METRO

2023 Annual Report

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OUR YEAR

$186.7m

+5%

NEW ZEALAND REVENUE

EBIT[1] $6.4m (-14%)

$76.8m

+32%

AUSTRALIAN GLASS GROUP REVENUE

EBIT $6.4m +$6.7m

$263.5m

GROUP REVENUE (FY22: $236.1m)

$11.8m

Group EBIT[1] (FY22: $5.9m)

$60.1m

Net Debt (FY22: $52.3m)

3.2x

Leverage Ratio[2] (FY22: 3.8x)

$6.4m

Capex (FY22: $11.9m)

1 Earnings before interest, tax and significant items

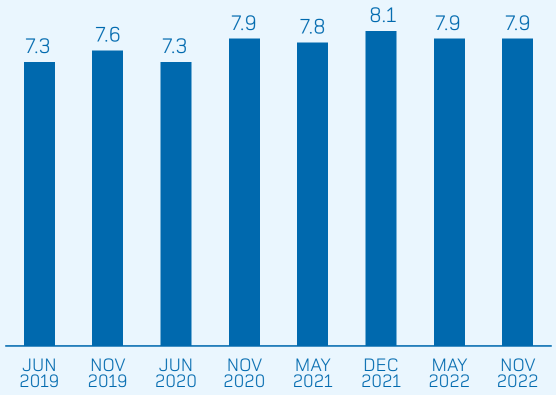
2 Net debt to EBITDA, measured on a pre-IFRS-16 basis

IN REVIEW

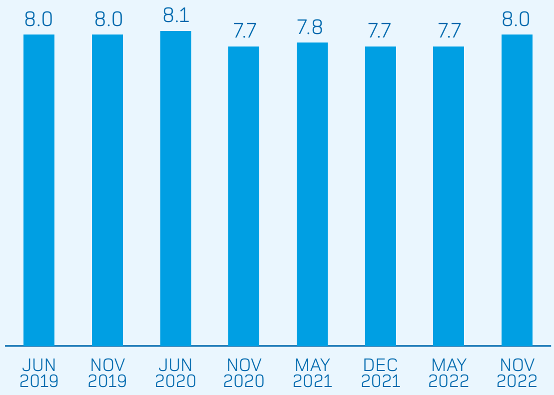
+31%

AUSTRALIAN GLASS GROUP
DOUBLE GLAZING SALES
GROWTH

Customer survey results show sustained satisfaction[1]



New Zealand



Australian Glass Group

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

CHAIR AND CEO REPORT

PETER GRIFFITHS
Chair

SIMON MANDER
CEO

The last year was yet another challenging one for the Metro Performance Glass Group.

The New Zealand supply chain continued to be disrupted by the flow-on effects of the pandemic, cost inflation appeared, and the early signs of a construction sector down-turn became apparent. The New Zealand business took a series of actions to manage these challenges. Australian Glass Group (AGG) delivered a milestone year, achieving revenue growth and a return to profitability.

The focus for both businesses remains on supporting customers by delivering quality products that meet the changing requirements of the market and the increasing need for high-performing glass.

Financial performance

Group revenue for the year to 31 March 2023 of $263.5 million was 12% higher than the prior year, supported by 32% growth in Australia and a modest 5% in New Zealand.

Operational and financial performance in AGG supported the significant increase in profitability this year, as progressive margin improvements and cost saving initiatives bolstered the New Zealand business. Group EBIT before significant items rose 100% to $11.8 million.

Net debt increased from $52.3 million to $60.1 million at 31 March 2023, reflecting the higher value of inventory and trade receivables, a greater stock quantity on hand to cover the lack of reliability in the supply chain and the increased working capital requirements to support the growth in the AGG business.

Positioning New Zealand for a changing market

The business made good progress to address the inflationary pressures and supply chain volatility. While the challenges are expected to continue, our focus remains firmly on operational efficiency and positioning the company to meet the needs of a changing market dynamic.

In the year, we reset the business structure; ceasing manufacturing at the Bay of Plenty plant, corporate restructuring and reducing headcount. These changes will achieve annual savings of $8.0 to $9.0 million in FY24.

Gross profit margin has progressively recovered through quarter four as supply chain disruption reduced, international freight costs began to ease and cost-out initiatives were implemented.

Our investments to increase furnacing capacity 'debottlenecked' our manufacturing network, increased capability for processing Low Emissivity (Low E) glass and improved quality. We also launched a first for the residential market product, SunX™ Grey, which is the latest in solar control technology. These positive steps will satisfy the growing demand for high-performing Low E glass in line with the H1 building code changes which apply now.

Australian Glass Group (AGG) turnaround and the decision to explore divestment

In FY23 AGG has performed well, even with disruptions to supply chains and labour availability. AGG's improved profitability delivered a 32% increase in revenue to $76.8 million and EBIT of $6.4 million, an improvement of $6.7 million on the prior year.

The FY23 result is a positive payback for consistent operational stability. Customers have remained supportive, the Australian construction sector has strengthened and AGG's domestic raw material supply was able to recover quickly from disruption. Marked improvements in market pricing offset inflationary pressures, which also reflected the increased need for high-performing double glazing in the Australian markets.

In February 2023 Metroglass announced its intention to explore divestment options for the Australian business. This process continues to progress and is expected to take a number of months.

AGG has solid fundamentals and a strong growth plan that leverages the adoption of double glazing in the south-east of Australia in line with National Construction Code changes. As AGG enters the next phase of its growth strategy and serving increasing demand for double glazing across the Australian residential market, it is now an appropriate time to consider the options for this business.

The proceeds from any transaction will be directed towards the reduction of debt. Metroglass is targeting a leverage ratio of 1.0x net debt to EBITDA. This net debt level will significantly improve the resilience of the New Zealand business as it manages the dynamics of a changing cycle.

Capital management

Metroglass' net debt increased by $7.8 million to $60.1 million during the year, driven by working capital. Its net debt to EBITDA (on a pre-IFRS 16 basis) ratio decreased to 3.2x at 31 March 2023 from 3.8x.

Working capital grew by 22% to $43.2 million at 31 March 2023. This was the result of higher-value inventory and trade receivables, a greater safety stock quantity on hand and the working capital requirements of a growing business in AGG.

Metroglass has begun to reduce working capital commitments in line with the improving reliability of the international supply chain and this is expected to materially reduce working capital requirements through the first half of FY24.

During the year, Metroglass concluded an extension of its current syndicated banking facilities out to the end of October 2024 (previously October 2023).

Market outlook

The 12-month rolling number of residential consents issued in New Zealand has declined from its peak through the first quarter of 2023. Activity levels in the beginning of FY24 have remained within expectations and customers continue to indicate a stable pipeline of work in the near term. However, the economic outlook presents significant uncertainty for the number of consents issued and the dwellings ultimately constructed in FY24.

As a consequence of the forecasted lower construction activity, a review of the carrying values of Metroglass' assets resulted in a $10.0 million impairment on New Zealand goodwill, which initially arose from acquisitions completed in 2012 (pre-IPO). This non-cash charge has no impact on the company's bank covenants and is presented as a significant item in the FY23 financial statements.

As international freight costs and disruption moderate through the next six months, combined with the increasing demand for Low E products driven by the new H1 building code, the level of financial performance in the first half of FY24 in New Zealand is expected to be better than the prior comparable period.

Economic headwinds from inflation, lower house prices and other external pressures are likely to accelerate the decline in building activity through the second half of FY24. Metroglass continues to monitor a range of scenarios and has appropriate plans to continue to improve the profitability of the New Zealand business. The cost-out programme and restructuring of the New Zealand business announced in November 2022 will continue, delivering operational and financial benefits throughout FY24.

An improvement in the financial performance of the New Zealand business in the first half of FY24, an unwinding of working capital and a continued contribution from AGG will allow for a meaningful reduction in net debt in the first half of FY24. Net debt is expected to be below $55.0 million at the half year.

As announced in March 2023, for the 12 months to 31 March 2024 management forecasts are for AGG to achieve revenue, EBITDA and EBIT of approximately AUD 79.0 million, AUD 11.5 million and AUD 7.5 million[1] respectively.

Despite the signalled declines in economic conditions, Metroglass continues to operate well, and through a combination of the price increases to recover rising input costs, cost-saving initiatives and building code changes that will support sales of higher-value products, Metroglass is well positioned to continue improving its performance.

To conclude, we'd like to take this opportunity, on behalf of the board and management team, to thank our employees, customers, suppliers and shareholders for their continued commitment and support.

PETER GRIFFITHS
Metro Performance Glass Chair

SIMON MANDER
Metro Performance Glass
Chief Executive Officer

The focus for both businesses remains on supporting customers by delivering quality products that meet the changing needs of the market and the increasing need for high-performing glass.

1 Excluding Group Management fee of NZD 0.5 million.

MANAGEMENT SUMMARY

Metroglass is the largest glass processor in New Zealand and operates a diversified channel strategy across residential, commercial glazing and retrofit.

In FY23 the Group made positive steps forward. The capital invested in furnace and glass-processing improvements positions the business well ahead of supportive regulatory changes in both countries, we have begun to progressively recover margins as the elevated freight cost and supply chain disruption eases, and we restructured the New Zealand business as the market dynamic changes.

Group revenue of $263.5 million was an increase of 12% over the prior comparable period and Group EBIT[2] increased 100% to $11.8 million.

The carrying values of the company's intangible assets were reviewed in the context of a declining outlook on construction activity and resulted in a $10.0 million impairment to New Zealand goodwill, which initially arose from acquisitions completed in 2012 (pre-IPO). This non-cash charge has no impact on the company's bank covenants and is presented as a significant item in the FY23 financial statements. As a result, statutory net loss after tax (NLAT) was $(10.5) million.

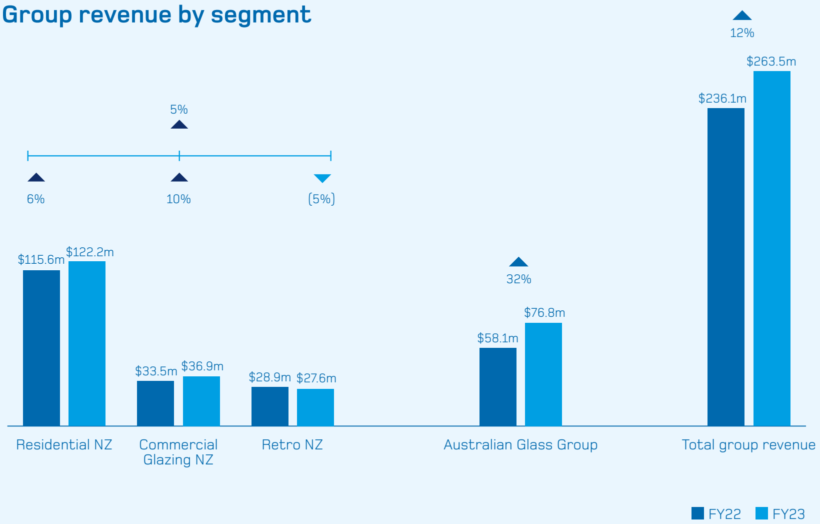
2 Earnings before interest, tax and significant items

Good progress was made on customer-focused initiatives during the year. Our collaborative efforts with customers to remain connected and support our integrated supply chains were positive. While Metroglass experienced some service performance challenges, the most recent customer survey in November 2022 continued to reflect strong results with the New Zealand business achieving 7.9/10 and AGG 8.0/10.

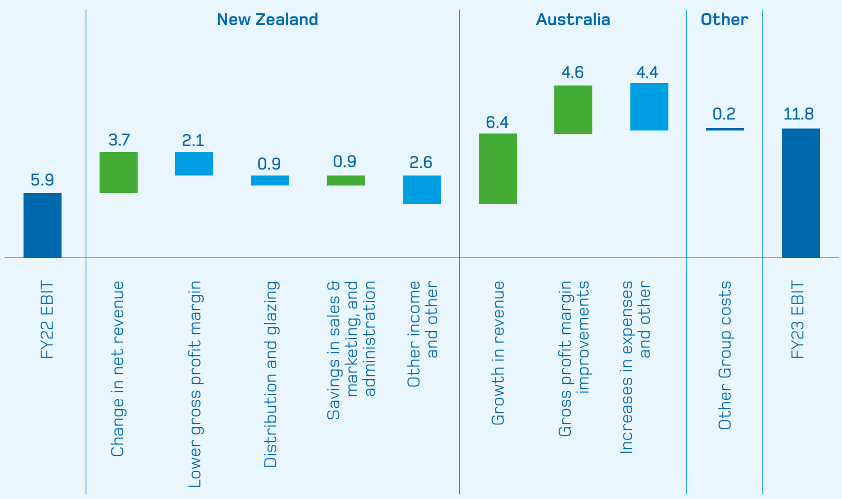
The safety of our teams is paramount and underlines our efforts to ensure our people are staying safe and living well. Our multi-year safety and wellbeing programme continues to make good progress and achieved improvements in safety performance in FY23. For the New Zealand business, there were the Total Recordable Injury Frequency Rate (TRIFR) reducing to 2.5 in FY23, from 5.5 in the prior year. While we will continue to drive this number lower, we are pleased that the improvements in tools, processes and systems are having positive effects on our people.

The labour market remains tight in both New Zealand and Australia. We continue to emphasise our internal training and apprenticeship programme to build capability and provide opportunities for our people to grow and this is developing a strong pipeline of senior leaders within the business. We continue to see ongoing skill development with 20 apprentices qualifying this year.

Group revenue by segment



Group EBIT



New Zealand segmental review

The New Zealand business delivered revenue of $186.7 million, up 5%, primarily as a result of the additional trading days and steady operational execution of its forward work.

In the residential segment, revenue of $122.2 million was 6% above the prior year. Commercial glazing activity remained resilient as revenue rose 10% to $36.9 million; however, profit margins in fixed-price contracts were impacted by rising glass costs. After consecutive years of growth retrofit revenue declined 5% to $27.6 million as homeowners reassessed household spending.

In the Highbrook and Christchurch plants, we commissioned furnaces to 'debottleneck' production capacity and enhance our capabilities in the processing of high-performing Low E glass. As dwellings under the new H1 changes begin to be built we expect the proportion of Low E in our sales mix to significantly increase and our investments ensure we can satisfy this demand.

The business has begun its recovery of gross margin and working capital reductions as supply chain disruptions and rising input costs abate. Price increases introduced in FY23 partially offset elevated input costs and progressively improved gross margins. This is expected to continue through the first half of FY24.

Completion of the cost-out programme at the end of 2022 delivered incremental cost savings in factory costs (gross profit), administration expenses and distribution and glazing costs. Annualised savings of $8.0 million to $9.0 million are expected in FY24. Overall, EBIT of $6.4 million was down 14% compared to the prior year.

NZ revenue

$186.7m

+5%

NZ EBIT

$6.4m

(-14%)

AGG revenue

$76.8m

+32%

AGG EBIT

$6.4m

+$6.7m compared to prior year

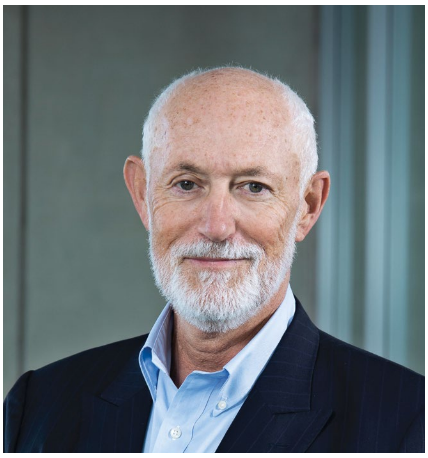
Australian Glass Group (AGG) review

AGG successfully delivered its turnaround with stable operating performance and a significant improvement in market pricing, despite ongoing disruptions and cost inflation. EBIT of $6.4 million reflects an improvement of $6.7 million year-on-year. This was supported by the increase in revenue and gross profit margin, partially offset by an increase in variable costs to service the growth in demand.

Throughout the year, market conditions have remained positive in the construction sector and AGG's reputation as a specialised high-performance double-glazing processor continues to strengthen. As operational performance continues to improve and disruptions to supply and resource availability abate, AGG is well prepared for further growth as double-glazing adoption increases with the National Construction Code (NCC) changes.

The NCC changes in energy efficiency will impact AGG and the Australian glazing industry. This amendment increases the thermal performance requirements for new residential buildings and will result in a minimum standard of double glazing in colder climate zones, for example Canberra, the majority of Victoria and all of Tasmania. Currently compliance with the industry standard and construction code is satisfied through single-glazed windows. In addition, where standard aluminium frames are used in colder climates (which is the majority of our market), there will be higher demand in more advanced high Low E double glazing.

BOARD OF DIRECTORS



PETER GRIFFITHS

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

Appointed: September 2016

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

JULIA MAYNE

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

Appointed: September 2021

Julia is Sydney based and is currently the Head of Commercial at Scottish Pacific Business Finance. Prior to this, she completed several consulting, programme management and Acting CEO roles focused on business improvement. From 2001 to 2015, Julia held senior financial leadership positions across the Fletcher Building Group, including the roles of General Manager Finance – Building Products division, the CFO of the Crane Division, and Divisional Finance Manager – Stramit Building Products. Julia is a qualified CPA, has a CPA MBA from Deakin University, a Bachelor of Commerce (Honours) from the University of NSW and a Bachelor of Commerce from the University of Wollongong.

JENN BESTWICK

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

Appointed: May 2022

Jenn's background is in strategy and organisational performance and she has previously held a number of senior management roles and performed various reviews for government agencies. Jenn currently works across sectors as diverse as science and Innovation, education, tourism, engineering and environment. She is also the Chair of Tonkin + Taylor Group Limited, Chair of the Tertiary Education Commission, and holds directorships for Invercargill City Holdings Limited and Antarctica New Zealand. Jenn has a Bachelor of Laws from the University of Nottingham, UK, and is a Member of the Institute of Directors.

RHYS JONES

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

Appointed: April 2018

Rhys has had a 30-year career working in the Australasian building material and packaging industries. He is currently the Managing Director and CEO of Vulcan Steel Limited, a dual-listed trans-Tasman steel distributor with over 30 business units across Australasia. He is also a director of Carbine Aginvest Corporation Limited (formally Tru-Test Corporation Limited) and Ridley Corporation Limited. Prior to joining Vulcan Steel in 2006, Rhys has held senior roles, in particular with Carter Holt Harvey Ltd and Fletcher Challenge, including as Chief Operating Officer of the Pulp, Paper and Packaging business of Carter Holt Harvey. He holds a Master of Business Studies 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

Appointed: December 2019

Graham has over 30 years' experience in senior executive and governance roles in New Zealand and internationally. He was previously the CEO of Sealord Group from 2007 to 2014 and prior to that was CFO and Director of Strategy with the Fonterra Co-operative Group from 2001 to 2007. Graham is the Chair of EROAD Limited, an independent director and Chair of the audit committee of Tower Limited 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, Chair of the People and Culture Committee

Appointed: April 2020

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

SENIOR LEADERSHIP TEAM

SIMON MANDER
Chief Executive Officer

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

Simon joined Metroglass from Tru-Test Corporation Limited, a world-leading New Zealand-based ag-tech company where he was CEO. Prior roles have been with well-known companies such as Fletcher Building, DS Smith, Carter Holt Harvey, Partners in Performance, Lion Nathan and McKinsey. He was also a director of NZX-listed Wellington Drive Technologies for 10 years.

Simon has a trade background in aircraft engineering and holds a Bachelor of Engineering (Mech) 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.

ANDREAS PAXIE
General Manager
Lower North Island

Andreas leads the Lower North Island region and joined the company in March 2022. He has a strong background in commercial sales, project management and general management across a wide variety of industries and was most recently National Sales Manager for Securely and General Manager for the Lower North Island for Wormald. Andreas has also been a senior leader for a diverse range of other companies including IBM, Pacific Wallcoverings and ACCO brands.

He holds a Bachelor of Technology (Operations Research) from Massey University, and a postgraduate Diploma in Business from Henley Management College.

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.

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

AMANDEEP KAUR
Group Safety and Wellbeing Manager

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

Amandeep holds a Master in Food Science Technology 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 in Marketing and Management and a New Zealand Diploma in Business from the Auckland University of Technology.

RUBEN FERGUSON
General Manager – Market Strategy

Ruben leads Metroglass' Marketing, National Sales and Technical teams and has been with the company since 2019.

He joined Metroglass from Fletcher Building, where he held a variety of roles ranging from commercial finance, business Transformation, through to national sales and distribution leadership.

Earlier in his career, Ruben gained commercial finance experience in the media industry, leading project development throughout New Zealand, the UK and China.

Ruben holds a Bachelor of Commerce from the University of Otago.

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.

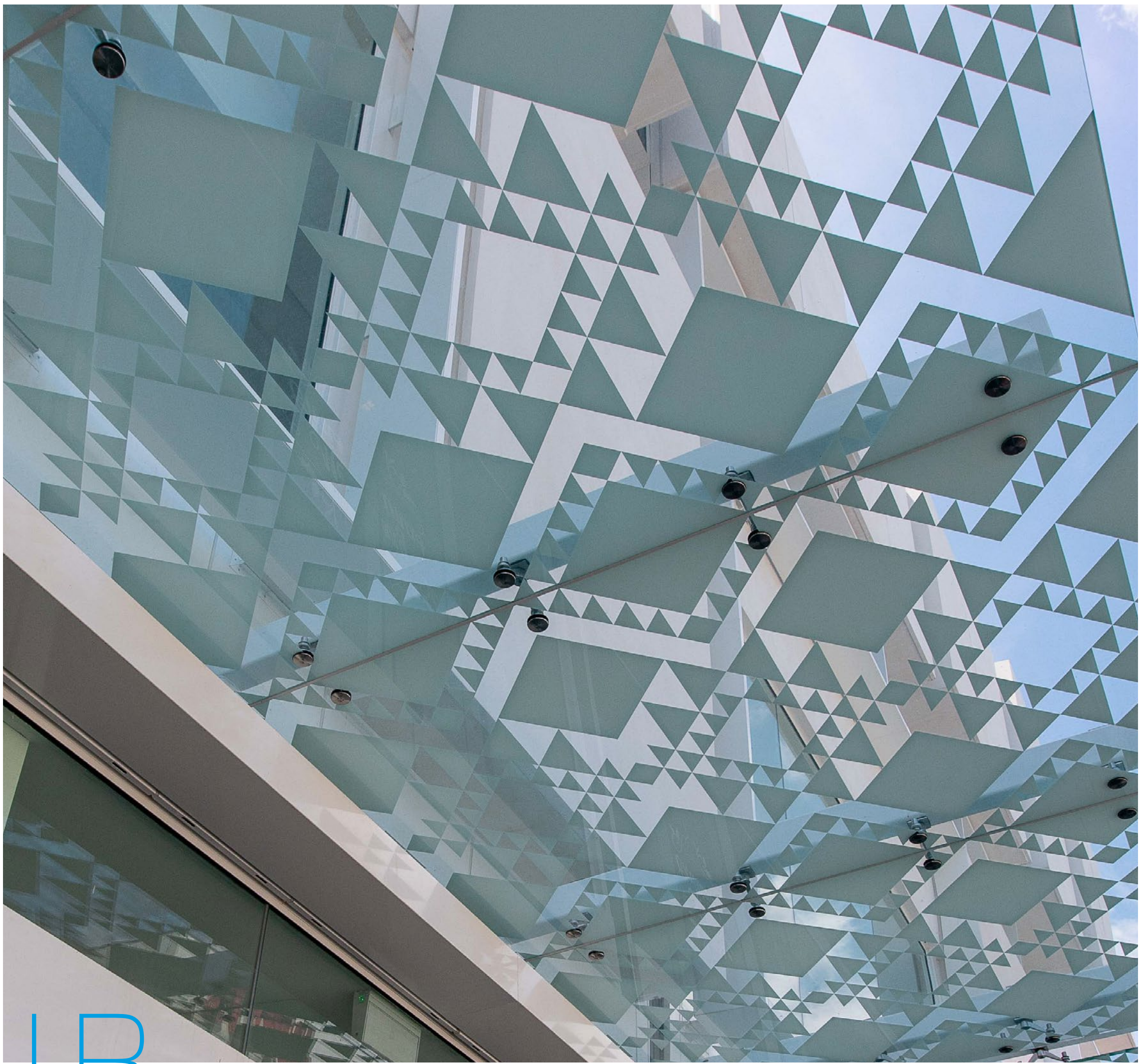
Definitions of non-GAAP financial measures used in this report:

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

*** NPATA:** Profit for the Period before the amortisation of acquisition-related intangibles and its associated tax effect.

GAAP TO NON-GAAP RECONCILIATION

Full year to 31 March	FY22 ($M)	FY21 ($M)
Profit for the period before significant items	**1.5**	**(0.5)**
Less: Impairment of intangible assets	(10.0)	–
Less: NZ restructuring, and Australian divestment	(2.0)	–
Profit for the period (GAAP)	**(10.5)**	**(0.5)**
Add: taxation expense	(0.0)	0.0
Add: net finance expense	10.3	6.3
Earnings before interest and tax (EBIT) (GAAP)	**(0.2)**	**5.9**
Add: depreciation & amortisation	19.0	18.7
EBITDA	**18.7**	**24.6**
EBIT (GAAP)	(0.2)	5.9
Add: Impairment of intangible assets	10.0	–
Add: NZ restructuring, and Australian divestment	2.0	–
EBIT before significant items	**11.8**	**5.9**
EBITDA	18.7	24.6
Add: Impairment of intangible assets	10.0	–
Add: NZ restructuring, and Australian divestment	2.0	–
EBITDA before significant items	**30.7**	**24.6**
Profit for the period (GAAP)	**(10.5)**	**(0.5)**
Add back: amortisation of acquisition-related intangibles and its associated tax effect	–	1.2
NPATA	**(10.5)**	**0.7**



OUR RESULTS

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Consolidated Statement of Comprehensive Income

for the year ended 31 March 2023

	NOTES	CONSOLIDATED	CONSOLIDATED
		2023 $'000	2022 $'000
Revenue	2.1	263,520	236,063
Cost of sales	2.3	(158,453)	(142,472)
Gross profit	**2.1**	**105,067**	**93,591**
Distribution and glazing-related expenses	2.3	(47,269)	(45,441)
Selling and marketing expenses	2.3	(12,796)	(13,160)
Administration expenses	2.3	(33,935)	(32,446)
Share of profits of associate	4.4	414	–
Other income and gains	2.6	303	3,367
Profit before significant items, interest and tax		**11,784**	**5,911**
Significant items	2.4	(12,032)	–
Profit before interest and tax		**(248)**	**5,911**
Finance expense	2.7	(10,870)	(6,327)
Finance income		537	–
Loss before income taxation		**(10,581)**	**(416)**
Income tax benefit/(expense)	6.1	33	(43)
Loss for the year		**(10,548)**	**(459)**
Other comprehensive income			
Items that may be reclassified to profit or loss in the future:			
Exchange differences on translation of foreign operations		(424)	(474)
Change in fair value of hedging instruments (net of tax)	3.5	536	612
Total comprehensive loss for the year attributable to shareholders		**(10,436)**	**(321)**
Earnings per share			
Basic and diluted earnings per share (cents per share)	2.5	(5.7)	(0.2)

The Board of Directors authorised these financial statements for issue on 14 June 2023.

For and on behalf of the Board:

Peter Griffiths
Chairman

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 2023

	NOTES	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000 (Restated)[1]
ASSETS			
Current assets			
Cash and cash equivalents		7,300	13,064
Trade receivables	3.1	38,083	35,799
Inventories	3.2	31,826	27,402
Derivative financial instruments	3.5	251	68
Current income tax asset		1	–
Other current assets	3.7	3,237	2,570
Total current assets		**80,698**	**78,903**
Non-current assets			
Property, plant and equipment	4.1	50,674	54,748
Right-of-use assets	4.2	65,335	70,505
Deferred tax assets	6.2	10,398	10,965
Investment in associate	4.4	2,512	–
Financial assets at fair value through profit or loss	3.5	–	2,098
Intangible assets	4.3	44,336	54,710
Other non-current assets	3.7	650	1,051
Total non-current assets		**173,905**	**194,077**
Total assets		**254,603**	**272,980**
LIABILITIES			
Current liabilities			
Trade and other payables	3.3	27,208	30,626
Deferred income	3.4	2,054	3,450
Income tax liability		–	518
Derivative financial instruments	3.5	107	274
Lease liabilities	5.2	7,452	6,535
Provisions	3.6	633	1,920
Total current liabilities		37,454	43,323
Non-current liabilities			
Interest-bearing liabilities	5.1	67,370	65,319
Derivative financial instruments	3.5	–	274
Lease liabilities	5.2	70,432	74,745
Provisions	3.6	3,880	3,790
Total non-current liabilities		**141,682**	**144,128**
Total liabilities		**179,136**	**187,451**
Net assets		**75,467**	**85,529**
Equity			
Contributed equity	5.3	307,198	307,198
Accumulated losses		(61,901)	(51,735)
Group reorganisation reserve	6.3	(170,665)	(170,665)
Share-based payments reserve	6.3	1,358	1,366
Foreign currency translation reserve		(383)	41
Hedge reserve		(140)	(676)
Total equity		**75,467**	**85,529**

1 Certain comparative amounts have been restated; refer note 6.7

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

Consolidated Statement of Changes in Equity

for the year ended 31 March 2023

	Notes	CONSOLIDATED 2023			
		Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000
Opening balance at 1 April 2022		307,198	(169,934)	(51,735)	85,529
Loss for the year		–	–	(10,548)	10,548)
Movement in foreign currency translation reserve		–	(424)	–	(424)
Other comprehensive income for the year		–	536	–	536
Total comprehensive income/(loss) for the year		**–**	**112**	**(10,548)**	**(10,436)**
Expiry of share-based payments		–	(382)	382	–
Movement in share-based payments reserve		–	374	–	374
Total transactions with owners, recognised directly in equity		**–**	**(8)**	**382**	**374**
Balance at 31 March 2023		**307,198**	**(169,830)**	**(61,901)**	**75,467**

	Notes	CONSOLIDATED 2022			
		Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000
Opening balance at 1 April 2021		307,198	(170,226)	(51,571)	85,401
Loss for the year		–	–	(459)	(459)
Movement in foreign currency translation reserve		–	(474)	–	(474)
Other comprehensive income for the year		–	613	–	613
Total comprehensive income/(loss) for the year		**–**	**139**	**(459)**	**(320)**
Expiry of share-based payments		–	(295)	295	–
Movement in share-based payments reserve		–	448	–	448
Total transactions with owners, recognised directly in equity		**–**	**153**	**295**	**448**
Balance at 31 March 2022		**307,198**	**(169,934)**	**(51,735)**	**85,529**

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 2023

	CONSOLIDATED	CONSOLIDATED
	2023 $'000	2022 $'000
Cash flows from operating activities		
Receipts from customers	259,338	235,939
Payments to suppliers and employees	(244,547)	(218,051)
Government wage subsidy and grants received	157	2,470
Repayment of balance due from associate	850	–
Interest received	41	100
Interest paid	(5,749)	(3,448)
Interest paid on leases	(4,847)	(3,139)
Income taxes paid	(113)	(617)
Net cash inflow from operating activities	**5,130**	**13,254**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	528	358
Payments for property, plant and equipment	(6,734)	(10,399)
Payments for intangible assets	(76)	(89)
Net cash outflow from investing activities	**(6,282)**	**(10,130)**
Cash flows from financing activities		
Lease liability principal payments	(6,873)	(6,940)
Drawdown of borrowings (net)	3,000	10,257
Repayment of other financing	(794)	(803)
Net cash (outflow)/inflow from financing activities	**(4,667)**	**2,514**
Net (decrease)/increase	(5,819)	5,638
Cash and cash equivalents at the beginning of the year	13,064	7,530
Effects of exchange rate changes on cash and cash equivalents	55	(104)
Cash and cash equivalents at the end of the year	**7,300**	**13,064**

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
	2023 $'000	2022 $'000
Opening balance of interest-bearing liabilities at 1 April	**65,319**	**55,519**
Drawdown/(repayment) of borrowings (net)	3,000	10,257
Other financing movement (net)	(794)	(803)
Foreign exchange and other adjustments	(155)	346
Closing balance of interest-bearing liabilities at 31 March	**67,370**	**65,319**
Less: cash and cash equivalents	(7,300)	(13,064)
Net debt at 31 March	**60,070**	**52,255**

Consolidated Statement of Cash Flows (continued)

for the year ended 31 March 2023

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Reconciliation of profit/(loss) after income tax to net cash inflow from operating activities		
Loss for the year	**(10,548)**	**(459)**
Adjustments for:		
Depreciation and amortisation	18,960	18,687
Impairment of intangible assets	10,000	–
Share-based payments expense	374	448
COVID-19 rent relief	–	(138)
Gain on disposal of assets	(146)	(42)
Movement in financial asset at fair value through profit or loss and associated non-cash income	–	(789)
Lease modification	(1)	(222)
Share of profit from associate	(414)	–
Other	160	451
	28,933	**18,395**
Impact of changes in working capital items		
Trade and other receivables	(2,942)	(1,262)
Inventory	(4,477)	(5,073)
Related party receivables	353	–
Other current assets	(623)	(293)
Trade accounts payable and employee entitlements	(3,277)	1,817
Deferred income	(1,396)	1,375
Interest accruals	(51)	(69)
Provisions	(1,197)	195
Movement in deferred tax	341	(751)
Movement in credit loss provision	559	(635)
Income tax liability	(545)	14
	(13,255)	**(4,682)**
Net cash inflow from operating activities	**5,130**	**13,254**

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

Notes to the Consolidated Financial Statements

1 BASIS OF PREPARATION

Reporting entity

These financial statements are for Metro Performance Glass Limited ('the Company' or 'the parent entity') and its subsidiaries (together, 'the Group'). The Group supplies processed flat glass and related products primarily to the residential and commercial building sectors.

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.

Basis of preparation

These consolidated financial statements have been approved for issue by the Board of Directors on 14 June 2023.

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 and has operations and sales in New Zealand and Australia. 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 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 as at 31 March 2023 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 Group if the Group 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.

Inter-company 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 exclusive 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.

The critical accounting estimates and judgements at 31 March 2023 include:

- economic lives of intangible assets and property, plant and equipment (refer: 4.1 Property, plant and equipment)
- goodwill (refer: 4.3 Intangible assets).

Going concern

The net debt increased from $52.3 million at 31 March 2022 to $60.1 million at 31 March 2023, the adjusted EBITDA (used for the Group's financial covenants) increased from $13.9 million in the year ended 31 March 2022 to $18.7 million in the year ended 31 March 2023 (note 5.3).

The Directors have considered the forecast cash flows and covenant compliance for the foreseeable future and have concluded that the Group will be able to comply with those covenants with reasonable headroom for the 12 months following the date of approval of the consolidated financial statements.

Further detail on the Group's forecasts, which reflect the matters referred to above and are used in the assessment of both forecast financial covenant compliance and the carrying value of goodwill, is provided in note 4.3.

The Group's loan facilities have been renewed and extended to October 2024. There is no indication that these will not be able to be renewed or refinanced at that time. This period of time provides the Group with various options to refinance its borrowings.

Taking regard of the above and while acknowledging the uncertainties around forecasting in the current environment, the Directors consider these uncertainties do not represent material uncertainties that would cast significant doubt on the Group's ability to continue as a going concern. Accordingly, the financial statements are prepared on a going concern basis.

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);
- all resulting exchange differences are recognised in 'Other comprehensive income'.
- on consolidation, exchange differences arising from the translation of any net investment in foreign entities, and the borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Changes in accounting policy and disclosures

New and amended standards adopted by the Group

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31 March 2022, and as described in those annual financial statements.

2 FINANCIAL PERFORMANCE

2.1 Segment information

Operating segments of the Group at 31 March 2023 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. Retrofit revenue reflects sales through four specific retrofit operations in New Zealand and the retrofit channel sales from all (Metro Direct) branches across New Zealand. Residential revenue reflects all other sales channels. The allocation of sales between residential and commercial can be difficult as the Group does not always know the end-use application. Following the acquisition of Australian Glass Group Pty Ltd (AGG) on 1 September 2016 the Group operates in two geographic segments, New Zealand and Australia.

In the tables below:

- Group costs consist of insurance, professional services, director fees and expenses, listed company fees and share incentive scheme costs.
- Refer to note 2.4 for details of significant items.

Notes to the Consolidated Financial Statements (continued)

	CONSOLIDATED 2023			
	New Zealand $'000	Australia $'000	Eliminations and Other $'000	Group $'000
Commercial glazing	36,945	–	–	36,945
Residential	122,191	76,774	–	198,965
Retrofit	27,610	–	–	27,610
Total revenue	**186,746**	**76,774**	**–**	**263,520**
Gross profit	78,787	26,280	–	105,067
Segmental EBITDA before significant items	20,080	11,603	–	31,683
Group costs	–	–	(939)	(939)
Group EBITDA before significant items				**30,744**
Depreciation and amortisation	(13,725)	(5,235)	–	(18,960)
EBIT before significant items	**6,355**	**6,368**	**(939)**	**11,784**
Significant items	(11,878)	(154)	–	(12,032)
EBIT	**(5,523)**	**6,214**	**(939)**	**(248)**
Segment assets	307,901	70,501	(123,799)	254,603
Segment non-current assets (excluding deferred tax assets)	117,023	46,484	–	163,507
Segment liabilities	88,745	25,975	64,416	179,136

	CONSOLIDATED 2022			
	New Zealand $'000	Australia $'000	Eliminations and Other $'000	Group $'000
Commercial glazing	33,457	–	–	33,457
Residential	115,592	58,077	(4)	173,665
Retrofit	28,941	–	–	28,941
Total revenue	**177,990**	**58,077**	**(4)**	**236,063**
Gross profit	77,107	16,488	(4)	93,591
Segmental EBITDA before significant items	21,189	4,558	–	25,747
Group costs	–	–	(1,149)	(1,149)
Group EBITDA before significant items				**24,598**
Depreciation and amortisation	(13,822)	(4,865)	–	(18,687)
EBIT before significant items	**7,367**	**(307)**	**(1,149)**	**5,911**
Significant items	–	–	–	–
EBIT	**7,367**	**(307)**	**(1,149)**	**5,911**
Segment assets	326,989	69,997	(124,006)	272,980
Segment non–current assets (excluding deferred tax assets)	135,316	47,796	–	183,112
Segment liabilities	98,679	26,968	61,804	187,451

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.

Notes to the Consolidated Financial Statements (continued)

2.3 Operating expenditure

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Raw materials and consumables used	86,643	72,421
Employee benefit expenses	99,750	100,239
Subcontractor costs	7,401	6,220
Depreciation and amortisation	18,960	18,687
Transportation and logistics	9,423	9,221
Occupancy costs	2,076	1,405
Advertising	757	938
Repairs and maintenance	5,515	4,795
Electricity	4,007	4,032
Insurance	1,756	1,487
Other expenses	16,165	14,074
Total cost of sales, distribution and glazing-related expenses, selling and marketing expenses, and administration expenses	**252,453**	**233,519**

Amortisation of intangible assets is included within administration expenses as reported in the consolidated statement of comprehensive income.

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Audit and review of financial statements		
Audit of financial statements - PwC - current year	699	581
Audit of financial statements - PwC - prior year	18	–
Other services performed by PwC		
Tax advice relating to the long-term incentive plan	–	5
Assurance report relating to the Group's covenant compliance certificate	–	6
Agreed upon procedures relating to the Group's covenant compliance certificate	6	–
Agreed upon procedures relating to financial information attached to a visa application	4	–
	727	592

2.4 Significant items

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Impairment of New Zealand intangible assets	10,000	–
Restructure of the New Zealand operations	1,878	–
Australian divestment	154	–
Total significant items before taxation	**12,032**	**–**
Tax benefit on above items	(570)	–
Total significant items after taxation	**11,462**	**–**

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.

Notes to the Consolidated Financial Statements (continued)

Additional detail on impairment charges can be seen in the Intangible Assets Note 4.3.

The Australian divestment costs include those professional service costs incurred for the investigation of initial sale process undertaken in the period ended 31 March 2023.

On 18 November 2022 the Group announced the initiation of a cost out programme to ensure that the business capacity and resources are appropriate to service demand as the contruction sector cycle changes, including a comprehensive review of its organisational structure and manufacturing footprint. This review culminated in the closure of the manufacturing facility in Bay of Plenty in December 2022, closure of the hardware procurement function, and other staff restructuring costs. The costs of this programme that were incurred in the period ended 31 March 2023 are included in the 'Restructure of NZ operations' significant item. The nature of the costs incurred include redundancy payments, loss on disposal of inventory, and costs incurred transporting and re-commissioning assets.

2.5 Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit or loss after tax of the Group by the weighted average number of ordinary shares outstanding during the period. Due to the losses the diluted earnings per share are the same as the basic earnings per share.

	CONSOLIDATED	CONSOLIDATED
	2023	2022
Profit/(loss) after tax ($'000)	(10,548)	(459)
Weighted average number of ordinary shares outstanding ('000s)	185,378	185,378
Basic earnings per share (cents per share)	(5.7)	(0.2)

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
	2023	2022
Total assets ($'000)	254,603	272,980
Less: intangible assets	(44,336)	(54,710)
Less: total liabilities	(179,136)	(187,451)
Net tangible assets ($'000)	31,131	30,819
Shares on issue at the end of the period ('000s)	185,378	185,378
Net tangible assets per share (cents per share)	16.79	16.62

2.6 Other income and gains and losses

	CONSOLIDATED	CONSOLIDATED
	2023 $'000	2022 $'000
NZ Government Wage Subsidy and Grants	157	2,470
Financial assets at fair value through profit or loss – fair value movement and income receipts from the investment	–	889
Gain on disposal of asset	146	–
Other	–	8
Total Other income and gains and losses	**303**	**3,367**

NZ Government Wage Subsidy and Grants

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.

2.7 Finance expenses

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Interest on borrowings and derivatives	5,706	3,628
Interest on lease liabilities	4,960	3,302
Unrealised foreign currency gains and losses on borrowings and other finance expenses	204	(603)
Total finance expenses	**10,870**	**6,327**

3 WORKING CAPITAL

3.1 Trade receivables

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

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000 Restated[1]
Trade receivables	39,321	36,478
Credit loss provision	(1,238)	(679)
Total trade receivables	**38,083**	**35,799**

1. Certain comparative amounts have been restated; refer note 6.7.

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Movements in the credit loss provision are as follows:		
Opening balance	679	1,317
Provision increased/(reversed) during the year	1,055	(141)
Receivables written off during the year as uncollectable	(496)	(497)
Balance at the end of the year	**1,238**	**679**

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	60–89 DAYS	90 DAYS AND LATER	TOTAL
31 March 2023	$'000	$'000	$'000	$'000	$'000
Gross carrying amount	**31,055**	**5,561**	**758**	**1,947**	**39,321**
Baseline	51	22	13	10	96
Specific	–	21	37	1,084	1,142
Total expected credit loss rate	0.16%	0.77%	6.60%	56.19%	3.15%
Credit loss provision	**51**	**43**	**50**	**1,094**	**1,238**

Notes to the Consolidated Financial Statements (continued)

	CURRENT	0–59 DAYS[1]	60–89 DAYS	90 DAYS AND LATER	TOTAL
31 March 2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Gross carrying amount	**27,128**	**5,629**	**1,172**	**2,549**	**36,478**
Baseline	50	27	28	66	171
Specific	–	–	–	508	508
Total expected credit loss rate	0.18%	0.48%	2.39%	22.52%	1.86%
Credit loss provision	**50**	**27**	**28**	**574**	**679**

1. Certain comparative amounts have been restated, refer note 6.7

The Group extends credit to its customers based on an assessment of creditworthiness. 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 2023, allowing for retention balances of $1.2 million (2022: $1.5 million), trade receivables of $5.9 million (2022: $6.4 million) were past due but not impaired.

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.
- 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.

Accounting policy – trade receivables

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
	2023 $'000	2022 $'000
Raw materials, primarily flat glass stock-sheets	23,890	19,122
Spare parts	5,083	4,616
Work in progress	2,853	3,664
	31,826	**27,402**

The cost of inventories recognised as an expense and included in 'Cost of sales' amounted to $86.5 million (2022: $72.4 million). As part of an operational change to outsource the procurement of hardware via a third party, during the year ended 31 March 2023 the Group sold $2.5 million of (hardware) raw materials held at 31 March 2022 to the third party, incurring a $0.5 million loss on sale (refer note 2.4).

Accounting policy – inventories

Raw materials, spare parts, and work in progress 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. Inventories also comprise spare parts, which are used to maintain service to, and repair, the Group's plant assets. Spare parts are stated at the lower of weighted average cost and net realisable value.

3.3 Trade and other payables

	CONSOLIDATED	CONSOLIDATED
	2023 $'000	2022 $'000
Trade accounts payable	17,756	21,952
Employee entitlements	7,545	8,209
GST payable	1,124	173
Other interest accruals	241	292
Management incentive accrual	542	–
Total trade and other payables	**27,208**	**30,626**

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 leave in lieu, 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.

Management incentive accrual

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. Deposits are required from Retrofit and Retail customers in advance. Deposits are typically held for approximately three to four months.

	CONSOLIDATED	CONSOLIDATED
	2023 $'000	2022 $'000 Restated[1]
Customer contract liabilities	2,054	3,450
Deferred income	**2,054**	**3.450**

1. Certain comparative amounts have been restated; refer note 6.7.

$3.4 million of the deferred income at the 31 March 2022 balance date has been recognised as revenue in the year ended 31 March 2023.

3.5 Financial instruments

Financial instruments

Management determines the classification of the Group's financial assets and 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's financial assets for the periods covered by these consolidated financial statements include cash, accounts receivable, and those that are classified at fair value through profit or loss (FVTPL), rather than cost.

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

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.

Leases

The Group has leases for property, vehicles and equipment. Contracts are usually for fixed periods, but there may be options to extend. Right-of-use assets and lease liabilities arising from a lease are initially measured on a present-value basis of remaining lease payments, discounted using a discount rate derived from the incremental borrowing rate. Right-of-use assets are depreciated using the straight-line method from the commencement date to the end of the lease term.

Derivatives and hedging activity

The Group holds hedging instruments to hedge its foreign currency exposure and interest costs. The Group has designated forward exchange contracts and interest rate swap derivatives as cash flow hedges. In October 2021, the Group designated its AUD bank borrowings, which are in a New Zealand entity, as a hedge of the net investment in the Australia business (net investment hedge).

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.

At 31 March 2023 and 31 March 2022, all derivatives 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 derivatives 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 2023 and 31 March 2022.

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the hedging instrument (the portion of the AUD bank borrowings designated as the hedging instrument) relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss with finance expenses. Gains and losses accumulated in equity are reclassified to profit or loss when the foreign operation is partially disposed of or sold.

The gains and losses from the AUD bank borrowings arise from the translation of these foreign currency borrowings to NZD at the period end spot exchange rates.

Notes to the Consolidated Financial Statements (continued)

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

	CONSOLIDATED 2023			
	Spot component of currency forwards $'000	Interest rate swaps $'000	Net investment hedge $'000	Total hedge reserve $'000
Opening balance 1 April 2022	**147**	**194**	**335**	**676**
Change in fair value of hedging instrument recognised in 'Other comprehensive income' (OCI)	(188)	(436)	(131)	(755)
Deferred tax	55	127	37	219
Balance at 31 March 2023	**14**	**(115)**	**241**	**140**

	CONSOLIDATED 2022			
	Spot component of currency forwards $'000	Interest rate swaps $'000	Net investment hedge $'000	Total hedge reserve $'000
Opening balance 1 April 2021	**167**	**1,121**	**–**	**1,288**
Change in fair value of hedging instrument recognised in 'Other comprehensive income' (OCI)	(32)	(1,301)	465	(868)
Deferred tax	12	374	(130)	256
Balance at 31 March 2022	**147**	**194**	**335**	**676**

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

	CONSOLIDATED	CONSOLIDATED
	2023 $'000	2022 $'000
Foreign currency forwards		
Carrying amount asset/(liability)	(18)	(206)
Notional amount	12,188	23,277
Maturity date	Apr 23-Mar 24	Apr 22-Mar 23
Hedge ratio[1]	1:1	1:1
Change in discounted spot value of outstanding hedging instruments since 1 April	(188)	(32)
Change in value of hedged item used to determine hedge effectiveness	188	32
Weighted average hedged EUR/NZD rate for the year (including forward points)	0.5792	0.6088
Weighted average hedged USD/NZD rate for the year (including forward points)	0.6214	0.6897
Weighted average hedged EUR/AUD rate for the year (including forward points)	–	0.6317
Weighted average hedged USD/AUD rate for the year (including forward points)	0.9836	0.7292

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.

Notes to the Consolidated Financial Statements (continued)

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

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Interest rate swaps		
Carrying amount of asset/(liability)	162	(274)
Notional amount	23,196	23,284
Maturity date	Aug 23	Aug 23
Hedge ratio	1:1	1:1
Change in fair value of outstanding hedging instruments since 1 April	(436)	(1,301)
Change in value of hedged item used to determine hedge effectiveness	436	1,301
Average proportion of debt hedged during the year	35.03%	38.70%

The effects of the net investment hedge on the Group's financial position and performance are as follows:

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Net investment hedge		
NZD carrying amount of non-current interest-bearing liabilities	(16,044)	(16,176)
AUD carrying amount of non-current interest-bearing liabilities	(15,000)	(15,000)
Hedge ratio	1:1	1:1
Change in fair value of hedging instrument recognised in OCI for the year	(131)	465
Change in value of hedged item used to determine hedge effectiveness	131	(465)

Financial instruments by category

	CONSOLIDATED 2023			
	Assets at amortised cost $'000	Asset at fair value through profit or loss $'000	Derivatives used for hedging $'000	Total $'000
Assets as per statement of financial position				
Cash and cash equivalents	7,300	–	–	7,300
Derivatives – foreign exchange contracts	–	–	89	89
Derivatives – interest rate swaps	–	–	162	162
Financial assets at fair value through profit or loss	–	–	–	–
Other non-current assets	915	–	–	915
Trade and other receivables	38,083	–	–	38,083
Balance at 31 March 2023	**46,298**	**–**	**251**	**46,549**

Notes to the Consolidated Financial Statements (continued)

	CONSOLIDATED 2022			
	Assets at amortised cost $'000	Asset at fair value through profit or loss $'000	Derivatives used for hedging $'000	Total $'000
Assets as per statement of financial position				
Cash and cash equivalents	13,064	–	–	13,064
Derivatives – foreign exchange contracts	–	–	68	68
Financial Assets at fair value through profit or loss	–	2,098	–	2,098
Other non-current assets	1,268	–	–	1,268
Trade and other receivables	35,799	–	–	35,799
Balance at 31 March 2022	**50,131**	**2,098**	**68**	**52,297**

	CONSOLIDATED 2023		
	Liabilities at amortised cost $'000	Derivatives used for hedging $'000	Total $'000
Liabilities as per statement of financial position			
Trade and other payables excluding non-financial liabilities	24,569	–	24,569
Derivatives – foreign exchange contracts (current liabilities)	–	107	107
Derivatives – interest rate swaps (non-current liabilities)	–	–	–
Interest-bearing liabilities	67,370	–	67,370
Lease liabilities	77,884	–	77,884
Balance at 31 March 2023	**169,823**	**107**	**169,930**

	CONSOLIDATED 2022		
	Liabilities at amortised cost $'000	Derivatives used for hedging $'000	Total $'000
Liabilities as per statement of financial position			
Trade and other payables excluding non-financial liabilities	30,168	–	30,168
Derivatives – foreign exchange contracts (current liabilities)	–	274	274
Derivatives – interest rate swaps (non-current liabilities)	–	274	274
Interest-bearing liabilities	65,319	–	65,319
Lease liabilities	81,280	–	81,280
Balance at 31 March 2022	**176,767**	**548**	**177,315**

Accounting policy - hedging

On initial designation of a derivative as a cash flow hedging instrument or a foreign currency borrowing as a net investment 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 or net investment 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.

Notes to the Consolidated Financial Statements (continued)

Foreign exchange risk

Foreign exchange risk arises when future commercial transactions and purchases of recognised assets are denominated in a currency that is not New Zealand Dollars (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's 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 six-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.

Exposure to foreign exchange risk

	CONSOLIDATED 2023		
	AUD $'000	USD $'000	EUR $'000
31 March 2023			
Cash and cash equivalents	1,271	734	965
Trade receivables	11,862	–	–
Trade accounts payable	(5,334)	(2,358)	(237)
Balance at 31 March 2023	**7,799**	**(1,624)**	**728**

	CONSOLIDATED 2022		
	AUD $'000	USD $'000	EUR $'000
31 March 2022			
Cash and cash equivalents	3,253	425	1,023
Trade receivables	9,157	–	–
Trade accounts payable	(6,235)	(2,478)	(1,005)
Balance at 31 March 2022	**6,175**	**(2,053)**	**18**

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

Sensitivity analysis

The following table details the Group's sensitivity to a 10% strengthening/weakening of the 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
	2023 $'000	2022 $'000
Profit or loss		
10% strengthening of the NZD against:		
AUD	(709)	(561)
USD	148	187
EUR	(66)	(2)
10% weakening of the NZD against:		
AUD	867	686
USD	(180)	(228)
EUR	81	2

Notes to the Consolidated Financial Statements (continued)

	CONSOLIDATED	CONSOLIDATED
	2023 $'000	2022 $'000
Equity		
10% strengthening of the NZD against:		
USD	(1,062)	(1,702)
EUR	50	222
10% weakening of the NZD against:		
USD	1,298	2,080
EUR	50	222

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.

3.6 Provisions

	Warranty provision $'000	Employee expenses $'000	Lease make-good $'000	Total $'000
Carrying amount at the beginning of the year	115	1,795	3,800	5,710
Increase in balance	53	–	102	155
Settled or utilised	–	(1,330)	(22)	(1,352)
Carrying amount at the end of the year	**168**	**465**	**3,880**	**4,513**

	2023 $'000	2022 $'000
Current portion	663	1,972
Non-current portion	3,880	3,790
Carrying amount at the end of the year	**4,513**	**5,762**

Accounting policy - provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, where it is probable that a cost will be incurred to settle the obligation and a reliable estimate of that obligation is able to be made.

Warranty provisions represent an estimate of potential liability for defective products that are shipped out and the defect is identified within the short term, and products that fail over a long time, but within their product life cycle.

The employee expenses provision recognises the remediation payments to settle historical Holidays Act compliance matters.

Make-good provisions represent the estimated cost to return a leased property to its original condition at the end of the lease.

Notes to the Consolidated Financial Statements (continued)

3.7 Other current assets and other non-current assets

	CONSOLIDATED	CONSOLIDATED
	2023 $'000	2022 $'000
Prepaid expenses	1,972	1,859
Related party receivable (5R Solutions Ltd)	265	217
Other receivables	1,000	494
Total other current assets	**3,237**	**2,570**
Related party receivable (5R Solutions Ltd)	650	1,051
Total other non-current assets	**650**	**1,051**

Other receivables includes sundry debtor balances and outstanding amounts at 31 March 2023 for the sale of the hardware inventory to a third party during the period ended 31 March 2023.

4 LONG-TERM ASSETS

4.1 Property, plant and equipment

	CONSOLIDATED 2023			
	Plant and equipment $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Total $'000
Opening balance				
Cost	96,074	4,911	12,718	113,703
Accumulated depreciation	(48,567)	(3,997)	(6,391)	(58,955)
Net book value at 1 April 2022	**47,507**	**914**	**6,327**	**54,748**
Reclassificaton				
Cost	(2,524)	680	57	(1,787)
Accumulated depreciation	2,108	(263)	(58)	1,787
Net book value at 1 April 2022	**(416)**	**417**	**(1)**	–
Additions	5,516	316	603	6,435
Disposals	(265)	(50)	(284)	(599)
Depreciation expense	(8,013)	(598)	(1,267)	(9,878)
Foreign exchange impact	(82)	48	2	(32)
Closing net book value at 31 March 2023	**44,247**	**1,047**	**5,380**	**50,674**
Represented by:				
Cost	98,720	5,904	13,095	117,719
Accumulated depreciation	(54,473)	(4,857)	(7,715)	(67,045)
Net book value at 31 March 2023	**44,247**	**1,047**	**5,380**	**50,674**

Following the implementation of new financial accounting software for AGG, a reclassification of asset category was required for a number of AGG assets.

Notes to the Consolidated Financial Statements (continued)

	CONSOLIDATED 2022			
	Plant and equipment $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Total $'000
Opening balance				
Cost	87,099	4,378	10,882	102,359
Accumulated depreciation	(41,359)	(3,451)	(5,082)	(49,892)
Net book value at 1 April 2021	**45,740**	**927**	**5,800**	**52,467**
Additions	9,236	533	2,135	11,904
Disposals	(64)	–	(267)	(331)
Depreciation expense	(7,208)	(546)	(1,308)	(9,062)
Foreign exchange impact	(197)	–	(33)	(230)
Closing net book value at 31 March 2022	**47,507**	**914**	**6,327**	**54,748**
Represented by:				
Cost	96,074	4,911	12,718	113,703
Accumulated depreciation	(48,567)	(3,997)	(6,391)	(58,955)
Net book value at 31 March 2022	**47,507**	**914**	**6,327**	**54,748**

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.

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
Plant and equipment	7 – 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 2023			
	Property $'000	Motor vehicles $'000	Equipment $'000	Total $'000
Opening balance				
Cost	101,013	7,894	358	109,265
Accumulated depreciation	(37,076)	(1,598)	(86)	(38,760)
Net book value at 1 April 2022	**63,937**	**6,296**	**272**	**70,505**
Additions	1,277	3,594	–	4,871
Disposals	(1,118)	(66)	–	(1,184)
Depreciation expense	(6,972)	(1,763)	(86)	(8,821)
Foreign exchange impact	(39)	3	–	(36)
Closing net book value at 31 March 2023	**57,085**	**8,064**	**186**	**65,335**
Represented by:				
Cost	100,827	11,419	358	112,604
Accumulated depreciation	(43,742)	(3,355)	(172)	(47,269)
Net book value at 31 March 2023	**57,085**	**8,064**	**186**	**65,335**

	CONSOLIDATED 2022			
	Property $'000	Motor vehicles $'000	Equipment $'000	Total $'000
Opening balance				
Cost	83,280	2,765	210	86,255
Accumulated depreciation	(34,973)	(554)	(102)	(35,629)
Net book value at 1 April 2021	**48,307**	**2,211**	**108**	**50,626**
Additions	23,211	5,138	284	28,633
Disposals	(766)	(4)	(28)	(798)
Depreciation expense	(6,730)	(1,049)	(92)	(7,871)
Foreign exchange impact	(85)	–	–	(85)
Closing net book value at 31 March 2022	**63,937**	**6,296**	**272**	**70,505**
Represented by:				
Cost	101,013	7,894	358	109,265
Accumulated depreciation	(37,076)	(1,598)	(86)	(38,760)
Net book value at 31 March 2022	**63,937**	**6,296**	**272**	**70,505**

In determining the lease term, the Group includes any periods covered by options to the extent where the Group is reasonably 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 with a purchase cost below $1,000.

4.3 Intangible assets

	CONSOLIDATED 2023			
	Customer relationships $'000	Goodwill on acquisitions $'000	Computer software $'000	Total $'000
Opening balance				
Cost	13,055	149,364	6,588	169,007
Accumulated amortisation and impairment	(13,055)	(95,128)	(6,114)	(114,297)
Net book value at 1 April 2022	**–**	**54,236**	**474**	**54,710**
Additions	–	–	77	77
Disposals	–	–	–	–
Amortisation expense	–	–	(261)	(261)
Impairment	–	(10,000)	–	(10,000)
Foreign exchange impact	–	(190)	–	(190)
Closing net book value at 31 March 2023	**–**	**44,046**	**290**	**44,336**
Represented by:				
Cost	13,014	149,103	9,606	171,723
Accumulated amortisation and impairment	(13,014)	(105,057)	(9,316)	(127,387)
Net book value at 31 March 2023	**–**	**44,046**	**290**	**44,336**

	CONSOLIDATED 2022			
	Customer relationships $'000	Goodwill on acquisitions $'000	Computer software $'000	Total $'000
Opening balance				
Cost	13,055	149,712	9,493	172,260
Accumulated amortisation and impairment	(11,847)	(95,221)	(8,560)	(115,628)
Net book value at 1 April 2021	**1,208**	**54,491**	**933**	**56,632**
Additions	–	–	61	61
Amortisation expense	(1,208)	–	(547)	(1,755)
Foreign exchange impact	–	(255)	27	(228)
Closing net book value at 31 March 2022	**–**	**54,236**	**474**	**54,710**
Represented by:				
Cost	13,055	149,364	6,588	169,007
Accumulated amortisation and impairment	(13,055)	(95,128)	(6,114)	(114,297)
Net book value at 31 March 2022	**–**	**54,236**	**474**	**54,710**

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 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.

Notes to the Consolidated Financial Statements (continued)

Impairment tests for goodwill

The Group's segments and cash generating units (CGU's) 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
	2023 $'000	2022 $'000
New Zealand	20,879	30,879
Australia	23,167	23,357
Total goodwill balances	**44,046**	**54,236**

Impairment testing for both CGUs was completed using the VIU method.

Key assumptions in the 31 March 2023 impairment assessment (VIU) calculations (and the equivalent assumptions in the 31 March 2022 calculations) are as follows:

	CONSOLIDATED		CONSOLIDATED	
	2023		2022	
	New Zealand	Australia	New Zealand	Australia
Compound annual revenue growth – 3 years	(4.9%)	5.7%	7.1%	14.3%
Long-term growth rate	2.0%	1.3%	1.3%	1.3%
Discount rate (pre tax, post IFRS 16)	14.6%	12.9%	13.2%	11.9%
Discount rate (post tax, post IFRS 16)	10.5%	9.0%	9.5%	8.3%

Cash flow projections

The impairment testing used pre-tax cash flow projections for both CGUs based on financial projections approved by the directors covering a three-year period. In forming these projections, the directors 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.

The directors have referenced longer term independent forecast estimates in a consistent way compared to previous years.

New Zealand

Disruptions to the supply chain for the New Zealand CGU have eased and are expected to improve in the medium-term earnings outlook. The number of new homes consented has declined from the historically elevated levels and the expectation is that consenting levels will continue to decline in the short term before flattening out. The value of non-residential building consents softened on last year but are not expected to decline at the same rate as residential work. The changes to the building code (H1 Standards) are progressively effective from November 2022 require an increase in the thermal properties of window units as part of a suite of changes designed to improve the thermal performance of New Zealand homes. Earnings performance for the NZ CGU is expected to improve compared to F23 even with the anticipated reducing building activity driven by a reduction in global supply chain freight rates, the successful implementation of the cost out programme and the gradual adoption of the H1 building code. The medium-term outlook for the NZ CGU is for current consenting levels to progressively decline, offset to some degree by the positive impact from the change in the H1 standards and other planned cost out initiatives. Within the next three-year period, the business would be at the bottom of the forecast building cycle with no consenting recovery assumed for the New Zealand CGU, which is also reflected in the extrapolation of the terminal year.

The impairment test of the New Zealand goodwill balance has resulted in an impairment of $10.0 million, which is presented in the consolidated statement of comprehensive income as a significant item (note 2.4) and in the New Zealand segment (note 2.1). The recoverable amount of the New Zealand CGU was determined to be $84.6m.

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

Australia

On 24 February 2023 the Group announced their intention to explore the divestment of the Australian CGU. The business has made significant improvements in its operational and financial performance and remains well placed for growth in the coming years as the penetration of double-glazing increases alongside changing construction codes and consumer preferences. At 31 March 2023 the process is in the early stages and is ongoing. It is not possible to estimate the fair value of AGG that is likely to be achieved through sale, and therefore the VIU method is used when testing if the goodwill associated with the Australian CGU is impaired.

Notes to the Consolidated Financial Statements (continued)

Long-term growth rate

Cash flows beyond the three-year period are extrapolated using an estimated long-term growth rate. The long-term growth rate assumptions have typically been 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 rate for the NZ CGU has been increased to reflect the long-term inflation expectation at 2%, being the mid-point of the RBNZ target range and based on historical inflation rates. The long-term growth rates have been left unchanged in the 2023 testing for the Australian CGU (1.3%)

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 2023 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 2023 was $0.171 equating to a market capitalisation of $31.7 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 2023 was $75.5 million ($0.41 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 model.

Sensitivity to changes in key assumptions

	IMPAIRMENT	VARIANCE TO BASE ASSUMPTION
	$'000	$'000
New Zealand CGU impairment test		
Base assumption	(10,000)	
+0.5% Discount rate	(16,200)	(6,200)
-0.5% Discount rate	(3,100)	6,900
+0.5% Change to forecast revenue in each year (with associated changes to cost of materials)	(4,900)	5,100
-0.5% Change to forecast revenue in each year (with associated changes to cost of materials)	(15,100)	(5,100)
+0.25% Long-term growth rate	(6,300)	3,700
-0.25% Long-term growth rate	(13,500)	(3,500)

The results of the assessment of impairment testing calculations for the New Zealand CGU are most sensitive to assumed compound revenue contraction over the forecast period, the discount rate and the terminal growth rate. The implied position of the construction cycle following year three (FY26) is also important as this supports the cashflow element of the terminal value calculation, which could also impact the applicable terminal growth rate.

Whilst acknowledging the uncertainties around forecasting, it is the considered view of the directors that the forecast revenue assumptions and resulting outcome is reasonable. This is based on their understanding of the market, supplemented by third-party forecasts, and a consensus of the range of expected market trajectories considered. Therefore, an impairment to the goodwill balance of $10.0 million has been recognised at 31 March 2023.

The impairment assessments confirmed that, for the Australian business units, the recoverable amount exceed carrying values as at 31 March 2023.There are no reasonably possible changes in key assumptions used in the determination of the recoverable value of Australian CGU's that 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.

Notes to the Consolidated Financial Statements (continued)

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 that are not defined as a 'software as a service' arrangement 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.

4.4 Investment in associates

	CONSOLIDATED	CONSOLIDATED
	2023 $'000	2022 $'000
5R Solutions Limited	2,512	–
Total investments in associates	**2,512**	**–**

	CONSOLIDATED	CONSOLIDATED
	2023 $'000	2022 $'000
Carrying amount at the beginning of the year	–	–
Additions	2,098	–
Share of profits of associate	414	–
Disposals	–	–
Carrying amount at the end of the year	**2,512**	**–**

Accounting policy – associates

Associates are those entities in which the Group has significant influence, but not control, over financial and operating policies. Associates are accounted for under the equity method of accounting.

In the year ended 31 March 2022 the Group's interest in 5R Solutions Limited was recognised as fair value through the profit or loss. On 1 April 2022 an option was exercised with the Group becoming a 50% owner of 5R Solutions Limited. The Group has 33.3% voting rights for 5R Solutions Limited. There were no dividends received from 5R Solutions Limited in the year ended 31 March 2023.

Cash flows for repayments of balances due from associates are included in operating activities within the consolidated statement of cash flows, while the share of profits from associates is equity accounted and disclosed in the consolidated statement of comprehensive income.

Management is comfortable that there are no indicators requiring an impairment of the asset.

5 DEBT AND EQUITY

5.1 Interest-bearing liabilities

	CONSOLIDATED	CONSOLIDATED
	2023 $'000	2022 $'000
Bank borrowings	65,172	62,296
Other asset financing	2,198	3,023
Total interest-bearing liabilities	**67,370**	**65,319**

Bank borrowings are secured by a first-ranking composite general security deed. The Group's bank borrowing facilities were amended on 18 November 2022 to comprise a syndicated revolving loan facility of $75 million for a three-year term expiring in October 2024, a $5 million standby facility that will expire in October 2024, as well as overdraft and bank guarantees totalling $11.9 million. The Group received temporary covenant amendments during the year. The Group complied with all covenants throughout the year.

Other asset financing comprises outstanding balances of third-party financing for the purchase of motor vehicles and 'software as a service' application. In the period ended 31 March 2020, the Group concluded two sale and leaseback agreements relating to the New Zealand vehicle fleet, but retained ownership of the heavy truck bodies.

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.

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.

Other asset financing is treated as a financing arrangement, with assets remaining in the Group's asset register and remaining useful life adjusted to mirror the lease term. A finance liability is recognised equal to the sale proceeds. Interest expense is recognised over the term of the lease where applicable.

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 2023 the Group had cash of $7.3 million (2022: $13.1 million). Information in respect of negotiated credit facilities is shown below.

	CONSOLIDATED	CONSOLIDATED
	2023 $'000	2022 $'000
Committed credit facilities pursuant to syndicated facility	88,458	83,145
Drawdown at balance date	(69,995)	(66,664)
Available credit facilities	**18,463**	**16,481**

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. Where relevant, cashflows include both interest and principal payments.

Notes to the Consolidated Financial Statements (continued)

	CONSOLIDATED 2023					
	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	> 5 years $'000	Total $'000	Carrying amount $'000
Interest-bearing liabilities and interest owing	5,436	68,314	840	727	75,317	67,370
Interest rate swap	(162)	–	–	–	(162)	(162)
Foreign exchange contracts	107	–	–	–	107	107
Lease liabilities	11,840	11,656	27,959	58,887	110,342	77,884
Trade accounts payable	17,756	–	–	–	17,756	17,756
Total at 31 March 2023	**34,977**	**79,970**	**28,799**	**59,614**	**203,360**	**162,955**

	CONSOLIDATED 2022					
	Less than 1 year $'000	Between 1 and 2 years $'000	Between 2 and 5 years $'000	> 5 years $'000	Total $'000	Carrying amount $'000
Interest-bearing liabilities and interest owing	3,452	64,139	866	1,228	69,685	65,319
Interest rate swap	–	274	–	–	274	274
Foreign exchange contracts	274	–	–	–	274	274
Lease liabilities	11,072	10,828	28,213	67,941	118,054	81,280
Trade accounts payable	21,952	–	–	–	21,952	21,952
Total at 31 March 2022	**36,750**	**75,241**	**29,079**	**69,169**	**210,239**	**169,099**

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 NZD and AUD. If interest rates in New Zealand and Australia increased by 10% the impact would be an additional cost of $0.49 million and a subsequent decrease of $0.49 million if rates decreased by 10%. (In 2022 an interest rate increase of 10% would have resulted in additional costs of $0.26 million and a subsequent decrease of $0.26 million if rates decreased by 10%.)

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

5.2 Lease liabilities

	CONSOLIDATED	CONSOLIDATED
	2023 $'000	2022 $'000
Opening lease liabilities recognised at 1 April	**81,280**	**60,601**
Additions	4,880	28,613
Termination	(1,303)	(799)
Interest for the period	4,819	3,201
COVID-19 rent relief	–	(138)
Lease payments made	(11,699)	(10,091)
Foreign exchange impact	(93)	(107)
Lease liabilities at 31 March 2023	**77,884**	**81,280**
Current lease liabilities	7,452	6,535
Non-current lease liabilities	70,432	74,745
Total lease liabilities	**77,884**	**81,280**

Notes to the Consolidated Financial Statements (continued)

Lease liabilities maturity analysis

	Minimum lease payments $'000	Interest $'000	Present value $'000
Within one year	11,840	(4,388)	7,452
One to five years	39,616	(13,772)	25,844
Beyond five years	58,887	(14,299	44,588
Lease liabilities at 31 March 2023	**110,343**	**(32,459)**	**77,884**

	Minimum lease payments $'000	Interest $'000	Present value $'000
Within one year	11,071	(4,536)	6,535
One to five years	39,041	(14,788)	24,253
Beyond five years	67,941	(17,449)	50,492
Lease liabilities at 31 March 2022	**118,053**	**(36,773)**	**81,280**

Estimates and judgements: Incremental borrowing rates and lease terms

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.

5.3 Contributed equity

	CONSOLIDATED 2023 $'000	CONSOLIDATED 2022 $'000
Opening balance	307,198	307,198
Closing balance	**307,198**	**307,198**

At 31 March 2023 the Company had issued 185,378,086 fully-paid ordinary shares (2022: 185,378,086 fully-paid ordinary shares). No shares were issued or cancelled during the year (2022: nil). Ordinary shares entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of shares held. Every holder of ordinary shares present at a meeting in person or by proxy is entitled to one vote, and on a poll each share in entitled to one vote. The Company does not have a limited amount of authorised capital.

Accounting policy

Ordinary shares are classified as equity.

Incremental costs directly attributable to the Group's 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 2022 and 2023.

Capital management

The Group's syndicated revolving loan facility agreement restricts the Group from making a distribution to shareholders unless the leverage ratio before and after the distribution is below 2.0 (up to 31 December 2021: below 1.5).

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.

Notes to the Consolidated Financial Statements (continued)

The Group is subject to capital requirements imposed by the bank syndicate through covenants agreed as part of the lending facility arrangements. The Group met all externally imposed capital requirements for the twelve months ended 31 March 2023.

The following summarises the key banking covenants:

1. Interest cover ratio no less than 2.75x to the quarter ended June 2023 and no less than 3.0x for reporting periods thereafter.
2. The leverage ratio (net debt to pre-NZ IFRS 16 EBITDA, calculated in accordance with the bank syndicate agreement) no greater than 3.25x to the quarter ended June 2023 and no greater than 2.75x for reporting periods thereafter.

The covenant testing for 2023 is to be normalised by excluding the costs associated with the restructure of the New Zealand business.

The Group's gearing ratio (not part of the banking covenants) and the leverage ratio at 31 March 2023 were as follows:

	CONSOLIDATED	CONSOLIDATED
	2023 $'000	2022 $'000
Interest-bearing liabilities	67,370	65,319
Add: Prepaid financing costs	372	380
Less: Cash and cash equivalents	(7,300)	(13,064)
Adjusted net debt	**60,442**	**52,635**
Equity	**75,467**	**85,529**
Gearing ratio	**44.5%**	**38.1%**

	CONSOLIDATED	CONSOLIDATED
	2023 $'000	2022 $'000
Interest-bearing liabilities	67,370	65,319
Add: Prepaid financing costs	372	380
Less: Cash and cash equivalents	(7,300)	(13,064)
Adjusted net debt	**60,442**	**52,635**
Adjusted profit before interest, tax, depreciation and amortisation[1]	**18,720**	**13,921**
Leverage ratio	**3.23 : 1**	**3.78 : 1**

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

6 OTHER

6.1 Income taxation

	CONSOLIDATED	CONSOLIDATED
	2023 $'000	2022 $'000
(Loss)/Profit before income taxation	(10,581)	(416)
Income taxation benefit at the Group's effective tax rate	2,849	116
Tax effect of (non-deductible) and non-assessable items	(2,826)	44
Prior year adjustment	10	(203)
Income tax benefit/(expense)	**33**	**(43)**
Represented by:		
Current taxation	405	(794)
Deferred taxation	(372)	751
	33	**(43)**

Imputation credit account

The amount of imputation credits at balance date available for future distributions is $28.4 million at 31 March 2023 ($28.3 million at 31 March 2022).

6.2 Deferred taxation

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

	CONSOLIDATED 2023		
	Assets $'000	Liabilities $'000	Net $'000
Property, plant and equipment	–	(1,350)	(1,350)
Right-of-use assets	–	(18,154)	(18,154)
Inventory and receivables	108	–	108
Cash flow hedge	85	(34)	51
Intangibles	73	–	73
Lease liabilities	21,674	–	21,674
Provisions and accruals	3,478	–	3,478
Tax losses	4,518	–	4,518
	29,936	(19,538)	10,398

	CONSOLIDATED 2022		
	Assets $'000	Liabilities $'000	Net $'000
Property, plant and equipment	–	(1,731)	(1,731)
Right-of-use assets	–	(19,393)	(19,393)
Inventory and receivables	29	–	29
Cash flow hedge	269	–	269
Intangibles	146	–	146
Lease liabilities	22,526	–	22,526
Provisions and accruals	3,693	–	3,693
Tax losses	5,426	–	5,426
	32,089	**(21,124)**	**10,965**

Movement in temporary differences during the year:

	CONSOLIDATED 2023			
	Opening balance 1 Apr 2022 $'000	Recognised in profit or loss $'000	Recognised in OCI $'000	Balance 31 Mar 2022 $'000
Property, plant and equipment	(1,731)	324	57	(1,350)
Right-of-use assets	(19,393)	1,211	28	(18,154)
Inventory and receivables	29	79	–	108
Cash flow hedge	269	–	(218)	51
Intangibles	146	(73)	–	73
Lease liabilities	22,526	(850)	(2)	21,674
Provisions and accruals	3,693	(200)	(15)	3,478
Tax losses	5,426	(863)	(45)	4,518
	10,965	**(372)**	**(195)**	**10,398**

Notes to the Consolidated Financial Statements (continued)

	CONSOLIDATED 2022			
	Opening balance 1 Apr 2020 $'000	Recognised in profit or loss $'000	Recognised in OCI $'000	Balance 31 Mar 2021 $'000
Property, plant and equipment	(1,855)	552	(428)	(1,731)
Right-of-use assets	(13,701)	(5,724)	32	(19,393)
Inventory and receivables	32	(3)	(0)	29
Cash flow hedge	524	–	(255)	269
Intangibles	(360)	168	338	146
Lease liabilities	16,409	6,149	(32)	22,526
Provisions and accruals	3,810	(99)	(18)	3,693
Tax losses	5,779	(292)	(61)	5,426
	10,638	**751**	**(424)**	**10,965**

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' (OCI) or directly in equity. In this case, the tax is also recognised in OCI 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 balance 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

On 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 (2022: $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 (LTI) 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 Metro Performance Glass achieving set performance hurdles and meeting certain vesting conditions.

Notes to the Consolidated Financial Statements (continued)

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

The following share options and performance share rights (PSR) have been issued and had not lapsed or been exercised at 31 March 2023.

Plan name	Date issued	Number of options	Number of PSR	Options exercise price	Vesting date
2020 LTI plan	23-May-19	3,434,556	1,287,961	$0.45	6-Jun-22
2021 LTI plan	19-Jun-20	2,704,717	1,442,516	$0.20	3-Jul-23
2022 LTI plan	21-May-21	1,563,033	808,464	$0.42	4-Jun-24
2023 LTI plan	27-May-22	3,480,717	1,740,361	$0.25	10-Jun-25

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, accounted for under NZ IFRS 2. The fair value of shares granted is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognised over the vesting period. The fair value of the plan has been assessed by an independent valuer.

	CONSOLIDATED	CONSOLIDATED
	2023 $'000	2022 $'000
Share-based payments reserve		
Opening balance	1,366	1,212
Transfer to equity on vesting of employee share purchase scheme	(382)	(294)
Movement in share-based payments reserve	374	448
Closing balance	**1,358**	**1,366**

6.4 Related party transactions

5R Solutions Limited

5R Solutions Limited (an associate, note 4.4) provides glass waste removal and recycling services to the Group. This arrangement has not changed following 5R Solutions Limited becoming an associate of the Group during the year ended 31 March 2023. 5R Solutions Limited charged the Group $1.3 million for services in the year ended 31 March 2023.

The payables balance in relation to services from 5R Solutions Limited was $0.05 million at 31 March 2023.

In addition the Group has a receivable from 5R Solutions Limited in relation to a dividend declared but unpaid in the year ended 31 March 2022. During the year ended 31 March 2023 5R Solutions paid the Group $0.85 million in relation to this previously declared dividend and there was a balance remaining to be paid of $0.9 million at 31 March 2023 (note 3.7).

Subsidiaries

The Group's principal subsidiaries at 31 March 2023 and 31 March 2022 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	2023 Interest	2022 Interest
Metropolitan Glass & Glazing Limited	New Zealand	100%	100%
Metroglass Finance Limited	New Zealand	100%	100%
Australian Glass Group Holding Pty Ltd	Australia	100%	100%
Australian Glass Group Finance Pty Ltd	Australia	100%	100%

Directors

The names of persons who were directors of the Company at any time during the financial period are as follows: Peter Griffiths, Angela Bull, Rhys Jones, Graham Stuart, Mark Eglinton, Jenn Bestwick and Julia Mayne.

Angela Bull retired on 4 April 2022. Jenn Bestwick was appointed on 1 May 2022.

Notes to the Consolidated Financial Statements (continued)

Key management and Board of Directors' compensation

Key management comprises 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
	2023 $'000	2022 $'000
Salaries and other short-term employee benefits	2,428	2,459
Management incentive[1]	–	819
Share-based payments	333	220
	2,761	**3,498**

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

Board of Directors' compensation

	CONSOLIDATED	CONSOLIDATED
	2023 $'000	2022 $'000
Directors' fees	602	605
	602	**605**

6.5 Contingencies

At 31 March 2023 the Group had no contingent liabilities or assets.

6.6 Commitments

At 31 March 2023 the Group had no commitments (2022: $1.1 million).

6.7 Prior period adjustments

Impact on the statement of financial position at 31 March 2022

	2022 as reported $'000	Debtors reclassification change $'000	2022 Restated $'000
Trade receivables	34,957	842	35,799
Total current assets	**78,061**	**842**	**78,903**
Total assets	**272,138**	**842**	**272,980**
Deferred income	2,608	842	3,450
Total current liabilities	**42,481**	**842**	**43,323**

The debtors reclassification arose from a review of the process to identify and reclassify customer deposits from trade receivables to the deferred income balance. During the current year, this review identified that there was a further $842,000 of deposits that had not been reclassified to deferred income as at 31 March 2022. There is no impact on the consolidated statement of comprehensive income or consolidated statement of cash flows as a result of this reclassification.

6.8 Subsequent events

There are no significant subsequent events.

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 2023, 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 2023;
- 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 areas of agreed upon procedures relating to the Group's covenant compliance certificate and financial information attached to a visa application and, subsequent to 31 March 2023, a comparison of the Group's long-term incentive plan to market practice. The provision of these other services have 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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Description of the key audit matter	How our audit addressed the key audit matter
New Zealand cash generating unit goodwill impairment test During the year ended 31 March 2023 an impairment of $10.0 million was recognised in relation to the goodwill balance to reduce the carrying amount of the Group's New Zealand cash generating unit (NZ CGU). Following the impairment, as at 31 March 2023, the carrying amount of the NZ CGU's goodwill balance amounted to $20.9 million (note 4.3). This impairment was calculated using a recoverable amount determined by management on a 'value in use' basis. The value in use model was based on discounted future cash flows. The key assumptions in the impairment assessment were the compound annual revenue growth rate over the next three years, the discount rate and the long-term growth rate. As part of the impairment assessment process, 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 Group's CGUs. The impairment testing of the NZ CGU's goodwill is considered a key audit matter due to the materiality of the goodwill balance, the presence of impairment indicators, 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 their impairment assessment. Our procedures included: ● evaluating the appropriateness of the identification of the Group's CGUs; ● considering whether the valuation methodology applied was appropriate; ● agreeing the cash flows included in management's impairment model to the board approved plans; ● assessing the Group's forecasting accuracy by comparing historical forecasts to actual results and considering the impact on the current impairment test's cash flow forecasts; ● discussing with management the basis for the cash flow forecasts and the key drivers of change in the forecasts, including internal and external factors; ● engaging our valuation expert to assist us with: - assessing whether the discount rates and long-term growth rates used by management are reasonable in the context of the forecasts; and - considering management's paper comparing the net assets and the market capitalisation of the Company, in the context of our stand back assessment of the impairment test; ● testing the accuracy of the calculations in management's impairment model, and checking that the carrying amount for the CGU's net assets was correctly included in the impairment assessment; ● evaluating the reasonableness of management's forecast cash flows by constructing a top-down forecast based on evidence from external sources and trends in the Group's operational data and financial information; ● performing sensitivity analyses for the effect of reasonably possible changes in key assumptions on the impairment assessment; ● assessing whether a 'fair value less costs of disposal' approach to the impairment test would result in a lower or no impairment; ● evaluating the effect of the trading results up to the date of our report; and ● considering the appropriateness of disclosures in the consolidated financial statements.

Description of the key audit matter	How our audit addressed the key audit matter
Forecast compliance with bank financial covenants	
As at 31 March 2023 the Group's net debt was $60.1 million. Notes 1.1, 5.1 and 5.3 to the consolidated financial statements explain that the Group's bank borrowings comprise a syndicated revolving loan facility, with certain financial covenants. This facility expires in October 2024. During the year the Group obtained temporary financial covenant amendments to ease its financial covenants on future test dates and as a result the Group complied with all financial covenants throughout the year. As disclosed in note 1.1, the Group has forecast compliance with these financial covenants for the foreseeable future and the Directors have concluded that the Group will be able to comply with those financial covenants for at least 12 months after the approval of the consolidated financial statements. Forecast compliance with bank financial covenants is considered a key audit matter due to the significant level of management judgement applied in estimating the future performance of the Group which is used to calculate financial covenant compliance in the future.	We have read the syndicated revolving loan facility agreement and the amendments to that agreement. We obtained the Group's financial covenant compliance forecast for the next 12 months from the date of the approval of the consolidated financial statements. Our procedures included: ● assessing the reasonableness of management's forecasts in light of historical performance, our analysis of the forecasts used in the goodwill impairment tests, the trading results for the month of April 2023 and the preliminary financial information for the month of May 2023; ● calculating the thresholds required to comply with the financial covenants for the next 12 months and the headroom between those thresholds and management's forecasts; ● evaluating the level of forecasting risk at each test date by comparing the available headroom against our sensitivities and stress tests of significant assumptions regarding forecast earnings, interest expense and net debt levels; and ● reading the disclosures in notes 1.1, 5.1 and 5.3 to ensure they accurately reflect our understanding of the circumstances.

Our audit approach

Overview

Overall group materiality: $772,000, which represents approximately 2.5% of earnings before interest, tax, depreciation, amortisation and significant items (impairment of intangible assets and restructuring and divestment expenses) (EBITDA).

We chose EBITDA as the benchmark because, in our view, it provides a more stable measure of the performance of the Group without the impact of significant and irregular expenses. EBITDA is also a key measure of the performance of the Group.

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:

- New Zealand cash generating unit goodwill impairment test
- Forecast compliance with bank financial covenants

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.

We performed audit procedures over components considered financially significant in the context of the Group (full scope audit) or in the context of individual primary statement account balances (audit of specific account balances). The materiality levels used for the audits of the full scope audits were calculated by reference to a portion of Group materiality appropriate to the relative scale of these entities. We visited a selection of locations in New Zealand and Australia for stocktake procedures, management interviews and performing other audit procedures.

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:

Chartered Accountants

Auckland

14 June 2023

CORPORATE GOVERNANCE

METRO PERFORMANCE GLASS LIMITED: FY23 CORPORATE GOVERNANCE STATEMENT

Metro Performance Glass' (Metroglass, the company) board and Senior Leadership Team (SLT) recognise the importance of sound corporate governance and consider it core to ensuring the creation, protection and enhancement of shareholder value.

Together, the board and SLT are committed to making sure that the company applies and adheres to practices and principles that ensure good governance and maintain the highest ethical standards to protect the interests of all stakeholders.

This corporate governance statement reflects a summary of the company's corporate governance framework, policies and procedures and how they comply with the NZX Corporate Governance Code (the Code). The full corporate governance framework has been approved by the board and key policies and charters are available in the Investor Centre section of the company's website at http://www.metroglass.co.nz/investorcentre/governance/

The information in this section is current as at 14 June 2023 and has been approved by the board. Metroglass considers that, during the year to 31 March 2023 (reporting period), the company materially complied with the 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.

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.

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 and Whistleblower Protection Policy were both reviewed and updated in November 2021.

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 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 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 trading being prohibited during the "blackout" periods set out in the policy and consent being obtained prior to trading with the Restricted Person required to confirm they hold no material information.

The policy is reviewed at least every two years and was last reviewed in September 2021.

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 29 May 2023, the board comprised six independent directors. Director profiles and length of service are detailed on pages 10 and 11 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 in 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 in December 2022. The board meets its responsibilities by receiving reports and plans from management and through its annual work programme. The board uses committees to address issues that require detailed consideration. Committee work is undertaken by directors; however, the board retains ultimate responsibility for the functions of its committees and determines their responsibilities.

Nomination and appointment of directors

The provisions regarding the election and retirement of directors are contained in the Metroglass constitution.

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 required at the time as well as the individual's experience and professional qualifications. 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). Julia Mayne and Jenn Bestwick were elected as directors of Metro Performance Glass at the company's ASM on 9 August 2022. Graham Stuart and Mark Eglinton will each retire by rotation and stand for re-election at the company's 2023 ASM.

Director independence

Directors are considered to be independent if they are non-executive and do not have an interest or relationship that 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.

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 any impact on the director's independence.

As at 14 June 2023, all six directors are considered by the board to be independent directors in accordance with the NZX Main Board Listing Rules. Information in respect of each director's ownership interests are detailed on page 71 of this report. Metroglass' directors are not formally required to own Metroglass shares but are encouraged to do so.

Director training

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

Board, director and committee evaluation

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

The last full board performance review was completed in May 2021 with the assistance of governance services firm Propero Consulting. The next review will take place during the current financial year. The Audit and Risk Committee was last reviewed in March 2023 and the People and Culture Committee was last reviewed in May 2023.

Directors' skills matrix as at 31 March 2023

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

As at 31 March 2023 (and 31 March 2022 for the prior comparative period), the mix of gender among the company's board and SLT was:

31 March 2023	Female	Male	Total	% Female
Board	2	4	6	33%
Senior Leadership Team	3	5	8	38%

31 March 2022	Female	Male	Total	% Female
Board	2	4	6	33%
Senior Leadership Team	3	6	9	33%

Diversity and inclusion

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

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

Metroglass has an ethnically diverse workforce, reflective of the communities in which it operates, represented by employees from over 20 countries.

Metroglass is committed to providing an inclusive and diverse environment throughout the company. The company's focus in FY24 is on making deliberate and conscious steps towards building a greater awareness of the importance of diversity and inclusion in the workplace.

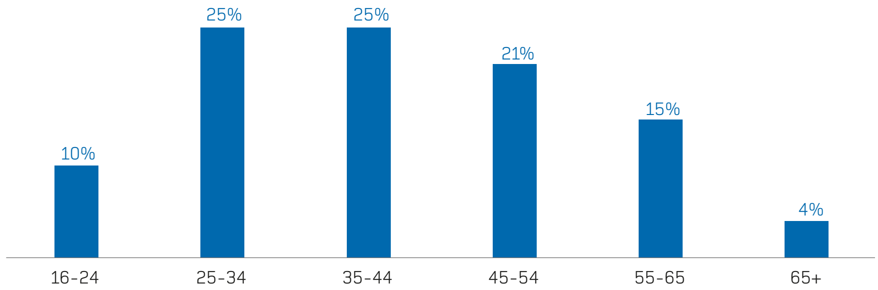
In the 2023 financial year the diversity and inclusion objectives were:

- To review current recruitment practices, remove any bias in vacancy wording or imagery and tell the Metroglass story by developing videos showcasing employee diversity.
- Continuing to build on the progress made to date with each hiring manager receiving unconscious bias training.
- Introducing and rolling out a flexible workplace policy – implemented in May 2022.

How is our workforce made up?

Gender (March 2023)

Age (March 2023)



Note: Workforce diversity data sourced from staff surveys

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 2023, the board had two standing committees, being the Audit and Risk Committee and the People and Culture Committee.

Board and Committee Composition and Attendance 12 Months to 31 March 2023

Director	Board meetings attended	Audit and Risk Committee meetings attended	People and Culture Committee meetings attended	Appointed/ Resigned
Meetings held	**15**	**6**	**4**	
Standing directors				
Peter Griffiths	15/15[c]	5/6		Appointed: 02/09/16
Mark Eglinton	14/15		4/4[c]	Appointed: 01/04/20
Rhys Jones	15/15		4/4	Appointed: 01/04/18
Graham Stuart	14/15	6/6[c]		Appointed: 01/12/19
Julia Mayne	9/9	4/4		Appointed: 01/09/21
Jenn Bestwick				Appointed 01/05/22
Past directors				
Angela Bull	15/15		4/4	Appointed: 05/05/17 Resigned: 04/04/22

(c) indicates Chair

The board periodically reviews the need for additional committees. Each committee operates under charters approved by the board, and any recommendation committee members make are directed to the board. Management attendance at committee meetings is by invite only.

The board's committees and their members as at 13 June 2023 were: :

- Audit and Risk Committee: Graham Stuart (Chair), Jenn Bestwick and Julia Mayne
- People and Culture Committee: Mark Eglington (Chair), Peter Griffiths and Rhys Jones.

Audit and Risk Committee

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

The Audit and Risk Committee Charter is reviewed at least every two years and was last reviewed in November 2022.

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.

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 considering capability of the organisation at the senior levels, the remuneration strategy required to secure the desired level of organisational capability, company values and policies related to people, and the nominations process for the appointment and succession planning of the CEO. The People and Culture Committee Charter is reviewed at least every two years and was last reviewed in April 2023.

The People and Culture Committee is comprised of at least two, and not more than four, independent directors.

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 in 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 14 to 49 of this Annual Report.

Market Disclosure Policy

The board has adopted a Market Disclosure Policy, available on 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 in May 2021.

Non-financial reporting

Metroglass is committed to providing non-financial disclosures on matters including strategic and operational priorities for the year, risk management, safety and wellbeing, and diversity and inclusion. In the last year the company has undertaken work to understand its carbon emissions profile and has begun to develop an understanding of climate risk. The Environmental Sustainability Policy can be found on the company's website.

The Group continues to integrate Environmental, social, and governance (ESG) principles into its business operations and will continue to develop these in future reporting.

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 company's remuneration policies and disclosures are covered in the Remuneration section on pages 64 to 67 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, ensuring an appropriate system of internal compliance and control in managing and mitigating risks is in place and monitoring internal and external reporting, including reporting to stakeholders.

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. Metroglass holds insurance policies to meet its insurable risks.

The company engages external expertise where relevant to ensure risks are adequately understood and managed.

Safety and wellbeing

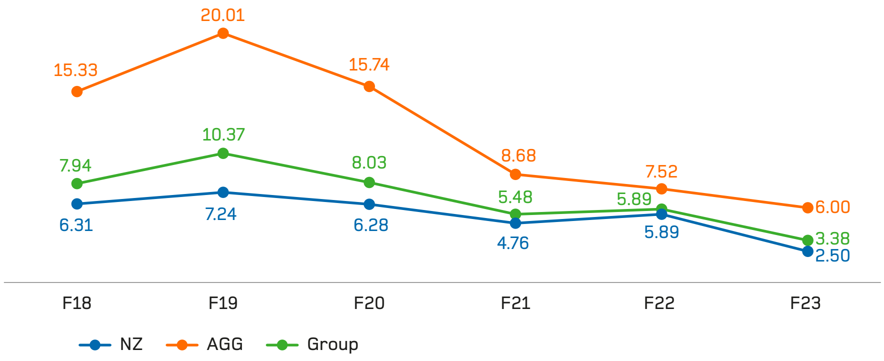
The safety and wellbeing of the company's people is fundamental to the business. Accordingly, all regular board meetings and risk reviews specifically look at safety and wellbeing matters. Metroglass has a clearly articulated safety and wellbeing vision and strategy which is understood and recognised throughout the business. This vision is underpinned by a clear set of principles and a workplan to embed a strong safety and wellbeing management system.

The company maintains a safety and wellbeing risk register for both New Zealand and Australia, which is reviewed at least annually. During the year a comprehensive and systematic risk assessment of all operations across the business was completed providing a considered view of the most critical safety risks to the business. Also introduced was a very comprehensive and structured internal assessment of all processes and practices that are important to delivery of safe outcomes. This ensures focus in the right areas.

Metroglass believes that all injuries are preventable and that its people should get home safe every day. The company has placed focus on mitigating risks by automating activities and providing mechanical assistance where possible to reduce the manual handling required across the business. The use of appropriate personal protective equipment and training in correct manual handling practices also contributes to reducing injuries.

Metroglass continues to focus on other factors affecting the safety and wellbeing of staff in their working environment, such as noise and air quality. A series of environmental monitoring exercises took place during the year ensuring staff are working in safe environments. The company also offers staff health and wellbeing checks with occupational health experts.

Group Safety Performance



Total Reportable Incident Frequency Rate (TRIFR) is measured by calculating the number of medical treatment cases and lost-time injuries per 200,000 hours worked.

Climate-related financial risk

Metroglass recognises the importance of building resilience in its business strategy and operations, while overlaying the potential long-term implications of climate change and the important role its products play in reducing the operating carbon within New Zealand's buildings.

The Group has commenced a programme of work to ensure that the process and systems to incorporate climate change are appropriate for the business and align with the External Reporting Board's standards. In the coming 12 months Metroglass will focus on developing an understanding of the potential risks and opportunities of climate change and reporting thereof.

The key focus areas in the next year are to:

- incorporate climate-related risks into Metroglass' Enterprise Risk Management framework
- collection of the Metroglass FY23 greenhouse gas emissions profile
- develop Metroglass' climate-related risks and opportunities that can impact business operations and strategy
- consider potential and appropriate metrics and targets

PRINCIPLE 7: AUDITORS

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

The Metroglass Audit and Risk Committee is charged with overseeing all aspects of the external and internal audit of the company. The Audit and Risk Committee monitors the independence, quality and performance of the external auditors and recommends any change in auditor appointment or audit fees.

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.

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. The Investor Centre section of the company website provides easy access to information.

Metroglass also communicates with its shareholders through periodic market announcements, periodic investor briefings or site tours and annual and interim reports. These are released in accordance with NZX and ASX disclosure requirements. The board welcomes questions at the Annual Shareholders' Meeting.

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

Electronic communications

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

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Annual Report

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

Shareholder voting rights

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

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

Notice of Annual Meeting

Metroglass' previous annual meeting was held on 9 August 2022. The notice of the meeting was released to the market on 12 July 2022. Minutes of the meeting are available on the company's website at: https://www.metroglass.co.nz/investor-centre/annual-shareholders-meeting/.

The 2023 Annual Shareholders' Meeting is expected to be held on 1 August 2023 in Auckland. The time and place will be provided by notice to all shareholders nearer to that date.

REMUNERATION REPORT

DIRECTOR REMUNERATION

The company distinguishes the structure of non-executive directors' remuneration from that of executive directors. Non-executive directors are paid a fixed fee in accordance with the determination of the board. The total amount of remuneration and other benefits received by each director during the year ended 31 March 2023 is set out below.

Director	Responsibilities	2023 Directors' Fees
Standing Directors		
Peter Griffiths	Chair of the Board, Member of the Audit and Risk Committee	$160,000
Mark Eglinton	Director, Chair 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	$100,000
Julia Mayne	Director, Member of the Audit and Risk Committee	$90,000
Jenn Bestwick	Director, Member of the Audit and Risk Committee	$82,500*
Total		**$602,500**

* Jenn Bestwick was appointed to the board on 1 May 2022, and as a member of the Audit and Risk Committee with effect from 1 May 2022.

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 (2023: 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.

Directors' fees exclude GST, where appropriate. No retirement or termination benefits are paid to non-executive directors. 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 business. The company does not offer an equity-based remuneration scheme for directors. The board considers that director and executive remuneration is appropriate and is not excessive.

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

Executive remuneration

The remuneration of members of senior management (CEO, SLT and certain direct reports) is designed to promote a higher-performance culture, to secure the participant's retention in Metroglass and to reward performance that underpins the achievement of Metroglass' business strategy and long-term shareholder wealth creation. The board is assisted in delivering its responsibilities and objectives for executive remuneration by the People and Culture Committee.

The 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 are 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 2023 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.

In the 2023 financial year, the sole metric driving the STI plans for both New Zealand and Australia was:

Target	Weighting	FY23 result: NZ	FY23 result: Australia
Earnings before interest and tax (EBIT) performance	75%	Not Achieved	Achieved
Net Debt	25%	Not Achieved	Not Achieved

The payable rewards for each STI KPI target are determined by the level of performance achieved and are calculated on a linear scale increasing from the 'Minimum performance target' and receiving 25% of the specified reward, up to the 'Maximum performance target' and receiving 100% of the specified reward.

For the FY23 plan, a multiplier was available dependent on overall TRIFR (Total Recordable Injury Frequency Rate) improvement measured against the FY22 result with a target being a minimum 10% improvement. The safety performance multiplier was set between 90% and 110% dependent on performance against the 10% improvement 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 beyond management control).

Long-term incentives (LTI)

The company's LTI plan for the 2023 financial year was announced on 4 July 2022. 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 2023 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 13,409,083 share options and 6,235,998 performance share rights remain outstanding pursuant to the 2020, 2021, 2022 and 2023 LTI plans as at 13 June 2023.

Chief Executive Officer's remuneration

Metroglass' CEO Simon Mander joined the company on 19 November 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
FY23	Current	$650,000	$28,194	$678,194
FY22	Current	$650,000	$29,203	$679,203
FY21	Current	$650,000	$26,132	$676,132
FY20	Current	$650,000	$25,682	$675,682
FY19	Current	$214,166*	$8,173	$222,339

* Pro-rated for a partial year.
** Other benefits include medical insurance and KiwiSaver.

Description of CEO's remuneration for performance for the year ended 31 March 2022:

Plan	Description	Performance measures	Percentage of maximum awarded
STI	Set at 50% of fixed remuneration for FY23 the STI targets were not achieved	75%: EBIT performance 25%: Net Debt performance	Nil
LTI	Issued 27 May 2022. The first vesting date is 10 June 2025 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
FY24	Current	FY23	0%	$0
FY23	Current	FY22	0%	$0
FY22	Current	FY21	99.5%	$323,276
FY21	Current	FY20	0%	$0
FY20	Current	FY19	59%	$96,364*
FY19	Former	FY18	0%	$0**
FY18	Former	FY17	10%	$28,563

* Pro-rated for 4 months out of 12 following the CEO joining in November 2018.
** A separate one-off incentive payment was awarded to the departing CEO in the 2019 financial year as described in detail in the 2018 Annual Report.

		Pay for performance – long-term incentives		
	CEO	LTI (initial grant values)*	% LTI vested against maximum	Span of LTI performance periods
FY23	Current	162,500	n/a	11/06/22 – 10/06/25
FY22	Current	162,500	n/a	05/06/21 – 04/06/24
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 FY24 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 2023, 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 2023 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 on their departure from the company but does not include any amounts paid post 31 March 2023 that relate to the year ended 31 March 2023.

Remuneration	Number of employees
$100,000-110,000	41
$110,000-120,000	37
$120,000-130,000	29
$130,000-140,000	18
$140,000-150,000	21
$150,000-160,000	16
$160,000-170,000	12
$170,000-180,000	2
$180,000-190,000	6
$190,000-200,000	4
$200,000-210,000	1

Remuneration	Number of employees
$210,000-220,000	5
$220,000-230,000	2
$230,000-240,000	1
$240,000-250,000	4
$250,000-260,000	1
$260,000-270,000	1
$300,000-310,000	1
$330,000-340,000	1
$340,000-350,000	1
$470,000-480,000	1
$810,000-820,000	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 2023:

Register	Security	Holders	Units
New Zealand	MPG (NZX)	2,619	183,255,501
Australia	MPP (ASX)	110	2,122,585
Total	**MPG (Dual)**	**2,729**	**185,378,086**

Securities issued, and still outstanding, under the 2017 – 2022 long-term incentive plans as at 31 March 2023:

Long-Term Incentive Scheme	Security	Holders	Units
2019 Performance Share Rights	MPG (NZX)	24	374,275
2019 Share Options	MPG (NZX)	24	1,193,009
2020 Performance Share Rights	MPG (NZX)	27	1,287,961
2020 Share Options	MPG (NZX)	27	3,434,556
2021 Performance Share Rights	MPG (NZX)	9	1,442,516
2021 Share Options	MPG (NZX)	9	2,704,717
2022 Performance Share Rights	MPG (NZX)	11	808,464
2022 Share Options	MPG (NZX)	11	1,563,033
2023 Performance Share Rights	MPG (NZX)	11	1,536,997
2023 Share Options	MPG (NZX)	11	3,073,991

Top 20 Shareholders

Metroglass' top 20 registered shareholders as at 31 March 2023 were as follows:

Rank	Investor name	Shares at 31 March 2023	% Shares
1	Masfen Securities Limited	25,401,929	13.70
2	HSBC Nominees (New Zealand) Limited[1]	21,799,080	11.76
3	Takutai Limited	20,289,230	10.94
4	Accident Compensation Corporation[1]	9,576,778	5.17
5	New Zealand Depository Nominee	4,440,738	2.40
6	Custodial Services Limited	2,399,239	1.29
7	Hui Wen Yang	1,768,999	0.95
8	Da Wei Chu Su	1,720,000	0.93
9	FNZ Custodians Limited	1,659,793	0.90
10	ASB Nominees Limited	1,522,267	0.82
11	William Orr & Amy Amelia Orr	1,500,000	0.81
12	Leveraged Equities Finance Limited	1,411,324	0.76
13	Trevor John Logan	1,400,000	0.76
13	Daniel Charles Skinner	1,248,788	0.67
13	Eric Francis Barratt & Hyun Ju Barratt	1,200,000	0.65
14	Kevin John Summersby	1,101,500	0.59
15	Quant Advisory Limited	1,100,000	0.59
16	Jonathan Mapp	1,001,000	0.54
16	Gmh 38 Investments Limited	1,000,000	0.54
16	Bowenvale Investments Limited	1,000,000	0.54
Totals:	**Top 20 registered holders of ordinary shares**	**102,540,665**	**55.31%**
Totals:	**Remaining holders' balance**	**82,837,421**	**44.69%**

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 2023, a total of 33,750,854 Metroglass shares (or 18.21% 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 2023. 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 2022	%	Date of most recent notice
Masfen Securities Limited	25,401,929	13.70	17/02/20
Takutai Limited	20,289,230	10.94	16/12/22
Bain Capital Credit, LP	21,162,862	11.42	30/11/18
Accident Compensation Corporation	9,576,778	5.17	19/08/22

Distribution of shareholders

As at 31 March 2023:

Range	Number of holders	%	Number of shares	%
1 – 1,000	231	8.46	149,979	0.08
1,001 – 5,000	864	31.66	2,483,842	1.34
5,001 – 10,000	476	17.44	3,901,518	2.10
10,001 – 50,000	822	30.12	20,233,762	10.91
50,001 – 100,000	156	5.72	11,623,337	6.27
Greater than 100,000	180	6.6	146,985,648	79.29
Total	2729	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 2022 to 31 March 2023 are as follows:

	NZX (NZD)	ASX (AUD)
Minimum:	$0.163 (28/03/23)	$0.17 (14/11/22)
Maximum:	$0.305 (6/04/22)	$0.295 (1/04/22)
Range:	$0.163 – $0.305	$0.12 – $0.295
Total shares traded	**196,389,446**	**366,222**

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 2023 was 02 March 2023.

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 5 financial years, the company has prioritised debt reduction. As the economic and construction cycle is expected to decline, the company is working towards a leverage ratio for the group (as measured by net debt to rolling 12-month EBITDA) at the lower end of its 1-2x range. At 31 March 2023, this ratio was 3.2x (on a pre-IFRS 16 basis).

No dividends have been declared in respect of the 2023 financial year.

NZX and ASX waivers

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

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

Disclosure of directors' interests

Directors disclosed, under section 140(2) of the New Zealand Companies Act 1993, the following interests as at 31 March 2023:

Director and company	Position
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
Peter Ward Griffiths	
Another New Plane Co Limited	Director / Shareholder
Great Barrier Airlines Limited	Director / Shareholder
New Zealand Business and Parliament Trust	Chair / Trustee
NZDS Properties (No. 2) Limited	Director / Shareholder
Resin & Wax Holdings Limited	Director
Rhys Jones	
Resin & Wax Holdings Limited	Director / Shareholder
Ridley Corporation Limited	Director
Vulcan Steel Limited	Director / Shareholder
Vulcan Steel Pty Limited	Director / Shareholder
Lisa Julia Mayne	
5R Solutions Pty Limited	Director
Graham Robert Stuart	
EROAD Limited	Chair
Leroy Holdings Limited	Director / Shareholder
Northwest Healthcare Properties Management Limited	Chair
Tower Limited	Director
Vinpro Limited	Director
H4G Limited	Chair
Jenn Elizabeth Bestwick	
Tonkin & Taylor Group Limited	Director
Jenn Bestwick Limited	Director / Shareholder
Arrow Irrigation Company Limited	Director
Ministry of Housing and Urban Development	Chair of Risk and Assurance Committee

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 2023.

No Group employee appointed as a director of Metro Performance Glass Limited or its subsidiaries receives or retains any remuneration or other benefits in their capacity as a director, and each is a full-time Group employee. The remuneration and other benefits of such employees and former employees (received as employees) totalling NZD 100,000 or more during the year ended 31 March 2023 is included in the remuneration bandings disclosed on page 67 of this Annual Report.

As at 31 March 2023, 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 2023 are as follows::

	Number of shares in which a relevant interest is held	Acquisition dates	Disposal dates
Mark Eglington	40,000	28/05/21	n/a
Peter Griffiths	321,164	Twelve dates between 16/05/16 and 01/07/22	n/a
Rhys Jones	58,000	31/08/18	n/a
Graham Stuart	100,000	28/02/20	n/a
Julia Mayne	25,000	23/02/22	n/a

Donations

For the year ended 31 March 2023, Metroglass, including its subsidiaries, made donations of $7,223 (2022: $6,965).

Net tangible assets per security

Net tangible assets per security at 31 March 2023: 16.79 cents (31 March 2022: 16.62 cents).

Currency

Within this Annual Report, all amounts are in NZD 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: +64 927 3000

Board of Directors

Peter Griffiths – Chair and Member of the People and Culture 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 Chair of the People and Culture Committee

Julia Mayne - Non-Executive Director and Member of the Audit and Risk Committee

Jenn Bestwick - Non-Executive Director and Member of the Audit and Risk Committee

Senior Leadership Team

Simon Mander – Chief Executive Officer

Brent Mealings – Chief Financial Officer

Ruben Fergusson – GM Market Strategy

Robyn Gibbard – GM Upper North Island

Nick Hardy-Jones – GM South Island

Amandeep Kaur – Group Safety and Wellbeing Manager

Andreas Paxie – GM Lower North Island

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 30, PwC Tower
15 Customs Street West
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

2023 Annual Shareholders' Meeting	1 August 2023
2024 Half Year balance date	30 September 2023
2024 Half Year results announcement	November 2023
2024 Full Year balance date	31 March 2024
2024 Full Year results announcement	May 2024

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