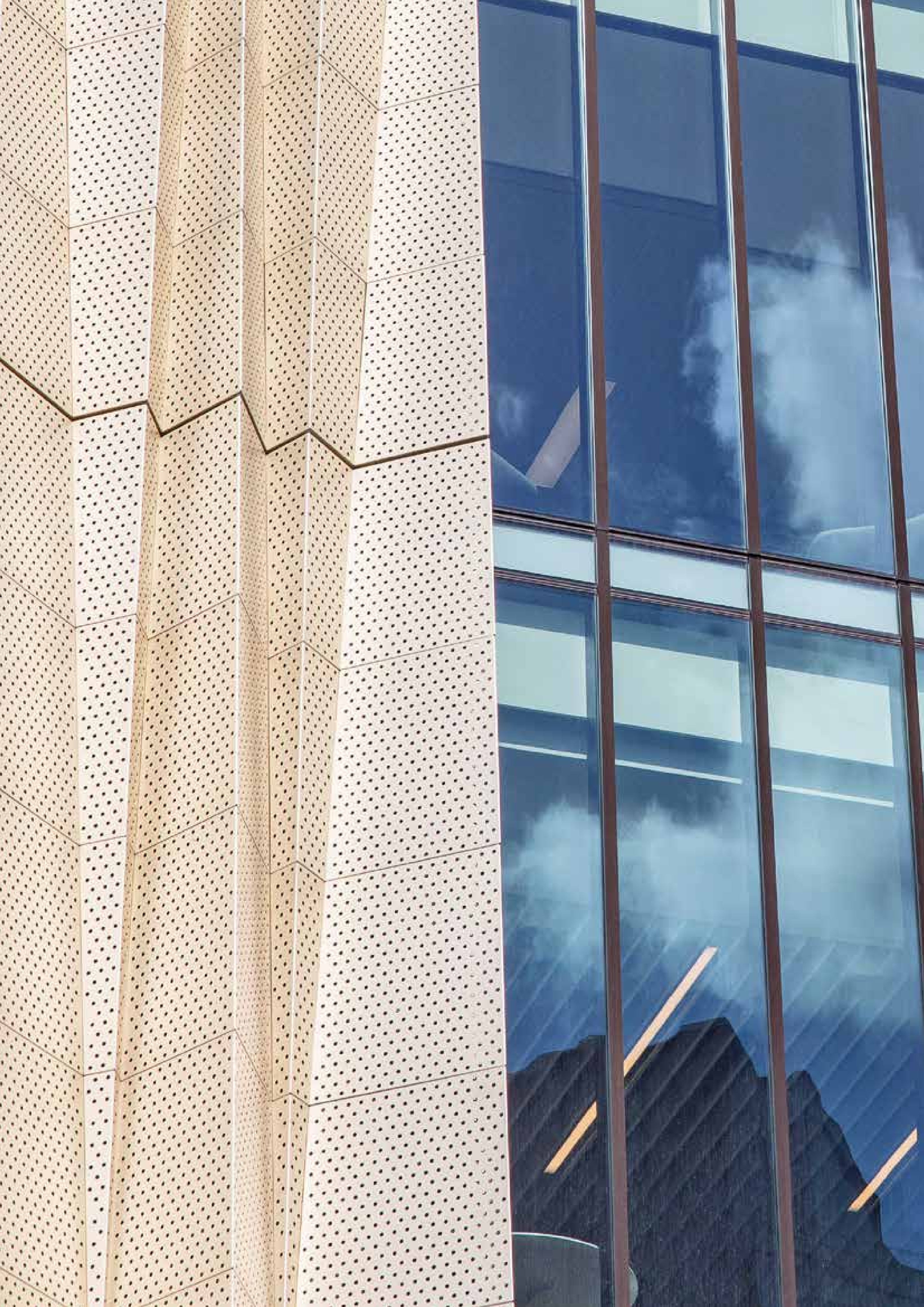
METRO
PERFORMANCE GLASS

# ANNUAL REPORT 2021



# The Metroglass Group displayed resilience throughout FY21, supported by the strength and dedication of its people.

Metroglass delivered a solid result in the competitive New Zealand market, while COVID-19 shutdown impacts overshadowed underlying performance.

The Australian business' turnaround progressed well with stable operational performance and significantly improved financial results.

Metroglass significantly reduced its debt in FY21, through strong operating cash flows and targeted capital expenditure. Dividends are now anticipated alongside the FY22 interim results.

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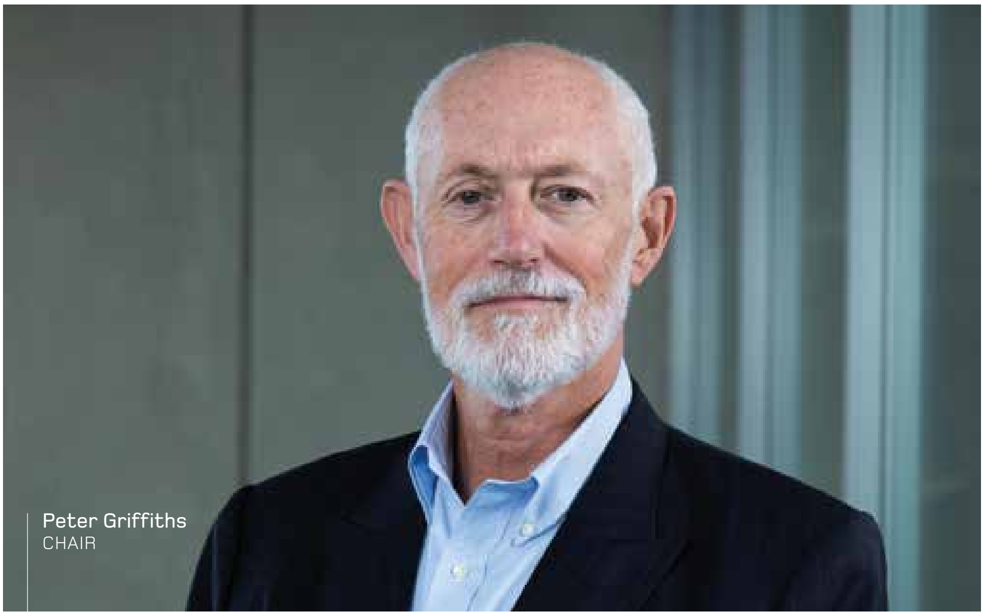
This report is dated 21 May 2021 and is signed on behalf of the board of Metro Performance Glass Limited by Peter Griffiths, Chair, and Graham Stuart, Director.

**Peter Griffiths**
Chair

**Graham Stuart**
Director

## Contents

# Chair's Review



Peter Griffiths
CHAIR

GROUP REVENUE
$232.3M
-9%

GROUP EBIT
$17.9M

**In a significantly disrupted and uncertain year, Metro Performance Glass (Metroglass) has delivered a solid set of financial results. This was achieved through the resilience of our people, staying connected with our customers and remaining focused on our commitment to service performance. During this challenging time, we have retained our market-leading position in New Zealand and made significant progress on the business turnaround in Australia.**

We began the financial year under COVID-19 Alert Level 4, which saw our New Zealand operations completely closed until the transition to Alert Level 3 on 28 April. Our Australian operations also faced COVID-19 restrictions, which, while less severe than in New Zealand, were in place for considerably longer. These most impacted our Victoria operation, particularly in the second half of the year.

The whole team responded to the evolving situation quickly, focusing on the safety and wellbeing of our people and our customers, preserving our cash and ensuring sufficient balance sheet liquidity.

I would like to particularly note some of the actions taken during the first few months of the pandemic, in addition to establishing a very effective set of COVID-19 protocols that enabled us to work safely when Alert Levels permitted. From the outset we elected to continue paying all our staff their normal base wages and salaries throughout the shutdown; we received the New Zealand Government's wage subsidy for the first shutdown period. We ceased all non-essential spend; renegotiated payment terms with our critical suppliers; agreed rent relief with our landlords; and engaged with our banking syndicate on covenant relief.

Given the challenges of the year associated with COVID-19 and international supply chain disruptions, I believe Metroglass New Zealand delivered a pleasingly solid result, with strong growth in the Retrofit and other segments helping to offset market share competition in the Residential segment. After a slower-than-typical start-up following the New Year period in January and February, we have been pleased to see sustained momentum return to the market in March and flow into the first weeks of the new financial year.

Australian Glass Group (AGG) has continued to strengthen its value proposition and delivered a significantly improved result this year. After achieving a positive EBIT[1] result in the first half, AGG's operations and profitability were negatively impacted late in the financial year by further COVID-19 restrictions and a severe weather event. This resulted in us closing the period with a modest loss.

The growing use of double glazing in south-east Australia, supported by upcoming National Construction Code changes, continues to underpin our revenue growth and future strategy. In FY21, AGG grew its double-glazing sales by 9%.

We have had a clear focus on reducing debt over the past three years, during which time group net debt has fallen by close to 50%. During the year to 31 March 2021, net debt was reduced by $18.9 million to $48.0 million. This was achieved through delivering strong operating cash flows, including effective inventory and debtor management, and the sale and leaseback of approximately two-thirds of the New Zealand vehicle fleet.

The combination of a stronger balance sheet, increased confidence in the sustainability of the group's market position and future financial performance has enabled the board to reassess its capital management priorities.

The board has reordered these priorities as follows:

1. Capital expenditure to maintain operational capability, improve efficiency and create increased production capacity within the existing manufacturing footprint
2. Maintaining group leverage within a target range of 1.0x to 2.0x net debt to EBITDA
3. Re-establishment of a conservative and sustainable dividend
4. Prioritising the use of remaining excess cash flows on continued debt reduction and achieving a group leverage ratio of closer to 1.0x.

Despite the disruptions from COVID-19, the success of Metroglass' debt reduction means that the group is expecting to be below its communicated target of a net debt to EBITDA ratio[2] of 1.5x in the first half of FY22.

It is the board's current intention to resume dividend payments alongside the company's FY22 interim results. The company expects to pay fully imputed dividends of between 50% and 70% of net profit after tax before significant items. As is usual when declaring a dividend, the board will consider a range of factors, including group financial performance, one-off or non-recurring events, prevailing and anticipated business and economic conditions.

Having come through the disruptions of FY21, our current focus continues to be on ensuring that the company is a successful glass processor that delivers value to its stakeholders. In service of this our key near-term goals remain:

- To defend our leadership position in an increasingly competitive New Zealand market
- To grow and improve the profitability of our Australian business
- To ensure our balance sheet is strong and robust to cope with future risks and opportunities.

In this report, Metroglass is also taking a first step forward in meeting its external reporting of environmental, social and governance (ESG) requirements. As part of the company's ESG journey, we engaged with a wide range of our stakeholders to better understand the issues of most importance to them and then assessed the impact of those issues on the company. The initial findings of this work are presented in the materiality matrix on page 74, which will underpin the prioritisation of initiatives the group will undertake in the future.

> We have had a clear focus on reducing debt over the past three years, during which time group net debt has fallen by close to 50%
>
> PETER GRIFFITHS, CHAIR

The threat of COVID-19 will be with us for some time, and we are likely to see ongoing disruption both locally and globally. We continue to monitor events and plan for scenarios that enable us to respond effectively. It is the board's current view that positive market conditions will continue for some time in both countries and Metroglass will seek to maintain its position in New Zealand and grow its business in Australia.

I would like to conclude by taking the opportunity, on behalf of the board, to thank our Metroglass employees, customers, suppliers and shareholders for their continued commitment and support through an incredibly challenging year.

PETER GRIFFITHS
Chair

NET DEBT
$48.0M
REDUCED BY -28%

1. Earnings before interest, tax and significant items
2. EBITDA, or earnings before interest, tax, depreciation and amortisation, is calculated on a pre-IFRS-16 basis

# Chief Executive Officer's Review

**This year will be remembered as an extraordinary year, and one I've been proud of for the manner in which Metroglass demonstrated its resilience and leadership as it navigated a highly uncertain and dynamic environment. We were resolute in our 'people first' approach, shaping a united team able to adapt at pace to changes in operating restrictions and maintain service to our customers.**

Simon Mander
CEO

The group achieved a solid set of results this year, despite operating in increasingly competitive markets and facing regular externally-driven disruptions which impacted on our ability to build sustained momentum.

As I detailed in our Interim Report, Metroglass started the first four weeks of FY21 in an Alert Level 4 shutdown in New Zealand and operating under various levels of restrictions in Australia. Despite the significant uncertainty and remote working challenges, our people remained hard at work and stayed connected with our customers throughout this period. We stood by our teams by committing early to pay all our staff their normal base wages and salaries throughout the shutdown period and also promoted a series of wellbeing-focused initiatives.

Simultaneously, we executed measures to preserve the cash position of the business, cancel or defer any non-essential capital and operating spend, regularly engaged with our stakeholders and received the first round of the New Zealand Government wage subsidy.

In Australia, AGG made clear progress on its turnaround programme and delivered significantly improved financial results. The business was able to operate in a relatively normal way for most of the year, but uncertainty and prolonged COVID-19 restrictions impacted on momentum. These impacts were felt in Victoria in particular, where some were unable to attend work in person for extended periods and those who could, had to wear facemasks for the majority of the year. AGG was on track to achieve a modest profit for the year after a positive EBIT[1] result in the first half, however in February 2021 AGG's Melbourne operations had to close for multiple days in response to a local COVID-19 outbreak and snap lockdown, which resulted in at least two weeks of significant disruption across the wider construction sector. Additionally, in March 2021, New South Wales faced severe flooding which impacted AGG's operations and limited access to construction sites.

# People priorities

The safety, wellbeing and engagement of our people is a top priority for Metroglass. In the first half of the year, we worked hard to ensure that our teams had regular check-ins and established relevant COVID-19 procedures to keep them safe while at work.

We are partway through implementing a multi-year safety and wellbeing strategy which saw the launch of several initiatives this year. This included a new safety management system, improved contractor management procedures, the installation of numerous additional lifting cranes, and enhanced monitoring across the full spectrum of actual and near-miss safety incidents.

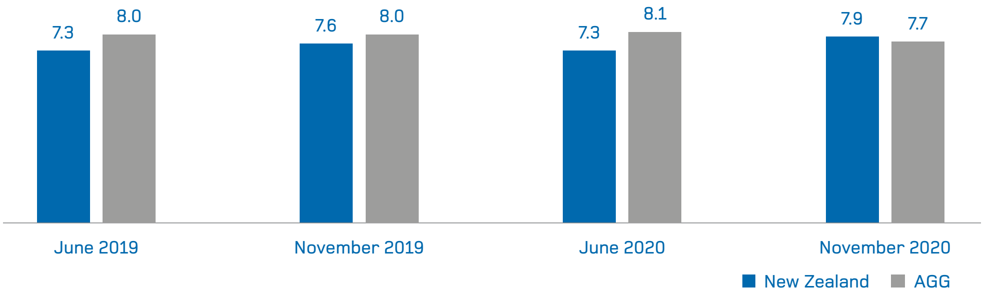
We are continuing to invest in developing the long-term capabilities of our people. In FY21, we recognised our first cohort of staff who completed our award-winning Brighter Minds programme which aims to provide the knowledge and skills our emerging leaders need to be successful in their roles. In our growing apprenticeship scheme, we now have over 80 highly engaged individuals developing the skills to work with high-performance glass processing and on-site glazing.

Throughout the year, our operations teams have led and delivered several continuous improvement initiatives targeting safety, service performance and quality, all embodying a culture of ownership and accountability. We have also focused on increasing our capabilities in continuous improvement with several inductees to the Lean Practitioner programme. The commitment of our teams in actioning these initiatives has supported the stability of our service performance and quality to customers this year, despite the COVID-19 disruptions. Metroglass' key service performance measures remained consistent, with the rate of external reworks and delivery-on-time-in-full (DIFOT) continuing in line with last year.

# Customer feedback

This year has provided further proof of the importance of our strong customer relationships, and our continual focus on improving our service model and customer experience. The results from our six-monthly customer survey question: "On a scale of 1 to 10, how likely are you to recommend Metroglass to a friend or colleague?" reinforce that we are on the right track, with Metroglass receiving its strongest rating so far.

We treat the feedback we receive from these surveys as being critically important. While our overall ratings remain strong and we received praise on the strength of our people, customer service and project management, we also recognise the ongoing work required to continue leading the market in operational areas like product quality and deliveries/lead times.




# Financial highlights

**Despite the shutdown in New Zealand early in the year, the group delivered a solid result in the 12 months to 31 March 2021 (FY21) reflecting improved profitability in Australia and the success in New Zealand to target the Retrofit and Commercial Glazing segments to compensate for increased competition in the Residential market.**

Group revenue of $232.3 million was 9% lower than FY20, and group EBIT was 18% lower at $17.9 million. Reported net profit after tax (NPAT) for FY21 was $8.5 million, compared to a loss of $78.9 million in FY20 (impacted by a $86.5 million impairment of goodwill).

Group revenue from June 2020 to March 2021 (excluding the New Zealand shutdown month of April 2020 and ramp-up of May 2020) was 2% below the same 10-month period in FY20. This decline in revenue was predominantly a result of the extended New Year shutdown period in New Zealand in January 2021.

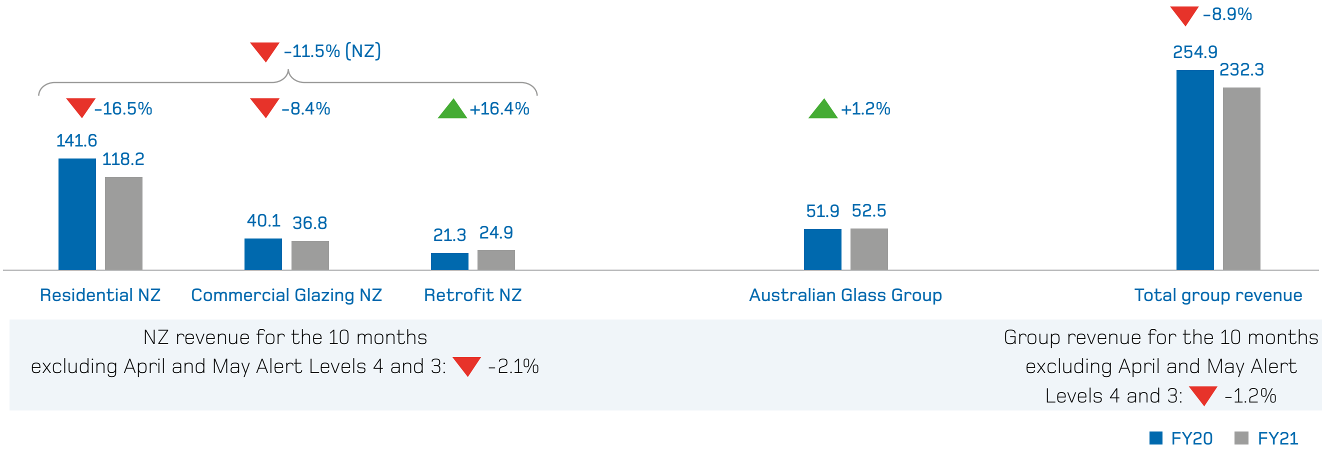
Our strong operating cash flows, including effective working capital management, and the sale and leaseback of approximately two-thirds of the New Zealand vehicle fleet have allowed us to reduce net debt by $18.9 million since March 2020.

### Summary of results for the 12 months ended 31 March 2021 (FY21)

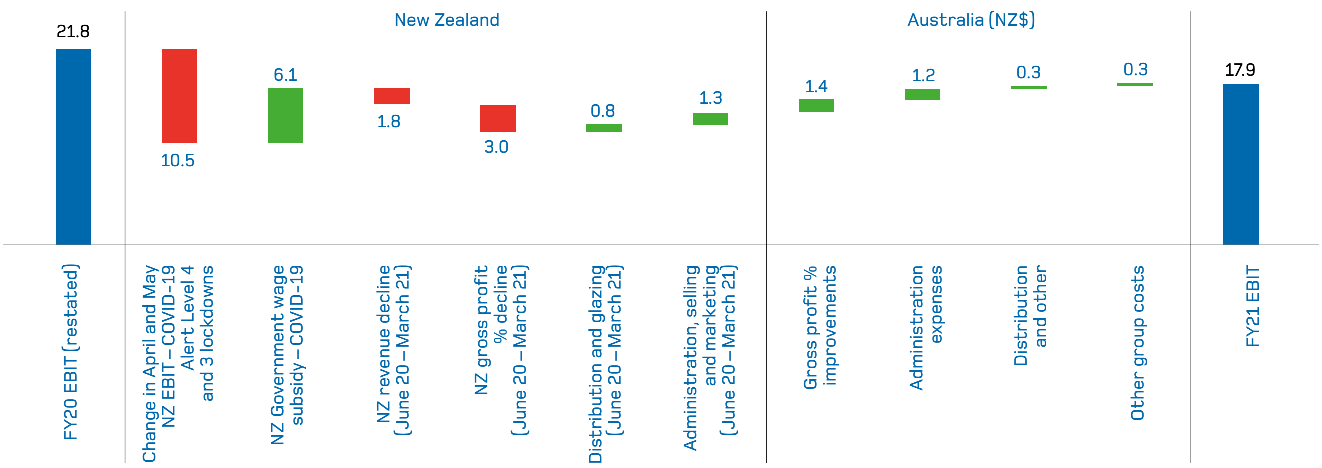
| $M | NEW ZEALAND | | AUSTRALIA | | GROUP | |
|---|---|---|---|---|---|---|
| | FY21 | FY20 | FY21 | FY20 | FY21 | FY20 |
| Revenue | 179.8 | 203.0 | 52.5 | 51.9 | **232.3** | 254.9 |
| Segmental EBIT before significant items[3,4] | 19.4 | 26.4 | (0.7) | (3.6) | | |
| Group costs | | | | | **(0.7)** | (1.0) |
| EBIT before significant items | | | | | **17.9** | 21.8 |
| EBIT | | | | | **18.9** | (69.3) |
| Profit for the period before significant items | | | | | **7.9** | 9.9 |
| Profit for the period | | | | | **8.5** | (78.9) |

3. All non-Generally Accepted Accounting Principles (GAAP) financial measures are defined and reconciled to a GAAP measure on page 20 of this report.
4. Earnings before interest, tax and significant items (FY21: $1.0 million gain on sale of vehicles, FY20: $86.5 million impairment of NZ goodwill, $4.6m of NSW restructure costs and $0.9 million of positive tax adjustments relating to prior periods).

### Group revenue by segment ($m)
### $232.3 million, -$22.6 million




### Group EBIT ($m)
### $17.9 million, -$3.8 million




Note: EBIT is before significant items

## New Zealand Review – demonstrated resilience through unprecedented market disruptions

In New Zealand, Metroglass delivered solid underlying performance; however, primarily as a result of the COVID-19 Alert Level 4 lockdown period, revenue declined $23.3 million or 11% to $179.8 million. Within this result, strong growth in our Retrofit segment helped to partially offset the impact of heightened competition in the Residential segment.

The business' operations were regularly impacted by fluctuating COVID-19 restrictions and international supply chain disruptions this year, which impacted on momentum across the industry. In consultation with the industry and our customers, we also elected to extend our normal New Year shutdown period this year to support the wellbeing of our people after a very challenging 2020. This decision contributed to a slower-than-normal January and February period; however, we have been pleased to see a pick-up in demand in March and into the first few weeks of the new financial year.

Our direct-to-the-consumer Retrofit double-glazing business delivered strong growth this year, despite the lockdown period, with revenue of $24.9 million up 16%. Enquiry levels (as measured by the number of leads received) from consumers looking to invest in home improvements were significantly above the prior year, alongside increased conversion into actual work. Our average contract size increased by 9% and our forward book has consistently grown over the course of FY21, ending the year at an all-time record level which will support sustained activity in FY22.

The Retrofit business provides us with great insight into the attractiveness and benefits of our high-performance glass product offering. During FY21, we saw that when consumers were directly informed of the benefits of particular glass products, more than 80% chose to invest in high-performance, low-emissivity glass when installing their new double glazing. This uptake is well in excess of what we see from developers and builders of new housing, which presents ongoing opportunity going forward.

Our Residential segment revenue declined $23.4 million (or 17%), with approximately 55% of this fall attributable to the lost sales in April 2020 and ramp-up in May. While this revenue decrease was disappointing, the business responded well against the entry of a significant new glass processing competitor in the North Island from the start of the financial year. These changing market dynamics have played out largely as we expected and should settle over the remainder of FY22. Metroglass is focused on continuing to defend its market-leading position in this segment while also actively targeting regions and sub-segments where we see room for growth.

Revenue in the Commercial Glazing segment declined 8% to $36.8 million this year, primarily as a result of the April shutdown period. This business has now completed its transition towards the small-to-medium-sized projects and complexity levels that we are well placed to execute successfully. EBIT in this segment grew this year despite the reduction in revenue, as management focused on maintaining strong relationships and service, executing projects well and managing costs efficiently. The forward book of committed glazing work ended the year slightly higher than last year at $25.5 million.

New Zealand's gross profit margin declined from 51.4% to 48.0% in FY21, after carrying costs through the April shutdown and May ramp-up period and facing competitive price pressure in the Residential segment and additional incurred costs due to the well-publicised disruptions to global supply chains.

RETROFIT REVENUE
$24.9M
+16%

We began seeing the financial impacts of supply chain disruptions including higher glass and international freight costs in the final quarter of FY21, which we expect to continue until at least the end of 2021. These dynamics are having a growing impact on the supply of glass and other building products imported into New Zealand with lead times and costs continuing to increase. We are managing daily disruptions and challenges around shipping schedules. Along with ships being delayed from entering ports due to backlogs, they are also electing to offload containers at alternative destinations. As a result, we are having to transport many of these containers within New Zealand using our own logistical network. We have regularly communicated with our customers on these supply chain issues and have built up increased stock levels in the short term to ensure that none of our customers face shortages across our core product range.

This decline in revenue and gross profit was partially offset by savings in both distribution and glazing costs, and administration, selling and marketing costs. However, New Zealand's EBIT before significant items of $19.4 million was 27% lower than last year.

With the unprecedented operational disruptions and competitive landscape changes faced in FY21 now largely behind us, the business is firmly focused on the future. Metroglass has a market-leading product and service offering and deep customer relationships that will continue to remain at the centre of our value proposition.

## Australia Review – turnaround programme results in significantly improved profitability

Australian Glass Group (AGG) successfully navigated a challenging year, delivering a significant improvement in financial performance despite repeated and prolonged COVID-19-related restrictions and disruptions. Unlike our New Zealand operations, our Australian plants were able to remain almost fully operational this year, while operating under strict safety protocols.

AGG's revenue increased by 1% in New Zealand dollar terms to $52.5 million in FY21 with strong performance from all states in rebuilding the revenue to offset the exit of non-double-glazing product sales in New South Wales. This success was supported by a 9% increase in double-glazing sales in FY21.

At an EBIT level, AGG was on track to deliver a break-even or better result for the majority of the financial year, however two external factors had negative impacts late in the year. The first was the highly disruptive COVID-19 snap lockdown imposed in Victoria in mid-February and the second was the severe flooding in New South Wales in March. AGG delivered an EBIT loss of $(0.7) million in FY21, which, while disappointing, was a significant improvement from the loss of $(3.6) million in FY20.

AGG is now a leading supplier of high-performance double-glazing in the south-east of Australia, supplying Australia's leading range of high-performance, soft-coat, low-emissivity (LowE) performance glass. The business has maintained a similar level of revenue over the last three years but significantly improved its EBIT results, despite market declines in residential construction activity, the restructuring of AGG's New South Wales operations and adapting to the impacts of COVID-19.

The south-east Australian market remains a long-term growth opportunity for AGG, with significantly lower rates of double-glazing adoption compared with New Zealand. AGG is now very well positioned in the market, supported by stable operational and financial performance. The business will benefit from a set of supportive changes in the National Building Code anticipated to come into effect in calendar years 2022 and 2023. These code changes will require new residential buildings to be constructed to an increased energy efficiency rating, which can be readily 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.

The board and I wish to thank our Australian team, who has delivered well against its turnaround plan this year, despite COVID-19 and several external factors impacting results.

## Balance Sheet and Cash Flows

In the 12 months to 31 March 2021, group net debt was reduced by $18.9 million to $48.0 million. This was achieved through strong operating cash flows, including effective inventory and debtor management, and the sale and leaseback of approximately two-thirds of the New Zealand vehicle fleet.

Total working capital for the group declined by $4.4 million to $24.6 million as a result of sound management of inventory and debtors. In the short term, the New Zealand business has been progressively increasing its glass orders (which take many weeks to arrive for us to take ownership) to protect against supply chain disruptions.

In October 2020, Metroglass announced the refinancing of its syndicated banking facilities, extending the expiry to October 2023. This reduced the total facility size from $120 million to $85 million, inclusive of a $10 million standby facility, which will expire in October 2021. Metroglass has continued to prudently manage costs and capital expenditure across the business in line with its focus on debt reduction.

Our leverage ratio[1] decreased from 2.0x to 1.7x year on year. The FY21 ratio was impacted by the April 2020 shutdown period and pleasingly, we expect to better our communicated target of 1.5x in the first half of FY22.

1 Net debt to EBITDA, measured on a pre-IFRS-16 basis.

## Market Conditions and Outlook

As we enter FY22, we are increasingly confident that activity levels across both New Zealand and Australia will be at least sustained at current levels for the rest of the 2021 calendar year.

Residential dwelling consents in New Zealand have remained elevated, despite the pandemic, supporting a healthy pipeline of work. However, we believe the wider construction industry remains near to full capacity, which may limit growth in the near term. In south-east Australia, the number of residential approvals has significantly improved through FY21 compared with the year prior.

Metroglass operates in a highly competitive market and has made solid progress to defend its market leadership position and secure opportunities within a range of segments this year.

The Residential segment in New Zealand will continue to be competitive and dynamic through FY22, with Metroglass focused on delivering its strong service proposition to customers.

The entire building products industry continues to experience significant international shipping disruptions and delays as key port congestion and sea-freight demand is heightened. We expect the increase in shipping-related costs to continue through to the end of 2021.

While New Zealand and Australia continue to have limited effects of COVID-19, we remain alert to potential changes in our operating conditions. Our teams are accustomed to this environment and can mobilise our COVID-19 response protocols rapidly. However, lockdowns like those seen in Auckland and Victoria in recent weeks are very disruptive to the business, our customers and the broader supply chain in the short term.

We will continue to take a prudent approach to managing costs with a focus on essential capital expenditure but will also invest for growth where appropriate.

In the coming year, we will work hard to support the success of our customers by providing excellent service and maintaining our market-leading position in New Zealand and growing position in Australia.

SIMON MANDER
Chief Executive Officer


We are continuing to invest in developing the long-term capabilities of our people.

SIMON MANDER, CEO

# Australian Glass Group

## Stable and positioned for growth

**Since Metroglass' acquisition of Australian Glass Group (AGG) in 2016, the business has undergone significant change with major capital investment in equipment, reorientation of its business model towards high-performance double glazing, and opening a greenfield glass processing plant in Tasmania (AGG's third plant).**

**HEADQUARTERS**
Knoxfield, Melbourne

**PROCESSING SITES**

- Knoxfield, Melbourne
- Girraween, Sydney
- Hobart, Tasmania

**EMPLOYEES**
220
220 employees
(at 31 March 2021)

**KEY PRODUCTS**

- High-performance (LowE) double-glazing
- Custom laminates
- Toughened glass for residential and commercial projects

### AGG's CEO Steve Hamer reflects on AGG's journey and its positioning for the future.

Q How would you describe AGG's multi-year journey to transform its capacity, product offering and business performance?

Over the past 24 months, we have successfully stabilised the business, with markedly more consistent operating performance. Our key business metrics have all improved, including safety, customer service, operational performance, and lower staff turnover. When combined with the fundamental restructuring of our New South Wales (NSW) business in late 2019, this has significantly improved our financial performance.

This has allowed us to maintain revenue and significantly improve EBIT over the last three years, despite market declines in overall residential construction activity, losing revenue through the NSW restructure, and facing prolonged disruption from COVID-19.

AGG managed the 2020 COVID-19 impacts well, limiting disruption for our staff and customers. The one exception to this was the snap five-day lockdown of Victoria announced in mid-February 2021 which created widespread disruption in the construction sector for some weeks.

One aspect that has been really pleasing is the positive feedback we are receiving from our customers. In the past two years we have completed four customer surveys with continuing good feedback on our service and people, and growing positiveness towards our product range, quality and delivery performance.

Of course, this is built off a much-improved operational performance from a more skilled workforce, better equipment reliability and a growing passion for quality.

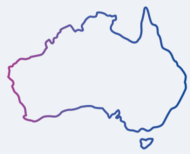
Our people have been critical to the success of AGG's turnaround and maintaining operations throughout a disruptive year. Safety and wellbeing remains a fundamental priority for AGG, and this year we have focused on implementing best-practice safety and logistics practices in the handling of bulk glass, made significant improvements to our physical workspaces, developed our safety systems and installed lifting equipment to reduce manual handling risks. In addition, we have continued to invest in developing a strong team by implementing skills development training and performance management programmes this year.

One of the key activities to complete in commencing the turnaround of AGG in 2018 was to assemble a refreshed and effective executive team to create a stable platform from which to execute AGG's turnaround plans.

The key members of AGG's management team are:

**AGG CEO** – Steve Hamer

Steve is a very experienced senior executive, with a career focused on the building products and steel markets in Australia and New Zealand. He is an Electrical Engineer by training and has completed an Advanced Management Program at Harvard Business School.



**AGG CFO** – Jason McGrath

Jason has over 20 years' experience as a senior finance executive with considerable manufacturing and building products experience in listed public companies. He holds a Bachelor of Business and is a certified public accountant.

**GM South-East Australia** – Angus Wilson

Angus brings a strong manufacturing background, with experience across sales, operations, technical and service disciplines, and for over 10 years as a General Manager in successful businesses across multiple markets. He holds a Bachelor of Applied Science.

**GM Tasmania** – Simon Hind

Simon has extensive experience in the construction, glass and glazing industries, mainly in Sydney and Tasmania. He is a carpenter by trade and has a Bachelor's degree in Building Science.

**AGG Marketing and Business Development** – Mike Ward

Mike has more than 10 years' experience in Australasian glass (including bulk glass). He has driven AGG's marketing and specification campaigns utilising his expertise in high-performance Low-E glass. Mike also sits on several glass-related industry committees. He has a Master of Business Administration, specialising in Operations and Management.

> Over the past 24 months, we have successfully stabilised the business, with markedly more consistent operating performance and significantly improved financial performance.
>
> STEVE HAMER, AGG CEO

This management team has now been in place since June 2018, almost three years, and is driving the stable progress of the AGG business which has seen significant improvements in operational and financial performance.

### Q As we stand today, how well is AGG positioned for the future?

AGG is now a leading supplier of high-performance double-glazed units throughout the south-east of Australia, and our team is very positive about the future.

In 2019, changes to Australia's National Construction Code (NCC) saw the first major changes in minimum energy efficiency since the start of minimum energy ratings in 2012 (focused on the commercial segment). These changes have resulted in an increase in specification and customer demands for AGG's high-performance (insulation and solar control) glass products.

The next iteration of NCC changes is expected to be adopted from September 2022, which will increase the energy requirements for new residential buildings, and will be likely to necessitate the use of energy-efficient windows in colder climates, leading to an increase in the use of double glazing.

In anticipation of these NCC changes, AGG has invested in its equipment, people capability, technical resources, and marketing, to create, market and produce a leading range of high-performance glass brands.

### Q What are your key priorities for the coming year?

FY22 will be an exciting year for AGG. Much of our product range and operational improvement work has been completed and general activity levels in the residential construction market are forecast to strengthen. This assumes that COVID-19-related issues reduce and are well managed.

In the coming year, AGG will continue to develop and market its offering to product specifiers (specifically architects and energy raters) to capitalise on the work already completed to launch our high-performance double-glazing range.

AGG now has the foundation in place to take good advantage of the improving market conditions as well as the swing towards high-performance windows to continue growing its market position and profitability.

# 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**

Working safe, living well

**PRODUCT AND 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 | FY21 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. | • Metroglass worked hard to strengthen its relationships with key customers in New Zealand and delivered stable DIFOT in a disruptive year.<br>• Conducted our fourth group-wide customer survey, with New Zealand achieving its highest result with 7.9 out of 10[1].<br>• Successfully stabilised the Australian business, with markedly more consistent operating performance and continuing positive feedback from customers on our service and people.<br>• AGG is now a leading supplier of high-performance double-glazed units in south-east Australia. |
| 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. | • Implemented safety initiatives to identify early signs of discomfort and avoid more serious injuries.<br>• Launched our Brighter Minds programme supporting emerging leaders to develop the knowledge and skills to be successful in their roles and to work towards a New Zealand Certificate in Business (Introduction to Team Leadership).<br>• We continue to support, upskill and build capability in our production and glazing, with more than 80 apprentices enrolled. In FY21, 15 employees completed their qualification.<br>• Deployed training and initiatives to support people leaders in improving the performance and development of their teams. |
| 3 **Uphold our scale strength through product and channel leadership**<br>Metroglass' scale and leadership position in the New Zealand flat-glass market provides advantages across customer support, procurement, manufacturing and distribution.<br>We will continue to operate across multiple channels in New Zealand, offering varied cycle exposures and growth opportunities.<br>AGG will continue to build a strong market position targeted on providing double-glazing and high-performance glass in the south-east Australian market.<br>Glass is a rapidly evolving product and we are well placed to continue to provide market-leading offerings. | • Undertook and completed a significant Enterprise Resource Planning (ERP) system implementation.<br>• Retrofit, our direct-to-consumer business, strengthened its channel leadership position with revenue increasing by 16% as consumers spent more on home renovation.<br>• Expanded our offering of products available through our online PS1 platform, where customers can easily access product technical design information when they need it.<br>• AGG continued to grow its high-performance double-glazing product offering, increasing category sales by 9%. |
| 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. | • The robustness of the company's global supply chain faced a significant test this year. Across both New Zealand and Australia, we successfully managed supply issues for input products and ongoing shipping disruptions. We leveraged our scale and network to ensure we continued to meet customer demands and expectations across our markets.<br>• Delivered stable operating performance across our glass processing plant network, supported by our growing culture of continuous improvement. This year we conducted Lean Practitioner training and executed numerous employee-led improvement initiatives.<br>• Our Commercial Glazing business has completed the transition of its operating structure and forward book of projects towards the execution of small-to-medium-sized projects, and delivered an improved EBIT result in FY21. |

1 Question: "On a scale of 1 to 10, how likely are you to recommend Metroglass to a friend or colleague?"

# Board of Directors


### Peter Griffiths

Independent,
Non-Executive Chair

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 & Gas. He is also Chair of the New Zealand Business and Parliament Trust and has private interests in general aviation. Peter holds a Bachelor of Science (Honours) degree from Victoria University of Wellington.

### Angela Bull

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

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. She 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

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 previously served on the board of James Hardie Industries plc. Prior to this he had a 23-year career with James Hardie Industries plc, holding various management and executive positions in a number of countries, including most recently serving as Group Chief Financial Officer from 2004 to 2013. Russell also served as Chief Financial Officer for several ASX-listed companies (TAB, Delta Gold, Australian National Industries and Pancontinental Mining), and previously was Treasurer of Pioneer International. He 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

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. Rhys is also a director of Carbine Aginvest Corporation Limited (formerly Tru-Test Corporation Limited) and Ridley Corporation Limited. Prior to joining Vulcan Steel in 2006, he 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. Rhys holds a Master of Business Studies degree from Massey University and a Bachelor of Science from Victoria University of Wellington.

### Graham Stuart

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

Graham has over 30 years' experience in senior executive and governance roles in New Zealand and internationally. He was previously the Chief Executive Officer of Sealord Group from 2007 to 2014 and prior to that was Chief Financial Officer and Director of Strategy with 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, and independent director and Chair of Northwest Healthcare Property Management Limited. He 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

Mark is currently the Group Chief Executive Officer and a director of NDA Group, a leading international engineering and fabrication business. 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

Top: Barry Paterson, Brent Mealings
Middle: Gareth Hamil, Nick Johnson
Bottom: Simon Mander, Amandeep Kaur, Andrew Paterson, Robyn Gibbard, Dayna Roberts, Nick Hardy-Jones

### Simon Mander

Chief Executive Officer

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 Chief Executive Officer. Prior roles have been with well-known companies such as Fletcher Building, DS Smith, Carter Holt Harvey, Partners in Performance, Lion Nathan and McKinsey & Company. 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

Brent was appointed as Chief Financial Officer in January 2020. He 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 to Fonterra, Brent worked within New Zealand and internationally in other industries including brewing, management consulting, electricity generation and gold-mining.

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

### Robyn Gibbard

General Manager
Upper North Island

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

Gareth leads the Lower North Island region. Joining Metroglass in 2002, he brings significant experience in commercial glazing. He is a Director of the Glass and Glazing Institute of New Zealand, and also a Member of the New Zealand 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.

### Nick Hardy-Jones

General Manager South Island

Nick leads the South Island region for Metroglass and has been with the company since 2016. He previously spent five years in leadership roles within Metroglass' South Island commercial and glazing businesses. Prior to working in the glass industry, Nick held category, product and sales management roles within the commercial and residential roofing and cladding industries.

Nick holds a Bachelor of Commerce from the University of Canterbury.

### Barry Paterson

General Manager Commercial Glazing and Technical

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

Amandeep leads Group Health and Safety across both our New Zealand and Australia businesses, responsible for the development and implementation of Metroglass' 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.

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

### Dayna Roberts

Human Resources Director

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

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

### Andrew Paterson

General Manager Strategy and Planning

Andrew supports Metroglass' Board of Directors, leads the company's engagement with the capital markets, and drives a number of corporate initiatives. These initiatives have included strategy development and communication, business acquisitions, and the establishment of employee share schemes.

Prior to joining Metroglass in 2015, Andrew spent close to a decade in investment banking and corporate advisory in New Zealand and the United Kingdom, with organisations including Goldman Sachs and Deloitte.

Andrew holds a Master of Business (Finance), a Bachelor of Commerce and a Bachelor of Arts from the University of Otago. He is also a Chartered Financial Analyst and Chartered Secretary.

### Nick Johnson

Chief Information Officer

Nick joined Metroglass as Chief Information Officer in December 2017.

He has broad experience in strategic and operational management, having held several senior roles in quality assurance, manufacturing and IT.

With over 18 years' experience in IT professional services organisations, Nick has worked closely with a variety of different industries across New Zealand, Australia and the Asia-Pacific region. He has experience working in the primary (meat, dairy, produce, wine and forestry), manufacturing (food, pharmaceuticals, and engineering), supply chain, FMCG, retail and utilities industries. He has also worked with not-for-profit organisations, including charities.

Nick has a Bachelor of Science (Hons) in Chemistry and is a graduate of the Royal Society of Chemistry.

## Non-GAAP Financial Information

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

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

**EBITDA:** Earnings before interest, tax, depreciation and amortisation.

**EBITDA before significant items**: EBITDA less significant items, being: a $1.0 million gain on disposal of vehicles under sale & leaseback agreement in FY21 and an $86.5 million impairment of New Zealand goodwill ("Impairment of intangible assets") in FY20, $4.6 million of redundancies and associated costs relating to the restructure of the New South Wales operation in FY20 ("NSW restructure costs").

**EBIT before significant items**: EBIT less significant items, being: FY21 gain on disposal of vehicles under sale & leaseback agreement, and FY20 impairment of intangible assets and NSW restructure costs.

**Profit for the period before significant items**: Profit for the period less significant items, being: FY21 gain on disposal of vehicles under sale & leaseback agreement, FY20 goodwill impairment, NSW restructure costs, and an AGG tax refund relating to prior periods.

### GAAP TO NON-GAAP RECONCILIATION

| Full Year to 31 March | FY21 ($M) | FY20 ($M) |
|---|---|---|
| **Profit for the year before significant items** | **7.9** | **9.9** |
| Add: Tax adjustments relating to prior periods | – | 0.9 |
| Less: NSW restructure costs | – | (3.2) |
| Less: Impairment of intangible assets | – | (86.5) |
| Add: Gain on disposal of vehicles under sale & leaseback agreement | 0.7 | – |
| **Profit for the year (GAAP)** | **8.5** | **(78.9)** |
| Add: taxation expense | 3.7 | 2.5 |
| Add: net finance expense | 6.7 | 7.0 |
| Earnings before interest and tax (EBIT) | **18.9** | **(69.3)** |
| Add: depreciation & amortisation | 20.4 | 21.7 |
| EBITDA | **39.4** | **(47.7)** |
| EBIT | 18.9 | (69.3) |
| Add: NSW restructure costs | – | 4.6 |
| Add: Impairment of intangible assets | – | 86.5 |
| Less: Gain on disposal of vehicles under sale & leaseback agreement | (1.0) | – |
| **EBIT before significant items** | **17.9** | **21.8** |
| EBITDA | 39.4 | (47.7) |
| Add: NSW restructure costs | – | 4.6 |
| Add: Impairment of intangible assets | – | 86.5 |
| Less: Gain on disposal of vehicles under sale & leaseback agreement | (1.0) | – |
| **EBITDA before significant items** | **38.4** | **43.4** |

# Our Results

Contents

# Consolidated Statement of Comprehensive Income

for the year ended 31 March 2021

| | NOTES | CONSOLIDATED | CONSOLIDATED |
|---|---|---|---|
| | | **2021 $'000** | **2020 $'000 (Restated)** |
| Sales revenue | 2.1 | 232,274 | 254,908 |
| Cost of sales | | (133,427) | (139,677) |
| **Gross profit** | **2.1** | **98,847** | **115,231** |
| Distribution and glazing-related expenses | | (43,361) | (46,068) |
| Selling and marketing expenses | | (13,267) | (14,395) |
| Administration expenses | | (31,010) | (33,573) |
| Other income | | 6,738 | 582 |
| **Profit before significant items, interest and tax** | | **17,947** | **21,777** |
| Significant items | 2.4 | 951 | (91,074) |
| **Profit/(Loss) before interest and tax** | | **18,898** | **(69,297)** |
| Finance expense | | (6,768) | (7,145) |
| Finance income | | 100 | 101 |
| **Profit/(Loss) before income taxation** | | **12,230** | **(76,341)** |
| Income taxation expense | 6.1 | (3,686) | (2,520) |
| **Profit/(Loss) for the year** | | **8,544** | **(78,861)** |
| **Other comprehensive income** | | | |
| Items that may be reclassified to profit or loss in the future: | | | |
| Exchange differences on translation of foreign operations | | 530 | (11) |
| Cash flow hedges (net of tax) | | (1,151) | 978 |
| **Total comprehensive income/(loss) for the year attributable to shareholders** | | **7,923** | **(77,894)** |
| **Earnings per share** | | | |
| Basic and diluted earnings per share (cents per share) | 2.5 | 4.6 | (42.5) |

The Board of Directors authorised these financial statements for issue on 21 May 2021.

For and on behalf of the Board:

**Peter Griffiths**
Chair

**Graham Stuart**
Director

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

# Consolidated Statement of Financial Position

at 31 March 2021

| | NOTES | CONSOLIDATED 2021 $'000 | CONSOLIDATED 2020 $'000 (Restated) |
|---|---|---|---|
| **ASSETS** | | | |
| **Current assets** | | | |
| Cash and cash equivalents | | 7,530 | 14,742 |
| Trade receivables | 3.1 | 33,978 | 33,294 |
| Inventories | 3.2 | 18,466 | 20,276 |
| Derivative financial instruments | 3.5 | 136 | 1,982 |
| Other current assets | | 6,393 | 12,711 |
| **Total current assets** | | **66,503** | **83,005** |
| **Non-current assets** | | | |
| Property, plant and equipment | 4.1 | 52,467 | 59,645 |
| Right-of-use assets | 4.2 | 50,626 | 50,363 |
| Deferred tax assets | 6.2 | 10,241 | 7,908 |
| Intangible assets | 4.3 | 58,051 | 57,499 |
| **Total non-current assets** | | **171,385** | **175,415** |
| **Total assets** | | **237,888** | **258,420** |
| **LIABILITIES** | | | |
| **Current liabilities** | | | |
| Trade and other payables | 3.3 | 27,862 | 24,601 |
| Deferred income | 3.4 | 2,076 | 7,366 |
| Income tax liability | | 445 | 2,766 |
| Derivative financial instruments | 3.5 | 374 | 200 |
| Lease liabilities | 5.2 | 6,559 | 5,552 |
| Provisions | | 1,724 | 1,992 |
| **Total current liabilities** | | **39,040** | **42,477** |
| **Non-current liabilities** | | | |
| Interest-bearing liabilities | 5.1 | 55,519 | 81,630 |
| Derivative financial instruments | 3.5 | 1,575 | 1,986 |
| Lease liabilities | 5.2 | 54,042 | 53,933 |
| Provisions | | 3,665 | 2,551 |
| **Total non-current liabilities** | | **114,801** | **140,100** |
| **Total liabilities** | | **153,841** | **182,577** |
| **Net assets** | | **84,047** | **75,843** |
| **Equity** | | | |
| Contributed equity | 5.3 | 307,198 | 307,198 |
| Retained earnings | | (52,925) | (61,469) |
| Group reorganisation reserve | | (170,665) | (170,665) |
| Share-based payments reserve | 6.3 | 1,212 | 931 |
| Foreign currency translation reserve | | 515 | (15) |
| Cash flow hedge reserve | | (1,288) | (137) |
| **Total equity** | | **84,047** | **75,843** |

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

# Consolidated Statement of Changes in Equity

for the year ended 31 March 2021

| | | CONSOLIDATED 2021 | | | |
|---|---|---|---|---|---|
| | Notes | Contributed equity $'000 | Reserves $'000 | Retained earnings $'000 | Total $'000 |
| **Opening balance at 1 April 2020** | | 307,198 | (169,886) | (61,469) | 75,843 |
| Profit for the year | | – | – | 8,544 | 8,544 |
| Movement in foreign currency translation reserve | | – | 530 | – | 530 |
| Other comprehensive income for the year | 3.5 | – | (1,151) | – | (1,151) |
| **Total comprehensive income/(loss) for the year** | | **–** | **(621)** | **8,544** | **7,923** |
| Dividends paid | | – | – | – | – |
| Payments received on management incentive plan shares | 5.3 | – | – | – | – |
| Vesting of employee share purchase scheme | 5.3 | – | – | – | – |
| Movement in share-based payments reserve | 6.3 | – | 281 | – | 281 |
| **Total transactions with owners, recognised directly in equity** | | **–** | **281** | **–** | **281** |
| **Balance at 31 March 2021** | | **307,198** | **(170,226)** | **(52,925)** | **84,047** |

| | | CONSOLIDATED 2020 | | | |
|---|---|---|---|---|---|
| | | 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) | | – | – | (3,937) | (3,937) |
| Restated total equity at 1 April 2019 | | 306,693 | (171,059) | 17,392 | 153,026 |
| Restated loss for the year | 6.7 | – | – | (78,861) | (78,861) |
| Movement in foreign currency translation reserve | | – | (11) | – | (11) |
| Other comprehensive income /(loss) for the year | | – | 978 | – | 978 |
| **Total comprehensive income/(loss) for the year** | | **–** | **967** | **(78,861)** | **(77,894)** |
| Dividends paid | | – | – | – | – |
| Payments received on management incentive plan shares | 5.3 | 144 | – | – | 144 |
| Vesting of employee share purchase scheme | | 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)** | **(61,469)** | **75,843** |

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

# Consolidated Statement of Cash Flows

for the year ended 31 March 2021

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| **Cash flows from operating activities** | | |
| Receipts from customers | 234,450 | 259,636 |
| Payments to suppliers and employees | (196,996) | (215,143) |
| Government grants received | 6,510 | – |
| Interest received | 100 | 101 |
| Interest paid | (3,094) | (3,786) |
| Interest paid on leases | (3,064) | (3,227) |
| Income taxes paid | (7,532) | (6,007) |
| **Net cash inflow from operating activities** | **30,374** | **31,574** |
| **Cash flows from investing activities** | | |
| Proceeds from sale of property, plant and equipment | 3,714 | – |
| Payments for property, plant and equipment | (5,793) | (8,834) |
| Payments for intangible assets | (1,752) | (636) |
| **Net cash outflow from investing activities** | **(3,831)** | **(9,470)** |
| **Cash flows from financing activities** | | |
| Lease liability principal payments | (5,789) | (6,407) |
| Repayment of borrowings (net) | (31,146) | (6,522) |
| Drawdown of other financing | 3,632 | – |
| Other financing principal payments | (445) | – |
| Payments received on management incentive plan shares | – | 144 |
| **Net cash outflow from financing activities** | **(33,748)** | **(12,785)** |
| **Net (decrease)/increase in cash and cash equivalents** | (7,205) | 9,319 |
| Cash and cash equivalents at the beginning of the year | 14,742 | 5,488 |
| Effects of exchange rate changes on cash and cash equivalents | (7) | (65) |
| **Cash and cash equivalents at the end of the year** | **7,530** | **14,742** |

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

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

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| **Opening balance of interest-bearing liabilities at 1 April** | 81,630 | 88,832 |
| Repayment of borrowings | (31,146) | (6,522) |
| Other financing movement (net) | 3,187 | – |
| Foreign exchange and other adjustments | 1,848 | (680) |
| **Closing balance of interest-bearing liabilities at 31 March** | 55,519 | 81,630 |
| Less: cash and cash equivalents | (7,530) | (14,742) |
| **Net debt at 31 March** | **47,989** | **66,888** |

# Consolidated Statement of Cash Flows (continued)

for the year ended 31 March

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| **Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities** | | |
| **Profit/(loss) for the Period** | **8,544** | **(78,861)** |
| **Items not involving cash flows** | | |
| Depreciation and amortisation | 20,412 | 21,670 |
| Property, plant and equipment (gain)/loss on disposal | (951) | 2,349 |
| Impairment of intangible assets | – | 86,500 |
| Share-based payments expense | 281 | 374 |
| Movement in deferred tax | (1,545) | (3,482) |
| Movement in credit loss provision | (1,435) | 882 |
| COVID-19 rent relief | (367) | – |
| Loss/(surplus) on disposal of assets | 324 | (29) |
| Other | 211 | 185 |
| | **16,930** | **108,449** |
| **Impact of changes in working capital items** | | |
| Trade and other receivables | 1,243 | 4,546 |
| Inventory | 2,072 | 2,600 |
| Other current assets | 5,732 | (7,375) |
| Trade accounts payable and employee entitlements | 2,608 | (4,544) |
| Deferred income | (5,293) | 6,287 |
| Interest accruals | 184 | (13) |
| General provisions | 675 | 127 |
| Income tax liability | (2,321) | 358 |
| | **4,900** | **1,986** |
| **Net cash inflow from operating activities** | **30,374** | **31,574** |

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

# Notes to the Consolidated Financial Statements

## 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 21 May 2021.

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 2021 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.

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'.

# Notes to the Consolidated Financial Statements (continued)

### Changes In Accounting Policy And Disclosures

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

The Group adopted the practical expedient provided by the amendment to NZ IFRS 16: Leases in relation to rent concessions received as a result of COVID-19. In adopting the practical expedient the impact of the rent concessions on the lease liabilities were reflected by a corresponding expense reduction recognised in the consolidated statement of comprehensive income. The practical expedient was applied to all rent concessions.

Apart from the above, the accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2020, and as described in those annual financial statements.

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

### 1.2 COVID-19

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 operations and profitability were negatively impacted late in the finanial year by further COVID-19 restrictions, in particular with shut downs affecting Victoria in February 2021.

An assessment of the impact of COVID-19 on the Group balance sheet based on information available at the time of preparing the financial statements can be found within the following notes to the consolidated financial statements.

## 2 Financial Performance

### 2.1 Segment Information

Operating segments of the Group at 31 March 2021 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.

## Notes to the Consolidated Financial Statements (continued)

In the tables below:

- Group costs consist of insurance, professional services, director fees and expenses, listing fees and share incentive scheme costs.
- significant items related to impairment of goodwill in New Zealand and costs associated with the restructure of NSW operations in 2020, and gain on disposal of vehicles pursuant to sale and leaseback agreements relating to the New Zealand vehicle fleet in 2021.

| | CONSOLIDATED 2021 | | | |
|---|---|---|---|---|
| | New Zealand $'000 | Australia $'000 | Eliminations and Other $'000 | Group $'000 |
| Commercial Glazing | 36,761 | – | – | 36,761 |
| Residential | 118,171 | 52,490 | – | 170,661 |
| Retrofit | 24,852 | – | – | 24,852 |
| **Total revenue** | **179,784** | **52,490** | **–** | **232,274** |
| Gross profit | 86,384 | 12,463 | – | 98,847 |
| Segmental EBITDA before significant items | 34,603 | 4,505 | – | 39,108 |
| Group costs | – | – | (749) | (749) |
| **Group EBITDA before significant items** | | | | **38,359** |
| Depreciation and amortisation | (15,197) | (5,215) | – | (20,412) |
| **EBIT before significant items** | **19,406** | **(710)** | **(749)** | **17,947** |
| Significant items | 951 | – | | 951 |
| **EBIT** | **20,357** | **(710)** | **(749)** | **18,898** |
| Segment assets | 275,980 | 65,950 | (104,042) | 237,888 |
| Segment non–current assets (excluding deferred tax assets) | 114,163 | 46,981 | – | 161,144 |
| Segment liabilities | 75,832 | 21,989 | 56,020 | 153,841 |

| | CONSOLIDATED 2020 | | | |
|---|---|---|---|---|
| | New Zealand $'000 | Australia $'000 | Eliminations and 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 | 104,134 | 11,097 | – | 115,231 |
| Segmental EBITDA before significant items | 41,879 | 2,608 | | 44,487 |
| Group costs | – | – | (1,040) | (1,040) |
| **Group EBITDA before significant items** | **–** | **–** | **–** | **43,447** |
| Depreciation and amortisation | (15,467) | (6,203) | – | (21,670) |
| **EBIT before significant items** | **26,412** | **(3,595)** | **(1,040)** | **21,777** |
| Significant items | (86,500) | (4,574) | – | (91,074) |
| **EBIT** | **(60,088)** | **(8,169)** | **(1,040)** | **(69,297)** |
| Segment assets | 265,070 | 63,828 | (70,478) | 258,420 |
| Segment non–current assets (excluding deferred tax assets) | 123,303 | 44,204 | – | 167,507 |
| Segment liabilities | 79,802 | 61,854 | 40,921 | 182,577 |

# Notes to the Consolidated Financial Statements (continued)

## 2.2 Revenue

### Accounting policy

Revenue comprises the value of the consideration received for the sale of goods and services, net of 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 |
|---|---|---|
| | **2021 $'000** | **2020 $'000** |
| Raw materials and consumables used | 63,701 | 67,296 |
| Employee benefit expenses | 98,766 | 100,899 |
| Subcontractor costs | 5,423 | 5,039 |
| Depreciation and amortisation | 20,412 | 21,670 |
| Transportation and logistics | 8,146 | 10,028 |
| Occupancy costs | 1,052 | 1,014 |
| Advertising | 879 | 1,950 |
| Other expenses | 22,686 | 25,817 |
| **Total cost of sales, distribution and glazing related expenses, selling and marketing expenses, and administration expenses** | **221,065** | **233,713** |

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2021 $'000** | **2020 $'000** |
| **Audit and review of financial statements** | | |
| Audit and review of financial statements - PwC | 367 | 376 |
| **Other services performed by PwC** | | |
| Assurance report relating to the Group's covenant compliance certificate | 5 | – |
| Real estate advisory services | – | 20 |
| | 372 | **396** |

# Notes to the Consolidated Financial Statements (continued)

## 2.4 Significant items

| | | CONSOLIDATED | CONSOLIDATED |
|---|---|---|---|
| | Note | 2021 $'000 | 2020 $'000 |
| Gain on disposal of vehicles under sale & leaseback agreement | 6.8 | (951) | – |
| Impairment of New Zealand intangible assets | | – | 86,500 |
| Restructure of New South Wales operations | | – | 4,574 |
| **Total significant items before taxation** | | **(951)** | **91,074** |
| Tax expense/(benefit) on above items | | 266 | (1,372) |
| Tax adjustments relating to prior periods | | – | (916) |
| **Total significant items after taxation** | | **(685)** | **88,786** |

### Gain on disposal of vehicles under sale & leaseback agreement

The Group entered into two sale and leaseback agreements relating to the New Zealand vehicle fleet during the year ended 31 March 2021. Additional details around this transaction can be seen in Note 6.8.

### 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. See page 20 of the Annual Report for more information on non-GAAP measures.

## 2.5 Earnings per share

### Basic

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

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | 2021 | 2020 |
| Profit/(loss) after tax ($'000) | 8,544 | (78,861) |
| Weighted average number of ordinary shares outstanding ('000s) | 185,378 | 185,378 |
| Basic earnings per share (cents per share) | 4.6 | (42.5) |

# Notes to the Consolidated Financial Statements (continued)

### 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 | CONSOLIDATED |
|---|---|---|
| | **2021** | **2020** |
| Total assets ($'000) | 237,888 | 258,420 |
| Less: intangible assets | (58,051) | (57,499) |
| Less: total liabilities | (153,841) | (182,577) |
| Net tangible assets ($'000) | 25,996 | 18,344 |
| Shares on issue at the end of the period ('000s) | 185,378 | 185,378 |
| Net tangible assets per share (cents per share) | 14.02 | 9.90 |

## 3 Working Capital

### 3.1 Trade receivables

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

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2021 $'000** | **2020 $'000** |
| Trade receivables | 35,295 | 36,132 |
| Credit loss provision | (1,317) | (2,838) |
| | **33,978** | **33,294** |

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2021 $'000** | **2020 $'000** |
| **Movements in the credit loss provision are as follows:** | | |
| Opening balance | 2,838 | 1,961 |
| Provision for impairment recognised/(reversed) during the year | (1,435) | 1,533 |
| Receivables written off during the year as uncollectable | (86) | (656) |
| **Balance at the end of the year** | **1,317** | **2,838** |

# Notes to the Consolidated Financial Statements (continued)

## 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 | 0–59 days[1] | 60–89 days | 90 days and later | TOTAL |
|---|---|---|---|---|---|
| 31 March 2021 | $'000 | $'000 | $'000 | $'000 | $'000 |
| **Gross carrying amount** | **27,429** | **3,785** | **963** | **3,118** | **35,295** |
| Baseline | 57 | 12 | 10 | 108 | 187 |
| Market | 92 | 14 | 1 | 111 | 218 |
| Specific | – | – | – | 912 | 912 |
| Total expected credit loss rate | 0.54% | 0.69% | 1.14% | 36.27% | 3.73% |
| **Credit loss provision** | **149** | **26** | **11** | **1,131** | **1,317** |

| | 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** |

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. Ageing is based on agreed credit terms and at balance date, a portion of the Group's receivables are also subject to contractual retentions which can last up to and exceed 12 months.

As of 31 March 2021, allowing for retention balances of $1.6 million (2020: $3.2 million) trade receivables of $4.9 million (2020: $8.5 million) were past due but not impaired.

1. During the year ended 31 March 2021, the New Zealand business completed a system change which resulted in the trade receivables ageing being calculated based on due date rather than invoice date, with the exception of contractual retentions and AGG trade receivables which continue to be aged based on invoice date. Management believe there is no material impact as a result of this change in presentation.

## 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 its 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 the Group's customers are continuously monitored and a credit loss provision is maintained to cover any specific customer credit losses anticipated.

# Notes to the Consolidated Financial Statements (continued)

### COVID-19 impact

Reflecting the uncertainties prevalent as at 31 March 2020 (prior year), the Group's assessment of credit risk on its customer base taking into consideration the factors below was increased to $2.8 million:

- profile of the customer
- region the customer is based in
- size and nature of the customer
- the Group's understanding of and experience with the customer.

As economic conditions stabilised in the construction sector during the year, the Group has revised its credit risk assessment accordingly resulting in a decrease in its baseline and specific provisions to $1.3 million (2020: $2.8 million).

### 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 |
|---|---|---|
| | **2021 $'000** | **2020 $'000** |
| Raw materials, primarily flat glass stock-sheets | 16,222 | 17,759 |
| Work in progress | 2,244 | 2,517 |
| | **18,466** | **20,276** |

The cost of inventories recognised as an expense and included in 'Cost of sales' amounted to $63.5 million (20: $67.4 million).

### 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 |
|---|---|---|
| | **2021 $'000** | **2020 $'000** |
| Trade accounts payable | 17,278 | 17,354 |
| Employee entitlements | 7,304 | 6,347 |
| GST payable | 913 | 428 |
| Other interest accruals | 362 | 175 |
| Management incentive accrual | 2,005 | 297 |
| | **27,862** | **24,601** |

# Notes to the Consolidated Financial Statements (continued)

### 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 |
|---|---|---|
| | **2021 $'000** | **2020 $'000** |
| Customer contract liabilities | 2,076 | 1,290 |
| New Zealand Government wage subsidy | – | 6,076 |
| | **2,076** | **7,366** |

### COVID-19 impact

The Group applied for the New Zealand Government wage subsidy prior to 31 March 2020, receiving it in early April 2020. In the year ended 31 March 2021 $6.1 million has been recognised in 'Other income' in the consolidated statement of comprehensive income as the amount offsetting wages paid over the lockdown period (2020: $0.4 million). The corresponding amount receivable relating to the prior year ($6.5 million) is included in 'Other current assets' comparative.

Grants from the government are recognised at their fair value where there is reasonable assurance that the grant will be received and when the Group will comply with the attached conditions. Government grants relating to income are deferred and recognised in profit or loss over the period necessary to match them with the conditions that they are intended to compensate. The Group received $6.5 million from the New Zealand wage subsidy scheme, which was recognised over the 12 week period following the application for the subsidy in March 2020 resulting in the recognition of government grant income of $6.1 million in the current year (2020: $0.4 million). These amounts are presented as other income in the statement of comprehensive income.

## 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.

# Notes to the Consolidated Financial Statements (continued)

### 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, including the Treasury policy. 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 2021 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 ASB Bank Limited as at 31 March 2021.

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

| | CONSOLIDATED 2021 | | |
|---|---|---|---|
| | Spot component of currency forwards $'000 | Interest rate swaps $'000 | Total hedge reserve $'000 |
| **Opening balance 1 April 2020** | **(1,380)** | **1,517** | **137** |
| Change in fair value of hedging instrument recognised in 'Other comprehensive income' (OCI) | 2,163 | (554) | 1,609 |
| Deferred tax | (616) | 158 | (458) |
| **Balance at 31 March 2021** | **167** | **1,121** | **1,288** |

# Notes to the Consolidated Financial Statements (continued)

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

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| **Foreign currency forwards** | | |
| Carrying amount asset/(liability) | (238) | 1,925 |
| Notional amount | 23,375 | 23,597 |
| Maturity date | Apr21-Mar22 | Apr20-Mar21 |
| Hedge ratio[1] | 1:1 | 1:1 |
| Change in discounted spot value of outstanding hedging instruments since 1 April | 2,163 | (2,241) |
| Change in value of hedged item used to determine hedge effectiveness | (2,163) | 2,241 |
| Weighted average hedged EUR/NZD rate for the year (including forward points) | 0.5843 | 0.5732 |
| Weighted average hedged USD/NZD rate for the year (including forward points) | 0.6971 | 0.6487 |
| Weighted average hedged EUR/AUD rate for the year (including forward points) | 0.6326 | 0.6154 |
| Weighted average hedged USD/AUD rate for the year (including forward points) | 0.7265 | 0.6979 |

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 |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| **Interest rate swaps** | | |
| Carrying amount (liability) | (1,575) | (2,129) |
| Notional amount | 23,402 | 35,272 |
| Maturity date | Áug23 | Jul20-Aug23 |
| Hedge ratio | 1:1 | 1:1 |
| Change in fair value of outstanding hedging instruments since 1 April | (554) | 900 |
| Change in value of hedged item used to determine hedge effectiveness | 554 | (900) |
| Average proportion of debt hedged during the year | 37.60% | 48.60% |

# Notes to the Consolidated Financial Statements (continued)

## Financial instruments by category

| | CONSOLIDATED 2021 | | |
|---|---|---|---|
| | Assets at amortised cost $'000 | Derivatives used for hedging $'000 | Total $'000 |
| **Assets as per statement of financial position** | | | |
| Cash and cash equivalents | 7,530 | – | 7,530 |
| Derivatives - foreign exchange contracts | – | 136 | 136 |
| Derivatives - interest rate swaps | – | – | – |
| Trade and other receivables | 33,978 | – | 33,978 |
| **Balance at 31 March 2021** | **41,508** | **136** | **41,644** |

| | 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 2021 | | |
|---|---|---|---|
| | 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 | 26,033 | – | 26,033 |
| Provisions | 5,389 | – | 5,389 |
| Derivatives - foreign exchange contracts | – | 374 | 374 |
| Derivatives - interest rate swaps | – | 1,575 | 1,575 |
| Interest-bearing liabilities | 55,519 | – | 55,519 |
| Lease liabilities | 60,601 | – | 60,601 |
| **Balance at 31 March 2021** | **147,542** | **1,949** | **149,491** |

# Notes to the Consolidated Financial Statements (continued)

| | 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 | 23,354 | – | 23,354 |
| 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** | **169,012** | **2,186** | **171,198** |

## 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.

# Notes to the Consolidated Financial Statements (continued)

## Cash and cash equivalents

### Exposure to foreign exchange risk

| | CONSOLIDATED 2021 | | |
|---|---|---|---|
| | AUD $'000 | USD $'000 | EUR $'000 |
| **31 March 2021** | | | |
| Cash and cash equivalents | 621 | 1 | 1 |
| Trade receivables | 7,663 | – | – |
| Trade accounts payable | (5,270) | (2,402) | (424) |
| **Balance at 31 March 2021** | **3,014** | **(2,401)** | **(423)** |

| | 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)** |

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 |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| **Profit or loss** | | |
| 10% strengthening of the NZD against: | | |
| AUD | (274) | (534) |
| USD | 218 | 315 |
| EUR | 38 | 12 |
| 10% weakening of the NZD against: | | |
| AUD | 335 | 653 |
| USD | (267) | (385) |
| EUR | (47) | (14) |

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| **Equity** | | |
| 10% strengthening of the NZD against: | | |
| USD | (1,885) | (2,155) |
| EUR | (218) | (165) |
| 10% weakening of the NZD against: | | |
| USD | 2,304 | 2,634 |
| EUR | 267 | 202 |

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.

# Notes to the Consolidated Financial Statements (continued)

## 4 Long-Term Assets

### 4.1 Property, Plant and equipment

| | CONSOLIDATED 2021 | | | |
|---|---|---|---|---|
| | Plant and equipment $'000 | Furniture, fittings and equipment $'000 | Motor vehicles $'000 | Total $'000 |
| **Opening balance** | | | | |
| Cost | 83,509 | 3,910 | 16,682 | 104,101 |
| Accumulated depreciation | (33,376) | (2,973) | (8,107) | (44,456) |
| **Net book value at 1 April 2020** | **50,133** | **937** | **8,575** | **59,645** |
| Additions | 3,928 | 469 | 925 | 5,322 |
| Disposals | (580) | (1) | (2,056) | (2,637) |
| Depreciation expense | (8,471) | (478) | (1,692) | (10,641) |
| Foreign exchange impact | 730 | – | 48 | 778 |
| **Closing net book value at 31 March 2021** | **45,740** | **927** | **5,800** | **52,467** |
| **Represented by:** | | | | |
| Cost | 87,099 | 4,378 | 10,882 | 102,359 |
| Accumulated depreciation | (41,359) | (3,451) | (5,082) | (49,892) |
| **Net book value at 31 March 2021** | **45,740** | **927** | **5,800** | **52,467** |

| | CONSOLIDATED 2020 | | | |
|---|---|---|---|---|
| | Plant and equipment $'000 | Furniture, fittings and 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** |

# 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.

## 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 | 7.0-15% | Straight line |
| Plant and equipment | 7.0-15% | Straight line |
| Motor vehicles | 12-20% | Straight line |
| Furniture, fixtures and fittings | 20-25% | Straight line |

# Notes to the Consolidated Financial Statements (continued)

### 4.2 Right-of-use assets

| | CONSOLIDATED 2021 | | | |
|---|---|---|---|---|
| | Property $'000 | Motor vehicles $'000 | Equipment $'000 | Total $'000 |
| **Opening balance** | | | | |
| Cost | 84,778 | 368 | 204 | 85,350 |
| Accumulated depreciation | (34,773) | (169) | (45) | (34,987) |
| **Net book value at 1 April 2020** | **50,005** | **199** | **159** | **50,363** |
| Additions | 4,639 | 2,400 | – | 7,039 |
| Disposals | – | (18) | – | (18) |
| Depreciation expense | (6,760) | (377) | (56) | (7,193) |
| Foreign exchange impact | 423 | 7 | 5 | 435 |
| **Closing net book value at 31 March 2021** | **48,307** | **2,211** | **108** | **50,626** |
| **Represented by:** | | | | |
| Cost | 83,280 | 2,765 | 210 | 86,255 |
| Accumulated depreciation | (34,973) | (554) | (102) | (35,629) |
| **Net book value at 31 March 2021** | **48,307** | **2,211** | **108** | **50,626** |

| | CONSOLIDATED 2020 | | | |
|---|---|---|---|---|
| | Property $'000 | Motor vehicles $'000 | Equipment $'000 | Total $'000 |
| **Opening balance** | | | | |
| Recognised on transition | 57,814 | 349 | 131 | 58,294 |
| **Net book value at 1 April 2019** | **57,814** | **349** | **131** | **58,294** |
| Additions | 139 | 20 | 74 | 233 |
| Depreciation expense | (7,715) | (169) | (45) | (7,929) |
| Impairment | (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** |

# Notes to the Consolidated Financial Statements (continued)

### Critical estimates and judgements: Right-of-use assets

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.

In determining the lease term the Group includes any periods covered by options to extend where the Group is reasonbly certain to exercise that option.

### Accounting policy

The Group leases mainly relate to buildings which 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.

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.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of lease liability and any restoration costs. 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.

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.

## 4.3 Intangible Assets

| | CONSOLIDATED 2021 | | | |
|---|---|---|---|---|
| | **Customer relationships $'000** | **Goodwill on acquisitions $'000** | **Computer software $'000** | **Total $'000** |
| **Opening balance** | | | | |
| 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 1 April 2020** | **2,658** | **53,128** | **1,713** | **57,499** |
| Additions | – | – | 1,728 | 1,728 |
| Disposals | – | – | – | – |
| Amortisation expense | (1,450) | – | (1,128) | (2,578) |
| Impairment | – | – | – | – |
| Foreign exchange impact | – | 1,363 | 39 | 1,402 |
| **Closing net book value at 31 March 2021** | **1,208** | **54,491** | **2,352** | **58,051** |
| **Represented by:** | | | | |
| Cost | 13,055 | 149,712 | 11,021 | 173,788 |
| Accumulated amortisation and impairment | (11,847) | (95,221) | (8,669) | (115,737) |
| **Net book value at 31 March 2021** | **1,208** | **54,491** | **2,352** | **58,051** |

# Notes to the Consolidated Financial Statements (continued)

| | CONSOLIDATED 2020 | | | |
|---|---|---|---|---|
| | 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 | – | (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** |

### 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 each cash generating unit (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.

### Impairment tests for goodwill

The Group's segments have been classified as New Zealand and Australia aligning with the way the 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 |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| New Zealand | 30,879 | 30,879 |
| Australia | 23,612 | 22,249 |
| | **54,491** | **53,128** |

Impairment testing for both CGUs was completed using both the VIU and FVLCD methods, with the VIU dicsounted cash flow method showing the higher recoverable amount.

# Notes to the Consolidated Financial Statements (continued)

Key assumptions in the 31 March 2021 impairment assessment (VIU) calculations (and the equivalent assumptions in the 31 March 2020 calculations) are as follows:

| | CONSOLIDATED | | CONSOLIDATED | |
|---|---|---|---|---|
| | 2021 | | 2020 | |
| | New Zealand | Australia | New Zealand | Australia |
| Compound annual revenue growth – 3 years | -0.2% | 7.7% | -9.6% | 5.2% |
| Long-term growth rate | 1.3% | 1.3% | 1.3% | 1.3% |
| Discount rate (post tax, post IFRS 16) | 8.1% | 7.4% | 7.8% | 6.6% |

## Cash flow projections

The impairment testing used pre-tax cash flow projections for both CGUs based on financial projections approved by management covering a three-year period. In forming these projections, management considered the views of several economic forecasters, observable 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.

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. Given the level of uncertainty regarding the future, the cash flow projections used for the 31 March 2020 impairment assessments were formed on the basis of a probability weighted view of a number of potential future scenarios. As a consequence of this testing, the Group recognised a goodwill impairment of $86.5 million in respect of the New Zealand CGU at 31 March 2020.

The level of certainty on future prospects has improved year on year with, in particular, the impacts of COVID-19 now better understood. As a result, management have used a single set of cash flow projections in the 31 March 2021 testing rather than factoring in multiple scenarios as was done at 31 March 2020.

Despite the uncertainty caused by COVID-19 in the year ended 31 March 2021, a total of 41,038 new homes were consented in New Zealand, which was an all-time record. The value of non-residential building consents also increased year on year. The New Zealand CGU achieved stronger earnings and cash flow generation than estimated in the impairment testing performed at 31 March 2020, which alongside the continuing strength in consenting activity, indicates higher estimates for future profit, capital expenditure and working capital requirements.

The Australian CGU delivered a stronger financial performance in the year to 31 March 2021 than was anticipated in the impairment testing performed at 31 March 2020. This was despite the business facing external issues as a result of COVID-19 shutdowns and severe weather events. The business is performing consistently and is well placed for growth in the coming years as the penetration of double-glazing increases alongside changing construction codes and consumer preferences.

## Long-term growth rate

Cash flows beyond the three-year period are extrapolated using estimated long-term growth rate. 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 have been left unchanged in the 2021 testing.

## Discount rate

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 discount rates at 31 March 2021 were higher than the prior year on account of market increases in interest rates (risk-free rates) and the consideration of market-specific risks.

## 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 2021 was $0.375 equating to a market capitalisation of $69.5 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 2021 was $83.8 million ($0.45 per share). 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.

# Notes to the Consolidated Financial Statements (continued)

### Sensitivity to changes in key assumptions

The impairment assessments confirmed that, for the New Zealand and Australian business units, the recoverable amounts exceed carrying values as at 31 March 2021. Based on current economic conditions and performance of each CGU, no reasonably possible change in a key assumption used in the determination of the recoverable value of CGUs would result in a material impairment to the Group.

## 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.

# Notes to the Consolidated Financial Statements (continued)

## 5 Debt & Equity

### 5.1 Interest-bearing liabilities

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | 2021<br>$'000 | 2020<br>$'000 |
| Bank borrowings | 52,175 | 81,630 |
| Other asset financing | 3,344 | |
| Bank overdraft | – | – |
| | **55,519** | **81,630** |

Bank borrowings are secured by a first-ranking composite general security deed. The Group's bank borrowing facilities negotiated on 13 October 2020 comprise a syndicated revolving loan facility of $75 million for a three-year term expiring in October 2023, a $10 million standby facility that will expire in October 2021 as well as overdraft and bank guarantees totalling $8.25 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 2021 the Group had cash of $7.5 million. Information in respect of negotiated credit facilities is shown below.

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | 2021<br>$'000 | 2020<br>$'000 |
| Committed credit facilities pursuant to syndicated facility | 93,253 | 127,724 |
| Drawdown at balance date | (56,876) | (85,300) |
| **Available credit facilities** | **36,377** | **42,424** |

# 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 2021 | | | | |
|---|---|---|---|---|---|
| | Less than 1 year $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | > 5 years $'000 | Total $'000 |
| Interest-bearing liabilities and interest owing | 2,134 | 1,812 | 55,036 | 1,272 | 60,254 |
| Interest rate swap | – | – | 1,575 | – | 1,575 |
| Foreign exchange contracts | 374 | – | – | – | 374 |
| Lease liabilities | 9,433 | 8,836 | 20,770 | 41,177 | 80,216 |
| Trade accounts payable | 17,279 | – | – | – | 17,279 |
| **Total at 31 March 2021** | **29,220** | **10,648** | **77,381** | **42,449** | **159,698** |

| | CONSOLIDATED 2020 | | | | |
|---|---|---|---|---|---|
| | Less than 1 year $'000 | Between 1 and 2 years $'000 | Between 2 and 5 years $'000 | > 5 years $'000 | Total $'000 |
| Interest-bearing liabilities 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** |

## 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 $0.12 million and a subsequent decrease of $0.12 million if rates decreased by 10%. (In 2020 an interest rate increase of 10% would have resulted in additional costs of $0.13 million and a subsequent decrease of $0.13 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.

# Notes to the Consolidated Financial Statements (continued)

### 5.2 Lease liabilities

| | 2021 $'000 | 2020 $'000 |
|---|---|---|
| **Opening lease liabilities recognised at 1 April** | **59,485** | **65,759** |
| Additions | 7,004 | 233 |
| Disposals | (19) | – |
| Interest for the period | 3,088 | 3,227 |
| COVID-19 rent relief | (367) | – |
| Lease payments made | (9,060) | (9,634) |
| Foreign exchange impact | 470 | (100) |
| **Lease liabilities at 31 March 2021** | **60,601** | **59,485** |
| Current lease liabilities | 6,559 | 5,552 |
| Non-current lease liabilities | 54,042 | 53,933 |
| **Total lease liabilities** | **60,601** | **59,485** |

Lease liabilities maturity analysis

| | Minimum lease payments $'000 | Interest $'000 | Present value $'000 |
|---|---|---|---|
| Within one year | 9,433 | (2,874) | 6,559 |
| One to five years | 29,605 | (8,800) | 20,805 |
| Beyond five years | 41,177 | (7,940) | 33,237 |
| **Lease liabilities at 31 March 2021** | **80,215** | **(19,614)** | **60,601** |

| | 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** |

During the Alert Level 4 lockdown, the Group negotiated with its landlords to obtain rent relief on various properties. The Group adopted the NZ IFRS 16 Leases practical expedient in relation to rent concessions, and as such, the relief obtained from these is reflected through a reduction in lease liabilities with a corresponding expense reduction recognised in the consolidated statement of comprehensive income of $0.4 million.

# Notes to the Consolidated Financial Statements (continued)

## 5.3 Contributed equity

| | CONSOLIDATED 2021 $'000 | CONSOLIDATED 2020 $'000 |
|---|---|---|
| Opening balance | 307,198 | 306,693 |
| Vesting of employee share purchase scheme | – | 361 |
| Payments received on management incentive plans | – | 144 |
| **Closing balance** | **307,198** | **307,198** |

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.

### 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 2021.

# 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 2021 were as follows:

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | 2021<br>$'000 | 2020<br>$'000 |
| Interest-bearing liabilities | 55,519 | 81,630 |
| Less: cash and cash equivalents | (7,530) | (14,742) |
| **Net debt** | **47,989** | **66,888** |
| **Equity** | **84,047** | **75,843** |
| **Gearing ratio** | **36.3%** | **46.9%** |

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | 2021<br>$'000 | 2020<br>$'000 |
| Interest-bearing liabilities | 55,519 | 81,630 |
| Less: cash and cash equivalents | (7,530) | (14,742) |
| **Net debt** | **47,989** | **66,888** |
| **Profit before interest, tax, depreciation and amortisation**[1] | **28,765** | **33,789** |
| **Leverage ratio** | **1.7 : 1** | **2.0 : 1** |

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

# Notes to the Consolidated Financial Statements (continued)

## 6 Other

### 6.1 Income taxation

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| Profit before income taxation | 12,230 | (76,341) |
| Income taxation expense at the Group's effective tax rate | 3,397 | (21,592) |
| Tax effect of non-deductible items | 130 | 24,436 |
| Prior year adjustment | 159 | (324) |
| **Income tax expense** | **3,686** | **2,520** |
| **Represented by:** | | |
| Current taxation | 5,231 | 6,419 |
| Deferred taxation | (1,545) | (3,899) |
| | **3,686** | **2,520** |

Imputation credit account

The amount of imputation credits at balance date available for future distributions is $27.0 million at 31 March 2021, ($19.4 million at 31 March 2020).

### 6.2 Deferred taxation

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

| | CONSOLIDATED 2021 | | |
|---|---|---|---|
| | Assets $'000 | Liabilities $'000 | Net $'000 |
| Property, plant and equipment | – | (1,855) | (1,855) |
| Right–of–use assets | – | (13,701) | (13,701) |
| Inventory and receivables | 32 | – | 32 |
| Cash flow hedge | 524 | – | 524 |
| Intangibles | – | (757) | (757) |
| Lease liabilities | 16,409 | – | 16,409 |
| Provisions and accruals | 3,810 | – | 3,810 |
| Tax losses | 5,779 | – | 5,779 |
| | **26,554** | **(16,313)** | **10,241** |

## Notes to the Consolidated Financial Statements (continued)

| | 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 | 2,657 | – | 2,657 |
| Tax losses | 4,935 | – | 4,935 |
| | **24,683** | **(16,775)** | **7,908** |

Movement in temporary differences during the year:

| | CONSOLIDATED 2021 | | | | |
|---|---|---|---|---|---|
| | Opening balance 1 April 2020 $'000 | Recognised in opening retained earnings $'000 | Recognised in profit or loss $'000 | Recognised in OCI $'000 | Balance 31 Mar 2021 $'000 |
| Property, plant and equipment | (1,365) | – | (434) | (56) | (1,855) |
| Right-of-use assets | (14,256) | – | 697 | (142) | (13,701) |
| Inventory and receivables | 139 | – | (116) | 9 | 32 |
| Cash flow hedge | 66 | – | – | 458 | 524 |
| Intangibles | (1,075) | – | 338 | (20) | (757) |
| Lease liabilities | 16,807 | – | (537) | 139 | 16,409 |
| Provisions and accruals | 2,657 | – | 1,056 | 97 | 3,810 |
| Tax losses | 4,935 | – | 541 | 303 | 5,779 |
| | **7,908** | **–** | **1,545** | **788** | **10,241** |

| | CONSOLIDATED 2020 | | | | |
|---|---|---|---|---|---|
| | Opening balance 1 April 2019 | Recognised in opening retained earnings $'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 | – | (159) | (47) | 2,657 |
| Tax losses | 1,582 | – | 3,377 | (24) | 4,935 |
| | **3,011** | **1,507** | **3,899** | **(509)** | **7,908** |

# Notes to the Consolidated Financial Statements (continued)

### 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 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.

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 certain performance hurdles and vesting conditions being met.

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.

# Notes to the Consolidated Financial Statements (continued)

The following share options and performance share rights (PSR) have been issued and had not lapsed or been exercised at 31 March 2021.

| Plan Name | Date issued | Number of options | Number of PSR | Options exercise price | Vesting date |
|---|---|---|---|---|---|
| 2018 LTI plan | 25-May-17 | 773,472 | 193,367 | $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 | 3,963,436 | 1,486,293 | $0.45 | 6-Jun-22 |
| 2021 LTI plan | 10-Aug-20 | 3,036,824 | 1,619,640 | $0.20 | 6-Jul-23 |

## 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 instruments granted under the plan has been assessed by an independent valuer.

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | 2021 $'000 | 2020 $'000 |
| **Share-based payments reserve** | | |
| Balance at the beginning of the period | 931 | 725 |
| Transfer to equity on vesting of employee share purchase scheme | – | (181) |
| Movement in share-based payments reserve | 281 | 387 |
| **Closing balance** | **1,212** | **931** |

### 6.4 Related Party Transactions

## Subsidiaries

The Group's principal subsidiaries at 31 March 2021 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 | 2021 Interest | 2020 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% |

# Notes to the Consolidated Financial Statements (continued)

### 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, Angela Bull, Rhys Jones, Graham Stuart and Mark Eglinton.

Willem Roest retired on 30 June 2020. Mark Eglinton was appointed on 1 April 2020.

### Key management and Board of Directors' compensation

Key management are members of the Executive Team, being direct reports of the CEO. The compensation paid to key management for employee service is shown below:

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2021 $'000** | **2020 $'000** |
| Salaries and other short-term employee benefits | 2,747 | 2,960 |
| Management incentive[1] | – | 522 |
| Termination payments | 211 | – |
| Share-based payments | 167 | 137 |
| | **3,125** | **3,619** |

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

### Board of Directors' compensation

| | CONSOLIDATED | CONSOLIDATED |
|---|---|---|
| | **2021 $'000** | **2020 $'000** |
| Directors' fees | 628 | 612 |
| | **628** | **612** |

### 6.5 Contingencies

At 31 March 2021 the Group had no contingent liabilities or assets.

# Notes to the Consolidated Financial Statements (continued)

### 6.6 Commitments

At 31 March 2021 the Group had no commitments.

### 6.7 Restrospective Restatement of Error

During the year ended 31 March 2021, the Group identified an integration error between the payroll time and attendance system and the accounting records, which resulted in the understatement of the annual leave provision by $1.39 million at 31 March 2020. The integration issue began from the implementation of a new payroll system in September 2019. The integration issue did not impact the entitlement of employees, nor has it resulted in any errors in payments made to employees over the period. The financial statements have been restated to correct this error. The impact of the restatement on the consolidated financial statements at 31 March 2020 is set out in the tables below:

**Impact on the statement of comprehensive income for the year ended 31 March 2020**

| | Consolidated 2020 Annual Report $'000 | Adjustment $'000 | Consolidated Restated $'000 |
|---|---|---|---|
| Cost of sales | (139,037) | (640) | (139,677) |
| **Gross profit** | **115,871** | **(640)** | **115,231** |
| Distribution and glazing-related expenses | (45,350) | (718) | (46,068) |
| Selling and marketing expenses | (14,370) | (25) | (14,395) |
| Administration expenses | (33,571) | (2) | (33,573) |
| **Profit before significant items, interest and tax** | **23,162** | **(1,385)** | **21,777** |
| Income taxation expense | (2,908) | 388 | (2,520) |
| **Loss for the year** | **(77,864)** | **(997)** | **(78,861)** |

| Earnings per share | Cents | Cents | Cents |
|---|---|---|---|
| Basic and diluted earnings per share | (42.0) | (0.5) | (42.5) |

Impact on the Statement of Financial Position at 31 March 2020

| | Consolidated 2020 Annual Report $'000 | Adjustment $'000 | Consolidated Restated $'000 |
|---|---|---|---|
| Deferred tax | 7,520 | 388 | 7,908 |
| **Total assets** | **258,032** | **388** | **258,420** |
| Trade and other payables | 23,216 | 1,385 | 24,601 |
| **Total liabilities** | **181,192** | **1,385** | **182,577** |
| Retained earnings | (60,472) | (997) | (61,469) |
| **Total equity** | **76,840** | **(997)** | **75,843** |

# Notes to the Consolidated Financial Statements (continued)

## 6.8 Sale & Leaseback

The Group entered into two sale and leaseback agreements relating to the New Zealand vehicle fleet during the year ended 31 March 2021. The Group has determined that a number of these leases do not satisfy the requirements of NZ IFRS 15 to be accounted for as a sale of the asset and has recognised a financial liability equal to the cash received. Where the transfer of control under NZ IFRS 15 has been satisfied, the vehicle has been disposed of with the gain recognised as a significant item in the consolidated statement of comprehensive income. Where the subsequent lease has a lease term of 12 months or less, the lease payments are recognised on a straight-line basis as an expense in profit or loss, otherwise a right-of-use asset and a corresponding lease liability have been recognised.

The impact of the sale and leaseback transaction on the consolidated financial statements is set out in the tables below.

### Impact on the statement of comprehensive income for the year ended 31 March 2021

| | Total $'000 |
|---|---|
| Depreciation | 262 |
| Short-term and low-value leases | 95 |
| Interest on leases | 50 |
| Interest on other financing | 130 |
| Significant item - gain on disposal | (951) |
| **Total** | **(414)** |

### Impact on the statement of financial position at 31 March 2021

| | Total $'000 |
|---|---|
| Property, plant and equipment | (1,964) |
| Right-of-use assets | 2,056 |
| Lease liabilities | (2,080) |
| Interest-bearing liabilities | (2,640) |
| **Total** | **(4,628)** |

### Impact on the statement of cash flows for the year ended 31 March 2021

| | TOTAL $'000 |
|---|---|
| Payments to suppliers and employees | (95) |
| Interest paid on leases | (50) |
| Proceeds from sale of property, plant and equipment | 2,915 |
| Lease liabilities payments | (238) |
| Drawdown of other financing | 2,510 |
| **Total** | **5,042** |

# Independent auditor's report

To the Shareholders of Metro Performance Glass Limited

## 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 2021, its financial performance and its cash flows for the year then ended in accordance with New Zealand Equivalents to International Financial Reporting Standards (NZ IFRS) and International Financial Reporting Standards (IFRS).

### What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 March 2021;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

## Basis for opinion

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

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

### Independence

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

Our firm carries out other services for the Group in the area of an assurance report relating to the Group's covenant compliance certificate. The provision of this other service has not impaired our independence as auditor of the Group.

## Key audit matters

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

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

| Description of the key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Goodwill impairment tests**<br>As at 31 March 2021 the carrying amount of the Group's goodwill amounted to $54.5 million as disclosed in note 4.3, which related to the New Zealand ($30.9 million) and Australia ($23.6 million) cash generating units (CGUs).<br><br>The New Zealand and Australia goodwill balances had each been partially impaired at 31 March 2020 and 31 March 2019 respectively.<br><br>Management has based its impairment assessment for each CGU on a value in use basis, using a discounted cash flow model based on forecast future performance to determine the recoverable amount.<br><br>The key assumptions in the impairment assessments are the revenue growth rates over the next three years, the discount rates and the long term growth rates.<br><br>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. Management considered the reasons for this difference in finalising their assessment of the recoverable amounts of the CGUs of the Group. No impairment was identified.<br><br>The impairment testing of goodwill is considered a key audit matter due to the materiality of the goodwill balances, the gap between the Group's net assets and its market capitalisation, and the significant level of management estimation and judgement applied in determining key assumptions used in the impairment assessment. | Our audit focused on assessing and challenging the key assumptions used by management in the two impairment assessments. Our procedures included:<br>● Evaluating the appropriateness of the identification of CGUs.<br>● Considering whether the valuation methodologies applied were appropriate, including the change from a probability-weighted approach for the 31 March 2020 impairment tests to a single forecast scenario for the current year's assessments.<br>● Agreeing the cash flows included in management's impairment models to the board approved plans.<br>● Assessing the Group's forecasting accuracy by comparing historical forecasts to actual results and considering the impact on cash flow forecasts.<br>● Evaluating key cash flow assumptions by obtaining from management a detailed analysis of the strategic direction of the business and market dynamics and comparing these against third party forecasts for the industry and current trends.<br>● Engaging our valuation expert to assist us with:<br>- assessing whether the discount rates and terminal growth rates used by management are reasonable in the context of the forecasts; and<br>- considering management's paper comparing the net assets and the market capitalisation of the Company. This analysis was completed as part of our assessment of indicators of impairment.<br>● Testing the accuracy of the calculations in management's impairment models, and checking that the carrying amount for each of the CGU's net assets was correctly included in the impairment assessment.<br>● Performed sensitivity analyses for the effect of reasonably possible changes in key assumptions on the impairment assessment.<br>● Considering the appropriateness of disclosures in the consolidated financial statements.<br><br>We had no matters to report as a result of our procedures. |

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Sale and leaseback transactions**<br>As disclosed in note 6.8 of the consolidated financial statements, the Group entered into two sale and leaseback agreements relating to its vehicle fleet during the year.<br><br>The transactions resulted in different accounting treatments for individual vehicles:<br>● where control of the vehicles was transferred to the lease companies the transactions were treated as sales and subsequent leases<br>● where control was not transferred the transactions were recognised as merely new financing equal to the cash received.<br><br>For vehicles that were sold and leased back the Group calculated a gain on sale of $951,000 by applying the market value requirements of the relevant accounting standards to validate the appropriateness of the amounts agreed in the sales and leaseback transactions.<br><br>This was determined to be a key audit matter due to the financial significance and complexity of the transactions, involving management judgement in determining whether control was transferred and therefore the accounting treatment in relation to each vehicle, and calculating the gain on sale in accordance with the accounting standards. | Our audit of the sale and leaseback transactions focused on the judgements used in determining the accounting treatment for the transaction and on testing the gain recognised on the sales.<br><br>Our procedures included:<br>● Gaining an understanding of the terms and economic substance of the sale and leaseback arrangements through reviewing board minutes, discussions with management and reading the relevant agreements.<br>● Considering management's view on whether control was transferred in line with the requirements of the relevant accounting standard.<br>● Testing the calculation of the gain on sale with specific reference to the considerations in the relevant accounting standards, including:<br>- Evaluating the selling price against the market value of the underlying assets at the date of sale.<br>- Assessing the reasonableness of the agreed lease expense compared to market leases for similar vehicles.<br>● Considering the appropriateness of disclosures in the consolidated financial statements.<br><br>We had no matters to report as a result of our procedures. |

## Our audit approach

### Overview


Overall group materiality: $696,000, which represents approximately 5% of weighted average profit/loss before income taxation over the past three years, adjusted to exclude the impairment of intangible assets, restructuring expenses and the gain on the sale and leaseback of vehicles that occurred during this three year period. A higher weighting was applied to the current year.

We chose to use a weighted average over the last three years' profit/loss before income taxation and to adjust it as described above because, in our view, it provides a more stable measure of the Group's performance by moderating the impacts of the COVID-19 pandemic in the current year and of other significant and irregular expenses and gains.

Following our assessment of the risk of material misstatement, we performed:

- full scope audits on the Group's two trading entities
- substantive audit procedures on selected significant balances in the remaining non-trading entities and on consolidation entries, and
- analytical review procedures on all the remaining non-trading entities.

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

- Goodwill impairment tests
- Sale and leaseback transactions.

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

### Materiality

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

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

### How we tailored our group audit scope

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

The materiality levels applied in the full scope audits of the New Zealand and Australian businesses were calculated by reference to a portion of Group materiality appropriate to the relative scale of the business concerned.

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## Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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/assurance-standards/auditors-responsibilities/audit-report-1/

This description forms part of our auditor's report.

## Who we report to

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

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

For and on behalf of:

PricewaterhouseCoopers

Chartered Accountants
21 May 2021

Auckland

# Corporate Governance & Statutory Information

# Corporate Governance

## Metro Performance Glass Limited: FY21 Corporate Governance Statement

**Metro Performance Glass' (Metroglass, the company) Board of Directors 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 21 May 2021 and has been approved by the board. Metroglass considers that, during the year to 31 March 2021 (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 www.metroglass.co.nz/investorcentre/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 by the board 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:

# Corporate Governance (continued)

- 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 by the board 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 21 May 2021, the board comprised six independent directors. Director profiles and length of service are detailed on pages 16 and 17 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 by the board on 1 April 2021.

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 by the board on 16 December 2020. 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.

### 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 21 May 2021, all six directors are considered by the board to be independent directors in accordance with the NZX Main Board Listing Rules. Information in respect of each director's relevant interests are detailed on pages 85 – 87 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.

# Corporate Governance (continued)

## Nomination and Appointment of Directors

### Directors' skills matrix as at 31 March 2021

| Strategic board skills | Number of directors with high and moderate capabilities | Area of future learning or potential appointment |
|---|---|---|
| Building products and manufacturing | ●●●●○○ | ★ |
| Australian market knowledge | ●●○ | ★ |
| Safety | ●●●●○○ | |
| Commercial/risk – former CEO | ●●●●●○ | |
| Financial expert | ●●○○○○ | |
| Strategic investment banking | ○○○○○○ | ★ |
| B2B marketing and customer insight | ○○○ | ★ |
| People and culture | ●●●●○ | |
| Governance | ●●●●○○ | |
| Diversity (gender, age, ethnicity etc.) | ● | ★ |

**Key** ● High capability ○ Moderate capability

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 member's 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 consider a skills matrix that sets out the mix of skills and diversity of the directors and evaluates whether the collective skills and experience of the directors meet Metroglass' requirements both now and into the future.

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

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

## Selection of Chair

The Metroglass Constitution provides that the directors may elect a chairperson of the company and also determine the period for which the chairperson is to hold office. Peter Griffiths is an independent director and is currently the appointed chairperson.

## Retirement and Re-election

The company's Constitution and NZX Main Board Listing Rules require a newly appointed director to stand for election at the next Annual Shareholders' Meeting (ASM). Mark Eglinton and Graham Stuart, both appointed by the board after the 2019 ASM, were elected as directors of Metro Performance Glass Limited at the company's ASM on 21 August 2020.

# Corporate Governance (continued)

## 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 committee. These reviews are carried out both formally and informally.

The last full board performance review was completed across April and May 2021 with the assistance of governance services firm Propero Consulting. The Audit and Risk Committee was last reviewed in February 2021 and the People and Culture Committee was last reviewed in June 2020.

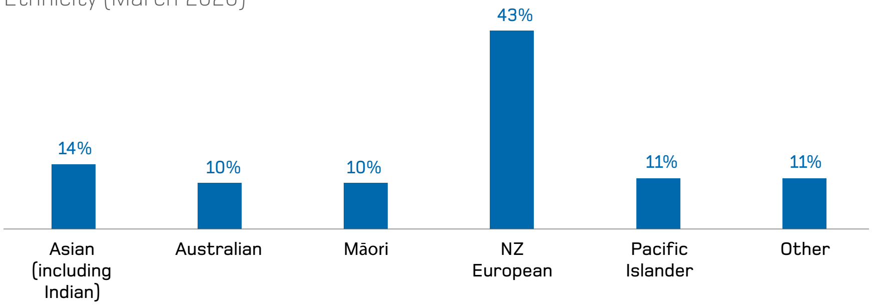
## Diversity and Inclusion

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.

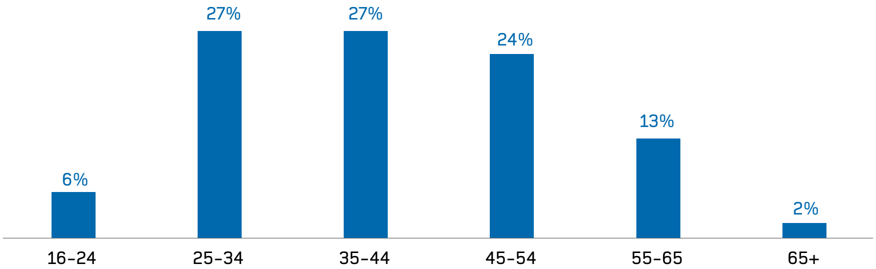
### How is our workforce made up?*

Gender (March 2020)


Ethnicity (March 2020)




Age (April 2021)




* Workforce diversity data sourced from staff surveys

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.

As at 31 March 2021 (and 31 March 2020 for the prior comparative period), the mix of gender among the company's board and SLT were:

| 31 March 2021 | Female | Male | Total | % Female |
|---|---|---|---|---|
| Board | 1 | 5 | 6 | 17% |
| Senior Leadership Team | 3 | 7 | 10 | 30% |

| 31 March 2020 | 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
- Maintain fair and consistent reward and recognition
- Ensure female candidates are identified for all board and senior management vacancies.

# Corporate Governance (continued)

In 2020 the board approved three strategic initiatives to advance the company's diversity objectives in the 2021 financial year. The table below details these initiatives and Metroglass' progress against them.

| INITIATIVE | PROGRESS MADE |
|---|---|
| 1. Develop a workplace flexibility policy | COVID-19 provided the company with a unique opportunity to develop and test its flexible working or working from home, offering tools and guidelines. The vast majority of non-factory or glazing staff were able to successfully work remotely for an extended period early in the financial year, and during subsequent lockdowns in Auckland.<br>The company is currently finalising a formal Workplace Flexibility Policy, taking into account the key learnings from 2020 as well as feedback from staff and other stakeholders. |
| 2. Continue to focus on increasing the number of females we have across all levels of the business | 13% of the board and senior management roles recruited for in the past financial year had a successful female candidate (2020: 13%) and 38% had at least one short-listed female candidate who was interviewed (2020: 38%). Turnover in senior roles was low over this period, with only eight senior role changes across the group in FY21. |
| 3. Understand our current gender pay parity | An internal pay parity audit was completed during the year. This audit highlighted no major disparities, however a few outliers will be addressed through upcoming remuneration reviews. |

The company's planned initiatives for the 2022 financial year are to:

1. Conduct diversity and inclusion training for all hiring managers to ensure our recruitment process is inclusive and helps us to attract a diverse range of talent
2. Take at least 50% of our senior managers through unconscious bias training.

### 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 2021, 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 2021

| Director | Board meetings attended | Audit and Risk Committee meetings attended | People and Culture Committee meetings attended | Appointed/Resigned |
|---|---|---|---|---|
| **Meetings held** | **17** | **12** | **4** | |
| **Sitting Directors** | | | | |
| Peter Griffiths | 17/17 (c) | 4/4 | | Appointed: 02/09/16 |
| Angela Bull | 16/17 | | 4/4 (c) | Appointed: 05/05/17 |
| Russell Chenu | 15/17 | 12/12 | | Appointed: 05/07/14 |
| Mark Eglinton | 16/16 | | 4/4 | Appointed: 01/04/20 |
| Rhys Jones | 17/17 | | 4/4 | Appointed: 01/04/18 |
| Graham Stuart | 16/17 | 12/12 (c) | | Appointed: 01/12/19 |
| **Past Directors** | | | | |
| Willem (Bill) Roest | 9/9 | 8/8 | | Appointed: 05/07/14<br>Resigned: 30/06/20 |

(c) indicates Chair.

The board periodically reviews the need for additional committees. Each committee operates under charters approved by the board, and any recommendation that 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 21 May 2021 were:

- Audit and Risk Committee: Graham Stuart (Chair), Russell Chenu and Peter Griffiths
- People and Culture Committee: Angela Bull (Chair), Mark Eglington and Rhys Jones.

# Corporate Governance (continued)

### 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 by the board on 20 November 2020.

### 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, including oversight of diversity and inclusion.

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 1 April 2021.

### Takeover Protocol

Metroglass has adopted a Takeover Response Policy to assist in guiding the board and management in the event that the company receives an offer or an approach by a potential acquirer for a controlling stake in Metroglass. This policy is reviewed at least every three years and was last approved by the board on 16 December 2020.

### 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 22 to 60 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 by the board 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: www.metroglass.co.nz/investor-centre/governance/.

### Sustainability and 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 framework but aims to provide non-financial information that would be useful to its stakeholders.

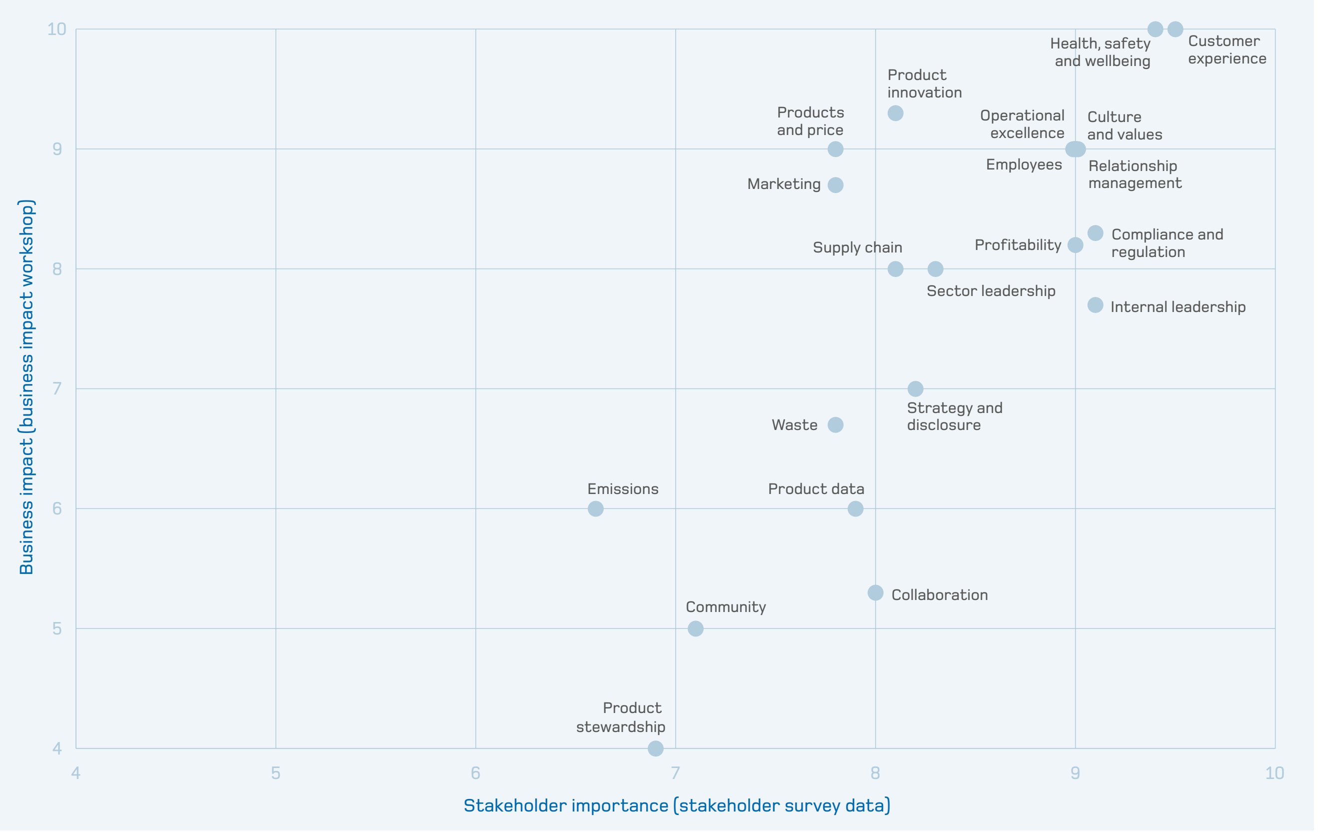
This year, Metroglass actively engaged with its key stakeholders to better understand what matters most to them. With support from our partner thinkstep-anz, we identified and ranked the issues stakeholders regard as material for our business using a combination of interviews, workshops and surveys. The engagement process identified a long list of topics which were validated and aggregated through engagement with key internal stakeholders and against the feedback received from external stakeholders.

The method of determining material topics for reporting followed the Global Reporting Initiatives (GRI) 101 Standard, including the principles of materiality and stakeholder inclusivity. The stakeholder set represented a wide range of diverse interests and included staff, customers, industry bodies, regulators and shareholders, across both New Zealand and Australia.

# Corporate Governance (continued)

Metroglass' inaugural materiality matrix (completed in April 2021)

## Metroglass 2021 Materiality Matrix




Overall, 21 material topics were assessed and included in Metroglass' materiality matrix for 2021. Metroglass' materiality matrix follows a common format in which the significant majority of topics are assigned a score above 6 on both axes. This is typical and underscores the fact that while some topics are more important than others, ultimately all topics on a materiality matrix have an inherent level of significance.

In addition, Metroglass' materiality matrix illustrates a clear trendline from the bottom left of the matrix through to the top right. This indicates an overall positive correlation between stakeholder importance and business impact for the identified topics.

This is encouraging as it suggests that the topics important to stakeholders may have a proportionate impact on the business and vice versa. Internationally, many materiality matrices follow a similar pattern.

### Next steps

The results of this materiality assessment will be used as impetus to further design and refine Metroglass' sustainability journey by complementing existing initiatives which are already underway.

Metroglass intends to develop and report on a suite of measurable key performance indicators on the most material topics. Where there are none and Metroglass considers it is a topic that it is able to influence irrespective of their position on the matrix, Metroglass plans to develop indicators.

Developing specific targets and key performance indicators within the high-priority areas will provide a transparent future commitment to environmental, social and economic progress.

# Corporate Governance (continued)

### 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 78 to 81 of this Annual Report.

### Principle 6: Risk Management

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

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

- Identifying the principal risks of Metroglass' business
- Reviewing and ratifying Metroglass' systems of internal compliance and control, risk management and legal compliance, to determine the integrity and effectiveness of those systems
- 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 safety and wellbeing (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.

### Safety and Wellbeing

The safety and wellbeing of the company's staff, contractors and customers is fundamental to Metroglass' pursuit of leadership in glass solutions. Accordingly, all regular board meetings and risk reviews specifically look at safety and wellbeing matters. The company maintains a safety and wellbeing risk register for both New Zealand and Australia, which is reviewed by the board 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. In FY21 the business has focused on promoting and improving early intervention practices which allow for identification and reporting of early signs of discomfort. This enables assistance with activity assessments and provision of light duties to ease any discomfort experienced. To maintain visibility of such reports, the company's total recordable incident frequency rate (TRIFR) reporting presented below has been expanded to include restricted work injuries in addition to lost-time and medical treatment injuries.

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. With a positive attitude towards risk management and compliance with the control processes, we actively strive to learn from accidents, near misses and safety performance indicators and bring about continual improvement. 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.

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 working practices and standards for controlling hazards effectively. All the company's New Zealand properties are working towards implementing a health and safety management system based on industry best practice (ISO 45001). In FY21 we also introduced updated health and safety management software which, when fully implemented, will automate various health and safety management processes and provide enhanced documentation and reporting functions to assist in our continuous improvement initiatives.

# Corporate Governance (continued)

## Group safety performance

| | FY21 | FY20 | FY19 |
|---|---|---|---|
| LTIFR | 15.6 (33 incidents) | 19.4 (44 incidents) | 16.0 (28 incidents) |
| TRIFR (new methodology) Includes: LTIs, MTIs and RWIs | 53.0 (112 incidents) | | |
| TRIFR (prior methodology) Includes: LTIs and MTIs | 27.4 (58 incidents) | 40.2 (91 incidents) | 51.8 (91 incidents) |

Notes:

- Acronyms stand for: lost time injury (LTI), medical treatment injury (MTI), restricted work injury (RWI);
- Lost-Time Injury Frequency Rate (LTIFR) is measured by calculating the number of injuries resulting in at least one full workday lost per million hours worked;
- Total Reportable Incident Frequency Rate (TRIFR) is measured by calculating the number of medical treatment cases, restricted work cases and lost-time injuries per million hours worked.
  - > The FY21 TRIFR metric includes 54 restricted work cases. This is a new report and incident capture category that tracks early intervention taken to prevent aggravation into a lost-time injury.

## 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
- 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
- Monitoring and reviewing the internal auditing practices.

The company does not have a stand-alone 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 (the committee met 12 times in FY21) 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 2021 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.

# Corporate Governance (continued)

## 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 Reports

Metroglass' Annual Reports and Interim Reports are all available on the company's website at: 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 Shareholders' Meeting

Metroglass' previous annual shareholders' meeting was held on 21 August 2020. The notice of the meeting was released to the market on 22 July 2020. Minutes of the meeting are available on the company's website at: www.metroglass.co.nz/investor-centre/annual-shareholders-meeting/.

The 2021 Annual Shareholders' Meeting is expected to be held on 6 August 2021 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, considering 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.

## Directors' 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 2021 is set out below.

| Director | Responsibilities | 2021 Directors' Fees |
|---|---|---|
| **Standing Directors** | | |
| Peter Griffiths | Chair of the Board, Member of the Audit and Risk Committee | $160,000 |
| Angela Bull | Director, Chair of the People and Culture Committee | $85,000 |
| Russell Chenu | Director, Member of the Audit and Risk Committee | $90,000 |
| Mark Eglinton | Director, Member of the People and Culture Committee | $85,000 |
| Rhys Jones | Director, Member of the People and Culture Committee | $85,000 |
| Graham Stuart | Director, Chair of the Audit and Risk Committee | $97,500* |
| **Past Directors** | | |
| Willem (Bill) Roest | Director, Chair of the Audit and Risk Committee | $25,000** |
| **Total** | | **$627,500** |

* Graham Stuart was appointed to the board with effect from 1 December 2019, as a member of the Audit and Risk Committee from 1 April 2020 and as Chair of the Audit and Risk Committee from 1 July 2020.
** Willem (Bill) Roest resigned from the board with effect from 30 June 2020.

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 (2021: 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. The fee pool was temporarily increased in FY21 to accommodate an additional director (from 1 April 2020 to 30 June 2020) in accordance with NZX Listing Rule 2.11.3.

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.

# Remuneration Report (continued)

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 compensation structures of the CEO and senior management 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 2021 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 2021 financial year, the sole metric driving the STI plans for both New Zealand and Australia was:

| Target | Weighting | FY21 Result: NZ | FY21 Result: Australia |
|---|---|---|---|
| Earnings before interest and tax (EBIT) performance | 100% | Achieved (100%) | Partially achieved 25% |

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 30% of the specified reward, up to the 'Maximum performance target' and receiving 100% of the specified reward. The 2021 STI plan did not allow for additional payments where actual performance exceeded the Maximum performance target.

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 FY21 was announced on 7 August 2020. 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 2021 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 8,966,741 share options and 3,673,575 performance share rights remain outstanding pursuant to the 2018, 2019, 2020 and 2021 LTI plans as at 21 May 2021.

## 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.

# 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 five financial years (12 months to 31 March)

| | | Fixed Remuneration | | |
|---|---|---|---|---|
| **Financial year** | **CEO** | **Salary** | **Other benefits**** | **Total fixed remuneration** |
| FY21 | Current | $650,000 | $26,132 | $676,132 |
| 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 2021

| **Plan** | **Description** | **Performance measures** | **Percentage of maximum awarded** |
|---|---|---|---|
| STI | Set at 50% of fixed remuneration for FY21 if the highest STI target is achieved. This year's scheme did not allow for additional incentive payments should performance exceed the top STI target. | 100%: EBIT performance | 99.5% |
| LTI | Issued 19 June 2020. The first vesting date is 3 July 2023 and no instruments have yet had the chance to vest. | 50% share options require Metroglass' Total Shareholder Return (TSR) to exceed a compound annual pre-tax rate that is 1% above the company's 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** |
| FY22 | Current | FY21 | 99.5% | $323,278 |
| FY21 | Current | FY20 | Nil | Nil |
| FY20 | Current | FY19 | 59% | $96,364* |
| FY19 | Former | FY18 | Nil | Nil** |
| FY18 | Former | FY17 | 10% | $28,563 |

* 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.

# Remuneration Report (continued)

| | | PAY FOR PERFORMANCE: LONG-TERM INCENTIVES | | |
|---|---|---|---|---|
| | CEO | LTI (initial grant values)* | % LTI vested against maximum | Span of LTI performance periods |
| FY21 | Current | 162,500 | N/A | 04/07/20 – 03/07/23 |
| 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 |

* 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 2021, 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 2021 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 2021 that relate to the year ended 31 March 2021.

| Remuneration | Number of employees |
|---|---|
| 100,000 – 110,000 | 47 |
| 110,000 – 120,000 | 29 |
| 120,000 – 130,000 | 24 |
| 130,000 – 140,000 | 15 |
| 140,000 – 150,000 | 11 |
| 150,000 – 160,000 | 6 |
| 160,000 – 170,000 | 3 |
| 170,000 – 180,000 | 7 |
| 180,000 – 190,000 | 2 |
| 190,000 – 200,000 | 3 |
| 200,000 – 210,000 | 5 |
| 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 | 1 |
| 280,000 – 290,000 | 1 |
| 290,000 – 300,000 | 1 |
| 300,000 – 310,000 | 2 |
| 310,000 – 320,000 | 1 |
| 420,000 – 430,000 | 1 |
| 560,000 – 570,000 | 1 |
| 740,000 – 750,000 | 1 |

# Statutory Information

## Securities Exchange Listing

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

### Shares on issue as at 31 March 2021

| Register | Security | Holders | Units |
|---|---|---|---|
| New Zealand | MPG (NZX) | 2,939 | 183,278,550 |
| Australia | MPP (ASX) | 109 | 2,099,536 |
| **Total** | **MPG (Dual)** | **3,048** | **185,378,086** |

### Securities issued, and still outstanding, under the 2017 – 2021 long term incentive plans as at 31 March 2021:

| Long-Term Incentive Scheme | Security | Holders | Units |
|---|---|---|---|
| 2018 Performance Share Rights | MPG (NZX) | 18 | 193,367 |
| 2018 Share Options | MPG (NZX) | 18 | 773,472 |
| 2019 Performance Share Rights | MPG (NZX) | 24 | 374,275 |
| 2019 Share Options | MPG (NZX) | 24 | 1,193,009 |
| 2020 Performance Share Rights | MPG (NZX) | 32 | 1,486,293 |
| 2020 Share Options | MPG (NZX) | 32 | 3,963,436 |
| 2021 Performance Share Rights | MPG (NZX) | 12 | 1,619,640 |
| 2021 Share Options | MPG (NZX) | 12 | 3,036,824 |

# Statutory Information (continued)

## Top 20 Shareholders

Metroglass' top 20 registered shareholders as at 31 March 2021 were as follows:

| Rank | Investor name | Shares at 31 March 2021 | % Shares |
|---|---|---|---|
| 1 | HSBC Nominees (New Zealand) Limited[1] | 29,849,086 | 16.10% |
| 2 | Masfen Securities Limited | 25,401,929 | 13.70% |
| 3 | Accident Compensation Corporation[1] | 13,126,316 | 7.08% |
| 4 | Takutai Limited | 7,108,825 | 3.83% |
| 5 | Benjamin James Renshaw | 5,386,260 | 2.91% |
| 6 | New Zealand Depository Nominee | 3,850,547 | 2.08% |
| 7 | Trevor John Logan | 3,259,670 | 1.76% |
| 8 | FNZ Custodians Limited | 2,224,461 | 1.20% |
| 9 | Daniel Charles Skinner | 1,698,630 | 0.92% |
| 10 | Grant James Houseman | 1,482,267 | 0.80% |
| 11 | Private Nominees Limited[1] | 1,296,045 | 0.70% |
| 12 | Philip George Lennon | 1,250,341 | 0.67% |
| 13= | Kevin John Summersby | 1,200,000 | 0.65% |
| 13= | Ryca Investments Limited | 1,200,000 | 0.65% |
| 13= | Andrew Rutherford Wallace & Miranda Ruth Burdon | 1,200,000 | 0.65% |
| 16 | Weijun Zhang & Yuhua Yang | 1,000,000 | 0.54% |
| 17 | Da Wei Chu Su | 990,000 | 0.53% |
| 18 | Citibank Nominees (Nz) Ltd[1] | 946,559 | 0.51% |
| 19 | Hui Wen Yang | 930,000 | 0.50% |
| 20 | Jedi Investments Limited | 900,000 | 0.49% |
| **Totals:** | **Top 20 registered holders of ordinary shares** | **104,300,926** | **56.26%** |
| **Totals:** | **Remaining holders' balance** | **81,077,150** | **43.74%** |

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 31 March 2021, a total of 45,218,086 Metroglass shares (or 24.39% 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 31 March 2021. 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 31 March 2021 | % | Date of most recent notice |
|---|---|---|---|
| Masfen Securities Limited | 25,401,929 | 13.70% | 17/02/20 |
| Bain Capital Credit, LP | 21,162,862 | 11.42% | 30/11/18 |
| Accident Compensation Corporation | 13,126,316 | 7.08% | 25/03/19 |

# Statutory Information (continued)

The following shareholder ceased to be a substantial shareholder during the period 1 April 2020 to 31 March 2021: Investment Services Group Limited (inclusive of Devon Funds Management) on 20 April 2020.

## Distribution of Shareholders

As at 31 March 2021:

| Range | Number of holders | % | Number of shares | % |
|---|---|---|---|---|
| 1 – 1,000 | 251 | 8.23 | 170,213 | 0.09 |
| 1,001 – 5,000 | 989 | 32.45 | 2,823,447 | 1.52 |
| 5,001 – 10,000 | 555 | 18.21 | 4,534,123 | 2.45 |
| 10,001 – 50,000 | 921 | 30.22 | 22,533,866 | 12.16 |
| 50,001 – 100,000 | 163 | 5.35 | 12,204,380 | 6.58 |
| Greater than 100,000 | 169 | 5.54 | 143,112,057 | 77.20 |
| **Total** | **3,048** | **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 2020 to 31 March 2021 are as follows:

| | NZX (NZD) | ASX (AUD) |
|---|---|---|
| Minimum | $0.151 (22/05/20) | $0.15 (13/05/20) |
| Maximum | $0.455 (11/02/21) | $0.42 (21/12/20) |
| Range | $0.151 – $0.455 | $0.15 – $0.42 |
| **Total shares traded** | **54,199,064** | **2,088,278[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 2021 was 16 March 2021.

# Statutory Information (continued)

### 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.

Over the past three financial years, the company has prioritised debt reduction and worked towards achieving a leverage ratio for the group (as measured by net debt to rolling 12-month EBITDA) of approximately 1.5 times. Despite the disruptions from COVID-19, the success of Metroglass' debt reduction means that the group is expecting to reach its 1.5x leverage target in the first half of FY22. At 31 March 2021, this ratio was 1.7x times (on a pre-IFRS 16 basis).

No dividends have been declared in respect of the 2021 financial year. It is the board's current intention to resume dividend payments alongside the company's FY22 interim results. The company will seek to pay dividends of between 50% and 70% of net profit after tax before significant items, subject to several considerations including those listed above.

### 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 2021:

| 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 |
| Reliance Worldwide Corporation Limited | Director |
| **Mark Kenneth Eglinton** | |
| 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 |
| **Rhys Jones** | |
| Carbine Aginvest Corporation Limited | Director |
| Dairy Technology Services Limited | Director |
| Resin & Wax Holdings Limited | Chair / Shareholder |
| Ridley Corporation Limited | Director |
| Vulcan Steel Limited | Director / Shareholder |
| Vulcan Steel Pty Limited | Director / Shareholder |
| **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 |
| 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 2021.

No group employee appointed as a director of Metro Performance Glass Limited or its subsidiaries receives or retains any remuneration or other benefits in their capacity as a director, and each is a full-time group employee. The remuneration and other benefits of such employees and former employees (received as employees) totalling NZ$ 100,000 or more during the year ended 31 March 2021 is included in the remuneration bandings disclosed on page 81 of this Annual Report.

# Statutory Information (continued)

As at 31 March 2021, 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 31 March 2021 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, 28/08/18 and 28/02/20 | N/A |
| Russell Chenu | 25,000 | 29/07/14 | N/A |
| Mark Eglinton | Nil | | |
| 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 |
| Graham Stuart | 100,000 | 28/02/20 | N/A |

## Donations

For the year ended 31 March 2021, Metroglass, including its subsidiaries, made donations of $9,143.49 (2020: $27,526.10).

## Net Tangible Assets Per Security

Net tangible assets per security at 31 March 2021: 14.0 cents (31 March 2020: 9.9 cents).

## Currency

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

## Credit Rating

Metroglass has not requested a credit rating.

# Company Directory

### Registered Office

5 Lady Fisher Place
East Tamaki
Auckland 2013
New Zealand

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

### Board Of Directors

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

**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

**Graham Stuart** – Non-Executive Director and Chair 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

**Nick Hardy-Jones** – GM South Island

**Nick Johnson** – Chief Information Officer

**Amandeep Kaur** – Group Safety and Wellbeing Manager

**Andrew Paterson** – GM Strategy and Planning

**Barry Paterson** – GM Commercial Glazing and Technical

**Dayna Roberts** – Human Resources Director

### Auditor

**PricewaterhouseCoopers**
15 Customs Street West
Auckland 1010
New Zealand

### Lawyers

**Bell Gully**
Vero Centre
48 Shortland Street
Auckland 1140
New Zealand

### Bankers

ASB Bank 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, all our core governance documents (our constitution, some of our key policies and charters), our investor relations policies and all our announcements can be viewed on our website: www.metroglass.co.nz/investor-centre/.

# Investor Calendar

| | |
|---|---|
| 2021 Annual Shareholders' Meeting | 6 August 2021 |
| 2022 Half Year balance date | 30 September 2021 |
| 2022 Half Year results announcement | November 2021 |
| 2022 Full Year balance date | 31 March 2022 |
| 2022 Full Year results announcement | May 2022 |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