ANNUAL
REPORT
**2020**

METRO
PERFORMANCE GLASS

This report is dated 19 June 2020 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



The Metroglass group delivered on its 2020 EBIT guidance and net debt reduction target set in November 2019 – despite the closure of New Zealand operations towards the end of March due to COVID-19.

The strength of our customer relationships in New Zealand supported stable performance in the competitive window manufacturer segment, as we reduced our exposure to large-scale commercial glazing projects.

Australian Glass Group began to deliver on its turnaround plan despite significant declines in market activity – achieving revenue growth, sustained strong operating performance, and an EBITDA[1] positive result for the second half.

The group continued to strengthen its financial position this year through strong operating cash flows, efficient use of capital expenditure, and cost management.

Net debt has been reduced by 29% or $27.4 million to $66.9 million over the past two years putting the group in a stronger position to weather anticipated declines in economic and building activity. Financial covenant relief has also been agreed for the 2021 financial year.

1. Earnings before interest, tax, depreciation and amortisation; before significant items.

# CHAIR AND CHIEF EXECUTIVE'S REVIEW

**Metro Performance Glass' (Metroglass) focus on strengthening key customer relationships has continued to support our financial performance this year, particularly in the face of challenging market dynamics. Metroglass New Zealand reinforced its market leadership in a competitive market, while Australian Glass Group (AGG) continued to deliver on its turnaround plan, growing revenue and achieving an EBITDA[1] positive result in the second half of the year.**

Peter Griffiths
CHAIRMAN

Simon Mander
CEO

The impacts of COVID-19 were increasingly felt towards the end of March and had a dramatic effect on operations in New Zealand post the company's financial year end of 31 March 2020 (FY20). We discuss the impacts of COVID-19 and our response on page 3.

Metro Performance Glass is a leading provider of glass processing and glazing solutions in Australasia, with a team of over 1,150 people committed to delivering exceptional products and services for our customers.

We are pleased to report that the Metroglass group delivered on the FY20 EBIT guidance and net debt reduction target set in November 2019, despite losing a week of New Zealand operations at the end of March due to the COVID-19 shutdown.

The group has continued to focus on strengthening its financial position through the generation of operating cash flows, efficient use of capital expenditure, and cost management to reduce its net debt by 29% or $27.4 million to $66.9 million over the past two years. We've also agreed relaxed financial covenants with our banking partners for the 2021 financial year, and these combined efforts have put the group in a stronger position to weather the declines in economic and building activity which likely lie ahead.

We operate in a dynamic and competitive environment. Despite the added uncertainty caused by the pandemic, Metroglass' board and management team remain confident in the group's strategy of

1. Earnings before interest, tax, depreciation and amortisation, before significant items.

providing the best customer service, developing its people, and leveraging its scale to efficiently deliver leading glass solutions.

A range of initiatives are being advanced to ensure we remain focused on our key customers, are resilient across a range of market conditions, and are well positioned to take advantage of future opportunities. During the 2020 financial year, we made several changes to our organisational structure, our shift patterns, maintenance practices and raw material supply chains. We have also continued to develop our people and expand our apprenticeship programme, and we invested in factory equipment to improve performance and reduce our safety risks.

In November 2019, Metroglass announced that AGG's New South Wales (NSW) business would be reoriented to focus on the production of double-glazed units. This restructure resulted in significant reductions in operating costs and helped to position the business for future growth in line with supportive changes in the National Building Code anticipated to come into effect in calendar years 2022 and 2023.

AGG is now on a positive track and has executed well against its turnaround plan in the second half of the year.

## COVID-19 EXCERPT

**On 25 March 2020, Metro Performance Glass (Metroglass) significantly scaled down or closed its operations across New Zealand in response to the Government's move to COVID-19 Alert Level 4. The Group noted its support for the steps being taken by the New Zealand Government to manage and mitigate the effects of the pandemic.**

We moved swiftly and safely to appropriately scale down and close all glass processing and installation, and immediately implemented alternative working arrangements where possible to keep the business moving forward.

We elected to continue paying all salaried and waged staff in full throughout the shutdown period, which we considered vital to limit the stress and anxiety our employees and their families felt during this highly uncertain period. The company qualified for and received the wage subsidy from the New Zealand Government for 926 employees, totalling $6.5 million.

Our people maintained a high level of connection with customers during the shutdown period, supporting them with essential glazing services, cash-flow planning, COVID-19-related safety protocols, and ensuring they were informed of relevant government subsidies and support.

All Metroglass processing and installation operations resumed, with health and safety and physical distancing protocols in place, at COVID-19 Alert Level 3 on 28 April. Thanks to the significant preparation work completed during the lockdown, our teams were able to restart and ramp-up production to pre-COVID-19 levels within one week.

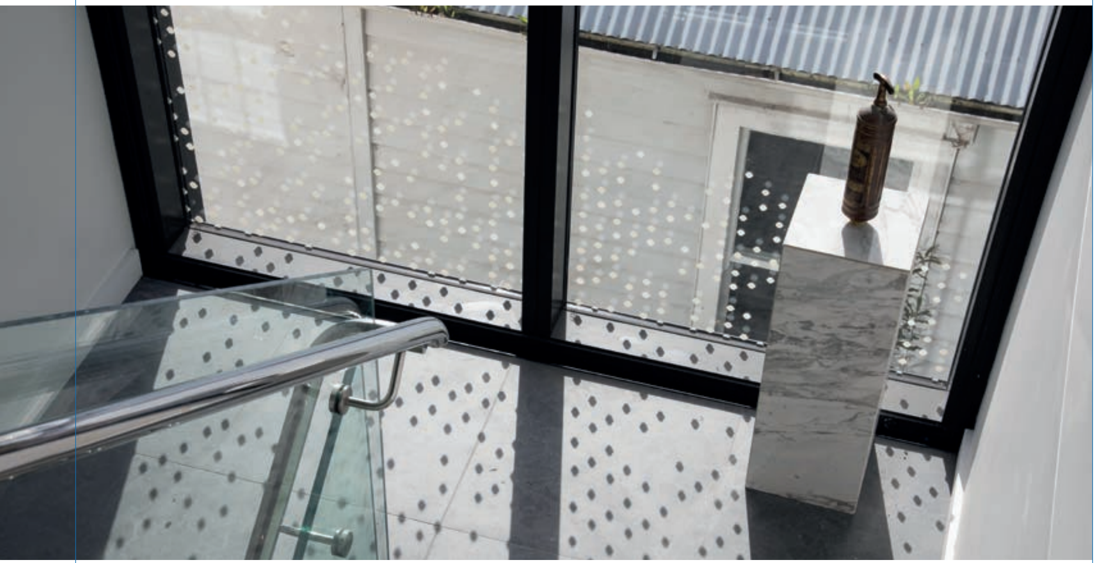
Australian Glass Group (AGG) has not faced material disruption from COVID-19 restrictions to date. In line with New Zealand's operations and Australian Government directives, the company introduced health and safety and physical distancing protocols to ensure the safety of its workforce.

COVID-19 has had near-term impacts on group operations and financial performance and is expected to contribute to a material decline in New Zealand and Australian economic activity for at least the next 12 to 24 months. Several actions have been taken to preserve the cash position of the company during this time, including cost control measures, the seeking of rent relief and the cancellation or deferral of all non-essential capital expenditure.

Metroglass further strengthened its financial position this year and retained borrowing headroom of more than $50 million at 31 March 2020. The company took the prudent step of agreeing a relaxation of Metroglass' key financial covenant: net debt to EBITDA from 3.0x to 4.0x for all tests up to and including 31 March 2021. The company and its banking partners are continuing to engage in constructive discussions to provide for future requirements.

The board and management team continue to evolve a series of forward-looking scenarios and strategic plans to enable the group to rapidly respond to changes in market conditions. The extent and prolonged nature of the anticipated declines in building activity are uncertain and these scenarios will continue to change as the future path of the economy becomes clearer. Metroglass is focused on retaining our market leadership position and emerging from this challenges in as strong a position as possible.

CHAIR AND CHIEF EXECUTIVE'S REVIEW CONTINUED



Despite a softening market, AGG achieved revenue growth and delivered a positive EBITDA result for the second half of the year.

## REVENUE AND EARNINGS PERFORMANCE

Group revenue of $254.9 million was 5% below last year's result, with New Zealand revenue declining 7% to $203.0 million and Australian revenue growing 3% to $51.9 million. Group EBIT[2] declined 8% in FY20 to $23.2 million, before significant items[3] but inclusive of the impacts from adopting the IFRS-16 lease accounting standard.

In New Zealand, Metroglass' EBIT before significant items fell 11% from $31.1 million to $27.8 million, with the reduced contribution from commercial glazing more than offsetting the $1.9 million net benefit from adopting the new IFRS-16 lease accounting standard.

AGG's annual EBIT loss, before significant items, decreased by $1.2 million to $(3.6) million this year, facilitated by strong growth in Tasmania and cost reductions in NSW. This financial performance remains below an acceptable level and more work is still to be done, however the business is showing steady improvement and is on an encouraging path.

The negative repercussions on the New Zealand economy caused by the COVID-19 pandemic are expected to be significant and result in lower construction activity for the coming 12 - 24 months. Glass processing and installation continue to be very competitive.

The currently heightened level of uncertainty has made accurate forecasting particularly challenging, which we discuss further in the outlook section below.

The carrying values of the company's intangible assets were reviewed in this context, which resulted in an $86.5 million impairment to New Zealand goodwill, which initially arose from acquisitions completed in 2012 (pre-IPO). This non-cash charge has no impact on the company's bank covenants and is presented as a significant item in the FY20 financial statements.

Principally as a result of the New Zealand impairment charge, we have reported a statutory Net Loss After Tax of $(77.9) million in FY20, down from a Net Profit After Tax (NPAT) of $5.0 million in FY19. NPAT before significant items[3] declined to $10.9 million from $14.2 million in the prior year.

## NEW ZEALAND – ENRICHING THE CUSTOMER RELATIONSHIP

Metroglass continues to operate in an increasingly competitive market and is committed to providing a differentiated and market-leading customer experience. This year we have focused on defending our market position, diversifying our risk exposures and strengthening relationships with our key customers.

Despite the number of building consents increasing over the past year, in our view supply constraints across the broader construction industry have restricted the level of actual construction, with activity in our core residential segment remaining broadly in line with last year. All architectural glass used in New Zealand construction is imported and the total volume of glass imports declined by 7% over the past 12 months[4].

Metroglass' key service performance measures remained strong throughout the year, with a 30% reduction in the rate of external rework and delivery-on-time-in-full (DIFOT) and late-tail-DIFOT performance continuing in line with last year.

During the year, the company implemented improvements in customer communications and tailored service offerings to meet the needs of its key customers. Pleasingly, our second New Zealand-wide customer survey conducted in November 2019 achieved

2. Earnings before interest and tax, before significant items.
3. FY20 significant items: $86.5m impairment of New Zealand goodwill, $4.6m of NSW restructure costs and $0.9m of positive tax adjustments relating to prior periods. FY19 significant item: $9.6 million impairment of Australian intangible assets.
4. Source: Statistics New Zealand, 12 months ended 31 March 2020.

7.5/10 (June 2019: 7.3/10), further validating our progress in fostering these relationships. The quality of these relationships continues to be critical in a very competitive industry.

Our people are the key that unlocks our customer relationships and our value proposition. Through improved communications, training and support initiatives, we have seen positive improvements in the engagement and feedback from our teams. In our FY20 employee engagement survey, we recorded an increase of 19% in the number of actively engaged staff.

Learning and development are very important parts of Metroglass' operations, and during FY20 we launched a learning management system which has enabled our employees to develop and transfer skills and capabilities across the company.

Our focus on upskilling the next generation of the Metroglass workforce has seen us more than double our apprentice numbers this year, with over 70 employees now on the journey towards gaining a professional qualification. We have also bolstered the tools, frameworks and training we provide our people leaders, allowing them to improve the development and performance of their teams.

The safety and wellbeing of our people is always at the centre of our people initiatives. Our safety statistics show we still need to improve in this area, with the number of incidents remaining at a similar level to the prior two years. The company's safety programme and systems are evolving and maturing, and we are continuing to put considerable effort into supporting our teams with improved safety equipment, refreshed policies, practices and training. During the year, we installed a significant number of additional lifting cranes in our plants which has meaningfully reduced the need for manual lifting of heavy products going forward.

### AUSTRALIAN GLASS GROUP – STRENGTHENING OUR MARKET POSITION

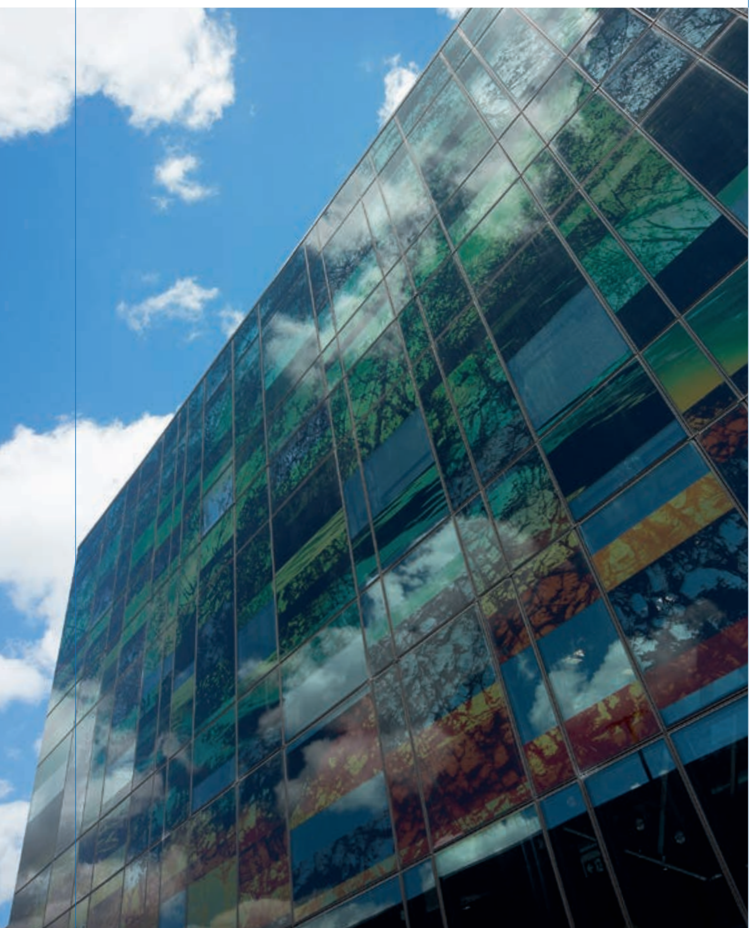
AGG is building a focused glass processing business across south-eastern Australia, providing high performance glass and double glazing, with exceptional customer service. Pleasingly, AGG's revenue grew (in Australian dollar terms) by 5% this year, despite Australian residential starts falling 13% in calendar year 2019.

In November 2019 we announced that our NSW operations would be reoriented to focus on supplying double-glazed units. Local production of other glass products was significantly scaled down, the physical production footprint has been condensed from four buildings to two, and operating costs have materially reduced.

During the year the company implemented improvements in customer communications and tailored service offerings to meet the needs of our key customers.

## CHAIR AND CHIEF EXECUTIVE'S REVIEW CONTINUED

Capital expenditure was managed conservatively with $8.7 million being invested in key safety equipment and core information systems, and operational capability.



NSW represents a meaningful long-term growth opportunity, as the state has a very low, but increasing, penetration of double glazing in windows and doors. A set of supportive legislative changes in the National Building Code is anticipated to come into effect in calendar years 2022 and 2023. These changes will require new residential buildings to be constructed to an increased energy-efficiency rating, which can readily be achieved with double glazing. This requirement was introduced for new commercial buildings in 2019 and the subsequent increased usage and interest in double glazing has been significant.

Tasmanian operations have continued to deliver further growth in revenue and market share since starting in early 2018, and AGG Victoria maintains a strong position within a highly competitive market.

AGG has maintained its operational performance with DIFOT improving 8% and external rework declining 18% during FY20. Our second Australian customer survey, conducted in November 2019, saw AGG maintain its strong rating of 8.0/10 (8.0/10 in July 2019); this validates the improvements in its service offering to customers.

Our Australian team has delivered well against its turnaround plan over the past six months. The board and management team are appreciative and proud of their commitment and results.

### CAPITAL MANAGEMENT

Metroglass reduced net debt by $16.5 million this year, to $66.9 million as at 31 March 2020. This was supported by strong operational cash flow, focused capital expenditure across the group, and further reductions in working capital.

Capital expenditure was managed conservatively with $8.7 million being invested in key safety equipment, core information systems, as well as by enhancing our digital printing capability and other operational capability.

Before the significant impacts from the COVID-19 pandemic became clear, the board had expected to reach the leverage target of 1.5x net debt to EBITDA (pre IFRS-16) during the 2021 financial year. As at 31 March 2020 this ratio was 1.9x. We remain committed to the 1.5x leverage target, ensuring the strength and stability of the company's financial position and will continue to prioritise debt reduction.

As at 31 March 2020, Metroglass retained borrowing headroom of more than $50 million. The company's banking partners have agreed to relax Metroglass' key financial covenant: net debt to EBITDA from 3.0x to 4.0x for all tests up to and including 31 March 2021, and we are continuing to engage in constructive discussions to provide for future requirements.


## OUTLOOK

While the implications of the COVID-19 pandemic on construction activity in New Zealand and Australia are uncertain, we expect a significant decline in economic activity for at least the next 12 to 24 months. At present external forecasters are generally predicting a moderate to severe reduction in both New Zealand residential consents and Australian housing starts over this period.

Metroglass' financial performance is strongly correlated with the cyclical nature of the construction industry. New residential dwelling consents in New Zealand provides a leading indicator of future demand and was running at historical highs in 2019 and early 2020. However, as a result of COVID-19 we now expect building activity to decline in the coming months and remain at lower levels for an extended period.

Given the current heightened level of uncertainty, the board and management team consider it prudent to develop and monitor a number of conservative forward-looking scenarios. These scenarios have been formed after assessing a wide range of inputs including economic forecasts, observed market data points including the implications observed during previous recessionary events, feedback from customers, and analysis of the company's sales trends and existing forward books of work.

Building activity in New Zealand essentially ceased during the COVID-19 shutdown period and productivity was also impacted under Alert Levels 3 and 2. This will impact on the traditional 9-month lag between residential housing consents and glass demand, but this lag will continue to provide Metroglass some opportunity to observe market conditions in the coming months and refine our plans accordingly. Our base case estimate for 9 month lagged NZ residential consents is that they will decline marginally in FY21 before declining by c. 20% in FY22, and then recovering by c. 5% in FY23.

While detached residential housing starts in Australia had begun to stabilise and showed an improving trend at the start of 2020, we now expect a 20% decline in our key states in FY21 (non-lagged), followed by a 9% recovery in FY22.

These are current estimates and subject to change. The extent and prolonged nature of the anticipated declines in building activity are uncertain and these scenarios will continue to change as the future path of the economy becomes clearer. The board and management are focused on positioning the group to traverse this changing environment.

We will continue to preserve cash, with a focus on critical capital expenditure and effective and proactive management of costs. We have made some progress on our operating and overhead cost base during FY20 and will carry this focus into FY21 to position the group to emerge successfully from the effects of the pandemic.

PETER GRIFFITHS
Chair

SIMON MANDER
Chief Executive

# MANAGEMENT REVIEW

## SUMMARY

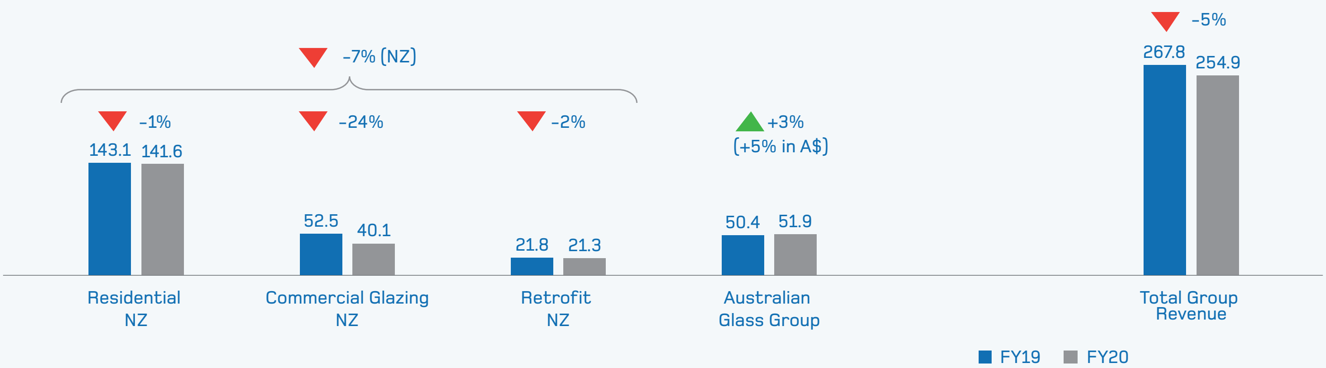
**Group revenue of $254.9 million for the full year ended 31 March 2020 (FY20) was 5% below the previous 12-month period. New Zealand revenue declined 7% to $203.0 million, while AGG's revenue increased 3% to $51.9 million.**

Group EBIT fell 8% in FY20 to $23.2 million, before significant items but inclusive of a $1.9 million net benefit through adopting the new IFRS-16 lease accounting standard.

The negative repercussions on the New Zealand economy caused by the COVID-19 pandemic are expected to be significant and result in lower construction activity for the coming 12 - 24 months. The glass processing and installation industry also continues to be very competitive with significant increases in supplier capacity having come online over the past few years. The carrying values of the company's intangible assets were reviewed in this context, which resulted in an $86.5 million impairment to New Zealand goodwill. This non-cash charge has no impact on the company's bank covenants and is presented as a significant item in the FY20 financial statements.

Principally as a result of this impairment charge, the group reported a statutory Net Loss After Tax of $(77.9) million in FY20, down from a Net Profit After Tax (NPAT) of $5.0 million in FY19. NPAT before significant items declined to $10.9 million from $14.2 million in the prior year.

### GROUP REVENUE BY SEGMENT ($M)

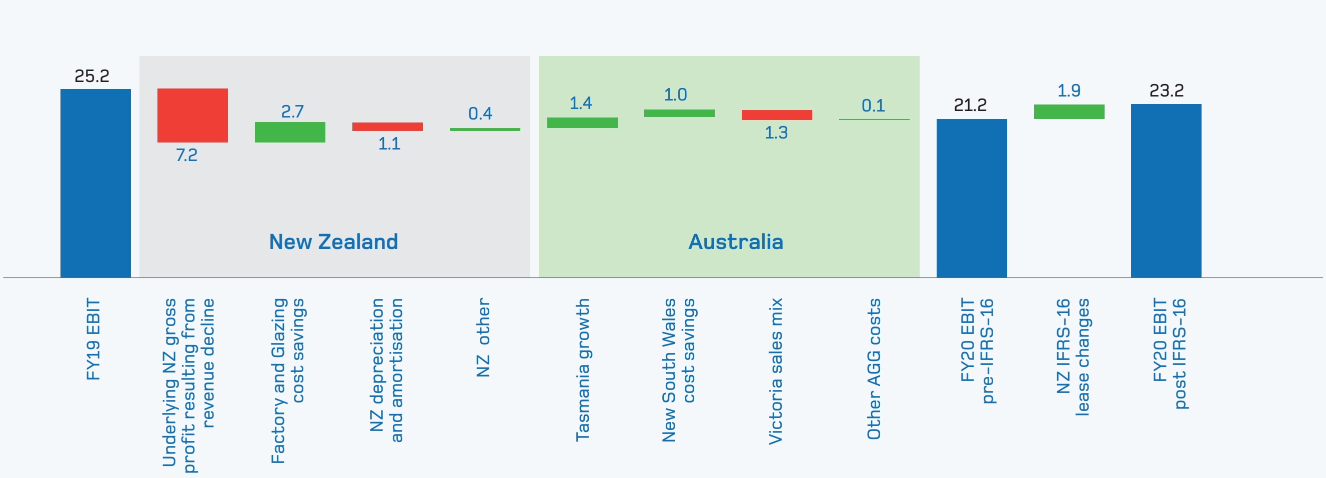



All values stated herein are in New Zealand dollars (NZD) unless otherwise stated. The financial reporting impacts of the new lease accounting standard (IFRS-16) are detailed in note 7 to the financial statements on page 58.

## SUMMARY OF RESULTS FOR THE 12 MONTHS ENDED 31 MARCH 2020 (FY20)

| $M | NEW ZEALAND | | AUSTRALIA | | GROUP | |
|---|---|---|---|---|---|---|
| | FY20 | FY19 | FY20 | FY19 | FY20 | FY19 |
| Results: **After adoption of IFRS-16 (leases)** | | | | | | |
| Revenue | 203.0 | 217.4 | 51.9 | 50.4 | 254.9 | 267.8 |
| Segmental EBIT before significant items | 27.8 | | (3.6) | | | |
| EBIT before significant items | | | | | 23.2 | |
| EBIT | | | | | (67.9) | |
| Profit for the year before significant items | | | | | 10.9 | |
| Profit for the year (NPAT) | | | | | (77.9) | |
| Results: **Before adoption of IFRS-16 (leases)** | | | | | | |
| Revenue | 203.0 | 217.4 | 51.9 | 50.4 | 254.9 | 267.8 |
| Segmental EBIT before significant items | 25.9 | 31.1 | (3.6) | (4.8) | | |
| EBIT before significant items | | | | | 21.2 | 25.2 |
| EBIT | | | | | (69.5) | 15.7 |
| Profit for the year before significant items | | | | | 11.9 | 14.2 |
| Profit for the year (NPAT) | | | | | (76.6) | 5.0 |

## GROUP EBIT BRIDGE ($M)



## MANAGEMENT REVIEW CONTINUED

Strong operational cash flow, focused capital expenditure and further reductions in working capital enabled the group to reduce net debt by $16.5 million to $66.9 million per customer. Many consumers are continuing to undertake partial rather than full house installations; however, the average contract size did increase versus the prior year.

### NEW ZEALAND REVENUE

**$203.0M**

(-7%)

Total revenue in New Zealand declined by $14.4 million (or 7%) to $203.0 million, principally due to reduced revenue in the commercial segment compared with the prior year, and variable demand in the residential window manufacturing segment in the first half of FY20.

Despite competitive pressures and pricing reductions in the company's key residential segment, residential revenues of $141.6 million remained in line with last year.

Commercial glazing revenue declined 24% in FY20 to $40.1 million, as the business lowered its risk tolerance and focused on small-to-medium-sized projects. This focus presents opportunities for future targeted growth but meant that fewer large-scale projects were completed compared to the previous year.

Revenue from the Retrofit double-glazing channel declined 2% to $21.3 million. During FY20, we further refined the targeting of our marketing activity and pleasingly reduced the average acquisition cost

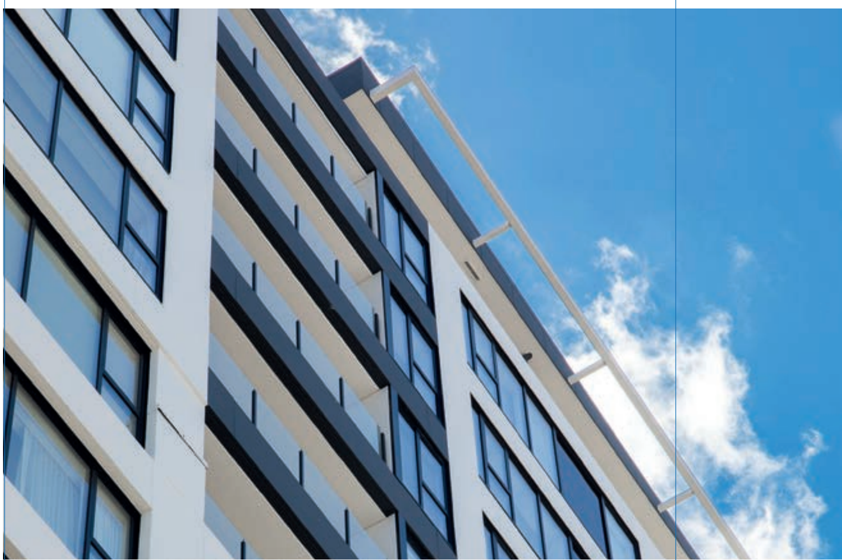
New Zealand's EBIT of $27.8 million, inclusive of the net benefit of $1.9 million from the changes to lease accounting standards, was 11% below last year primarily as a result of the lower revenue. Offsetting this were savings in material costs due to sound inventory and factory management as well as savings achieved by hiring glazing subcontractors and labour according to project workload.

### Impairment of New Zealand goodwill

The impacts of COVID-19 on the group have already been wide-ranging and significant. We outline these and our responses as part of the COVID-19 excerpt on page 3. The heightened level of uncertainty at this time has made accurate forecasting of the future particularly challenging.

The New Zealand construction industry is now expected to face significantly lower activity levels for the coming 12 - 24 months as a result of the deteriorating economic conditions. This includes the significant decline anticipated in net migration which will directly impact housing demand. The glass processing and installation industry also continues to be very competitive with significant increases in supplier capacity coming online over the past few years.

> AGG made positive steps in its turnaround plan, gaining market share and delivering strong service levels for its customers.



Due to the current level of uncertainty, management have developed a number of potential future scenarios that show a range of plausible outcomes. In forming these scenarios, management have considered the views of several economic forecasters, observed market data points (including building consents), feedback from customers, analysis of existing forward books of work, anticipated customer wins and/or losses and other competitive dynamics.

Building activity in New Zealand essentially ceased during the COVID-19 shutdown period and productivity was also impacted under Alert Levels 3 and 2. This will impact on the traditional 9-month lag between residential housing consents and glass demand, but this lag will continue to provide Metroglass some opportunity to observe market conditions in the coming months and refine our plans accordingly.

Our base case estimate for 9 month lagged NZ residential consents is that they will decline marginally in FY21 before declining by c. 20% in FY22, and then recovering by c. 5% in FY23. Further detail on the company's future scenarios is provided alongside note 4.2 to the financial statements on page 43.

As a result, the board and management reviewed the carrying values of Metroglass' assets, resulting in an $86.5 million impairment on New Zealand goodwill. This non-cash charge has no impact on the company's bank covenants and is presented as a significant item in the FY20 financial statements. The New Zealand goodwill balance predominantly arose through the acquisition of Metropolitan Glass and Glazing Limited and its subsidiaries by Metroglass Holdings Limited on 31 January 2012 (pre-IPO).

**AUSTRALIAN GLASS GROUP REVENUE**

# $51.9M

(+3%)

AGG continued to consistently deliver on its service-led value proposition throughout the year. AGG's revenue increased by 3% to $51.9 million in FY20 with further growth in the Tasmanian business offsetting structural changes made in NSW. In Australian dollar terms, AGG's revenue increased 5% in FY20, from $47.0 million to $49.2 million. This revenue growth was particularly pleasing given the significant deterioration in Australian construction activity during the year.

In the second half of FY20 (the 6 months ended 31 March 2020) AGG continued its momentum and significantly improved on the prior comparable period, with an 8% increase in revenue, 8% reduction in operating costs, and a 12% reduction in overheads, delivering a positive EBITDA result.

AGG's FY20 EBIT loss of $(3.6) million improved $1.2 million over the prior year's results, supported by growth in Tasmania and costs savings in NSW.

The Tasmanian business (commissioned in early 2018) continued its accelerated ramp-up, with processing volumes growing by more than 50% over the last 12 months. Victoria grew processing volumes by 4% and revenue by $1.2 million during FY20, within a challenging and competitive market.

As expected, processing volumes and revenue declined in NSW following the restructure and refocusing of this business towards double glazing. However, double-glazing revenue in the region increased 11% compared with the prior year.

AGG made several positive steps forward in its turnaround plan this year, gaining market share and delivering strong service levels for its customers. The business holds a relatively small but increasing position in the large and fragmented south-east Australian glass processing market and we continue to see potential and long-term value in this investment. AGG is well positioned to benefit from the anticipated roadmap of National Building Code changes that will further boost the demand for double glazing.

## AGG continued to consistently deliver on its service-led value proposition throughout the year.

**CASH FLOW AND BALANCE SHEET**

Metroglass reduced net debt by $16.5 million this year, to $66.9 million as at 31 March 2020. This reduction was supported by strong operational cash flow, focused capital expenditure across the group and further reductions in working capital.

Total working capital for the group declined from $32.5 million to $30.4 million as a result of reduced sales and sound management of inventory and debtors.

Capital expenditure increased 12% on the prior year, to $8.7 million, as the company invested in safety, capability and efficiency projects to support Metroglass' position in the market. These initiatives included enhanced digital printing capability, improved manual handling equipment, and upgrades to core information systems.

Metroglass further strengthened its financial position this year and retained borrowing headroom of more than $50 million at 31 March 2020. The company's banking partners have agreed to relax Metroglass' key financial covenant: net debt to EBITDA from 3.0x to 4.0x for all tests up to and including 31 March 2021. As part of this covenant relief, the Group agreed to a quarterly covenant testing regime, a cap on non-specified growth capital expenditure and a continued cessation of dividend distributions until the Net Debt to EBITDA ratio is below 1.5x.

We continue to work closely with our banking lenders and engage in constructive discussions to provide for future requirements as the economic conditions in both New Zealand and Australia become clearer. Existing bank facilities extend through until 31 August 2021, providing the group the opportunity to consider various options to reduce or refinance its borrowings.

# OUR STRATEGY AT A GLANCE

### What
**OUR VISION**
To be the leader in glass solutions

### Why
**OUR PURPOSE**
Making lives brighter every day

### How
**FOR CUSTOMERS**
By providing the best service

**FOR OUR PEOPLE**
By providing a great place to work

## 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 | FY20 PROGRESS |
| --- | --- |
| **1 DELIVER MARKET LEADING CUSTOMER SERVICE TO OUR CUSTOMERS**<br>Quality and service are key differentiators for our customers and critical to their success and profitability. | • Conducted our second group-wide customer survey, which showed consistent scores overall and further shift towards 'positive feedback', with 2.2 positive comments for every 1 negative (Prev. 1.4:1)<br>• Metroglass worked hard to strengthen its relationships with key customers in New Zealand and delivered a 30% reduction in external rework alongside stable DIFOT<br>• Achieved our goal of resetting AGG service performance. AGG operated very consistently in FY20, with DIFOT improving by 8% and external rework down by 18% AGG is now recognised as a leading Australian double glazing provider, and delivered revenue growth despite significant declines in overall building activity<br>• AGG piloted and launched AGG Connect™, our digital platform enabling an improved customer experience |
| **2 DEVELOP OUR ORGANISATIONAL CAPABILITIES**<br>Our people are the key to unlock our value proposition and critical relationships with customers. To cultivate this we are investing in our people, their capabilities, and our support systems. | • We made progress in reducing our safety risks, but reducing incidents remains a top priority. The company's safety programmes and systems are evolving and maturing, and we are continuing to put effort into supporting our teams with improved safety equipment, refreshed policies, practices and training. This year we installed a considerable amount of additional lifting equipment to reduce repetitive manual handling tasks, and health and safety risks<br>• Launched a learning management system to enable our employees to develop and transfer skills and capabilities across the company<br>• Our latest group-wide employee survey pleasingly showed a 19% increase in the percentage of engaged employees<br>• We're supporting more than 70 apprentices who are now on the journey towards gaining a professional qualification<br>• Deployed training and support initiatives to help people leaders improve the performance and development of their teams |
| **3 UPHOLD OUR SCALE STRENGTH THROUGH PRODUCT & CHANNEL LEADERSHIP**<br>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.<br>AGG operates in a much larger and more fragmented market where a smaller targeted player can be successful. AGG will continue to build a strong market position targeted on providing double glazing and high-performance glass in the South East Australian market. Glass is a rapidly evolving product and we are well placed to continue to provide market leading offerings. | • Metroglass' NZ margins grew, but revenue declined as a result of the business actively de-risking its position in the more complex end of the commercial glazing segment (with commercial revenue down 23%)<br>• Introduced an improved technical specification process for generic balustrades and pool fencing – significantly reducing lead-times for customers<br>• Completed a national realignment process in our retrofit business, leveraging regional best practices and approaches to improve future service delivery for our customers<br>• Launched market-leading LowE 'Extreme' double glazing for the premium window market which offers similar performance to some triple glazing products<br>• AGG continued to grow in declining market, with further significant growth achieved in Tasmania<br>• AGG successfully released a suite of high-performance glass products into the domestic and light commercial market, and continue to see the interest in double glazing grow |
| **4 LEVERAGE OUR SCALE TO DELIVER SOLUTIONS EFFICIENTLY**<br>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. | • Across both New Zealand and Australia, we have ramped up and streamlined the processes for producing and then shipping product between regions, ensuring that we can continue to meet customer demands across our markets<br>• Continuous improvement initiatives across all of our manufacturing plants are continuing to support the operational performance in New Zealand and Australia<br>• Restructured our Christchurch operations in the first half of the year, supporting improved South Island profitability, and simplified the shift structures in our Highbrook plant<br>• Reshaped our commercial glazing business to more efficiently execute the small to medium projects within our pipeline<br>• Restructured the New South Wales business to clearly focus it on the growing double glazing segment |

# BOARD OF DIRECTORS

## PETER GRIFFITHS

**Independent, Non-Executive Chair**

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, 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 general aviation. Peters 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, realestate.co.nz, 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.

## 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) 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.

As announced on 22 November 2019, Bill Roest will retire as a director prior to the Company's 2020 annual shareholders' meeting.

## GRAHAM STUART

**Independent, Non-Executive Director, Member of the Audit and Risk Committee**

Appointed: November 2019

Graham has over 30 years-experience in senior executive and governance roles in New Zealand and internationally. He was previously the CEO of Sealord Group from 2007 to 2014 and prior to that was CFO and Director of Strategy with the Fonterra Co-operative Group from 2001 to 2007. Graham is the chair of EROAD Limited, an independent director and chair of the audit committee of Tower Limited, independent director and chair of the audit and risk committee of North West Healthcare Property Management Limited. Graham is a Fellow of Chartered Accountants Australia & New Zealand. Graham has a Master of Science from Massachusetts Institute of Technology and a Bachelor of Commerce from the University of Otago.

## MARK EGLINTON

**Independent, Non-Executive Director, Member of the People and Culture Committee**

Appointed: April 2020

Mark is currently the Group Chief Executive Officer and a director of NDA Group, a leading international engineering and fabrication business, and Chair of Blueberry Country Limited. Prior to this, he was the Chief Executive Officer of Tenon Limited (NZX listed at that time) from 2005 to 2009 and held several senior positions with Fletcher Building, including the role of Managing Director of Fletcher Aluminium & Plyco Doors from 1999 to 2001. Mark has a Bachelor of Commerce and a Bachelor of Laws from the University of Otago.

# 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.

## BRENT MEALINGS

### Chief Financial Officer

Joined: January 2020

Brent joined Metroglass following a 17-year career with Fonterra Co-operative Group where he held various leadership positions, most recently Director Commercial Global Operations. Prior roles included Director Group Finance and Group Financial Controller.

Brent is a Chartered Accountant and holds a Master of Business Administration from the University of Canterbury.

## 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 and Technical**

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.

**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.

**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.

## NON-GAAP FINANCIAL INFORMATION

Metroglass' standard profit measure prepared under New Zealand Generally Accepted Accounting Practice (GAAP) is profit for the year, 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: an $86.5m impairment of New Zealand goodwill ("FY20 goodwill impairment") in FY20, $4.6m of redundancies and associated costs relating to the restructure of the New South Wales operation in FY20 ("NSW restructure costs) and $9.6m of intangible asset impairment cost in FY19 ("FY19 intangible asset impairment").
- **EBIT before significant items**: EBIT less significant items, being: FY20 goodwill impairment, NSW restructure costs, and FY19 intangible asset impairment.
- **Profit for the year before significant items**: Profit for the year less significant items, being: FY20 goodwill impairment, NSW restructure costs, FY19 intangible asset impairment and an AGG tax refund relating to prior periods.
- **NPATA**: Profit for the year before the amortisation of acquisition-related intangibles and its associated tax effect.

### GAAP TO NON-GAAP RECONCILIATION

| Full Year to 31 March | FY20 ($M) | FY19 ($M) |
|---|---|---|
| **Profit for the year before significant items** | **10.9** | **14.2** |
| Add: Tax adjustments relating to prior periods | 0.9 | – |
| Less: NSW restructure costs | (3.2) | – |
| Less: Impairment of intangible assets | (86.5) | (9.2) |
| **Profit for the year (GAAP)** | **(77.9)** | **5.0** |
| Add: taxation expense | 2.9 | 5.5 |
| Add: net finance expense | 7.0 | 5.1 |
| Earnings before interest and tax (EBIT) (GAAP) | **(67.9)** | **15.7** |
| Add: depreciation & amortisation | 21.7 | 14.5 |
| EBITDA | **(46.2)** | **30.1** |
| EBIT (GAAP) | (67.9) | 15.7 |
| Add: NSW restructure costs | 4.6 | – |
| Add: Impairment of intangible assets | 86.5 | 9.6 |
| **EBIT before significant items** | **23.2** | **25.2** |
| EBITDA | (46.2) | 30.1 |
| Add: NSW restructure costs | 4.6 | – |
| Add: Impairment of intangible assets | 86.5 | 9.6 |
| **EBITDA before significant items** | **44.9** | **39.7** |
| Profit for the year (GAAP) | (77.9) | 5.0 |
| Add back: amortisation of acquisition-related intangibles and its associated tax effect | 1.4 | 1.7 |
| **NPATA** | **(76.5)** | **6.7** |

# OUR RESULTS

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2020

| | Notes | CONSOLIDATED 2020 $'000 | CONSOLIDATED 2019 $'000 |
|---|---|---|---|
| Sales revenue | 2.1 | 254,908 | 267,836 |
| Cost of sales | | (139,037) | (146,517) |
| **Gross profit** | **2.1** | **115,871** | **121,319** |
| Distribution and glazing-related expenses | | (45,350) | (47,593) |
| Selling and marketing expenses | | (14,370) | (13,621) |
| Administration expenses | | (33,571) | (34,870) |
| Other income | | 582 | – |
| **Profit before significant items, interest and tax** | | **23,162** | **25,235** |
| Significant items | 2.4 | (91,074) | (9,560) |
| **(Loss)/Profit before interest and tax** | | **(67,912)** | **15,675** |
| Finance expense | | (7,145) | (5,105) |
| Finance income | | 101 | 19 |
| **(Loss)/Profit before income taxation** | | **(74,956)** | **10,589** |
| Income taxation expense | 6.1 | (2,908) | (5,547) |
| **(Loss)/Profit for the year** | | **(77,864)** | **5,042** |
| **Other comprehensive income** | | | |
| *Items that may be reclassified to profit or loss in the future:* | | | |
| Exchange differences on translation of foreign operations | | (11) | (253) |
| Cash flow hedges (net of tax) | | 978 | (226) |
| **Total comprehensive income/(loss) for the year attributable to shareholders** | | **(76,897)** | **4,563** |
| **Earnings per share** | | | |
| Basic and diluted earnings per share (cents per share) | 2.5 | (42.0) | 2.7 |

The Board of Directors authorised these financial statements for issue on 19 June 2020.

For and on behalf of the Board:

**Peter Griffiths**
Chairman

**Willem (Bill) Roest**
Director

*The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes. Refer to Note 7 specifically relating to the impact of adoption of NZ IFRS 16 Leases.*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2020

| | Notes | CONSOLIDATED 2020 $'000 | CONSOLIDATED 2019 $'000 |
|---|---|---|---|
| **Assets** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 14,742 | 5,488 |
| Trade receivables | 3.1 | 33,294 | 38,839 |
| Inventories | 3.2 | 20,276 | 22,934 |
| Derivative financial instruments | 3.5 | 1,982 | 172 |
| Other current assets | | 12,711 | 5,345 |
| **Total current assets** | | **83,005** | **72,778** |
| **Non-current assets** | | | |
| Property, plant and equipment | 4.1 | 59,645 | 64,581 |
| Right-of-use assets | 7.1 | 50,363 | – |
| Deferred tax assets | 6.2 | 7,520 | 3,011 |
| Intangible assets | 4.2 | 57,499 | 146,442 |
| **Total non-current assets** | | **175,027** | **214,034** |
| **Total assets** | | **258,032** | **286,812** |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 3.3 | 23,216 | 29,286 |
| Deferred income | 3.4 | 7,366 | 1,080 |
| Income tax liability | | 2,766 | 2,408 |
| Derivative financial instruments | 3.5 | 200 | 659 |
| Lease liabilities | 7.2 | 5,552 | – |
| Provisions | | 1,992 | 916 |
| **Total current liabilities** | | **41,092** | **34,349** |
| **Non-current liabilities** | | | |
| Interest-bearing liabilities | 5.1 | 81,630 | 88,832 |
| Derivative financial instruments | 3.5 | 1,986 | 1,057 |
| Lease incentive | | – | 2,650 |
| Lease liabilities | 7.2 | 53,933 | – |
| Provisions | | 2,551 | 2,961 |
| **Total non-current liabilities** | | **140,100** | **95,500** |
| **Total liabilities** | | **181,192** | **129,849** |
| **Net assets** | | **76,840** | **156,963** |
| **Equity** | | | |
| Contributed equity | 5.2 | 307,198 | 306,693 |
| Retained earnings | | (60,472) | 21,329 |
| Group reorganisation reserve | | (170,665) | (170,665) |
| Share-based payments reserve | 6.3 | 931 | 725 |
| Foreign currency translation reserve | | (15) | (4) |
| Cash flow hedge reserve | | (137) | (1,115) |
| **Total equity** | | **76,840** | **156,963** |

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2020

| | | CONSOLIDATED 2020 | | | |
|---|---|---|---|---|---|
| | Notes | Contributed Equity $'000 | Reserves $'000 | Retained earnings $'000 | Total $'000 |
| **Opening balance at 1 April 2019** | | **306,693** | **(171,059)** | **21,329** | **156,963** |
| Change in accounting policy (adoption of NZ IFRS 16) | 1 | – | – | (3,937) | (3,937) |
| Restated total equity at 1 April 2019 | | 306,693 | (171,059) | 17,392 | 153,026 |
| Loss for the year | | – | – | (77,864) | (77,864) |
| Movement in foreign currency translation reserve | | – | (11) | – | (11) |
| Other comprehensive income for the year | 3.5 | – | 978 | – | 978 |
| **Total comprehensive income/(loss) for the year** | | **–** | **967** | **(77,864)** | **(76,897)** |
| Dividends paid | | – | – | – | – |
| Payments received on management incentive plan shares | 5.2 | 144 | – | – | 144 |
| Vesting of employee share purchase scheme | 5.2 | 361 | (181) | – | 180 |
| Movement in share-based payments reserve | 6.3 | – | 387 | – | 387 |
| **Total transactions with owners, recognised directly in equity** | | **505** | **206** | **–** | **711** |
| **Balance at 31 March 2020** | | **307,198** | **(169,886)** | **(60,472)** | **76,840** |

| | | CONSOLIDATED 2019 | | | |
|---|---|---|---|---|---|
| | Notes | Contributed Equity $'000 | Reserves $'000 | Retained earnings $'000 | Total $'000 |
| Opening balance at 1 April 2018 | | 306,653 | (170,550) | 24,233 | 160,336 |
| Change in accounting policy (adoption of NZ IFRS 9 and NZ IFRS 15) | | – | – | (905) | (905) |
| Restated total equity at 1 April 2018 | | 306,653 | (170,550) | 23,328 | 159,431 |
| Profit for the year | | – | – | 5,042 | 5,042 |
| Movement in foreign currency translation reserve | | – | (253) | – | (253) |
| Other comprehensive income /(loss) for the year | | – | (226) | – | (226) |
| **Total comprehensive income/(loss) for the year** | | **–** | **(479)** | **5,042** | **4,563** |
| **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) |
| **Total transactions with owners, recognised directly in equity** | | **40** | **(30)** | **(7,041)** | **(7,031)** |
| **Balance at 31 March 2019** | | **306,693** | **(171,059)** | **21,329** | **156,963** |

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

## CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2020

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| **Cash flows from operating activities** | | |
| Receipts from customers | 259,636 | 269,117 |
| Payments to suppliers and employees | (215,143) | (231,190) |
| Interest received | 101 | 19 |
| Interest paid | (3,786) | (5,327) |
| Interest paid on leases | (3,227) | – |
| Income taxes paid | (6,007) | (8,970) |
| **Net cash inflow from operating activities** | **31,574** | **23,649** |
| **Cash flows from investing activities** | | |
| Payments for property, plant and equipment (net) | (8,834) | (7,088) |
| Payments for intangible assets | (636) | (718) |
| **Net cash outflow from investing activities** | **(9,470)** | **(7,806)** |
| **Cash flows from financing activities** | | |
| Lease liability principal payments | (6,407) | – |
| Repayment of borrowings (net) | (6,522) | (1,146) |
| Payments received on management incentive plan shares | 144 | 1,375 |
| Dividend paid | – | (7,041) |
| **Net cash outflow from financing activities** | **(12,785)** | **(6,812)** |
| **Net increase in cash and cash equivalents** | **9,319** | **9,031** |
| Cash and cash equivalents at the beginning of the year | 5,488 | (3,497) |
| Effects of exchange rate changes on cash and cash equivalents | (65) | (46) |
| **Cash and cash equivalents at the end of the year** | **14,742** | **5,488** |

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

The table below sets out the annual movement in net debt:

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| **Opening balance of interest-bearing liabilities at 1 April** | 88,832 | 90,818 |
| Repayment of borrowings | (6,522) | (1,146) |
| Foreign exchange adjustments | (680) | (840) |
| **Closing balance of interest-bearing liabilities at 31 March** | 81,630 | 88,832 |
| Less: cash and cash equivalents | (14,742) | (5,488) |
| **Net debt at 31 March** | **66,888** | **83,344** |

# CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

FOR THE YEAR ENDED 31 MARCH 2020

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| **Reconciliation of (loss)/profit after income tax to net cash inflow from operating activities** | | |
| **(Loss)/profit for the year** | **(77,864)** | **5,042** |
| **Items not involving cash flows** | | |
| Depreciation and amortisation | 21,670 | 14,458 |
| Property, plant and equipment loss on disposal | 2,349 | – |
| Impairment of intangible assets | 86,500 | 9,560 |
| Share-based payments expense | 374 | (30) |
| Movement in deferred tax | (3,094) | (3,389) |
| Movement in credit loss provision | 882 | (1,311) |
| Surplus on disposal of assets | (29) | (337) |
| Other | 185 | 71 |
| | **108,837** | **19,022** |
| **Impact of changes in working capital items** | | |
| Trade and other receivables | 4,546 | 481 |
| Inventory | 2,600 | 504 |
| Other current assets | (7,375) | 193 |
| Trade accounts payable and employee entitlements | (5,929) | (1,692) |
| Deferred income | 6,287 | 1,080 |
| Interest accruals | (13) | (222) |
| General provisions | 127 | (414) |
| Lease incentive provision | – | 78 |
| Income tax liability | 358 | (423) |
| | **601** | **(415)** |
| **Net cash inflow from operating activities** | **31,574** | **23,649** |

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

## 1. BASIS OF PREPARATION

### 1.1 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 19 June 2020.

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 the New Zealand Stock Exchange (NZX) Main Board Listing Rules.

#### Historical cost convention

The financial statements have been prepared under the historical cost convention, except for the revaluation of certain financial assets and financial liabilities at fair value.

#### 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 2020 and the results of all subsidiaries for the year then ended.

Subsidiaries are all entities over which the Group has control. It is a controlled entity of the Company if the Company 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 the Company's functional and presentation currency and rounded where necessary to the nearest thousand dollars.

#### 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 or 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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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:

- 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

NZ IFRS 16 Leases was adopted on 1 April 2019. The new standard requires a lessee to recognise a lease liability that reflects future lease payments and a 'right-of-use' asset for virtually all lease contracts. Interest and depreciation charges on the lease liability and right-of-use assets replace the operating expenses that were incurred under NZ IAS 17. Note 7 provides further information of the impact on the Group of adopting NZ IFRS 16.

Except as described above, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2019, and as described in those annual financial statements.

There have been no other changes to accounting policies and no other new standards adopted during the year.

### 1.2 COVID-19 PANDEMIC

On 11 March 2020 the World Health Organization declared a global pandemic as a result of the outbreak and spread of COVID-19. Following this, on Wednesday 25 March 2020, the New Zealand Government raised its Alert Level to 4 (full lockdown of non-essential services) moving down to Alert Level 3 on 27 April 2020, Alert Level 2 on 14 May 2020 and to Alert Level 1 on 9 June 2020. During Alert Level 4, the Group's operations in New Zealand were deemed a non-essential service, and as a result, the Group's New Zealand manufacturing plants and all branches were shut down from 25 March 2020 to 27 April 2020. The shutdown severely impacted trading in New Zealand over that period. The Group's Australian business continued to operate largely unaffected through the same period..

An assessment of the impact of COVID-19 on the Group balance sheet is set out below, based on information available at the time of preparing the financial statements:

| BALANCE SHEET ITEM | COVID-19 ASSESSMENT | NOTE |
|---|---|---|
| Trade receivables | The Group has increased the provision for expected credit losses to reflect expected financial difficulties of customers. | 3.1 |
| Deferred income | The Group applied for the New Zealand Government wage subsidy prior to balance date, receiving it on 14 April 2020. | 3.4 |
| Property, plant and equipment | Plant and equipment are stated at historical cost less depreciation and impairment. The spread of COVID-19 and the resulting economic impacts provide an external indicator of impairment. The Group has performed an impairment assessment and has concluded that no impairment is required. | 4.1 |
| Right-of-use assets/Lease liabilities | The Group has engaged with landlords for rent relief. The negotiations were completed after balance date and as a result no adjustment is required to the carrying value of right-of-use assets or lease liabilities at 31 March 2020. | 7.1 |
| Goodwill | The Group has considered the impacts of COVID-19 in the assumptions used in the assessment of goodwill. As a result, an impairment has been recognised for the New Zealand cash-generating unit (CGU). | 4.2 |
| Interest bearing liabilities | The Group's banking partners have agreed to ease the leverage ratio covenant of net debt to EBITDA from 3.0x to 4.0x for all test dates up to and including 31 March 2021. | 5.1 |

### 1.3 GOING CONCERN

There are inherent uncertainties in both New Zealand and Australia relating to the impact of continued border closures on future net migration and the extent of the deterioration in general economic conditions. Accordingly the Directors consider it appropriate to take a cautious outlook on future residential building activity. Notwithstanding a challenging forecasting landscape, the Directors are of the view that there will be an adverse impact on the Group's earnings in the near term. Further detail on the Group's forecasts, which reflect the matters referred to above and are used in the assessment of both forecast financial covenant compliance and the carrying value of goodwill, is provided Note 4.2.

In response, the Group has taken the following measures:

- introduced cost control measures and other actions to preserve the cash position of the business going forward
- cancelled or deferred all non-essential capital and operating spend
- applied for and received the New Zealand Government wage subsidy
- obtained an Amendment and Waiver letter from its banking partners to ease the leverage ratio covenants for all test dates up to and including 31 March 2021. The key covenant test of Net Debt to EBITDA (on a pre-IFRS 16 basis) has been eased from 3.0x to 4.0x. As part of this covenant relief, the Group agreed to a quarterly covenant testing regime, a cap on non-specified growth capital expenditure, a continued cessation of dividend distributions until the Net Debt to EBITDA ratio is below 1.5x and regular updates to the banks. The Net Debt to EBITDA covenant test (on a pre-IFRS 16 basis) returns to 3.0x after 31 March 2021.

The Group will need to refinance, extend the term of or repay its facilities before 31 August 2021, and this period of time provides the Group with various options to reduce or refinance its borrowings.

The Directors have concluded that it is appropriate that these financial statements are prepared on a going concern basis, taking regard of the above and while acknowledging the uncertainties around forecasting earnings in the COVID-19 environment. The Directors acknowledge that such uncertainties do not represent material uncertainties related to going concern.

## 2 FINANCIAL PERFORMANCE

### 2.1 SEGMENT INFORMATION

Operating segments of the Group at 31 March 2020 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 Glazing, Residential and Retrofit. Commercial glazing 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 Australian Glass Group Pty Ltd (AGG) on 1 September 2016 the Group operates in two geographic segments, New Zealand and Australia.

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, impairment of goodwill in New Zealand and costs associated with the restructure of New South Wales operations in 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

| | CONSOLIDATED 2020 | | | |
|---|---|---|---|---|
| | New Zealand $'000 | Australia $'000 | Eliminations & Other $'000 | Group $'000 |
| Commercial Glazing | 40,139 | – | – | 40,139 |
| Residential | 141,551 | 51,872 | – | 193,423 |
| Retrofit | 21,346 | – | – | 21,346 |
| **Total revenue** | **203,036** | **51,872** | **–** | **254,908** |
| Gross profit | 104,774 | 11,097 | – | 115,871 |
| Segmental EBITDA before significant items and NZ IFRS 16 | 36,458 | (242) | – | 36,216 |
| NZ IFRS 16 Lease adjustment | 6,806 | 2,850 | – | 9,656 |
| **Segmental EBITDA before significant items** | **43,264** | **2,608** | **–** | **45,872** |
| Group costs | – | – | (1,040) | (1,040) |
| **Group EBITDA before significant items** | **–** | **–** | **–** | **44,832** |
| Depreciation and amortisation | (15,467) | (6,203) | – | (21,670) |
| **EBIT before significant items** | **27,797** | **(3,595)** | **(1,040)** | **23,162** |
| Significant items | (86,500) | (4,574) | – | (91,074) |
| **EBIT** | **(58,703)** | **(8,169)** | **(1,040)** | **(67,912)** |
| Segment assets | 264,682 | 63,828 | (70,478) | 258,032 |
| Segment non-current assets (excluding deferred tax assets) | 123,303 | 44,204 | – | 167,507 |
| Segment liabilities | 78,417 | 61,854 | 40,921 | 181,192 |

| | CONSOLIDATED 2019 | | | |
|---|---|---|---|---|
| | New Zealand $'000 | Australia $'000 | Eliminations & Other $'000 | Group $'000 |
| Commercial glazing | 52,462 | – | – | 52,462 |
| Residential | 143,136 | 50,402 | – | 193,538 |
| Retrofit | 21,836 | – | – | 21,836 |
| **Total revenue** | **217,434** | **50,402** | **–** | **267,836** |
| 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) |
| **Group EBITDA before significant items** | **–** | **–** | **–** | **39,694** |
| Depreciation and amortisation | 10,885 | 3,574 | – | 14,459 |
| **EBIT before significant items** | **31,087** | **(4,786)** | **(1,066)** | **25,235** |
| Significant items | – | (9,560) | – | (9,560) |
| **EBIT** | **31,087** | **(14,346)** | **(1,066)** | **15,675** |
| Segment assets | 284,251 | 57,269 | (54,708) | 286,812 |
| Segment non-current assets (excluding deferred tax assets) | 170,186 | 40,837 | – | 211,023 |
| Segment liabilities | 27,258 | 54,107 | 48,484 | 129,849 |

### 2.2 REVENUE

Accounting policy

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

The Group derives revenue from the sale of customised glass products. Revenue is recognised at a point in time when a Group entity has transferred control, which is when it has delivered the glass products to the customer, the customer has accepted the products and collectability of the related receivables is highly probable.

The Group also provides glazing services along with the sale of its glass products. Revenue is recognised for the glazing and associated glass products when the glazing services have been completed, the customer has approved the installation services and collectability of the related receivables is highly probable.

### 2.3 OPERATING EXPENDITURE

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| Raw materials and consumables used | 67,296 | 72,212 |
| Employee benefit expenses | 99,514 | 99,337 |
| Subcontractor costs | 5,039 | 6,684 |
| Depreciation and amortisation[1] | 21,670 | 14,459 |
| Transportation and logistics | 10,028 | 10,357 |
| Occupancy costs[1] | 1,014 | 10,528 |
| Advertising | 1,950 | 1,858 |
| Other expenses | 25,817 | 27,166 |
| **Total cost of sales, distribution and glazing related expenses, selling and marketing expenses, and administration expenses** | **232,328** | **242,601** |

[1] Impacted by NZ IFRS 16 *Leases* transition. 2020 includes depreciation of right-of-use assets in Depreciation and amortisation. 2019 includes property operating lease payments in Occupancy costs.

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| **Audit and review of financial statements** | | |
| Audit and review of financial statements - PwC | 376 | 315 |
| **Other services performed by PwC** | | |
| Agreed-upon procedures relating to covenant compliance certificate and annual report | – | 11 |
| Share scheme advice | – | 56 |
| Executive reward services | – | 19 |
| Real estate advisory services | 20 | – |
| | **396** | **401** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2.4 SIGNIFICANT ITEMS

| | Note | CONSOLIDATED<br>2020<br>$'000 | CONSOLIDATED<br>2019<br>$'000 |
|---|---|---|---|
| Impairment of New Zealand intangible assets | 4.2 | 86,500 | – |
| Impairment of Australian intangible assets | 4.2 | – | 9,560 |
| Restructure of New South Wales operations | | 4,574 | – |
| **Total significant items before taxation** | | **91,074** | **9,560** |
| Tax benefit on above items | | (1,372) | (384) |
| Tax adjustments relating to prior periods | 6.1 | (916) | – |
| **Total significant items after taxation** | | **88,786** | **9,176** |

### Impairment of New Zealand intangible assets

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

### Tax adjustments relating to prior periods

Tax adjustments relating to prior periods comprise a tax refund received by AGG relating to the reassessment of prior year tax positions, in particular a difference between the market value and written-down value for tax of assets at the time of AGG's acquisition. The refund relates to additional depreciation claimed via a 'step-up' in taxable cost base.

### Restructure of New South Wales operations

During the year, the New South Wales operations of AGG were consolidated to focus on supplying double-glazed units to window manufacturers, with local production of non-window or processed glass discontinued. The restructure had a direct impact on staff and discontinuation of identified plant and equipment. As a result, the expenses below were recognised during the year:

| | Total<br>$'000 |
|---|---|
| Property, plant and equipment loss on disposal | 2,349 |
| Inventory write-down | 499 |
| Redundancy payments | 581 |
| Other | 1,145 |
| | **4,574** |

During the year, the Group recognised income from the New Zealand wage subsidy scheme (Note 3.4) and increased the credit loss provision (Note 3.1) due to the heightened risk created by the impact of COVID-19. The items are not considered material for inclusion in significant items.

### Accounting Policy

Significant items are a non-GAAP measure and are based on the Group's internal policy as follows. Transactions considered for classification as significant items are material restructuring costs, acquisition and disposal costs, impairment or reversal of impairment of assets, business integration, and transactions or events outside of the Group's ongoing operations that have a significant impact on reported profit.

### 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 2020 | CONSOLIDATED 2019 |
|---|---|---|
| (Loss)/Profit after tax ($'000) | (77,864) | 5,042 |
| Weighted average number of ordinary shares outstanding ('000s) | 185,378 | 185,378 |
| Basic earnings per share (cents per share) | (42.0) | 2.7 |

#### 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 2020 | CONSOLIDATED 2019 |
|---|---|---|
| Weighted average number of ordinary shares outstanding ('000s) | 185,378 | 185,378 |
| Adjusted for share options ('000s)[1] | – | – |
| Weighted average number of ordinary shares for diluted earnings per share ('000s) | 185,378 | 185,378 |
| Diluted earnings per share (cents per share) | (42.0) | 2.7 |

[1] As no options are in the money, no dilution adjustment has been made.

#### Net tangible assets

Net tangible assets per share is a non-GAAP measure that is required to be disclosed by the NZX Listing Rules.

The calculation of the Group's net tangible assets per share and its reconciliation to the consolidated balance sheet is presented below:

| | CONSOLIDATED 2020 | CONSOLIDATED 2019 |
|---|---|---|
| Total assets ($'000) | 258,032 | 286,812 |
| Less: intangible assets | (57,499) | (146,442) |
| Less: total liabilities | (181,192) | (129,849) |
| Net tangible assets ($'000) | 19,341 | 10,521 |
| Shares on issue at the end of the period ('000s) | 185,378 | 185,378 |
| Net tangible assets per share (cents per share) | 10.43 | 5.68 |

Impact of NZ IFRS 16 on the Group's net tangible assets per share at 31 March 2020

| | Pre NZ IFRS 16 2020 | Adjustments under NZ IFRS 16 2020 | Post NZ IFRS 16 2020 |
|---|---|---|---|
| Total assets ($'000) | 205,650 | 52,382 | 258,032 |
| Less: intangible assets | (57,499) | – | (57,499) |
| Less: total liabilities | (121,081) | (60,111) | (181,192) |
| Net tangible assets ($'000) | 27,070 | (7,729) | 19,341 |
| Shares on issue at the end of the period ('000s) | 185,378 | – | 185,378 |
| Net tangible assets per share (cents per share) | 14.60 | – | 10.43 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3 WORKING CAPITAL

### 3.1 TRADE RECEIVABLES

The following table summarises the impact of the credit loss provision on the trade receivables balance.

| | CONSOLIDATED 2020 $'000 | CONSOLIDATED 2019 $'000 |
|---|---|---|
| Trade receivables | 36,132 | 40,800 |
| Credit loss provision | (2,838) | (1,961) |
| | **33,294** | **38,839** |

| | CONSOLIDATED 2020 $'000 | CONSOLIDATED 2019 $'000 |
|---|---|---|
| **Movements in the credit loss provision are as follows:** | | |
| Opening balance | 1,961 | 995 |
| Impact of first-time adoption of NZ IFRS 9 | – | 1,334 |
| Provision for impairment recognised during the year | 1,533 | 371 |
| Receivables written off during the year as uncollectable | (656) | (739) |
| **Balance at the end of the year** | **2,838** | **1,961** |

Credit risk

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

The table below sets out information about the credit quality of trade receivables net of the expected credit loss provision:

| | Current | 30–59 days | 60–89 days | 90 days and later | TOTAL |
|---|---|---|---|---|---|
| **31 March 2020** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Gross carrying amount** | **21,772** | **8,037** | **2,029** | **4,294** | **36,132** |
| Baseline | 128 | 196 | 146 | 896 | 1,366 |
| Market | 53 | 10 | 8 | 203 | 274 |
| Specific | – | – | – | 1,198 | 1,198 |
| Total expected credit loss rate | 0.83% | 2.57% | 7.59% | 53.49% | 7.85% |
| **Credit loss provision** | **181** | **206** | **154** | **2,297** | **2,838** |

| | Current | 30–59 days | 60–89 days | 90 days and later | TOTAL |
|---|---|---|---|---|---|
| **31 March 2019** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| **Gross carrying amount** | **25,189** | **6,629** | **1,852** | **7,130** | **40,800** |
| Baseline | 135 | 136 | 100 | 414 | 785 |
| Market | 120 | 33 | 36 | 224 | 413 |
| Specific | – | – | – | 763 | 763 |
| Total expected credit loss rate | 1.01% | 2.56% | 7.36% | 19.65% | 4.81% |
| **Credit loss provision** | **255** | **169** | **136** | **1,401** | **1,961** |

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. Ageing is from invoice date and at balance date, a portion of trade receivables are past due as defined by the applicable credit terms.

As of 31 March 2020, allowing for retention balances of $3.2 million (2019: $3.6 million) trade receivables of $8.5 million (2019: $10.3 million) were past due but not impaired.

### Critical estimates and judgements

*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 credit loss provision 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 ageing 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 of 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.
- Specific credit loss provisions are made based on any specific customer collection issues that are identified. Collections and payments from our customers are continuously monitored and a credit loss provision is maintained to cover any specific customer credit losses anticipated.

### COVID-19 impact

The Group has performed an assessment of credit risk on its customer base taking into consideration the factors below:

- profile of the customer, i.e. corporate or individual customers
- region the customer is based in
- size and nature of the customer
- the Group's understanding of and experience with the customer.

As a result of this assessment, the Group has increased its baseline and specific provisions to $2.5 million (2019: $1.5 million), to reflect the estimated financial impact of defaults.

### 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 credit loss is considered likely. When a trade receivable is uncollectable, it is written off against the provision account for trade receivables. Subsequent recoveries of amounts previously written off are credited to the income statement against the impairment losses on receivables.

## 3.2 INVENTORIES

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| Raw materials, primarily flat glass stock-sheets | 17,759 | 20,497 |
| Work in progress | 2,517 | 2,437 |
| | **20,276** | **22,934** |

The cost of inventories recognised as an expense and included in 'Cost of sales' amounted to $67.4 million (2019: $72.2 million)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### COVID-19 impact

The Group has assessed the impact of COVID-19 on the net realisable value of inventory. The majority of the Group's inventory items have no specific risk of obsolescence and are expected to be realised through sale within four months. As a result, no write-down of inventory values was recognised.

### 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 |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| Trade accounts payable | 17,354 | 19,939 |
| Employee entitlements | 4,962 | 7,349 |
| GST payable | 428 | 886 |
| Other interest accruals | 175 | 189 |
| Management incentive accrual | 297 | 923 |
| | **23,216** | **29,286** |

### Trade accounts 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 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.

## 3.4 DEFERRED INCOME

The Group recognises a contract liability when a deposit is received before the product or service is transferred to the customer.

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| Customer contract liabilities | 1,290 | 1,080 |
| New Zealand Government wage subsidy | 6,076 | – |
| | **7,366** | **1,080** |

### COVID-19 impact

The Group applied for the New Zealand Government wage subsidy prior to year-end, receiving it in early April. A total of $0.4 million has been recognised in 'Other income' in the consolidated statement of comprehensive income as the amount offsetting wages paid from the date of lockdown to balance date. The corresponding amount receivable ($6.5 million) is included in 'Other current assets'.

## 3.5 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 consist 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 ageing analysis for credit risk to measure risk.

### Derivatives

The Group holds derivative financial instruments to hedge its foreign currency exposure and interest costs. 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 2020 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 2020.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

| | CONSOLIDATED 2020 | | |
|---|---|---|---|
| | Spot component of currency forwards $'000 | Interest rate swaps $'000 | Total hedge reserve $'000 |
| **Opening balance 1 April 2019** | **230** | **885** | **1,115** |
| Change in fair value of hedging instrument recognised in 'Other comprehensive income' (OCI) | (2,241) | 900 | (1,341) |
| Deferred tax | 631 | (268) | 363 |
| **Balance at 31 March 2020** | **(1,380)** | **1,517** | **137** |

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

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | 2020 $'000 | 2019 $'000 |
| **Foreign currency forwards** | | |
| Carrying amount asset/(liability) | 1,925 | (315) |
| Notional amount | 23,597 | 36,331 |
| Maturity date | Apr20-Mar21 | Apr19-Mar20 |
| Hedge ratio[1] | 1:1 | 1:1 |
| Change in discounted spot value of outstanding hedging instruments since 1 April | (2,241) | 11 |
| Change in value of hedged item used to determine hedge effectiveness | 2,241 | (11) |
| Weighted average hedged EUR/NZD rate for the year (including forward points) | 0.5732 | 0.5728 |
| Weighted average hedged USD/NZD rate for the year (including forward points) | 0.6487 | 0.6816 |
| Weighted average hedged EUR/AUD rate for the year (including forward points) | 0.6154 | 0.6239 |
| Weighted average hedged USD/AUD rate for the year (including forward points) | 0.6979 | 0.7205 |

1 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 |
|---|---|---|
| | 2020 $'000 | 2019 $'000 |
| **Interest rate swaps** | | |
| Carrying amount (liability) | (2,129) | (1,229) |
| Notional amount | 35,272 | 55,272 |
| Maturity date | Jul20-Aug23 | Aug19-Aug23 |
| Hedge ratio | 1:1 | 1:1 |
| Change in fair value of outstanding hedging instruments since 1 April | 900 | 299 |
| Change in value of hedged item used to determine hedge effectiveness | (900) | (299) |
| Average proportion of debt hedged during the year | 48.60% | 57.60% |

Financial instruments by category

| | CONSOLIDATED 2020 | | |
|---|---|---|---|
| | Assets at amortised cost $'000 | Derivatives used for hedging $'000 | Total $'000 |
| **Assets as per statement of financial position** | | | |
| Cash and cash equivalents | 14,742 | – | 14,742 |
| Derivatives - foreign exchange contracts | – | 1,982 | 1,982 |
| Derivatives - interest rate swaps | – | – | – |
| Trade and other receivables | 33,294 | – | 33,294 |
| **Balance at 31 March 2020** | **48,036** | **1,982** | **50,018** |

| | CONSOLIDATED 2019 | | |
|---|---|---|---|
| | Assets at amortised cost $'000 | Derivatives used for hedging $'000 | Total $'000 |
| **Assets as per statement of financial position** | | | |
| 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 |
| **Balance at 31 March 2019** | **44,327** | **172** | **44,499** |

| | CONSOLIDATED 2020 | | |
|---|---|---|---|
| | Liabilities at amortised cost $'000 | Derivatives used for hedging $'000 | Total $'000 |
| **Liabilities as per statement of financial position** | | | |
| Cash and cash equivalents | – | – | – |
| Trade and other payables excluding non-financial liabilities | 21,969 | – | 21,969 |
| Provisions | 4,543 | – | 4,543 |
| Derivatives - foreign exchange contracts | – | 57 | 57 |
| Derivatives - interest rate swaps | – | 2,129 | 2,129 |
| Interest-bearing liabilities | 81,630 | – | 81,630 |
| Lease liabilities | 59,485 | – | 59,485 |
| **Balance at 31 March 2020** | **167,627** | **2,186** | **169,813** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

| | CONSOLIDATED 2019 | | |
|---|---|---|---|
| | Liabilities at amortised cost $'000 | Derivatives used for hedging $'000 | Total $'000 |
| **Liabilities as per statement of financial position** | | | |
| 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 |
| **Balance at 31 March 2019** | **120,257** | **1,716** | **121,973** |

### 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 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 over a longer period.

Cash and cash equivalents

Exposure to foreign exchange risk

| | CONSOLIDATED 2020 | | |
|---|---|---|---|
| | AUD $'000 | USD $'000 | EUR $'000 |
| **31 March 2020** | | | |
| Cash and cash equivalents | 2,600 | – | – |
| Trade receivables | 8,196 | – | – |
| Trade accounts payable | (4,924) | (3,461) | (129) |
| **Balance at 31 March 2020** | **5,872** | **(3,461)** | **(129)** |

| | CONSOLIDATED 2019 | | |
|---|---|---|---|
| | AUD $'000 | USD $'000 | EUR $'000 |
| **31 March 2019** | | | |
| Cash and cash equivalents | 1,467 | – | – |
| Trade receivables | 7,391 | – | – |
| Trade accounts payable | (4,570) | (4,518) | (1,024) |
| **Balance at 31 March 2019** | **4,288** | **(4,518)** | **(1,024)** |

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.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Sensitivity analysis

The following table details the Group's sensitivity to a 10% strengthening/weakening of the New Zealand Dollar (NZD) 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 | CONSOLIDATED |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| **Profit or loss** | | |
| 10% strengthening of the NZD against: | | |
| AUD | (534) | (390) |
| USD | 315 | 411 |
| EUR | 12 | 93 |
| 10% weakening of the NZD against: | | |
| AUD | 653 | 476 |
| USD | (385) | (502) |
| EUR | (14) | (114) |

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| **Equity** | | |
| 10% strengthening of the NZD against: | | |
| USD | (2,155) | (1,905) |
| EUR | (165) | (419) |
| 10% weakening of the NZD against: | | |
| USD | 2,634 | 2,328 |
| EUR | 202 | 512 |

Profit or loss movements are mainly attributable to the exposure outstanding on AUD trade receivables 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.

## 4 LONG-TERM ASSETS

### 4.1 PROPERTY, PLANT AND EQUIPMENT

| | CONSOLIDATED 2020 | | | |
|---|---|---|---|---|
| | **Plant & equipment $'000** | **Furniture, fittings & equipment $'000** | **Motor Vehicles $'000** | **Total $'000** |
| **Opening balance** | | | | |
| Cost | 81,403 | 3,258 | 15,061 | 99,722 |
| Accumulated depreciation | (25,756) | (2,478) | (6,907) | (35,141) |
| **Net book value at 1 April 2019** | **55,647** | **780** | **8,154** | **64,581** |
| Additions | 5,527 | 652 | 3,101 | 9,280 |
| Disposals | (2,396) | – | (389) | (2,785) |
| Depreciation expense | (8,469) | (495) | (2,271) | (11,235) |
| Foreign exchange impact | (176) | – | (20) | (196) |
| **Closing net book value at 31 March 2020** | **50,133** | **937** | **8,575** | **59,645** |
| **Represented by:** | | | | |
| Cost | 83,509 | 3,910 | 16,682 | 104,101 |
| Accumulated depreciation | (33,376) | (2,973) | (8,107) | (44,456) |
| **Net book value at 31 March 2020** | **50,133** | **937** | **8,575** | **59,645** |

| | CONSOLIDATED 2019 | | | |
|---|---|---|---|---|
| | **Plant & equipment $'000** | **Furniture, fittings & equipment $'000** | **Motor Vehicles $'000** | **Total $'000** |
| **Opening balance** | | | | |
| Cost | 77,765 | 3,027 | 12,450 | 93,242 |
| Accumulated depreciation | (17,743) | (1,935) | (5,192) | (24,870) |
| **Net book value at 1 April 2018** | **60,022** | **1,092** | **7,258** | **68,372** |
| 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) |
| **Closing net book value at 31 March 2019** | **55,647** | **780** | **8,154** | **64,581** |
| Represented by: | | | | |
| Cost | 81,403 | 3,258 | 15,061 | 99,722 |
| Accumulated depreciation | (25,756) | (2,478) | (6,907) | (35,141) |
| **Net book value at 31 March 2019** | **55,647** | **780** | **8,154** | **64,581** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## Critical 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 estimated useful lives. The estimated useful lives are reviewed annually and may change if necessary. The actual useful life of an asset may be shorter or longer than what had been estimated, which will affect amortisation, depreciation and the carrying values of these assets.

## COVID-19 impact

The Group expects that the forecast softening of construction activity in its New Zealand market will have an impact on production capacity in the near term. The Group has considered the impact on the carrying value of plant and equipment and concluded that there is no evidence of technical or functional obsolescence which would result in an impairment. In addition, an impairment assessment was completed for the New Zealand and Australian cash-generating units which supports the recovery of the property, plant and equipment through its use (refer to Note 4.2). As a result, there has been no reduction in the carrying value of property, plant and equipment.

## 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 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 2020 | | | |
|---|---|---|---|---|---|
| | Note | Customer relationships $'000 | Goodwill on acquisitions $'000 | Computer software $'000 | Total $'000 |
| **Opening balance** | | | | | |
| Cost | | 12,962 | 148,332 | 8,534 | 169,828 |
| Accumulated amortisation and impairment | | (8,854) | (8,349) | (6,183) | (23,386) |
| **Net book value at 1 April 2019** | | **4,108** | **139,983** | **2,351** | **146,442** |
| Additions | | – | – | 631 | 631 |
| Disposals | | – | – | – | – |
| Amortisation expense | | (1,450) | – | (1,261) | (2,711) |
| Impairment | 2.4 | – | (86,500) | – | (86,500) |
| Foreign exchange impact | | – | (355) | (8) | (363) |
| **Closing net book value at 31 March 2020** | | **2,658** | **53,128** | **1,713** | **57,499** |
| **Represented by:** | | | | | |
| Cost | | 12,929 | 147,846 | 9,119 | 169,894 |
| Accumulated amortisation and impairment | | (10,271) | (94,718) | (7,406) | (112,395) |
| **Net book value at 31 March 2020** | | **2,658** | **53,128** | **1,713** | **57,499** |

| | CONSOLIDATED 2019 | | | |
|---|---|---|---|---|
| | Customer relationships $'000 | Goodwill on acquisitions $'000 | Computer software $'000 | Total $'000 |
| **Opening balance** | | | | |
| Cost | 13,002 | 148,345 | 8,447 | 169,794 |
| Accumulated amortisation and impairment | (5,990) | – | (4,317) | (10,307) |
| **Net book value at 1 April 2018** | **7,012** | **148,345** | **4,130** | **159,487** |
| 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) |
| **Closing net book value at 31 March 2019** | **4,108** | **139,983** | **2,351** | **146,442** |
| **Represented by:** | | | | |
| Cost | 12,962 | 148,332 | 8,534 | 169,828 |
| Accumulated amortisation and impairment | (8,854) | (8,349) | (6,183) | (23,386) |
| **Net book value at 31 March 2019** | **4,108** | **139,983** | **2,351** | **146,442** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

*Critical estimates and judgements: Goodwill*

The Group tests intangible assets for impairment to ensure they are not carried at above their recoverable amounts:

- at least annually for goodwill with indefinite lives; and
- where there is an indication that the assets may be impaired (which is assessed at least at each reporting date).

Impairment tests are performed by assessing the recoverable amount of each individual asset or CGU. The recoverable amount is determined as the higher amount calculated under a value-in-use (VIU) or a fair value less costs of disposal (FVLCD) calculation. Both methods utilise pre-tax cash flow projections based on financial projections approved by the directors.

As detailed in the COVID-19 excerpt on page 26, the impacts of COVID-19 on the Group have already been wide ranging and significant. There is a heightened level of uncertainty at present which makes accurately forecasting the future particularly challenging. The Company currently expects building consents in both New Zealand and Australia to trend materially lower over the next 12 - 24 months reflecting weak economic conditions and much slower population growth given ongoing international border closures and curtailed migration. It is also important to note that building consents are only intentions to build, and that building activity and demand for glass products and services could potentially fall more rapidly, or at least be more volatile, than consenting levels would suggest given the highly uncertain economic conditions. While the industry will benefit from completing an existing pipeline of projects in the short term, it is unclear how long this will last, and activity levels thereafter are highly uncertain.

In response to the current challenges faced when forecasting the future, management has prepared upside, base and downside case scenarios for each CGU (New Zealand and Australia). Each of these scenarios include three-years of explicit cash flow projections with cash flows beyond that point extrapolated using estimated long-term growth rates. The final VIU and FVLCD calculations for each CGU apply an assessed probability-weighting to the three scenarios. The probability and sensitivities around these scenarios will continue to be reviewed over time as the future path of the New Zealand and Australian economies becomes clearer. The probability-weighted scenario approach is a change from previous impairment tests which used a single forecast. This change has been made to accommodate the current forecasting uncertainties.

## Impairment tests for goodwill

Post the acquisition of AGG, the Group's segments have been classified as New Zealand and Australia aligning with the way our business is reviewed. The New Zealand goodwill balance arose prior to the Group's Initial Public Offering (IPO) in July 2014.The Australian goodwill arose in August 2016 with the acquisition of AGG. Goodwill balances are as follows:

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| New Zealand | 30,879 | 117,379 |
| Australia | 22,249 | 22,604 |
| | **53,128** | **139,983** |

Key assumptions in the 31 March 2020 impairment assessment calculations (and the equivalent assumptions in the 31 March 2019 calculations) are as follows:

| | CONSOLIDATED | | CONSOLIDATED | |
|---|---|---|---|---|
| | **2020** | | **2019** | |
| | **New Zealand** | **Australia** | **New Zealand** | **Australia** |
| Compound annual revenue growth - 3 years (2019: 5 years) | (9.6%) | 5.2% | 0.5% | 6.9% |
| Long-term growth rate | 1.3% | 1.3% | 2.0% | 2.0% |
| Discount rate (post tax, post IFRS 16) | 7.8% | 6.6% | | |
| Discount rate (post tax, pre IFRS 16) | | | 9.9% | 9.9% |

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 cash flow estimates. The discount rate calculation is based on the specific circumstances of the CGU and its operating segments and is derived from its weighted average costs of capital (WACC).

The discount rates used are supported by independent third party expert advice. The Group has moved from using a pre-IFRS 16 discount rate in 2019 to a post-IFRS 16 discount rate in 2020 to align with the change in accounting standards. This change in methodology should have no material impact on the overall outcome. The discount rates at 31 March 2020 were lower than the prior year on account of the IFRS 16 change, market reductions in interest rates (risk-free rates) and the consideration of market-specific risks.

The long-term growth rate assumptions are supported by long-term population growth rates in New Zealand and Australia and the increased use and prevalence of glass products in the Group's markets. The long-term growth rates were reduced in the 2020 testing in line with the expectation of more subdued future economic conditions and persistently lower net migration.

Impairment testing for the New Zealand CGU was completed using both the VIU and FVLCD methods, with the FVLCD discounted cash flow method showing the higher recoverable amount. The FVLCD test used the same assumptions as the VIU test. The FVLCD calculation has been determined using level three in terms of the fair value hierarchies in NZ IFRS 13.

### New Zealand CGU

As at 31 March 2020, the New Zealand and Australian CGUs had both begun facing significant market and economic uncertainty as a result of the COVID-19 pandemic. These impacts have been particularly severe in New Zealand where operations had to be shut down for approximately four weeks in accordance with the New Zealand Government's COVID-19 Alert Level 4.

The New Zealand construction industry is now expected to face significantly lower consenting and activity levels for the coming 12 to 24 months as a result of the deteriorating economic conditions. This includes the significant decline anticipated in net migration, which will directly impact housing demand. The glass processing and installation industry also continues to be very competitive with significant increases in supplier capacity having come online over the past few years. It is not yet clear whether the anticipated sharp reduction in volume during 2021 will support the additional industry capacity.

Building activity in New Zealand essentially ceased during the COVID-19 shutdown period and productivity was also impacted under Alert Levels 3 and 2. This will impact on the traditional 9-month lag between residential housing consents and glass demand, but this lag will continue to provide management an opportunity to observe market conditions in the coming months and refine plans accordingly.

As a result of the current level of uncertainty regarding the future, management has developed a number of potential future scenarios that show a range of plausible outcomes. In forming these scenarios, management have considered the views of several economic forecasters, observable market data points (including building consents and impacts from historical recessionary events), feedback from customers, analysis of existing forward books of work, anticipated customer wins and/or losses and other competitive dynamics.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The table below presents several key assumptions which drive the New Zealand scenarios, and the resulting impacts on future revenue for the next three years:

| | NZ SCENARIOS | | |
|---|---|---|---|
| | **Downside case** | **Base case** | **Upside case** |
| Assessed probability of this scenario occurring | 50% | 40% | 10% |
| NZ residential dwelling consents (9 month lagged) - FY21 | 30,500 | 34,300 | 34,300 |
| NZ residential dwelling consents (9 month lagged) - FY22 | 18,600 | 28,100 | 28,100 |
| NZ residential dwelling consents (9 month lagged) - FY23 | 21,200 | 29,900 | 29,900 |
| Level of competitive intensity | Continues to increase | Continues to increase | Some capacity consolidation |
| Resulting 3 year compound annual revenue growth rate | (15%) | (5%) | 0% |

The results of the assessment of impairment testing calculations for the New Zealand CGU are most sensitive to the assumed probability of each scenario occurring, the discount rate and the terminal growth rate. The implied position of the construction cycle following year three (FY23) is also important as this supports the cashflow element of the terminal value calculation, which could also impact the applicable terminal growth rate.

Whilst acknowledging the uncertainties around forecasting in the COVID-19 environment, it is the considered view of the directors that the forecast revenue assumptions and resulting range are reasonable and conservative. This is based on their understanding of the market, supplemented by third-party forecasts, and a consensus of the range of expected market trajectories considered in the scenarios. Based on the assumptions described above and using the FVLCD approach, a recoverable amount for the New Zealand CGU of $104.5 million has been calculated, 93% of which arises from terminal value. Therefore an impairment to the goodwill balance of $86.5 million has been recognised at 31 March 2020.

If the economic recovery and modelled revenue growth do not meet the probability-weighted expectations, a further impairment of goodwill may be required.

### Australian CGU

In the year ended 31 March 2020, the Australian CGU delivered improved operational results, higher revenue and a lower earnings before interest and tax (EBIT) loss versus the prior comparable period. This result was achieved despite residential construction contracting materially in key Australian markets.

In November 2019 the Group announced that New South Wales-based operations would be refocused towards the supply of double-glazing products for window manufacturer customers. These changes have improved the business' competitive position in its target segments and are expected to positively impact financial performance going forward. The transition proceeded to plan and was largely complete by 31 March 2020, contributing positive EBITDA in the second half of the year.

As the Australian CGU delivered an EBIT loss in the year ended 31 March 2020 the Group reviewed the recoverable amount of the Australian CGU goodwill, using the three year forecast scenarios and a VIU approach. This review concluded that the recoverable amount of the Australian CGU is estimated to exceed the carrying value at 31 March 2020 by at least $7 million using the downside scenario.

External forecasts currently predict a slowdown in the construction of new detached houses for the next three to four years. However, considerable opportunity is seen in Australia as continuing regulatory changes and shifting consumer preferences drive an increase in demand for high-quality double-glazed windows. Future revenue projections are based on an assumed growth in the size of the market for double-glazed units in south-eastern Australia due to an increase in the penetration of double glazed windows that exceeds the effect of a decline in new house construction. An increase in market share is also anticipated due to the Group's strong competitive proposition in this market. Together these factors are forecast to lead to increased sales of these products.

There are some significant uncertainties to the revenue growth forecasts. While individual states have already made changes to their building codes, and the Australian national building code regulations affecting energy-efficient requirements for commercial buildings have also changed, the proposed residential changes will not be enacted until 2022. Current indications are that these changes remain likely to proceed. The extent to which the penetration rate of double-glazed windows increase both before and after the code changes is uncertain. The continuing competitive proposition of the Group's products, and therefore expectation of an increased market share, is also uncertain due to the effectiveness of competitor actions in the double-glazed windows market.

Despite the uncertainties, the Group has confidence that its strategy has traction and the outlook is positive. It is the considered view of the directors that the forecast revenue assumptions are reasonable. This is based on their understanding of the market, expected changes in the market and improved financial performance achieved in the year ended 31 March 2020 over the previous corresponding period.

If the forward looking projections do not meet expectations an impairment of goodwill may be required.

### Market capitalisation comparison

The Group compares the carrying amount of net assets with the market capitalisation value at each balance date. The share price at 31 March 2020 was $0.175 equating to a market capitalisation of $32.4 million, and at the date of the financial statements was $0.21 ($38.9 million). This market value excludes any control premium and may not reflect the value of all of the Group's net assets. The carrying amount of the Group's net assets at 31 March 2020 was $76.8 million ($0.41 per share) post impairment of intangible assets recognised of $86.5 million. Management and the Directors have considered the reasons for this difference and concluded all relevant factors had been allowed for in their VIU and FVLCD models.

### Sensitivity to changes in key assumptions

*New Zealand CGU*

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

| | Impairment $'000 | Variance to base assumption $'000 |
|---|---|---|
| Base assumption | (86,500) | – |
| +0.5% Discount rate | (93,583) | (7,083) |
| -0.5% Discount rate | (78,203) | 8,297 |
| +0.25% Long-term growth rate | (82,830) | 3,670 |
| -0.25% Long-term growth rate | (89,894) | (3,394) |
| Scenario probabilities: Base Case reduced by 5% and Upside Case increased by 5% | (79,167) | 7,333 |
| Scenario probabilities: Base Case reduced by 5% and Downside Case increased by 5% | (91,783) | (5,283) |

*Australian CGU*

The following summarises the changes in key assumptions at which an impairment would occur for the Australian CGU, with all other assumptions remaining constant:

| | Threshold for impairment | Movement from rate used in the impairment test |
|---|---|---|
| Long-term growth rate | (1.5%) | (2.8%) |
| Discount rate (post tax) | 9.2% | 2.6% |

# 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 CGUs 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 four 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.

## 5 DEBT & EQUITY

### 5.1 INTEREST-BEARING LIABILITIES

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | 2020 $'000 | 2019 $'000 |
| Bank borrowings | 81,630 | 88,832 |
| Bank overdraft | – | – |
| | **81,630** | **88,832** |

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 $120 million negotiated on 31 August 2018 for a three-year term as well as overdraft and bank guarantees totalling $7.63 million. 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.

#### 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.

#### 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.

As at 31 March 2020 the Group had cash of $14.7 million. Information in respect of negotiated credit facilities is shown below.

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | 2020 $'000 | 2019 $'000 |
| Committed credit facilities pursuant to syndicated facility | 127,724 | 129,748 |
| Drawdown at balance date | (85,300) | (92,362) |
| **Available credit facilities** | **42,424** | **37,386** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 2020 | | | | |
|---|---|---|---|---|---|
| | Less than 1 year $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | > 5 years $'000 | Total $'000 |
| Bank borrowings and interest owing | 2,402 | 82,563 | – | – | 84,965 |
| Interest rate swap | 143 | – | 1,986 | – | 2,129 |
| Foreign exchange contracts | 57 | – | – | – | 57 |
| Lease liabilities | 8,485 | 7,837 | 19,236 | 45,781 | 81,339 |
| Trade accounts payable | 17,354 | – | – | – | 17,354 |
| **Total at 31 March 2020** | **28,441** | **90,400** | **21,222** | **45,781** | **185,844** |

| | CONSOLIDATED 2019 | | | | |
|---|---|---|---|---|---|
| | Less than 1 year $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | > 5 years $'000 | Total $'000 |
| Bank borrowings and interest owing | 3,989 | 3,801 | 90,425 | – | 98,215 |
| Interest rate swap | 173 | 274 | 782 | – | 1,229 |
| Foreign exchange contracts | 487 | – | – | – | 487 |
| Trade accounts payable | 19,939 | – | – | – | 19,939 |
| **Total at 31 March 2019** | **24,588** | **4,075** | **91,207** | **–** | **119,870** |

### 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 an additional cost of $0.13 million and a subsequent decrease of $0.13 million if rates decreased by 10%. (In 2019 an interest rate increase of 10% would have resulted in additional costs of $0.28 million and a subsequent decrease of $0.28 million 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.

### 5.2 CONTRIBUTED EQUITY

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| Opening balance | 306,693 | 306,653 |
| Vesting of employee share purchase scheme | 361 | – |
| Payments received on management incentive plans | 144 | 40 |
| **Closing balance** | **307,198** | **306,693** |

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. In addition, 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. Also, 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 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 were 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 included 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. This scheme vested during the current year, with $0.18 million received in cash from employees and $0.18 million transferred from the share-based payment reserve (note 6.3).

#### 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 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 no dividends in 2020 (3.8 cents per share in 2019).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## Capital 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 and leverage ratio. The Group's respective ratios at 31 March 2020 were as follows:

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| Bank borrowings | 81,630 | 88,832 |
| Less: cash and cash equivalents | (14,742) | (5,488) |
| Plus: bank overdraft | – | – |
| **Net debt** | **66,888** | **83,344** |
| **Equity** | **76,840** | **156,963** |
| **Gearing ratio** | **46.5%** | **34.7%** |

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| Bank borrowings | 81,630 | 88,832 |
| Less: cash and cash equivalents | (14,742) | (5,488) |
| Plus: bank overdraft | – | – |
| **Net debt** | **66,888** | **83,344** |
| **Profit before interest, tax, depreciation and amortisation**[1] | **35,174** | **39,694** |
| **Leverage ratio** | **1.9 : 1** | **2.1 : 1** |

[1] Calculated on pre-IFRS 16 basis, excluding significant items as per bank covenant definitions.

## 6 OTHER

### 6.1 INCOME TAXATION

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | 2020 $'000 | 2019 $'000 |
| Profit before income taxation | (74,956) | 10,589 |
| Income taxation expense at the Group's effective tax rate | (21,205) | 2,640 |
| Tax effect of non-deductible items | 24,436 | 2,737 |
| Prior year adjustment[1] | (323) | 170 |
| **Income tax expense** | **2,908** | **5,547** |

[1] Includes tax refund received in relation to reassessment of AGG tax fixed asset valuation at acquisition of $0.9 million (Note 2.4).

| | | |
|---|---|---|
| Represented by: | | |
| Current taxation | 6,419 | 8,438 |
| Deferred taxation | (3,511) | (2,891) |
| | **2,908** | **5,547** |

#### Imputation credit account

The amount of imputation credits at balance date available for future distributions is $19.4 million at 31 March 2020, ($12.4 million at 31 March 2019).

### 6.2 DEFERRED TAXATION

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

| | CONSOLIDATED 2020 | | |
|---|---|---|---|
| | Assets $'000 | Liabilities $'000 | Net $'000 |
| Property, plant and equipment | – | (1,365) | (1,365) |
| Right-of-use assets | – | (14,256) | (14,256) |
| Inventory and receivables | 139 | – | 139 |
| Cash flow hedge | 145 | (79) | 66 |
| Intangibles | – | (1,075) | (1,075) |
| Lease liabilities | 16,807 | – | 16,807 |
| Provisions and accruals | 2,269 | – | 2,269 |
| Tax losses | 4,935 | – | 4,935 |
| | **24,295** | **(16,775)** | **7,520** |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

| | CONSOLIDATED 2019 | | |
|---|---|---|---|
| | Assets $'000 | Liabilities $'000 | Net $'000 |
| Property, plant and 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 |
| | **4,958** | **(1,947)** | **3,011** |

Movement in temporary differences during the year:

| | CONSOLIDATED 2020 | | | | |
|---|---|---|---|---|---|
| | Opening balance 1 April 2019 $'000 | Recognised in opening retained earnings[1] $'000 | Recognised in profit or loss $'000 | Recognised in OCI $'000 | Balance 31 Mar 2020 $'000 |
| Property, plant and equipment | (740) | – | (630) | 5 | (1,365) |
| Right-of-use assets | – | (16,399) | 2,093 | 50 | (14,256) |
| Inventory and receivables | – | – | 139 | – | 139 |
| Cash flow hedge | 513 | – | – | (447) | 66 |
| Intangibles | (1,207) | – | 132 | – | (1,075) |
| Lease liabilities | – | 17,906 | (1,053) | (46) | 16,807 |
| Provisions and accruals | 2,863 | – | (547) | (47) | 2,269 |
| Tax losses | 1,582 | – | 3,377 | (24) | 4,935 |
| | **3,011** | **1,507** | **3,511** | **(509)** | **7,520** |

| | CONSOLIDATED 2019 | | | | |
|---|---|---|---|---|---|
| | Opening balance 1 April 2018 $'000 | Recognised in opening retained earnings[1] $'000 | Recognised in profit or loss $'000 | Recognised in OCI $'000 | Balance 31 Mar 2019 $'000 |
| Property, plant and 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 |
| | **(431)** | **375** | **2,891** | **176** | **3,011** |

[1] Deferred tax impact of change in accounting policy. Refer to Note 7.

### Accounting policy

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or 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.

## 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 of $170.7 million 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 has had two share ownership plans for employees. See Note 5.2 for the employee share purchase scheme and below for the long-term incentive plan.

The Group currently has a long-term incentive plan for selected employees. The plan's participants are members of the Senior Leadership Team and other selected senior managers. The reserve is used to record the accumulated value of the plan which has been recognised in the statement of comprehensive income.

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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 Performance 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 following share options and performance share rights (PSR) have been issued and had not lapsed or been exercised at 31 March 2020.

| Plan Name | Date issued | Number of options | Number of PSR | Options exercise price | Vesting date |
|---|---|---|---|---|---|
| 2017 LTI plan | 26-May-16 | 532,266 | 127,950 | $1.73 | 9-Jun-19 |
| 2018 LTI plan | 25-May-17 | 808,723 | 202,180 | $1.35 | 8-Jun-20 |
| 2019 LTI plan | 24-May-18 | 1,193,009 | 374,275 | $0.89 | 7-Jun-21 |
| 2020 LTI plan | 23-May-19 | 4,230,103 | 1,586,293 | $0.45 | 6-Jun-22 |

### 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 |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| **Share-based payments reserve** | | |
| Balance at the beginning of the period | 725 | 755 |
| Transfer to equity on vesting of employee share purchase scheme | (181) | – |
| Movement in share-based payments reserve | 387 | (30) |
| **Closing balance** | **931** | **725** |

### 6.4 RELATED PARTY TRANSACTIONS

#### Subsidiaries

The Group's principal subsidiaries at 31 March 2020 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 | 2020 Interest | 2019 Interest |
|---|---|---|---|
| Metropolitan Glass & Glazing Limited | New Zealand | 100% | 100% |
| Metroglass Finance Limited | New Zealand | 100% | 100% |
| Australian Glass Group Holding Pty Ltd | Australia | 100% | 100% |
| Australian Glass Group Finance Pty Ltd | 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, Rhys Jones and Graham Stuart.

Graham Stuart was appointed on 1 December 2019. Gordon Buswell retired on 31 December 2019.

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 |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| Salaries and other short-term employee benefits | 2,960 | 2,967 |
| Management incentive[1] | 522 | 48 |
| Share-based payments | 137 | 94 |
| | **3,619** | **3,109** |

[1] Relates to amounts paid pursuant to prior year financial and operating performance.

#### Board of Directors' compensation

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2020 $'000** | **2019 $'000** |
| Directors' fees | 612 | 605 |
| | **612** | **605** |

### 6.5 CONTINGENCIES

At 31 March 2020 the Group had no contingent liabilities or assets.

### 6.6 COMMITMENTS

At 31 March 2020 the Group had no commitments.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 7 LEASES

### Critical estimates and judgements

The Group has adopted NZ IFRS 16 retrospectively from 1 April 2019, but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 April 2019.

Right-of-use assets for property leases were measured on a retrospective basis as if the new rules had always been applied, adjusted by the amount of any lease incentives received or restoration costs estimated. For property leases that commenced prior to the group reorganisation or the Australia business acquisition, the Group has considered it reasonable to apply a commencement date aligned with the group reorganisation and the business acquisition date in line with requirements prescribed by NZ IFRS 3 Business Combinations. Other right-of-use assets were measured at the amount equal to the lease liability. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

Lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as of 1 April 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 April 2019 was 5.12%.

On transition, the Group applied the following practical expedients:

- accounting for operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short term leases
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

In the process of adopting NZ IFRS 16, a number of estimates and judgements have been made. These include:

- incremental borrowing rate at the time of adoption
- lease terms, including any rights or renewal that the Group are reasonably certain will be exercised
- foreign exchange conversion rates
- application of practical expedients and recognition exemptions allowed by the new standards, including those in respect of low-value assets and short-term lease exemptions.

### COVID-19 impact

The Group expects that the forecast softening of construction activity in New Zealand market will have an adverse impact on production and distribution capacity in the near term. The Group has considered the impact on the carrying value of right-of-use assets and concluded that there is no evidence which would result in an impairment. As a result, there has been no reduction in the carrying value of New Zealand-based right-of-use assets.

### 7.1 RIGHT-OF-USE ASSETS

| | CONSOLIDATED 2020 | | | |
|---|---|---|---|---|
| | Property $'000 | Motor Vehicles $'000 | Equipment $'000 | Total $'000 |
| **Opening net book value 1 April 2019** | | | | |
| Recognised on transition | **57,814** | **349** | **131** | **58,294** |
| Additions | 139 | 20 | 74 | 233 |
| Depreciation expense | (7,715) | (169) | (45) | (7,929) |
| Impairment[1] | (145) | – | – | (145) |
| Foreign exchange impact | (88) | (1) | (1) | (90) |
| **Closing net book value at 31 March 2020** | **50,005** | **199** | **159** | **50,363** |
| **Represented by:** | | | | |
| Cost | 84,778 | 368 | 204 | 85,350 |
| Accumulated depreciation | (34,773) | (169) | (45) | (34,987) |
| **Net book value at 31 March 2020** | **50,005** | **199** | **159** | **50,363** |

[1] Impairment charge relates to a NSW right-of-use asset, where the lease is being surrendered as part of the restructure.

## Accounting policy

The Group leases mainly relate to buildings which were all classified as operating leases until 31 March 2019. Payments made under operating leases (net of any incentives received from the lessor) were previously charged to profit or loss on a straight-line basis over the period of the lease. Rental contracts are typically made for fixed periods of 1 to 16 years but may have extension options. Lease terms are negotiated on an individual basis and contain a wide range of terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

From 1 April 2019, leases are recognised as a right-of-use asset and a corresponding liability. Each lease payment is allocated between the lease liability and the finance cost. The finance cost is charged to profit and loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present-value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments, less any lease incentives receivable; and
- variable lease payments that are based on an index or a rate.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the Group's incremental borrowing rate is used, being the rate that the Group would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any restoration costs. These assets are subsequently depreciated using the straight-line method from the commencement date to the end of the lease term.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 7.2 RECONCILIATION OF LEASE COMMITMENTS TO LEASE LIABILITIES

| | Total $'000 |
|---|---|
| Operating lease commitments disclosed as at 31 March 2019 | 47,195 |
| Discounted at the incremental borrowing rate at 1 April 2019 | 38,182 |
| Less: short-term leases and low-value leases not recognised as lease liabilities | (50) |
| Adjustments as a result of different treatment of extension and termination options | 27,627 |
| **Opening lease liabilities recognised at 1 April 2019** | **65,759** |
| Additions | 233 |
| Interest for the period | 3,227 |
| Lease payments made | (9,634) |
| Foreign exchange impact | (100) |
| **Lease liabilities at 31 March 2020** | **59,485** |
| Current lease liabilities | 5,552 |
| Non-current lease liabilities | 53,933 |
| **Total lease liabilities** | **59,485** |

Lease liabilities maturity analysis

| | Minimum lease payments $'000 | Interest $'000 | Present value $'000 |
|---|---|---|---|
| Within one year | 8,485 | (2,933) | 5,552 |
| One to five years | 27,073 | (9,239) | 17,834 |
| Beyond five years | 45,781 | (9,682) | 36,099 |
| **Lease liabilities at 31 March 2020** | **81,339** | **(21,854)** | **59,485** |

Lease-related expenses included in the statement of comprehensive income

| | Total $'000 |
|---|---|
| **For the year ended 31 March 2020** | |
| Depreciation | 7,929 |
| Short-term and low-value leases | 343 |
| Interest on leases | 3,227 |
| Interest on make-good provisions | 145 |
| **Total** | **11,644** |

For comparative period analysis purposes, the adoption of the accounting standard has affected the following items of the income statement and statement of cash flows:

- In the income statement 'finance costs' includes interest expense associated with lease liabilities, and 'administration expenses' includes depreciation associated with right-of-use assets.
- In the statement of cash flows, lease payments are now split between principal repayments classified within 'financing activities' and interest repayments classified within 'operating activities'. Previously lease payments were included within 'payments to suppliers and employees' within operating activities.

The tables below provide further detail in relation to the impacts of NZ IFRS 16 on the consolidated statement of comprehensive income, the consolidated statement of financial position and the consolidated statement of cash flows.

Impact of NZ IFRS 16 on the statement of comprehensive income and earnings per share for the year ended 31 March 2020

| | Pre NZ IFRS 16 $'000 | Adjustments under NZ IFRS 16 $'000 | Post NZ IFRS 16 $'000 |
|---|---|---|---|
| Sales revenue | 254,908 | – | 254,908 |
| Cost of sales | (140,737) | 1,700 | (139,037) |
| **Gross profit** | **114,171** | **1,700** | **115,871** |
| Distribution and glazing-related expenses | (45,396) | 46 | (45,350) |
| Selling and marketing expenses | (14,517) | 147 | (14,370) |
| Administration expenses | (33,611) | 40 | (33,571) |
| Other Income | 582 | – | 582 |
| **Profit before significant items, interest and tax** | **21,229** | **1,933** | **23,162** |
| Significant items | (90,724) | (350) | (91,074) |
| **Loss before interest and tax** | **(69,495)** | **1,583** | **(67,912)** |
| Interest expense | (3,773) | (3,372) | (7,145) |
| Interest income | 101 | – | 101 |
| **Loss before income taxation** | **(73,167)** | **(1,789)** | **(74,956)** |
| Income taxation expense | (3,425) | 517 | (2,908) |
| **Loss for the period** | **(76,592)** | **(1,272)** | **(77,864)** |
| **Other comprehensive income** | | | |
| Exchange differences on translation of foreign operations | (24) | 13 | (11) |
| Cash flow hedges | 978 | – | 978 |
| **Total comprehensive income for the period attributable to shareholders** | **(75,638)** | **(1,259)** | **(76,897)** |

| **Earnings per share** | **Cents** | **Cents** | **Cents** |
|---|---|---|---|
| Basic/diluted earnings per share | (41.3) | (0.7) | (42.0) |

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### Impact of NZ IFRS 16 on the statement of financial position at 31 March 2020

Assets and liabilities have both increased as a result of the change in accounting policy relating to leases. At 31 March 2020 the statement of financial position accounts affected by the change are detailed below:

| | Pre NZ IFRS 16 $'000 | Adjustments under NZ IFRS 16 $'000 | Post NZ IFRS 16 $'000 |
|---|---|---|---|
| Right-of-use assets | – | 50,363 | 50,363 |
| Deferred tax assets | 5,501 | 2,019 | 7,520 |
| **Impact on total assets** | **5,501** | **52,382** | **57,883** |
| Current lease incentive | 135 | (135) | – |
| Current lease liabilities | – | 5,552 | 5,552 |
| Current provisions | 1,110 | 882 | 1,992 |
| Non-current lease incentive | 2,672 | (2,672) | – |
| Non-current lease liabilities | – | 53,933 | 53,933 |
| Non-current provisions | – | 2,551 | 2,551 |
| **Impact on total liabilities** | **3,917** | **60,111** | **64,028** |
| **Impact on net assets** | **1,584** | **(7,729)** | **(6,145)** |

### Impact of NZ IFRS 16 on the statement of cash flows for the year ended 31 March 2020

Cash outflows from leases for the year ended 31 March 2020 are detailed below. For the year ended 31 March 2019, the equivalent cash outflows were included in the cash flows from operating activities as payments to suppliers and employees.

| | Total $'000 |
|---|---|
| **For the year ended 31 March 2020** | |
| Interest paid on leases (operating activities) | 3,227 |
| Lease liability principal payments (financing activities) | 6,407 |
| **Total cash outflow in relation to leases** | **9,634** |

# *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 2020;
- 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 2020, 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 carried out another service for the Group in the area of assistance in analysing and evaluating real estate property lease options for two leased sites. The provision of this other service has not impaired our independence as auditor of the Group.

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## *Key audit matters*

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| *New Zealand goodwill impairment test*<br><br>As at 31 March 2019 the Group had a goodwill balance in relation to the New Zealand cash generating unit (CGU) of $117.4 million. At 31 March 2020 this amount was impaired by $86.5 million to $30.9 million based on the results of the annual impairment test, as disclosed in note 4.2.<br><br>The New Zealand goodwill impairment test is considered a key audit matter due to the materiality of the goodwill balance and the impairment, the gap between the Company's market capitalisation and the net assets, and the significant level of management judgement applied in estimating future cash flows and other key assumptions in determining the recoverable amount of the CGU.<br><br>Management performed both a value in use (VIU) and a fair value less costs of disposal (FVLCD) impairment test. The impairment was determined using the FVLCD test as this resulted in the lower impairment of the CGU.<br><br>Both tests were based on a discounted cash flow model using probability-weighted forecasts for the next three years, and then extrapolating cash flows after that time. The cash flows, assets and liabilities attributed to the CGU in both tests are in accordance with accounting standards.<br><br>Key estimates and assumptions include:<br>• The near-term impact on sales of the expected economic slowdown and the competitive environment in the glass products industry in New Zealand, including the effect of increases in supplier capacity in the industry.<br>• The weighting applied by management to the three forecast scenarios. | We obtained the calculations performed by Management and understood the assumptions used. We gained an understanding of the current and forecast outlook for the industry and the strategic direction of the business.<br><br>We determined our own independent view on the appropriate reasonable range for the recoverable amount of the New Zealand CGU to test management's calculation of this amount. We prepared ranges for both the VIU and FVLCD approaches. Our calculations and procedures included the following:<br>• We used third party building consent forecasts and our understanding of management's forecasts to determine our independent view of reasonable and supportable revenue and earnings for the next three years and maintainable earnings for the terminal year calculation.<br>• We used an auditor's expert to independently determine appropriate discount and long term growth rates and to assist us in challenging management's assumptions and developing our independent range.<br><br>Whilst some of our assumed inputs were different to those used by management, management's recoverable amount and impairment were within our reasonable range.<br><br>We engaged an internal valuations expert to assist us in our consideration of management's paper on the comparison between the net assets and the market capitalisation of the Company. This analysis was completed as part of our assessment of indicators of impairment.<br><br>We audited the disclosures in the consolidated financial statements to ensure they are compliant |

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- The long-term growth rate (1.3%) and the discount rate (7.8%) used in the impairment tests.

Note 4.2 explains that a reasonably possible change in any of the assumptions in the impairment test could increase or decrease the amount of the impairment recognised this year.

Management performed a comparison of the Group's net assets to the market capitalisation of the Company and prepared an analysis and explanation of the difference (see note 4.2). Management considered the reasons for this difference in finalising their assessment of the recoverable amounts of the New Zealand and Australia CGUs.

with the requirements of the relevant accounting standards.

*Australia goodwill impairment test*

As at 31 March 2020 the Group had a goodwill balance in relation to the Australia CGU of $22.2 million.

The goodwill had been impaired at 31 March 2019. The Group's interim financial statements at 30 September 2019 highlighted significant uncertainties associated with the impairment test, but there was no further impairment.

Management performed a VIU impairment test as at 31 March 2020 and determined that there was no impairment to the goodwill balance, as described in note 4.2.

The Australia goodwill impairment test is considered a key audit matter, due to materiality of the goodwill balance, the gap between the Company's market capitalisation and the net assets, and the significant level of management judgement applied in estimating future cash flows and other key assumptions in determining the recoverable amount of the CGU.

Management's VIU impairment test used a discounted cash flow model based on probability-weighted forecast cash flows to determine the recoverable amount. Key estimates and assumptions include:

- The near-term impact on sales of the expected economic slowdown.
- The increase in market demand in Australia for double-glazed glass and the Group's ability to increase its penetration

We obtained the calculations performed by Management and understood the assumptions used.

We gained an understanding of the current and forecast outlook for the industry, the strategic direction of the business, and the impact of the restructuring of the New South Wales operations during the second half of the year. Our understanding was facilitated by meeting with management in the two largest manufacturing locations in Australia during the year.

We assessed the reliability of management's forecasting process in previous years and considered the impact on the assessment of forecast earnings. In particular, we performed a lookback analysis of the actual trading performance compared to the forecasts used in the 30 September 2019 impairment test. We have performed this analysis up to and including May 2020.

We determined our own independent view on a point estimate for the recoverable amount of the Australia CGU to test management's calculation of this amount. Our calculations and procedures included the following:

- We considered external market forecasts for domestic construction activity.
- We considered the level of revenue and earnings growth the Group has achieved over

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| | |
|---|---|
| in that market due to its competitive proposition.<br>• The discount rate (6.6%) and the long-term growth rate (1.3%) used in the impairment model. | the last year, despite reductions in domestic construction activity during the year.<br>• We discussed with management the anticipated impact of regulatory and consumer preference changes that support their expectation of high growth in double-glazed glass sales.<br>• We used the results of our understanding and analysis to determine our independent view of reasonable and supportable revenue and earnings for the next three years and maintainable earnings for the terminal year calculation.<br>• We used an auditor's expert to determine appropriate discount and long term growth rates and to assist us in challenging management's assumptions and developing our independent point estimate.<br>We audited the disclosures in the consolidated financial statements to ensure they are compliant with the requirements of the relevant accounting standards. |
| *Forecast compliance with bank financial covenants*<br>As at 31 March 2020 the Group's net debt was $66.9 million. Note 5.1 to the consolidated financial statements explains that the Group's bank borrowings comprise a syndicated term loan facility, with certain financial covenants. This facility expires on 31 August 2021.<br>We consider forecast compliance with bank financial covenants to be a key audit matter.<br>Subsequent to year end, the Group obtained an Amendment and Waiver Letter from its banking partners to ease its financial covenants for all test dates up to and including 31 March 2021, as described in note 1.3.<br>The Group has assessed forecast compliance with these financial covenants by:<br>• preparing scenario forecasts (base case, upside and downside) for the Group for the next three years.<br>• using the forecasts to calculate financial covenant compliance at future covenant test dates. | We have read the syndicated term loan facility agreement and the recent amendment to that agreement.<br>We obtained the Group's forecast financial covenant compliance scenarios for the next 12 months from the date of the approval of the consolidated financial statements and performed the following audit procedures:<br>• We ensured the cash flow forecasts are consistent with the forecasts used for the impairment testing (above).<br>• We assessed the reasonableness of management's forecast scenarios.<br>• We performed sensitivity analyses on the forecast covenant compliance calculations to assess the level of forecasting risk at each test date; this included an assessment of covenant compliance on the stress-tested downside scenario.<br>• We assessed management's historical forecasting accuracy. |

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| | |
|---|---|
| The Group is considering various options to reduce or refinance the facility that expires on 31 August 2021.<br>The Directors have concluded there are no material uncertainties related to going concern. | We have read the disclosures in note 1.3 to ensure they accurately reflect our understanding of the uncertainties. |

## *Our audit approach*

### Overview


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

Overall Group materiality: $805,000, which represents approximately 5% of profit before tax before significant items.

We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the Group is most commonly measured by users, and is a generally accepted benchmark. We have adjusted this benchmark for significant items (see note 2.4) to reduce volatility and to reflect the underlying performance of the Group.

We have determined that there are three key audit matters:

- New Zealand goodwill impairment test
- Australia goodwill impairment test
- Forecast compliance with bank financial covenants

### 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.

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## 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.

## *Information other than the consolidated 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.

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

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

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

https://www.xrb.govt.nz/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.

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
19 June 2020

Auckland

# 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 19 June 2020 and has been approved by the Board. Metroglass considers that, during the year to 31 March 2020 (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. Securities Trading Policy
7. Market Disclosure Policy
8. Diversity and Inclusion Policy
9. Safety and Wellbeing 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 of Ethics was approved in July 2017.

### SECURITIES TRADING POLICY

The Company's Securities 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 all directors, employees and contractors of Metroglass and its subsidiaries ("Metroglass Personnel"). The policy is a critical part of ensuring all Metroglass Personnel are aware of their related obligations and legal requirements, and takes into account the insider trading prohibitions in the Financial Markets Conduct Act 2013 (NZ) and the Corporations Act 2001 (Australia), and the Company's obligations under the NZX Corporate Governance Code.

The Policy also sets out a set of more stringent rules which apply to Directors and certain employees of Metroglass when dealing in Metroglass Securities ("Restricted Persons"). These additional rules include the following:

- Trading in Metroglass securities is prohibited during 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)
- Prior consent must be obtained before trading in Metroglass securities. This consent requires confirmation that no material information is held
- Providing confirmation following the completion of any trading in Metroglass securities.

The policy is reviewed at least every two years and was last reviewed on 26 September 2019.

**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 19 June 2020, the Board comprised seven Independent Directors. Director profiles and length of service are detailed on pages 14 and 15 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.

# CORPORATE GOVERNANCE (CONTINUED)

## 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).

Angela Bull and Peter Griffiths (having retired by rotation) were elected as Directors of Metro Performance Glass Limited at the Company's ASM on 26 July 2019. Mark Eglinton and Graham Stuart (both appointed by the Board after the 2019 ASM) will each stand for election at the Company's 2020 ASM.

As announced on 22 November 2019, Gordon Buswell resigned as a director with effect from 31 December 2019 and Bill Roest will retire prior to the company's 2020 shareholders meeting which will return the total number of Company directors to six.

## 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 19 June 2020, all seven 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 85 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 last full Board performance review was completed in May 2019 with the assistance of governance services firm Propero Consulting. The Audit and Risk Committee was last reviewed in February 2020 and the People and Culture Committee was last reviewed in June 2020.

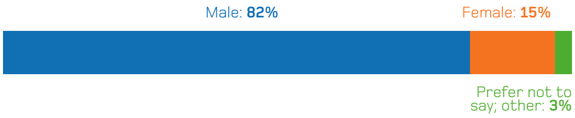
## DIVERSITY AND INCLUSION:

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.

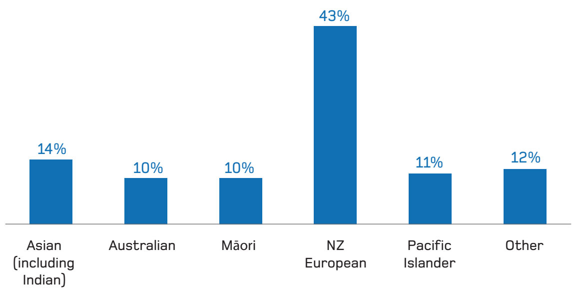
The Company believes that an ability to attract and retain a diverse and inclusive workforce broadens the recruitment pool of high-calibre candidates, enhances innovation and improves business performance. A copy of the Company's Diversity and Inclusion Policy is available in the Corporate Governance section of the Company's website.

*How is our workforce made up?*

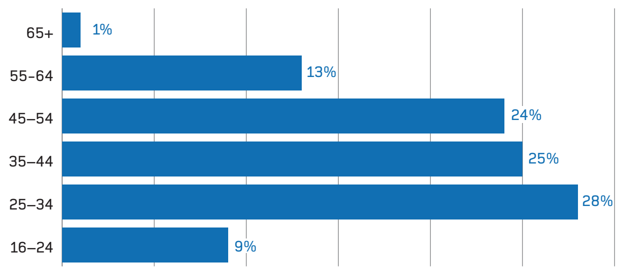
### GENDER




### ETHNICITY




### AGE



As at 31 March 2020 (and 31 March 2019 for the prior comparative period), the mix of gender among the Company's Board and SLT and Board were:

| 31 March 2020 | Female | Male | Total | % Female |
|---|---|---|---|---|
| Board | 1 | 5 | 6 | 17% |
| Senior Leadership Team | 3 | 5 | 8 | 38% |

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

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 2019 the Board approved three strategic initiatives to advance the Company's diversity objectives in the 2020 financial year. The table below details these initiatives and Metroglass' progress against them.

| INITIATIVE | PROGRESS MADE |
|---|---|
| Continue to strive to ensure strong female candidates are identified in the recruitment process for all Board and senior management roles. | 13% of the Board and senior management roles recruited for in the past financial year had a successful female candidate (2019: 11%) and 38% had at least one short listed female candidate who was interviewed (2019: 17%). |
| Provide diversity and inclusiveness training in line with the programme developed with Diversity Works. | The Company took both the Senior Leadership and HR teams through an unconscious bias workshop run by Diversity Works.<br>All senior managers completed a Diversity of Thought scorecard to understand the potential for diverse thinking. A workshop has been planned to explore this further and identify opportunities for improvement. |
| Agree a work program to make the Company a more inclusive and diverse business. | As stated above, we have surveyed our senior managers around their diversity of thought and intend to run a workshop with our senior managers in the next financial year. |

The Company initiatives for the 2021 financial year are to:

1. Develop a workplace flexibility policy
2. Continue to focus on increasing the number of females we have across all levels of the business
3. Understand our current gender pay parity

# 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 2020, 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 2020

| | Board meetings attended | Audit and Risk Committee meetings attended | People and Culture Committee meetings attended | Appointed/ Resigned |
|---|---|---|---|---|
| **Meetings held** | **12** | **7** | **6** | |
| **SITTING DIRECTORS** | | | | |
| Peter Griffiths | 12/12 (c) | 7/7 | | Appointed: 02/09/16 |
| Angela Bull | 12/12 | | 6/6 (c) | Appointed: 05/05/17 |
| Russell Chenu | 12/12 | 7/7 | | Appointed: 05/07/14 |
| Mark Eglinton | 0/0 | | | Appointed: 01/04/20 |
| Rhys Jones | 12/12 | | 6/6 | Appointed: 01/04/18 |
| Willem (Bill) Roest | 12/12 | 7/7 (c) | | Appointed: 05/07/14 |
| Graham Stuart | 3/3 | | | Appointed: 01/12/19 |
| **PAST DIRECTORS** | | | | |
| Gordon Buswell | 8/9 | | 5/6 | Appointed: 07/10/15<br>Resigned: 31/12/19 |

(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 19 June 2020 were:

- Audit and Risk Committee: Bill Roest (Chair), Russell Chenu and Graham Stuart; and
- People and Culture Committee: Angela Bull (Chair), Mark Eglinton 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.

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 protocols were 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 from pages 20 to 62 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 of directors is ultimately responsible for ensuring Metroglass complies with the Market Disclosure Policy and continuous disclosure obligations. The Board has established a Disclosure Committee to achieve this. The Board also 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 strategic and operational priorities for the year, risk management, safety and wellbeing, and diversity and inclusion.

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. Metroglass monitors a set of data relating to the Company's environmental impact and is continuing to work on better understanding the material ESG issues for the Company and 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 76 to 79 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:

a) Identifying the principal risks of Metroglass' business;

b) 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

c) 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.

The safety and wellbeing of our people is always at the centre of our people initiatives. Metroglass believes that all injuries are preventable and that its people should get home safe every day. Our safety statistics show we still need to improve in this area, with the number of incidents remaining at a similar level to the prior two years, with the LTIFR also continuing to increase.

The company's safety programme and systems are evolving and maturing, and we are continuing to put considerable effort into supporting our teams with improved safety equipment, refreshed policies, practices and training. During the past financial year, the Company has placed strong emphasis on ensuring the correct reporting and recording of incidents, and that all events are thoroughly investigated, and learnings communicated to prevent recurrence. We also installed a significant number of additional lifting cranes in our plants which has meaningfully reduced the need for manual lifting of heavy products going forward.

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

| | FY20 | FY19 | FY18 |
|---|---|---|---|
| **LTIFR** | 19.4 (44 Incidents) | 16.0 (28 Incidents) | 8.2 (19 Incidents) |
| **TRIFR** | 40.2 (91 Incidents) | 51.8 (91 Incidents) | 39.7 (92 incidents) |

Notes:

- 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.
- The FY19 and FY18 LTIFR and TRIFR metrics have been restated in this annual report to reflect a narrower definition of hours worked.

## 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 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.

In the 2020 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 or site tours, the materials for 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.

### 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.

### 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 26 July 2019. The notice of the meeting was released to the market on 20 June 2019. Minutes of the meeting are available on the Company's website at: https://www.metroglass.co.nz/investor-centre/annual-shareholders-meeting/.

The 2020 Annual Shareholders' Meeting is expected to be held on 21 August 2020 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 2020 is set out below.

| Director | Responsibilities | 2020 Directors' Fees |
|---|---|---|
| **STANDING DIRECTORS** | | |
| Peter Griffiths | Chair of the Board | $160,000 |
| Angela Bull | Director, Chair of the People and Culture Committee | $85,000 |
| Russell Chenu | Director, Member of the Audit and Risk Committee | $90,000 |
| Mark Eglinton | Director, Member of the People and Culture Committee | Nil* |
| 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 |
| Graham Stuart | Director, Member of the Audit and Risk Committee | $26,667** |
| **PAST DIRECTORS** | | |
| Gordon Buswell | Director, Member of the People and Culture Committee | $63,750*** |
| **Total** | | **$610,417** |

* Mark Eglinton was appointed to the Board and as a member of the People and Culture Committee with effect from 1 April 2020.

** Graham Stuart was appointed to the Board with effect from 1 December 2019, and as a member of the Audit and Risk Committee from 1 April 2020.

*** Gordon Buswell resigned from the Board with effect from 31 December 2019.

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 and other members of the Audit and Risk Committee receive an additional $10,000 per annum. 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 (2020: Nil). The Company currently has no executive Directors on the Board.

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. This fee pool was last changed in May 2017 when it was increased from $600,000 to $614,000 following the appointment of an additional director in accordance with the NZX Listing Rules in place at that time.

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 under Principle 2 in 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).

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 2020 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 2020 financial year, the target areas were consistent in New Zealand and Australia, and are outlined below:

| Target | Weighting | FY20 Result: NZ | FY20 Result: Australia |
|---|---|---|---|
| Earnings before interest, tax and amortisation (EBITA) performance | 70% | Achieved in 1 of 3 regions, not achieved at the national level | Achieved in 1 of 3 regions, not achieved at the national level |
| Net Trading Cashflow | 30% | Not achieved | 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.

The Board retains discretion on the payment of STI awards and will consider additional factors. For example, STI payments may be withheld if there was a death or permanent material disability of any worker (exceptions may be made for a motor accident and acts of God as beyond management control).

### Long-term incentives

The Company's LTI plan for the 2020 financial year was announced on the 27 June 2019. 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 20120 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 6,764,101 share options and 2,290,698 performance share rights remain outstanding pursuant to the 2017, 2018, 2019 and 2020 LTI plans as at 19 June 2020.

### 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. In aggregate, 348,086 shares were issued under this scheme on 21 February 2017 at an issue price of $1.54. This scheme vested in February 2020 and has now been closed.

Metroglass intends to launch a new employee share scheme during the 2021 financial year.

# REMUNERATION REPORT (CONTINUED)

Chief Executive Officer's Remuneration:

Metroglass' CEO Simon Mander joined the Company on 19 November 2018. The former CEO departed 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** |
| FY20 | Current | $650,000 | $25,682 | $675,682 |
| 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.

** Other benefits include medical insurance and KiwiSaver.

*Description of Chief Executive Officer's remuneration for performance for the year ended 31 March 2020*

| Plan | Description | Performance measures | Percentage of maximum awarded |
|---|---|---|---|
| STI | Set at 50% of fixed remuneration for FY20 on-plan performance, 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. | 70%: EBITA performance<br>30%: Net Trading Cashflow performance | Nil |
| LTI | Issued 23 May 2019. The first vesting date is 6 June 2022 and no instruments have yet had the chance to vest. | 50% share options require Metro Glass' Total Shareholder Return (TSR) must exceed a compound annual pre-tax rate that is 1% above the companies cost of equity | N/A |
| | | 50% performance share rights measured against NZX 50 group TSR hurdle | N/A |

| | | PAY FOR PERFORMANCE – SHORT-TERM INCENTIVES | | |
|---|---|---|---|---|
| **Financial year of STI payment** | **CEO** | **Relevant performance period** | **% STI awarded against maximum** | **STI paid** |
| FY21 | Current | FY20 | 0% | $0 |
| FY20 | Current | FY19 | 59% | $96,364* |
| FY19 | Former | FY18 | 0% | $0** |
| FY18 | Former | FY17 | 10% | $28,563 |
| FY17 | Former | FY16 | 67% | $201,062 |

* Prorated 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.

| | CEO | LTI (initial grant values)* | % LTI vested against maximum | Span of LTI performance periods |
|---|---|---|---|---|
| | | PAY FOR PERFORMANCE – LONG-TERM INCENTIVES | | |
| FY20 | Current | 162,500 | n/a | 07/06/19 – 06/06/22 |
| FY19 | Current | Nil | n/a | n/a |
| FY18 | Former | 125,000 | Nil** | 08/06/17 – 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 FY20 LTI scheme will be tested in the FY23 year.

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

### 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 2020, 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 2020 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 2020 that relate to the year ended 31 March 2020.

| Remuneration | Number of employees |
|---|---|
| 100,000 – 110,000 | 50 |
| 110,000 – 120,000 | 28 |
| 120,000 – 130,000 | 23 |
| 130,000 – 140,000 | 12 |
| 140,000 – 150,000 | 9 |
| 150,000 – 160,000 | 7 |
| 160,000 – 170,000 | 4 |
| 170,000 – 180,000 | 5 |
| 180,000 – 190,000 | 4 |
| 190,000 – 200,000 | 6 |
| 200,000 – 210,000 | 2 |
| 210,000 – 220,000 | 1 |

| Remuneration | Number of employees |
|---|---|
| 220,000 – 230,000 | 1 |
| 230,000 – 240,000 | 1 |
| 240,000 – 250,000 | 2 |
| 250,000 – 260,000 | 1 |
| 270,000 – 280,000 | 2 |
| 290,000 – 300,000 | 2 |
| 300,000 – 310,000 | 1 |
| 360,000 – 370,000 | 2 |
| 400,000 – 410,000 | 1 |
| 480,000 – 490,000 | 1 |
| 790,000 – 800,000 | 1 |

# STATUTORY INFORMATION

## SECURITIES EXCHANGE LISTING

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

Shares on issue as at 1 May 2020:

| Register | Security | Holders | Units |
|---|---|---|---|
| New Zealand | MPG (NZX) | 3,135 | 183,907,237 |
| Australia | MPP (ASX) | 115 | 1,470,849 |
| **Total** | **MPG (Dual)** | **3,250** | **185,378,086** |

Securities issued, and still outstanding, under the 2016 – 2020 long term incentive plans as at 1 May 2020:

| Long-Term Incentive Scheme | Underlying 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 | 202,180 |
| 2018 Share Options | MPG (NZX) | 29 | 808,723 |
| 2019 Performance Share Rights | MPG (NZX) | 24 | 374,275 |
| 2019 Share Options | MPG (NZX) | 24 | 1,193,009 |
| 2020 Performance Share Rights | MPG (NZX) | 33 | 1,586,293 |
| 2020 Share Options | MPG (NZX) | 33 | 4,230,103 |

## STATUTORY INFORMATION (CONTINUED)

### TOP 20 SHAREHOLDERS

Metroglass' top 20 registered shareholders as at 1 May 2020 were as follows:

| Rank | Investor Name | Shares at 1 May 2020 | % Shares |
|---|---|---|---|
| 1 | HSBC Nominees (New Zealand) Limited[1] | 30,532,431 | 16.47% |
| 2 | Masfen Securities Limited | 23,548,361 | 12.70% |
| 3 | Accident Compensation Corporation[1] | 12,791,202 | 6.90% |
| 4 | Benjamin James Renshaw | 5,386,260 | 2.91% |
| 5 | Takutai Limited | 4,222,459 | 2.28% |
| 6 | Nigel James Rigby | 2,478,548 | 1.34% |
| 7 | FNZ Custodians Limited | 2,255,135 | 1.22% |
| 8 | New Zealand Superannuation Fund Nominees Limited[1] | 2,031,840 | 1.10% |
| 9 | Cogent Nominees Limited[1] | 1,774,710 | 0.96% |
| 10 | Citibank Nominees (NZ) Ltd[1] | 1,562,075 | 0.84% |
| 11 | Grant James Houseman | 1,517,457 | 0.82% |
| 12 | Cogent Nominees (NZ) Limited[1] | 1,466,932 | 0.79% |
| 13 | Private Nominees Limited[1] | 1,396,045 | 0.75% |
| 14 | FNZ Custodians Limited | 1,391,684 | 0.75% |
| 15 | New Zealand Depository Nominee | 1,380,530 | 0.74% |
| 16 | Philip George Lennon | 1,345,767 | 0.73% |
| 17 | Kevin John Summersby | 1,250,000 | 0.67% |
| 18 | Ryca Investments Limited | 1,200,000 | 0.65% |
| 19 | JPMorgan Chase Bank[1] | 1,171,154 | 0.63% |
| 20 | Trevor John Logan | 1,160,000 | 0.63% |
| **Totals:** | **Top 20 registered holders of ordinary shares** | **99,862,590** | **53.87%** |
| **Totals:** | **Remaining holders' balance** | **85,515,496** | **46.13%** |

1 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 2020, a total of 52,726,389 Metroglass shares (or 28.44% 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 2020. 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 shares as at 1 May 2020 | % | Date of most recent notice |
|---|---|---|---|
| Masfen Securities Limited | 23,548,361 | 12.70% | 17/02/20 |
| Bain Capital Credit, LP | 20,475,000 | 11.05% | 30/11/18 |
| Accident Compensation Corporation | 12,791,202 | 6.90% | 25/03/19 |

## STATUTORY INFORMATION (CONTINUED)

The following shareholders ceased to be substantial shareholders during the period 2 May 2019 to 1 May 2020: Investment Services Group Limited (inclusive of Devon Funds Management) on 20 April 2020; Schroder Investment Management (Australia) Limited on 19 February 2020; National Australia Bank Limited on 6 November 2019.

### DISTRIBUTION OF SHAREHOLDERS

As at 1 May 2020:

| Range | Number of holders | % | Number of shares | % |
|---|---|---|---|---|
| 1 – 1,000 | 247 | 7.60 | 172,372 | 0.09 |
| 1,001 – 5,000 | 1,064 | 32.74 | 3,047,043 | 1.64 |
| 5,001 – 10,000 | 625 | 19.23 | 5,079,257 | 2.74 |
| 10,001 – 50,000 | 983 | 30.25 | 23,789,931 | 12.83 |
| 50,001 – 100,000 | 165 | 5.08 | 12,143,829 | 6.55 |
| Greater than 100,000 | 166 | 5.11 | 141,145,654 | 76.14 |
| **Total** | **3,250** | **100.00%** | **185,378,086** | **100.00%** |

### 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 polls, 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: www.metroglass.co.nz/investor-centre/governance/.

### TRADING STATISTICS

Metroglass is listed on both the NZX and ASX. The trading ranges for the period 1 April 2019 to 31 March 2020 are as follows:

| | NZX (NZD) | ASX (AUD) |
|---|---|---|
| Minimum: | $0.15 (23/03/20) | $0.25 (20/01/20) |
| Maximum: | $0.465 (24/05/19) | $0.42 (12/04/19) |
| Range: | $0.15 – $0.465 | $0.25 – $0.42 |
| **Total shares traded** | **59,288,658** | **780,548**[1] |

1 Trading in Metroglass shares on the ASX is less liquid than it is on the NZX. The final date on which shares were traded on the ASX during the 12 months to 31 March 2020 was 19 February 2020.

### 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, among 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 1.9 times. No dividends have been declared in respect of the 2020 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.

### DISCLOSURE OF DIRECTORS' INTERESTS

Directors disclosed, under section 140(2) of the New Zealand Companies Act 1993, the following interests as at 31 March 2020:

| Director and Company | Position |
|---|---|
| **Angela Jennifer Bull** | |
| Callaghan Innovation Research Limited | Director |
| Realestate.co.nz | Director |
| Real Estate Institute of New Zealand | Director |
| Tramco Group | Chief Executive |
| **Russell Langtry Chenu** | |
| 5R Solutions Pty Limited | Director |
| CIMIC Group Limited | Director |
| James Hardie Industries plc | Director |
| Reliance Worldwide Corporation Limited | Director |
| **Mark Kenneth Eglinton (appointed 2 April 2020)** | |
| Blueberry Country Limited | Chair |
| NDA Group Limited | Director / Shareholder / Officer |
| Sail City No 36 Limited | Director / Shareholder |
| Snapper Rock International Limited | Chair |
| Young Enterprise Trust | Trustee |

## STATUTORY INFORMATION (CONTINUED)

| Director and Company | Position |
|---|---|
| **Peter Ward Griffiths** | |
| Another New Plane Co. Limited | Director / Shareholder |
| Great Barrier Airlines Limited | Director / Shareholder |
| Island Leader Limited | Director / Shareholder |
| New Zealand Business and Parliament Trust | Chair / Trustee |
| NZDS Properties (No 2) Limited | Director / Shareholder |
| Shoman Limited | Director / Shareholder |
| Wings Over Whales NZ Limited | Director / Shareholder |
| **Rhys Jones** | |
| Carbine Aginvest Corporation Limited (formerly Tru-Test) | Director |
| Dairy Technology Services Limited | Director |
| Resin & Wax Holdings Limited | Chair / Shareholder |
| Vulcan Steel Limited | Director / Shareholder |
| Vulcan Steel Pty Limited | Director / Shareholder |
| **Willem (Bill) Jan Roest** | |
| Housing Foundation Limited | Director |
| Synlait Milk Finance Limited | Director |
| Synlait Milk Limited | Director |
| **Graham Robert Stuart** | |
| EROAD Limited | Director |
| Leroy Holdings Limited | Director / Shareholder |
| Leroy Holdings Number 2 Limited | Director / Shareholder |
| Northwest Healthcare Properties Management Limited | Director |
| Tower Limited | Director |
| Tower Financial Services Group Limited | Director |
| Tower Insurance Limited | Director |
| Vinpro Limited | Director |

### 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 2020.

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 NZD 100,000 or more during the year ended 31 March 2020 are included in the remuneration bandings disclosed on page 79 of this Annual Report.

## STATUTORY INFORMATION (CONTINUED)

Within the 2020 financial year, Simon Mander was appointed director of each of the three Australian subsidiaries, and Brent Mealings was appointed director of each of the eight New Zealand and three Australian subsidiaries. As at 31 March 2020, Metroglass' subsidiary companies and subsidiary directors were:

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

### DIRECTORS' SHAREHOLDING IN METROGLASS

The directors' respective interests in Metroglass shares as at 1 May 2020 are as follows:

| | Number of shares in which a relevant interest is held | Acquisition dates | Disposal dates |
|---|---|---|---|
| Angela Bull | 65,825 | 10/07/17, 30/08/17, 28/08/18and 28/02/20 | 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 |
| Graham Stuart | 100,000 | 28/02/20 | N/A |

### DONATIONS

For the year ended 31 March 2020, Metroglass, including its subsidiaries, made donations of $27,526.10 (2019: $14,368.62).

### NET TANGIBLE ASSETS PER SECURITY

Net tangible assets per security at 31 March 2020: 10.4 cents (31 March 2019: 5.7 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.

# DIRECTORY

## REGISTERED OFFICE

5 Lady Fisher Place
East Tamaki
Auckland 2013
New Zealand

Email: glass@metroglass.co.nz
Phone: +64 9 927 3000

## BOARD OF DIRECTORS

**Peter Griffiths** – Chair

**Angela Bull** – Non-Executive Director and Chair 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

**Graham Stuart** – Non-Executive Director and Member of the Audit and Risk Committee

**Mark Eglinton** – Non-Executive Director and Member of the People and Culture Committee

## SENIOR LEADERSHIP TEAM

**Simon Mander** – Chief Executive Officer

**Brent Mealings** – 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** – GM Commercial Glazing and Technical

**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

Westpac Banking Corporation

## SHARE REGISTRAR

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

## FURTHER INFORMATION ONLINE

This Annual Report, Metroglass' core governance documents, and all Company announcements can be viewed on its website: www.metroglass.co.nz/investor-centre.

# INVESTOR CALENDAR

| | |
|---|---|
| 2020 Annual Shareholders' Meeting | August 2020 |
| 2021 Half Year balance date | 30 September 2020 |
| 2021 Half Year results announcement | November 2020 |
| 2021 Full Year balance date | 31 March 2021 |
| 2021 Full Year results announcement | May 2021 |