

ANNUAL  
REPORT  
2019



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This report is dated 23 May 2019 and is signed on behalf of the Board of Metro Performance Glass Limited by Peter Griffiths, Chair, and Bill Roest, Director.

  
Peter Griffiths  
Chairman

  
Willem (Bill) Roest  
Director





# CHAIR AND CHIEF EXECUTIVE'S REVIEW

It has been a challenging year with Metro Performance Glass's group performance experiencing both significant achievements and disappointments. Positives can be taken from the continued improvements and stronger financial results demonstrated in the New Zealand business; however, it has taken longer for a similar improvement to emerge in Australia.

Peter Griffiths  
CHAIRMAN



Simon Mander  
CEO



Acknowledging these unsatisfactory results in Australia, we have set our priorities for the year ahead and restructured our operations to enable us to deliver on them.

We undertook to prioritise debt reduction at the expense of dividends in the near term, as we work towards our gearing target of 1.5 times EBITDA to net debt. At 31 March 2019 this ratio was 2.1 times. Reported net debt reduced by \$11.0 million year on year, ahead of the \$7.0 million we had previously guided.

Good progress was made on people- and customer-focused initiatives, with improved service metrics and stronger people retention achieved over the course of the year.

The company operates in a dynamic and competitive environment. The board and management remain confident in the group's strategy and are committed to its objectives of providing the best customer service, developing its people, and leveraging its scale to efficiently deliver leading glass solutions.

## NEW CEO IN PLACE

After an extensive search, we announced the appointment of Simon Mander as Chief Executive in November 2018. Since joining, Simon has had the opportunity to visit all of our Australasian sites and to meet many of our 1,200 staff,

as well as many of our customers and suppliers.

Simon believes that the group has clear direction and goals, while being acutely aware of the challenges ahead. He considers the group to be firmly focused on rebuilding shareholder value, through further improved performance in New Zealand and by executing its plan for initially stabilising the Australian business to enable profitable growth over time.

The health and safety of our people is an absolute priority. Glass is a fragile, heavy and hazardous product to work with, so we must ensure that our people are well trained, well equipped and have safety at the forefront of their mind.

## REVENUE AND EARNINGS PERFORMANCE

Group revenue of \$267.8 million in FY19 was in line with last year, with New Zealand revenue growth of 2.1% offset by a 9.0% decline in Australian revenue.

In New Zealand, Metroglass grew EBIT<sup>1</sup> by 6.3% to \$31.1 million in FY19, but our poor execution in Australia saw EBIT fall from \$3.2 million in FY18 to a loss of \$4.8 million this year. This was particularly impacted by operational issues in Victoria and New South Wales (NSW) and the start-up of the new Tasmanian factory. Consequently, group EBIT declined 18.4% to \$25.2 million.

<sup>1</sup> Earnings before interest and tax, before significant items.

Following the poor performance in Australia, the carrying value of Australian Glass Group's (AGG) assets has been reviewed, resulting in a NZ\$9.6 million impairment on AGG's intangible assets. This is presented as a significant item in the financial statements. Net profit for the period (NPAT) declined to \$5.0 million from \$16.3 million in the prior year primarily as a result of the impairment charge. NPAT before significant items declined to \$14.2 million from \$18.4 million in the prior year.

#### NEW ZEALAND – STEADY PROGRESS

In New Zealand, which represents approximately 80% of group revenues, Metroglass made good progress this year with improved operating performance and financial results.

In line with our strategy of making Metroglass a great place to work, we invested in a number of people-focused initiatives including enhanced on-boarding, increased front-line leadership in our plants, additional training, and improved pay and recognition across the business. We have also grown our apprenticeship base and aim to double this in FY20. These initiatives have pleasingly seen voluntary staff turnover reduce from 31% in FY18 to 22% in FY19, and absenteeism decrease by approximately 10% over the course of the year, reinforcing the improved engagement and stability of our team.



We are pleased with the achievements made in New Zealand this year, but we continue to see many opportunities for further improvement."

**\$267.8M**  
GROUP REVENUE

**\$11.0M**  
REPORTED NET DEBT  
REDUCTION

In addition, Metroglass invested in building closer relationships with its customers. Our recent New Zealand-wide customer survey provided valuable feedback on how to prioritise our improvement efforts, with quality, delivery on time, and delivery in full being the top three priorities noted. While there will always be more to do, in FY19 we achieved further improved customer service levels - e.g. with 'late-tail-delivery-in-full-on-time' performance improving from an average from 86% in H2-FY18 to 93% in FY19.

Alongside better operating performance, higher gross margins in New Zealand have been supported by selling an increasingly higher-value product mix, including more safety- and heat-strengthened glass as a result of building code changes in 2017.

Metroglass is being more considered in how it brings on new sales volumes, or tenders for complex commercial projects. New Zealand's revenue and margins both improved year on year, however management believe its share of the overall market declined with increased imports and domestic competition.

The company also reduced the cost base of its Canterbury business in the year, and will have moved from a peak of four Christchurch sites to two by July this year. This footprint

will better align with the lower regional activity levels and the customer needs in that market.

We are pleased with the achievements made in New Zealand this year, but we continue to see many opportunities for further improvement.

#### COMPETITIVE LANDSCAPE

The New Zealand market is rapidly evolving, with the buoyant housing and construction markets encouraging investment from new and existing players.

In November 2018, a large aluminium extruder, based in the upper North Island announced its intention to enter the glass processing market. This announcement had a negative impact on market commentator's views of Metroglass' value, and consequently the share price.

The board considers that the current share price does not reflect the underlying value of the business, and incorporates an overly pessimistic view of the group's future in both New Zealand and Australia.

As at today, there continues to be little reliable information available about the new entrant's specific plans; however, Metroglass' board and management have undertaken detailed market impact assessments and anticipate that once the plant commences production a gradual reduction in our sales from window fabricators affiliated to the

CHAIR AND CHIEF EXECUTIVE’S REVIEW CONTINUED

new entrant, primarily in the upper North Island, could be expected in the following years.

However, we would also note that today our customers already have the ability to select between multiple glass suppliers, and yet choose to work with us. We’re working hard to continually improve their experience and have made good steps forward this year.

Metroglass is the clear market leader in New Zealand, and is well placed to succeed having already significantly invested in new manufacturing capacity and people capabilities. The company will continue to focus on differentiating and reinforcing its value proposition to its customers through continued execution of its strategy. We will draw on our scale advantages, strong customer relationships and the depth of talent the business has built up over its more than 30-year history.

AUSTRALIA – IMPROVEMENTS EMERGING FOLLOWING BUSINESS RESET

AGG had a challenging year as it worked to bed in the substantial changes made across the business over the past 18 months. These changes have included a major capital programme, the shift from domestic to international glass supply, moving the business’ manufacturing and sales focus towards double glazing products, and opening AGG’s Tasmanian plant. Progress was slower and more challenging than expected, with inconsistent manufacturing performance and high staff turnover significantly impacting customer service in the 2018 calendar year.

AGG’s disappointing financial performance this year was particularly driven by the operational issues in Victoria and NSW and the start-up of the new Tasmanian factory. These challenges have been progressively addressed through increased management support as well as additional training and recruitment to fill capability gaps. As the business stabilises, its ongoing operating costs will be reviewed.

In the second half of the financial year, and particularly in the final quarter, AGG steadily improved its service delivery in all three states,



reduced reworks and had a more stable and engaged workforce. These positive changes have resulted in a number of customers returning, albeit some are trialling supply on a limited basis as AGG works to regain their confidence and trust. Accordingly, these changes take time to flow into financial results.

The new Tasmanian manufacturing facility is AGG’s third plant and the seventh across the group. Tasmania pleasingly met its year one financial goals, which included breaking even on an EBIT basis in the final quarter of FY19.

The commissioning of the Tasmanian plant also freed up production capacity in AGG’s largest plant based in Victoria, which had previously serviced Tasmania. The key Victorian business remains a profitable business. The spare capacity in Victoria was not utilised within FY19 resulting in a weaker financial performance versus the prior year, but provides the opportunity for future sales growth in this region.

The NSW business has faced considerable challenges in changing its manufacturing and sales focus away from processed glass products (i.e. shower doors, balustrades)

towards double glazing, where we see better potential over the medium term. The extensive upgrading and reconfiguring of NSW manufacturing equipment in early 2018 was not well executed and caused prolonged disruption to our people and customers.

With all equipment commissioning and training completed and new management making a positive impact, the NSW business improved its output and service delivery, reduced staff turnover by a third, and won a number of new customers in the later stages of the financial year.

We are implementing a state-by-state plan to turn AGG's



**We still see considerable opportunity in Australia, which has much lower market penetration and an increasing uptake for quality, bespoke double-glazing products.”**

disappointing results around. NSW in particular, as an underperforming business, has clear milestones in place for performance improvement that must be met within the year ahead.

We still see considerable opportunity in Australia, which has much lower market penetration and an increasing uptake for quality, bespoke double-glazing products. This is being driven by increased electricity and gas prices, national energy-efficiency targets, a road map of legislative changes supporting increased penetration of double glazing in Australia, and shifts in consumer preference.

We are actively educating the market on the benefits of high-performance glass and double glazing products, and are already seeing awareness and penetration increase significantly in Victoria and Tasmania. NSW is currently at a much lower base but with a large, medium to long term opportunity.

## **BALANCE SHEET**

Strong cash generation from operations, a further reduction in working capital in New Zealand, lower capital expenditure across the group and the temporary suspension of dividends enabled us to reduce reported net debt by \$11 million.

We refinanced our debt facilities in September 2018 for a further three years, with no changes to covenants. The board will continue to prioritise debt reduction until the group's leverage ratio (net debt to rolling 12-month EBITDA<sup>2</sup>) falls to approximately 1.5 times. At 31 March 2019 this ratio was 2.1 times.

## **MARKET CONDITIONS AND OUTLOOK**

As always, changes in the strength of the local economies in which we operate remains a key issue for the company. In New Zealand, economic and demographic fundamentals have continued to support strong demand for construction and glazing products. Looking forward, similar conditions are expected for the coming period; however, we also anticipate supply constraints in the broader market will persist, potentially delaying the impact of the recent growth in residential consents.

Further declines in Australian housing starts are expected, particularly in multi-residential inner-city demand. AGG primarily services the new detached housing construction and alterations and additions markets that have historically been more stable. We continue to see market opportunities as a smaller player, in a much larger and more fragmented market.

We are proud of the quality and breadth of the glass solutions the Metroglass group provides and want to record our appreciation of the commitment of the management team and staff this year. There is a clear strategy and plan in place as we position the group for success and improved financial results in the coming year.

The company will provide shareholders with a trading update, including preliminary financial guidance for the FY20 financial year, at our Annual Shareholders' Meeting to be held on 26 July.

**PETER GRIFFITHS**  
Chair

**SIMON MANDER**  
Chief Executive

2 Earnings before interest, tax, depreciation and amortisation.

# MANAGEMENT COMMENTARY

## SUMMARY

Group revenue of \$267.8 million for the full year to 31 March 2019 was in line with the previous 12-month period. However, EBIT for the year fell 18.4% to \$25.2 million, down from \$30.9 million in the prior year.

Capital expenditure of \$7.8 million represents a 62.0% reduction on the \$20.6 million invested in the prior year.

Lower capital expenditure across the group, further reductions in working capital in New Zealand and the temporary suspension of dividends have enabled us to reduce reported net debt by \$11 million to \$83.3 million.

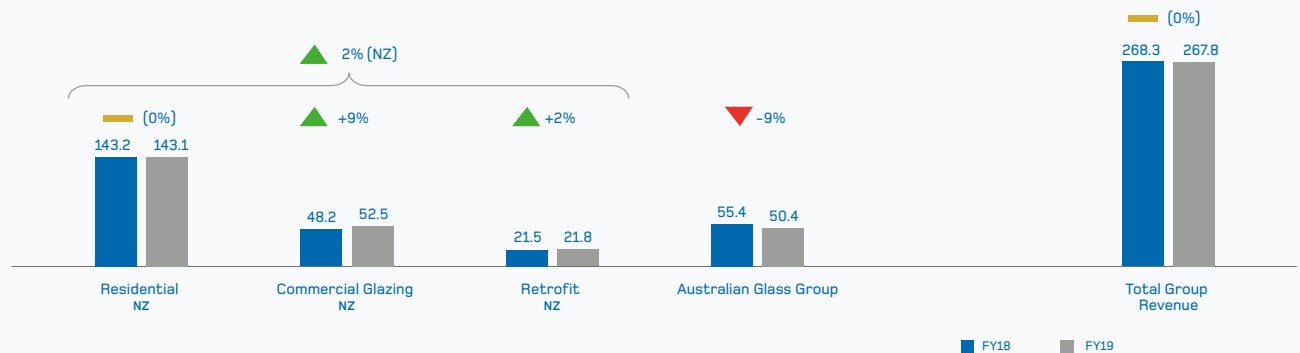
Group gearing (net interest-bearing debt / (net interest-bearing debt plus equity)) reduced year on year from 37.0% to 34.7% at 31 March 2019.

Following the poor performance in Australia, the carrying value of AGG's assets has been reviewed, resulting in a NZ\$9.6 million impairment on AGG's intangible assets. This is presented as a significant item in the financial statements.

Net profit for the period (NPAT) declined to \$5.0 million from \$16.3 million in the prior year primarily as a result of the impairment charge. NPAT before significant items declined to \$14.2 million from \$18.4 million in the prior year.



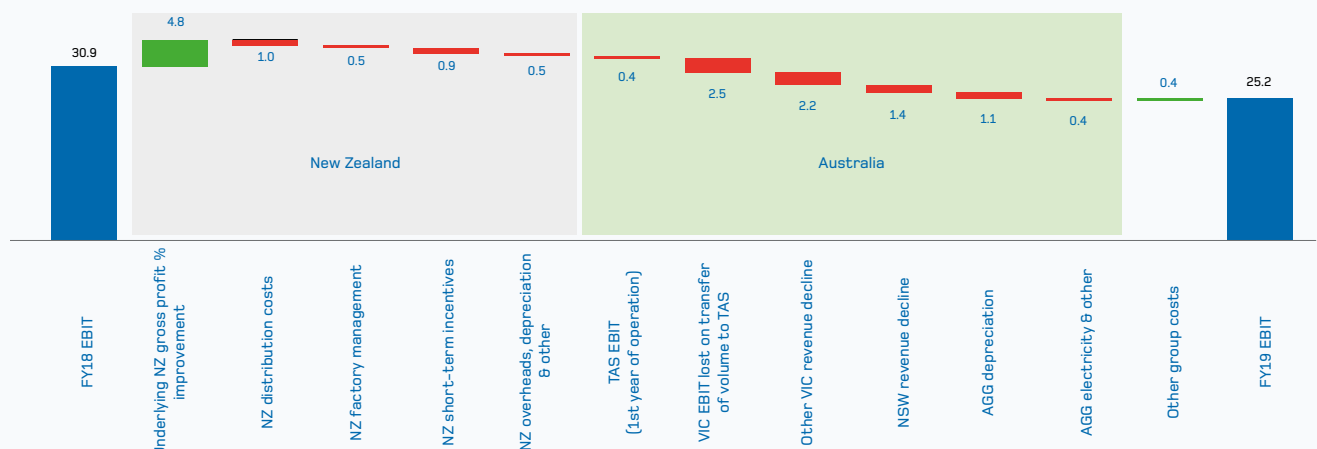
## GROUP REVENUE BY SEGMENT (\$M)



## SUMMARY OF RESULTS FOR THE 12 MONTHS ENDED 31 MARCH 2019 (FY19)

| \$M                                                | NEW ZEALAND |       | AUSTRALIA |      | GROUP |       |
|----------------------------------------------------|-------------|-------|-----------|------|-------|-------|
|                                                    | FY19        | FY18  | FY19      | FY18 | FY19  | FY18  |
| Revenue                                            | 217.4       | 212.9 | 50.4      | 55.4 | 267.8 | 268.3 |
| Segmental EBIT <sup>2</sup>                        | 31.1        | 29.2  | (4.8)     | 3.2  |       |       |
| Group costs                                        |             |       |           |      | (1.1) | (1.5) |
| EBIT before significant items                      |             |       |           |      | 25.2  | 30.9  |
| EBIT                                               |             |       |           |      | 15.7  | 28.0  |
| Net profit for the period before significant items |             |       |           |      | 14.2  | 18.4  |
| Net profit for the period (or NPAT)                |             |       |           |      | 5.0   | 16.3  |

## GROUP EBIT BRIDGE (\$M)



## MANAGEMENT COMMENTARY CONTINUED

## NEW ZEALAND REVENUE

# \$217.4M

(+2.1%)

Total revenue in New Zealand grew by \$4.5 million (or 2.1%) to \$217.4 million. The North Island revenue increase offset the sales decline in the South Island, which was principally due to lower activity in the Canterbury region - although the rate of regional decline was less than for the prior year.

On a national basis, residential sales revenue was in line with the previous year. Commercial Glazing revenue grew 8.9% to \$52.5 million, with growth in the North Island again more than offsetting the declines observed in the South Island. The business is continuing to focus on selecting suitable projects that are within its core competencies, and that it can deliver on time and at a profit.

## COMMERCIAL GLAZING REVENUE GREW

# 8.9% TO \$52.5M

Our New Zealand operations delivered an EBIT of \$31.1 million, an increase of 6.3% from last year. This was generated by improved unit pricing, changes in product mix, and savings in material costs as a result of improved inventory and factory management. Offsetting this improvement were increased distribution and factory management costs, short-term incentive payments, increased overheads and higher depreciation.

These results were supported by a greater focus on our people, including the on-boarding of new management talent and capability, increasing the front-line leadership within our plants, and aligning our wage rates with the market.

Metroglass's New Zealand operations also delivered improved customer service and operational metrics following the launch of a number of people- and process-focused initiatives. Pleasingly, over the course of the year, there has been a distinct decline in voluntary staff turnover.

## CASH FLOW AND BALANCE SHEET

The New Zealand operation continued with its progress reducing working capital by \$3.1 million for the second successive year on the back of reduced inventory levels. Net operating cash flows improved marginally on the prior year with improved EBITDA partially offset by the timing of tax payments in the period.



## AUSTRALIA REVENUE

# \$50.4M

[–9.0%]

AGG's EBIT<sup>1</sup> fell from a positive \$3.2 million in FY18 to an EBIT loss of \$4.8 million in FY19. This result was principally due to operational and service difficulties in Victoria and NSW, and the slow start-up of a new processing facility in Tasmania.

### STATE BY STATE

In Victoria, sales declined as we began servicing the Tasmanian market from our new Tasmanian plant, rather than shipping in product from Victoria. The Victorian plant did not utilise this additional capacity locally in the financial year which reduced Victoria's EBIT by \$2.5 million in FY19 versus the prior year. In addition, Victoria lost market share in processed toughened glass as a result of its operational issues which reduced EBIT by \$2.2 million.

The NSW operations experienced a particularly challenging year, struggling to achieve efficiency targets in the first half exacerbated by equipment issues and a refocus of the business to soft-coat double glazing. The business continues its transition from one that predominantly produces processed toughened glass to being focused on double glazing.

During the year, this transition has impacted service levels and revenue. However, operational performance improved in the

second half of the year, and in particular in the final quarter, and we continue to engage with customers to win back business. We are confident these initial improvements will allow this business to improve its financial performance.

AGG opened a new processing plant in Hobart, Tasmania, in early 2018. This plant enables the company to offer a better service to local customers and has freed up capacity at our Victorian plant, which previously serviced the Tasmanian market. The operation did not start up as smoothly as we would have liked, and initially this proved detrimental to service levels and ultimately to market share across the island. However, the plant is now performing well, and the business met its year one financial goals, which included breaking even on an EBIT basis in the final quarter of FY19.

In FY19 we formed a new leadership team which has brought considerable manufacturing experience and a focus to the business. We are pleased to report that operational performance has seen improvement across AGG over the second half, although its translation to financial results has lagged expectations.

We are confident that with the recruitment of additional line management and changing the culture of the organisation, the improving service levels will support continued new customer acquisition, which will lead to increased sales and better financial outcomes.



AGG today holds a relatively small position in the large and fragmented South East Australian glass processing market. We continue to see opportunity and long-term value in this investment as it can benefit from the anticipated changes in the market that will boost demand for double glazing and the performance improvement initiatives currently under way will have greater effect.

### CASH FLOW AND BALANCE SHEET

Working capital in AGG was in line with the prior year as lower accounts receivable were offset by a higher inventory balance as expected sales did not eventuate. The business had negative operating cash flow on account of the loss incurred during the year. ■

<sup>1</sup> Earnings before interest and tax, before significant items.

## OUR STRATEGY AT A GLANCE



### THE METRO WAY

#### SAFETY

Embed 'Home safe every day' as our way of life

#### PRODUCT & PROCESS QUALITY

Right first time, every time

#### OUR CUSTOMER

At the centre of everything we do

#### OUR PEOPLE

We value, inspire, train and develop our team

#### OWNING OUR WORK

We take responsibility and work as one team

| OUR OBJECTIVES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           | FY19 PROGRESS                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>1 DELIVER MARKET LEADING CUSTOMER SERVICE TO OUR CUSTOMERS</b></p> <p>Quality and service are key differentiators for our customers and critical to their success and profitability. The New Zealand and Australian businesses are now well equipped to satisfy anticipated market demands over the next 24 months, and will focus on processing and installation efficiency, productivity and reliability.</p>                                                                                                                                                                                                                                                                                                                                                                    | <ul style="list-style-type: none"> <li>Improved customer service in NZ with 93% of items delivered on time of within 48 hours if late in FY19, versus 86% in H2-FY18. Additionally, product quality improved by 10% in H2-FY19 vs. H1-FY19 (reduced external reworks)</li> <li>Conducted a NZ-wide customer survey to align service improvement priorities</li> <li>AGG service levels below target in calendar year 2018</li> </ul> <p><b>Action: Reset of Australian business improved customer service metrics (DIFOT, reworks) in all three states through the second half of the financial year and into FY20</b></p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
| <p><b>2 DEVELOP OUR ORGANISATIONAL CAPABILITIES</b></p> <p>Improving our ability to execute against our strategic initiatives is critical, and following a number of years of rapid growth, a greater focus is now being placed on investing in our people, their capabilities, and our support systems.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                             | <ul style="list-style-type: none"> <li>Mixed H&amp;S performance with increased LTIFR and decreased TRIFR</li> <li>Increasingly stable team in NZ, with voluntary staff turnover reducing from 31% in FY18 to 22% in FY19 and absenteeism declining by ~10%</li> <li>Delivered initiatives to better support, train and engage our people. Included a group-wide staff engagement survey and appointment of a learning and development manager</li> <li>Strengthened AGG leadership team and front-line factory supervision in NZ</li> <li>Aligned NZ wage rates with a competitive labour market and reinvigorated our apprenticeship programme</li> <li>Completed a number of IT system improvements, including updated people management systems, new company intranet and improved Retrofit tools</li> <li>New Group CEO Simon Mander joined in November 2018</li> </ul> <p><b>Action: Focusing on improved safety through preventative efforts; appointed a Group H&amp;S Manager (also on senior leadership team)</b></p>                                                                                                                                                                                                                                                                  |
| <p><b>3 UPHOLD OUR SCALE STRENGTH THROUGH PRODUCT &amp; CHANNEL LEADERSHIP</b></p> <p>Metroglass' scale and leadership position in the New Zealand flat-glass market provides advantages across customer support, procurement, manufacturing and distribution. We will continue to operate across multiple channels in NZ, offering varied cycle exposures and growth opportunities.</p> <p>AGG operates in much larger and more fragmented market where a smaller targeted player can be successful. AGG will use its new double glazing capacity and improved supply chain to deliver profitable growth in the South East Australian market.</p> <p>Glass is a rapidly evolving product and we have invested to ensure we continue to provide the leading offering in our markets.</p> | <ul style="list-style-type: none"> <li>Metroglass' NZ revenue and margins grew, but market share based on glass imports declined. This was impacted by additional market capacity being added, reducing glass inventory by \$1.6m and our selective approach to supplying complex products &amp; projects</li> <li>Commercial glazing revenue 8.9%, residential and Retrofit sales in line with last year</li> </ul> <p><b>Action: Realign retrofit nationally, executing an operational effectiveness programme, and reprioritised marketing activity</b></p> <ul style="list-style-type: none"> <li>New Tasmanian plant met its year one financial goals, including reaching EBIT break even in Q4 FY19</li> <li>Australian revenue declined 9.0%, following operational issues in Victoria and New South Wales</li> </ul> <p><b>Action: Regain customers' confidence and trust through sustained improvements in operating performance. Good progress made in the second half of the financial year is continuing</b></p> <ul style="list-style-type: none"> <li>AGG launched its 'good-better-best' range of double glazed units using low-emissivity (LowE) glass</li> <li>AGG product specifications now available in the widely used Window Energy Rating Scheme (WERS) system</li> </ul> |
| <p><b>4 LEVERAGE OUR SCALE TO DELIVER SOLUTIONS EFFICIENTLY</b></p> <p>A persistent focus on increasing efficiency and automation and lowering costs is essential for the long-term sustainability of our business, and to enable us to compete successfully against imports and changing industry dynamics.</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | <ul style="list-style-type: none"> <li>Increased NZ margins through favourable product mix and pricing, with efficiency gains offsetting cost pressures in labour, distribution and materials</li> <li>Achieved labour efficiency gains (and service improvements) in NZ resulting from a more stable workforce and increased front-line leadership roles</li> <li>Completed improved inventory management system trials in two NZ plants with positive results</li> <li>Reshaped the Canterbury business in line with reduced activity levels</li> <li>Refreshed manufacturing continuous improvement program launched in Auckland and Christchurch with good early progress</li> <li>Operational challenges impacted Australian labour efficiency, particularly in the first half of the year</li> </ul> <p><b>Action: Initial cost reduction plan has been executed. As the business stabilizes, its operating costs will be reviewed</b></p>                                                                                                                                                                                                                                                                                                                                                 |

## BOARD OF DIRECTORS



### PETER GRIFFITHS

INDEPENDENT, NON-EXECUTIVE  
CHAIR, MEMBER OF THE AUDIT  
AND RISK COMMITTEE

Appointed: September 2016

After a career in the energy industry Peter has become a professional director. His last executive position was as Managing Director of BP Oil New Zealand for 10 years, retiring in 2009. He has previously served on a number of boards including Z Energy, Marsden Maritime Holdings, The New Zealand Refining Company, and New Zealand Oil and Gas. He is also Chair of the New Zealand Business and Parliament Trust and has private interests in marine contracting and general aviation. Peter holds a Bachelor of Science (Honours) degree from Victoria University of Wellington.



### ANGELA BULL

INDEPENDENT, NON-EXECUTIVE  
DIRECTOR, CHAIR OF THE  
PEOPLE AND CULTURE  
COMMITTEE

Appointed: May 2017

Angela is currently the Chief Executive Officer of Tramco Group Limited, a large New Zealand property investment company, a director of the Real Estate Institute of New Zealand, and a director of Callaghan Innovation Research Limited. She joined Tramco Group in February 2016. Prior to leading Tramco, Angela held a number of senior positions over a 10-year period with Foodstuffs, most recently being General Manager Property Development for Foodstuffs North Island. This was preceded by a legal career, including roles with Chapman Tripp, the Crown Law Office and Simpson Grierson. Angela holds Bachelor of Arts and Bachelor of Laws degrees from the University of Auckland.



**GORDON BUSWELL**

INDEPENDENT, NON-EXECUTIVE DIRECTOR, MEMBER OF THE PEOPLE AND CULTURE COMMITTEE

Appointed: October 2015

Gordon has more than 25 years' experience in the building and construction industry. He currently holds a number of industry-associated directorships, including the Building Industry Federation, Platinum Homes Limited, Construction Strategy Group and the Registered Master Builders Association of New Zealand. He is also a Chartered Member of the New Zealand Institute of Directors. Prior to moving into governance roles, Gordon was the Chief Executive Officer of Independent Timber Merchants (ITM) for 13 years and also spent 12 years with Carter Holt Harvey. Gordon holds a Bachelor of Commerce degree from the University of Auckland.



**RUSSELL CHENU**

INDEPENDENT, NON-EXECUTIVE DIRECTOR, MEMBER OF THE AUDIT AND RISK COMMITTEE

Appointed: July 2014

Russell has significant experience in the corporate sector with more than 23 years in senior management roles. He has considerable expertise in senior finance-related roles, including with building products companies. Russell is currently an independent director and the Chairman of the Audit and Risk Committee of ASX-listed businesses CIMIC Group Limited and Reliance Worldwide Corporation Limited. He is also a director of James Hardie Industries plc, following a 23-year career with the company, holding various management and executive positions in a number of countries, including most recently serving as Group Chief Financial Officer from 2004 to 2013. Before this role, Russell served as Chief Financial Officer for several ASX-listed companies (TAB, Delta Gold, Australian National Industries and Pancontinental Mining) and Mighty River Power. He was also previously Treasurer of Pioneer International. Russell has a Bachelor of Commerce degree from The University of Melbourne, a Master of Business Administration from Macquarie Graduate School of Management and is a Member of the Society of Certified Practising Accountants (Australia).



**RHYS JONES**

INDEPENDENT, NON-EXECUTIVE DIRECTOR, MEMBER OF THE PEOPLE AND CULTURE COMMITTEE

Appointed: April 2018

Rhys has had a 30-year career working in the Australasian building material and packaging industries. He is currently the Executive Director and Chairman of the Executive Board of Vulcan Steel Limited, a large privately owned trans-Tasman steel distributor with over 30 business units across Australasia. He is also a director of Carbine Aginvest Corporation Limited (formally Tru Test Corporation Limited). Prior to joining Vulcan Steel in 2006, Rhys has held senior roles in particular with Carter Holt Harvey Ltd and Fletcher Challenge, including as Chief Operating Officer of the Pulp, Paper, and Packaging business of Carter Holt Harvey. He holds a Master of Business Studies degree from Massey University and a Bachelor of Science from Victoria University of Wellington.



**WILLEM (BILL) ROEST**

INDEPENDENT, NON-EXECUTIVE DIRECTOR, CHAIR OF THE AUDIT AND RISK COMMITTEE

Appointed: July 2014

Bill has extensive experience in the New Zealand corporate sector, both in executive and non-executive functions, in particular in the domains of finance and corporate governance. He is currently on the boards of Synlait Milk (where he chairs the Audit and Risk Committee), Fisher & Paykel Appliances (where he chairs the Audit Committee) and New Zealand Housing Foundation. Prior to his non-executive roles, Bill held the position of Chief Financial Officer at Fletcher Building for 12 years. Before this, he held several leadership roles within the Fletcher Group, including as Managing Director of Fletcher Residential and Fletcher Aluminium. Bill is a Fellow of the Association of Chartered Certified Accountants (United Kingdom) and an Associate Member of the Chartered Accountants Australia and New Zealand.

# SENIOR LEADERSHIP TEAM



**SIMON MANDER**  
CHIEF EXECUTIVE OFFICER

Joined: November 2018

Simon has broad leadership expertise at senior levels across industries ranging from ag-tech, building products, to flexible and fibre-based packaging. During Simon's career, he has specialised in performance improvement, as well as in strategy development and execution. He has worked internationally in a number of industries and has recent experience in the New Zealand and Australian building products market.

Simon joined Metroglass from Tru-Test Corporation Limited, a world-leading New Zealand-based ag-tech company where he was CEO. Prior roles have been with well-known companies such as Fletcher Building, DS Smith, Carter Holt Harvey, Partners in Performance, Lion Nathan and McKinsey. He was also a director of NZX-listed Wellington Drive Technologies for nine years.

Simon has a trade background in aircraft engineering and holds a Bachelor of Engineering (Mech) degree from the University of Auckland. In addition, he represented New Zealand in yachting on a number of occasions including in the International 470 class at the 1988 Olympic Games.



**JOHN FRASER-MACKENZIE**  
CHIEF FINANCIAL OFFICER

Joined: May 2015

Before John's appointment as Chief Financial Officer, he worked for Goodman Fielder for eight years, initially as Finance Director of their Dairy Division and latterly as New Zealand Finance Director. Prior to Goodman Fielder he held a number of business development and finance roles for Heinz in Europe.

John is a chartered accountant and holds a Bachelor of Business Science degree (majoring in Finance) from the University of Cape Town.



**ROBYN GIBBARD**  
GENERAL MANAGER  
UPPER NORTH ISLAND

Joined: February 1997

Robyn leads the Upper North Island region for Metroglass and has worked in the business for more than 20 years. She has previously led Metroglass' sales force nationally, and held many customer-facing roles across commercial glazing, branch management and sales management.



**GARETH HAMILL**  
GENERAL MANAGER  
LOWER NORTH ISLAND

Joined: April 2002

Gareth leads the Lower North Island region and has worked for Metroglass for more than 15 years, and brings particular experience in commercial glazing. He is a Director of the Glass and Glazing Institute of New Zealand, and also a Member of The Institute of Building (NZIOB) and of the Window & Glass Association of New Zealand (WGANZ) Glass Technical Committee.

Gareth holds a Bachelor of Building Science degree from Victoria University of Wellington..



**ANDREW DALLISON**  
GENERAL MANAGER  
SOUTH ISLAND  
Joined: June 2018

Andrew leads the South Island region for Metroglass. He brings over 30 years' experience, having held senior sales, technical, operational and general management roles in both the packaging and chemical industries. Before joining the company, his most recent role was leading the packaging division of The Industrial Group, based in Saudi Arabia.

Andrew holds a Master of Business Administration degree from Deakin University in Australia and a Bachelor of Science degree from the University of Canterbury.



**BARRY PATERSON**  
GENERAL MANAGER  
COMMERCIAL GLAZING  
Joined: November 2005

Barry leads Metroglass' technical team and commercial glazing business nationally. He has 15 years of experience across the New Zealand and Australian glass industries. Barry has held a diverse range of commercial and management finance roles in the arable and manufacturing industries, and was a director on the board of Westland Milk Products from 2010 to 2016.

He holds a Bachelor of Commerce and Management degree and a Postgraduate Diploma in Marketing from Lincoln University.



**DAYNA SAUNDERS**  
HUMAN RESOURCES  
DIRECTOR  
Joined: November 2014

Dayna leads Metroglass' Human Resources team nationally. She has over 10 years' experience in HR, Talent & Recruitment spending eight years at Fletcher Building before commencing with Metroglass.

Dayna holds a Bachelor of Business degree in Marketing & Management and a NZ Diploma in Business from the Auckland University of Technology.



**AMANDEEP KAUR**  
GROUP HEALTH AND  
SAFETY MANAGER  
Joined: April 2019

Amandeep leads Group Health and Safety across both our New Zealand and Australia businesses, responsible for the development and implementation of health and safety strategy. She brings with her a wealth of experience, with strengths in creating and implementing a high-performing safety culture. Before joining the company, Amandeep held senior health and safety roles at Harrison Grierson, Sinclair Knight Merz, and Compass Group, after starting her career in quality assurance with Nestlé, Frucor and Real Foods.

Amandeep holds a Master in Food Science Technology degree as well as a Graduate Diploma in Occupational Health and Safety.

## NON-GAAP FINANCIAL INFORMATION

Metroglass' standard profit measure prepared under New Zealand Generally Accepted Accounting Practice (GAAP) is profit for the period, or net profit after tax. Metroglass has used non-GAAP measures which are not prepared in accordance with New Zealand International Financial Reporting Standards (NZ IFRS) when discussing financial performance in this document. The directors and management believe that these non-GAAP financial measures provide useful information to readers to assist in the understanding of the Group's financial performance, financial position or returns, and used internally to evaluate the performance of business units and to establish operational goals. These measures should not be viewed in isolation, nor considered as a substitute for measures reported in accordance with NZ IFRS. Non-GAAP financial measures may not be comparable to similarly titled amounts reported by other companies.

Definitions of non-GAAP financial measures used in this report:

- **EBITDA:** Earnings before interest, tax, depreciation and amortisation.
- **EBITDA before significant items:** EBITDA less significant items, being: \$9.6m of intangible asset impairment cost in FY19 ("Impairment of intangible assets") and \$2.9m of CEO departure and recruitment costs in FY18 ("CEO departure & recruitment costs").
- **Segmental EBIT:** Segment EBIT before significant items.
- **EBIT before significant items:** EBIT less significant items, being: intangible asset impairment cost and CEO departure & recruitment costs.
- **Profit for the period before significant items:** Profit for the period less significant items, being: intangible asset impairment cost and CEO departure & recruitment costs.
- **NPATA:** Profit for the Period before the amortisation of acquisition-related intangibles and its associated tax effect.

## GAAP TO NON-GAAP RECONCILIATION

| FULL YEAR TO 31 MARCH                                                                   | FY19<br>(\$M) | FY18<br>(\$M) |
|-----------------------------------------------------------------------------------------|---------------|---------------|
| <b>Profit for the period before significant items</b>                                   | <b>14.2</b>   | <b>18.4</b>   |
| Less: Impairment of intangible assets                                                   | (9.2)         | –             |
| Less: CEO departure and recruitment costs (tax effected)                                | –             | (2.1)         |
| <b>Profit for the period (GAAP)</b>                                                     | <b>5.0</b>    | <b>16.3</b>   |
| Add: taxation expense                                                                   | 5.5           | 7.1           |
| Add: net finance expense                                                                | 5.1           | 4.7           |
| Earnings before interest and tax (EBIT) (GAAP)                                          | 15.7          | 28.0          |
| Add: depreciation & amortisation                                                        | 14.5          | 12.4          |
| EBITDA                                                                                  | 30.1          | 40.4          |
| EBIT (GAAP)                                                                             | 15.7          | 28.0          |
| Add: Impairment of intangible assets                                                    | 9.6           | –             |
| Add: CEO departure and recruitment costs                                                | –             | 2.9           |
| <b>EBIT before significant items</b>                                                    | <b>25.2</b>   | <b>30.9</b>   |
| EBITDA                                                                                  | 30.1          | 40.4          |
| Add: Impairment of intangible assets                                                    | 9.6           | –             |
| Add: CEO departure and recruitment costs                                                | –             | 2.9           |
| <b>EBITDA before significant items</b>                                                  | <b>39.7</b>   | <b>43.3</b>   |
| <b>Profit for the period (GAAP)</b>                                                     | <b>5.0</b>    | <b>16.3</b>   |
| Add back: amortisation of acquisition-related intangibles and its associated tax effect | 1.7           | 1.9           |
| <b>NPATA</b>                                                                            | <b>6.7</b>    | <b>18.2</b>   |

# OUR RESULTS

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## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE PERIOD ENDED 31 MARCH

|                                                                               |       | CONSOLIDATED   | CONSOLIDATED                               |
|-------------------------------------------------------------------------------|-------|----------------|--------------------------------------------|
|                                                                               | Notes | 2019<br>\$'000 | 2018<br>\$'000<br><i>Restated (Note 1)</i> |
| Sales revenue                                                                 | 2.1   | 267,836        | 268,293                                    |
| Cost of sales                                                                 | 2.3   | (146,517)      | (145,844)                                  |
| <b>Gross Profit</b>                                                           |       | <b>121,319</b> | <b>122,449</b>                             |
| Distribution and glazing related expenses                                     | 2.3   | (47,593)       | (45,854)                                   |
| Selling and marketing expenses                                                | 2.3   | (13,621)       | (13,137)                                   |
| Administration expenses                                                       | 2.3   | (34,870)       | (32,536)                                   |
| <b>Earnings before significant items, interest and tax</b>                    |       | <b>25,235</b>  | <b>30,922</b>                              |
| Significant items                                                             | 2.4   | (9,560)        | (2,922)                                    |
| <b>Earnings before interest and tax</b>                                       |       | <b>15,675</b>  | <b>28,000</b>                              |
| Interest expense                                                              |       | (5,105)        | (4,807)                                    |
| Interest income                                                               |       | 19             | 141                                        |
| <b>Profit before income taxation</b>                                          |       | <b>10,589</b>  | <b>23,334</b>                              |
| Income taxation expense                                                       | 6.1   | (5,547)        | (7,056)                                    |
| <b>Profit for the period</b>                                                  |       | <b>5,042</b>   | <b>16,278</b>                              |
| Other Comprehensive Income                                                    |       |                |                                            |
| Exchange differences on translation of foreign operations                     |       | (253)          | (538)                                      |
| Cash flow hedges                                                              |       | (226)          | 106                                        |
| <b>Total comprehensive income for the period attributable to shareholders</b> |       | <b>4,563</b>   | <b>15,846</b>                              |
| <b>Earnings per share</b>                                                     |       |                |                                            |
| Basic and Diluted Earnings per share (cents per share)                        | 2.5   | 2.7            | 8.8                                        |

The Board of Directors authorised these financial statements for issue on 23 May 2019.

For and on behalf of the Board:



**Peter Griffiths**  
Chairman



**Willem (Bill) Roest**  
Director

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

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 MARCH

|                                      |       | CONSOLIDATED   | CONSOLIDATED   |
|--------------------------------------|-------|----------------|----------------|
|                                      |       | 2019           | 2018           |
|                                      | Notes | \$'000         | \$'000         |
| <b>Assets</b>                        |       |                |                |
| <b>Current assets</b>                |       |                |                |
| Cash and cash equivalents            |       | 5,488          | 360            |
| Trade receivables                    | 3.1   | 38,839         | 40,417         |
| Inventories                          | 3.2   | 22,934         | 23,531         |
| Derivative financial instruments     | 3.4   | 172            | –              |
| Other current assets                 |       | 5,345          | 5,537          |
| <b>Total current assets</b>          |       | <b>72,778</b>  | <b>69,845</b>  |
| <b>Non-current assets</b>            |       |                |                |
| Property, plant and equipment        | 4.1   | 64,581         | 68,372         |
| Deferred tax assets                  | 6.2   | 4,958          | 3,083          |
| Intangible assets                    | 4.2   | 146,442        | 159,487        |
| <b>Total non-current assets</b>      |       | <b>215,981</b> | <b>230,942</b> |
| <b>Total assets</b>                  |       | <b>288,759</b> | <b>300,787</b> |
| <b>Liabilities</b>                   |       |                |                |
| <b>Current liabilities</b>           |       |                |                |
| Bank overdraft                       | 5.1   | –              | 3,857          |
| Trade and other payables             | 3.3   | 29,286         | 31,331         |
| Contract liabilities                 |       | 1,080          | –              |
| Income tax liability                 |       | 2,408          | 2,776          |
| Derivative financial instruments     | 3.4   | 659            | 315            |
| Provisions                           |       | 916            | 1,331          |
| <b>Total current liabilities</b>     |       | <b>34,349</b>  | <b>39,610</b>  |
| <b>Non-current liabilities</b>       |       |                |                |
| Deferred tax liabilities             | 6.2   | 1,947          | 3,514          |
| Interest bearing liabilities         | 5.1   | 88,832         | 90,818         |
| Derivative financial instruments     | 3.4   | 1,057          | 919            |
| Lease incentive                      |       | 2,650          | 2,572          |
| Provisions                           |       | 2,961          | 3,018          |
| <b>Total non-current liabilities</b> |       | <b>97,447</b>  | <b>100,841</b> |
| <b>Total liabilities</b>             |       | <b>131,796</b> | <b>140,451</b> |
| <b>Net assets</b>                    |       | <b>156,963</b> | <b>160,336</b> |
| <b>Equity</b>                        |       |                |                |
| Contributed equity                   | 5.2   | 306,693        | 306,653        |
| Retained earnings                    |       | 21,329         | 24,233         |
| Group reorganisation reserve         |       | (170,665)      | (170,665)      |
| Share based payments reserve         | 6.3   | 725            | 755            |
| Foreign currency translation reserve |       | (4)            | 249            |
| Cash flow hedge reserve              | 3.4   | (1,115)        | (889)          |
| <b>Total equity</b>                  |       | <b>156,963</b> | <b>160,336</b> |

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE PERIOD ENDED 31 MARCH

|                                                                      |       | CONSOLIDATED                    |                    |                                |                 |
|----------------------------------------------------------------------|-------|---------------------------------|--------------------|--------------------------------|-----------------|
|                                                                      |       | 2019                            |                    |                                |                 |
|                                                                      | Notes | Contributed<br>Equity<br>\$'000 | Reserves<br>\$'000 | Retained<br>earnings<br>\$'000 | Total<br>\$'000 |
| <b>Opening balance at 1 April 2018</b>                               |       | <b>306,653</b>                  | <b>(170,550)</b>   | <b>24,233</b>                  | <b>160,336</b>  |
| Change in accounting policy                                          | 1     | —                               | —                  | (1,280)                        | (1,280)         |
| Deferred tax impact on change in accounting policy                   | 1     | —                               | —                  | 375                            | 375             |
| Restated total equity at 1 April 2018                                |       | 306,653                         | (170,550)          | 23,328                         | 159,431         |
| Profit for the period                                                |       | —                               | —                  | 5,042                          | 5,042           |
| Movement in foreign currency translation reserve                     |       | —                               | (253)              | —                              | (253)           |
| Other comprehensive income for the period                            | 3.4   | —                               | (226)              | —                              | (226)           |
| <b>Total comprehensive income (loss) for the period</b>              |       | <b>—</b>                        | <b>(479)</b>       | <b>5,042</b>                   | <b>4,563</b>    |
| Dividends Paid                                                       |       | —                               | —                  | (7,041)                        | (7,041)         |
| Payments received on management incentive plan shares                | 5.2   | 40                              | —                  | —                              | 40              |
| Movement in share based payments reserve                             | 6.3   | —                               | (30)               | —                              | (30)            |
| <b>Total transactions with owners, recognised directly in equity</b> |       | <b>40</b>                       | <b>(30)</b>        | <b>(7,041)</b>                 | <b>(7,031)</b>  |
| <b>Balance at 31 March 2019</b>                                      |       | <b>306,693</b>                  | <b>(171,059)</b>   | <b>21,329</b>                  | <b>156,963</b>  |

|                                                                      |       | CONSOLIDATED                 |                    |                                |                 |
|----------------------------------------------------------------------|-------|------------------------------|--------------------|--------------------------------|-----------------|
|                                                                      |       | 2018                         |                    |                                |                 |
|                                                                      | Notes | Contributed<br>\$'000 Equity | Reserves<br>\$'000 | Retained<br>earnings<br>\$'000 | Total<br>\$'000 |
| <b>Opening balance at 1 April 2017</b>                               |       | <b>304,950</b>               | <b>(170,492)</b>   | <b>22,037</b>                  | <b>156,495</b>  |
| Profit for the period                                                |       | —                            | —                  | 16,278                         | 16,278          |
| Movement in foreign currency translation reserve                     |       | —                            | (538)              | —                              | (538)           |
| Other comprehensive income (loss) for the period                     |       | —                            | 106                | —                              | 106             |
| <b>Total comprehensive income (loss) for the period</b>              |       | <b>—</b>                     | <b>(432)</b>       | <b>16,278</b>                  | <b>15,846</b>   |
| Dividends Paid                                                       |       | —                            | —                  | (14,082)                       | (14,082)        |
| Payments received on management incentive plan shares                | 5.2   | 1,703                        | —                  | —                              | 1,703           |
| Movement in share based payments reserve                             | 6.3   | —                            | 374                | —                              | 374             |
| <b>Total transactions with owners, recognised directly in equity</b> |       | <b>1,703</b>                 | <b>374</b>         | <b>(14,082)</b>                | <b>(12,005)</b> |
| <b>Balance at 31 March 2018</b>                                      |       | <b>306,653</b>               | <b>(170,550)</b>   | <b>24,233</b>                  | <b>160,336</b>  |

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE PERIOD ENDED 31 MARCH

|                                                               | CONSOLIDATED   | CONSOLIDATED    |
|---------------------------------------------------------------|----------------|-----------------|
|                                                               | 2019<br>\$'000 | 2018<br>\$'000  |
| <b>Cash flows from operating activities</b>                   |                |                 |
| Receipts from customers                                       | 269,117        | 270,517         |
| Payments to suppliers and employees                           | (231,190)      | (224,582)       |
| Interest received                                             | 19             | 141             |
| Interest paid                                                 | (5,327)        | (4,679)         |
| Income taxes paid                                             | (8,970)        | (7,759)         |
| <b>Net cash inflow from operating activities</b>              | <b>23,649</b>  | <b>33,638</b>   |
| <b>Cash flows from investing activities</b>                   |                |                 |
| Payments for property, plant & equipment                      | (7,088)        | (19,967)        |
| Payments for intangible assets                                | (718)          | (590)           |
| <b>Net cash outflow from investing activities</b>             | <b>(7,806)</b> | <b>(20,557)</b> |
| <b>Cash flows from financing activities</b>                   |                |                 |
| Repayment of borrowings                                       | (1,146)        | (3,000)         |
| Drawdown of borrowings                                        | –              | –               |
| Payments received on management incentive plan shares         | 1,375          | 368             |
| Dividend paid                                                 | (7,041)        | (14,082)        |
| <b>Net cash inflow/(outflow) from financing activities</b>    | <b>(6,812)</b> | <b>(16,714)</b> |
| <b>Net decrease in cash and cash equivalents</b>              | <b>9,031</b>   | <b>(3,633)</b>  |
| Cash and cash equivalents at the beginning of the period      | (3,497)        | 248             |
| Effects of exchange rate changes on cash and cash equivalents | (46)           | (112)           |
| <b>Cash and cash equivalents at end of the period</b>         | <b>5,488</b>   | <b>(3,497)</b>  |

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

The table below sets out the reconciliation between net debt and cashflow:

|                                                      | CONSOLIDATED   | CONSOLIDATED   |
|------------------------------------------------------|----------------|----------------|
|                                                      | 2019<br>\$'000 | 2018<br>\$'000 |
| <b>Opening balance of bank borrowings at 1 April</b> | <b>90,818</b>  | <b>94,736</b>  |
| Cashflows                                            | (1,146)        | (3,000)        |
| Foreign exchange adjustments                         | (840)          | (918)          |
| <b>Closing balance of bank borrowing at 31 March</b> | <b>88,832</b>  | <b>90,818</b>  |
| Less: cash and cash equivalents                      | (5,488)        | (360)          |
| Plus: bank overdraft                                 | –              | 3,857          |
| <b>Net debt at 31 March</b>                          | <b>83,344</b>  | <b>94,315</b>  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1 BASIS OF PREPARATION

#### Reporting Entity

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

#### Statutory base

The Company is a limited liability company incorporated and domiciled in New Zealand. The address of its registered office is 5 Lady Fisher Place, East Tamaki, Auckland.

The incorporation date for Metro Performance Glass Limited was 30 May 2014 and as part of a group reorganisation was listed on the New Zealand Securities Exchange (NZSX) on 29 July 2014.

#### Basis of preparation

These consolidated financial statements have been approved for issue by the Board of Directors on 23 May 2019.

The consolidated financial statements of the group have been prepared in accordance with Generally Accepted Accounting Practice in New Zealand (NZ GAAP). The group is a for-profit entity for the purposes of complying with NZ GAAP. The consolidated financial statements comply with New Zealand equivalents to International Financial Reporting Standards (NZ IFRS), other New Zealand accounting

standards and authoritative notices that are applicable to entities that apply NZ IFRS. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS).

Metro Performance Glass Limited is a limited liability company registered under the New Zealand Companies Act 1993 and is a Financial Market Conduct reporting entity under Part 7 of the Financial Markets Conduct Act 2013. The financial statements of the Group have been prepared in accordance with the requirements of Part 7 of the Financial Markets Conduct Act 2013 and the NZX Main Board Listing Rules.

#### 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 at fair value through profit or loss.

#### 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 31 March 2019 and the results of all subsidiaries for the period then ended.

Subsidiaries are all entities over which the Group has control. It is a controlled entity of Metro Performance Glass if Metro Performance Glass is exposed and has a right to variable returns from the entity and is able to use its power over the entity to affect those returns. 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.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provided evidence of the impairment of the asset transferred.

#### 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.

#### Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed in each accounting note as appropriate.

### FOREIGN CURRENCY TRANSLATION

#### Functional and presentation currency

The consolidated financial statements are presented in New Zealand dollars, which is Metro Performance Glass Limited's functional and presentation currency.

#### 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. They are deferred in equity if they relate to qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

The results and financial position of foreign operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet
- income and expenses for each statement of profit or loss and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- all resulting exchange differences are recognised in other comprehensive income.

### CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

#### New and amended standards adopted by the Group

A number of new standards become applicable for the current reporting period and the Group has changed its accounting policies as a result of adopting the following standards:

- IFRS 9 *Financial Instruments*
- IFRS 15 *Revenue from Contracts with Customers*

The impact of the adoption of these new standards is disclosed below.

#### Changes in accounting policies

This note explains the impact of the adoption of IFRS 15 and IFRS 9 on the Group's consolidated financial statements and also discloses the new accounting policies that have been applied from 1 April 2018, where they are different to those applied in prior periods.

#### IFRS 15 *Revenue from Contracts with Customers* – Impact of Adoption

The Group adopted IFRS 15 *Revenue from Contracts with Customers* for the first time from 1 April 2018. The Group applied NZ IFRS 15 retrospectively with the cumulative effect of applying the standard for the first time recognised at the date of initial application (1 April 2018).

The Group identified changes in the timing of revenue recognition as a result of the adoption of NZ IFRS 15 and accordingly there was an adjustment of \$0.04 million against opening retained earnings at 1 April 2018 for the cumulative effect of revenue that would have been recognised in the prior period. This mainly relates to partial deliveries for the Retrofit and Residential revenue channels for which the Group has an unconditional right to payment and where the Group recognise revenue when the control has passed.

#### (a) Accounting Policies

##### *Sales of goods*

The Group derives revenue for the provision and assembly of customised glass products. Sales of goods are recognised at a point in time 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. Revenue in the Retrofit and Residential revenue channels are recognised in this manner.

##### *Sales of supply and install services*

The Group provides glazing services throughout the Metro Performance Glass branch network. For sales of supply and glazing services, revenue is recognised over time, 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. Revenue in the Commercial Glazing revenue channel is recognised over time.

#### (b) Presentation of the consolidated financial statements related to contracts with customers

A contract liability is recognised where a deposit is received on acceptance of a quote, as the deposit is fully refundable if the contract does not go ahead. These were previously disclosed in Trade and other payables (\$1.1m at 1 April 2018). This liability mainly relates to our Retrofit revenue channel and is usually realised within two months.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following table illustrates the differences between the application of IFRS15 and as if the Group had continued to account for relevant transactions during the year ended 31 March 2019 under legacy standards:

|                           | Amount<br>recognised<br>under IFRS 15 | Amount<br>recognised<br>under previous<br>revenue<br>recognition<br>policy | Difference |
|---------------------------|---------------------------------------|----------------------------------------------------------------------------|------------|
|                           | 2019<br>\$'000                        | 2019<br>\$'000                                                             | \$'000     |
| Sales Revenue             | 267,836                               | 267,607                                                                    | 229        |
| Cost of Sales             | (146,517)                             | (146,453)                                                                  | 64         |
| Opening Retained Earnings | 44                                    | –                                                                          | 44         |
| Trade Receivables         | 336                                   | –                                                                          | 336        |

IFRS 15 requires the disaggregation of revenue to provide clear and meaningful information. For the Group, Management concluded that presentation of revenue in terms of the geographical region and channel was most appropriate. This has been presented in the Segment Information disclosure.

### IFRS 9 *Financial Instruments* – impact of adoption

IFRS 9, as it relates to the Group, replaces the provisions of IAS 39 that relate to the recognition, classification, measurement and impairment of financial assets and hedge accounting. The adoption of IFRS 9 from 1 April 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the consolidated financial statements. The new accounting policies are set out in the sections below, along with the impact on the consolidated financial statements.

The Group has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policies.

### Classification and measurement

From 1 April 2018, the Group classified its financial assets as being measured at amortised cost. These were previously classified as loans and receivables. There was no change in measurement as a result of the reclassification. At initial recognition, the group measures a financial asset at its fair value plus transactions costs that are directly attributable to the acquisition of the financial asset. Subsequently, they are measured at amortised cost.

The Group has one type of financial asset that is subject to IFRS 9's new expected credit loss model, that being Trade Receivables.

The Group was required to revise its impairment methodology under IFRS 9 for Trade Receivables. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table below.

### Impairment of financial assets

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime credit losses to be recognised from initial recognition of the trade receivables.

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

To measure expected credit losses, trade receivables have been grouped and reviewed on the basis of the number of days past due. The expected credit loss allowance has been calculated by considering the impact of the following characteristics:

- The Baseline loss rate takes into account the write-off history of the Group over a five year period as a predictor of future conditions and applies an increasing expected credit loss estimate by trade receivables aging profiles.
- The Market characteristic considers the relative risk related to any particular market segment and makes an assessment of the indirect exposure the Group has in respect to this market segment's conditions via our customer base. Of particular focus with respect to this characteristic in the current period is the vertical construction market segment.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The expected credit loss allowance as at 1 April was determined as follows for trade receivables:

| 1 APRIL 2018                          | Current<br>NZ\$'000 | 30–59 days<br>NZ\$'000 | 60–89 days<br>NZ\$'000 | 90 days<br>and later<br>NZ\$'000 | TOTAL<br>NZ\$'000 |
|---------------------------------------|---------------------|------------------------|------------------------|----------------------------------|-------------------|
| <b>Gross carrying amount</b>          | <b>24,786</b>       | <b>8,100</b>           | <b>1,187</b>           | <b>7,339</b>                     | <b>41,412</b>     |
| Baseline                              | 136                 | 144                    | 96                     | 439                              | 815               |
| Market                                | 191                 | 93                     | 5                      | 230                              | 519               |
| Total expected credit loss rate       | 1.32%               | 2.92%                  | 8.51%                  | 9.12%                            | 3.22%             |
| <b>Expected credit loss allowance</b> | <b>327</b>          | <b>237</b>             | <b>101</b>             | <b>669</b>                       | <b>1,334</b>      |

The ageing profile of the Gross carrying amount above does not necessarily reflect whether an amount is past due and impaired as customer credit terms vary and a significant amount of the aged receivable represents contractual retentions.

The expected credit loss allowance for trade receivables as at 31 March 2018, as reported in the Annual Report, reconciles to the opening loss allowance on 1 April 2018 as follows:

|                                                                            | NZ\$'000     |
|----------------------------------------------------------------------------|--------------|
| <b>Loss allowances for trade receivables</b>                               |              |
| At 31 March 2018 – calculated under IAS 39                                 | 995          |
| Impact of first time adoption of IFRS 9                                    | 1,334        |
| <b>Opening loss allowance as at 1 April 2018 – calculated under IFRS 9</b> | <b>2,329</b> |

Over the period, the trade receivables position has improved resulting in a reduction in the expected credit loss allowance of \$0.14m. This amount was recognised during the period within the Statement of Comprehensive Income in Administration Expenses.

### Impact of standards issued but not yet adopted by the Group

IFRS 16 *Leases* was issued in January 2016. It will result in almost all leases being recognised in the Statement of Financial Position, as the distinction between operating leases and finance leases is removed. The standard is mandatory for reporting periods beginning on or after 1 April 2019. The Group does not intend to adopt the standard before its mandatory effective date and intends to implement the simplified transition approach as defined in the standard. The Group will not restate comparative amounts for the period prior to adoption.

### NZ IFRS 16: *Leases*

NZ IFRS 16 *Leases* replaces NZ IAS 17 and is effective for annual periods commencing on or after 1 January 2019. It requires a lessee to recognise a lease liability reflecting future lease payments and a 'right-to-use asset' for virtually all lease contracts. Included is an optional exemption for certain short-term leases and leases of low-value assets for lessees. It will also result in changes in the Statement of Comprehensive Income with an interest expense on the liability and depreciation of the asset replacing the rental expense.

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable minimum operating lease commitments of \$47.2m (refer note 6.6). On adoption, NZ IFRS 16 will have a significant impact on the Group's statement of financial position and statement of comprehensive income.

Management has developed a model to calculate the full quantitative effect of their current operating leases under NZ IFRS 16 as at 1 April 2019, being the date of adoption. The model requires management to make some key judgements including:

- The incremental borrowing rate used to discount lease assets and liabilities; and
- The lease term including potential rights of renewals.

As a result of the calculations and the application of judgement within the model, management is able to quantify the potential impact of NZ IFRS 16 based on the current lease arrangements across the Group. Management expect that there will material impact across the following line items in the statement of financial position:

- Recognition of a right-of-use asset of approximately \$56.8 million;
- Recognition of a lease liability of approximately \$64.7 million.
- Recognition of a deferred taxation asset of approximately \$2.2 million.
- Decrease in opening retained earnings of approximately \$3 million.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The expected impact on the statement of comprehensive income for the period ended 31 March 2020 across the following line items are estimated as follows:

|                                                                                                 | NZ\$m        |
|-------------------------------------------------------------------------------------------------|--------------|
| Decrease in operating lease expense recognised within Cost of sales and Administration expenses | 7.2          |
| Increase in depreciation and amortization expense                                               | (5.3)        |
| Increase in finance costs (recognised as interest expense)                                      | (3.0)        |
| <b>Decrease in profit before taxation</b>                                                       | <b>(1.1)</b> |

The above has no cash effect on the Group and the change is for financial reporting purposes only.

Current estimates are likely to change at time of adoption and for the period ending 31 March 2020, mainly due to:

- Finalisation of management's judgements and subsequent movements in the inherent borrowing rate (interest rates);
- Change in management's judgement to exercise rights of renewals under lease arrangements;
- Changes to existing lease contracts;
- Clarification of tax rules impacting the recognition of deferred tax assets; and
- New lease contracts entered into by the Group.

### Changes in accounting disclosures

Certain comparatives have been restated in the Australian business to conform with the current year's presentation and to improve consistency across operating segments.

(a) The Group reclassified customer service costs amounting to \$1.9m from Cost of sales to Selling and marketing expenses to align group treatment.

(b) The Group reclassified dispatch labour amounting to \$3.3m from Cost of sales and \$0.6m from Administration expenses to Distribution and glazing related expenses to align group treatment.

These changes have also been made to comparatives in the Segment Information note.

The following table shows the impact of these reclassifications with respect to 2018:

|                                           | Note<br>(above) | Per 2018<br>Annual Report | Current<br>Disclosure | Difference     |
|-------------------------------------------|-----------------|---------------------------|-----------------------|----------------|
|                                           |                 | 2018<br>\$'000            | 2018<br>\$'000        | 2018<br>\$'000 |
| Cost of Sales                             | (a), (b)        | (151,119)                 | (145,844)             | 5,275          |
| Gross Profit                              | (a), (b)        | <b>117,174</b>            | <b>122,449</b>        | <b>5,275</b>   |
| Distribution and glazing related expenses | (b)             | (41,867)                  | (45,854)              | (3,987)        |
| Selling and marketing expenses            | (a)             | (11,206)                  | (13,137)              | (1,931)        |
| Administration expenses                   | (b)             | (33,179)                  | (32,536)              | 643            |
| Earnings before interest and tax          |                 | <b>28,000</b>             | <b>28,000</b>         | —              |

## 2 FINANCIAL PERFORMANCE

### 2.1 SEGMENT INFORMATION

Operating segments of the Group at 31 March 2019 have been determined based on financial information that is regularly reviewed by the Board in conjunction with the Chief Executive Officer and Chief Financial Officer, collectively known as the Chief Operating Decision Maker for the purpose of allocating resources, assessing performance and making strategic decisions.

Substantially all of the Group's revenue is derived from the sale of glass and related products and services. This revenue is split by channel only at the revenue level into Commercial, Residential and Retrofit. Commercial revenue reflects sales through four specific commercial glazing operations in New Zealand. The allocation of sales between residential and commercial can be difficult as the Group does not always know the end use application. Following the acquisition of AGG on 1 September 2016 the Group operates in two geographic segments, New Zealand and Australia.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In the tables below:

- Group costs consist of insurance, professional services, director fees and expenses, listing fees and share incentive scheme costs.
- Significant items related to impairment of intangible assets in AGG in 2019 and CEO departure and recruitment costs in 2018.

|                                                            | CONSOLIDATED 2019     |                     |                                   |                 |
|------------------------------------------------------------|-----------------------|---------------------|-----------------------------------|-----------------|
|                                                            | New Zealand<br>\$'000 | Australia<br>\$'000 | Eliminations &<br>Other<br>\$'000 | Group<br>\$'000 |
| Commercial Glazing                                         | 52,462                | –                   | –                                 | 52,462          |
| Residential                                                | 143,136               | 50,402              | –                                 | 193,538         |
| Retrofit                                                   | 21,836                | –                   | –                                 | 21,836          |
| <b>Total revenue</b>                                       | <b>217,434</b>        | <b>50,402</b>       | <b>–</b>                          | <b>267,836</b>  |
| Gross Profit                                               | 110,261               | 11,058              | –                                 | 121,319         |
| Segmental EBITDA before significant items                  | 41,972                | (1,212)             | –                                 | 40,760          |
| Group Costs                                                | –                     | –                   | (1,066)                           | (1,066)         |
| <b>Group EBITDA before significant items</b>               |                       |                     |                                   | <b>39,694</b>   |
| Depreciation and amortisation                              | 10,885                | 3,574               | –                                 | 14,459          |
| <b>EBIT before significant items</b>                       | <b>31,087</b>         | <b>(4,786)</b>      | <b>(1,066)</b>                    | <b>25,235</b>   |
| Significant items                                          | –                     | (9,560)             | –                                 | (9,560)         |
| <b>EBIT</b>                                                | <b>31,087</b>         | <b>(14,346)</b>     | <b>(1,066)</b>                    | <b>15,675</b>   |
| Segment Assets                                             | 285,958               | 57,509              | (54,708)                          | 288,759         |
| Segment Non-current Assets (excluding Deferred tax assets) | 170,186               | 40,837              | –                                 | 211,023         |
| Segment Liabilities                                        | 28,965                | 54,347              | 48,484                            | 131,796         |

|                                                            | CONSOLIDATED 2018     |                                                 |                                   |                 |
|------------------------------------------------------------|-----------------------|-------------------------------------------------|-----------------------------------|-----------------|
|                                                            | New Zealand<br>\$'000 | Australia<br>\$'000<br><i>Restated (Note 1)</i> | Eliminations &<br>Other<br>\$'000 | Group<br>\$'000 |
| Commercial Glazing                                         | 48,153                | –                                               | –                                 | 48,153          |
| Residential                                                | 143,248               | 55,404                                          | (12)                              | 198,640         |
| Retrofit                                                   | 21,500                | –                                               | –                                 | 21,500          |
| <b>Total revenue</b>                                       | <b>212,901</b>        | <b>55,404</b>                                   | <b>(12)</b>                       | <b>268,293</b>  |
| Gross Profit                                               | 105,463               | 16,986                                          | –                                 | 122,449         |
| Segmental EBITDA before significant items                  | 38,944                | 5,854                                           | –                                 | 44,798          |
| Group Costs                                                | –                     | –                                               | (1,478)                           | (1,478)         |
| <b>Group EBITDA before significant items</b>               |                       |                                                 |                                   | <b>43,320</b>   |
| Depreciation and amortisation                              | 9,704                 | 2,694                                           | –                                 | 12,398          |
| <b>EBIT before significant items</b>                       | <b>29,240</b>         | <b>3,160</b>                                    | <b>(1,478)</b>                    | <b>30,922</b>   |
| Significant items                                          | –                     | –                                               | (2,922)                           | (2,922)         |
| <b>EBIT</b>                                                | <b>29,240</b>         | <b>3,160</b>                                    | <b>(4,400)</b>                    | <b>28,000</b>   |
| Segment Assets                                             | 271,089               | 64,827                                          | (35,129)                          | 300,787         |
| Segment Non-current Assets (excluding Deferred tax assets) | 174,718               | 53,141                                          | –                                 | 227,859         |
| Segment Liabilities                                        | 30,551                | 47,472                                          | 62,428                            | 140,451         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2.2 REVENUE

#### Accounting Policy

Revenue comprises the value of the consideration received for the sale of goods and services, net of Goods and Services Tax, rebates and discounts and after eliminating sales within the Group.

#### Sales of goods

The Group derives revenue for the provision and assembly of customised glass products. Sales of goods are recognised at a point in time 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.

#### Sales of supply and install services

The Group provides glazing services throughout the Metro Performance Glass branch network. For sales of supply and glazing services, revenue is recognised over time, 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.

### 2.3 OPERATING EXPENDITURE

|                                                                                                                                    | CONSOLIDATED   | CONSOLIDATED   |
|------------------------------------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                                                    | 2019<br>\$'000 | 2018<br>\$'000 |
| Raw materials and consumables used                                                                                                 | 72,212         | 74,703         |
| Employee benefit expense                                                                                                           | 99,337         | 95,999         |
| Subcontractor cost                                                                                                                 | 6,684          | 6,200          |
| Depreciation and amortisation                                                                                                      | 14,459         | 12,398         |
| Transportation and logistics                                                                                                       | 10,357         | 10,861         |
| Operating lease payments                                                                                                           | 10,528         | 10,020         |
| Advertising                                                                                                                        | 1,858          | 2,301          |
| Other expenses                                                                                                                     | 27,166         | 24,889         |
| <b>Total cost of sales, distribution and glazing related expenses, selling and marketing expenses, and administration expenses</b> | <b>242,601</b> | <b>237,371</b> |

|                                                                                      | CONSOLIDATED   | CONSOLIDATED   |
|--------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                      | 2019<br>\$'000 | 2018<br>\$'000 |
| <b>Audit and review of financial statements</b>                                      |                |                |
| Audit and review of financial statements – PwC                                       | 300            | 296            |
| <b>Other services performed by PwC</b>                                               |                |                |
| Agreed-upon procedures relating to covenant compliance certificate and annual report | 11             | 11             |
| Share Scheme advice                                                                  | 56             | 4              |
| Executive reward services                                                            | 19             | 16             |
|                                                                                      | <b>386</b>     | <b>327</b>     |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 2.4 SIGNIFICANT ITEMS

|                                                | CONSOLIDATED   | CONSOLIDATED   |
|------------------------------------------------|----------------|----------------|
|                                                | 2019<br>\$'000 | 2018<br>\$'000 |
| CEO departure and recruitment costs            | –              | 2,922          |
| Impairment of AGG Intangible assets            | 9,560          | –              |
| <b>Total significant items before taxation</b> | <b>9,560</b>   | <b>2,922</b>   |
| Tax benefit on above items                     | (384)          | (818)          |
| <b>Total significant items after taxation</b>  | <b>9,176</b>   | <b>2,104</b>   |

Additional detail on impairment charges can be seen in the Intangible Assets note 4.2.

### 2.5 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 | CONSOLIDATED |
|----------------------------------------------------------------|--------------|--------------|
|                                                                | 2019         | 2018         |
| Profit after tax (\$'000)                                      | 5,042        | 16,278       |
| Weighted average number of ordinary shares outstanding ('000s) | 185,378      | 185,378      |
| Basic Earnings per share (cents per share)                     | 2.7          | 8.8          |

#### 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.

|                                                                                   | CONSOLIDATED | CONSOLIDATED |
|-----------------------------------------------------------------------------------|--------------|--------------|
|                                                                                   | 2019         | 2018         |
| Weighted average number of ordinary shares outstanding ('000s)                    | 185,378      | 185,378      |
| Adjusted for share options ('000s)                                                | –            | –            |
| Weighted average number of ordinary shares for diluted earnings per share ('000s) | 185,378      | 185,378      |
| Diluted Earnings per share (cents per share)                                      | 2.7          | 8.8          |

### Net Tangible Assets

|                                                 | CONSOLIDATED   | CONSOLIDATED   |
|-------------------------------------------------|----------------|----------------|
|                                                 | 2019<br>\$'000 | 2018<br>\$'000 |
| Net Tangible assets                             | 10,521         | 849            |
| Shares on issue at end of period (in thousands) | 185,378        | 185,378        |
| Net tangible assets per share (cents per share) | 5.68           | 0.46           |

Net Tangible Assets consist of Net Assets less Intangible Assets.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3 WORKING CAPITAL

## 3.1 TRADE RECEIVABLES

The following table summarises the impact of the expected credit loss provision on the trade receivables balance. See Page 24 for more detail on the accounting policies that impact trade receivables.

|                                | CONSOLIDATED   | CONSOLIDATED   |
|--------------------------------|----------------|----------------|
|                                | 2019<br>\$'000 | 2018<br>\$'000 |
| Trade receivables              | 40,800         | 41,412         |
| Expected credit loss provision | (1,961)        | (995)          |
|                                | <b>38,839</b>  | <b>40,417</b>  |

## Bad and doubtful trade receivables

The Group extends credit to its customers based on an assessment of credit worthiness. Terms differ by customer and may extend to 60 days past invoice date. A portion of the Group's receivables are also subject to contractual retentions which can last up to and exceed 12 months. At balance date, a portion of trade receivables are past due as defined by the applicable credit terms.

|                                               | CONSOLIDATED   | CONSOLIDATED   |
|-----------------------------------------------|----------------|----------------|
|                                               | 2019<br>\$'000 | 2018<br>\$'000 |
| <b>The ageing profile of debtors follows:</b> |                |                |
| Current                                       | 25,189         | 24,786         |
| 30 – 59 days                                  | 6,629          | 8,100          |
| 60 – 89 days                                  | 1,852          | 1,187          |
| 90 days and later                             | 7,130          | 7,339          |
|                                               | <b>40,800</b>  | <b>41,412</b>  |

The ageing profile above does not necessarily reflect whether an amount is past due and impaired as customer credit terms vary and a significant amount of the aged receivable represents contractual retentions.

|                                                                        | CONSOLIDATED   | CONSOLIDATED   |
|------------------------------------------------------------------------|----------------|----------------|
|                                                                        | 2019<br>\$'000 | 2018<br>\$'000 |
| <b>Movements in the expected credit loss provision are as follows:</b> |                |                |
| Opening balance                                                        | 995            | 978            |
| Impact of first time adoption of IFRS9                                 | 1,334          | –              |
| Provision for impairment recognised during the year                    | 371            | 407            |
| Receivables written off during the year as uncollectable               | (739)          | (390)          |
| <b>Balance at end of year</b>                                          | <b>1,961</b>   | <b>995</b>     |

Amounts are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The expected credit loss allowance as at 31 March 2019 was determined as follows for trade receivables:

|                                       | Current       | 30–59 days   | 60–89 days   | 90 days and later | TOTAL         |
|---------------------------------------|---------------|--------------|--------------|-------------------|---------------|
| 31 March 2019                         | NZ\$'000      | NZ\$'000     | NZ\$'000     | NZ\$'000          | NZ\$'000      |
| <b>Gross carrying amount</b>          | <b>25,189</b> | <b>6,629</b> | <b>1,852</b> | <b>7,130</b>      | <b>40,800</b> |
| Baseline                              | 135           | 136          | 100          | 414               | 785           |
| Market                                | 120           | 33           | 36           | 224               | 413           |
| Specific                              | –             | –            | –            | 763               | 763           |
| Total expected credit loss rate       | 1.01%         | 2.55%        | 7.34%        | 19.65%            | 4.81%         |
| <b>Expected credit loss allowance</b> | <b>255</b>    | <b>169</b>   | <b>136</b>   | <b>1,401</b>      | <b>1,961</b>  |

### Estimates and judgements:

#### *Expected credit loss provision*

To measure expected credit losses, trade receivables have been grouped and reviewed on the basis of the number of days past due. The expected credit loss allowance has been calculated by considering the impact of the following characteristics:

- The Baseline loss rate takes into account the write-off history of the Group over a five year period as a predictor of future conditions and applies an increasing expected credit loss estimate by trade receivables aging profiles.
- The Market characteristic considers the relative risk related to any particular market segment and makes an assessment of the indirect exposure the Group has in respect to this market segment's conditions via our customer base. Of particular focus with respect to this characteristic in the current period is the direct and indirect exposure to the vertical construction market segment.

Under IAS 39, trade receivables were reduced by an allowance for amounts that may become uncollectable in the future, based on any specific customer collection issues that were identified. Collections and payments from our customers are continuously monitored and an expected credit loss provision is still maintained to cover any specific customer credit losses anticipated.

### Accounting Policy

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for estimated uncollectable amounts and expected credit losses. The carrying amount of the asset is reduced through the use of provision accounts, and the amount of the loss is recognised in the statement of comprehensive income within 'Administration expenses'. Individual debtor accounts are reviewed for impairment and a provision is raised based on management's best estimate of recoverability. Trade receivables are also assessed for credit risk on a forward-looking basis with a provision raised where a expected credit loss is considered likely.

### Credit Risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and deposits with banks and financial institutions, as well as credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions and is managed at Group level.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3.2 INVENTORIES

|                                                  | CONSOLIDATED   | CONSOLIDATED   |
|--------------------------------------------------|----------------|----------------|
|                                                  | 2019<br>\$'000 | 2018<br>\$'000 |
| Raw materials, primarily flat glass stock-sheets | 20,497         | 20,312         |
| Work in progress                                 | 2,437          | 3,219          |
|                                                  | <b>22,934</b>  | <b>23,531</b>  |

The cost of inventories recognised as an expense and included in 'Cost of sales' amounted to \$72.2m.

## Accounting Policy

Raw materials and stock, 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.

## 3.3 TRADE AND OTHER PAYABLES

|                                | CONSOLIDATED   | CONSOLIDATED   |
|--------------------------------|----------------|----------------|
|                                | 2019<br>\$'000 | 2018<br>\$'000 |
| Trade accounts payable         | 19,939         | 20,594         |
| Employee entitlements          | 7,349          | 8,893          |
| Goods and services tax payable | 886            | 1,193          |
| Other interest accruals        | 189            | 411            |
| Management incentive accrual   | 923            | 240            |
|                                | <b>29,286</b>  | <b>31,331</b>  |

## Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of the financial period which are unpaid. The carrying amount represents fair value due to their short term nature.

## Employee Entitlements

Liabilities for wages and salaries, including non-monetary benefits, annual leave and lieu 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.

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. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 3.4 FINANCIAL INSTRUMENTS

#### FINANCIAL INSTRUMENTS

Management determines the classification of the Group's financial liabilities at initial recognition. The Group's financial liabilities for the periods covered by these consolidated financial statements consists of overdrafts, loans, trade and other payables, interest rate swaps and forward exchange contracts.

The Group measures all financial liabilities, with the exception of interest rate swaps and forward exchange contracts, at amortised cost. Interest rate swaps and forward exchange contracts are measured at fair value with changes in fair value recognised in other comprehensive income.

Financial liabilities measured at amortised cost are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. Trade and other payables, bank overdrafts and loans are classified as financial liabilities measured at amortised cost.

#### Fair value measurement of financial assets and liabilities

The Group's financial assets and liabilities by category are summarised as follows:

##### *Cash and cash equivalents*

These are short term in nature and their carrying value is equivalent to their fair value.

##### *Trade and other receivables*

These assets are short term in nature and are reviewed for

impairment; their carrying value approximates their fair value.

##### *Trade payables and Borrowings*

Trade payables and borrowings are measured at amortised cost. The fair value of trade and other payables approximates carrying value due to their short term nature. The carrying value of the Group's bank borrowings also represents the fair value of the borrowings due to management's assessment that the interest rates approximate the market interest rate for a commercial loan of a comparable lending period.

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), credit risk and liquidity risk. The Group's overall financial 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 including sensitivity analysis in the case of interest

rate, foreign exchange and other price risks and aging analysis for credit risk to measure risk.

#### Derivatives

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

##### *Cash flow hedges – forward exchange contracts and interest rate swaps*

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.

The fair value of financial instruments traded in active markets by the Group is based on the current bid price and for financial liabilities is the current ask price.

At 31 March 2019 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 Westpac Banking Corporation and Bank of New Zealand as at 31 March 2019.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Group's cashflow hedging reserves relate to the following hedging instruments:

|                                                              | CONSOLIDATED 2019                         |                        |                        |
|--------------------------------------------------------------|-------------------------------------------|------------------------|------------------------|
|                                                              | Spot component<br>of currency<br>forwards | Interest rate<br>swaps | Total hedge<br>reserve |
|                                                              | \$'000                                    | \$'000                 | \$'000                 |
| <b>Opening balance 1 April 2018</b>                          | 219                                       | 670                    | 889                    |
| Change in fair value of hedging instrument recognised in OCI | 11                                        | 299                    | 310                    |
| Deferred tax                                                 | –                                         | (84)                   | (84)                   |
| <b>Balance at 31 March 2019</b>                              | <b>230</b>                                | <b>885</b>             | <b>1,115</b>           |

The effects of the foreign currency related hedging instruments on the group's financial position and performance are as follows:

|                                                                                  | CONSOLIDATED   | CONSOLIDATED   |
|----------------------------------------------------------------------------------|----------------|----------------|
|                                                                                  | 2019<br>\$'000 | 2018<br>\$'000 |
| <b>Foreign currency forwards</b>                                                 |                |                |
| Carrying amount (liability)                                                      | (315)          | (304)          |
| Notional amount                                                                  | 36,331         | 25,169         |
| Maturity date                                                                    | Apr19-Mar20    | Apr18-Mar19    |
| Hedge ratio*                                                                     | 1:1            | 1:1            |
| Change in discounted spot value of outstanding hedging instruments since 1 April | 11             | (177)          |
| Change in value of hedged item used to determine hedge effectiveness             | (11)           | 177            |
| Weighted average hedged EUR/NZD rate for the year (including forward points)     | 0.5728         | 0.5897         |
| Weighted average hedged USD/NZD rate for the year (including forward points)     | 0.6816         | 0.7035         |
| Weighted average hedged EUR/AUD rate for the year (including forward points)     | 0.6239         | –              |
| Weighted average hedged USD/AUD rate for the year (including forward points)     | 0.7205         | –              |

\* The foreign currency forwards are denominated in the same currency as the highly probably future inventory purchases (USD and EUR), therefore the hedge is 1:1.

The effects of the interest rate swaps on the group's financial position and performance are as follows:

|                                                                       | CONSOLIDATED   | CONSOLIDATED   |
|-----------------------------------------------------------------------|----------------|----------------|
|                                                                       | 2019<br>\$'000 | 2018<br>\$'000 |
| <b>Interest rate swaps</b>                                            |                |                |
| Carrying amount (liability)                                           | (1,229)        | (930)          |
| Notional amount                                                       | 39,255         | 33,150         |
| Maturity date                                                         | Aug19–Aug23    | Au18–Aug23     |
| Hedge ratio                                                           | 1:1            | 1:1            |
| Change in fair value of outstanding hedging instruments since 1 April | 299            | 30             |
| Change in value of hedged item used to determine hedge effectiveness  | (299)          | (30)           |
| Weighted average hedged rate for the year                             | 43.20%         | 37.30%         |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Financial Instruments by category

|                                                      | CONSOLIDATED 2019                     |                                           |                 |
|------------------------------------------------------|---------------------------------------|-------------------------------------------|-----------------|
|                                                      | Assets at<br>amortised cost<br>\$'000 | Derivatives used<br>for hedging<br>\$'000 | Total<br>\$'000 |
| <b>Assets as per statement of financial position</b> |                                       |                                           |                 |
| Cash and cash equivalents                            | 5,488                                 | –                                         | 5,488           |
| Derivatives – foreign exchange contracts             | –                                     | 172                                       | 172             |
| Derivatives – interest rate swaps                    | –                                     | –                                         | –               |
| Trade and other receivables                          | 38,839                                | –                                         | 38,839          |
| <b>Balance at 31 March 2019</b>                      | <b>44,327</b>                         | <b>172</b>                                | <b>44,499</b>   |

|                                                      | CONSOLIDATED 2018                     |                                           |                 |
|------------------------------------------------------|---------------------------------------|-------------------------------------------|-----------------|
|                                                      | Assets at<br>amortised cost<br>\$'000 | Derivatives used<br>for hedging<br>\$'000 | Total<br>\$'000 |
| <b>Assets as per statement of financial position</b> |                                       |                                           |                 |
| Cash and cash equivalents                            | 360                                   | –                                         | 360             |
| Derivatives – foreign exchange contracts             | –                                     | –                                         | –               |
| Derivatives – interest rate swaps                    | –                                     | –                                         | –               |
| Trade and other receivables                          | 40,417                                | –                                         | 40,417          |
| <b>Balance at 31 March 2018</b>                      | <b>40,777</b>                         | <b>–</b>                                  | <b>40,777</b>   |

|                                                              | CONSOLIDATED 2019                          |                                           |                 |
|--------------------------------------------------------------|--------------------------------------------|-------------------------------------------|-----------------|
|                                                              | Liabilities at<br>amortised cost<br>\$'000 | Derivatives used<br>for hedging<br>\$'000 | Total<br>\$'000 |
| <b>Liabilities as per statement of financial position</b>    |                                            |                                           |                 |
| Cash and cash equivalents                                    | –                                          | –                                         | –               |
| Trade and other payables excluding non-financial liabilities | 27,548                                     | –                                         | 27,548          |
| Provisions                                                   | 3,877                                      | –                                         | 3,877           |
| Derivatives – foreign exchange contracts                     | –                                          | 487                                       | 487             |
| Derivatives – interest rate swaps                            | –                                          | 1,229                                     | 1,229           |
| Interest bearing liabilities                                 | 88,832                                     | –                                         | 88,832          |
| <b>Balance at 31 March 2019</b>                              | <b>120,257</b>                             | <b>1,716</b>                              | <b>121,973</b>  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

|                                                              | CONSOLIDATED 2018                          |                                           |                 |
|--------------------------------------------------------------|--------------------------------------------|-------------------------------------------|-----------------|
|                                                              | Liabilities at<br>amortised cost<br>\$'000 | Derivatives used<br>for hedging<br>\$'000 | Total<br>\$'000 |
| <b>Liabilities as per statement of financial position</b>    |                                            |                                           |                 |
| Cash and cash equivalents                                    | 3,857                                      | –                                         | 3,857           |
| Trade and other payables excluding non-financial liabilities | 29,313                                     | –                                         | 29,313          |
| Provisions                                                   | 4,214                                      |                                           | 4,214           |
| Derivatives - foreign exchange contracts                     | –                                          | 304                                       | 304             |
| Derivatives - interest rate swaps                            | –                                          | 930                                       | 930             |
| Interest bearing liabilities                                 | 90,818                                     | –                                         | 90,818          |
| <b>Balance at 31 March 2018</b>                              | <b>128,202</b>                             | <b>1,234</b>                              | <b>129,436</b>  |

**Accounting policy**

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 the 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.

**Foreign exchange risk**

Foreign exchange risk arises when future commercial transactions and purchases of recognised assets are denominated in a currency that is not NZD which is the company's functional currency. Approximately 95% of annual flat sheet glass raw materials are purchased in foreign currencies, being United States Dollar (USD), Euro (EUR) and Australian Dollar (AUD). In accordance with the Company Treasury policy, foreign exchange risk is managed prospectively out over a period to a maximum period of 12 months with allowable limits of coverage up to 100% over the 6 month term, reducing to 50% up to the 12 month term. Where deemed acceptable by the directors, coverage can be extended out over a longer period.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Exposure to foreign exchange risk

|                                 | CONSOLIDATED 2019 |                 |                 |
|---------------------------------|-------------------|-----------------|-----------------|
|                                 | AUD<br>NZ\$'000   | USD<br>NZ\$'000 | EUR<br>NZ\$'000 |
| <b>31 March 2019</b>            |                   |                 |                 |
| Cash and cash equivalents       | 1,467             | –               | –               |
| Trade receivables               | 7,391             | –               | –               |
| Trade accounts payable          | (4,570)           | (4,518)         | (1,024)         |
| <b>Balance at 31 March 2019</b> | <b>4,288</b>      | <b>(4,518)</b>  | <b>(1,024)</b>  |
|                                 | CONSOLIDATED 2018 |                 |                 |
|                                 | AUD<br>NZ\$'000   | USD<br>NZ\$'000 | EUR<br>NZ\$'000 |
| <b>31 March 2018</b>            |                   |                 |                 |
| Cash and cash equivalents       | (3,857)           | –               | –               |
| Trade receivables               | 8,345             | –               | –               |
| Trade accounts payable          | (5,359)           | (3,216)         | (1,104)         |
| <b>Balance at 31 March 2018</b> | <b>(871)</b>      | <b>(3,216)</b>  | <b>(1,104)</b>  |

Cash flow 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.

### Sensitivity analysis

The following table details the Group's sensitivity to a 10% strengthening/weakening of the New Zealand dollar (NZ\$) against the following currencies at the reporting date. The table shows the (decrease)/increase in profit or loss and equity as a result of the 10% movements. The analysis assumes that all other variables, in particular interest rates, remain constant. The same basis has been applied for all periods presented.

|                                        | CONSOLIDATED<br>2019<br>\$'000 | CONSOLIDATED<br>2018<br>\$'000 |
|----------------------------------------|--------------------------------|--------------------------------|
| <b>Profit or loss</b>                  |                                |                                |
| 10% strengthening of the NZ\$ against: |                                |                                |
| AUD                                    | (390)                          | 79                             |
| USD                                    | 411                            | 292                            |
| EUR                                    | 93                             | 100                            |
| 10% weakening of the NZ\$ against:     |                                |                                |
| AUD                                    | 476                            | (97)                           |
| USD                                    | (502)                          | (357)                          |
| EUR                                    | (114)                          | (123)                          |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

|                                        | CONSOLIDATED   | CONSOLIDATED   |
|----------------------------------------|----------------|----------------|
|                                        | 2019<br>\$'000 | 2018<br>\$'000 |
| <b>Equity</b>                          |                |                |
| 10% strengthening of the NZ\$ against: |                |                |
| USD                                    | (1,905)        | (1,668)        |
| EUR                                    | (419)          | (593)          |
| 10% weakening of the NZ\$ against:     |                |                |
| USD                                    | 2,328          | 2,038          |
| EUR                                    | 512            | 725            |

Profit or loss movements are mainly attributable to the exposure outstanding on USD trade payables at the end of the reporting period. Equity movements are the result of changes in fair value of derivative instruments designated as hedging instruments in cash flow hedges.

**Commodity cost risk**

The primary raw material used by the Group is flat glass which is imported from suppliers around the world. While there are numerous manufacturers of flat sheet glass, the Group is exposed to commodity price risk and therefore manages access to supply through close relationships with suppliers. Cost is an important variable in the determination of supply, and the Group is clearly exposed to changes in the cost of glass.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 4. LONG TERM ASSETS

#### 4.1 PROPERTY, PLANT AND EQUIPMENT

|                                                | CONSOLIDATED 2019           |                                           |                          |                 |
|------------------------------------------------|-----------------------------|-------------------------------------------|--------------------------|-----------------|
|                                                | Plant & equipment<br>\$'000 | Furniture, fittings & equipment<br>\$'000 | Motor Vehicles<br>\$'000 | Total<br>\$'000 |
| <b>Opening balance</b>                         |                             |                                           |                          |                 |
| Cost                                           | 77,765                      | 3,027                                     | 12,450                   | 93,242          |
| Accumulated depreciation                       | (17,743)                    | (1,935)                                   | (5,192)                  | (24,870)        |
| <b>Net book value at 1 April 2018</b>          | <b>60,022</b>               | <b>1,092</b>                              | <b>7,258</b>             | <b>68,372</b>   |
| Additions                                      | 4,093                       | 253                                       | 3,369                    | 7,715           |
| Disposals                                      | (64)                        | (22)                                      | (252)                    | (338)           |
| Depreciation expense                           | (8,141)                     | (543)                                     | (2,211)                  | (10,895)        |
| Foreign exchange impact                        | (263)                       | –                                         | (10)                     | (273)           |
| <b>Closing net book value at 31 March 2019</b> | <b>55,647</b>               | <b>780</b>                                | <b>8,154</b>             | <b>64,581</b>   |
| <b>Represented by:</b>                         |                             |                                           |                          |                 |
| Cost                                           | 81,403                      | 3,258                                     | 15,061                   | 99,722          |
| Accumulated depreciation                       | (25,756)                    | (2,478)                                   | (6,907)                  | (35,141)        |
| <b>Net book value at 31 March 2019</b>         | <b>55,647</b>               | <b>780</b>                                | <b>8,154</b>             | <b>64,581</b>   |
|                                                | CONSOLIDATED 2018           |                                           |                          |                 |
|                                                | Plant & equipment<br>\$'000 | Furniture, fittings & equipment<br>\$'000 | Motor Vehicles<br>\$'000 | Total<br>\$'000 |
| <b>Opening balance</b>                         |                             |                                           |                          |                 |
| Cost                                           | 59,681                      | 2,833                                     | 11,482                   | 73,996          |
| Accumulated depreciation                       | (12,385)                    | (1,231)                                   | (3,338)                  | (16,954)        |
| <b>Net book value at 1 April 2017</b>          | <b>47,296</b>               | <b>1,602</b>                              | <b>8,144</b>             | <b>57,042</b>   |
| Additions                                      | 18,996                      | 196                                       | 1,328                    | 20,520          |
| Disposals                                      | (117)                       | –                                         | (199)                    | (316)           |
| Depreciation expense                           | (5,922)                     | (706)                                     | (1,999)                  | (8,627)         |
| Foreign exchange impact                        | (231)                       | –                                         | (16)                     | (247)           |
| <b>Closing net book value at 31 March 2018</b> | <b>60,022</b>               | <b>1,092</b>                              | <b>7,258</b>             | <b>68,372</b>   |
| <b>Represented by:</b>                         |                             |                                           |                          |                 |
| Cost                                           | 77,765                      | 3,027                                     | 12,450                   | 93,242          |
| Accumulated depreciation                       | (17,743)                    | (1,935)                                   | (5,192)                  | (24,870)        |
| <b>Net book value at 31 March 2018</b>         | <b>60,022</b>               | <b>1,092</b>                              | <b>7,258</b>             | <b>68,372</b>   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Estimates and Judgements

#### Economic lives of intangible assets and property, plant and equipment

Property, plant and equipment are long-lived assets that are amortised / depreciated over their useful lives.

### Accounting Policy

All property, plant and equipment is stated at historical cost less depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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 expected useful lives. The rates are as follows:

|                                  | Depreciation Rate | Depreciation Basis |
|----------------------------------|-------------------|--------------------|
| Leasehold Improvements           | 7.5–15%           | Straight Line      |
| Plant and equipment              | 7.5–15%           | Straight Line      |
| Motor Vehicles                   | 12–20%            | Straight Line      |
| Furniture, fixtures and fittings | 20–25%            | Straight Line      |

### 4.2 Intangible Assets

|                                                | CONSOLIDATED 2019                |                                    |                             |                 |
|------------------------------------------------|----------------------------------|------------------------------------|-----------------------------|-----------------|
|                                                | Customer relationships<br>\$'000 | Goodwill on acquisitions<br>\$'000 | Computer software<br>\$'000 | Total<br>\$'000 |
| <b>Opening balance</b>                         |                                  |                                    |                             |                 |
| Cost                                           | 13,002                           | 148,345                            | 8,447                       | 169,794         |
| Accumulated amortisation                       | (5,990)                          | –                                  | (4,317)                     | (10,307)        |
| <b>Net book value at 1 April 2018</b>          | <b>7,012</b>                     | <b>148,345</b>                     | <b>4,130</b>                | <b>159,487</b>  |
| Additions                                      | –                                | 580                                | 141                         | 721             |
| Disposals                                      | –                                | –                                  | –                           | –               |
| Amortisation expense                           | (1,667)                          | –                                  | (1,897)                     | (3,564)         |
| Impairment                                     | (1,270)                          | (8,290)                            | –                           | (9,560)         |
| Foreign exchange impact                        | 33                               | (652)                              | (23)                        | (642)           |
| <b>Closing net book value at 31 March 2019</b> | <b>4,108</b>                     | <b>139,983</b>                     | <b>2,351</b>                | <b>146,442</b>  |
| <b>Represented by:</b>                         |                                  |                                    |                             |                 |
| Cost                                           | 12,962                           | 148,332                            | 8,534                       | 169,828         |
| Accumulated amortisation                       | (8,854)                          | (8,349)                            | (6,183)                     | (23,386)        |
| <b>Net book value at 31 March 2019</b>         | <b>4,108</b>                     | <b>139,983</b>                     | <b>2,351</b>                | <b>146,442</b>  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

|                                                | CONSOLIDATED 2018                |                                    |                             |                 |
|------------------------------------------------|----------------------------------|------------------------------------|-----------------------------|-----------------|
|                                                | Customer relationships<br>\$'000 | Goodwill on acquisitions<br>\$'000 | Computer software<br>\$'000 | Total<br>\$'000 |
| <b>Opening balance</b>                         |                                  |                                    |                             |                 |
| Cost                                           | 13,063                           | 149,198                            | 7,995                       | 170,256         |
| Accumulated amortisation                       | (4,122)                          | –                                  | (2,431)                     | (6,553)         |
| <b>Net book value at 1 April 2017</b>          | <b>8,941</b>                     | <b>149,198</b>                     | <b>5,564</b>                | <b>163,703</b>  |
| Additions                                      | –                                | 53                                 | 537                         | 590             |
| Disposals                                      | –                                | –                                  | –                           | –               |
| Amortisation expense                           | (1,875)                          | –                                  | (1,896)                     | (3,771)         |
| Foreign exchange impact                        | (54)                             | (906)                              | (75)                        | (1,035)         |
| <b>Closing net book value at 31 March 2018</b> | <b>7,012</b>                     | <b>148,345</b>                     | <b>4,130</b>                | <b>159,487</b>  |

### Represented by:

|                                        |              |                |              |                |
|----------------------------------------|--------------|----------------|--------------|----------------|
| Cost                                   | 13,002       | 148,345        | 8,447        | 169,794        |
| Accumulated amortisation               | (5,990)      | –              | (4,317)      | (10,307)       |
| <b>Net book value at 31 March 2018</b> | <b>7,012</b> | <b>148,345</b> | <b>4,130</b> | <b>159,487</b> |

During the period ended 2019, the Group made the final payment as stipulated in the sale and purchase agreement of Southland Glass, adding \$0.6m to the value of goodwill in respect of that acquisition in 2017.

### Estimates and judgements: Goodwill

The Group tests at least annually whether goodwill has suffered any impairment. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates.

### Impairment tests for goodwill

Post the acquisition of AGG segments have been classified as being New Zealand and Australia aligning with the way our business is reviewed. Goodwill is allocated as follows:

|             | CONSOLIDATED<br>2019<br>\$'000 | CONSOLIDATED<br>2018<br>\$'000 |
|-------------|--------------------------------|--------------------------------|
| New Zealand | 117,379                        | 116,799                        |
| Australia   | 22,604                         | 31,546                         |
|             | <b>139,983</b>                 | <b>148,345</b>                 |

The value-in-use calculation uses pre-tax cash flow projections based on financial projections approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated long term growth rates. Key assumptions used based on management's knowledge of the market are as follows:

|                                          | CONSOLIDATED<br>2019 |           | CONSOLIDATED<br>2018 |           |
|------------------------------------------|----------------------|-----------|----------------------|-----------|
|                                          | New Zealand          | Australia | New Zealand          | Australia |
| Compound annual revenue growth - 5 years | 0.5%                 | 6.9%      | (1.1%)               | 7.5%      |
| Long term growth rate                    | 2.0%                 | 2.0%      | 2.5%                 | 2.5%      |
| Discount rate                            | 9.9%                 | 9.9%      | 9.5%                 | 9.5%      |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The Directors have completed an assessment of the carrying value of goodwill using a value-in-use basis to determine the recoverable amount consistent with the approach taken by the Group in its consolidated financial statements for the year ended 31 March 2018.

During the year ended 31 March 2019, operational challenges impacted the financial performance in the Australian cash generating unit (CGU). This has impacted the cashflow forecasts which support the carrying value of the Australian CGU, and as a result an impairment of goodwill of \$8.3m has been recognised in respect of the Australian CGU in the consolidated financial statements for the year. The recoverable value of the Australian CGU amounts to \$45.5m based on a value-in-use calculation.

The major plant installations in Australia during early 2018 significantly disrupted the company's operations over the last 15 months. This was compounded by high levels of staff turnover. While a number of operational and staffing initiatives have been implemented through the year and operational performance has improved, these changes take time to flow through to the financial results, leading to a reassessment of the near term cash generation in the Australian CGU.

Additionally, the Directors have taken into account Housing Industry Association and other forecasts of construction activity which indicate that further declines in housing starts are expected, particularly in multi-residential inner-city demand. AGG primarily services the new detached housing construction and alterations and additions markets that have historically been more stable, however they are expected to also decline to some degree in the future.

The most sensitive assumption in the assessment of our value-in-use calculation for the Australian CGU is compound annual revenue growth. We still see considerable opportunity in Australia as continuing legislative changes drive an increase in the demand for high quality double glazed windows, as we have seen awareness and penetration increasing in Victoria and Tasmania on the back of this. Consequently our future projections are based on an assumed growth in the size of the market for double glazed units in South Eastern Australia resulting in increased sales of these products. If this increase in demand does not eventuate or we are unable to increase our production, a further evaluation of goodwill may be required.

The discount rate (post tax) represents the current market assessment of the risks specific to the CGU, taking into account the time value of money and individual risks of the underlying assets that have not been incorporated in the cashflow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its weighted average cost of capital (WACC).

The long term growth rate is based on long term population growth rates in New Zealand and Australia and the increased use and prevalence of glass products in our markets.

### *Sensitivity to changes in key assumptions*

The following summarises the effect of a change in the key assumptions for the Australian CGU, with all other assumptions remaining constant:

|                                                         | Impairment | Variance to base assumption |
|---------------------------------------------------------|------------|-----------------------------|
|                                                         | \$'000     | \$'000                      |
| Base assumption                                         | (8,290)    | –                           |
| +1.0% in the 5 year compound annual revenue growth rate | 6,290      | 14,580                      |
| -1.0% in the 5 year compound annual revenue growth rate | (21,177)   | (12,887)                    |
| +0.5% Discount rate                                     | (11,326)   | (3,036)                     |
| -0.5% Discount rate                                     | (4,976)    | 3,314                       |
| +0.25% Long term growth rate                            | (7,035)    | 1,255                       |
| -0.25% Long term growth rate                            | (9,593)    | (1,303)                     |

Sensitivity analyses performed by management indicate no impairment to the goodwill associated with the New Zealand CGU.

### **Impairment tests for Customer Relationships**

The Group also reviewed the valuation for the Customer Relationships intangible asset. The valuation model applies an excess earnings approach. The Group reviewed this valuation with respect to EBIT, net operating assets and updated customer churn data. This assessment has resulted in an impairment of \$1.3m being recognised in the consolidated financial statements with respect to the Customer Relationships asset within Australian Glass Group, this being the total of the asset value.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Accounting Policy

#### *Goodwill*

Goodwill represents the excess of the consideration paid for 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. Any goodwill arising 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.

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 group 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.

#### *Computer software*

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Costs that

are directly associated with the production of identifiable and unique software products controlled by the Group are recognised as intangible assets when management intends to use the software and anticipate it will generate probable future economic benefits.

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.

Amortisation of computer software is calculated on a straight line basis over a useful life of 4 years.

#### *Contractual customer relationships*

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5. DEBT &amp; EQUITY

## 5.1 INTEREST BEARING LIABILITIES

|                 | CONSOLIDATED   | CONSOLIDATED   |
|-----------------|----------------|----------------|
|                 | 2019<br>\$'000 | 2018<br>\$'000 |
| Bank borrowings | 88,832         | 90,818         |
| Bank overdraft  | –              | 3,857          |
|                 | <b>88,832</b>  | <b>94,675</b>  |

Bank borrowings are secured by a first-ranking composite general security deed. The Group's bank borrowing facilities comprise a syndicated term loan facility of \$120m negotiated on 31 August 2018 for a 3 year term as well as overdraft and bank guarantees totalling \$9.748m. The Group complied with all covenants throughout the year.

## (A) Assets pledged as security

The bank loans are secured under both a General Security Deed and Specific Security Deed which results in registered charges over assets of the Group. In addition there are positive and negative pledge undertakings through shares held of various subsidiaries.

## (B) Fair value

The carrying value of the Group's bank borrowings also represents the fair value of the borrowings due to management's assessment that the interest rates approximate the market interest rate for a commercial loan of a comparable lending period.

The table below sets out an analysis of the movements in borrowings due after one year.

|                                    | CONSOLIDATED   | CONSOLIDATED   |
|------------------------------------|----------------|----------------|
|                                    | 2019<br>\$'000 | 2018<br>\$'000 |
| <b>Opening balance at 1 April</b>  | 90,818         | 94,736         |
| Cashflows                          | (1,146)        | (3,000)        |
| Foreign exchange adjustments       | (840)          | (918)          |
| <b>Closing balance at 31 March</b> | <b>88,832</b>  | <b>90,818</b>  |

## Accounting policy

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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close-out market positions.

In addition to cash reserves, the Group negotiated a syndicated credit facility with banking partners in August 2018. As at 31 March 2019 the Group had cash of \$5.5m. Information in respect of negotiated credit facilities is shown below.

|                                                             | CONSOLIDATED<br>2019<br>\$'000 | CONSOLIDATED<br>2018<br>\$'000 |
|-------------------------------------------------------------|--------------------------------|--------------------------------|
| Committed credit facilities pursuant to syndicated facility | 129,748                        | 141,382                        |
| Drawdown at balance date                                    | (92,362)                       | (95,591)                       |
| <b>Available credit facilities</b>                          | <b>37,386</b>                  | <b>45,791</b>                  |

The table below analyses both of the Group's non-derivative financial liabilities and derivative financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date. Derivative financial liabilities are included in the analysis if their contractual maturities are essential for an understanding of cash flows.

|                                    | CONSOLIDATED 2019             |                                    |                                    |                     |                 |
|------------------------------------|-------------------------------|------------------------------------|------------------------------------|---------------------|-----------------|
|                                    | Less than<br>1 year<br>\$'000 | Between 1<br>and 2 years<br>\$'000 | Between 2<br>and 5 years<br>\$'000 | > 5 years<br>\$'000 | Total<br>\$'000 |
| Bank borrowings and interest owing | 2,981                         | 2,793                              | 90,002                             | —                   | 95,776          |
| Interest rate swap                 | 173                           | 274                                | 782                                | —                   | 1,229           |
| Foreign exchange contracts         | 487                           | —                                  | —                                  | —                   | 487             |
| Trade accounts payable             | 19,939                        | —                                  | —                                  | —                   | 19,939          |
| <b>Total at 31 March 2019</b>      | <b>23,580</b>                 | <b>3,067</b>                       | <b>90,784</b>                      | <b>—</b>            | <b>117,431</b>  |

|                                    | CONSOLIDATED 2018             |                                    |                                    |                     |                 |
|------------------------------------|-------------------------------|------------------------------------|------------------------------------|---------------------|-----------------|
|                                    | Less than<br>1 year<br>\$'000 | Between 1<br>and 2 years<br>\$'000 | Between 2<br>and 5 years<br>\$'000 | > 5 years<br>\$'000 | Total<br>\$'000 |
| Bank borrowings and interest owing | 6,986                         | 91,957                             | —                                  | —                   | 98,943          |
| Interest rate swap                 | 11                            | 443                                | 476                                | —                   | 930             |
| Foreign exchange contracts         | 304                           | —                                  | —                                  | —                   | 304             |
| Trade accounts payable             | 20,594                        | —                                  | —                                  | —                   | 20,594          |
| <b>Total at 31 March 2018</b>      | <b>27,895</b>                 | <b>92,400</b>                      | <b>476</b>                         | <b>—</b>            | <b>120,771</b>  |

### Interest rate risk

The Group's interest rate risk arises from borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk. During the period the Group's borrowings at variable rates were denominated in both New Zealand and Australian dollars. If interest rates in New Zealand and Australia increased by 10% the impact would be additional cost of \$279k and a subsequent decrease of \$279k if rates decreased by 10%. (2018 interest rate increase of 10% would have resulted in additional costs of \$272k and a subsequent decrease of \$272k if rates decreased by 10%)

The Group adopts a policy of ensuring that its exposure to changes in interest rates on borrowings is on a fixed-rate basis by entering into interest rate swaps.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 5.2 Contributed equity

|                                                 | CONSOLIDATED   | CONSOLIDATED   |
|-------------------------------------------------|----------------|----------------|
|                                                 | 2019<br>\$'000 | 2018<br>\$'000 |
| Opening balance                                 | 306,653        | 304,950        |
| Payments received on management incentive plans | 40             | 1,703          |
| <b>Closing balance</b>                          | <b>306,693</b> | <b>306,653</b> |

On 29 July 2014, Metro Performance Glass 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. 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. Additionally, as part of the then long term incentive plan 4,714,784 ordinary shares were issued to management and these vested on 20 July 2015. Payments received on management incentive plan shares relates to net proceeds received or receivable from management under this scheme.

On 21 February 2017, Metroglass launched an employee share purchase scheme for New Zealand employees. This Scheme enabled participants to purchase either \$1,000 or \$2,000 worth of Metroglass shares at a 50% discount to market value. Shares are held in trust on behalf of the participants for a minimum three year holding period until the vesting date of 21 February 2020. Vesting conditions include ongoing employment with the Company as at the vesting date. The Company has provided participants with interest free loans to fund the participant contribution (being 50%) towards the acquisition of the shares, which is to be repaid over the three year holding period. In aggregate, 348,086 shares were issued under this Scheme on 21 February 2017 at an issue price of \$1.54.

## Long Term Incentive Plans

The Group currently has a long term incentive plan for selected employees. The plan participants are members of the senior leadership team and other selected senior managers.

The plan is designed to secure those employees' retention in Metro Performance Glass and to reward performance that underpins the achievement of Metro Performance Glass' business strategy and long term shareholder wealth creation. Participants are offered an annual award of a specified number of both performance rights and share options in Metro Performance Glass (in accordance with the plan rules).

The performance rights enable participants to acquire shares in Metro Performance Glass with no consideration payable, subject to Metro Glass achieving set performance hurdles and meeting certain vesting conditions.

The share options enable participants to acquire shares in Metro Performance Glass at a market based exercise price, subject to Metro Glass achieving set performance hurdles and meeting certain vesting conditions.

In the event that the respective performance hurdles are not met on the vesting date, retesting will be permitted after a further six and twelve months from the measurement date.

The below share options and performance share rights have been issued.

| Date Issued | Number of Options | Number of PSR | Options Exercise Price | Vesting Date |
|-------------|-------------------|---------------|------------------------|--------------|
| 10-Jun-16   | 532,266           | 127,950       | \$1.73                 | 10-Jun-19    |
| 25-May-17   | 1,351,344         | 337,784       | \$1.35                 | 25-May-20    |
| 24-May-18   | 1,942,534         | 609,421       | \$0.89                 | 7-Jun-21     |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Accounting policy

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.

### 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 declared by the Board.

Metro Performance Glass paid fully imputed dividends of 3.8 cents per share in 2019 (7.6 cents per share in 2018)

### CAPITAL RISK MANAGEMENT

The Group and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the gearing ratio. The Group gearing ratio at 31 March 2019 was as follows:

|                                 | CONSOLIDATED   | CONSOLIDATED   |
|---------------------------------|----------------|----------------|
|                                 | 2019<br>\$'000 | 2018<br>\$'000 |
| Bank borrowings                 | 88,832         | 90,818         |
| Less: cash and cash equivalents | (5,488)        | (360)          |
| Plus: bank overdraft            | —              | 3,857          |
| <b>Net debt</b>                 | <b>83,344</b>  | <b>94,315</b>  |
| <b>Equity</b>                   | <b>156,963</b> | <b>160,336</b> |
| <b>Gearing ratio</b>            | <b>34.7%</b>   | <b>37.0%</b>   |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 6. OTHER

## 6.1 INCOME TAXATION

|                                                           | CONSOLIDATED   | CONSOLIDATED   |
|-----------------------------------------------------------|----------------|----------------|
|                                                           | 2019<br>\$'000 | 2018<br>\$'000 |
| Profit before income taxation                             | 10,589         | 23,334         |
| Income taxation expense at the Group's effective tax rate | 2,640          | 6,561          |
| Tax effect of non-deductible items                        | 2,737          | 215            |
| Non assessable income                                     | –              | –              |
| Prior year adjustment                                     | 170            | 280            |
| <b>Income tax expense</b>                                 | <b>5,547</b>   | <b>7,056</b>   |
| Represented by:                                           |                |                |
| Current taxation                                          | 8,438          | 7,381          |
| Deferred taxation                                         | (2,891)        | (325)          |
|                                                           | <b>5,547</b>   | <b>7,056</b>   |

## Imputation Credit Account

The amount of imputation credits at balance date available for future distributions is \$12.4m at 31 March 2019, \$6.8m at 31 March 2018.

## 6.2 DEFERRED TAXATION

Consolidated deferred tax assets and liabilities are attributable to the following;

|                             | CONSOLIDATED     |                       |               |
|-----------------------------|------------------|-----------------------|---------------|
|                             | 2019             |                       |               |
|                             | Assets<br>\$'000 | Liabilities<br>\$'000 | Net<br>\$'000 |
| Property, plant & equipment | –                | (740)                 | (740)         |
| Inventory and receivables   | –                | –                     | –             |
| Cash flow hedge             | 513              | –                     | 513           |
| Intangibles                 | –                | (1,207)               | (1,207)       |
| Provisions and accruals     | 2,863            | –                     | 2,863         |
| Tax losses                  | 1,582            | –                     | 1,582         |
|                             | <b>4,958</b>     | <b>(1,947)</b>        | <b>3,011</b>  |
|                             | CONSOLIDATED     |                       |               |
|                             | 2018             |                       |               |
|                             | Assets<br>\$'000 | Liabilities<br>\$'000 | Net<br>\$'000 |
| Property, plant & equipment | –                | (1,006)               | (1,006)       |
| Inventory and receivables   | 74               | –                     | 74            |
| Cash flow hedge             | 346              | –                     | 346           |
| Intangibles                 | –                | (2,508)               | (2,508)       |
| Provisions and accruals     | 2,663            | –                     | 2,663         |
|                             | <b>3,083</b>     | <b>(3,514)</b>        | <b>(431)</b>  |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Movement in temporary differences during the year;

|                             | CONSOLIDATED 2019            |                                                             |                                           |                                |                                  |
|-----------------------------|------------------------------|-------------------------------------------------------------|-------------------------------------------|--------------------------------|----------------------------------|
|                             | Opening<br>Balance<br>\$'000 | Recognised<br>in Opening<br>Retained<br>Earnings*<br>\$'000 | Recognised in<br>profit or loss<br>\$'000 | Recognised<br>in OCI<br>\$'000 | Balance<br>31 Mar 2018<br>\$'000 |
| Property, plant & equipment | (1,006)                      | –                                                           | 260                                       | 6                              | (740)                            |
| Inventory and receivables   | 74                           | –                                                           | (74)                                      | –                              | –                                |
| Cash flow hedge             | 346                          | –                                                           | –                                         | 167                            | 513                              |
| Intangibles                 | (2,508)                      | –                                                           | 1,288                                     | 13                             | (1,207)                          |
| Provisions and accruals     | 2,663                        | 375                                                         | (165)                                     | (10)                           | 2,863                            |
| Tax losses                  | –                            | –                                                           | 1,582                                     | –                              | 1,582                            |
|                             | <b>(431)</b>                 | <b>375</b>                                                  | <b>2,891</b>                              | <b>176</b>                     | <b>3,011</b>                     |

|                             | CONSOLIDATED 2018            |                                     |                                           |                                |                                  |
|-----------------------------|------------------------------|-------------------------------------|-------------------------------------------|--------------------------------|----------------------------------|
|                             | Opening<br>Balance<br>\$'000 | Arising on<br>acquisition<br>\$'000 | Recognised in<br>profit or loss<br>\$'000 | Recognised<br>in OCI<br>\$'000 | Balance<br>31 Mar 2017<br>\$'000 |
| Property, plant & equipment | (973)                        | –                                   | (42)                                      | 9                              | (1,006)                          |
| Inventory and receivables   | 64                           | –                                   | 11                                        | (1)                            | 74                               |
| Cash flow hedge             | 387                          | –                                   | –                                         | (41)                           | 346                              |
| Intangibles                 | (3,135)                      | –                                   | 603                                       | 24                             | (2,508)                          |
| Provisions and accruals     | 2,958                        | –                                   | (247)                                     | (48)                           | 2,663                            |
|                             | <b>(699)</b>                 | <b>–</b>                            | <b>325</b>                                | <b>(56)</b>                    | <b>(431)</b>                     |

\* Deferred tax impact on change in accounting policy. Refer to Note 1.

### Accounting policy

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.

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. No deferred tax liability was recognised on initial recognition of goodwill. 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 for unused tax losses and deductible temporary differences to the extent that it is probable that future taxable profit will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

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 tax assets and liabilities relate to income tax 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.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 6.3 GROUP RESERVES

#### Group Reorganisation Reserve

Upon acquisition of Metroglass Holdings Limited in July 2014, the assets and liabilities acquired were measured at their pre-combination carrying amounts without fair value uplift. The difference between the consideration transferred and the carrying value of the assets and liabilities acquired was recorded in the group reorganisation reserve.

#### Accounting Policy

Where an acquisition occurs through group reorganisation, the identifiable assets and liabilities acquired are measured at their pre-combination carrying amounts without fair value uplift. No new goodwill is recorded. Any difference between the consideration transferred and the carrying value of the assets and liabilities acquired is recorded in equity.

#### Share Based Payments Reserve

The Group currently has a long term incentive plan for selected employees. The reserve is used to record the accumulated value of the plan which has been recognised in the statement of comprehensive income.

#### Accounting Policy

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.

|                                          | CONSOLIDATED   | CONSOLIDATED   |
|------------------------------------------|----------------|----------------|
|                                          | 2019<br>\$'000 | 2018<br>\$'000 |
| <b>Share based payments reserve</b>      |                |                |
| Balance at beginning of period           | 755            | 381            |
| Movement in share based payments reserve | (30)           | 374            |
| <b>Closing Balance</b>                   | <b>725</b>     | <b>755</b>     |

### 6.4 RELATED PARTY TRANSACTIONS

#### Subsidiaries

The Group's principal subsidiaries at 31 March 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of ordinary shares that are held directly by the group, and the proportion of ownership interest held equals the voting rights held by the group. The country of incorporation or registration is also their principal place of business.

| Name of entity                       | Country of incorporation | 2019 Interest | 2018 Interest |
|--------------------------------------|--------------------------|---------------|---------------|
| Metropolitan Glass & Glazing Limited | New Zealand              | 100%          | 100%          |
| Metroglass Finance Limited           | New Zealand              | 100%          | 100%          |
| Australian Glass Group Holding Pty   | Australia                | 100%          | 100%          |
| Australian Glass Group Finance Pty   | Australia                | 100%          | 100%          |

#### Directors

The names of persons who were directors of the Company at any time during the financial period are as follows: Peter Griffiths, Russell Chenu, Willem Roest, Gordon Buswell, Angela Bull and Rhys Jones.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Key management and Board of Directors compensation

Key management are members of the Executive Team. The compensation paid to key management for employee service is shown below.

|                                                 | CONSOLIDATED   | CONSOLIDATED   |
|-------------------------------------------------|----------------|----------------|
|                                                 | 2019<br>\$'000 | 2018<br>\$'000 |
| Salaries and other short-term employee benefits | 2,967          | 3,009          |
| Management incentive                            | 48             | 290            |
| Share based payments                            | 94             | 269            |
| Post employment benefit                         | –              | 2,731          |
|                                                 | <b>3,109</b>   | <b>6,299</b>   |

### Board of Directors' compensation

|                | CONSOLIDATED   | CONSOLIDATED   |
|----------------|----------------|----------------|
|                | 2019<br>\$'000 | 2018<br>\$'000 |
| Directors fees | 605            | 595            |
|                | <b>605</b>     | <b>595</b>     |

### 6.5 CONTINGENCIES

At 31 March 2019 the Group had no contingent liabilities or assets.

### 6.6 COMMITMENTS

Lease commitments; as lessee.

#### Operating leases

The Group leases all premises. The lease terms for operating leases held over property are between 3 and 15 years, and give the Group the right to renew the leases subject to a mutual redetermination of the lease rental by the lessee and lessor based on an independent third party market rent review. There are no options to purchase in respect of plant and equipment held under operating leases.

|                                                                                                                       | CONSOLIDATED   | CONSOLIDATED   |
|-----------------------------------------------------------------------------------------------------------------------|----------------|----------------|
|                                                                                                                       | 2019<br>\$'000 | 2018<br>\$'000 |
| <b>Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:</b> |                |                |
| Within one year                                                                                                       | 9,188          | 9,435          |
| One to two years                                                                                                      | 7,121          | 8,891          |
| Two to five years                                                                                                     | 12,001         | 15,078         |
| Beyond five years                                                                                                     | 18,884         | 22,226         |
| <b>Commitments not recognised in the financial statements</b>                                                         | <b>47,194</b>  | <b>55,630</b>  |

#### Accounting Policy

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.



## *Independent auditor's report*

To the shareholders of Metro Performance Glass Limited

We have audited the consolidated financial statements which comprise:

- the consolidated statement of financial position as at 31 March 2019;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies.

### *Our opinion*

In our opinion, the accompanying consolidated financial statements of Metro Performance Glass Limited (the Company), including its subsidiaries (the Group), present fairly, in all material respects, the financial position of the Group as at 31 March 2019, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

### *Basis for opinion*

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

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

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

Our firm carries out other services for the Group in the areas of agreed upon procedures relating to covenant compliance certificate and annual report, share scheme advice and executive reward services. The provision of these other services has not impaired our independence as auditor of the Group.

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## Our audit approach

### Overview



An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement.

Overall Group materiality: \$1.0 million, which represents approximately 5% of profit before tax, adjusted to exclude the total impairment charge of \$9.6 million relating to the Australian Glass Group Cash Generating Unit's intangible assets.

We have determined that there are two key audit matters:

- Goodwill impairment assessment
- Revenue recognition

### Materiality

The scope of our audit was influenced by our application of materiality.

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

### Audit scope

We designed our audit by assessing the risks of material misstatement in the consolidated financial statements and our application of materiality. As in all of our audits, we also addressed the risk of management override of internal controls including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

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

### Key audit matters

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



### Key audit matter

#### *Goodwill impairment assessment*

Total goodwill at 31 March 2019 amounts to \$140.0 million and represents 48% of total assets. As disclosed in Note 4.2 of the consolidated financial statements, goodwill of \$116.8 million relates to the acquisition of Metro Performance Glass (MPG) in FY2015 and \$31.5 million relates to the acquisition of Australian Glass Group (AGG) in FY2017. An impairment charge of \$8.3 million has been recorded against AGG goodwill in the current financial year.

Management utilised the value in use methodology to estimate the value of the cash generating units (CGUs) using discounted cash flows and this value was used in the impairment assessment of the goodwill for each CGU. The determination of the value in use of each CGU is complex and includes key estimates and assumptions made by management, particularly in the following areas:

- The determination that there are two CGUs being the New Zealand business and the Australian business (see Note 2.1 of the consolidated financial statements).
- Expected future compound revenue growth rates.
- The determination of the appropriate discount rate used in the model being a post-tax rate of 9.9% for both New Zealand and Australia.
- The estimated long term growth rate - management has applied a rate of 2.0% for both New Zealand and Australia.

A sensitivity assessment was performed on the key assumptions using reasonably possible scenarios and assessing the impact on the value of the CGUs.

Refer to note 4.2 in the consolidated financial statements for further information.

### How our audit addressed the key audit matter

We undertook the following procedures:

- Considered management's identification of CGUs by gaining an understanding of the business and how it is managed.
- Tested the mathematical accuracy of the value in use calculations and comparing these to the relevant carrying value of the CGUs.
- Assessed the reasonableness of the key estimates and assumptions below by comparing:
  - Revenue growth to historic performance of each CGU.
  - the long term growth rate to the long term inflation forecasts.
  - the discount rate to similar companies in the building materials market.
- Assessed the reasonableness of gross profit margin, operating expenses, EBITDA growth, CAPEX and working capital assumptions to historic performance of each CGU.
- We engaged an auditor's expert to review the carrying value, the discount rate and the long term growth rate used in the model.
- Performed sensitivity analysis in particular to the compound annual revenue growth rates, the discount rate and the long term growth rate, using reasonably possible scenarios to see if there is any material impact on the value of the CGUs.
- Reviewed the disclosure in the financial statements to ensure that this is compliant with the requirements of the accounting standards.

From our procedures, no material exceptions were noted.



| Key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 | How our audit addressed the key audit matter                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><i>Revenue recognition</i></p> <p>The Group's revenue primarily consists of the sale of goods, which totalled \$267.8 million in the year to 31 March 2019, and is the most significant item in the Group's financial statements and therefore requires significant audit effort.</p> <p>There is complexity in the revenue business process due to the high level of manual interactions. This also heightens the potential for management override through posting of inappropriate journal entries to revenue.</p> <p>Management undertook an analysis for the first time adoption of IFRS 15 and identified changes in the timing of revenue recognition with a cumulative impact of \$0.04 million in opening retained earnings as of 01 April 2018.</p> | <p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluating the processes and controls in place over the recording of sales revenue.</li> <li>• For a sample of revenue transactions throughout the year, we obtained evidence that the transactions were valid and recognised in the correct financial year. We validated that the date on which revenue was recognised was appropriate by examining: <ul style="list-style-type: none"> <li>- The associated invoice</li> <li>- The terms of the sales contract</li> <li>- The relevant proof of revenue occurrence</li> <li>- For the sample of transactions, we obtained a confirmation of the amount from the customer, or evidence that the amount was received by the Group subsequent to year-end.</li> </ul> </li> <li>• For a sample of journals posted to revenue throughout the year, we obtained evidence that journals were appropriate by agreeing them to supporting documentation.</li> <li>• Assessing management's assessment of the impact of IFRS 15 by reviewing contracts with customers for the different revenue channels on a sample basis and testing the disclosure in the financial statements.</li> </ul> <p>From our procedures, no material exceptions were noted.</p> |

#### *Information other than the financial statements and auditor's report*

The Directors are responsible for the annual report. Our opinion on the consolidated financial statements does not cover the other information included in the annual report and we do not express any form of assurance conclusion on the other information.

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

#### *Responsibilities of the Directors for the consolidated financial statements*

The Directors are responsible, on behalf of the Company, for the preparation and fair presentation of the consolidated financial statements in accordance with NZ IFRS and IFRS, and for such internal



control as the Directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

This description forms part of our auditor's report.

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### *Who we report to*

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

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

For and on behalf of:

Chartered Accountants  
23 May 2019

Auckland

# CORPORATE GOVERNANCE AND STATUTORY INFORMATION

## CORPORATE GOVERNANCE

**Metro Performance Glass' (Metroglass, the Company) Board and Senior Leadership Team (SLT) recognise the importance of sound corporate governance and consider it core to ensuring the creation, protection and enhancement of shareholder value. Together, the Board and SLT are committed to making sure that the Company applies and adheres to practices and principles that ensure good governance and maintain the highest ethical standards to protect the interests of shareholders and all stakeholders.**

Metroglass' corporate governance framework clearly sets out how the Board is accountable to the owners of the Company and how it delegates responsibilities to the Chief Executive Officer (CEO) and the SLT. This framework has been guided by the recommendations set out in the NZX Corporate Governance Code (the NZX Code) and the requirements set out in the NZX Main Board Listing Rules.

The information in this section is current as at 23 May 2019 and has been approved by the Board. Metroglass considers that, during the year to 31 March 2019 (reporting period), the Company materially complied with the NZX Code.

Metroglass' shares are also listed on the Australian Securities Exchange (ASX) with ASX Foreign Exempt Listing status. Given this status, the ASX requires the Company to comply with the NZX Main Board Listing Rules and confirm its adherence to these rules annually, and to comply with a specific subset of the ASX Listing Rules.

This corporate governance statement reflects a summary of the Company's corporate governance framework, policies and procedures and how they comply with the NZX Code. The full corporate governance framework has been approved by the Board and is available in the Investor Centre section of the Company's website at <http://www.metroglass.co.nz/investor-centre/governance/> and includes:

1. Constitution
2. Code of Ethics
3. Board Charter
4. Audit and Risk Committee Charter
5. People and Culture Committee Charter
6. Share Trading Policy
7. Market Disclosure Policy
8. Diversity and Inclusion Policy

### NZX CODE: KEY PRINCIPLES

This section sets out Metroglass' corporate governance policies, practices and processes by reference to the NZX Code's eight key principles and supporting recommendations.

#### PRINCIPLE 1: CODE OF ETHICAL BEHAVIOUR

*"Directors should set high standards of ethical behaviour, model this behaviour, and hold management accountable for these standards being followed throughout the organisation."*

#### CODE OF ETHICS

Metroglass has a Code of Ethics that establishes a framework of standards by which the Directors, employees, contractors and advisors of Metroglass are expected to carry out their responsibilities. It is not an exhaustive list of acceptable behaviour; rather it facilitates decision-making that is consistent with Metroglass' values, business goals and legal and policy obligations. It requires Metroglass' employees to:

- Act honestly and with personal integrity in all actions
- Undertake proper receipt and use of corporate information, assets and property
- Adhere to procedures around confidentiality, conflicts of interest, gift giving, and whistleblowing
- Comply with all law and Metroglass policies.

The Code of Ethics also imposes a number of obligations on Directors, including requirements that they give proper attention to the matters before them; be up to date on their regulatory, legal, fiduciary and ethical obligations; undertake training; manage breaches of the Code of Ethics; and act honestly and in the best interests of the issuer, shareholders and stakeholders and as required by law.

Metroglass monitors compliance with the Code of Ethics through its management processes as well as through the whistleblowing procedures set out in the Code of Ethics and separate Whistleblower Protection Policy. The code is reviewed at least every two years and was last reviewed in July 2017.

#### SHARE TRADING POLICY

Company's Share Trading Policy governs trading in the Company's shares and any associated financial products (during the reporting period these were Metroglass' NZX- and ASX-listed shares). The policy applies to:

- Directors, Officers and members of the Senior Leadership Team (SLT);
- Any employee who reports directly to a member of the SLT or the Group Financial Controller; and
- Any other employee to whom the CEO deems the policy should apply.

## CORPORATE GOVERNANCE (CONTINUED)

In particular, the Policy notes that:

- Buying or selling Metroglass' shares is prohibited in the "blackout" periods set out in the policy (these periods occur prior to the release of the Company's half-year and full-year financial result releases to the market)
- Outside of a blackout period, consent must be obtained before buying or selling Metroglass shares. This consent requires confirmation that no material information is held.

The policy is reviewed at least every two years and was last reviewed on 31 July 2017.

### PRINCIPLE 2: BOARD COMPOSITION AND PERFORMANCE

*"To ensure an effective Board, there should be a balance of independence, skills, knowledge, experience and perspectives".*

The Board has ultimate responsibility for the strategic direction of Metroglass and for overseeing Metroglass' management for the benefit of its shareholders.

Metroglass' Constitution provides for a minimum of four Directors and, subject to this limitation, the number of Directors to hold office shall be fixed from time to time by the Board. At least two Directors must be ordinarily residents of New Zealand and at least two must be Independent Directors. The Chair of the Board cannot be the CEO or the Chair of the Audit and Risk Committee.

The Directors bring a wide range of skills to the Board including expertise in corporate strategy, national and international business and financial management, sales, marketing, mergers and acquisitions, legal, capital markets, industry experience and corporate governance. As at 23 May 2019, the Board comprised six Independent Directors. Director profiles and length of service are detailed on pages 12 and 13 of this report.

### BOARD CHARTER

The Board operates under a written Charter, which describes the Board's authority, duties, responsibilities, composition and framework for operation. This Charter also affirms that the Board, in performing its responsibilities, should act at all times in a manner designed to create and build sustainable value for shareholders and in accordance with the duties and obligations imposed on the Board by Metroglass' Constitution and by law. The Charter is reviewed at least every two years and was last reviewed on 1 March 2019.

Management of Metroglass on a day-to-day basis is undertaken by the CEO and senior managers through a set of delegated authorities that clearly define the CEO and senior managers' responsibilities and those retained by the Board. Metroglass' Board and CEO delegated authority policies are reviewed at least annually and were last reviewed on 28 March 2019.

The Board meets its responsibilities by receiving reports and plans from management and through its annual work programme. The Board uses committees to address issues that require detailed

consideration. Committee work is undertaken by Directors; however, the Board retains ultimate responsibility for the functions of its committees and determines their responsibilities.

### NOMINATION AND APPOINTMENT OF DIRECTORS:

The provisions regarding the election and retirement of Directors are contained in the Metroglass Constitution. Board succession is the responsibility of the People and Culture Committee, on behalf of the board.

Metroglass strives to ensure that the Company has the right mix of skills and experience it requires to enable it to achieve its strategic aims in a prudent and responsible manner. The Board will review its composition from time to time and will identify and evaluate suitable individuals for appointment as a Director as and when an appointment is to be made. In evaluating a candidate for appointment as a Director, the Board will consider criteria including the skill sets as being required at the time as well as the individual's experience and professional qualifications.

In considering a prospective Director, the Board also assesses the prospective Board members' ability to exercise sound business judgment, their integrity and moral reputation, any potential conflicts of interest or legal impediments to serving as a Director, and their willingness and availability to commit the time required to serve as an effective Director of the Company. The Company is assisted in arriving at these judgments with external advice and a set of comprehensive background checks.

To support the Board in its deliberations, the Directors take into account a skills matrix that sets out the mix of skills and diversity of the Directors and evaluates whether the collective skills and experience of the Directors meet Metroglass' requirements both now and into the future.

New Directors provide the Company with a written consent to act as a Director and receive a formal Letter of Appointment that sets out the Terms and Conditions of Appointment and Remuneration Schedule. It also sets out the expectations of the Company, the Director's duties, responsibilities and powers, insurance and indemnity arrangements, and rights of access to information.

All new Board members are also provided with an extensive briefing on the Company and industry-related matters within a thorough induction process.

### SELECTION OF CHAIR:

The Metroglass Constitution provides that the Directors may elect a Chairperson of the Company and also determine the period for which the Chairperson is to hold office. Peter Griffiths is an Independent Director and is currently the appointed Chairperson.

### RETIREMENT AND RE-ELECTION:

The Company's Constitution and NZX Main Board Listing Rules require a newly appointed Director to stand for election at the next Annual Shareholders' Meeting (ASM).

Rhys Jones (appointed to the Board during the 2018 financial year) and Gordon Buswell and Russell Chenu (having retired by rotation)

## CORPORATE GOVERNANCE (CONTINUED)

were elected as Directors of Metro Performance Glass Limited at the Company's ASM on 24 August 2018. Angela Bull and Peter Griffiths will each retire by rotation and stand for re-election at the Company's 2019 ASM.

### DIRECTOR INDEPENDENCE:

Directors are considered to be independent if they are non-executive and do not have an interest or relationship that could or could be perceived to unreasonably influence their decisions relating to the Company or interfere with their ability to act in the Company's best interests. An individual being appointed as an Independent Director must be independent according to NZX definitions and not have any disqualifying relationships as defined in the Board Charter.

The Board will review any determination it makes as to a Director's independence on becoming aware of any information that may have an impact on the independence of the Director. For this purpose, Directors are required to ensure that they immediately advise the Board of any relevant new or changed relationships to enable the Board to consider and determine the materiality of these relationships.

As at 23 May 2019, all six Directors are considered by the Board to be Independent Directors in accordance with the NZX Main Board Listing Rules. Information in respect of each Director's ownership interests are detailed on page 75 of this report. Metroglass Directors are not formally required to own Metroglass shares but are encouraged to do so.

### DIRECTOR TRAINING:

The Company encourages Directors to continue to develop their knowledge and skills as a Director. With the prior approval from the Chair, Directors may attend appropriate courses or seminars for continuing education at the Company's cost.

### BOARD, DIRECTOR AND COMMITTEE EVALUATION:

In accordance with the Board and Committee Charters, the Board annually reviews its performance, policies and practices. It also reviews annually the performance of each Director and Board committees. These reviews are carried out both formally and informally.

The Board conducted a full performance review this year (completed in May 2019) with the assistance of governance services firm Propero Consulting. The Audit and Risk Committee was last reviewed in February 2019. The People and Culture Committee was formed in April 2018, and will undertake a review in the coming 12 months.

### DIVERSITY AND INCLUSION:

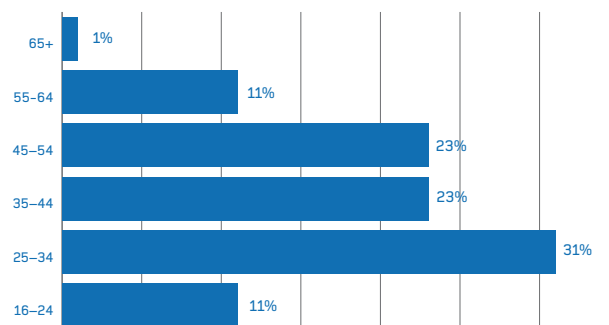
Metroglass and its Board believe that an equal opportunity workplace in which differences in gender, age, ethnicity, nationality, religion, sexual orientation, physical ability, marital status, experience and perspective are well represented, results in a competitive advantage and helps the Company to better connect with its diverse set of customers and other stakeholders.

The Company believes that an ability to attract and retain a diverse and inclusive workforce broadens the recruitment pool of high-calibre candidates, enhances innovation and improves business performance.

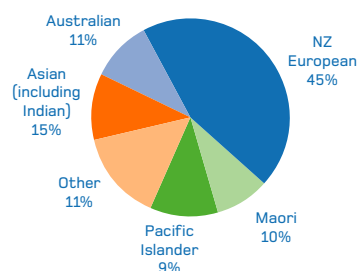
A copy of the Company's Diversity and Inclusion Policy is available in the Corporate Governance section of the Company's website. The Policy is reviewed at least annually and was last reviewed on 30 April 2019.

#### How is our workforce made up?

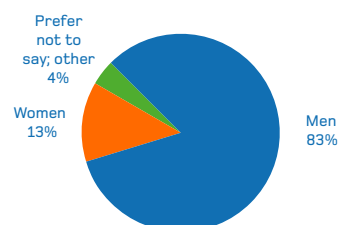
##### Age



##### Ethnicity



##### Gender



## CORPORATE GOVERNANCE (CONTINUED)

As at 31 March 2019 (and 31 March 2018 for the prior comparative period), the mix of gender among the Company's Board and SLT and Board were:

| <b>31 March 2019</b>   | <b>Female</b> | <b>Male</b> | <b>Total</b> | <b>% Female</b> |
|------------------------|---------------|-------------|--------------|-----------------|
| Board                  | 1             | 5           | 6            | 17%             |
| Senior Leadership Team | 3             | 5           | 8            | 38%             |

| <b>31 March 2018</b>   | <b>Female</b> | <b>Male</b> | <b>Total</b> | <b>% Female</b> |
|------------------------|---------------|-------------|--------------|-----------------|
| Board                  | 1             | 5           | 6            | 17%             |
| Senior Leadership Team | 2             | 6           | 8            | 25%             |

Metroglass is committed to providing an inclusive and diverse environment throughout the Company. The Company's current Diversity and Inclusion objectives are:

- Ensure that Metroglass' workforce reflects the diversity of its stakeholder community
- Increase the understanding and acceptance of difference
- Fair and consistent reward and recognition
- Ensure female candidates are identified for all Board and senior management vacancies

In 2018 the Board approved three strategic initiatives to advance the Company's diversity objectives in the 2019 financial year. The table below details these initiatives and Metroglass' progress against them.

| <b>INITIATIVE</b>                                                                                                                                                                                        | <b>PROGRESS MADE</b>                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Survey the Company's current workforce to collect baseline diversity and inclusiveness data, and report summarised results in the FY19 Annual Report.                                                    | This data was collected as part of the Company's wider staff survey completed in October 2018. A summary of the results are presented above, alongside the required data tables showing Board and SLT gender diversity.                                                                                                                      |
| Roll out the second phase of the Company's diversity and inclusiveness training programme to all senior managers, with other staff to follow incrementally.                                              | The Company engaged Diversity Works New Zealand this year and conducted a diversity and inclusion stocktake to determine where the Company is today, and to prioritise improvement efforts going forward. A training programme is in development and will be rolled out in the coming financial year and thereafter.                         |
| Record and report details of candidate diversity in the recruitment process for Board and senior management positions, endeavouring to ensure that female candidates are identified for these positions. | 11% of the Board and senior management roles recruited for in the past financial year had a successful female candidate (2018: 25%) and 17% had at least one short listed female candidate who was interviewed (2018: 38%).<br><br>Amandeep Kaur was appointed as Group Health and Safety Manager, and as a member of the SLT in April 2019. |

The Company's targets for the 2020 financial year are:

1. Continue to strive to ensure strong female candidates are identified in the recruitment process for all Board and senior management roles;
2. Provide diversity and inclusiveness training in line with the programme developed with Diversity Works; and
3. Agree a work program to make the Company a more inclusive and diverse business.

## CORPORATE GOVERNANCE (CONTINUED)

### PRINCIPLE 3: BOARD COMMITTEES

*"The Board should use committees where this will enhance its effectiveness in key areas, while still retaining Board responsibility"*

In the year to 31 March 2019, the Board had two standing committees, being the Audit and Risk Committee and People and Culture Committee.

#### BOARD AND COMMITTEE COMPOSITION AND ATTENDANCE 12 MONTHS TO 31 MARCH 2019

|                          | Board meetings<br>attended | Audit and Risk<br>Committee<br>meetings<br>attended | People and<br>Culture<br>Committee<br>meetings<br>attended | Appointed/ Resigned |
|--------------------------|----------------------------|-----------------------------------------------------|------------------------------------------------------------|---------------------|
| <b>Meetings held</b>     | <b>15</b>                  | <b>7</b>                                            | <b>6</b>                                                   |                     |
| <b>SITTING DIRECTORS</b> |                            |                                                     |                                                            |                     |
| Peter Griffiths          | 14/15 (c)                  | 7/7                                                 |                                                            | Appointed: 02/09/16 |
| Angela Bull              | 15/15                      |                                                     | 6/6 (c)                                                    | Appointed: 05/05/17 |
| Gordon Buswell           | 15/15                      |                                                     | 6/6                                                        | Appointed: 07/10/15 |
| Russell Chenu            | 14/15                      | 7/7                                                 |                                                            | Appointed: 05/07/14 |
| Rhys Jones               | 15/15                      |                                                     | 6/6                                                        | Appointed: 01/04/18 |
| Willem (Bill) Roest      | 15/15                      | 7/7 (c)                                             |                                                            | Appointed: 05/07/14 |

(c) indicates Chair.

The Board periodically reviews the need for additional committees. Each committee operates under charters approved by the Board, and any recommendation committee members make are directed to the Board. They do not make decisions on behalf of the Company in their own right.

The Board's committees and their members as at 23 May 2019 were:

- Audit and Risk Committee: Bill Roest (Chair), Russell Chenu and Peter Griffiths; and
- People and Culture Committee: Angela Bull (Chair), Gordon Buswell and Rhys Jones.

#### AUDIT AND RISK COMMITTEE:

The Audit and Risk Committee is responsible for overseeing the risk management framework (including treasury and financing policies), treasury, insurance, accounting and audit activities of Metroglass. It reviews the adequacy and effectiveness of internal controls, meets with, and reviews the performance of external auditors, oversees internal audit matters, reviews the consolidated financial statements, and makes recommendations on financial and accounting policies.

Members of the Audit and Risk Committee are appointed by the Board and comprise a minimum of three members who are each non-executive Directors of Metroglass. A majority of members must be Independent Directors and at least one Director must have an accounting or financial background.

Employees of Metroglass only attend meetings of the Audit and Risk Committee at the invitation of the committee. The Audit and Risk Committee Charter is reviewed at least every two years and was last reviewed on 28 February 2019.

#### PEOPLE AND CULTURE COMMITTEE:

The People and Culture Committee's mandate is to assist the Board in ensuring the elements of people, organisation and culture support the Company's strategy and business plan.

The committee achieves its goals by reviewing and considering: the capability of the organisation at senior levels and in any identified key roles; the remuneration strategy required to secure the desired level of organisational capability; the nominations process for the appointment and succession planning of the CEO and the Board; and Company policies that relate to people.

## CORPORATE GOVERNANCE (CONTINUED)

The People and Culture Committee is comprised of at least two, and not more than four, Independent Directors. Employees of Metroglass only attend meetings at the invitation of the committee. The People and Culture Committee Charter is reviewed at least every two years and was last approved by the Board on 23 May 2018.

### TAKEOVER PROTOCOL

Metroglass has put in place protocols for the Board to follow in the event of a takeover offer for the Company. The protocol is reviewed at least every two years and was adopted on 24 August 2017.

### PRINCIPLE 4: REPORTING AND DISCLOSURE

*"The Board should demand integrity in financial and non-financial reporting, and in the timeliness and balance of corporate disclosures."*

Metroglass is committed to providing financial reporting that is balanced, clear and objective and informs shareholders (both current and prospective) and market participants of all information that might have a material effect on the price of its traded financial products.

The quality, integrity and timeliness of external reporting and the Company's compliance with the disclosure and reporting obligations imposed under the Listing Rules of NZX, ASX, the Companies Act and other relevant legislation are overseen by the Audit and Risk Committee.

The Company's full-year statements, which have been prepared in accordance with the relevant financial standards, are set out on pages 18 to 51 of this Annual Report.

### MARKET DISCLOSURE POLICY

The Board has adopted a Market Disclosure Policy, available in the Corporate Governance section of the Company's website, which sets out how the Company will comply with its disclosure and reporting obligations.

Metroglass is committed to ensuring the timely disclosure of material information about the Metroglass Group and to making sure that the Company complies with NZX Main Board Listing Rules. The Board considers at each Board meeting whether any information discussed at the meeting requires disclosure.

The policy is reviewed at least every two years and was last reviewed on 22 May 2019.

### CHARTERS AND POLICIES

The key corporate governance documents referred to in this section, including policies and charters, are available in the Investor Centre section of the Company's website at: <http://www.metroglass.co.nz/investor-centre/governance/>.

### NON-FINANCIAL REPORTING

Metroglass provides non-financial disclosures on matters including operational priorities for the year, risk management, health and safety, and diversity.

At this time, the Company does not report under a recognised environmental, social and governance (ESG) framework, but aims to provide non-financial information that would be useful to its stakeholders. In the coming year, Metroglass will continue to better understand the material ESG issues for the Company and determine the importance that both the business and external stakeholders place on them.

### PRINCIPLE 5: REMUNERATION

*"The remuneration of directors and executives should be transparent, fair and reasonable."*

The Metroglass Board believes its practices ensure fair and reasonable remuneration. The Company's remuneration policies are aimed at ensuring that the remuneration of Directors and all staff properly reflects each person's accountabilities, duties, responsibilities and their level of performance. They are also aimed at making sure that remuneration is competitive in attracting, motivating and retaining staff of the highest calibre.

The Board's People and Culture Committee has a formal Charter. Its membership and role are set out under Principle 3 above.

The Company's remuneration policies and disclosures are covered in the Remuneration section on pages 67 to 70 of this Annual Report.

## CORPORATE GOVERNANCE (CONTINUED)

### PRINCIPLE 6: RISK MANAGEMENT

*"Directors should have a sound understanding of the material risks faced by the issuer and how to manage them. The Board should regularly verify that the issuer has appropriate processes that identify and manage potential and material risks."*

The identification and effective management of the Company's risks is a priority of the Board. It is responsible for:

- Identifying the principal risks of Metroglass' business;
- Reviewing and ratifying Metroglass' systems of internal compliance and control, risk management and legal compliance, to determine the integrity and effectiveness of those systems; and
- Approving and monitoring internal and external financial and other reporting, including reporting to shareholders, the NZX, the ASX and other stakeholders.

The Board has established an Audit and Risk Committee responsible for ensuring that effective risk management systems and internal controls are in place, including reviewing material risk exposures and the steps management has taken to monitor, control and report such exposures.

The Board has made the CEO accountable for all operational and compliance risks across the Group including health and safety (see below). The Chief Financial Officer (CFO) has management accountability for the implementation of the risk framework across all the Company's businesses.

As part of its risk management framework Metroglass continually assesses risks against all relevant areas of material business risk. Metroglass' main risks and mitigation plans are reviewed every six months by the Audit and Risk Committee.

### HEALTH AND SAFETY

The health and safety of the Company's staff, contractors and customers is of paramount concern to the Board. Accordingly, all regular Board meetings and risk reviews specifically look at health and safety matters. The Company maintains a Health and Safety risk register for both New Zealand and Australia, which is reviewed at least annually.

In view of the customer, manufacturing and glazing focus of the business, and the nature of the Company's products, key risks are strains, sprains and lacerations resulting from the manual aspect of its work processes. Metroglass mitigates these risks by automating activities or providing mechanical assistance where possible, mandating the use of appropriate personal protective equipment and by training staff and contractors in correct manual handling practices.

Metroglass believes that all injuries are preventable and that its people should get home safe every day. The Company is disappointed that the LTIFR increased in both FY18 and FY19, after reductions in each of the prior two years. The majority of incidents in the reporting period related to muscle or joint strains while lifting heavy glass, and Metroglass continuously conducts incident reviews to ensure that the right equipment and processes are in place to manage and reduce these risks.

During the past financial year, the Company has worked to ensure that safety is at the front of people's minds. This has included introducing a formal program in which all senior leadership team members engage in regular safety interactions across the Group, completing active reviews and enhancements of the personal protective equipment (PPE) being used, and appointing a Group Health and Safety Manager (reporting directly to the Group CEO).

All of the Company's New Zealand properties are certified under the Accident Compensation Corporation (ACC) Partnership Programme at a tertiary level. Each of the seven major manufacturing facilities across New Zealand and Australia are supported by a Safety Manager.

Group health and safety performance

|              | FY19                   | FY18                   | FY17                   |
|--------------|------------------------|------------------------|------------------------|
| <b>LTIFR</b> | 10.5<br>(28 incidents) | 9.3<br>(24 incidents)  | 8.5<br>(19 incidents)  |
| <b>TRIFR</b> | 34.8<br>(93 incidents) | 38.2<br>(99 incidents) | 40.1<br>(90 incidents) |

Definitions:

- Lost-Time Injury Frequency Rate (LTIFR) is measured by calculating the number of injuries resulting in at least one full work day lost per million hours worked; and
- Total Reportable Incident Frequency Rate (TRIFR) is measured by calculating the number of medical treatment cases and lost-time injuries per million hours worked.

## CORPORATE GOVERNANCE (CONTINUED)

### PRINCIPLE 7: AUDITORS

*"The Board should ensure the quality and independence of the external audit process."*

The Metroglass Audit and Risk Management Committee is charged with overseeing all aspects of the external and internal audit of the Company. It does not take decisions on behalf of the Board. However, it has delegated responsibility for:

#### EXTERNAL AUDIT

- Recommending the appointment and removal of the auditors;
- Recommending audit fees;
- Reviewing auditor independence and performance;
- Reviewing and monitoring audit service delivery;
- Ensuring the ability of the external auditors to carry out their statutory audit role and their independence is not impaired, or could reasonably be perceived to be impaired; and
- Serving as the primary contact point for auditors in relation to any problems, reservations or issues arising from the audit and referring matters of a material or serious nature to the Board.

#### INTERNAL AUDIT

- Recommending internal audit assignments; and
- Monitoring and reviewing the internal auditing practices;

The Company does not have a standalone internal audit function. External advisors are employed to evaluate and improve the effectiveness of the Company's risk management and internal processes. Progress and results on these projects are reported regularly to the Audit and Risk Committee or the Board.

The Audit and Risk Committee is authorised by the Board, at Metroglass' expense, to obtain such outside legal or other independent information and advice including market surveys and reports, and to consult with such management consultants and other outside advisors as it views necessary to carry out its responsibilities.

The Audit and Risk Committee meets at least three times each year and has direct access to Metroglass' external and internal auditors and senior management. On at least one occasion each year, the Audit and Risk Committee meets with the external auditors without management present.

#### ANNUAL SHAREHOLDERS' MEETING

Shareholders have the opportunity to ask questions of the Board and of the external auditors, who attend the Annual Shareholders' Meeting. The external auditors are available to answer questions from shareholders in relation to the conduct of the audit, the independent audit report and the accounting policies adopted by Metroglass.

### PRINCIPLE 8: SHAREHOLDER RIGHTS AND RELATIONS

*"The Board should respect the rights of shareholders and foster constructive relationships with shareholders that encourage them to engage with the issuer."*

Metroglass endeavours to keep its shareholders informed of all important developments concerning the Company and encourages them to follow its announcements. Metroglass believes that effective engagement with investors will benefit both the Company and investors. As a result of investor feedback, Metroglass' continued aim is to provide clearer communication of the Company's strategic direction, including articulating Metroglass' strategic priorities and how these leverage Metroglass' competitive advantages.

In the 2019 financial year, Metroglass communicated with its shareholders using the following means:

- Periodic market announcements, which are released first to NZX and ASX
- Periodic investor briefings, which are also released first to NZX and ASX (if the materials are different to that previously released to the NZX and ASX)
- The Annual and Interim Reports
- The Annual Shareholders' Meeting and the Notice of Meeting
- The Company's corporate website.

The Company's Chair, CEO, CFO and Investor Relations Officer currently lead engagement with shareholders and, in line with Metroglass' market disclosure policy, aim to be responsive, to provide clear, accurate and timely disclosures, and to provide meaningful insight into the Company and the industry.

#### ELECTRONIC COMMUNICATIONS:

Shareholders are encouraged to receive communications from, and send communications to, the Company and its security registry electronically. The shareholder contact point at the Company is: [glass@metroglass.co.nz](mailto:glass@metroglass.co.nz).

#### ANNUAL REPORT

Metroglass' Annual Report and Interim Reports are all available on the Company's website at: <http://www.metroglass.co.nz/investor-centre/annual-interim-reports>. Shareholders can elect to receive a printed copy of these reports by contacting the Company's share registrar, Link Market Services. Any shareholder who does request a hard copy of the Metroglass Annual Report will be sent one in the regular post.

## CORPORATE GOVERNANCE (CONTINUED)

### SHAREHOLDER VOTING RIGHTS

In accordance with the Companies Act 1993, Metroglass' Constitution and the NZX Main Board Listing Rules, the Company refers major decisions which may change the nature of the Company to shareholders for approval.

Metroglass conducts voting at its shareholder meetings by way of a poll and on the basis of one share, one vote. Further information on shareholder voting rights is set out in Metroglass' Constitution.

### NOTICE OF ANNUAL MEETING

Metroglass' previous annual meeting was held on 24 August 2018. The notice of the meeting was released to the market on 24 July 2018. Minutes of the meeting are available on the Company's website at: <https://www.metroglass.co.nz/investor-centre/annual-shareholders-meeting/>.

The 2019 Annual Shareholders' Meeting is expected to be held on 26 July 2019 in Auckland. The time and place will be provided by notice to all shareholders nearer to that date.

## REMUNERATION REPORT

All remuneration packages are reviewed at least annually, taking into account individual and Company performance, market movements and independent advice. The objective of the Company's Remuneration Policy is to ensure that the remuneration of Directors and all staff properly reflects each person's accountabilities, duties, responsibilities and their level of performance, to ensure that remuneration is competitive in attracting, motivating and retaining staff of the highest calibre.

### DIRECTOR REMUNERATION:

The Company distinguishes the structure of non-executive Directors' remuneration from that of executive Directors. Non-executive Directors are paid a fixed fee in accordance with the determination of the Board.

The total amount of remuneration and other benefits received by each Director during the year ended 31 March 2019 is set out below.

| Director            | Responsibilities                                           | 2019 Directors' Fees |
|---------------------|------------------------------------------------------------|----------------------|
| Peter Griffiths     | Chair of the Board, Member of the Audit and Risk Committee | \$160,000            |
| Angela Bull         | Director, Chair of the People and Culture Committee        | \$85,000             |
| Gordon Buswell      | Director, Member of the People and Culture Committee       | \$85,000             |
| Russell Chenu       | Director, Member of the Audit and Risk Committee           | \$90,000             |
| Rhys Jones          | Director, Member of the People and Culture Committee       | \$85,000             |
| Willem (Bill) Roest | Director, Chair of the Audit and Risk Committee            | \$100,000            |
| <b>Total</b>        |                                                            | <b>\$605,000</b>     |

The Chair of the Board receives \$160,000 per annum (with no additional committee fees paid) and the non-executive Directors receive \$80,000 per annum. The Chair of the Audit and Risk Committee receives an additional \$20,000 per annum. Other members of the Audit and Risk Committee receive an additional \$10,000 per annum (excluding the Board Chair Peter Griffiths). The Chair and members of the People and Culture Committee receive an additional \$5,000 per annum. Directors may also seek the Board's approval for special remuneration should the specific circumstances justify this.

The Board reviews its fees on a periodic basis. The maximum aggregate amount of remuneration payable by Metroglass to the non-executive Directors (in their capacity as Directors) is set at \$614,000.

Directors' fees exclude GST, where appropriate. No retirement or termination benefits are paid to non-executive Directors; however, Directors are entitled to be refunded for reasonable travel and other expenses incurred by them in connection with their attendance at Board or Shareholder meetings, or otherwise in connection with the Metroglass Group's business. The Company does not offer an equity-based remuneration scheme for Directors. The Board considers that Director and executive remuneration is appropriate and is not excessive.

Directors and Officers also have the benefit of Directors and Officers' liability insurance. This covers risks normally included in such policies arising out of acts or omissions of Directors and employees in their capacity as such. The insurance cover is supplemented by the provision of Director and Officer indemnities from the Company but this does not extend to criminal acts.

### EXECUTIVE REMUNERATION:

The remuneration of members of senior management (CEO, SLT and certain direct reports) is designed to promote a higher-performance culture, to secure the participant's retention in Metroglass and to reward performance that underpins the achievement of Metroglass' business strategy and long-term shareholder wealth creation.

The Board is assisted in delivering its responsibilities and objectives for executive remuneration by the People and Culture Committee. The role and membership of this committee is set out in section 1 of the Statement of Corporate Governance.

The CEO's performance is reviewed annually by the Board. The CEO reviews the performance of the SLT and makes recommendations to the Board for approval in relation to the team's remuneration and achievement of key performance indicators (KPIs).

## REMUNERATION REPORT (CONTINUED)

The Board completed a full review of the compensation structures of the CEO and senior management in 2015. The resulting remuneration structure is made up of three elements:

- A fixed base salary
- A discretionary short-term incentive (STI)
- A long-term incentive (LTI).

### Short-term incentives:

Short-term incentives (STI) are at-risk payments designed to motivate and reward for performance, typically within that particular financial year. The target value of an STI payment is set annually, usually as a percentage of the participant's base salary. For the 2019 financial year, the relevant percentages varied from 10% to 50%.

The STI plans relate to achievement of annual performance metrics which aim to align executives to a shared set of KPIs based on business priorities for the next 12 months and that participants are able to influence. Target measurements are set on either a regional or a national basis depending on the participant's position and role.

In the 2019 financial year, the target areas were consistent in New Zealand and Australia, and are outlined below:

| Target                                                             | Weighting | FY19 Result:<br>NZ                                                | FY19 Result:<br>Australia |
|--------------------------------------------------------------------|-----------|-------------------------------------------------------------------|---------------------------|
| Earnings before interest, tax and amortisation (EBITA) performance | 70%       | Achieved in 1 of 3 NZ regions, and at the national level          | Not achieved              |
| Deliveries-In-Full-On-Time                                         | 30%       | Achieved in 1 of 3 NZ regions, not achieved at the national level | Not achieved              |

The payable rewards for each STI KPI target are determined by the level of performance achieved and are calculated on a linear scale increasing from the 'Minimum performance target' and receiving 80% of the specified reward, up to the 'Maximum performance target' and receiving 150% of the specified reward. The maximum performance levels allow employees to be rewarded for performance above target levels.

All STI payments are contingent on there being no death or permanent material disability of any worker (exceptions may be made for a motor accident and acts of God as beyond management control). Should this occur, the Board retains discretion to determine the appropriate actions based on the specific circumstances.

### Long-term incentives

The Company's LTI plan for the 2019 financial year was announced on the 3 July 2018. The LTI plan is made up of both performance share rights and share options. The LTI is designed to secure those employees' retention in Metroglass and to reward performance that underpins the achievement of Metroglass' business strategy and long-term shareholder wealth creation. The key features of the 2019 LTI plan are as follows:

- Participants will be offered an annual award of a specified number of both performance rights and share options in Metroglass (in accordance with the LTI rules)
- The performance rights will enable participants to acquire shares in Metroglass with no consideration payable, subject to Metroglass achieving set performance hurdles and meeting certain vesting conditions
- The share options enable participants to acquire shares in Metroglass at a specified exercise price, subject to Metroglass achieving set performance hurdles and meeting certain vesting conditions.

A total of 3,826,144 share options and 1,075,205 performance share rights remain outstanding pursuant to the 2017, 2018 and 2019 LTI plans as at 23 May 2019.

### 2017 NZ Employee Share Purchase Scheme (Scheme)

On 21 February 2017, Metroglass launched an employee share purchase scheme for New Zealand-based employees. This scheme enabled participants to purchase either \$1,000 or \$2,000 worth of Metroglass shares at a 50% discount to market value. Shares are held in trust on behalf of the participants for a minimum three-year holding period until the vesting date of 21 February 2020. Vesting conditions include ongoing employment with the Company as at the vesting date. The Company provided participants with interest-free loans to fund the participant contribution (being 50%) towards the acquisition of the shares, which is to be repaid over the three-year holding period. In aggregate, 348,086 shares were issued under this scheme on 21 February 2017 at an issue price of \$1.54.

Metroglass intends to launch a new employee share scheme during the 2020 financial year.

## REMUNERATION REPORT (CONTINUED)

### Chief Executive Officer's Remuneration:

Metroglass' new CEO Simon Mander joined the Company on 19 November 2018, following former CEO Nigel Rigby's departure on 31 March 2018.

### Fixed CEO remuneration for the past three financial years (12 months to 31 March)

| FIXED REMUNERATION |         |            |                  |                          |
|--------------------|---------|------------|------------------|--------------------------|
| Financial year     | CEO     | Salary     | Other benefits** | Total fixed remuneration |
| FY19               | Current | \$214,166* | \$8,173          | \$222,339                |
| FY18               | Former  | \$550,000  | \$20,385         | \$570,385                |
| FY17               | Former  | \$500,000  | \$18,555         | \$518,555                |

\* Pro-rated for a partial year. The full year salary for Simon Mander is set at \$650,000.

\*\* Other benefits include medical insurance and KiwiSaver.

### Description of Chief Executive Officer's remuneration for performance for the year ended 31 March 2019

| Plan | Description                                                                                                                                                                                                                                                                                                               | Performance measures                     | Percentage of maximum awarded |
|------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------|-------------------------------|
| STI  | Set at 50% of fixed remuneration for FY19 on-plan performance in New Zealand, up to a maximum of 1.5 times (equal to 75% of fixed remuneration), where the highest levels of STI targets are achieved. Any payment is pro-rated for months of service. STI targets are based on a full year of group performance in FY20. | 70%: EBITA performance<br><br>30%: DIFOT | 59%                           |
| LTI  | Nil. Will be eligible to participate in the next LTI scheme.                                                                                                                                                                                                                                                              |                                          | N/A                           |

### PAY FOR PERFORMANCE – SHORT-TERM INCENTIVES

| Financial year of STI payment | CEO     | Relevant performance period | % STI awarded against maximum | STI paid  |
|-------------------------------|---------|-----------------------------|-------------------------------|-----------|
| FY20                          | Current | FY19                        | 59%                           | \$96,342* |
| FY19                          | Former  | FY18                        | 0%                            | \$0**     |
| FY18                          | Former  | FY17                        | 10%                           | \$28,563  |
| FY17                          | Former  | FY16                        | 67%                           | \$201,062 |

\* Pro-rated for 4 months out of 12 following the CEO joining in November 2018.

\*\* A separate one-off incentive payment was awarded to the departing CEO in the 2019 financial year as described in detail in the 2018 Annual Report.

### PAY FOR PERFORMANCE – LONG-TERM INCENTIVES

|      | CEO     | LTI (initial grant values)* | % LTI vested against maximum | Span of LTI performance periods |
|------|---------|-----------------------------|------------------------------|---------------------------------|
| FY19 | Current | Nil                         | n/a                          | n/a                             |
| FY18 | Former  | 125,000                     | Nil**                        | 08/06/ – 08/06/20               |
| FY17 | Former  | 125,000                     | Nil**                        | 10/06/16 – 10/06/19             |
| FY16 | Former  | 125,000                     | Nil                          | 07/12/15 – 07/12/17             |

\* These are LTI grant values (not payments), which require relevant hurdles to be met over specific performance periods. Performance with regard to the FY19 LTI scheme will be tested in the FY21 year.

\*\* These holdings were cancelled when the CEO left the Company (the three year holding hurdle was not met).

## REMUNERATION REPORT (CONTINUED)

### Settlement with former Chief Executive Officer:

In March 2019, Metroglass issued proceedings in the Employment Relations Authority seeking to enforce the comprehensive restraint of trade set out in the 2017 settlement agreement with former CEO, Nigel Rigby. The parties were directed to mediation which was completed in April 2019.

As a result of the mediation, Mr Rigby's restraint of trade has been modified in terms of duration but is enforceable in both Australia and New Zealand. Further assurances have been received from Crescent Capital and Viridian Glass that provide additional support to the protections Metroglass has under the restraint of trade, and Metroglass received a confidential sum as part of the resolution of its claims.

### Employees Remuneration:

The number of employees or former employees (including employees holding office as Directors of subsidiaries) who received remuneration and other benefits in their capacity as employees, the value of which was at or in excess of \$100,000 and was paid to those employees during the financial year ended 31 March 2019, is specified in the table below.

The remuneration figures shown in the "Remuneration" column include all monetary payments actually paid during the course of the 2019 financial year. This includes salary, STI payments that were paid during the year, and the value of performance share rights and share options (LTI) expensed during the financial year. Remuneration shown below includes settlement payments and payments in lieu of notice with respect to certain employees upon their departure from the Company, but does not include any amounts paid post 31 March 2019 that relate to the year ended 31 March 2019.

| Remuneration         | Number of employees |
|----------------------|---------------------|
| 100,000 – 110,000    | 38                  |
| 110,000 – 120,000    | 25                  |
| 120,000 – 130,000    | 17                  |
| 130,000 – 140,000    | 13                  |
| 140,000 – 150,000    | 11                  |
| 150,000 – 160,000    | 5                   |
| 160,000 – 170,000    | 9                   |
| 170,000 – 180,000    | 1                   |
| 180,000 – 190,000    | 3                   |
| 190,000 – 200,000    | 3                   |
| 200,000 – 210,000    | 2                   |
| 210,000 – 220,000    | 6                   |
| 220,000 – 230,000    | 0                   |
| 230,000 – 240,000    | 2                   |
| 240,000 – 250,000    | 1                   |
| 250,000 – 260,000    | 3                   |
| 260,000 – 270,000    | 1                   |
| 340,000 – 350,000    | 1                   |
| 420,000 – 430,000    | 1                   |
| 480,000 – 490,000    | 1                   |
| 520,000 – 530,000    | 1                   |
| 2,850,000–2,900,000* | 1                   |

\*This reflects the final payment made to the departing CEO in the 2019 financial year.

## STATUTORY INFORMATION

### STOCK EXCHANGE LISTING

Metroglass' shares are listed on the New Zealand Stock Exchange (NZX) and Australian Stock Exchange (ASX).

Shares on issue as at 1 May 2019:

| Register     | Security          | Holders      | Units              |
|--------------|-------------------|--------------|--------------------|
| New Zealand  | MPG (NZX)         | 3,208        | 164,824,829        |
| Australia    | MPP (ASX)         | 121          | 20,553,257         |
| <b>Total</b> | <b>MPG (Dual)</b> | <b>3,329</b> | <b>185,378,086</b> |

Securities issued, and still outstanding, under the 2016 – 2019 LTI plans:

| Long-Term Incentive Scheme    | Security  | Holders | Units     |
|-------------------------------|-----------|---------|-----------|
| 2016 Performance Share Rights | MPG (NZX) | –       | –         |
| 2016 Share Options            | MPG (NZX) | –       | –         |
| 2017 Performance Share Rights | MPG (NZX) | 12      | 127,950   |
| 2017 Share Options            | MPG (NZX) | 12      | 532,266   |
| 2018 Performance Share Rights | MPG (NZX) | 29      | 337,834   |
| 2018 Share Options            | MPG (NZX) | 29      | 1,351,344 |
| 2019 Performance Share Rights | MPG (NZX) |         | 609,421   |
| 2019 Share Options            | MPG (NZX) |         | 1,942,534 |

### TOP 20 SHAREHOLDERS

Metroglass' top 20 registered shareholders as at 1 May 2019 were as follows:

| Rank | Investor Name                                    | Footnote* | Shares at 1 May 2019 | % of shares |
|------|--------------------------------------------------|-----------|----------------------|-------------|
| 1    | HSBC Nominees (New Zealand) Limited              | *         | 31,002,514           | 16.72%      |
| 2    | Accident Compensation Corporation                | *         | 12,091,936           | 6.52%       |
| 3    | Masfen Securities Limited                        |           | 8,842,667            | 4.77%       |
| 4    | J P Morgan Nominees Australia Pty Limited        |           | 5,470,387            | 2.95%       |
| 5    | Nigel James Rigby                                |           | 5,243,714            | 2.83%       |
| 6    | FNZ Custodians Limited                           |           | 4,787,312            | 2.58%       |
| 7    | Citicorp Nominees Pty Limited                    |           | 4,612,507            | 2.49%       |
| 8    | FNZ Custodians Limited                           |           | 4,610,373            | 2.49%       |
| 9    | BNP Paribas Nominees Pty Ltd                     |           | 3,652,359            | 1.97%       |
| 10   | National Nominees Limited                        |           | 3,227,467            | 1.74%       |
| 11   | New Zealand Superannuation Fund Nominees Limited | *         | 3,203,072            | 1.73%       |
| 12   | FNZ Custodians Limited                           |           | 3,170,779            | 1.71%       |
| 13   | Premier Nominees Limited                         | *         | 2,436,552            | 1.31%       |
| 14   | Cogent Nominees Limited                          | *         | 2,369,440            | 1.28%       |
| 15   | Cogent Nominees (NZ) Limited                     | *         | 2,284,118            | 1.23%       |
| 16   | JBWere (NZ) Nominees Limited                     |           | 2,281,711            | 1.23%       |
| 17   | JPMorgan Chase Bank                              | *         | 2,244,635            | 1.21%       |
| 18   | Citibank Nominees (NZ) Ltd                       | *         | 1,651,218            | 0.89%       |

## STATUTORY INFORMATION (CONTINUED)

| Rank                                                        | Investor Name            | Footnote* | Shares at<br>1 May 2019 | % of<br>shares |
|-------------------------------------------------------------|--------------------------|-----------|-------------------------|----------------|
| 19                                                          | BNP Paribas Noms Pty Ltd |           | 1,521,435               | 0.82%          |
| 20                                                          | Philip George Lennon     |           | 1,345,767               | 0.73%          |
| <b>Totals: Top 20 registered holders of ordinary shares</b> |                          |           | <b>106,049,963</b>      | <b>57.20%</b>  |
| <b>Totals: Remaining holders' balance</b>                   |                          |           | <b>79,328,123</b>       | <b>42.80%</b>  |

\* Held through New Zealand Central Securities Depository Limited (NZCSD). NZCSD provides a custodial depository service which allows electronic trading of securities by its members and does not have a beneficial interest in these shares. As at 1 May 2019, a total of 60,545,057 Metroglass shares (or 32.66% of the ordinary shares on issue) were held through NZCSD.

### SUBSTANTIAL SHAREHOLDERS

According to the records kept by the Company under the Financial Markets Conduct Act 2013 the following were substantial holders in the Company as at 1 May 2019. Shareholders are required to disclose their holdings to Metroglass and to its share registrar by giving a "Substantial Shareholder Notice" when:

- They begin to have a substantial shareholding (5% or more of Metroglass' shares)
- There is a subsequent movement of 1% or more in a substantial holding, or if they cease to have a substantial holding
- There is any change in the nature or interest in a substantial holding.

| Investor name                                                                           | Number of<br>shares | %      | Date of most<br>recent notice |
|-----------------------------------------------------------------------------------------|---------------------|--------|-------------------------------|
| Bain Capital Credit, LP                                                                 | 20,475,000          | 11.05% | 30/11/18                      |
| Schroder Investment Management (Australia) Limited<br>Investment Services Group Limited | 18,332,875          | 9.89%  | 03/07/18                      |
| <i>Inclusive of:</i>                                                                    | 12,949,138          | 6.99%  | 27/11/18                      |
| <i>Devon Funds Management</i>                                                           | 11,999,138          | 6.47%  |                               |
| Accident Compensation Corporation                                                       | 12,091,936          | 6.52%  | 25/03/19                      |
| National Australia Bank Limited                                                         | 9,570,413           | 5.16%  | 09/04/19                      |

The following shareholders ceased to be substantial shareholders during the period 2 May 2018 to 1 May 2019: New Zealand Superannuation Fund on 29 November 2018.

### DISTRIBUTION OF SHAREHOLDERS

As at 1 May 2019:

| Range                | Number of<br>holders | %              | Number of<br>shares | %              |
|----------------------|----------------------|----------------|---------------------|----------------|
| 1 – 1,000            | 287                  | 8.62%          | 207,746             | 0.11%          |
| 1,001 – 5,000        | 1,026                | 30.82%         | 3,260,369           | 1.76%          |
| 5,001 – 10,000       | 704                  | 21.15%         | 5,658,135           | 3.05%          |
| 10,001 – 50,000      | 1,036                | 31.12%         | 24,150,692          | 13.03%         |
| 50,001 – 100,000     | 139                  | 4.18%          | 10,266,249          | 5.54%          |
| Greater than 100,000 | 137                  | 4.12%          | 141,834,895         | 76.51%         |
| <b>Total</b>         | <b>3,329</b>         | <b>100.00%</b> | <b>185,378,086</b>  | <b>100.00%</b> |

### VOTING RIGHTS

Section 15 of the Company's Constitution states that a shareholder may vote at any meeting of shareholders in person or through a representative. Metroglass conducts voting by way of a poll, using this method every shareholder present (or through their representative) has one vote per fully-paid up share they hold. Unless the Board determines otherwise, shareholders may not exercise the right to vote at a meeting by casting postal votes. More detail on voting can be found in Metroglass' Constitution available on the Company's website at: <https://www.metroglass.co.nz/investor-centre/governance/>.

## STATUTORY INFORMATION (CONTINUED)

### TRADING STATISTICS

Metroglass is listed on both the NZX and ASX. The trading ranges for the period 1 April 2018 to 31 March 2019 are as follows:

|                            | NZX                 | ASX                 |
|----------------------------|---------------------|---------------------|
| Minimum:                   | NZ\$0.40 (26/11/18) | AU\$0.38 (27/11/18) |
| Maximum:                   | NZ\$0.91 (02/07/18) | AU\$0.88 (03/07/18) |
| Range:                     | NZ\$0.40 – NZ\$0.91 | AU\$0.38 – AU\$0.88 |
| <b>Total shares traded</b> | <b>104,044,597</b>  | <b>2,340,185</b>    |

### DIVIDEND POLICY

Dividends and other distributions with respect to the shares are only made at the discretion of the Board of Metroglass. Any dividend can only be declared by the Board if the requirements of the Companies Act 1993 are also satisfied. The Board's decision to declare a dividend (and to determine the quantum of the dividend) for shareholders in any financial year will depend on, amongst other things:

- All statutory or regulatory requirements
- The financial performance of Metro Performance Glass
- One-off or non-recurring events
- Metroglass capital expenditure requirements
- The availability of imputation credits
- Prevailing business and economic conditions
- The outlook for all of the above
- Any other factors deemed relevant by the Board.

On 26 November 2018, the Company announced its intention to prioritise debt reduction, and that it was targeting a lower leverage ratio for the group (as measured by net debt to rolling 12-month EBITDA) of approximately 1.5 times. At 31 March 2019, this ratio was 2.1 times. No dividends have been declared in respect of the 2019 financial year.

### NZX AND ASX WAIVERS

Metroglass does not have any waivers from the requirements of the NZX Main Board Listing Rules, and has waivers in place with the ASX that are standard for a New Zealand company listed on the ASX.

Metroglass has an ASX Foreign Exempt Listing on the ASX. This category is based on a principle of substituted compliance, recognising that for secondary listings, the primary regulatory role and oversight rest with the home exchange. Metroglass continues to have a full listing on the NZX Main Board.

## STATUTORY INFORMATION (CONTINUED)

### DISCLOSURE OF DIRECTORS' INTERESTS

Directors disclosed, under section 140(2) of the New Zealand Companies Act 1993, the following interests as at 31 March 2019:

| Director and Company                        | Position                 |
|---------------------------------------------|--------------------------|
| <b>Angela Jennifer Bull</b>                 |                          |
| Callaghan Innovation Research Limited       | Director                 |
| New Zealand Institute of Economic Research  | Deputy Chair             |
| Real Estate Institute of New Zealand        | Director                 |
| <b>Gordon John Buswell</b>                  |                          |
| About Direction Limited                     | Director and Shareholder |
| Building Industry Federation                | Chair                    |
| Construction Strategy Group                 | Deputy Chair             |
| Platinum Homes Limited                      | Chair                    |
| Quad Concepts Limited                       | Strategic Advisor        |
| Registered Master Builders Association      | Director                 |
| <b>Russell Langtry Chenu</b>                |                          |
| 5R Solutions Pty Limited                    | Director                 |
| CIMIC Group Limited                         | Director                 |
| James Hardie Industries plc                 | Director                 |
| Reliance Worldwide Corporation Limited      | Director                 |
| <b>Peter Ward Griffiths</b>                 |                          |
| Great Barrier Airlines Limited              | Director and Shareholder |
| Island Leader Limited                       | Director and Shareholder |
| Another New Plane Co Limited                | Director and Shareholder |
| New Zealand Business and Parliament Trust   | Chair and Trustee        |
| NZDS Properties (NO 2) Limited              | Director and Shareholder |
| Shoman Limited                              | Director and Shareholder |
| Wings over Whales NZ Limited                | Director and Shareholder |
| Z Energy Limited                            | Chair                    |
| Z Energy 2015 Limited                       | Chair                    |
| <b>Rhys Jones</b>                           |                          |
| Vulcan Steel Limited                        | Director and Shareholder |
| Vulcan Steel Pty Limited                    | Director and Shareholder |
| Carbine Aginvest Corporation Limited        | Director                 |
| Dairy Technology Services Limited           | Director                 |
| Resin & Wax Holdings Limited                | Chair and Shareholder    |
| <b>Willem (Bill) Jan Roest</b>              |                          |
| Fisher & Paykel Appliances Holdings Limited | Director                 |
| Housing Foundation Limited                  | Director                 |
| Synlait Milk Limited                        | Director                 |
| Synlait Milk Finance Limited                | Director                 |

## STATUTORY INFORMATION (CONTINUED)

### SUBSIDIARIES AND SUBSIDIARY DIRECTORS

Section 211(2) of the Companies Act 1993 requires the Company to disclose, in relation to its subsidiaries, the total remuneration and value of other benefits received by the Directors and former directors, together with particulars of entries in the interests registers made, during the year ended 31 March 2019.

No Group employee appointed as a director of Metro Performance Glass Limited or its subsidiaries receives or retains any remuneration or other benefits in their capacity as a director, and each is a full-time Group employee. The remuneration and other benefits of such employees and former employees (received as employees) totalling NZ\$100,000 or more during the year ended 31 March 2019 are included in the remuneration bandings disclosed on page 70 of this Annual Report.

Within the 2019 financial year, Simon Mander was appointed director of each of the eight New Zealand subsidiaries (19 December 2018), and Andrew Paterson ceased to be a director of the same set of companies on the same date. As at 31 March 2019, Metroglass' subsidiary companies and subsidiary directors were:

| Company                                               | Directors                            |
|-------------------------------------------------------|--------------------------------------|
| Australian Glass Group (Holdings) Pty Limited         | John Fraser-Mackenzie, Jason McGrath |
| Australian Glass Group Finance Company Pty Limited    | John Fraser-Mackenzie, Jason McGrath |
| Australian Glass Group Investment Company Pty Limited | John Fraser-Mackenzie, Jason McGrath |
| Canterbury Glass & Glazing Limited                    | Simon Mander, John Fraser-Mackenzie  |
| Christchurch Glass & Glazing Limited                  | Simon Mander, John Fraser-Mackenzie  |
| Hawkes Bay Glass & Glazing Limited                    | Simon Mander, John Fraser-Mackenzie  |
| I G M Software Limited                                | Simon Mander, John Fraser-Mackenzie  |
| Metroglass Finance Limited                            | Simon Mander, John Fraser-Mackenzie  |
| Metroglass Holdings Limited                           | Simon Mander, John Fraser-Mackenzie  |
| Metropolitan Glass & Glazing Limited                  | Simon Mander, John Fraser-Mackenzie  |
| Taranaki Glass & Glazing Limited                      | Simon Mander, John Fraser-Mackenzie  |

### DIRECTORS' SHAREHOLDING IN METROGLASS

The Directors' respective interests in Metroglass shares as at 1 May 2019 are as follows:

|                     | Number of shares<br>in which a relevant<br>interest is held | Acquisition dates                         | Disposal dates |
|---------------------|-------------------------------------------------------------|-------------------------------------------|----------------|
| Angela Bull         | 45,825                                                      | 10/07/17, 30/08/17 and 28/08/18           | n/a            |
| Gordon Buswell      | 50,000                                                      | 25/05/18                                  | n/a            |
| Russell Chenu       | 25,000                                                      | 29/07/14                                  | n/a            |
| Peter Griffiths     | 195,500                                                     | Eight dates between 16/05/16 and 29/08/18 | n/a            |
| Rhys Jones          | 58,000                                                      | 31/08/18                                  | n/a            |
| Willem (Bill) Roest | 25,000                                                      | 29/07/14                                  | n/a            |

### DONATIONS

For the year ended 31 March 2019, Metroglass, including its subsidiaries, made donations of \$14,368.62 (2018: \$2,226.26).

### NET TANGIBLE ASSETS PER SECURITY

Net tangible assets per security at 31 March 2019: 5.7 cents (31 March 2018: 0.5 cents).

### CURRENCY

Within this Annual Report, all amounts are in New Zealand dollars unless otherwise specified.

### CREDIT RATING

Metroglass has not requested a credit rating.

## COMPANY DIRECTORY

### REGISTERED OFFICE

5 Lady Fisher Place  
East Tamaki  
Auckland 2013  
New Zealand

Email: [glass@metroglass.co.nz](mailto:glass@metroglass.co.nz)  
Phone: +64 (09) 927 3000

### BOARD OF DIRECTORS

Peter Griffiths – Chair, Member of the Audit and Risk Committee

Angela Bull – Non-Executive Director and Chair of the People and Culture Committee

Gordon Buswell – Non-Executive Director and Member of the People and Culture Committee

Russell Chenu – Non-Executive Director and Member of the Audit and Risk Committee

Rhys Jones – Non-Executive Director and Member of the People and Culture Committee

Willem (Bill) Roest – Non-Executive Director and Chair of the Audit and Risk Committee

### SENIOR LEADERSHIP TEAM

Simon Mander – Chief Executive Officer

John Fraser-Mackenzie – Chief Financial Officer

Robyn Gibbard – GM Upper North Island

Gareth Hamill – GM Lower North Island

Andrew Dallison – GM South Island

Amandeep Kaur – Group Health and Safety Manager

Barry Paterson – General Manager Commercial Glazing

Dayna Saunders – Human Resources Director

### AUDITOR

PricewaterhouseCoopers  
22/188 Quay Street  
Auckland 1142  
New Zealand

### LAWYERS

Bell Gully  
Vero Centre  
48 Shortland Street  
Auckland 1140  
New Zealand

### BANKERS

Bank of New Zealand Limited  
Westpac New Zealand Limited

### SHARE REGISTRAR

Link Market Services  
Level 11, Deloitte Centre  
80 Queen Street, Auckland 1010  
PO Box 91976, Auckland 1142

### FURTHER INFORMATION ONLINE

This Annual Report, Metroglass' core governance documents, and all Company announcements can be viewed on its website:

<http://www.metroglass.co.nz/investor-centre>.

## INVESTOR CALENDAR

|                                     |                   |
|-------------------------------------|-------------------|
| 2019 Annual Shareholders' Meeting   | 26 July 2019      |
| 2020 Half Year balance date         | 30 September 2019 |
| 2020 Half Year results announcement | November 2019     |
| 2020 Full Year balance date         | 31 March 2020     |
| 2020 Full Year results announcement | May 2020          |



