



10 December 2013

Market Information  
NZX Limited  
Level 2, NZX Centre  
11 Cable Street  
Wellington  
New Zealand

Company Announcements Office  
Australian Stock Exchange Limited  
Exchange Centre  
Level 6, 20 Bridge Street  
Sydney NSW 2000  
AUSTRALIA

### **TOWER Limited buy back Offer opens**

TOWER Limited (**TOWER**) has today written to shareholders, offering to buy back 1 in every 5 TOWER shares at NZ\$1.81 per share (**Offer**).

On 17 September 2013, TOWER announced its plan to return \$70 million of capital to shareholders. The capital, raised through the sale of the majority of TOWER's Life business, is surplus to TOWER's capital and business requirements.

The return of capital will occur by way of an off-market, pro rata voluntary share buy back. Shareholders will receive NZ\$1.81 for each share sold.

As previously announced, the record date for the offer was Friday 6 December 2013. The Offer closes on Thursday 23 January 2014 (at 7.00pm New Zealand time), with a proposed repayment date of Friday 31 January 2014. If shareholders wish to accept the Offer, TOWER suggests they act now to ensure their acceptance form is received before the closing date.

The Offer is subject to a number of conditions including TOWER receiving valid acceptances to the Offer representing, in aggregate, at least 19,460,166 shares (being at least 10% of TOWER's market capitalisation on 26 November 2013, the date detailed buy back information was announced).

Further details about the Offer and how to accept it are included in the cover letter, Offer document and acceptance form *attached* to this announcement.

Michael Boggs  
Chief Financial Officer  
TOWER Limited  
ARBN 088 481 234 Incorporated in New Zealand

10 December 2013



Dear Shareholder

## Buy back of TOWER Limited shares

On 17 September 2013, TOWER announced that it intended to return approximately NZ\$70 million of capital to shareholders realised from the sale of the majority of its life insurance business. The enclosed Offer Document contains a detailed explanation of the return of capital proposed and I recommend that shareholders read it carefully.

Key aspects of the buy back of TOWER shares are as follows:

### Why the return of capital?

Earlier this year, following completion of a strategic review, TOWER announced that it was considering proposals for delivering value to shareholders. As a part of that review, and having sold TOWER Medical Insurance Limited, TOWER returned approximately NZ\$120 million to shareholders in April 2013.

TOWER subsequently sold its investments business, followed by the sale of the majority of its life insurance business. Having reviewed its capital management plan (following the issue of full insurance licences), TOWER's Board considers it appropriate that further capital realised from the execution of TOWER's strategic review, which is surplus to capital and business requirements, is returned to shareholders. As part of its capital management plan, TOWER intends to return up to NZ\$70 million of capital under this Offer. The maximum aggregate number of shares that TOWER is offering to acquire under the Offer is 38,674,033 shares. In the event that acceptances are received for more than 38,674,033 shares, excess acceptances will be scaled back proportionately.

### Why is the return of capital being carried out through the buy back?

After careful consideration, TOWER's Board decided a return of capital via an off market, pro rata buy back was the method that best met TOWER's objectives (including being fair to all shareholders as it offers the opportunity for shareholders to accept on a pro rata basis).

### How will shareholders be affected by the buy back?

The return of capital involves an offer to buy back 1 in every 5 ordinary TOWER shares registered in the name of each TOWER ordinary shareholder on the Record Date (being 6 December 2013). For those shareholders that accept the Offer, those shares will be bought back and cancelled following the close of the Offer period. TOWER shall pay to each ordinary shareholder NZ\$1.81 for each acquired share registered in the name of that shareholder, being the volume weighted average price for the five trading days prior to 17 September 2013. Shareholders on the Australian register will be paid in Australian dollars at the conversion rate applicable on the Record Date.

Participation in the Offer is voluntary. If a shareholder does not take part in the Offer (but other shareholders do participate and their shares are subsequently cancelled), their shareholding will be unaffected except that the relative percentage of TOWER shares that that shareholder holds will increase once the Offer closes and shares are cancelled.

Given the price is being set in advance of the date on which the buy back would occur, there may be a difference between the pre-set price for the buy back and the market value of TOWER shares on the date of the buy back (the market price of TOWER shares may increase or decrease between the date of the Offer Document and the date the Offer closes). While it is unlikely to be a material difference, if the price movement is significant, TOWER reserves the right not to complete the buy back at the pre-set price.

If you accept the Offer and the market price of TOWER shares increases above the Offer price, you will receive less than if you had sold your shares on-market at the same date. Alternately, if you do not accept the Offer and the market price of TOWER shares is below the Offer price you will not benefit from the higher price under the Offer.

If you hold TOWER shares on the Record Date and decide to sell those shares into the Offer, you will still be entitled to receive the final dividend payment in respect of those shares. The record date for the final dividend of NZ\$0.06 per share is 22 January 2014 (one day before the Closing Date of the Offer).

## What do shareholders need to do?

To accept the Offer, shareholders simply need to complete and sign the enclosed Acceptance Form in accordance with the instructions set out on that form.

The Offer closes on Thursday, 23 January 2014. If you wish to accept the Offer, we suggest that you act now to ensure your Acceptance Form is received before the Closing Date. No brokerage will be charged by TOWER if you accept the Offer, so if you have a small shareholding, the Offer presents a good opportunity to sell some of your shares without incurring brokerage costs.

The Offer is subject to a number of conditions. Of note, the Offer is conditional on TOWER receiving valid acceptances to the Offer representing, in aggregate, at least 19,460,166 shares (worth approximately \$35,222,900) being at least 10% of TOWER's market capitalisation on 26 November 2013, which was the date detailed buy back details were announced to shareholders.

If you are a holder of TOWER Capital Limited bonds and have received this document in that capacity (ie, you are not also a TOWER shareholder), the Offer Document is for your information only.

The relevance of the return of capital to bondholders is set out at paragraphs 41 to 45 of the Offer Document.



Michael Stiassny  
Chairman

## TOWER Limited *Offer Document*

*Offer by TOWER Limited to buy back ordinary shares on a pro rata basis at NZ\$1.81 per share.*

### Important document

If you are a shareholder of TOWER Limited (TOWER) this Offer Document is important and requires your immediate attention. It relates to an off market, pro rata offer to eligible shareholders for TOWER to buy back shares in TOWER Limited.

You should read this Offer Document in its entirety. If you do not understand any part of this Offer Document or are in doubt as to how to deal with the Offer, please consult your stockbroker, solicitor, accountant or other professional adviser.

This Offer Document is dated 10 December 2013.



## SUMMARY OF THE BUY BACK OFFER

TOWER is offering to acquire from each shareholder a proportion of their ordinary shares on a pro rata basis. The Offer closes at 7.00 pm New Zealand time on 23 January 2014. Valid acceptances must be received by 7.00 pm New Zealand time on that date. The key terms of this Offer are summarised below:

<b>Pro Rata Entitlement</b>	TOWER is offering to buy back 1 in every 5 TOWER shares held by you at 7.00pm New Zealand time on the Record Date (6 December 2013).
<b>Offer Price</b>	NZ\$1.81 per share. Shareholders registered on the Australian register will be paid in Australian dollars at the conversion rate applicable on the Record Date.
<b>Closing Date</b>	7:00pm New Zealand time on 23 January 2014.
<b>Payment Date</b>	31 January 2014.
<b>Brokerage Costs</b>	You will not pay brokerage costs if you accept the Offer.

This buy back Offer is subject to a number of conditions being satisfied (including TOWER receiving valid acceptances of at least 19,460,166 shares).

## Enquiries

Enquiries about this Offer should be directed to your stockbroker, solicitor, accountant or other professional adviser. If you have any queries about the Offer process, please contact TOWER's share registrar:

Computershare Investor Services Limited  
Private Bag 92119  
Auckland 1142  
New Zealand

**Or**

Level 2, 159 Hurstmere Road  
Takapuna  
Auckland 0622  
New Zealand

**Or**

Computershare Investor Services Pty Limited  
GPO Box 3329  
Melbourne VIC 3001  
Australia

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

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

**Website: [www.investorcentre.com/nz](http://www.investorcentre.com/nz)**

## HOW TO ACCEPT THE BUY BACK OFFER

<b>Closing Date</b>	The Offer closes at 7:00pm New Zealand time on 23 January 2014. If you wish to accept the Offer, you must ensure that your Acceptance Form is sent to TOWER's share registrar, Computershare Investor Services, so as to be received before this time.
<b>How to accept</b>	Complete and sign the enclosed Acceptance Form in accordance with the instructions set out on that form. Hand deliver or post the form to Computershare Investor Services at the addresses set out above under the heading 'Enquiries'.
<b>If you have lost your Acceptance Form</b>	Please contact Computershare Investor Services on the phone number set out above under the heading 'Enquiries' and they will provide you with a new form.

## TIMETABLE

<b>6 December 2013</b>	Record Date for buy back
<b>10 December 2013</b>	Offer Document mailed to shareholders
<b>23 January 2014</b>	Closing Date
<b>31 January 2014</b>	Payment Date

These dates are subject to change and are indicative only. TOWER may amend this timetable. TOWER may also withdraw the Offer at any time before the Payment Date in its absolute discretion.

This is a summary only of the Offer. Detailed terms and conditions are set out on the following pages of the document. You should read these carefully.



## TERMS AND CONDITIONS OF OFFER TO ACQUIRE SHARES

### The Offer

- 1 TOWER offers to buy back 1 in every 5 TOWER shares held by you at 7.00pm New Zealand time on the Record Date (6 December 2013).
- 2 The Offer is made on the terms, and subject to the conditions, set out in this Offer Document and the accompanying Acceptance Form. Acceptance of the Offer by you constitutes a contract between you and TOWER on those terms and conditions.
- 3 The maximum aggregate number of shares that TOWER is offering to acquire under the Offer is 38,674,033 shares. In the event that acceptances are received for more than 38,674,033 shares, excess acceptances will be scaled back proportionately.

### Price

- 4 The price payable by TOWER is NZ\$1.81 per share in cash, being the volume weighted average price for the five trading days prior to 17 September 2013, which was the date on which the return of capital was announced by TOWER. Shareholders registered on the Australian register will be paid in Australian dollars at the conversion rate applicable on the Record Date.
- 5 TOWER will pay this price for each share acquired from you under the Offer. Given the price is being set in advance of the date on which the buy back would occur, there may be a difference between the pre-set price for the buy back and the market value of TOWER shares on the date of the buy back (the market price of TOWER shares may increase or decrease between the date of this Offer Document and the date the Offer closes). While it is unlikely to be a material difference, if the price movement is significant, TOWER reserves the right not to complete the buy back at the pre-set price.

### Details of entitlements

- 6 The Offer is made by TOWER to shareholders who were the registered holders of shares at 7.00 pm New Zealand time on the Record Date, in respect of their shareholding at that time. Each shareholder's registered holding at that time, and their entitlement to participate in the Offer, is set out on the enclosed Acceptance Form. If you hold TOWER shares on the Record Date and decide to sell those shares into the Offer, you will still be entitled to receive the final dividend payment in respect of those shares. The record date for the final dividend of NZ\$0.06 per share is 22 January 2014 (one day before the Closing Date of the Offer).

### Post Record Date share transactions

- 7 If you were not a registered shareholder at 7.00 pm New Zealand time on the Record Date (for example, if you acquired shares after that time), you are not entitled to participate in the Offer.
- 8 If you were a registered shareholder at 7.00 pm New Zealand time on the Record Date and became the registered holder of further shares after that time you will not be entitled to participate in the Offer in respect of those further shares.

### Directors and Related Parties may participate

- 9 Directors of TOWER and other Related Parties of TOWER are entitled to participate in the Offer on the same basis as all shareholders, provided that they held shares at 7.00 pm New Zealand time on the Record Date.
- 10 Fractional entitlements have been rounded up or down to the nearest whole number share, with half a share being rounded up (at TOWER's discretion).

### Participation is voluntary

- 11 Participation in the Offer is voluntary.
- 12 You are entitled to accept the Offer in full, in part, or not at all. If you do not wish to participate in the Offer, you do not need to take any further action.
- 13 You do not need to engage a stockbroker to participate in the Offer. You simply need to complete and return the Acceptance Form (in accordance with this Offer Document and the instructions on the form itself). No brokerage will be charged by TOWER if you accept the Offer.
- 14 It is recommended that, if you wish to accept the Offer, you complete and return the Acceptance Form as soon as possible to ensure it is received before the Closing Date.

### How do I accept the Offer?

- 15 If you wish to accept the Offer:
  - 15.1. complete and sign the enclosed Acceptance Form in accordance with this Offer Document and the instructions on the form itself; and
  - 15.2. return the completed and signed Acceptance Form by post (in the enclosed reply-paid envelope) so as to be received on behalf of TOWER no later than 7.00 pm New Zealand time on the Closing Date, at:

Computershare Investor Services Limited  
Private Bag 92119  
Auckland 1142  
New Zealand

Or

Level 2, 159 Hurstmere Road  
Takapuna  
Auckland 0622  
New Zealand

Or

Computershare Investor Services Pty Limited  
GPO Box 3329  
Melbourne VIC 3001  
Australia

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

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

Website: [www.investorcentre.com/nz](http://www.investorcentre.com/nz)

- 16 No acknowledgement of receipt of acceptances of the Offer will be issued. Acceptances received after 7.00 pm New Zealand time on the Closing Date, but which bear a postmark or other evidence of postage or despatch on or prior to 7.00 pm New Zealand time on the Closing Date, may be accepted by TOWER at its discretion.
- 17 TOWER may, in its discretion, treat any Acceptance Form as valid notwithstanding that it does not otherwise comply with the instructions set out above under the heading "How do I accept the Offer?" or any instructions on the Acceptance Form. In addition, TOWER may, in its discretion, rectify any errors in, or omissions from, any Acceptance Form to enable that form to constitute a valid acceptance of the Offer and to facilitate the acquisition of the relevant shares.

### Status of acceptances

- 18 Acceptances are irrevocable and cannot be withdrawn (unless the conditions to the Offer are not satisfied or waived).

### Your obligations to TOWER

- 19 If you accept the Offer you must ensure, and you are deemed to warrant to TOWER:
  - 19.1. that you are, and will remain until the Payment Date, the legal and beneficial owner of the shares for which you have accepted the Offer or that you are, and will remain until the Payment Date, the legal owner and have the necessary power, capacity and authority to accept the Offer;
  - 19.2 that, on the Payment Date, legal and beneficial title to the relevant shares will transfer to TOWER free from all liens, charges, mortgages, encumbrances and other adverse interests (provided that you acknowledge that such shares will be cancelled on acquisition);
  - 19.3 that the Acceptance Form has been duly and validly completed and signed; and
  - 19.4 that your participation in the Offer is based solely on reliance on your own judgement and not on any representation, warranty or statement made by TOWER or its directors (except as expressly set out in this Offer Document or any NZX/ASX announcement in connection with the Offer).



- 20 By accepting the Offer you are deemed to have:
- 20.1 irrevocably authorised TOWER to refuse, prior to the Payment Date, to register any transfer of any or all of the shares in respect of which you have accepted the Offer (except for acquisitions by TOWER pursuant to this Offer); and
- 20.2 irrevocably agreed, to the maximum extent permitted by law, that none of TOWER, its directors, officers, employees, advisers or other members of the TOWER Group will have any liability to you of any nature whatsoever in connection with the Offer (except for the payment of the Offer price by TOWER to you in accordance with this Offer Document) including, without limitation, in relation to the taxation consequences for you of electing to participate in the Offer.
- 21 All documents and payments sent to and by you (or your nominee) in connection with the Offer are solely at your risk.

#### Conditions

- 22 TOWER reserves the right to withdraw the Offer at any time before the Payment Date in its absolute discretion.
- 23 The Offer is conditional on, and subject to, the following:
- 23.1 TOWER receiving valid acceptances to the Offer representing, in aggregate, at least 19,460,166 shares (worth approximately NZ\$35,222,900) being at least 10% of TOWER's market capitalisation on 26 November 2013, which was the date detailed buy back details were announced to shareholders;
- 23.2 no matter or circumstance arising on or prior to the Payment Date which would result in TOWER's Board ceasing to be satisfied that:
- 23.2.1 The acquisition of shares is in the best interests of TOWER;
- 23.2.2 The terms of the Offer and the consideration offered for the shares are fair and reasonable to TOWER; or
- 23.2.3 It is not aware of any information not disclosed to shareholders:
- (a) which is material to assessing the value of the shares; and
- (b) as a result of which the terms and consideration offered for the shares are unfair to shareholders accepting the offer.
- 23.3 TOWER will, immediately after payment for the shares acquired under the Offer on the Payment Date, satisfy the solvency test (as set out in the Companies Act);
- 23.4 TOWER's Board remaining satisfied, on the Payment Date, that the acquisition of shares on the basis contemplated by this Offer Document will not result in any breach of law, the NZSX or ASX Listing Rules, TOWER's constitution or otherwise be likely to give rise to material and adverse consequences for TOWER.
- 23.5 Given the price is being set in advance of the date on which the buy back would occur, there may be a difference between the pre-set price for the buy back and the market value on the date of the buy back. While it is unlikely to be a material difference, if the price movement is significant, TOWER reserves the right not to complete the buy back at the pre-set price.
- 23.6 Any other event that could materially and adversely affect TOWER, such as a regulatory, investment or insurance event that would result in TOWER's Board ceasing to be satisfied that the buy back was in the best interests of TOWER.
- 24 These conditions are solely for the benefit of TOWER and may, to the extent capable of waiver, be waived by TOWER in its sole discretion.
- 25 If the conditions are not satisfied or waived prior to 11.00 am on the Payment Date, the Offer will lapse and TOWER will not, and will not be required to, acquire any shares from any shareholder pursuant to the Offer.

#### Settlement and payment

- 26 If this Offer becomes unconditional in all respects and you have completed the Acceptance Form in accordance with this Offer Document and the instructions on that form (or TOWER has rectified that form as permitted by this Offer Document), on the Payment Date, TOWER will:
- 26.1 acquire from you the number of shares that TOWER is obliged to acquire under the Offer and notify you of this number;
- 26.2 either send a cheque (by normal post) or make an electronic transfer for the amount payable to you in respect of the Offer (if you do not select a method of payment, or if the details that you provide are not sufficient to effect an electronic transfer, you will be paid by cheque); and
- 26.3 advise NZX and ASX of the details of the aggregate number of shares acquired and cancelled under the Offer (and any other particulars required

by the Listing Rules).

- 27 Shareholders registered on the Australian register will be paid in Australian dollars at the conversion rate applicable on the Record Date.

#### IMPORTANT INFORMATION

##### Background

- 28 Having reviewed its capital management plan following the issue of full insurance licences for TOWER's general insurance and retained life insurance businesses, TOWER's Board considers it appropriate that NZ\$70 million worth of capital is offered for return to shareholders.

##### Cancellation

- 29 Shares acquired by TOWER will be cancelled on acquisition, in accordance with section 66 of the Companies Act and clause 5.3(b) of TOWER's constitution.

##### Taxation Treatment

- 30 Shareholders should obtain independent advice about the effect of acceptance of the Offer on their individual tax positions. The following is a summary of taxation issues that may be applicable to shareholders. It may not be an exhaustive list.

##### New Zealand

- 31 A pro rata buy back is not a dividend where the following conditions are met:
- 31.1 The total amount paid on the cancellation of shares is at least 10% of the market value of TOWER as at the date the first notice of the buy back is made;
- 31.2 The amount paid does not exceed TOWER's available subscribed capital; and
- 31.3 The Commissioner of Inland Revenue confirms that she is satisfied that the buy back is not in lieu of a dividend.
- The condition described in paragraph 23.1 that acceptances for at least 19,460,166 shares are required before the buy back proceeds ensures that the first criteria is met. TOWER has sufficient available subscribed capital and the Commissioner has confirmed in writing that the buy back is not in lieu of a dividend. Accordingly the amounts paid on the buy back should not be a dividend for New Zealand tax purposes.
- 32 No withholding tax will be deducted from the payment and New Zealand resident shareholders who hold shares on capital account will not be subject to New Zealand tax on the amount received under the buy back. New Zealand resident shareholders who hold their shares on revenue account will be taxed on the amount received, with a deduction for the cost of the shares bought back and cancelled.

##### Australia

- 33 A class ruling is being sought from the Australian Tax Office by TOWER's Australian tax advisers. This ruling will tell TOWER's Australian resident shareholders:
- 33.1 what amount each such shareholder should treat as having been received for each share acquired by TOWER for Australian tax purposes; and
- 33.2 whether any portion of the amount so calculated should be treated for Australian tax purposes as a dividend, and if so, how much.
- 34 TOWER will announce the details of the notification and/or ruling when they are received.

##### Financial Consequences of the Offer

- 35 If all shareholders accept the Offer, TOWER will, on the Payment Date, acquire and cancel 38,674,033 ordinary shares, at a total cash cost of approximately NZ\$70 million. Immediately following such acquisition, TOWER will have 168,519,405 ordinary shares on issue.
- 36 The share buy back under the Offer will be funded out of the proceeds of the sale of a majority of TOWER's life insurance business and will be reflected in TOWER's financial statements as a reduction of ordinary share capital (contributed equity).



37 If the maximum number of shares are acquired by TOWER under the Offer, the following pro-forma balance sheets show the financial position of TOWER and of the TOWER Group both before (as at 30 September 2013) and after the proposed Offer. Note, there is no guarantee that TOWER will acquire the maximum number of shares. Please also note that the column titled 'Adjusted to show effect of return of capital' is before payment of the final 2013 dividend (being NZ\$0.06 cents per share to be paid on 3 February 2014), but after payment of the return of capital of approximately NZ\$70 million (on the assumption that the full NZ\$70 million referred to in the Offer is returned to shareholders).

<b>TOWER Limited - As at 30 September 2013</b>	<b>Actual (\$000)</b>	<b>Adjusted to show effect of return of capital (\$000)</b>
<b>TOTAL ASSET</b>	<b>258,950</b>	<b>258,950</b>
<b>Including:</b>		
<b>Cash &amp; Cash Equivalents</b>	<b>1,507</b>	<b>1,507</b>
<b>Other current assets</b>	<b>22,189</b>	<b>22,189</b>
<b>Non-current Assets</b>	<b>235,254</b>	<b>235,254</b>
<b>Financed by:</b>		
<b>TOTAL LIABILITIES</b>	<b>104,077</b>	<b>174,077</b>
<b>Including:</b>		
<b>Current Liabilities</b>	<b>1,731</b>	<b>1,731</b>
<b>Non-current Liabilities</b>	<b>102,346</b>	<b>172,346</b>
<b>NET ASSETS</b>	<b>154,873</b>	<b>84,873</b>
<b>TOWER Group - As at 30 September 2013</b>	<b>Actual (\$000)</b>	<b>Adjusted to show effect of return of capital (\$000)</b>
<b>TOTAL ASSET</b>	<b>1,696,570</b>	<b>1,626,570</b>
<b>Including:</b>		
<b>Cash &amp; Cash Equivalents</b>	<b>350,023</b>	<b>280,023</b>
<b>Other current assets</b>	<b>1,276,617</b>	<b>1,276,617</b>
<b>Non-current assets</b>	<b>69,930</b>	<b>69,930</b>
<b>Financed by:</b>		
<b>TOTAL LIABILITIES</b>	<b>1,315,493</b>	<b>1,315,493</b>
<b>Including:</b>		
<b>Current Liabilities</b>	<b>1,309,945</b>	<b>1,309,945</b>
<b>Non-current Liabilities</b>	<b>5,548</b>	<b>5,548</b>
<b>NET ASSETS</b>	<b>381,077</b>	<b>311,077</b>
NB: Figures in the table above include operations classified as discontinued/held for sale in the 30 Sept 2013 financial statements. Figures assume the full NZ\$70m is returned. Given the voluntary nature of the buy back, this may not be the case.		

38 Under the Insurance (Prudential Supervision) Act 2010 (IPSA), insurers are required to have an approved financial strength rating. The TOWER Group currently holds the following ratings from A.M. Best Company:

<b>TOWER Limited</b>	Issuer credit rating bbb- effective 25 July 2013
<b>TOWER Insurance Limited</b>	Financial strength rating A- (Excellent) effective 25 July 2013
<b>TOWER Life (N.Z.) Limited</b>	Financial strength rating A- (Excellent) effective 25 July 2013

39 Each of TOWER Group's insurers is separately licensed and regulated under IPSA independently of TOWER. TOWER considers that the solvency requirements under IPSA of all TOWER Group insurers will not be adversely affected by the Offer. To provide assurance, the appointed actuary to both of TOWER Group's insurers was asked to consider the solvency and capital position (including the prospective position) of each of the TOWER Group's insurers if the buy back proceeds.

40 That report confirms that the insurers will remain solvent if the proposed Offer is implemented. In preparing the report, certain assumptions have been

made, including:

40.1 Assessments or projections of each insurer's current and future solvency positions.

40.2 The nature of each insurer's insurance business.

40.3 The nature of insurer product and financial business risks and profitability.

40.4 Insurer assets and liabilities including the calculation of solvency liabilities and projected solvency positions.

### TOWER Capital Bondholders

- 41 TOWER is a guarantor in respect of the obligations of TOWER Capital Limited which issued NZ\$81.8 million of Fixed Rate Senior Bonds in 2009.
- 42 The Bonds are issued under a trust deed, and The New Zealand Guardian Trust Company Limited is the independent Trustee. The maturity date of the Bonds is 15 April 2014, unless TOWER Capital Limited elects to repay them earlier. An election to repay the Bonds early has not been made by TOWER.
- 43 Under the trust deed, TOWER has covenanted that, while any Bonds remain outstanding, the following apply:
- 43.1 net assets of the TOWER Group shall not be less than NZ\$200 million;
- 43.2 net debt of the TOWER Group shall not exceed 40% of net assets of the TOWER Group; and
- 43.3 secured debt of the TOWER Group shall not exceed 10% of net assets of the TOWER Group.
- 44 The repayment of capital proposed under the buy back will not cause any of these financial covenants to be breached and will not cause any event of default under the trust deed.
- 45 TOWER has kept, and will continue to keep, the Trustee for bondholders informed as the proposed buy back is progressed and implemented. This Offer Document has also been sent to bondholders to keep those parties informed about the Offer.

### Companies Act / NZSX Listing Rules

- 46 Clause 5.3(a) of TOWER's constitution permits it to purchase or acquire its own shares and permits TOWER to hold shares issued by TOWER.
- 47 The Offer to acquire shares is permitted by, and undertaken in accordance with, section 60(1)(a) of the Companies Act and NZSX Listing Rule 7.6.1(b).
- 48 Related Parties of TOWER are permitted to participate in the Offer pursuant to NZSX Listing Rule 9.2.4(b).
- 49 The directors of TOWER have unanimously passed the resolution and signed the certificate required by sections 60(3), 60(5) and 52(2) of the Companies Act.

### Takeovers Code

- 50 As shares acquired under the Offer will be cancelled on the Payment Date, a shareholder's percentage shareholding in TOWER may increase immediately after the cancellation if they do not take part in the Offer. The Takeovers Code prohibits any TOWER shareholder from increasing its percentage voting control (when aggregated with the voting control of the shareholder's associates) above 20%, except through a procedure permitted by the Takeovers Code (such as a takeover offer or shareholder approval).
- 51 However, clause 5 of the Takeovers Code (Class Exemptions) (No 2) Notice 2001 provides that a TOWER shareholder which, together with its associates, increases its voting control above 20% as a consequence of the buy back will not be in breach of the Takeovers Code, provided that the shareholder's voting control is reduced to its original level within six months. During that six month period the shareholder must not exercise its additional voting rights.
- 52 TOWER does not expect that any of its shareholders will increase their voting control above 20% as a consequence of the buy back.

### Glossary

<b>Acceptance Form</b>	means the Acceptance Form enclosed with this Offer Document to be used for the purposes of accepting the Offer.
<b>ASX</b>	means ASX Limited, ABN 98008624691, or the market that it operates, as the context requires.
<b>Closing Date</b>	means 23 January 2014.
<b>Companies Act</b>	means the Companies Act 1993.
<b>NZX</b>	means NZX Limited, the operator of the NZSX market on which TOWER shares are quoted.
<b>Offer</b>	means the offer, by TOWER, to acquire shares on the basis set out in this Offer Document and the accompanying Acceptance Form.
<b>Offer Document</b>	means this document dated 10 December 2013 containing information and the terms and conditions of the Offer.
<b>Payment Date</b>	means 31 January 2014.
<b>Record Date</b>	means 6 December 2013.
<b>Related Party</b>	has the meaning given to that term in NZSX Listing Rule 9.2.3.
<b>TOWER</b>	means TOWER Limited.
<b>TOWER Group</b>	means TOWER Limited and its subsidiaries.





# TOWER LIMITED Acceptance Form

Offer by TOWER Limited to purchase 1 out of every 5 ordinary shares registered in your name at 7.00pm NZ time (5.00pm AEDT) on 6 December 2013 at a price of NZ\$1.81 per share.

Your acceptance form must be received by the Registrar before 7.00pm NZ time (5.00pm AEDT) on 23 January 2014 (Closing Date).

CSN/SRN:

Number of Shares in TOWER held at 7.00pm NZ time (5.00pm AEDT) on 6 December 2013

## THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This acceptance form (Form) is to accept the offer by TOWER Limited (TOWER) to buy back ordinary shares in TOWER in accordance with the offer document dated 10 December 2013 (Offer Document). Instructions for the completion of this Form are printed overleaf. If you are in any doubt as to how to deal with this Form please consult your Sharebroker, Financial Adviser, Solicitor, Accountant or other professional adviser without delay.

### PLEASE COMPLETE THIS SECTION

Shareholder Full Name

Entitlement to sell TOWER shares:

Amount payable at NZ\$1.81 per share (if full acceptance)

Entitlement

**NZ\$**

Number of shares to be sold

Tick the box for full acceptance of Entitlement

OR

Indicate a lower number of shares

If you do not wish to sell your full entitlement, indicate the lower number of shares from your Entitlement that you do wish to sell (which must be less than the Entitlement pre-printed above). To calculate the amount payable, multiply the number of shares you specified in the box to be sold by the issue price of NZ\$1.81.

If you do not wish to sell any shares, do not return this Form. You will be deemed not to participate in the Offer. If you do complete and return this Form but do not indicate a number of shares to be sold, you will be deemed to have accepted the Offer in full.

### To the Directors of TOWER Limited:

In respect of TOWER's offer in the Offer document to buy back TOWER shares, I/We hereby apply to sell the number of shares entered above and agree to sell such shares.

Dated this

day of

20

Signed

(for signing instructions, please see overleaf)

Contact details: Please provide your contact details below.

Contact name

Daytime telephone number

Email Address

Please read the instructions overleaf. Return of this Form in accordance with the instructions overleaf to Computershare Investor Services Limited in New Zealand, or Computershare Investor Services Pty Limited in Australia, by 7.00pm NZ time (5.00 pm AEDT) on 23 January 2014 will constitute an irrevocable acceptance of the Offer. The acceptor agrees to sell those shares. Acceptances can only be accepted in the name printed on this Form.

**EXPLANATION OF ENTITLEMENT**

- The front of this Form sets out the number of shares which you are entitled to sell under the Offer. You may apply to sell your full entitlement of shares or a lesser number of shares than your full entitlement.
- To apply to sell shares you must complete the Form overleaf.
- Once made, an application constitutes an irrevocable offer by the applicant to sell the shares specified in the Form, on the terms and conditions set out in the Offer Document and the Form, and cannot be withdrawn by the applicant.

**REPRESENTATIONS AND ACKNOWLEDGEMENTS**

By returning this Form I/we:

- Represent and warrant that I/we have personally received the Offer Document and read it in full and agree to be bound by the terms and conditions of the Offer;
- Acknowledge that neither the information contained in the Offer Document nor this Form is a recommendation to hold or sell shares, or financial advice, and, to the maximum extent permitted by law, acknowledge that none of TOWER, its directors, officers, employees, advisers or any other member of the TOWER Group will have any liability to me/us of any nature whatsoever in connection with the Offer (except for the payment of the Offer price by TOWER to me/us in accordance with the Offer Document) including, without limitation, in relation to the taxation consequences for me/us of electing to participate in the Offer;
- Represent and warrant that all details and statements in this Form are complete and accurate and that this Form has been duly and validly completed and signed;
- Are, and will remain until the Payment Date, the legal and beneficial owner of the shares for which I/we have accepted the Offer OR that I/we are, and will remain until the Payment Date, the legal owner and have the necessary power, capacity and authority to accept the Offer. If you sell or have sold all your shares, please pass this Form together with the Offer Document to your Sharebroker or the purchasers of such shares.
- Acknowledge that participation in the Offer is based solely on reliance on my/our own judgement and not on any representation, warranty or statement made by TOWER or its directors (except as expressly set out in the Offer Document or any NZX/ASX announcement in connection with the Offer).
- Acknowledge that once the Form is returned, the application may not be varied or withdrawn except as required by law; and
- Authorise TOWER to refuse, prior to the Payment Date, to register any transfer of any or all of the shares in respect of which I/we have accepted the Offer (except for acquisitions by TOWER pursuant to the Offer);
- Authorise TOWER as my/our attorney and agent to do any thing on my/our behalf necessary to acquire the shares and pay me/us the proceeds.

**PAYMENT**

- The price payable for each share to be acquired is NZ\$1.81.
- TOWER will either send a cheque (by normal post) or make an electronic transfer for the amount payable to you in respect of the Offer (if you do not select a method of payment, or if the details that you provide are not sufficient to effect an electronic transfer, you will be paid by cheque).

**PAYMENT OPTIONS**

**EXISTING BANK ACCOUNT**

Our Registrar has a record of the following bank account for you:

If there is no bank account recorded and you would like your payment paid directly to your bank account please complete the appropriate boxes below.

**NEW BANK ACCOUNT**

New Zealand Bank Account:

Account name: \_\_\_\_\_

Bank	Branch	Account Number	Suffix
<input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/> <input style="width: 20px; height: 20px;" type="text"/>

Australian Bank Account:

Account name: \_\_\_\_\_

BSB Number	Account Number
<input style="width: 20px; height: 20px;" type="text"/>	<input style="width: 20px; height: 20px;" type="text"/>

You authorise the Company to use your CSN/SRN to transfer the shares purchased by the Company under the Offer.

**INSTRUCTIONS FOR COMPLETION OF THIS FORM**

- An application by a shareholder that is a company must be signed on behalf of the company by a person/persons duly authorised for that purpose.
- Joint shareholders must all sign the application.
- An application may be executed by an attorney, in which case the relevant Power of Attorney, if it has not already been noted by the Registrar, must accompany the application and the certificate printed below must be completed. If the Power of Attorney has been noted by the Registrar, please state this under the signature of the attorney.
- When completed, send this Form to the Registrar using the reply paid envelope enclosed.
- Applications must be received by the Registrar before 7.00pm New Zealand time (5.00pm AEDT) on 23 January 2014. Please allow sufficient time for posting.

**CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY/AGENT**

Please complete the following if you are acting on behalf of someone for whom you hold Power of Attorney/Agent.

Select representation: Power of Attorney  Agent

I, \_\_\_\_\_  
*(Name of Attorney/Agent)*

of, \_\_\_\_\_  
*(Address and Occupation of Attorney/Agent)*

**HEREBY CERTIFY THAT:**

1. I am Attorney/Agent of \_\_\_\_\_ under a deed/agreement dated \_\_\_\_\_ (dd/mm/yy) given to me by him/her/them.
2. I have executed the application to sell shares printed on this Form as Attorney/Agent pursuant to the powers conferred on my by that Power of Attorney/agreement.
3. At the date of this certificate I have not received any notice or information of the revocation of that appointment, whether by the death or dissolution of the donor or otherwise.

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_\_\_\_

Signature of Attorney/Agent \_\_\_\_\_