



# METRO PERFORMANCE GLASS LIMITED

Interim Financial Statements

FOR THE PERIOD ENDED 30 SEPTEMBER 2014



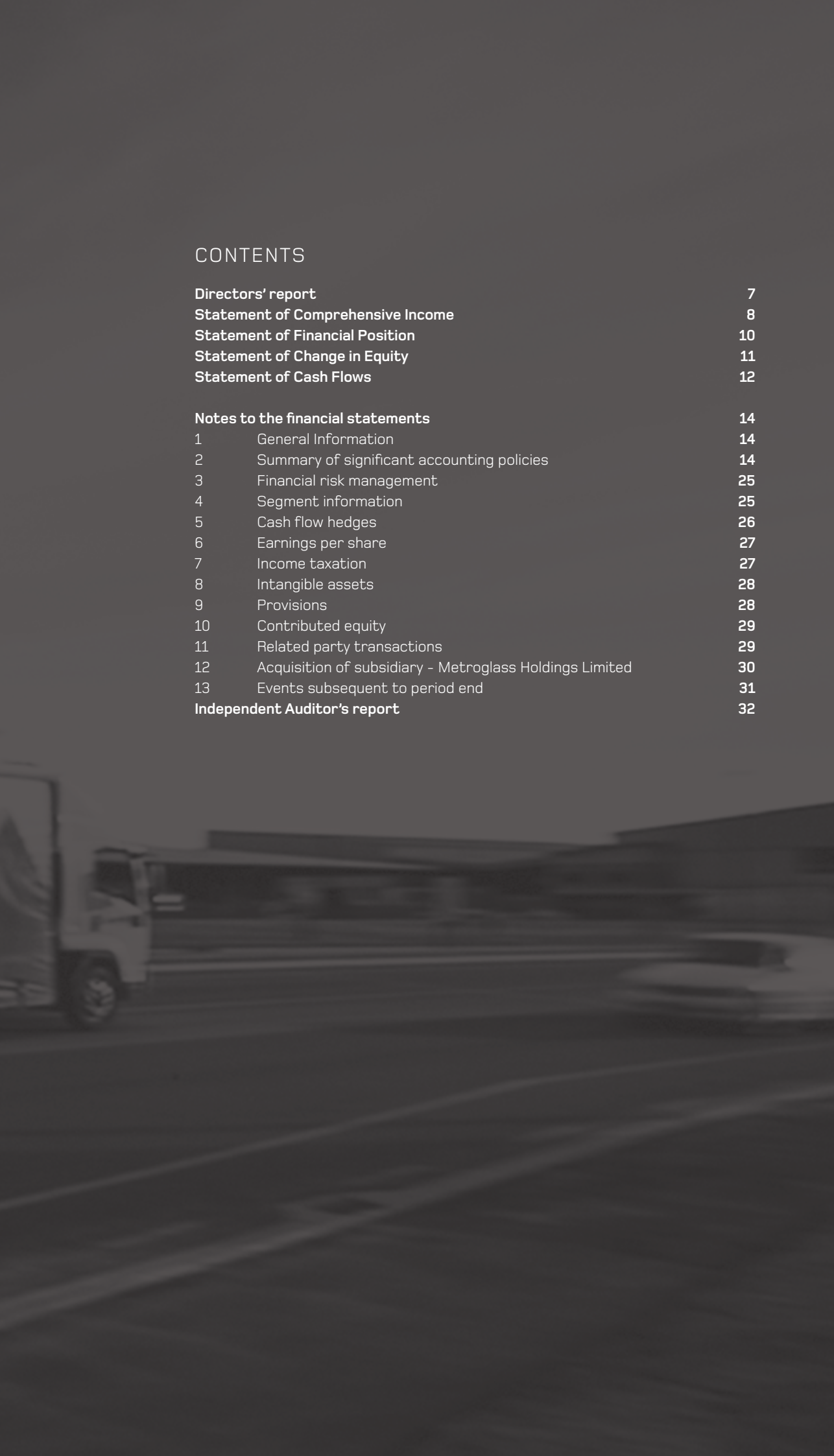
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## Interim Financial Statements

FOR THE PERIOD ENDED 30 SEPTEMBER 2014







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# DIRECTORS' REPORT

FOR THE PERIOD ENDED 30 SEPTEMBER 2014

On behalf of Metro Performance Glass (Metro) we are pleased to present you with Metro's inaugural interim report.

## RESULTS

The trading result for the two months ended 30 September 2014 is a profit before interest, tax and abnormal items of \$7.0 million. This result is in line with the prospectus forecast.

Abnormal expenses (pre-tax) being primarily IPO expenses of \$3.9 million were in line with the forecast.

Profit after tax was \$0.8 million.

Sales have increased 13% over the prior corresponding period and EBITDA margins were stronger than the prior corresponding period.

Cashflow from operating activities for the period was positive with closing cash in line with expectations.

## PERFORMANCE

As forecast, at the time of the prospectus the housing market was expected to continue its strong upward trajectory with annualized residential consents forecast to increase from approximately 21 thousand in December of 2013 to approximately 25 thousand in December 2014. This activity was expected to be driven by strong housing growth particularly in the Auckland and Christchurch regions. This market growth has played out with Metro achieving a sales increase of 13.4% compared with the prior corresponding period for the 2 months ended September 2014.

Commercial revenue has also demonstrated strong growth compared with the prior corresponding period. The commercial recovery has been some time coming but is now beginning particularly in Christchurch.

## AUCKLAND SITE OPTIMISATION

In order to ensure that Metro can meet the expected demand in the Auckland market, Metro is in the process of consolidating and automating its Auckland operation in order to:

- Consolidate five sites into one purpose built site in Highbrook in Auckland
- Automate glass cutting, toughening, DGU and edgework processes

The estimated capital cost of the project is \$21.5 million with expected commissioning early in 2015. The project is approximately 80% complete, on schedule and on budget.

## DIVIDEND

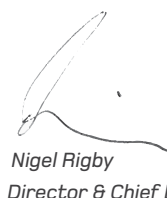
As outlined in the prospectus, the Directors will consider whether to pay a dividend for the 6 months ended 31 March 2015 in May 2015. No dividend will be payable for the period ended 30 September 2014.

## OUTLOOK

Indications are that revenue growth will remain strong through to the end of the financial year. Glass is a late cycle product which we believe lags consents by an average of nine months. Assuming the current consents continue to flow through to sales activity Metro is forecast to achieve sales revenue of \$117.8 million and profit after tax of \$9.4 million as noted in the prospectus.



Sir John Goulter, KNZM, JP  
Chairman



Nigel Rigby  
Director & Chief Executive

21 November 2014

# STATEMENT OF COMPREHENSIVE INCOME

|                                                                               | Notes    | Consolidated<br>Unaudited <sup>1</sup><br>\$'000 |
|-------------------------------------------------------------------------------|----------|--------------------------------------------------|
| Sales revenue                                                                 |          | 31,555                                           |
| Cost of sales                                                                 |          | (14,805)                                         |
| <b>Gross Profit</b>                                                           |          | <b>16,750</b>                                    |
| Distribution and glazing related expenses                                     |          | (5,177)                                          |
| Selling and marketing expenses                                                |          | (1,235)                                          |
| Administration expenses                                                       |          | (7,262)                                          |
| <b>Operating profit</b>                                                       |          | <b>3,076</b>                                     |
| Interest expense                                                              |          | (432)                                            |
| Interest income                                                               |          | 8                                                |
| <b>Profit before income taxation</b>                                          |          | <b>2,652</b>                                     |
| Income taxation expense                                                       | 7        | (1,846)                                          |
| <b>Profit for the period</b>                                                  |          | <b>806</b>                                       |
| <b>Other Comprehensive Income</b>                                             |          |                                                  |
| Items that may be subsequently reclassified to profit or loss:                |          |                                                  |
| Cash flow hedges                                                              | 5        | 1,783                                            |
| <b>Total comprehensive income for the period attributable to shareholders</b> |          | <b>2,589</b>                                     |
| <b>Earnings per share</b>                                                     |          |                                                  |
| Basic Earnings per share (cents per share)                                    | 6        | 0.44                                             |
| <b>Diluted Earnings per share (cents per share)</b>                           | <b>6</b> | <b>0.44</b>                                      |

*The above statement of comprehensive income should be read in conjunction with the accompanying notes.*

<sup>1</sup> Represents two months of trading following the acquisition of Metroglass Holdings Limited on 29 July 2014 (refer note 12).



# STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2014

|                                      | Notes | Consolidated<br>Unaudited<br>\$'000 |
|--------------------------------------|-------|-------------------------------------|
| <b>Assets</b>                        |       |                                     |
| <b>Current assets</b>                |       |                                     |
| Cash and cash equivalents            |       | 7,380                               |
| Trade and other receivables          |       | 24,279                              |
| Inventories                          |       | 8,206                               |
| Derivative financial instruments     | 5     | 1,271                               |
| Current income tax asset             |       | 87                                  |
| Other current assets                 |       | 10,935                              |
| <b>Total current assets</b>          |       | <b>52,158</b>                       |
| <b>Non-current assets</b>            |       |                                     |
| Property, plant and equipment        |       | 30,073                              |
| Deferred tax assets                  |       | 672                                 |
| Intangible assets                    | 8     | 126,395                             |
| <b>Total non-current assets</b>      |       | <b>157,140</b>                      |
| <b>Total assets</b>                  |       | <b>209,298</b>                      |
| <b>Liabilities</b>                   |       |                                     |
| <b>Current liabilities</b>           |       |                                     |
| Trade and other payables             |       | 16,580                              |
| Provisions                           | 9     | 3,359                               |
| <b>Total current liabilities</b>     |       | <b>19,939</b>                       |
| <b>Non-current liabilities</b>       |       |                                     |
| Interest bearing liabilities         |       | 55,000                              |
| <b>Total non-current liabilities</b> |       | <b>55,000</b>                       |
| <b>Total liabilities</b>             |       | <b>74,939</b>                       |
| <b>Net assets</b>                    |       | <b>134,359</b>                      |
| <b>Equity</b>                        |       |                                     |
| Contributed equity                   | 10    | 302,746                             |
| Accumulated losses                   |       | (169,859)                           |
| Share based payments reserve         |       | 557                                 |
| Cashflow hedge reserve               |       | 915                                 |
| <b>Total equity</b>                  |       | <b>134,359</b>                      |

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



## STATEMENT OF CHANGES IN EQUITY

|                                                                  |    | Consolidated<br>Unaudited |              |                      |                |
|------------------------------------------------------------------|----|---------------------------|--------------|----------------------|----------------|
|                                                                  |    | Contributed<br>equity     | Reserves     | Retained<br>earnings | Total          |
|                                                                  |    | \$'000                    | \$'000       | \$'000               | \$'000         |
| <hr/>                                                            |    |                           |              |                      |                |
| Opening balance as at 30 May 2014                                |    | -                         | -            | -                    | -              |
| Profit for the period                                            |    | -                         | -            | 806                  | 806            |
| Other comprehensive income for the period                        |    | -                         | 1,783        | -                    | 1,783          |
| Total comprehensive income for the period                        |    | -                         | 1,783        | 806                  | 2,589          |
| Issue of share capital                                           | 10 | 302,746                   | -            | -                    | 302,746        |
| Group reorganisation                                             | 12 | -                         | 194          | (170,665)            | (170,471)      |
| Movement in share based payment reserve                          |    | -                         | (505)        | -                    | (505)          |
| Total transactions with owners, recognised<br>directly in equity |    | 302,746                   | (311)        | (170,665)            | 131,770        |
| <b>Balance as at 30 September 2014</b>                           |    | <b>302,746</b>            | <b>1,472</b> | <b>(169,859)</b>     | <b>134,359</b> |

*The above statement of changes in equity should be read in conjunction with the accompanying notes*

# STATEMENT OF CASH FLOWS

|                                                                   |    | Consolidated<br>Unaudited <sup>1</sup><br>\$'000 |
|-------------------------------------------------------------------|----|--------------------------------------------------|
| <b>Cash flows from operating activities</b>                       |    |                                                  |
| Receipts from customers                                           |    | 29,362                                           |
| Payments to suppliers and employees                               |    | (21,918)                                         |
| Interest received                                                 |    | 8                                                |
| Interest paid                                                     |    | (225)                                            |
| Income taxes paid                                                 |    | (2,600)                                          |
| <b>Net cash inflow from operating activities</b>                  |    | <b>4,627</b>                                     |
| <b>Cash flows from investing activities</b>                       |    |                                                  |
| Payments for property, plant & equipment, and intangible assets   |    | (2,437)                                          |
| Acquisition of Metroglass Holdings Limited (net of cash acquired) | 12 | (219,096)                                        |
| <b>Net cash outflow from investing activities</b>                 |    | <b>(221,533)</b>                                 |
| <b>Cash flows from financing activities</b>                       |    |                                                  |
| Repayment of borrowings                                           |    | (64,000)                                         |
| Drawdown of borrowings                                            |    | 55,000                                           |
| Ordinary shares issued                                            | 10 | 244,236                                          |
| Expenses on issue of ordinary shares                              | 10 | (10,950)                                         |
| <b>Net cash inflow from financing activities</b>                  |    | <b>224,286</b>                                   |
| <b>Net increase in cash and cash equivalents</b>                  |    | <b>7,380</b>                                     |
| Cash and cash equivalents at the beginning of the period          |    | -                                                |
| <b>Cash and cash equivalents at end of the period</b>             |    | <b>7,380</b>                                     |

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

<sup>1</sup> Represents two months of trading following the acquisition of Metroglass Holdings Limited on 29 July 2014 (refer note 12).

# STATEMENT OF CASH FLOWS (CONT'D)

|                                                                                          | Consolidated<br>Unaudited<br>\$'000 |
|------------------------------------------------------------------------------------------|-------------------------------------|
| <b>Reconciliation of profit after income tax to net inflow from operating activities</b> |                                     |
| Profit for the period                                                                    | 806                                 |
| <b>Items not involving cash flows</b>                                                    |                                     |
| Depreciation expense                                                                     | 637                                 |
| Amortisation of intangible assets                                                        | 255                                 |
| Movement in deferred tax                                                                 | (178)                               |
| Movement in doubtful debt provision                                                      | 134                                 |
|                                                                                          | <b>848</b>                          |
| <b>Impact of changes in working capital items</b>                                        |                                     |
| Accounts receivable and prepayments                                                      | (452)                               |
| Inventory                                                                                | (73)                                |
| Trade creditors & employee entitlements                                                  | 452                                 |
| Interest accruals                                                                        | 207                                 |
| Goods & services tax (GST) payable                                                       | (489)                               |
| Income tax liability                                                                     | (576)                               |
|                                                                                          | <b>(931)</b>                        |
| <b>Items classified as investing or financing activities</b>                             |                                     |
| Surplus on disposal of assets                                                            | (1)                                 |
| Expenses on issue of ordinary shares in profit for the period                            | 3,905                               |
|                                                                                          | <b>3,904</b>                        |
| <b>Net cash flow from operating activities</b>                                           | <b>4,627</b>                        |

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



# NOTES TO THE FINANCIAL STATEMENTS

## 1. GENERAL INFORMATION

These interim financial statements are for Metro Performance Glass Limited ('the Company') and its subsidiaries (together, 'the Group'). The Group supplies processed flat glass products primarily to the residential and commercial building trade. The Company is a profit orientated entity and has operations and sales in New Zealand.

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is Unit E, 15 Kerwyn Avenue, East Tamaki, Auckland. The incorporation date for Metro Performance Glass Limited was 30 May 2014 and as part of the group reorganisation was listed on the New Zealand Securities Exchange (NZSX) on 29 July 2014 (see note 2 (b) and note 12).

These interim financial statements cover the financial reporting period from the 30th of May 2014 to the 30th of September 2014 and incorporate two months of trading results following the acquisition of Metroglass Holdings Limited on the 29th of July 2014.

These interim financial statements have been approved for issue by the Board of Directors on the date set out in the Director's Report on page 8. These are the first set of financial statements and therefore no comparative information is presented.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the interim financial statements are set out below. These policies have been consistently applied during the period, unless otherwise stated.

### (a) Basis of preparation of financial statements

The interim financial statements of the Group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand ('NZGAAP'). They comply with NZ IAS 34 and IAS 34, Interim Financial Reporting, and consequently, do not include all the information required for full financial statements.

### *Statutory base*

Metro Performance Glass Limited is a limited liability company registered under the New Zealand Companies Act 1993.

The financial statements have been prepared in accordance with the requirements of the Financial Reporting Act 2013, the Companies Act 1993 and prepared to comply with NZSX requirements. The company will become a Financial Markets Conduct Act 2013 (FMC) entity on 1 December 2014.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## **Historical cost convention**

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The preparation of financial statements in conformity with NZ IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

## **(b) Group reorganisation**

Where an acquisition occurs through group reorganisation, the identifiable assets and liabilities acquired are measured at their predecessor values at the acquisition date. Any difference between the consideration transferred and the value of the assets and liabilities acquired is recorded in equity.

## **(c) Principles of consolidation**

The financial statements incorporate the assets and liabilities of all subsidiaries of Metro Performance Glass Limited ('the company' or 'the parent entity') as at 30 September 2014 and the results of all subsidiaries for the period then ended.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred

for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair value at the acquisition date.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised in profit and loss.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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 was lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## **(d) Foreign currency translation**

### ***(1) Functional and presentation currency***

Items included in the financial statements of Group entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in New Zealand dollars, which is Metro Performance Glass Limited's functional and presentation currency.

### ***(2) Transactions and balances***

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss.

Monetary assets and liabilities arising from transactions or overseas borrowings that remain at balance date are translated at closing rates.

## **(e) Revenue recognition**

Revenue comprises the fair value of the consideration received for the sale of goods and services, net of value-added tax (including Goods and Services Tax), rebates and discounts and after eliminating sales within the Group. Revenue is recognised as follows:

### ***(1) Sales of goods***

The Group operates a network of glass manufacturing and retail branches for the provision and assembly of customised glass products across New Zealand. Sales of goods are recognised when a Group entity has delivered glass products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

Certain products are often sold with a warranty. Accumulated experience is used to estimate and provide for the warranty costs at the time of sale.

### ***(2) Sales of services***

The Group provides nationwide glazing services throughout the Metro Performance Glass branch network. For sales of glazing services, revenue is recognised in the accounting period in which the services are rendered, by reference to stage of completion of the specific transaction and assessed on the basis of the actual service provided as a proportion of the total services to be provided.

## **(f) Current and deferred income tax**

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit and loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the statement of financial position date.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the statement of financial position date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## **(g) Goods and Services Tax (GST)**

The statement of comprehensive income has been prepared so that all components are stated exclusively of GST. All items in the statement of financial position are stated net of GST, with the exception of receivables and payables, which include GST invoiced.

## **(h) Leases**

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed on a straight-line basis over the period of the lease.

## **(i) Impairment of non-financial assets**

Intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment irrespective of whether any circumstances identifying a possible impairment have been identified. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units). Prior impairments of non-financial assets (other than goodwill) are reviewed for possible reversal at each reporting date.

## **(j) Cash and cash equivalents**

In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## **(k) Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for doubtful debts.

A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that a debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'Administration expenses'. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Administration expenses' in the statement of comprehensive income.

## **(l) Inventories**

*Raw materials and stores, work in progress and finished goods*

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal

operating capacity. Costs are assigned to individual items of inventory on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

## **(m) Financial assets**

### ***(1) Classification***

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at the initial recognition and re-evaluates this designation at every reporting date.

### ***(i) Financial assets at fair value through profit and loss***

This category has two sub categories: financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if they are either held for trading or are expected to be realised within 12 months of the statement of financial position date.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## ***(ii) Loans and receivables***

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial position date which are classified as non current assets. The Group's loans and receivables comprise 'cash and cash equivalents', 'receivables', 'trade and other payables' and 'interest bearing liabilities' in the statement of financial position.

## ***(2) Recognition and measurement***

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Loans and receivables are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the loans and receivables have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within 'other (losses)/gains - net' in the period in which they arise.

## ***(3) Offsetting financial instruments***

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

## ***(n) Derivative financial instruments, including hedge accounting***

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. The Group has designated forward exchange contracts as cash flow hedge instruments.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## **(1) Cash flow hedges**

### **- forward exchange contracts**

Cash flow hedge instruments hedge the exposure to variability in cash flows that (i) is attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and (ii) could affect profit or loss.

On initial designation of a derivative as a cash flow hedging instrument, the Group formally documents the relationship between the hedging instrument and hedged item, including the risk management objectives and strategy in undertaking the hedge transaction. Documentation includes the nature of the risk being hedged, together with the methods that will be used to assess the hedging instrument's effectiveness. The Group also documents its assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be highly effective in offsetting the changes in cash flows of the respective hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges, is recognised in other comprehensive income and presented in the hedging reserve in equity. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss section of the statement of comprehensive income.

When the hedged item is a non-financial asset, the amount accumulated in equity is included in the carrying amount of the asset when the asset is recognised. In other cases the amount accumulated in equity

is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified in profit or loss.

## **(2) Other non-trading derivatives**

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss.

## **(o) Property, plant and equipment**

All property, plant and equipment are stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are expensed to the statement of comprehensive income during the financial period in which they are incurred.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

Land is not depreciated. Depreciation of property, plant and equipment is calculated using the straight line value method to allocate the cost of the assets over their useful lives. The rates are as follows:

| Category                         | Depreciation rate | Depreciation basis |
|----------------------------------|-------------------|--------------------|
| Leasehold improvements           | 7.5-15%           | SL                 |
| Plant & equipment                | 7.5-15%           | SL                 |
| Motor vehicles                   | 12-20%            | SL                 |
| Furniture, fixtures and fittings | 20-25%            | SL                 |

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

Capital work in progress is not depreciated until commissioned.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount and are recognised within 'Administration expenses' in the statement of comprehensive income.

## (p) Intangible assets

### (1) Goodwill

Goodwill represents the excess of the consideration transferred of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill acquired in business combinations is not amortised. Instead, goodwill is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

For the purposes of impairment testing, goodwill acquired in a business combination is allocated to each of the cash generating units that is expected to benefit from the synergies of the combination. Each unit to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

# NOTES TO THE FINANCIAL STATEMENTS

## (CONT'D)

### **(2) Computer software**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (three to five years).

Computer software development costs recognised as assets are amortised over their estimated useful lives (not exceeding five years).

Costs associated with maintaining computer software programmes are recognised as an expense as incurred. Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software product so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated how the software product will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use or sell the software product are available; and
- the expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software product include the software development employee costs and an appropriate portion of relevant overheads.

Other development expenditures that do not meet the requisite criteria are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Amortisation of computer software is calculated using the straight line value method so as to expense the cost of the assets over their useful lives. The rate is as follows:

| Category          | Depreciation rate | Depreciation basis |
|-------------------|-------------------|--------------------|
| Computer software | 25%               | SL                 |

### **(3) Contractual customer relationships**

Contractual customer relationships acquired in a business combination are recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life, being 10 years, of the customer relationship.

### **(q) Trade and other payables**

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial period which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade payables are recognised initially at fair value and subsequently measured at amortised cost.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## **(r) Borrowings**

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is expensed in the statement of comprehensive income over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the statement of financial position date.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use. A qualifying asset is defined as an asset that takes longer than 12 months and is over \$100,000 to construct. Other borrowing costs are expensed.

## **(s) Provisions**

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

## **(t) Employee benefits**

### ***(1) Wages and salaries, annual leave and sick leave***

Liabilities for wages and salaries, including non monetary benefits, annual leave and accumulating sick leave are recognised in 'Trade and other payables' in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

### ***(2) Bonus plans***

The Group recognises a liability and an expense for bonuses on a formula that takes into consideration the profit attributable to the Group's shareholders after certain adjustments. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.



## NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

### **(u) Share Capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or acquiring its own shares are shown in equity as a deduction, net of tax, from the proceeds.

### **(v) Dividends**

Provision is made for the amount of any dividend declared on or before the end of the financial year but not distributed at balance date.

Dividend distribution to the Group shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders.

### **(w) Long Term Incentive plan**

The long term incentive plan is an equity settled share based payment which provides eligible employees with the opportunity to acquire shares in the Group. The fair value of shares granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the vesting period. The fair value of the plan has been assessed by an independent valuer. Interest free loans are provided to plan participants to finance the share purchases. The fair value of the interest free component of the loan has also been assessed by the independent valuer, together with other associated terms of the loan.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 3. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management is carried out by a central finance function (the head office finance team) under policies approved by the board of directors. The head office finance team focuses on the unpredictability of financial markets and identifies, evaluates and seeks to hedge financial risks in close co-operation with the Group's operating units to minimise potential adverse effects on the financial performance of the Group.

The board approves policies covering foreign exchange risk, interest rate risk and credit risk. The Group uses derivative financial instruments such as foreign exchange contracts and interest rate swaps to hedge certain risk exposures. The Group uses different methods to measure different types of risk to which it is exposed. These methods include sensitivity analysis in the case of interest rate, foreign exchange and other price risks and aging analysis for credit risk.

These interim financial statements do not comprehensively detail the Group's financial risk management elements.

At 30 September 2014 all financial instruments measured at fair value (interest rate swaps and forward exchange contracts) were valued using valuation techniques where all significant inputs were based on observable market data. Accordingly they are categorised as level 2. Specific valuation techniques used to value the Group's financial instruments are as follows:

- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.

- The fair value of interest rate swap contracts is determined using forward interest rates at the balance sheet date, with the resulting value discounted back to present value.

These fair values are based on valuations provided by the ANZ Bank New Zealand Ltd as at 30 September 2014.

## 4. SEGMENT INFORMATION

Operating segments of the Group as at 30 September 2014 have been determined based on separate financial information that is regularly reviewed by the Senior Leadership Team which is the Group's Chief Operating Decision Maker. The Group's operating segments are Upper North Island, Lower North Island and South Island. All operating segments are involved in the distribution and glazing of customised flat glass products.

NZ IFRS 8 Operating Segments permits the aggregation of operating segments into reportable segments. This has been adopted as the operating segments have similar economic characteristics, are also similar in the nature of products and services supplied and the method in which they are produced. Additionally, sales and marketing methods are substantially similar and the customer distribution channels are also similar. Therefore, the Group has one reportable segment.

Substantially all of the Group's revenue is derived from the sale of glass products. All revenue from external customers is attributed to sales in New Zealand. All non current assets (excluding financial instruments and deferred tax assets) are located in New Zealand.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 5. CASH FLOW HEDGES

The tables below detail the forward foreign currency contracts acquired upon group reorganisation and held at the end of the reporting period. The cashflow hedges are expected to impact profit or loss in the same period that the cash flows are expected to occur.

| 29 July 2014<br>Acquired upon group reorganisation | Average<br>exchange rate | Consolidated        |                   | Fair value<br>assets /<br>(liabilities) |
|----------------------------------------------------|--------------------------|---------------------|-------------------|-----------------------------------------|
|                                                    |                          | Foreign<br>currency | Notional<br>value |                                         |
|                                                    |                          | FC '000             | \$'000            |                                         |
|                                                    |                          |                     |                   |                                         |
| Buy USD                                            |                          |                     |                   |                                         |
| 3 months                                           | 0.7975                   | 5,100               | 6,395             | (361)                                   |
| 3-6 months                                         | 0.8072                   | 5,100               | 6,318             | (229)                                   |
| 6-12 months                                        | 0.8308                   | 10,200              | 12,277            | 56                                      |
| Buy EUR                                            |                          |                     |                   |                                         |
| 3 months                                           | 0.5773                   | 1,308               | 2,266             | (197)                                   |
| 3-6 months                                         | -                        | -                   | -                 | -                                       |
| 6-12 months                                        | 0.5780                   | 3,955               | 6,842             | (473)                                   |
|                                                    |                          |                     |                   | (1,204)                                 |

| 30 September 2014 | Average<br>exchange rate | Consolidated        |                   | Fair value<br>assets /<br>(liabilities) |
|-------------------|--------------------------|---------------------|-------------------|-----------------------------------------|
|                   |                          | Foreign<br>currency | Notional<br>value |                                         |
|                   |                          | FC '000             | \$'000            |                                         |
|                   |                          |                     |                   |                                         |
| Buy USD           |                          |                     |                   |                                         |
| 3 months          | 0.8111                   | 5,277               | 6,506             | 296                                     |
| 3-6 months        | 0.8146                   | 5,100               | 6,261             | 367                                     |
| 6-12 months       | 0.8292                   | 8,500               | 10,251            | 914                                     |
| Buy EUR           |                          |                     |                   |                                         |
| 3 months          | -                        | -                   | -                 | -                                       |
| 3-6 months        | 0.5780                   | 3,955               | 6,842             | (306)                                   |
| 6-12 months       | -                        | -                   | -                 | -                                       |
|                   |                          |                     |                   | 1,271                                   |

Cashflow hedge reserve movement shown in the statement of comprehensive income reflects the tax affected change in fair value of forward foreign exchange currency contracts during the reporting period.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 6. EARNINGS PER SHARE

### Basic

Basic earnings per share is calculated by dividing the profit after tax of the Group by the weighted average number of ordinary shares outstanding during the period.

|                                                                | Consolidated<br>Unaudited<br>\$'000 |
|----------------------------------------------------------------|-------------------------------------|
| Profit after tax                                               | 806                                 |
| Weighted average number of ordinary shares outstanding ('000s) | 185,030                             |
| Basic Earnings per share (cents per share)                     | 0.44                                |
| Diluted Earnings per share (cents per share)                   | 0.44                                |

### Diluted

Diluted Earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. There are no options with a dilutive effect as at 30 September 2014.

## 7. INCOME TAXATION

|                                             | Consolidated<br>Unaudited<br>\$'000 |
|---------------------------------------------|-------------------------------------|
| <b>Profit (loss) before income taxation</b> | <b>2,652</b>                        |
| Income taxation expense at the rate of 28%  | 743                                 |
| Tax effect of non-deductible items          | 1,103                               |
|                                             | <b>1,846</b>                        |
| Represented by:                             |                                     |
| Current taxation                            | 2,024                               |
| Deferred taxation                           | (178)                               |
|                                             | <b>1,846</b>                        |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 8. INTANGIBLE ASSETS

|                               | Customer<br>relationships | Goodwill on<br>acquisitions | Computer<br>software | Total          |
|-------------------------------|---------------------------|-----------------------------|----------------------|----------------|
|                               | \$'000                    | \$'000                      | \$'000               | \$'000         |
| Opening net book value        | -                         | -                           | -                    | -              |
| Acquisition of subsidiary     | 10,875                    | 115,489                     | 285                  | 126,649        |
| Additions                     | -                         | -                           | -                    | -              |
| Amortisation expense          | (242)                     | -                           | (12)                 | (254)          |
| <b>Closing net book value</b> | <b>10,633</b>             | <b>115,489</b>              | <b>273</b>           | <b>126,395</b> |

## 9. PROVISIONS

### (a) Service warranties

Provision is made for the estimated warranty claims in respect of products sold which are still under warranty at balance date. These claims are expected to be settled in the next financial year but this may be extended into the following year if claims are made late in the warranty period and are subject to confirmation by suppliers that component parts are defective. Management estimates the provision based on historical warranty claim information and any recent trends that may suggest future claims could differ from historical amounts.

|                         | Consolidated<br>Unaudited<br>\$'000 |
|-------------------------|-------------------------------------|
| Warranty provision      | 405                                 |
| Onerous lease provision | 2,954                               |
|                         | <b>3,359</b>                        |

### (b) Onerous lease provision

Provision is made for the estimated costs associated with vacating leases prior to their termination dates. Management estimates the provision based on reviewing the market rates for commercial leases in the relevant areas and assessing the expected discounts landlords would need to offer to replace tenancies expediently.

### (c) Movements in provisions

Movements in provisions during the financial period are set out below:

|                                                                  | Warranty<br>provision<br>\$'000 | Onerous lease<br>provision<br>\$'000 | Total<br>\$'000 |
|------------------------------------------------------------------|---------------------------------|--------------------------------------|-----------------|
| Opening balance                                                  | -                               | -                                    | -               |
| Acquisition of subsidiary                                        | 405                             | 2,954                                | 3,359           |
| Charged / (credited) to the statement<br>of comprehensive income | -                               | -                                    | -               |
| Used during period                                               | -                               | -                                    | -               |
| <b>Closing net book value</b>                                    | <b>405</b>                      | <b>2,954</b>                         | <b>3,359</b>    |

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 10. CONTRIBUTED EQUITY

On 29 July 2014, Metro Performance Glass Limited received gross proceeds of \$244.2 million from the allotment of 143,668,486 ordinary shares at an issue price of \$1.70 per share, offered under the Investment Statement and Prospectus dated 7 July 2014 (amended 15 July 2014) for the Initial Public Offering (IPO) of ordinary shares in Metro Performance Glass Limited. Additionally 36,646,730 ordinary shares were issued in exchange for 113,811,147 shares in Metroglass Holdings Limited at an issue price of \$1.70 per share. As part of the long term incentive plan 4,714,784 ordinary shares were issued with no value in contributed equity until they vest on 29 July 2015. Additional movements to contributed equity include a decrease of \$7.1 million from IPO expenses and an increase of \$3.3 million from contributions to shares issued to key management employees of cash and share based payments reserves. Refer note 12 for IPO expenses included in the statement of comprehensive income.

|                        | Consolidated<br>Unaudited<br>\$'000 |
|------------------------|-------------------------------------|
| Opening balance        | -                                   |
| Shares issued          | 302,746                             |
| <b>Closing balance</b> | <b>302,746</b>                      |

## 11. RELATED PARTY TRANSACTIONS

### (a) Directors

The names of persons who were directors of the Company at any time during the financial period are as follows: Sir John Goulter, Nigel Rigby, Neville Buch, Russell Chenu and Willem Roest. All of these persons were also directors as at 29 July 2014.

### (b) Key management compensation

Key management includes the directors listed above and members of the Senior Leadership Team. The compensation paid or payable to key management for employee service is shown below:

|                                                 | Consolidated<br>Unaudited<br>\$'000 |
|-------------------------------------------------|-------------------------------------|
| Salaries and other short-term employee benefits | 227                                 |
| Management incentive                            | 74                                  |
| Directors fees<br>(appointed from 5 July 2014)  | 108                                 |
|                                                 | <b>409</b>                          |

On 29 July 2014 key members of the Senior Leadership Team were issued 7,072,176 ordinary shares as part of the Long Term Incentive Plan. These shares are held in escrow until the release of the results pertaining to the prospectus forecast period. Of the shares issued, 4,714,784 shares do not vest until 29 July 2015.

Crescent Capital Partners, a related party by directorship through Neville Buch, received \$101.1 million in cash and were issued 15,294,430 ordinary shares as part of the Initial Public Offering on 29 July 2014.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 12. ACQUISITION OF SUBSIDIARY – METROGLASS HOLDINGS LIMITED

On 29 July 2014 the Group acquired 100% of the shares of Metroglass Holdings Limited for consideration of \$227.7 million as part of the group reorganisation and therefore obtained control over this entity and its subsidiaries. Additional expenses within the statement of comprehensive income arising from the Initial Public Offering amount to \$3.9 million.

The following table summarises the consideration paid for Metroglass Holdings Limited and the assets acquired and liabilities assumed recognised at the acquisition date, as well as their predecessor values used to establish their values upon acquisition.

|                                                | Consolidated<br>Unaudited<br>\$'000 |
|------------------------------------------------|-------------------------------------|
| <b>Consideration</b>                           |                                     |
| Cash                                           | 227,709                             |
| Equity in Metro Performance Glass Limited      | 65,053                              |
|                                                | <b>292,762</b>                      |
| Cash and cash equivalents                      | 8,613                               |
| Trade and other receivables                    | 22,712                              |
| Inventories                                    | 8,133                               |
| Other current assets                           | 12,189                              |
| Property, plant and equipment                  | 28,273                              |
| Deferred tax assets                            | 1,187                               |
| Intangible assets                              | 126,649                             |
| Trade and other payables                       | (16,412)                            |
| Income tax liability                           | (489)                               |
| Derivative financial instruments               | (1,205)                             |
| Provisions                                     | (3,359)                             |
| Interest bearing liabilities                   | (64,000)                            |
| Other liabilities                              | (194)                               |
|                                                | <b>122,097</b>                      |
| Group reorganisation amount recorded in equity | 170,665                             |
|                                                | <b>292,762</b>                      |

The group restructure charge differs from the forecast group restructure charge set out in Metro Performance Glass Limited’s prospectus dated 7 July 2014, which was \$162.4 million. The difference is attributable to the actual value of net assets being different from forecast due to actual trading being different to assumed trading levels and a change in the value of certain assets and liabilities as the result of further assessment.

# NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

## 13. EVENTS SUBSEQUENT TO PERIOD END

There are no events subsequent to period end.



## ***Independent Review Report***

to the shareholders of Metro Performance Glass Limited

### **Report on the Interim Financial Statements**

We have reviewed the accompanying financial statements of Metro Performance Glass Limited (“the Company”), which comprise the statement of financial position as at 30 September 2014, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the period ended on that date, and a summary of significant accounting policies and selected explanatory notes.

### ***Directors’ Responsibility for the Financial Statements***

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with New Zealand Equivalent to International Accounting Standard 34 Interim Financial Reporting (‘NZ IAS 34’) and for such internal controls as the directors determine are necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

### ***Our Responsibility***

Our responsibility is to express a conclusion on the accompanying financial statements based on our review. We conducted our review in accordance with the New Zealand Standard on Review Engagements 2410 *Review of Financial Statements Performed by the Independent Auditor of the Entity* (NZ SRE 2410). NZ SRE 2410 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statements, taken as a whole, are not prepared in all material respects, in accordance with the NZ IAS 34. As the auditors of the Company, NZ SRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial statements.

A review of financial statements in accordance with NZ SRE 2410 is a limited assurance engagement. The auditor performs procedures, primarily consisting of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The procedures performed in a review are substantially less than those performed in an audit conducted in accordance with International Standards on Auditing (New Zealand). Accordingly we do not express an audit opinion on these financial statements.

Other than in our capacity as auditors and providers of assurance, taxation and advisory services, we have no relationship with, or interests in the Company. These services have not impaired our independence as auditors of the Company.



## ***Independent Review Report***

Metro Performance Glass Limited

### ***Conclusion***

Based on our review, nothing has come to our attention that causes us to believe that these financial statements of the Company are not prepared, in all material respects, in accordance with NZ IAS 34.

### ***Restriction on Use of Our Report***

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

A handwritten signature in blue ink, appearing to read 'Pineapplehouse Coopers', written over a faint, illegible printed name.

Chartered Accountants  
21 November 2014

Auckland

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**Auditors**

*PricewaterhouseCoopers*





**METRO**



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