Accumulated depreciation	(1,332)	(17)	**(1,349)**
Right of use assets	**25,569**	**8**	**25,577**
Reconciliation:			
Opening balance	7,189	22	**7,211**
Depreciation for continuing operations	(2,242)	(14)	**(2,256)**
Depreciation for discontinued operations	(162)	–	**(162)**
Additions*	24,332	–	**24,332**
Disposals	(3,308)	–	**(3,308)**
Revaluations	(3)	–	**(3)**
Net foreign exchange movements	(237)	–	**(237)**
Right of use assets	**25,569**	**8**	**25,577**

* In August 2021 Tower entered into a new lease with a 10 year term for its Auckland premises. Tower recognised an initial right of use asset of $24.0m and an initial lease liability of $33.3m with the difference primarily representing lease incentives. Tower has assumed no renewals of the lease past the initial 10 year term for the right of use asset and lease liability.

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.

6.3a. Amounts recognised in the Balance Sheet (continued)

(ii) Lease liabilities

	2022 $000	2021 $000
Composition:		
Current	6,237	6,082
Non-current	28,817	33,339
Lease liabilities	**35,054**	**39,421**
Due within 1 year	6,237	6,082
Due within 1 to 2 years	4,440	6,041
Due within 2 to 5 years	11,990	12,055
Due after 5 years	15,876	19,514
Discount	(3,489)	(4,271)
Lease liabilities	**35,054**	**39,421**

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 5.0% (2021: between 1.9% and 3.6%).

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	2022 $000	2021 $000
Depreciation and impairment	Underwriting expense & corporate and other expenses	(2,705)	(2,252)
Interest expense	Finance costs	(897)	(363)
Gain on disposal	Other Income	12	1,179
Lease expense		**(3,590)**	**(1,436)**

c. Amounts recognised in the consolidated statement of cash flows

	2022 $000	2021 $000
Total cash outflow for lease principal payments	**(6,044)**	(2,684)

7. TAX

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

7.1 Tax expense

Composition

	2022 $000	2021 $000
Current tax	1,159	3,745
Deferred tax	6,593	5,785
Adjustments in respect of prior years	292	(395)
Tax expense	**8,044**	9,135
Tax expense from continuing operations	**7,526**	9,245
Tax expense from discontinued operations	**518**	(110)

Reconciliation of prima facie tax to income tax expense

	2022 $000	2021 $000
Profit before tax from continuing operations	25,200	27,647
Profit before tax from discontinued operations	1,699	803
Profit before taxation	26,899	28,450
Prima facie tax expense at 28% (2021: 28%)	7,532	7,966
Adjustments in respect of prior years	293	(395)
Tax effect of non-deductible expenses and non-taxable income	(732)	796
Foreign tax credits written off	371	861
Other	580	(93)
Tax expense	**8,044**	9,135

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

	2022 $000	2021 $000
Excess tax payments related to prior periods*	12,038	12,038
Excess tax payments related to current period**	1,031	863
Current tax assets	**13,069**	12,901

* Expected to be recovered from 2024 as per the Board approved operational plan for 2023 to 2025.
** Excess tax payment made in the Pacific Islands during the reporting period.

7.2 Current tax (continued)

b. Current tax liability

The current tax liability balance of $136k (2021: $170k) relates to taxes payable to offshore tax authorities in the Pacific Islands.

Recognition and measurement

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

7.3 Deferred tax

a. Deferred tax asset

Composition

	2022 $000	2021 $000
Tax losses recognised	23,716	24,116
Software, property, plant and equipment	1,989	2,834
Leases	352	373
Provisions and accruals	5,258	4,165
Recognised in profit or loss	**31,315**	31,488
Impact through other comprehensive income	–	–
Recognised in comprehensive profit or loss	**31,315**	31,488
Set-off of deferred tax liabilities pursuant to NZ IAS 12	(7,278)	(7,038)
Deferred tax asset	**24,037**	24,450
Deferred tax asset from continuing operations	**23,893**	24,450
Deferred tax asset from discontinued operations	**144**	–

Reconciliation of movements

	2022 $000	2021 $000
Opening balance	31,488	35,397
Movements recognised in profit or loss	(173)	(3,909)
Deferred tax asset pre NZ IAS 12 set off	**31,315**	31,488

7.3 Deferred tax (continued)

b. Deferred tax liability

Composition

	2022 $000	2021 $000
Deferred acquisition costs	(7,016)	(5,481)
Customer relationships	(4,412)	(3,433)
Software, property, plant and equipment	(4,163)	–
Other*	(203)	(461)
Recognised in profit or loss	**(15,794)**	(9,375)
Asset revaluation	(290)	(438)
Recognised in comprehensive profit or loss	**(16,084)**	(9,813)
Set-off of deferred tax liabilities pursuant to NZ IAS 12	7,278	7,038
Deferred tax liability	**(8,806)**	(2,775)

* Primarily relates to withholding tax on undistributed profit from the Pacific Islands.

Reconciliation of movements

	2022 $000	2021 $000
Opening balance	(9,813)	(7,921)
Movements recognised in other comprehensive income	148	(16)
Movements recognised in profit or loss	(6,419)	(1,876)
Deferred tax liability pre NZ IAS 12 set off	**(16,084)**	(9,813)

Recognition and measurement

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

At the reporting date, the Group has recognised a deferred tax asset in respect of its unused tax losses of $84.7m (2021: $86.1m).

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

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

Critical accounting judgements and estimates

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.

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

7.4 Imputation credits

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

	2022 $000	2021 $000
Imputation credits available for use in subsequent reporting periods	**271**	271

8. OTHER INFORMATION

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

8.1 Notes to the consolidated statement of cash flow

Composition

	2022 $000	2021 $000
Cash at bank	**54,422**	88,740
Deposits at call	**30,080**	27,389
Cash and cash equivalents	**84,502**	116,129

The average interest rate at 30 September 2022 for deposits at call is 2.89% (2021: 0.25%).

Reconciliation of profit for the year to cash flows from operating activities

	2022 $000	2021 $000
Profit after taxation from continuing operations	**17,674**	18,402
Adjusted for non-cash items		
Depreciation of property, plant and equipment	2,287	2,182
Depreciation, impairment and disposals of right of use assets	2,705	2,252
Amortisation of intangible assets	14,723	12,556
Financing costs	897	363
Fair value losses on financial assets	5,337	4,568
Gain on disposal of fixed assets	(24)	319
Change in deferred tax	6,452	5,731
Adjusted for movements in working capital		
Change in receivables	(30,495)	41,957
Change in payables	41,445	6,888
Change in taxation	(695)	1,601
Net cash inflows from operating activities from continuing operations	**60,306**	96,819
Cashflows from operating activities from discontinued operations	(522)	1,276
Net cash inflows from operating activities	**59,784**	98,095

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.

	2022 $000	2021 $000
Salaries and other short term employee benefits paid	4,466	4,799
Long term benefits	773	260
Termination benefits	748	486
Director fees	676	723
Related party remuneration	**6,663**	6,268

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

The Board has decided to implement a share based long term incentive scheme with effect from 1 October 2022.

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

Definition

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

8.3 Auditor's remuneration

	2022 $000	2021 $000
Audit of financial statements*	612	599
Other assurance services**	63	60
Total fees paid to Group's auditors	**675**	659
Fees paid to subsidiaries' auditors different to Group auditors:		
Audit of financial statements***	16	14
Auditors remuneration	**691**	673

* Audit of financial statements includes fees for both the audit of annual financial statements and the review of the interim financial statements. PwC Fiji performs the audits of all overseas incorporated subsidiaries with the support of PwC New Zealand and other PwC network firms. $129.6k is paid to other PwC network firms (non New Zealand) for their audit services.

** Other assurance services includes annual solvency return assurance and Pacific Island regulatory return audits. The other assurance services for the year ended 30 September 2021 were completed during the year ended 30 September 2022.

*** The audit of Tower Insurance (Vanuatu) Limited was performed by Law Partners (2021: Law Partners).

8.4 Discontinued operation and asset held for sale

On 10 June 2022 Tower announced the conditional sale of all of its shares in its Papua New Guinea subsidiary to Alpha Insurance Limited for a sale price of AUD 7.9m, subject to settlement adjustments. The sale was still conditional as at 30 September 2022 and so the Group's Papua New Guinea Operations constitutes a discontinued operation and is classified as held for sale as at 30 September 2022. Subsequently, the sale became unconditional and was completed on 28 October 2022, for a revised price of PGK 22m, subject to settlement adjustments and transaction costs. The estimated gain on sale that will be included in profit or loss after tax, including reclassifications of amounts in the foreign currency translation reserve, is approximately $2.1m, however at the time these financial statements were prepared a final calculation of the gain on sale had not been completed

At 30 September 2022, Tower was actively marketing the Suva building for sale. The recoverable amount of the building of $4.5m is included in the property, plant and equipment disclosed below. The sale is expected to be completed within a year from the reporting date.

The sale of the Suva building was approved by the Board on 3 November 2022. Refer note 8.6.

Assets and liabilities classified as held for sale

	2022 $000
Assets classified as held for sale	
Cash and cash equivalents	7,796
Investments	3,580
Receivables	2,565
Current tax assets	315
Deferred tax assets	144
Deferred insurance costs	1,335
Right of use assets	479
Property, plant and equipment*	4,597
Total assets classified as held for sale	**20,811**
Liabilities classified as held for sale	
Payables**	1,965
Unearned premiums	4,745
Outstanding claims	1,981
Lease liabilities	519
Provisions	48
Total liabilities classified as held for sale	**9,258**
Net assets classified as held for sale	**11,553**

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

** As at 30 September 2022, Tower PNG owed other members of the Tower Group of $1.8m.. The liabilities from discontinued operations disclosed above are stated without adjustment for these intercompany transactions.

The cumulative currency translation losses recognised in other comprehensive income in relation to the discontinued operation as at 30 September 2022 were $2.7m.

8.4 Discontinued operation and asset held for sale (continued)

Profit from discontinued operation

	2022 $000	2021 $000
Gross written premium	8,055	8,678
Unearned premium movement	629	232
Gross earned premium	8,684	8,910
Outward reinsurance premium	(3,187)	(3,426)
Movement in deferred reinsurance premium	(58)	(46)
Outward reinsurance premium expense**	(3,245)	(3,472)
Net earned premium	**5,439**	**5,438**
Claims expense	(1,907)	(1,983)
Less: Reinsurance and other recoveries revenue	695	34
Net claims expense	(1,212)	(1,949)
Gross commission expense	(310)	(391)
Commission revenue	288	292
Net commission expense	(22)	(99)
Underwriting expense**	(2,559)	(2,591)
Underwriting profit	**1,646**	**799**
Investment income	50	21
Other income/(expense)	15	(2)
Financing and other costs	(12)	(15)
Profit before taxation	**1,699**	**803**
Tax expense	(518)	110
Profit after taxation from discontinued operation	**1,181**	**913**

** Tower PNG paid fees to other members of the Tower Group of $2.4m during the financial year ended 30 September 2022 (2021: $2.5m), relating to the provision or reinsurance, management and other services. These amounts are included within the reinsurance premium expense and underwriting expense lines above, and are then eliminated within continuing operations.

Earnings per share

	2022	2021
Basic and diluted earnings per share (cents) for discontinued operations	0.30	0.22

The currency translation differences recognised in other comprehensive income during the period ending 30 September 2022 in relation to the discontinued operation were $1.1m.

8.5 Contingent liabilities

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.

8.6 Subsequent events

On 6 October 2022, Tower entered an agreement with Kiwibank to purchase the rights and obligations relating to servicing the insurance polices of a group of customers underwritten by Tower for $5.9m payable on 1 December 2022.

On 28 October 2022, Tower completed the sale of Tower Insurance (PNG) Limited, refer note 8.4 for more information.

On 3 November 2022, the Board approved the sale of Suva building at a price of FJD 8.2m which, after allowing for transaction costs and taxes, is greater than the book value of this asset recorded in these financial statements. The estimated gain on sale to be recognised in profit or loss after tax is approximately $1.1m, however at the time these financial statements were prepared a final calculation of the gain on sale had not been completed.

On 23 November 2022, the Board approved a full year dividend of 4 cents per share, with the dividend being payable on 1 February 2023 as specified by Note 5.5. The anticipated cash impact of the final dividend is approximately $15.2m.

8.7 Capital commitments

As at 30 September 2022, Tower has nil capital commitments (2021: nil).

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

New accounting standards

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

Issued and effective

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

IFRS 17

IFRS 17 is effective for periods beginning on or after 1 January 2023. Tower will apply the standard for the year ending 30 September 2024, with the comparative period for the year ending 30 September 2023. Tower expects to apply the standard using the full retrospective approach.

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

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

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

IFRS 17 makes changes to the way that discount rates are applied to future cash flows, with discount rates required to reflect the time value of money, the characteristics of the cash flows and the liquidity characteristics of the insurance contracts. Tower has determined that it will not discount insurance assets and liabilities for remaining coverage unless the time between the provision of the services and the premiums received will be more than one year. Insurance assets and liabilities for incurred claims will be discounted to reflect the time value of money. The methodology for deriving the discount rate is currently being finalised, with Tower expecting to apply the bottom-up approach, whereby a risk-free yield curve is adjusted through the addition of an illiquidity premium.

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

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

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

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

Tower has a programme to assess the impact of adopting NZ IFRS 17 and to project manage the transition to the new standard including system development. Tower has completed a proposed accounting policy framework under NZ IFRS 17, subject to approval by the Board, and systems development work is in the implementation phase.

IFRS 17 is not expected the change the underlying economics or cash flows of Tower's business, although it may impact how profit emerges on a year-to-year basis, and it will change the presentation in the financial statements. Due to the complexity of the requirements within the standard and with global interpretations continuing to change, some material judgements and accounting policy choices are still under consideration by Tower, and therefore a full assessment of the financial impact of IFRS 17 has not yet been completed.

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 2022, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated balance sheet as at 30 September 2022;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

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

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.

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T: +64 9 355 8000, www.pwc.co.nz

Description of the key audit matter	How our audit addressed the key audit matter
The outstanding claims liability includes a risk margin that allows for the inherent uncertainty in the central estimate of future claim cash outflows. In determining the risk margin, the Group makes judgements about the volatility of each class of business written and the correlation between different geographical locations. Refer to note 2.4 to the consolidated financial statements.	
(2) Recoverability of the deferred tax asset arising from tax losses **(2022: $23,716,000, 2021: $24,116,000)** The majority of the Group's deferred tax asset arises from tax losses. We considered recoverability of the deferred tax asset a key audit matter because utilisation of the asset is sensitive to the Group's expected future profitability and sufficient continuity of the ultimate shareholders or business continuity. Management judgement is involved in forecasting the timing and quantum of future taxable profits, which are inherently uncertain, and whether it is probable the tax losses will be utilised in the foreseeable future. Refer to note 7.3 to the consolidated financial statements.	In considering the recoverability of the deferred tax asset arising from tax losses we performed the following procedures: ● compared the previous management budget with actual results to assess the reliability of management's forecasting; ● considered the reasonableness of the assumptions in the year ending 30 September 2023 operational plan on the forecast utilisation of tax losses; ● assessed the Group's ability to maintain sufficient continuity of the ultimate shareholders or to meet the business continuity test and therefore its entitlement to offset the tax losses against future taxable profits; and ● determined whether it was probable (more likely than not) that the tax losses would be utilised in the foreseeable future.

Description of the key audit matter	How our audit addressed the key audit matter
(1) Valuation of outstanding claims **(2022: $124,531,000, 2021: $122,338,000)** We considered the valuation of outstanding claims a key audit matter as it involves an estimation process combined with significant judgements and assumptions, made by management, to estimate future cash outflows to settle claims. The outstanding claims liability includes a central estimate of the future cash outflows relating to claims incurred, as at and prior to the reporting date, and the expected costs of handling those claims. There is uncertainty over the amount that reported claims and claims incurred at the reporting date but not yet reported to the Group will ultimately be settled at. The estimation process relies on the quality of underlying claims data and the use of informed estimates to determine the quantum of the ultimate loss. Key actuarial assumptions applied in the valuation of outstanding claims (excluding Canterbury earthquakes) include: ● expected future claims development proportion; and ● claims handling expense ratios. Outstanding claims in relation to the Canterbury earthquakes have a greater degree of uncertainty and judgement. This mainly arises due to the uncertainty as to further deterioration of open known claims, the Earthquake Commission (EQC) reporting of new claims to the Group which have gone over the $100,000 statutory liability cap (over cap claims), new litigation claims, reopening of closed claims, expected claims costs for open claims and estimates of future claims management expenses. Changes in assumptions can lead to significant movements in the outstanding claims liability.	Claims data is a key input to the actuarial estimates. Accordingly, we: ● evaluated the design effectiveness and tested controls over claims processing; ● assessed a sample of claim case estimates at the year end to check that they were supported by an appropriate management assessment and documentation; ● assessed, on a sample basis, the accuracy of previous claim case estimates by comparing to the actual amount settled during the year and analysed any escalation in the claim case estimate to determine whether such escalation 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 and approved within delegated authority limits; and ● tested the integrity of data used in the actuarial models by agreeing relevant model inputs, such as claims data, to source, on a sample basis. Together with our actuarial experts, we: ● considered the work and findings of the actuaries engaged by Tower; ● evaluated the actuarial models and methodologies used, and any changes to them, by comparing with generally accepted models and methodologies applied in the sector; ● assessed key actuarial judgements and assumptions and challenged them by comparing with our expectations based on Tower's experience, our own sector knowledge and independently observable industry trends (where applicable); ● tested on a sample basis, the underlying calculations in certain valuation models; and ● assessed the risk margin by comparing to known industry practice. In particular we focused on the assessed level of uncertainty in the central estimate and the inherent uncertainty in the remaining Canterbury earthquake claims and consistency of the risk margin with prior periods.

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Our audit approach

Overview

Overall group materiality: $4.5 million, which represents approximately 1% of gross written premium from continuing and discontinued operations.

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

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

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

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

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

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

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

How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, the industry and countries 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. The Annual Report is expected to be made available to us after the date of this auditor's report.

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

pwc

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.

When we read the other information not yet received, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Directors and use our professional judgement to determine the appropriate action to take.

Responsibilities of the Directors for the consolidated financial statements

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

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

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

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

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

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

This description forms part of our auditor's report.

Who we report to

This report is made solely to the Company's shareholders, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's shareholders, as a body, for our audit work, for this report or for the opinions we have formed.

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

For and on behalf of:

Pricewaterhousecoopers

Chartered Accountants
23 November 2022

Auckland

APPOINTED ACTUARY'S REPORT

23 November 2022

The Directors
Tower Limited
136 Fanshawe Street
Auckland 1010

Dear Directors

Review of Actuarial Information contained in the financial statements

As required by Section 78 of IPSA the Appointed Actuary, Geoff Atkins of Finity Consulting, has reviewed the actuarial information contained in, or used in the preparation of, the financial statements at 30 September 2022. Geoff Atkins and Finity have no relationship with or interest in Tower other than being a provider of actuarial services.

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

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

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

In my opinion the company has maintained a solvency margin in excess of the minimum required as at 30 September 2022.

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

Yours sincerely

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

Anagha Pasche
Fellows 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 during the year ending 30 September 2022 (FY22)

The Board is committed to achieving the highest 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 Tower's practices where appropriate, including seeking external advice to encourage an environment of continuous improvement in Board performance.

For the reporting period to 30 September 2022, 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.

The following policies and company documentation are available on Tower's website (https://www.tower.co.nz/investor-centre/corporate-governance/policies):

- Tower Limited Constitution
- Corporate Governance Statement
- Board Charter
- Board Protocols
- Audit Committee Terms of Reference
- Risk Committee Terms of Reference
- Remuneration & Appointments Committee Terms of Reference
- Director and Executive Remuneration Policy
- Insider Trading and Market Manipulation Policy
- Corporate Disclosure Policy
- External Audit Independence Policy
- Health and Safety Policy
- Code of Conduct Policy
- Diversity and Inclusion Policy

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 2022, compared to 30 September 2021, 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 2022		30 SEPTEMBER 2021	
GROUP	% GROUP	NUMBER	% GROUP	NUMBER
Board of Directors				
Males	80%	4	83%	5
Females	20%	1	17%	1
Gender Diverse	0%	0	0%	0
Executive Leadership team				
Males	88%	7	67%	6
Females	12%	1	33%	3
Gender Diverse	0%	0	0%	0
Senior Leadership team				
Males	63%	27	42%	11
Females	37%	16	58%	15
Employees				
Males	38%	268	40%	293
Females	62%	446	60%	447
Total company				
Males	39%	302	40%	310
Females	61%	463	60%	465
Total employees		765		775

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

Tower has a diversity and inclusion policy, focussing on the following categories:

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

The Board considers there has been continued progress on initiatives focused around the pillars of gender, culture, sexuality, age and accessibility in FY22.

Tower's bi-annual engagement survey is a key way of measuring progress diversity and inclusion activities. In the most recent survey, Tower's diversity and inclusion score increased by 0.1 over FY22. This places Tower in the top 25% of the finance industry (and is higher than our overall engagement score of 7.8), which the Board considers demonstrative of the progress that we have made over the last 12 months.

Diversity and Inclusion score

8.8

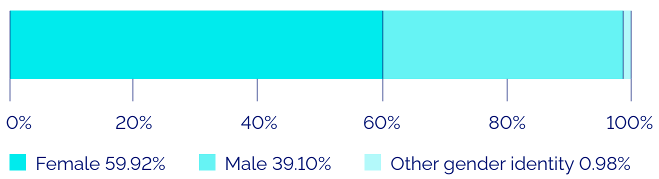
0.5 above Finance benchmark

In the top 25% of Finance

Gender

Representation

Tower's overall female representation remains consistent year-over-year at 60% female / 40% male. In FY22 Tower captured data in respect of other gender identities for the first time.



Gender pay gap

Tower has calculated its gender pay gap for New Zealand team members. When comparing like-for-like roles for women and men at Tower in New Zealand, Tower's pay equity gap is 0.1%. Comparing our senior leadership population and the average pay gap between men and women, our leadership pay gap is 2.2% (men are paid 2.2% more than women).

The overall gender gap is 25.9%. For the most part, this is because we have a larger proportion of women in some our New Zealand frontline roles, and a larger proportion of men in senior roles.

Tower is proud to have contributed to MindtheGap NZ Public Pay Gap registry, and shares its gender pay gap information on its external careers page to increase visibility and accountability. Tower intends to extend its pay gap reporting to include Māori and Pacific data.

Inclusion

In 2022, Tower was re-accredited by the Rainbow Tick, reflecting Tower's commitment to valuing people in the workplace, and embracing the diversity of sexual and gender identities. The number of Tower employees identifying as part of the Rainbow community fell from 93 to 81 (12.7% to 9.7%). There was also an increase in the percentage of individuals either leaving the question blank or choosing not to disclose from 77 to 167 (12.9% to 19.9%). Alongside the collection of data to understand gender identities, Tower has developed guidelines to support Tower individuals who are transitioning.

Tower also maintained domestic violence abuse charity Shine's DVFree Tick for creating a domestic violence-free workplace. This reflects Tower's commitment to ensuring our people feel safe and have the appropriate channels to raise any domestic violence they may experience with a group of trained Tower First Responders.

Throughout FY22, Tower has sponsored and celebrated a number of events celebrating diversity including a company-wide zoom chat with Black Fern Ruby Tui, Fijian and Samoan language weeks, and Diwali, together with a celebration of Te Reo Māori during Te Wiki o te Reo Māori 2022.

	CURRENT ETHNICITY BREAKDOWN	BAND-7	8	9	10	EXEC	TOTAL	FY22 HIRES: HIRES	FY22 HIRES: TOTAL	FY22 HIRES: NET
Non-European	African	–	1	–	–	–	26	–	4	-14
	Asian	3	–	–	–	–		–		
	Chinese	2	–	1	–	–		1		
	Fijian	2	–	1	–	–		1		
	Fijian Indian	–	–	–	–	1		–		
	Filipino	3	–	–	–	–		1		
	Indian	4	3	–	–	–		1		
	Māori	2	1	–	–	–		–		
	Samoan	–	1	–	–	–		–		
	Sri Lankan Tamil	1	–	–	–	–		–		
European	Afrikaner	–	1	–	–	–	73	–	18	
	Australian	–	–	–	–	1		1		
	British	1	–	2	1	–		1		
	Danish	–	1	–	–	–		–		
	English	1	1	–	–	2		1		
	European	3	1	–	3	2		1		
	German	1	–	–	–	–		1		
	Irish	1	1	–	–	–		1		
	New Zealand European	24	10	6	6	2		11		
	South African European	2	–	–	–	–		1		
Prefer not to disclose/did not disclose		5	–	–	–	–	5	3	3	3
	Total	**55**	**21**	**10**	**10**	**8**	**104**	**25**		

Ethnicity

Representation

In FY22, Tower broadened the range of ethnicities its employees can identify as. This has enabled Tower to identify that 53% of its workforce is made up of diverse, non-European ethnicities, with 42% of the workforce being made up of European ethnicities, and 5% of the workforce preferring not to disclose.

Achieving representation of diverse ethnicities at leadership levels has proven challenging in a very competitive labour and hiring market where immigration into New Zealand has only recovered to around 1/3 of pre-pandemic levels. A breakdown of the ethnicity of Tower's senior staff is set out in the table above.

Tower Talent Programmes

In FY22, two targeted talent development programmes were introduced with a view to identify, retain and accelerate the development of diverse talent.

The Talent & Culture Group (TCG) is made up of 12 senior leaders identified from Tower's executive team from a pool of high-potential talent and potential successors. The Emerging Talent Programme (ETP) pilot was launched in late FY22 targeting diverse talent at all levels at Tower.

The TCG was launched in January 2022, and the group has played a significant role in defining and implementing key initiatives across Tower related to talent and culture. Achievements include the definition of Tower's new Purpose and Values, and embedding those values into the performance framework.

In September 2022 Tower commenced a pilot for an Emerging Talent Programme comprising 13 staff from Claims, Partnerships, Sales & Service and Technology divisions. Participants come from a range of backgrounds, genders and ethnicities.

The purpose of the programme is to:

- develop emerging talent at Tower, providing growth opportunities for a diverse pipeline of talented people in the business
- give participants a chance to broaden their horizons at Tower, get exposure, learn skills and build relationships outside of the areas they normally work
- over time increase diversity across all levels at Tower

As part of the programme, participants will have access to learning experiences including team activities, focus groups, guest speakers, mentoring sessions, action learning projects and opportunities to build networks.

BOARD COMMITTEES

During FY22 the Board comprised the following members:

Micheal Stiassny (Chair), Graham Stuart, Steve Smith (until 2 February 2022), Warren Lee, Wendy Thorpe, Marcus Nagel.

The Board has determined, based on information provided by directors regarding their interests, and the criteria for independence contained in the Board and Director Protocols, that as at 30 September 2022, Mr Stiassny, Mr Stuart, Mr Lee and Ms Thorpe were independent. The Board determined that Mr Nagel was not independent due to his relationship with Tower's largest shareholder. The criteria for assessing independence contained in the Board and Director protocols is benchmarked against the RBNZ and NZX independence requirements.

During FY22 the Board had the following committees:

Audit Committee

Members: Graham Stuart (Chair), Michael Stiassny, Steve Smith (retired 2 February 2022), Warren Lee (retired 30 November), Wendy Thorpe, Marcus Nagel.

Risk Committee

Members: Warren Lee (Chair) until 31 August 2022 (retired 30 November 2022), Wendy Thorpe (Chair) from 1 September 2022, Michael Stiassny, Graham Stuart, Steve Smith (retired 2 February 2022), Marcus Nagel.

Remuneration and Appointments Committee

Members: Michael Stiassny (Chair), Graham Stuart, Steve Smith (retired 2 February 2022), Warren Lee (retired 30 November 2022), Wendy Thorpe, Marcus Nagel.

Other committees

Tower's Board may establish sub-committees from time to time. In 2022, a Results Sub-Committee was convened on two occasions.

Board and Committee meeting attendance

The following numbers of Board and Committee meetings were held during the year from 1 October 2021 to 30 September 2022:

- Board meetings – 12
- Audit Committee meetings – 3
- Risk Committee meetings – 4
- Remuneration and Appointments Committee – 6
- Results Sub-Committee – 2

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

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

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

All Board, Audit, Risk and Remuneration and Appointment Committee meetings are attended by the General Counsel & Company Secretary who is responsible for taking accurate minutes of each meeting and ensuring that Board procedures are observed.

Director attendance at Board and Committee meetings held in the year to 30 September 2022 is set out below:

	BOARD	AUDIT COMMITTEE	RISK COMMITTEE	REMUNERATION AND APPOINTMENTS COMMITTEE	RESULTS SUB-COMMITTEE
Meetings held	**12**	**3**	**4**	**6**	2
Michael Stiassny	11	2	3	6	2
Steve Smith (retired 2 February 2022)	6	1	2	3	1
Graham Stuart	12	3	4	6	2
Warren Lee	12	3	4	6	–
Wendy Thorpe	12	3	4	6	–
Marcus Nagel	11	3	4	4	–

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 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.

Non-executive directors are also paid additional fees for sitting on certain Board Committees.

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 of the remuneration received by each for the year ended 30 September 2022 are set out below (NZ$, and exclusive of GST, if any):

REMUNERATION AND BENEFITS

RECEIVED BY TOWER LIMITED DIRECTORS IN THE YEAR ENDED 30 SEPTEMBER 2022

Michael Stiassny	180,000
Graham Stuart	110,000
Steve Smith	38,333
Warren Lee (Chair of Risk Committee until 1 September 2022)	109,166
Wendy Thorpe (Chair of Risk Committee commencing 1 September 2022)	100,833
Marcus Nagel	100,000

REMUNERATION AND BENEFITS RECEIVED BY TOWER SUBSIDIARY DIRECTORS

IN THE YEAR ENDED 30 SEPTEMBER 2022

Rodney Reid, Director, National Pacific Insurance Limited (retired 3 October 2021)	1625 Samoan Tala
Heseti Vaai, Director, National Pacific Insurance Limited (retired 1 December 2021)	1625 Samoan Tala
Isikeli Tikoduadua, Director Tower Insurance (Fiji) Limited and, National Insurance Company (Holdings) Pte Limited	18,000 Fijian Dollars
Barry Whiteside, Director Tower Insurance (Fiji) Limited	20,000 Fijian Dollars
Ernie Gangloff, Director Tower Insurance (PNG) Limited (retired 28 October 2022)	50,000 Kina

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

No employee of Tower Limited or its subsidiaries who acts as a director of a subsidiary receives any remuneration for their role as a director of that subsidiary. The number of employees who receive remuneration of more than $100,000 is included in the remuneration table on page 132. Auditor fees paid on behalf of Tower and its subsidiaries are disclosed in the financial statements

CEO and senior executive remuneration

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

The Chief Executive Officer, Mr Blair Turnbull, is remunerated through a combination of a base salary of $650,000, (inclusive of a Kiwisaver contribution) and variable performance incentives including a Short Term Incentive (STI) and a Long Term Incentive (LTI). The maximum STI is currently $325,000 per annum based on meeting key financial and non-financial and operational performance measures. The maximum LTI per annum is currently $975,000 (total) should Tower deliver Total Shareholder Return performance relative to the performance of companies within the NZX50 index.

In FY22, Mr Turnbull was eligible for an STI payment of $181,675, and an LTI payment of $650,000.

Employee remuneration

The table below sets out the number of employees or former employees of Tower (excluding directors and former directors and employees of Tower's subsidiaries) who received remuneration and other benefits valued at or exceeding $100,000 for the years ended 30 September 2022 and 2021. Remuneration includes base salary, performance payments and redundancy or other termination payments. The 2022 figures include company contributions of 3% of gross earnings for those individuals who are members of a KiwiSaver scheme. These contributions are not included in the 2021 figures. The remuneration bands are expressed in New Zealand Dollars.

FROM	TO	2021	2022
100,000	109,999	23	32
110,000	119,999	19	22
120,000	129,999	16	29
130,000	139,999	8	25
140,000	149,999	7	18
150,000	159,999	8	16
160,000	169,999	5	15
170,000	179,999	2	3
180,000	189,999	1	10
190,000	199,999	2	8
200,000	209,999	1	8
210,000	219,999	1	0
220,000	229,999	3	3
230,000	239,999	2	1
240,000	249,999	0	1
250,000	259,999	2	0
260,000	269,999	2	2
270,000	279,999	0	1
280,000	289,999	3	3
300,000	309,999	0	2
310,000	319,999	0	2
320,000	329,999	1	1
330,000	339,999	1	0
340,000	349,999	2	0
350,000	359,999	1	0
380,000	389,999	0	1
400,000	409,999	0	1
440,000	449,999	0	1
450,000	459,999	1	0
470,000	479,999	0	1
490,000	499,999	0	1
530,000	539,999	1	0
560,000	569,999	1	0
610,000	619,999	1	0
650,000	659,999	0	1
Total		**115**	**209**

SECURITY HOLDER INFORMATION

Substantial product holders (as at 30 September 2022)

The names and holdings of Tower's substantial product holders based on notices filed with Tower under the Financial Markets Conduct Act 2013 as at 30 September 2022 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	29,607,771
Accident Compensation Corporation	36,239,113
Investment Services Group Limited	20,589,363
New Zealand Funds Management Limited on behalf of itself and its wholly owned subsidiary New Zealand Funds Superannuation Limited	26,615,216

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

Largest shareholders (as at 15 November 2022)

The names and holdings of the 20 largest registered Tower shareholders as at 15 November 2022 were:

	NAME	TOTAL ORDINARY SHARES	%UNITS
1	Dent Issuer Designated Activity Company	75,896,447	20.00
2	Accident Compensation Corporation – NZCSD <ACCI40>	36,318,045	9.57
3	Citibank Nominees (New Zealand) Limited – NZCSD <CNOM90>	31,063,105	8.19
4	National Nominees Limited – NZCSD <NNLZ90>	16,060,989	4.23
5	Lennon Holdings Limited	15,800,000	4.16
6	HSBC Nominees (New Zealand) Limited – NZCSD <HKBN90>	14,499,664	3.82
7	BNP Paribas Nominees (NZ) Limited – NZCSD <BPSS40>	13,959,307	3.68
8	Masfen Securities Limited	11,430,000	3.01
9	JBWere (NZ) Nominees Limited <NZ RESIDENT A/C>	11,090,058	2.92
10	HSBC Nominees (New Zealand) Limited A/C State Street – NZCSD <HKBN45>	7,762,443	2.05
12	Public Trust – NZCSD <THE ASPIRING FUND>	6,125,000	1.61
11	JP Morgan Chase Bank NA NZ Branch – Segregated Clients Acct – NZCSD <CHAM24>	6,116,713	1.61
13	BNP Paribas Nominees (NZ) Limited – NZCSD	4,162,056	1.10
14	Investment Custodial Services Limited <A/C C>	3,512,373	0.93
15	TEA Custodian Limited Client Property Trust Account – NZCSD <TEAC40>	3,027,220	0.80
16	HSBC Nominees A/C NZ Superannuation Fund Nominees Limited – NZCSD <SUPR40>	2,971,425	0.78
17	Rural Equities Limited	2,025,000	0.53
18	New Zealand Depository Nominee Limited <A/C 1 CASH ACCOUNT>	1,956,528	0.52
19	Hobson Wealth Custodian Limited <RESIDENT CASH ACCOUNT>	1,945,628	0.51
20	Forsyth Barr Custodians Limited <1-CUSTODY>	1,779,617	0.47
	Totals: Top 20 holders of ORDINARY SHARES (Total)	267,501,618	70.49

Securities held by Directors

At 30 September 2022, 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
Michael Stiassny	624,897
Graham Stuart	202,500
Wendy Thorpe	14,625
Warren Lee	108,450
Marcus Nagel	56

Director trading in Tower securities

In FY22, all directors had shares cancelled as part of a compulsory share buyback. There were no other acquisitions or disposals of Tower shares by its directors.

	NUMBER OF SHARES CANCELLED ON 9 MARCH 2022	CONSIDERATION ($NZ) ($NZ0.72 PER SHARE)
Michael Stiassny	69,433	49,991.76
Graham Stuart	22,500	16,200
Wendy Thorpe	1,625	1,170
Warren Lee	12,050	8,676
Marcus Nagel	6	4.32

Shareholder analysis

Tower's shares are quoted on both the NZSX and ASX. As at 30 September 2022, 16,301 Tower shareholders held less than A$500 of Tower shares (i.e., less than a marketable parcel as defined in the ASX Listing Rules), amounting to a total of 6,249,528 of the Tower shares on issue.

In comparison, a 'minimum holding' under the NZX Listing Rules means a holding of shares having a value of at least NZ$1,000. As at 16 November 2022, 19,861 Tower shareholders held less than NZ$1,000 of Tower Shares (being, a parcel size of 1,667 at $0.60 per share), amounting to a total of 10,187,831 of the Tower shares on issue.

Total voting securities

HOLDING RANGE	ORDINARY SHARES	NUMBER OF HOLDERS
15 November 2022	379,483,987	24,116
16 November 2022 (prior to compulsory buyback completed March 2022)	421,647,258	24,577

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 15 November 2022)

HOLDING RANGE	HOLDER COUNT	HOLDER COUNT %	HOLDING QUANTITY (ORDINARY SHARES)	HOLDING QUANTITY %
1 – 1,000	17,747	73.65	7,002,966	1.84
1,001 – 5,000	4280	17.79	8,839,842	2.32
5,001 – 10,000	711	2.96	5,029,859	1.33
10,001 – 100,000	1124	4.67	34,171,798	8.91
100,001 and over	221	.12	324,442,522	85.63
Total	**24, 137**	**100**	**379,483,987**	**100**

Indemnity and insurance

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

Interests register

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

During the year to 30 September 2022, 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. Disclosures made since 30 September 2022 are also noted.

Warren Lee	
MyState Limited	Director
MyState Bank Limited	Director
TPT Wealth Limited	Director
Avenue Hold Limited (ceased 4 July 2022)	Director
Avenue Bank Limited (ceased 4 July 2022)	Director
MetLife Insurance Limited	Director
MetLife General Insurance Limited	Director
Warakirri Asset Management Limited	Director
Warakirri Holdings Pty Limited	Director
Flinders Investment Partners Pty Limited	Director
Michael Stiassny	
Bengadol Corporation Limited	Director
Emerald Group Limited	Director
Gadol Corporation Limited	Director
Geffen Holdings Limited	Director
Michael Spencer Limited	Director
Ngāti Whātua Ōrākei Housing Trustee Limited	Director
Ngāti Whātua Ōrākei Whai Rawa Limited	Chair
Poukawa Estate Limited	Director
Ted Kingsway Limited	Director
Whai Rawa GP Limited	Director
Whai Rawa Kainga Development Limited	Director
LPF Group Limited	Director
MS10 Limited	Director
Morgan HoldCo Limited	Director
Remuera Investments Limited	Director
Te Waenga Ltd	Director
Tegel Group Holdings Ltd	Director
New Talisman Gold Mines Ltd	Director
New Zealand Automotive Investments Limited (from 21 August 2022)	Director
Graham Stuart	
Leroy Holdings Limited	Director
EROAD Limited	Chair
VinPro Limited	Director
NorthWest Healthcare Properties Management Limited	Chair
Metro Performance Glass Limited	Director
H4G Group Limited, trading as Vet South and VetNZ (from 1 February 2022)	Chair
Wendy Thorpe	
Online Education Services Pty Limited	Chair
Very Special Kids (ceased 25 October 2021)	Director
Epworth Foundation (Epworth Healthcare)	Chair
Ausgrid Asset Partnership (ceased 25 June 2022)	Director
Ausgrid Operator Partnership (ceased 25 June 2022)	Director
Plus ES Partnership (ceased 25 June 2022)	Director
Australian Central Credit Union Ltd T/A People's Choice Credit Union	Director
Epworth Geelong Limited	Director
Data Action (from 3 October 2022)	Director
auDA (from 16 November 2022)	Director
Marcus Nagel	
3Arrow AG	Director
Jarowa AG	Director
Barry Whiteside	
Kontiki Finance	Director
Pacific Catastrophe Risk Insurance Company	Director
Bayly Trust	Director/Trustee
Isikeli Tikoduadua	
Merchant Finance	Chairman
Vodafone Fiji	Director
Fiji Commerce Commission	Commissioner
iTaukei Land Trust Board	Director
Special Administrators for Suva City and Lami Town	Chairman
USP MBA Advisory Committee	Chairman
Blair Turnbull	
InsurtechNZ	Co-Chair
Insurance Council of New Zealand	Board member
Ernie Gangloff	
Gangloff Consulting Limited	Managing Director
Gangloff Projects Limited	Director
Pacific Training Consortium Limited	Director
BSP Financial Group Limited	Director
New Britain Palm Oil Limited	Director
Highlands Pacific Limited	Director
Business Incubation Solution Limited	Director
BSP Finance (Fiji) Pte Limited	Director
Institute of National Affairs Inc.	President
University Rugby Football Union Club	President
Capital Rugby Union Inc.	Treasurer
Veialawa Rereiwasaliwa	
Bank of Baroda – Fiji Operations	Member, Local Advisory Board
Angus Shelton	
Shelton Contracting Limited	Director

Specific disclosures of interest

Directors made disclosures in respect of the implementation of Tower Limited's capital return to shareholders whereby the company cancelled 1 share for every 10 shares held on the record date of 8 March 2022. Details of the shares cancelled are set out on page 131.

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

	NATURE OF INTEREST	MONETARY VALUE	
Michael Stiassny	Shareholder of 694,330 shares in Tower Limited	17,358	Based on a Dividend of NZ$0.025 per share declared on 24 November 2021
	Shareholder of 624,897 shares in Tower Limited	1562	Based on a Dividend of NZ$0.0025 per share declared on 24 May 2022
Graham Stuart	Shareholder of 225,000 shares in Tower Limited	5625	Based on a Dividend of NZ$0.025 per share declared on 24 November 2021
	Shareholder of 202,500 shares in Tower Limited	506	Based on a Dividend of NZ$0.0025 per share declared on 24 May 2022
Wendy Thorpe	Shareholder of 16,250 shares in Tower Limited	406	Based on a Dividend of NZ$0.025 per share declared on 24 November 2021
	Shareholder of 14,625 shares in Tower Limited	37	Based on a Dividend of NZ$0.0025 per share declared on 24 May 2022
Marcus Nagel	Shareholder of 62 shares in Tower Limited	2	Based on a Dividend of NZ$0.025 per share declared on 24 November 2021
	Shareholder of 56 shares in Tower Limited	0.14	Based on a Dividend of NZ$0.0025 per share declared on 24 May 2022
Warren Lee	Beneficial Shareholder of 120,500 shares in Tower	3013	Based on a Dividend of NZ$0.025 per share declared on 24 November 2021
	Beneficial Shareholder of 108,450 shares in Tower Limited	271	Based on a Dividend of NZ$0.0025 per share declared on 24 May 2022
Steve Smith	Shareholder of 110,000 shares in Tower Limited	2750	Based on a Dividend of NZ$0.025 per share declared on 26 May 2021

Tower subsidiary company directors

Directors of Tower's subsidiary companies during the year to 30 September 2022 were:

TOWER SUBSIDIARY COMPANY DIRECTORS

Tower Services Limited	Blair Turnbull, Paul Johnston and Angus Shelton
The National Insurance Company of New Zealand Limited	Blair Turnbull, Paul Johnston and Angus Shelton
National Insurance Company (Holdings) Pte Limited	Blair Turnbull, Isikeli Tikoduadua, Paul Johnston, Ronald Mudaliar
Southern Pacific Insurance Company (Fiji) Limited	Blair Turnbull, Isikeli Tikoduadua, Peter Muggleston and Barry Whiteside, Paul Johnston
Tower Insurance (Fiji) Limited	Blair Turnbull, Isikeli Tikoduadua, Paul Johnston, Peter Muggleston, and Barry Whiteside
Tower Insurance (Cook Islands) Limited	Blair Turnbull, Paul Johnston, and Peter Muggleston
Tower Insurance (PNG) Limited (ceased to be a subsidiary on 28 October 2022)	Blair Turnbull, Paul Johnston, Peter Muggleston, Ronald Mudaliar, and Ernie Gangloff
National Pacific Insurance Limited	Rodney Reid, Peter Muggleston, Heseti Vaai, Jeffrey Wright, Blair Turnbull, Paul Johnston and Ronald Mudaliar
National Pacific Insurance (Tonga) Limited	Jeffrey Wright, Peter Muggleston, Blair Turnbull, Paul Johnston and Ronald Mudaliar
Tower Insurance (Vanuatu) Limited	Blair Turnbull, Paul Johnston, Peter Muggleston and Stephen Grant Ives
National Pacific Insurance (American Samoa)	Rodney Reid, Jeffrey Wright, Blair Turnbull, Ronald Mudaliar, Paul Johnston, Veilawa Rereiwasaliwa

OTHER MATTERS

Donations

During the financial year ended 30 September 2022, donations made by Tower Limited and its subsidiaries totalled $4,703.94.

Credit rating

In April 2022, 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 2022.

Trading Halt

In March 2022, Tower Limited implemented a capital return by way of Court approved scheme of arrangement, under which NZ$30.6m was returned to shareholders with 1 ordinary share for every 10 ordinary shares held on the record date being cancelled. In order to facilitate the share cancellation, a trading halt on NZX and ASX was necessary during the Ex-Date and Record Date for the scheme (being 7 March 2022 and 8 March 2022 respectively). As such, NZX applied a trading halt as an operational matter to facilitate the corporate action, and ASX agreed to grant a trading halt at Tower's request.

Limits on acquisition of securities under New Zealand law

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

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

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

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

Corporations Act 2001 (Australia)

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

The Annual Report is signed on behalf of the Board by

Michael Stiassny Chair	Graham Stuart Director

GRI CONTENT INDEX

GRI Content Index

Statement of use: Tower has reported the information cited in this GRI content index for the period 1 October 2021 to 30 September 2022, 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 142 Tower Directory
2-2	Entities included in the organisation's sustainability reporting	Pg 142 Tower Directory
2-3	Reporting period, frequency and contact point	Tower reports sustainability information annually. This report covers the period 1 October 2021 – 30 September 2022. This report was published on 16 December, 2022. Questions about this report can be directed to Emily.Davies@tower.co.nz
2-4	Restatements of information	This is Tower's first report in accordance with the GRI Standard
2-5	External assurance	External assurance approach is covered in our Corporate Governance Statement which can be found in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/ We have not sought external assurance on our sustainability information.
2-6	Activities, value chain and other business relationships	https://www.tower.co.nz/about-us/
2-7	Employees	Tower has 780 employees across New Zealand and the Pacific, 59% of whom are women, and 41% are men. The numbers of permanent, temporary, full, and part-time employees broken down by gender and region is currently not available.
2-8	Workers who are not employees	As at 30 September 2022, Tower had 50 contingent workers who are predominantly independent contractors on either direct or agency contracts engaged in technology or project-based work. There were no significant fluctuations in this number during the reporting period.
2-9	Governance structure and composition	Our Governance structure and composition, along with a list of committees of the highest governance body can be found here: https://www.tower.co.nz/investor-centre/corporate-governance/the-board/
2-10	Nomination and selection of the highest governance body	https://www.tower.co.nz/wp-content/uploads/2020/12/TOWER-Constitution.pdf
2-11	Chair of the highest governance body	Pg 64
2-12	Role of the highest governance body in overseeing the management of impacts	Pg 62
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 62
2-15	Conflicts of interest	See Code of Ethics Policy in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/
2-16	Communication of critical concerns	See Corporate Governance Statement in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/ Communication of critical concerns regarding ESG topics is to be developed in FY23.
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 to be undertaken in FY23.

DISCLOSURE		LOCATION/INFORMATION
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 Executive Remuneration Policy and Remuneration and Appointments Committee Terms of Reference in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/
2-21	Annual total compensation ratio	Not disclosed: information on annual compensation ratio is not reported externally.
2-22	Statement on sustainable development strategy	Pg 62
2-23	Policy commitments	Relevant policies currently in place can be found here: https://www.tower.co.nz/investor-centre/corporate-governance/policies/
2-24	Embedding policy commitments	See Corporate Governance Statement in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/
2-25	Processes to remediate negative impacts	https://www.tower.co.nz/contact-us/complaints-and-compliments/ Remediation process for our material impacts is covered under the relevant topics.
2-26	Mechanisms for seeking advice and raising concerns	See Code of Ethics Policy in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/ Staff are encouraged to raise concerns with their manager, or a senior leader. Tower's whistle blower service provides a confidential avenue to report any serious concerns.
2-27	Compliance with laws and regulations	In FY22 Tower recorded no significant instances of non-compliance with laws and regulations. Accordingly there are no fines to report.
2-28	Membership associations	Tower is a member of Insurance Council of New Zealand and is especially active in ICNZ's Climate Change committee. Other memberships are detailed throughout tower.co.nz
2-29	Approach to stakeholder engagement	Tower takes a collaborative approach to stakeholder engagement. In 2022 Tower developed a new company purpose and values with stakeholders at the heart (pg 54) Similarly, our Southern Star drives outcomes for customers and our people, this is: "To deliver beautifully simple experiences for our people and customers." 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
GRI 3: MATERIAL TOPICS 2021		
3-1	Process to determine material topics	Pg 62
3-2	List of material topics	Pg 63
3-3	Management of material topics	Affordable and accessible insurance Pg 24 Transparent and fair insurance Pg 16 Managing the impacts of climate change Pg 30-35 Carbon emissions Pg 36-37 Product development and innovation Pg 20 Diversity and inclusion Pg 54-57 Employee wellbeing Pg 56 Corporate governance Pg 62 and 122-135 Data protection – not currently available Corporate community citizenship – not currently available Environmental footprint – not currently available Responsible investment – not currently available

DISCLOSURE		LOCATION/INFORMATION
GRI 305: EMISSIONS 2016		
305-1	Direct (Scope 1) GHG emissions	Pg 37 Scope 1 emissions include distributed natural gas in New Zealand and vehicle fleet fuel in New Zealand and the Pacific.
305-2	Energy indirect (Scope 2) GHG emissions	Pg 37 Scope 2 emissions include electricity consumption from all business premises.
305-3	Other indirect (Scope 3) GHG emissions	Pg 37 Scope 3 emissions include transmission & distribution losses for electricity & gas, air travel, hotel stays, rental cars, taxi travel, working from home, paper purchased (NZ only), waste to landfill (NZ only) and water (NZ and some Pacific locations).
305-5	Reduction of GHG emissions	Pg 37
2016 GRI 401: EMPLOYMENT 2016		
401-1	New employee hires and employee turnover	In FY22 Tower hired 307 staff to address growth and attrition. These comprised permanent, fixed term and casual new hires. New hires by Gender: Female: 145, Male: 106, Gender Diverse: 3, Non Binary: 2, Not disclosed: 51. New hires by region: New Zealand: 271, Pacific: 36 Number and rate of new employees by age is currently unavailable. Over the period employee numbers increased by 82 full-time equivalent staff from 708 in FY21 to 790 in FY22, due to increased business growth and regulatory compliance requirements. Employee attrition was 29.9% in FY22, reflecting the year's challenging employment market in New Zealand.
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Benefits are offered to both full-time and part-time permanent employees. Tower benefits include Group Insurances, parental leave, ability to buy additional leave, birthday leave, Tower insurance discounts, health insurance discounts, partner discounts, eyesight testing, and study assistance.
401-3	Parental leave	Tower offers Primary Paid Carer Leave & paid Parental Leave for staff who have worked with us for 6 months or more. For the first 12 weeks, Tower will top up the IRD payment to the equivalent of the employee's usual weekly take-home pay. Tower also offers paid keeping in touch days, flexible working for six weeks upon return from parental leave, and we will pay a one-off lump sum payment to IRD of 3% of base salary as a contribution (pro-rated for time on unpaid leave). 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. For staff whose spouses or partners are the primary caregivers we offer two weeks' paid partner leave. In FY22: 27 employees took parental leave (all female) versus 31 in FY21 (30 female, 1 gender not disclosed); 12 employees returned to work from parental leave during FY22 (all female); of these 9 are still employed 12 months after return to work (all female).
GRI 403: OCCUPATIONAL HEALTH AND SAFETY 2018		
403-1	Occupational health and safety management system	See Health and Safety Policy in this link: https://www.tower.co.nz/investor-centre/corporate-governance/policies/
403-2	Hazard identification, risk assessment, and incident investigation	Tower's H&S Management System has an incident register where incidents are reported. When reporting, it is mandatory that all incidents are rated using the Hierarchy of Control and each incident must have a corrective action added and be reviewed on an annual basis. Once entered into the register, incidents are then reviewed by the Health and Safety Advisor who will investigate any incidents with an inherent high rating. Workers are encouraged to report hazards and hazardous situations through the H&S system. Tower's H&S Policy is in line with New Zealand's Health and Safety at Work Act 2015. All workers have access to the Health and Safety Policy on Tower's intranet.

DISCLOSURE		LOCATION/INFORMATION
403-3	Occupational health services	Tower workers have access to Employee Assistance Programme counselling sessions provided offsite by external trained counsellors. These sessions are arranged by workers independently and any information discussed is strictly confidential between EAP and Tower employees. If employees choose to get health checks, these are done directly with General Practitioners and results are kept confidential between the worker and General Practitioner.
403-4	Worker participation, consultation, and communication on occupational health and safety	As per the Health and Safety at Work Act 2015, Tower has the default ratio of 1 Health and Safety Representative per every 19 workers. These representatives engage and consult with workers regularly and report any concerns to the Health and Safety Advisor or/and at the Health and Safety meeting. Tower's H&S Management system is reviewed by the Health and Safety Advisor annually to ensure risks are kept up to date. Tower has several Health and Safety committees that meet monthly and are chaired by Health and Safety committee members on a rotation basis. The Health and Safety Representatives are chosen to represent different divisions of the business and are voted into the committee by the Health and Safety Advisor and existing members. 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 all team meetings and promotion of a wide range of health, safety and wellbeing education and activities.
403-5	Worker training on occupational health and safety	Tower offers training to workers who volunteer to be First Aiders, Fire Wardens, Mental Health First Aiders, and Domestic Violence First Responders. In addition to this Defensive Driver training every two years is mandatory for all workers where their primary employment involves driving. Asbestos awareness training is mandatory for Building Assessors. Training is provided free of charge and workers are given paid leave to undertake all of the above training.
403-6	Promotion of worker health	Tower supports its employees that have non-work-related accidents through workstation assessments to ensure they have the necessary equipment to undertake their job. Where a return-to-work plan is required, Tower will work alongside ACC to facilitate a satisfactory solution for the employee. Health checks in the Pacific are done through a local General Practitioner, and the results are confidential and not shared with Tower. Tower offers employees access to several health promotion services including Employee Assistance Programme (online and in person); discounted Flu vaccinations and MoleMap skin checks (onsite or through vouchers) and access to trained Mental Health First Aiders (online and in-person). Tower promotes prevention off 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 122-135
405-2	Ratio of basic salary and remuneration of women to men	Pg 57
GRI 418: CUSTOMER PRIVACY 2016		
418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data.	Tower has not disclosed the number of complaints related to customer data privacy as this is subject to confidentiality constraints.

TOWER DIRECTORY

Enquiries

For customer enquiries, call Tower on 0800 808 808 or visit www.tower.co.nz

For investor enquiries:
Telephone: +64 9 369 2000

Email: investor.relations@tower.co.nz

Website: www.tower.co.nz

Board of Directors

Michael Stiassny (Chair)
Warren Lee (until 30 November 2022)
Steve Smith (until 2 February 2022)
Graham Stuart
Wendy Thorpe
Marcus Nagel
Geraldine McBride (from 1 October 2022)

Chief Executive Officer

Blair Turnbull

Company Secretary

Hannah Snelling (until March 2022)
Tania Pearson (from March 2022)

Executive Leadership Team

Blair Turnbull
Paul Johnston
Jonathan Beale
James Brownell (acting)
Michelle Finch
Andrew Hambleton
Michelle James (until March 2023)
Anna Kooperberg
Greg Moore
Ronald Mudaliar
Peter Muggleston (until March 2022)
Tania Pearson
Paula ter Brake (until August 2022)
Steven Wilson

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Auditor

PricewaterhouseCoopers

Lawyers

MinterEllisonRuddWatts

Banker

Westpac New Zealand Limited

Company numbers for FY22
Tower Limited
(Incorporated in New Zealand)
NZ Incorporation 143050
NZBN 9429040323299
ARBN 645 941 028

Stock exchanges

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

Registrar

New Zealand

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

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

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

Tower recommends shareholders elect to have any payments direct credited to their nominated bank account in New Zealand or Australia to minimise the risk of fraud and misplacement of cheques.

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

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

TOWER.CO.NZ