

METRO PERFORMANCE GLASS LIMITED

INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 SEPTEMBER 2017

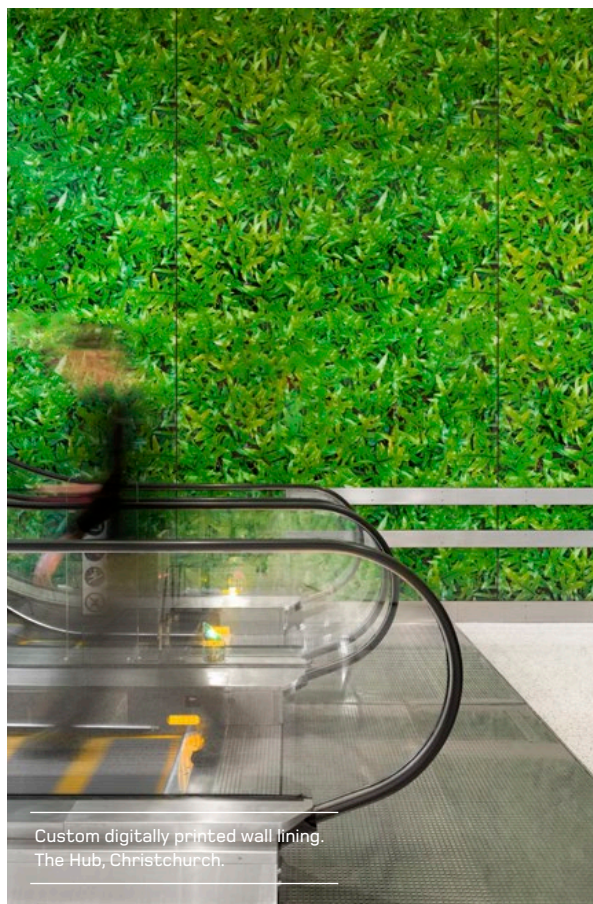


Mirrored splash back, Low E double glazed windows and glass skylight.
The Block 2017, Auckland.

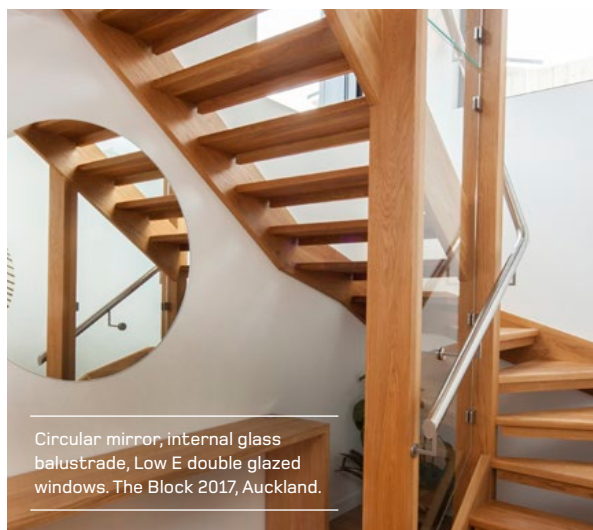


Commercial double glazing with stairwell spiderwall glass façade.
Onehunga Mall, Auckland.





Custom digitally printed wall lining.
The Hub, Christchurch.



Circular mirror, internal glass
balustrade, Low E double glazed
windows. The Block 2017, Auckland.

Metro Glass is at the forefront of providing high-performance glass and industry-leading service to Australasian residential and commercial construction markets. We have an extensive network of four processing and sixteen distribution or retail sites across New Zealand. In addition, via our subsidiary Australian Glass Group, we operate two processing and distribution sites in Melbourne and Sydney.

We are Australasia's leading manufacturer and installer of double-glazed windows for both new residential and retrofit markets. We also process annealed, toughened, laminated, painted and digitally-printed glass products for applications ranging from mirrors, showers, balustrades and kitchen splashbacks to commercial facades. Our goal, in everything we do, is 'Performance without Compromise'.

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DIRECTORS' REPORT

An increased Australian contribution was offset by softer than anticipated construction activity in New Zealand, with net profit in line with the prior comparable period.

Metro Glass delivered net profit after tax for the six months to 30 September 2017 of \$11.8 million, broadly in line with the result achieved in the same period a year ago, and the financial guidance provided at the Annual Shareholders' Meeting in August 2017.

While the company maintained its leadership position in the Australasian glass processing industry and held its glass category share in New Zealand¹ above 55%, construction activity levels in New Zealand were considerably softer than anticipated.

The company's half year result was also impacted by inefficiency in factory labour costs and continuing pricing pressures in the South Island, somewhat offset by an increased contribution from Australian Glass Group.

With the significant demand growth of recent years in New Zealand easing, Metro Glass is focussed on better aligning its resources and driving manufacturing and service efficiencies.

FINANCIAL RESULTS

\$m	New Zealand		Australia		Group	
	1H18 (6 months)	1H17 (6 months)	1H18 (6 months)	1H17 ² (1 month)	1H18 (6 months)	1H17 (6 months)
Revenue	112.1	111.7	29.6	4.6	141.7	116.3
Segmental EBITDA ³	21.4	23.8	3.9	0.8		
Normalised ⁴ EBITDA					24.7	24.0
Reported EBITDA					24.7	23.1
Normalised NPAT					11.8	12.5
Reported NPAT					11.8	11.5

1. Metro Glass' share of the total quantity of glass purchased and imported into New Zealand (Statistics New Zealand reports aggregated New Zealand import data on a monthly basis).

2. Australian Glass Group ("AGG") was acquired on 1 September 2016. Results for the Australia segment include 1 month of ownership for 1H17 and 6 months of ownership for 1H18.

3. All non-Generally Accepted Accounting Principles (GAAP) financial measures are defined and reconciled to GAAP measure of net profit in the 2018 interim results announcement.

4. EBITDA and NPAT were normalised in the prior period to exclude \$1.0m of one-off expenses related to the acquisition of AGG ("1H17 AGG Acquisition Expenses").



PETER GRIFFITHS
Chairman



NIGEL RIGBY
Chief Executive Officer

Anticipated growth in New Zealand residential and commercial construction activity in the six month period did not eventuate, contributing to a disappointing financial result in New Zealand. The sector was adversely impacted by housing affordability and the availability of credit, difficult winter conditions, uncertainty around the general election, and continued industry-wide capacity constraints.

New Zealand EBITDA fell by \$2.4 million or 10% to \$21.4 million, impacted by competitive pricing pressures in the South Island, factory labour utilisation and a spike in electricity prices during the period. However, pleasing progress was made in the Company's development businesses, particularly with profitability improvements delivered in both Auckland commercial glazing and Auckland RetroFit.

Sales in the NZ commercial glazing business fell 6.1% to \$25.2 million versus the same period last year as the business focussed on profitable growth and projects within the business' core competencies. Installation of glass at the Acute Services Building at Christchurch Hospital contributed to strong growth in South Island commercial glazing. However this was offset by a decline in the North Island following a focus on improved profitability, and deferral in the execution of a number of key projects. The commercial forward

book grew 3% year on year to \$30.7 million at 30 September 2017.

Auckland commercial glazing delivered considerably improved margins despite a 6.6% decline in revenue in the half year following changes to tendering processes and glazier management. The Auckland commercial glazing results also include the integration of the former Mint Glass business which has been restructured since its assets were acquired from receivership in December 2015.

The NZ RetroFit double-glazing business grew half-year sales by 14.4% to \$11.6 million from \$10.0 million at the same time a year ago. RetroFit has a strong forward order book and the business anticipates stronger growth in the second half of the financial year. The Auckland RetroFit business increased revenue by 34% and delivered an EBITDA contribution of 15% after making a small loss in the prior corresponding period.

Australian Glass Group (AGG) sales for the 6 months increased 12% on the prior period (on a pro-forma basis assuming AGG had been owned for the entire prior comparable period). This growth was driven by a 33% increase in Double Glazed Unit (DGU) sales in Victoria, as penetration of double glazing in residential homes continues to increase in the South East Australian market.

AGG's profitability in the half year was impacted by a number of short-term factors that will be addressed by improvement programs that the business has in place. Firstly, machine reliability issues were experienced in the New South Wales facility that will be improved through the current financial year's capital expenditure program, and secondly glass procurement transitioned from domestic to Metro Glass' international suppliers. This change saw two glass storage facilities opened in the half year with attendant costs, but will provide cost savings in the second half of the financial year.

AGG will spend approximately \$9.5 million on capital expenditure in FY18. This will close to double AGG's DGU production capacity, and step change the business' ability to service the growing Victorian and Tasmanian markets, with processing capabilities in New South Wales also improved.

Group revenue for the six months to 30 September 2017 rose 22% to \$141.7 million from \$116.3 million in the same period a year ago, lifted by a full six-month contribution from AGG compared to one month in the prior corresponding period. Excluding AGG, revenue rose 0.4% to \$112.2 million from \$111.7 million in the prior corresponding period, although daily sales grew +2.75%, higher than the reported revenue growth with the prior corresponding period having 3 more selling days on account of the timing of public holidays.

Group EBITDA (earnings before interest, tax, depreciation and amortisation) rose 7% to \$24.7 million from \$23.1 million in the same period last year.

Net profit after tax rose 2% to \$11.8 million in the half year compared with \$11.5 million in the prior corresponding period. Excluding

the one-off \$1 million cost associated with the acquisition of AGG recorded in the previous corresponding period, Normalised NPAT declined to \$11.8 million from \$12.5 million in the same period a year ago.

Operating cash flow improved considerably to \$17.6 million in the half year, up 252% from \$5.0 million in the prior corresponding period. The improvement was driven by the increased contribution from AGG, improved debtor and creditor management and the timing of tax payments.

BALANCE SHEET AND DIVIDEND

The company remains in a secure financial position with strong operating cash flow supporting the capital expenditure program, dividends and reduced net debt. Total net interest-bearing debt was lowered to \$93.9 million at 30 September 2017 from \$94.5 million at 31 March 2017 and \$95.4 million at the same time a year ago.

The Metro Glass Board has today declared a fully-imputed interim dividend of 3.6 cents per share, in line with the dividend paid in the first half of last year. The record date for dividend entitlements is 9 January 2018 and the payment date is 23 January 2018.

GOVERNANCE

Sir John Goulter has retired from the Board effective today, and the Board has elected Peter Griffiths, who joined the Board in September 2016, as the new Chairman. The Board wishes to thank Sir John for his contribution to Metro Glass from IPO through to today, a period which has seen significant changes to the business and the environment in which it operates.

The Board is continuing to evaluate the composition of the Board.

STRATEGIC REVIEW

Following an extended period of growth in volumes and wholesale changes in product complexity in New Zealand, Metro Glass is now entering a period of more moderate growth. Since listing on the NZX and ASX in July 2014 the business has held its position as the New Zealand market leader and established a technical and service capability that is locally and internationally competitive. Metro Glass acknowledges this approach, in the face of very strong demand, has come at some cost to short term returns for shareholders.

As a consequence of significant variations in the timing of both residential and commercial work put in place in New Zealand between Metro Glass' assumptions and the actual market, the Metro Glass Board announced that it had initiated a Strategic Review in October 2017.

The Strategic Review will serve to ensure that the company's business model continues to be effective and efficient for the two countries in which it operates, and that the best opportunities to improve customer experience and financial returns to our shareholders are prioritised.

The Strategic Review is expected to be completed by March 2018. FNZC has been appointed to work with the Board and management on aspects of this Review.

MATCHING INVESTMENT WITH DEMAND

As was advised at the annual meeting in August, Metro Glass had configured its New Zealand business for a higher level of activity, but now in recognition of softer than expected conditions, steps have been taken to improve efficiency and capital expenditure plans have been revised.

The company indicated at its investor day in July 2017 that it expected to incur capital

expenditure in FY18 of up to \$25 million across the Group. This capital spend has been reviewed and is now expected to be in the vicinity of \$20 million.

This capital spend will improve processing ability for high specification glass across the Group. It will also simplify the operations of the Highbrook plant whilst giving it the capability to more efficiently process larger panels of glass. Additionally the Australian capital spend will step change AGG's ability to service the South East Australian market and will ensure the business has the necessary processing capabilities to meet the growth in DGU penetration anticipated over the next 2-3 years.

Implementation of the programme is on track with key equipment to be installed over the Christmas – New Year shutdown period, with benefits targeted to be delivered from the start of FY19. Annual capital expenditure in the next two years is expected to be in the range of \$10 million to \$12 million.

The Company has also engaged an international manufacturing consultancy to help drive increased throughput and efficiency at Highbrook, Metro Glass' largest processing plant. This project is still in its early stages and an update on progress will be provided with the Company's full year results.

MARKETS

In New Zealand, residential construction activity is forecast to remain at around current levels, with continuing and significant levels of migration, the current shortage of housing in Auckland, and the new Government's proposed KiwiBuild programme that aims to build 100,000 new homes over 10 years (50% of these in Auckland), underpinning demand for new homes.

While economic and demographic fundamentals are expected to support strong demand over the medium-term, there are a number of supply-side constraints dampening growth. These include labour shortages and bottlenecks in the materials supply chain, as well as borrowing restrictions put in place by major lenders which has had the effect of slowing demand in the residential and non-residential construction markets.

In Australia, the business is primarily focussed on the rate of DGU penetration in construction of new detached dwellings and the alterations and additions markets in Victoria, Tasmania and New South Wales. The increase in DGU penetration is expected to more than offset the single percentage figure declines currently being seen in new building approvals in these states. The value of alterations and additions consented in New South Wales remained flat over the past 12 months, but increased close to 10% in Victoria.

LOOKING FORWARD

Whilst market activity is difficult to predict, forecasters are typically estimating that residential dwelling consents in New Zealand will continue in a range of 28,500 to 35,000 per annum in the next 2-3 years.

Metro Glass is adjusting its New Zealand business to reflect softer market conditions, and assuming no significant variation to the Company's expectations, the Group's net profit after tax for the 12 months to 31 March 2018 is likely to be in the range of \$18.5 million – \$20.0 million. This compares to \$19.4 million for the 12 months to 31 March 2017.

To deliver this result, the company is focussing on re-aligning costs to expected volumes and driving processing efficiencies at the key Highbrook plant. Strong execution of the Group's capital investment programme remains critical to position the business well for FY19.

Finally, the Board would like to thank all Metro Glass employees for their efforts over the last six months. The company has a team of very committed and motivated people who compete hard every day and are committed to improving returns.



PETER GRIFFITHS
Chairman



NIGEL RIGBY
Chief Executive Officer

20 November 2017



Independent review report

To the shareholders of Metro Performance Glass Limited

Report on the Interim financial statements

We have reviewed the accompanying financial statements of Metro Performance Glass Limited (the "Group") on pages 9 to 20, which comprise the consolidated interim statement of financial position as at 30 September 2017, and the consolidated interim statement of comprehensive income, the consolidated interim statement of changes in equity and the consolidated interim statement of cash flows for the half year ended on that date, and notes to the financial statements.

Directors' responsibility for the financial statements

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

Our responsibility

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

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

Where we do no other assurance or non-audit services

We are independent of the Group. Other than in our capacity as auditors we have no relationship with, or interests in, the Group.

Conclusion

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



Who we report to

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

For and on behalf of:

A handwritten signature in blue ink, reading "Privatehouse Coopers", written in a cursive style.

Chartered Accountants
20 November 2017

Auckland

CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME

FOR THE HALF YEAR ENDED 30 SEPTEMBER (UNAUDITED)

	CONSOLIDATED	CONSOLIDATED
	Sep-17 \$'000	Sep-16 \$'000
Sales revenue	141,706	116,284
Cost of sales	(77,954)	(57,333)
Gross Profit	63,752	58,951
Distribution and glazing related expenses	(21,589)	(21,074)
Selling and marketing expenses	(7,016)	(5,179)
Administration expenses	(16,315)	(14,486)
Operating profit	18,832	18,212
Interest expense	(2,347)	(1,659)
Interest income	94	4
Profit before income taxation	16,579	16,557
Income taxation expense	(4,808)	(5,010)
Profit for the period	11,771	11,547
Other Comprehensive Income		
Exchange differences on translation of foreign operations	(79)	143
Cash flow hedges	368	(886)
Total comprehensive income for the period attributable to shareholders	12,060	10,804
Earnings per share		
Basic Earnings per share (cents per share)	6.4	6.2
Diluted Earnings per share (cents per share)	6.2	6.2

The Board of Directors authorised these financial statements for issue on 20 November 2017.

For and on behalf of the Board:



Peter Griffiths
Chairman



Nigel Rigby
Chief Executive Officer

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

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION

AT 30 SEPTEMBER (UNAUDITED)

	CONSOLIDATED	CONSOLIDATED (AUDITED)	CONSOLIDATED
	Sep-17 \$'000	Mar-17 \$'000	Sep-16 \$'000
Assets			
Current assets			
Cash and cash equivalents	–	248	3,497
Trade and other receivables	42,785	42,442	41,740
Inventories	25,233	22,416	18,375
Other current assets	4,384	4,484	3,844
Total current assets	72,402	69,590	67,456
Non-current assets			
Property, plant and equipment	62,047	57,042	57,547
Deferred tax assets	3,692	3,495	4,234
Intangible assets	162,087	163,703	163,478
Total non-current assets	227,826	224,240	225,259
Total assets	300,228	293,830	292,715
Liabilities			
Current liabilities			
Bank overdraft	2,365	–	–
Trade and other payables	30,323	26,814	26,066
Income tax liability	3,502	3,181	681
Derivative financial instruments	871	1,381	4,106
Provisions	3,462	4,541	5,170
Total current liabilities	40,523	35,917	36,023
Non-current liabilities			
Deferred tax liabilities	3,931	4,194	2,998
Interest bearing liabilities	91,547	94,736	98,945
Lease incentive	2,567	2,488	2,359
Total non-current liabilities	98,045	101,418	104,302
Total liabilities	138,568	137,335	140,325
Net assets	161,660	156,495	152,390

CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION (CONT.)

	CONSOLIDATED	CONSOLIDATED (AUDITED)	CONSOLIDATED
	Sep-17 \$'000	Mar-17 \$'000	Sep-16 \$'000
Equity			
Contributed equity	305,165	304,950	304,795
Retained earnings	26,393	22,037	20,878
Group reorganisation reserve	(170,665)	(170,665)	(170,665)
Share based payments reserve	686	381	195
Foreign currency translation reserve	708	787	143
Cash flow hedge reserve	(627)	(995)	(2,956)
Total equity	161,660	156,495	152,390

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

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

FOR THE HALF YEAR ENDED 30 SEPTEMBER (UNAUDITED)

	CONSOLIDATED			TOTAL
	CONTRIBUTED EQUITY	RESERVES	RETAINED EARNINGS	
	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 April 2016	304,587	(172,685)	16,732	148,634
Profit for the period	–	–	11,547	11,547
Other comprehensive income for the period	–	(886)	–	(886)
Total comprehensive income (loss) for the period	–	(886)	11,547	10,661
Dividends Paid	–	–	(7,401)	(7,401)
Payments received on management incentive plan shares	208	–	–	208
Movement in foreign currency translation reserve	–	143	–	143
Movement in share based payments reserve	–	145	–	145
Total transactions with owners, recognised directly in equity	208	288	(7,401)	(6,905)
Unaudited closing balance at 30 September 2016	304,795	(173,283)	20,878	152,390

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONT.)

FOR THE HALF YEAR ENDED 30 SEPTEMBER (UNAUDITED)

	CONTRIBUTED EQUITY	RESERVES	RETAINED EARNINGS	TOTAL
	\$'000	\$'000	\$'000	\$'000
Opening balance as at 1 October 2016	304,795	(173,283)	20,878	152,390
Profit for the period	–	–	7,820	7,820
Other comprehensive income (loss) for the period	–	1,961	–	1,961
Total comprehensive income (loss) for the period	–	1,961	7,820	9,781
Dividends Paid	–	–	(6,661)	(6,661)
Payments received on management incentive plan shares	155	–	–	155
Movement in foreign currency translation reserve	–	644	–	644
Movement in share based payments reserve	–	186	–	186
Total transactions with owners, recognised directly in equity	155	830	(6,661)	(5,676)
Audited closing balance at 31 March 2017	304,950	(170,492)	22,037	156,495

CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (CONT.)

FOR THE HALF YEAR ENDED 30 SEPTEMBER (UNAUDITED)

	CONTRIBUTED EQUITY	RESERVES	RETAINED EARNINGS	TOTAL
	\$'000	\$'000	\$'000	\$'000
Opening balance at 1 April 2017	304,950	(170,492)	22,037	156,495
Profit for the period	–	–	11,771	11,771
Other comprehensive income (loss) for the period	–	368	–	368
Total comprehensive income (loss) for the period	–	368	11,771	12,139
Dividends Paid	–	–	(7,415)	(7,415)
Transfer share based payments reserve to equity	215	–	–	215
Movement in foreign currency translation reserve	–	(79)	–	(79)
Movement in share based payments reserve	–	305	–	305
Total transactions with owners, recognised directly in equity	215	226	(7,415)	(6,974)
Unaudited closing balance at 30 September 2017	305,165	(169,898)	26,393	161,660

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

CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS

FOR THE HALF YEAR ENDED 30 SEPTEMBER (UNAUDITED)

	CONSOLIDATED	CONSOLIDATED
	SEP-17 \$'000	SEP-16 \$'000
Cash flows from operating activities		
Receipts from customers	141,923	108,783
Payments to suppliers and employees	(117,028)	(93,976)
Interest received	94	4
Interest paid	(2,332)	(1,751)
Income taxes paid	(5,091)	(8,064)
Net cash inflow from operating activities	17,566	4,996
Cash flows from investing activities		
Payments for property, plant & equipment	(9,464)	(3,337)
Payments for intangible assets	(247)	(1,033)
Acquisition of subsidiaries (net of cash acquired)	–	(45,428)
Net cash outflow from investing activities	(9,711)	(49,798)
Cash flows from financing activities		
Repayment of borrowings	(3,189)	–
Drawdown of borrowings	–	48,945
Payments received on management incentive plan shares	215	208
Dividend paid	(7,415)	(7,401)
Net cash inflow (outflow) from financing activities	(10,389)	41,752
Net decrease in cash and cash equivalents	(2,534)	(3,050)
Cash and cash equivalents at the beginning of the period	248	6,404
Effects of exchange rate changes on cash and cash equivalents	(79)	143
Cash and cash equivalents at end of the period	(2,365)	3,497

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED)

BASIS OF PREPARATION

Reporting Entity

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

Statutory base

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

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

The comparative trading results presented encompass the 6 month period from 01 April 2016 to 30 September 2016.

Basis of preparation

These consolidated financial statements have been approved for issue by the Board of Directors on 20 November 2017.

The Group's unaudited condensed consolidated interim financial statements have been prepared in accordance with Generally Accepted Accounting Practice (NZ GAAP). They comply with New Zealand equivalent International Financial Reporting Standards NZ IAS 34; Interim Financial Reporting and International Accounting Standard IAS 34: Interim Financial Reporting.

These financial statements are presented in New Zealand dollars and rounded to the nearest thousand. These financial statements do not include all the information required for full financial statements, and consequently should be read in conjunction with the full financial statements of the Group for the period ended 31 March 2017. The same accounting policies, presentation and methods of computation have been followed in these condensed financial statements as were applied in the preparation of the Group's audited financial statements for the period ended 31 March 2017.

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

Historical cost convention

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

Principles of consolidation

The financial statements incorporate the assets and liabilities of all subsidiaries of Metro Performance Glass Limited ('the company' or 'the parent entity') as at 30 September 2017 and the results of all subsidiaries for the period then ended.

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONT.)

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

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

FOREIGN CURRENCY TRANSLATION

Functional and presentation currency

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

Transactions and balances

Foreign currency transactions are translated using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit and loss. Monetary assets and liabilities arising from transactions or overseas borrowings that remain at balance date are translated at closing rates.

CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

New and amended standards adopted by the Group

There are no significant impacts from the adoption of any new standards or amendments by the Group during the period. The adoption of NZ IFRS 15 'Revenue' and NZ IFRS 9 'Financial Instruments' will be mandatory from periods beginning on or after 1 January 2018. The adoption of NZ IFRS 16 'Leases' will be mandatory from periods beginning on or after 1 January 2019. There are no other amendments material to the Group. As the Group has significant property lease commitments we anticipate a material change on implementation of NZ IFRS16. The impact of these standards on the Group's financial statements is currently being assessed and further information will be disclosed in the Annual Report for the 2018 financial year.

FINANCIAL INSTRUMENTS

Fair value measurement of financial instruments

At 30 September 2017, all financial instruments (interest rate swaps and forward exchange contracts) were measured at fair-value based on valuations provided by the ANZ Banking Group. All significant inputs were based on observable market data and accordingly have been categorised as level 2. At balance date, the fair value of interest rate swaps are \$0.9m (March 2017: \$0.9m) and fair value of forward exchange contracts are (\$0.004m) (March 2017: \$0.5m).

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONT.)

FINANCIAL PERFORMANCE

Segment Information

Operating segments of the Group at 31 March 2017 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. Following the acquisition of AGG, on 1 September 2016 the Group now operates in two geographic segments.

	SEP-17			
	New Zealand \$'000	Australia \$'000	Eliminations & Other \$'000	Group \$'000
Revenue	112,110	29,596	—	141,706
Segmental EBITDA	21,385	3,911	—	25,296
Group Costs	—	—	(614)	(614)
Group EBITDA	—	—	—	24,682
Depreciation and amortisation	3,802	1,323	725	5,850
Segment Assets	272,304	61,964	(34,040)	300,228
Segment Liabilities	33,535	43,779	61,253	138,568

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONT.)

FINANCIAL PERFORMANCE (CONT.)

Segment Information (cont.)

	SEP-16			
	New Zealand \$'000	Australia \$'000	Eliminations & Other \$'000	Group \$'000
Revenue	111,717	4,567	–	116,284
Segmental EBITDA	23,800	813	–	24,613
Group Costs	–	–	(1,563)	(1,563)
Group EBITDA	–	–	–	23,050
Depreciation and amortisation	3,827	286	725	4,838
Segment Assets	252,074	(3,047)	43,688	292,715
Segment Liabilities	30,851	43,229	66,245	140,325

Results for the Australia segment for the period to September 16 includes 1 month of ownership, and the period to September 17 includes 6 months of ownership.

Group costs consist of insurance, professional services, director fees and expenses, listing fees and share incentive scheme costs.

Revenue

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

Sales of goods

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

Sales of services

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

NOTES TO THE FINANCIAL STATEMENTS (UNAUDITED) (CONT.)

FINANCIAL PERFORMANCE (CONT.)

Goods and Services Tax (GST)

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

Intangible Assets

Goodwill and intangible values have been reviewed. There have been no changes in the estimated recoverable amount of goodwill or the estimated useful life of other intangibles. The amortisation expense for the six months ended 30 September 2017 was \$1.86m (September 2016: \$1.32m).

Property, Plant & Equipment

There have been no material changes in the estimated useful life of key items of plant and machinery or any significant disposals. The depreciation expense for the six months ended 30 September 2017 was \$3.98m (September 2016: \$3.51m).

Related Parties

There have been no material changes in the nature or amount of related party transactions since 31 March 2017.

Subsequent Events

Subsequent to 30 September 2017, the Board has resolved to pay an interim dividend of 3.6 cents per share (fully imputed). The dividend will be paid on 23 January 2018 to all shareholders on the company's register as at 5.00pm, 9th January 2018.

COMPANY DIRECTORY

REGISTERED OFFICE

5 Lady Fisher Place
East Tamaki
Auckland 2013
New Zealand

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

BOARD OF DIRECTORS

Sir John Goulter - Chairman, Member of Audit and Risk Committee and Chairman of Nominations Committee (retired effective 20 November 2017)

Angela Bull - Non-Executive Director

Gordon Buswell - Non-Executive Director and Member of Remuneration Committee

Russell Chenu - Non-Executive Director and Chairman of Audit and Risk Committee

Peter Griffiths - Non-Executive Director and Chairman of Remuneration Committee (appointed Chairman of the Board effective 20 November 2017)

Nigel Rigby - Executive Director and Chief Executive Officer

Willem (Bill) Roest - Non-Executive Director, Member of Audit and Risk Committee and Nominations Committee

SENIOR LEADERSHIP

Nigel Rigby - Chief Executive Officer

Dean Brown - North Island Region Manager

John Fraser-Mackenzie - Chief Financial Officer

Barry Paterson - South Island Region Manager

Geoff Rasmussen - General Manager, Operations

Brendan Simpson - CEO, Australian Glass Group

AUDITOR

PricewaterhouseCoopers
22/188 Quay Street
Auckland 1142
New Zealand

LAWYERS

Bell Gully
Vero Centre
48 Shortland Street
Auckland 1140
New Zealand

BANKERS

ANZ Bank New Zealand Limited
Westpac New Zealand Limited

SHARE REGISTRAR

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

FURTHER INFORMATION ONLINE

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

METROGLASS.CO.NZ

